Effects of Seattle wage hike modest, may be overshadowed by strong economy

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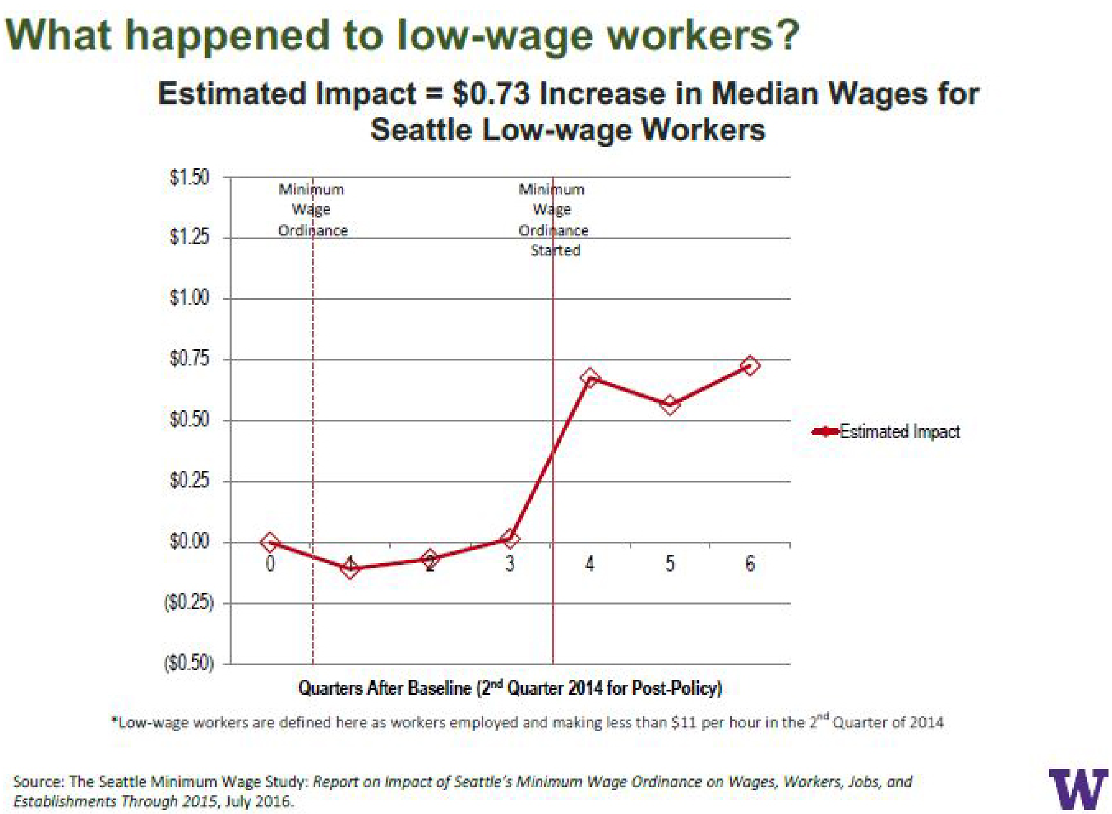

The true effect to low-income workers of Seattle's minimum wage increase to $11 in 2015 was about 73 cents, researchers say, keeping in mind that the area's strong economy might well have boosted wages anyway. Credit: Seattle Minimum Wage Study

The lot of Seattle's lowest-paid workers improved following the city's minimum wage increase to $11 in 2015, but that was more due to the robust regional economy than the wage hike itself, according to a research team at the University of Washington's Evans School of Public Policy & Governance.

Although the ordinance appears to have boosted wages for the city's lowest-paid workers, the benefits of the increase may have been partly offset by fewer hours worked per person and slightly less overall employment, the Seattle Minimum Wage Study research team found. Estimated income gains for the average worker were modest – on the order of a few dollars a week – and sensitive to methodological choices.

The City of Seattle passed its $15 minimum wage ordinance in June of 2014, and that December commissioned the UW team to conduct a five-year study of the law's impacts. The ongoing research is led by professors Jacob Vigdor and Mark Long with Jennifer Romich, associate professor in the UW School of Social Work, and other co-authors from the Evans School, the School of Public Health and the Washington Employment Security Department.

The team presented its findings in an update to the council this morning (July 25).

The ordinance took effect April 1, 2015, raising the minimum hourly wage from $9.47 to $11. Under the law, businesses with fewer than 500 employees are scheduled to reach the $15 an hour wage in 2021. Employers with 500 or more employees, either in Seattle or nationally, will reach that level in three years, or 2017.

The challenge of this report, Vigdor said, was to isolate the effects of the wage increase ordinance from all other concurrent economic factors, chiefly the surging regional economy. This enables the researchers to compare Seattle to what it might look like today had the minimum wage ordinance never happened—knowing, too, that the strong economy was slowly pushing wages up regardless of the ordinance.

For their research, the team used employment, hours and earnings records from the Washington Employment Security Division going back to 2005 to create a model of how the local labor market works. They also viewed data on other nearby regions that did not increase their minimum wage, to better understand how rising property values, expanding tech employment and even the weather might have influenced what the team observed in the city itself.

The research sought to answer two questions: What has happened to Seattle's labor market since passage of the minimum wage ordinance? And more crucially, what has been the effect of that ordinance on the labor market?

The first question involves simple comparisons of yesterday with today. But, Vigor said, "To imagine what a higher minimum wage might accomplish in a region not enjoying a significant economic boom, or what might happen in Seattle next year if the boom should wear off, the second question is the only one that matters."

The researchers found that:

- Seattle's lowest-paid workers saw larger-than-usual paychecks in late 2015, but at most, only 25 percent of the observed income gains—a few dollars a week—can be attributed to the higher wage.
- Businesses relying heavily on low-wage staff showed signs of cutting back, though they too benefited from the strong economy. They added jobs at about the same rate as businesses outside the city, but employees' working hours in the city lagged

by an average of about one hour per employee per week.
- Even amid a relative boom, Seattle's lowest-wage earners show signs of "lagging behind" a control group drawn from other parts of the state. The employment rate was down about 1 percentage point for workers who earned less than $11 an hour in mid-2014; their average hours declined, and the proportion switching from jobs in the city to elsewhere ticked upward by 2 to 3 percent.

"Our report indicates that Seattle's track record after increasing the minimum wage is neither as negative as some had feared nor as positive as some had hoped," Vigdor said. "While the vibrant local economy is boosting employment and incomes up and down the economic ladder, the positive effects of a higher minimum wage are being at least partly offset by cutbacks in hours."

The researchers cautioned, however, that their findings are statistical averages that could mask distinctions among different types of workers. The findings address only the short-run impact of Seattle's wage hike to $11 an hour and don't reflect the full range of experiences for thousands of individual workers in the Seattle economy.

Next, the research team plans to incorporate more detailed information about workers by linking employment records to other state databases. This will provide the capacity to determine, for instance, whether the workers benefiting most from higher minimum wages are more likely to be living in poverty.

Other coming work will include:

- Extending the analysis to Seattle's second wage increase, in April 2016, when the ordinance began distinguishing between businesses of different sizes
- Collecting additional survey information from Seattle businesses

and conducting more interviews with a sample of workers tracked since early 2015.

The team expects to make its next report to the city in September; that report will focus on how the minimum wage hike has impacted Seattle nonprofit organizations.

Provided by University of Washington

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