

SEATTLE MINIMUM WAGE STUDY

Seattle City Council Briefing

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Daniel J. Evans School of Public
Policy & Governance
University of Washington
Box 353055
Seattle, WA 98195

School of Social Work
University of Washington
Box 354900
Seattle, WA 98195

School of Public Health
University of Washington
Box 357230
Seattle, WA 98195



UNIVERSITY *of* WASHINGTON

Two fundamental questions:

(1) How has Seattle's labor market performed since the City passed the minimum wage ordinance?

- Was 2015 a good year compared to other recent years?
- Short answer: yes. Seattle's labor market is in great shape.

Two fundamental questions:

(2) How has Seattle's labor market performed relative to how it would have performed without the minimum wage ordinance?

- This form of question drives modern policy evaluation research.
- Requires a counterfactual: data that provide a reasonable guess as to what might have happened.
- Short answer: wages have risen, businesses have withstood the increase, work opportunities have declined modestly, average earnings have changed by no more than a few dollars a week.

Net Implication:

Seattle's low-wage work force had a good year in 2015, but would have had an almost equally good year without the minimum wage increase.

Period That We Are Evaluating



- **Law passed**
- 2nd quarter 2014

- **Law took effect**
- Min wage = \$10/\$11
- 2nd quarter 2015

- **End of currently available ESD data**
- 4th quarter 2015

- **Minimum wage increases**
- \$10.50-\$13

Questions That We Are Addressing:

1. What happened to wages?
2. What happened to low-wage workers' wages, employment, hours, and quarterly earnings?
3. What happened to employers?

How We Answer These Questions:

Question ①

Observable Change

What change do we see since the implementation of the Minimum Wage Ordinance?

Question ②

Impact of the Minimum Wage

How much of the observable change can we attribute to the Minimum Wage Ordinance?

Economic Climate

How much of the observable change can we attribute to how well the regional economy is doing overall?

Business as Usual

How much of the observable change can we attribute to what we would expect to see in previous years?

■ Minimum Wage ■ Economic Climate ■ Business as Usual

Source: The Seattle Minimum Wage Study: *Report on Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015, July 2016.*



How We Answer These Questions:

1. Compare Seattle before and after policy → “Observable Change”
2. Contrast this change with “Business as Usual” for Seattle.
3. Contrast the Seattle experience to comparison regions to capture “Economic Climate”. Comparison regions:
 - King County outside Seattle and SeaTac
 - Snohomish, Kitsap, and Pierce Counties (surrounding King)
 - “Synthetic Seattle”

Cautions:

- We are only capturing short-run impacts.
 - Long-run impacts may be larger.
- We are only capturing impacts of early phase-in.
- Cannot completely rule out other explanations.
- Cannot generalize these results to other cities or to the state of Washington as a whole.

