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Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania

David Card, Alan B. Krueger

NBER Working Paper No. 4509

Issued in October 1993

NBER Program(s): Labor Studies

On April 1, 1992 New Jersey's minimum wage increased from \$4.25 to \$5.05 per hour. To evaluate the impact of the law we surveyed 410 fast food restaurants in New Jersey and Pennsylvania before and after the rise in the minimum. Comparisons of the changes in wages, employment, and prices at stores in New Jersey relative to stores in Pennsylvania (where the minimum wage remained fixed at \$4.25 per hour) yield simple estimates of the effect of the higher minimum wage. Our empirical findings challenge the prediction that a rise in the minimum reduces employment. Relative to stores in Pennsylvania, fast food restaurants in New Jersey increased employment by 13 percent. We also compare employment growth at stores in New Jersey that were initially paying high wages (and were unaffected by the new law) to employment changes at lower-wage stores. Stores that were unaffected by the minimum wage had the same employment growth as stores in Pennsylvania, while stores that had to increase their wages increased their employment.



Machine-readable bibliographic record - [MARC](#), [RIS](#), [BibTeX](#)

Document Object Identifier (DOI): [10.3386/w4509](#)

Published: [American Economic Review](#), Vol. 84, No. 4, pp. 772-793, September 1994. citation courtesy of [RePEc](#)

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National Bureau of Economic Research, 1050 Massachusetts Ave., Cambridge, MA 02138; 617-868-3900; email: info@nber.org

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