

Do wage setting shocks propagate across firms? Evidence from employer minimum wage increases *

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Abstract

Low unionization rates, a falling real federal minimum wage, and prevalent non-competes characterize the low-wage sector in the United States and contribute to growing inequality. In recent years, a number of private employers in the US have opted to institute or raise company-wide minimum wages for their employees, sometimes in response to public pressure. To what extent do these policy changes at major employers spill over to other employers in a local labor market? This paper examines spillover effects of recent company minimum wage increases, including Amazon’s recent increase to \$15 an hour in 2019 and Walmart to \$9 an hour in 2015. We estimate the impact of these policies on other low-wage employers in the same county using data on minimum posted wages from online job ads. We find large spillover effects from both Amazon’s 2019 and Walmart’s 2015 increases. We discuss potential mechanisms and plans to extend the analysis to over 100 recent employer minimum wage increases across the US.

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