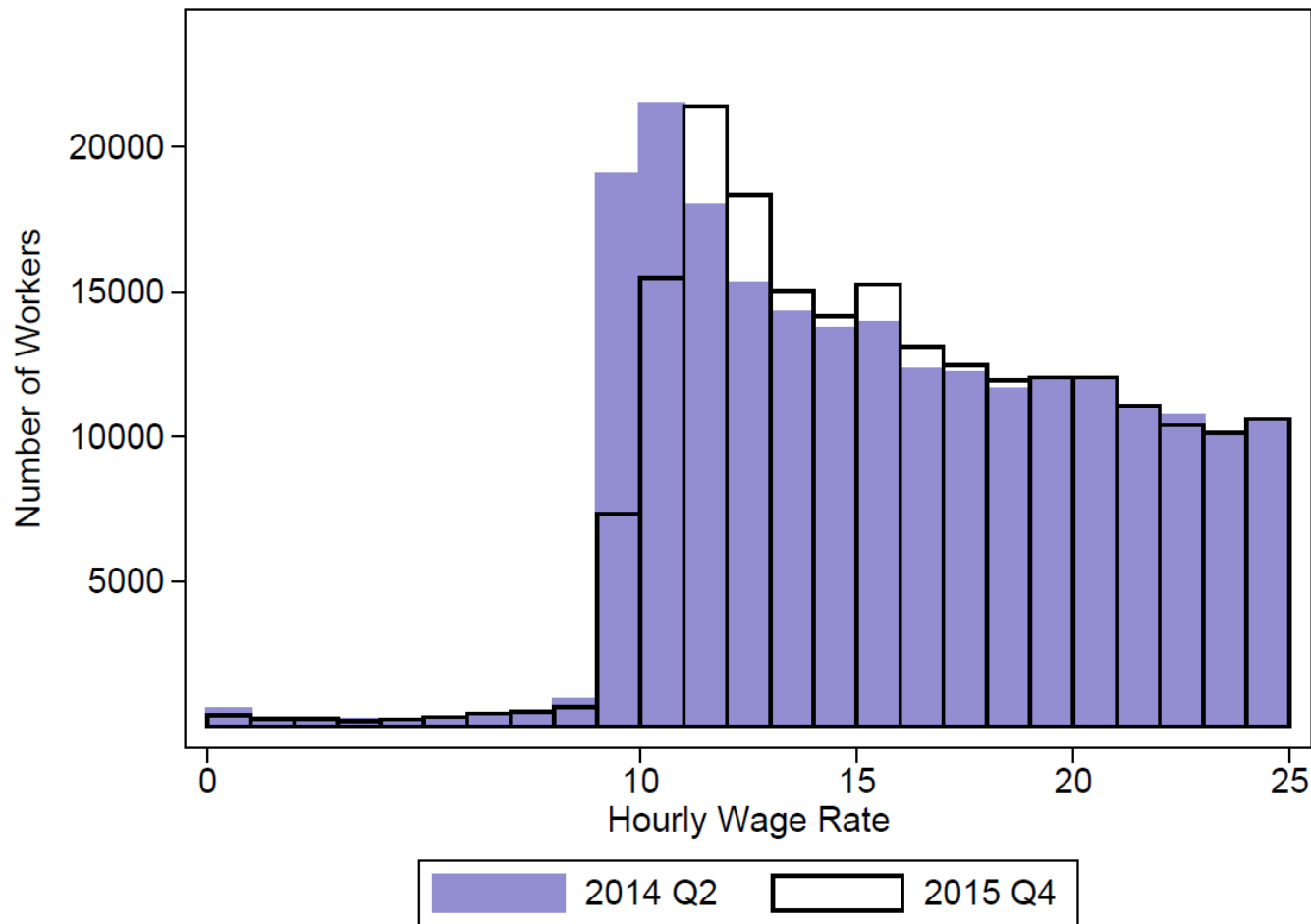
What happened to wages?

Source: The Seattle Minimum Wage Study: *Report on Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015*, July 2016.



What happened to wages?

Share of Workers with Wages <\$11/Hr. Declined Substantially in Seattle After Ordinance Passed

