

# Applied Economics (APEC)

## Student Seminar

### *FALL 2023 SERIES PRESENTS:*

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*JOB MARKET CANDIDATE*

### *Minimum Wage Inflation Indexing and Employment*



#### **Time:**

Wed. Sept. 6th, 2-3PM CT

#### **Place:**

232 Ruttan Hall

#### **Zoom Option:**

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#### **Details:**

<https://apecseminar.github.io/>

#### *ABSTRACT:*

Most recent empirical work has found that minimum wages have had either zero or fairly small negative effects on employment. Theoretical work by Sorkin (2015) has posited a simple competitive dynamic labor market model which attempts to explain these small observed effects by pointing to the fact that in real terms, past nominal minimum wage increases have been temporary, their purchasing power being gradually eroded by inflation. In this paper I test the predictions of this theory using state panel data, by comparing states whose minimum wages are indexed to inflation to those that are not. I find that, consistent with the Sorkin model, indexed minimum wages increase in their effect over time, while the effect of non-indexed minimum wages is attenuated over time.