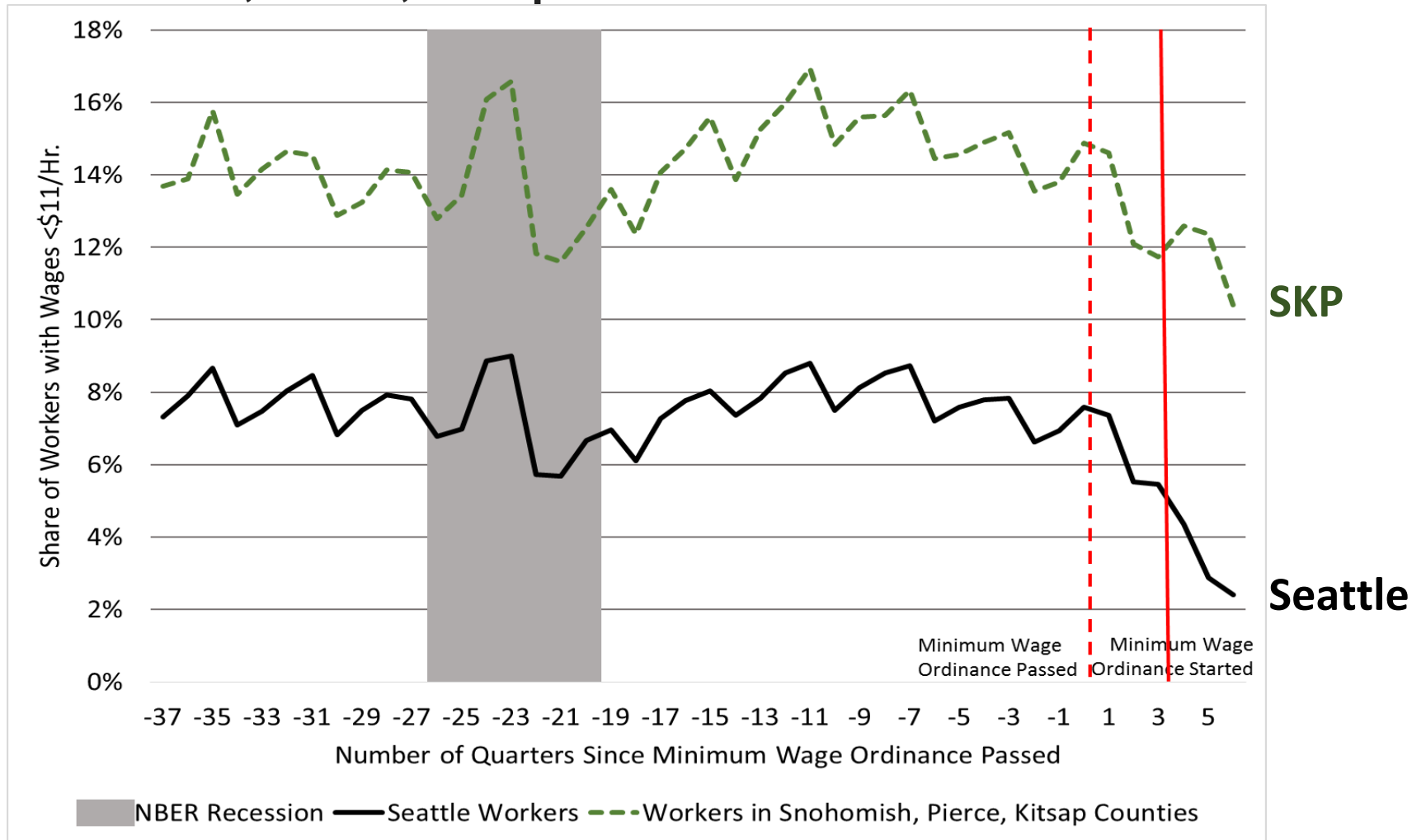


Source: The Seattle Minimum Wage Study: *Report on Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015, July 2016.*



What happened to wages?

Share of Workers with Wages <\$11/Hr. Declined Rapidly in Seattle and Snohomish, Pierce, Kitsap Counties After Ordinance Passed



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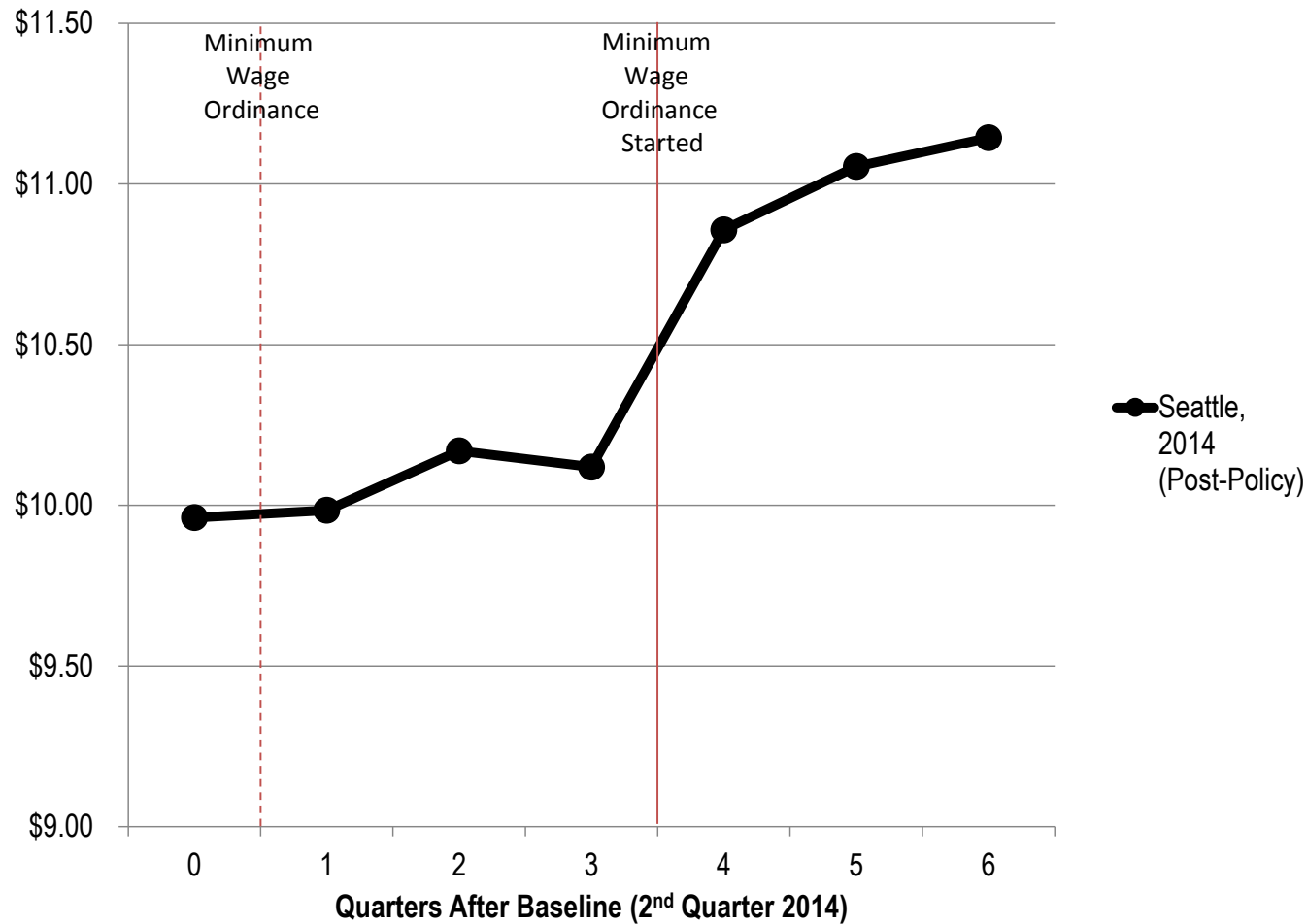
What happened to low-wage workers?

Source: The Seattle Minimum Wage Study: *Report on Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015*, July 2016.



What happened to low-wage workers?

Median Wages Up \$1.18 for Seattle Low-wage Workers



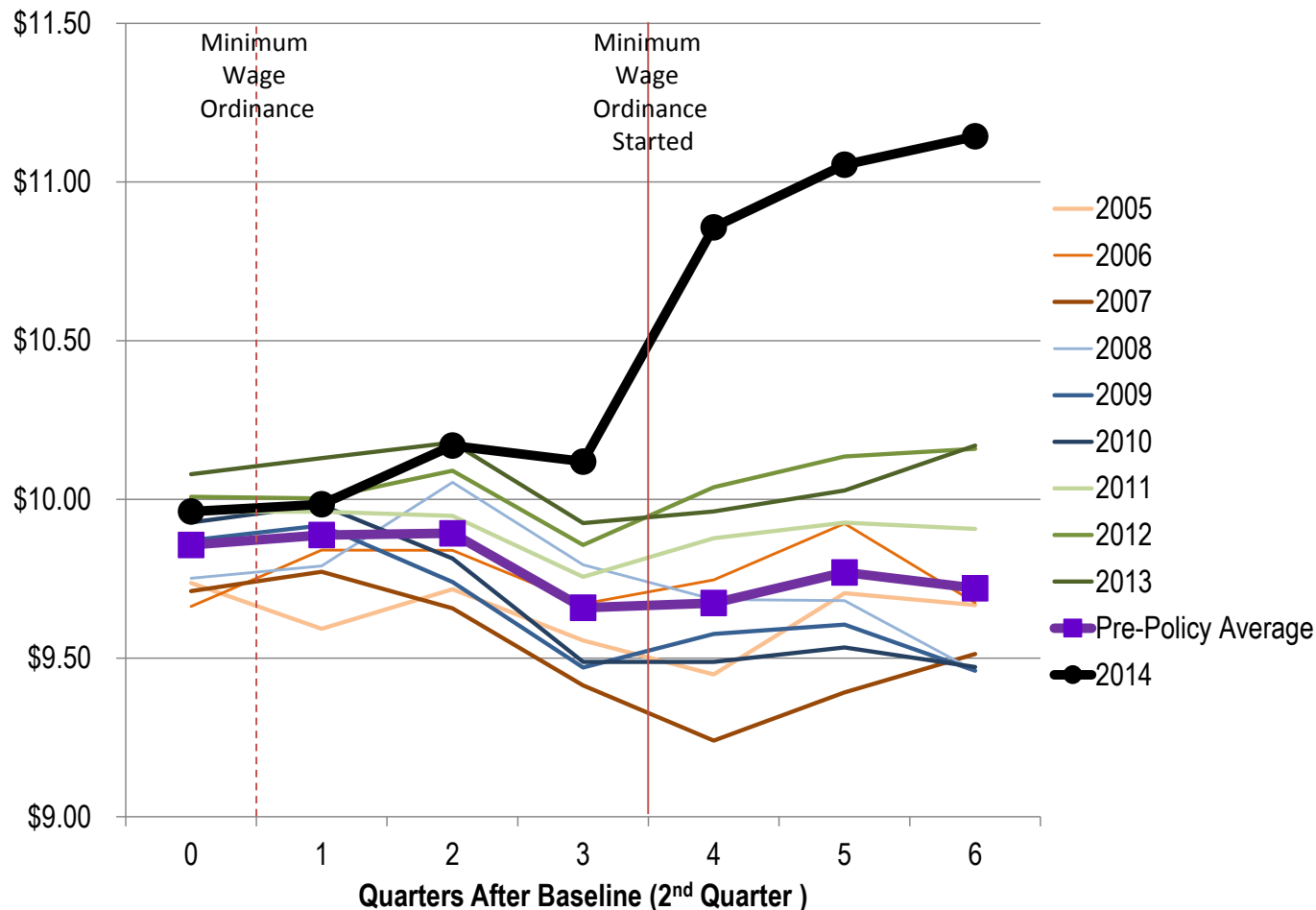
*Low-wage workers are defined here as workers employed and making less than \$11 per hour in the 2nd Quarter of 2014

Source: The Seattle Minimum Wage Study: *Report on Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015, July 2016.*



What happened to low-wage workers?

Median Wages Up \$1.32 Relative to “Business as Usual” for Seattle Low-wage Workers



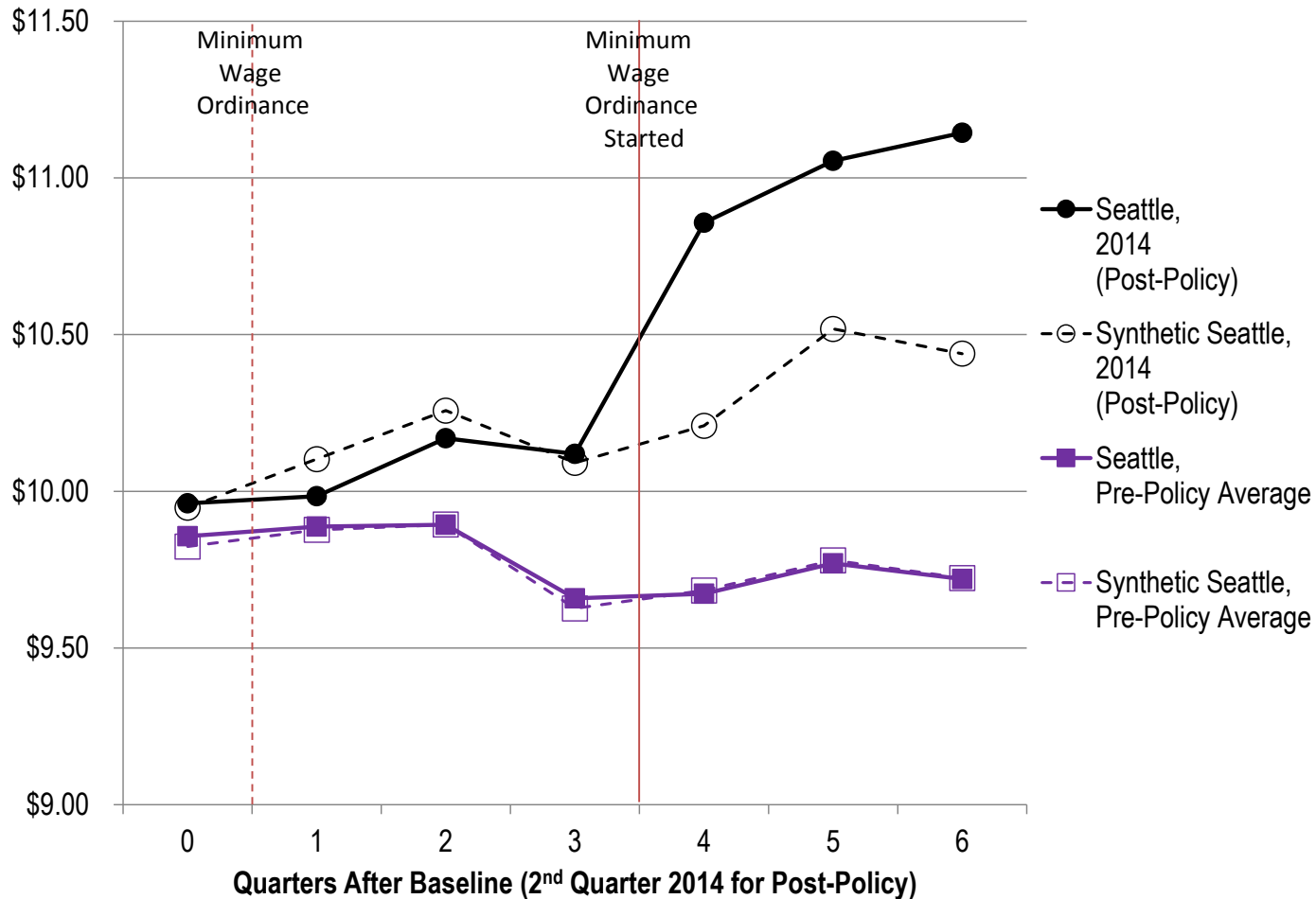
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What happened to low-wage workers?

Median Wages Up Relative to “Economic Climate” for Seattle Low-wage Workers



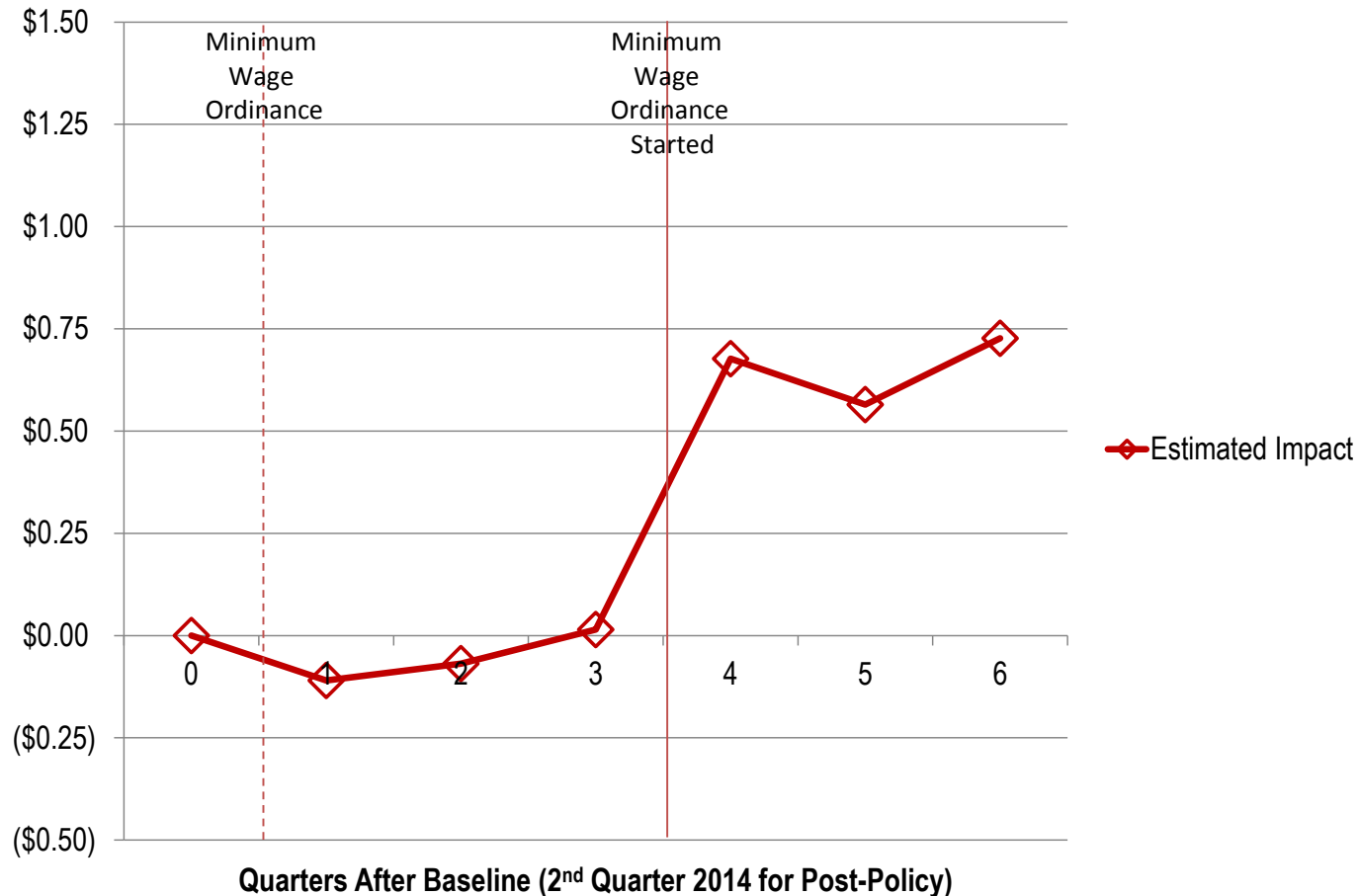
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What happened to low-wage workers?

Estimated Impact = \$0.73 Increase in Median Wages for Seattle Low-wage Workers



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What happened to low-wage workers?

Outcome	Region	Change Relative to Business As Usual	Difference Between Seattle and Synthetic Seattle
Wages	Seattle	\$1.32	
	Synthetic Seattle	\$0.59	\$0.73
Employed	Seattle	2.6%	
	Synthetic Seattle	3.8%	-1.2%
Hours	Seattle	12	
	Synthetic Seattle	16	-4
Earnings	Seattle	\$463	
	Synthetic Seattle	\$391	\$72
Remained	Seattle	-3.3%	

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What happened to employers?

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What happened to employers?

Both Closings and Openings Are Up
(Net of “Business as Usual” and “Economic Climate”)

Outcome	Region	Change Relative to Business As Usual	Difference Between Seattle and Synthetic Seattle
Closings	Seattle	-0.5%	0.7%
	Synthetic Seattle	-1.2%	
Openings	Seattle	1.0%	0.9%
	Synthetic Seattle	0.1%	

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Conclusions

Key findings:

- Median wages rose by \$1.18 for Seattle workers who started out with wages <\$11.
 - Estimated impact = \$0.73 increase.
- Low-wage workers increased likelihood of being employed relative to prior years.
 - Yet, increase was less than in comparison regions.
 - Estimate impact = 1.1 percentage point *decrease* in likelihood of low-wage Seattle workers remaining employed.
- Effect on earnings is small & sensitive to comparison region.

Conclusions

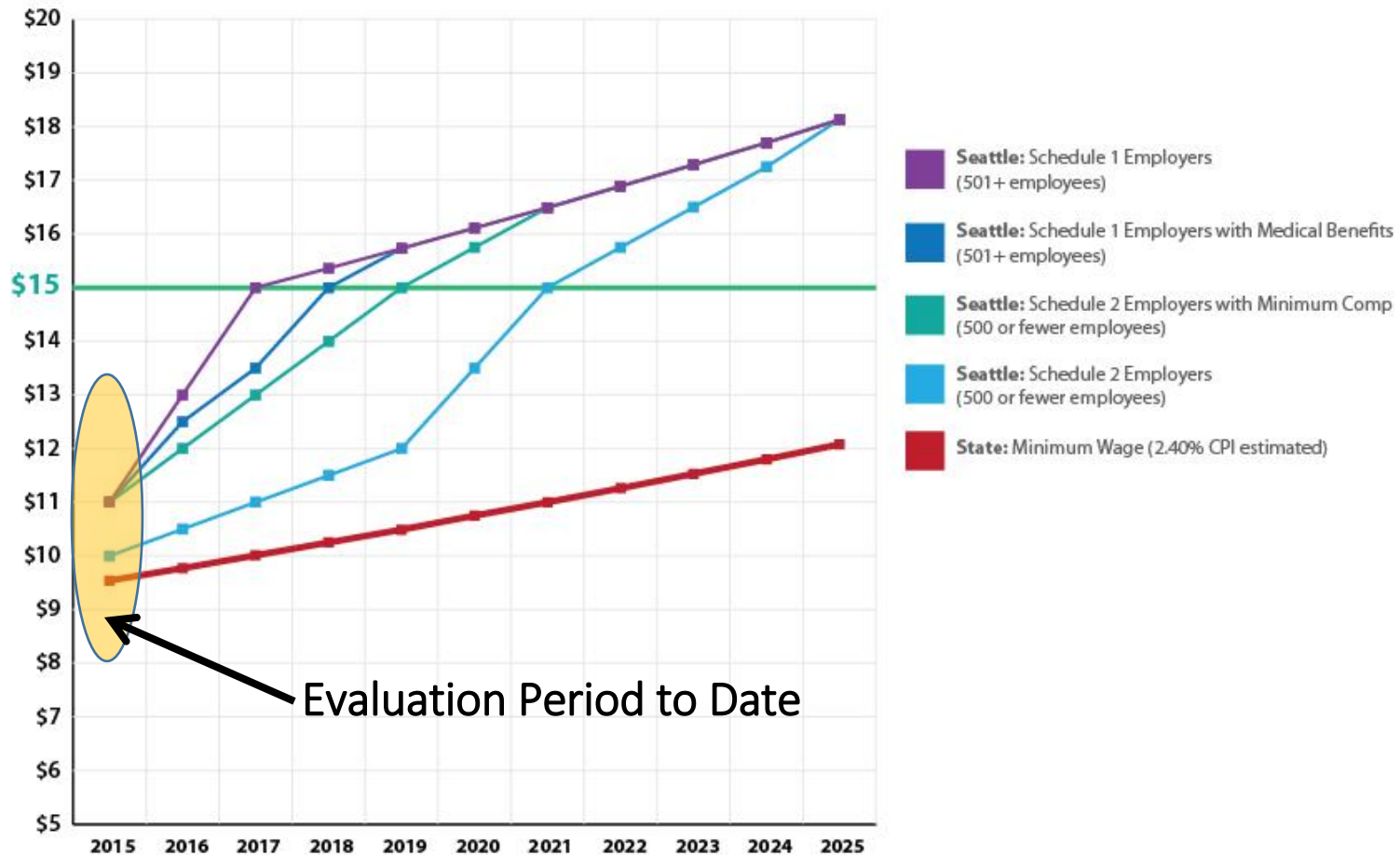
Key findings:

- Seattle employers closed less frequently than in prior years.
 - Yet, this improvement was not as strong as in comparison regions.
 - Estimated impact = 0.7 percentage point increase in the rate of business closures.
- Seattle establishments opened more frequently than in prior years.
 - Estimated impact = 0.9 percentage point increase in the rate of business openings.
- Business closures more than offset by a corresponding increase in business openings.

Period That We Have Thus Far Evaluated

\$15 Minimum Wage in Seattle

SCHEDULE OF INCREASES



Source: The Seattle Minimum Wage Study: Report on Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015, July 2016.



Next Steps

- Current: Follow-up Employer Survey
- September: Report on Nonprofits
- Fall: Merged Employment and Social Services Data
- March: Follow-up Worker Interviews

Thank you!

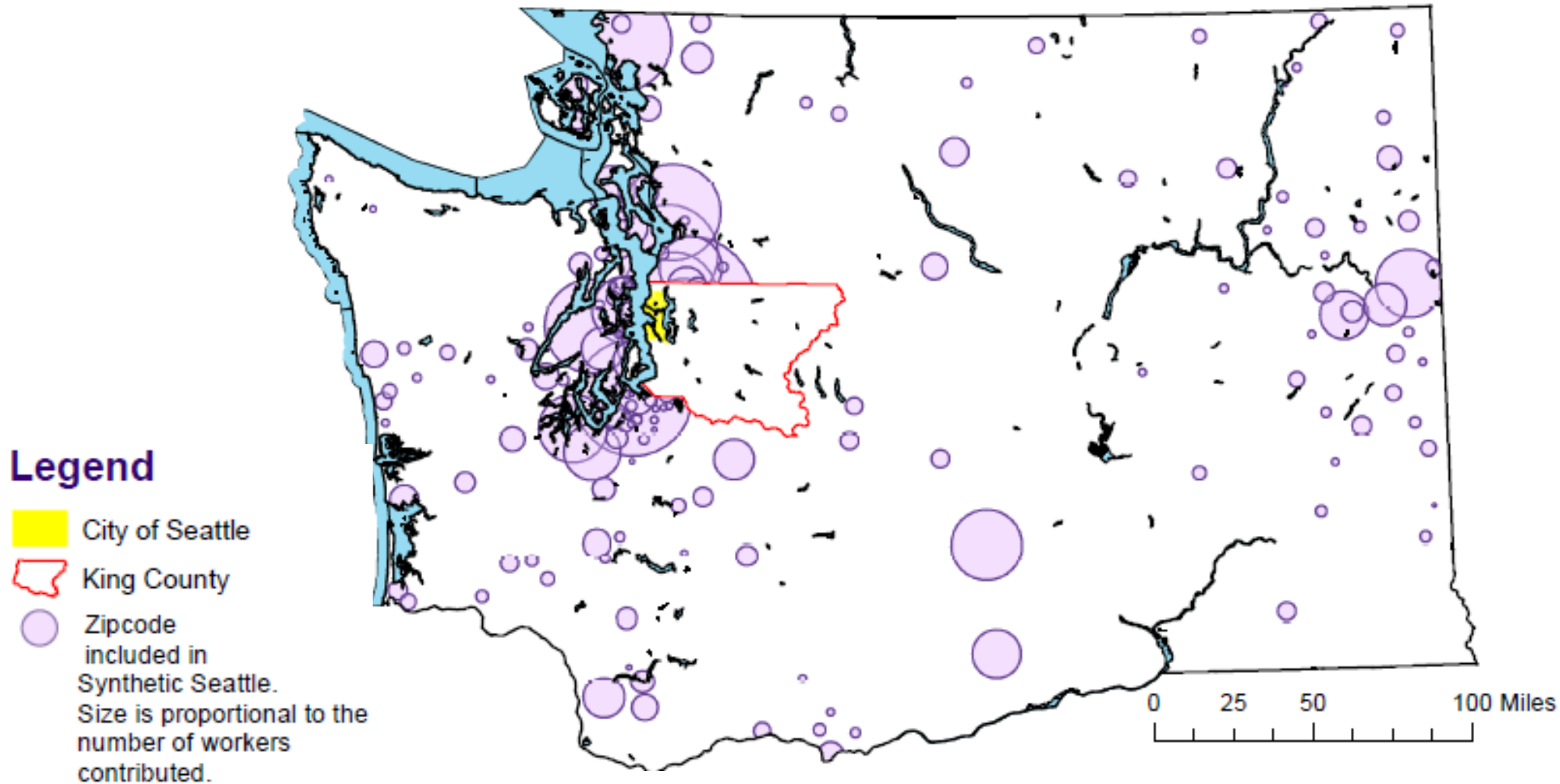
Find out more at:

<http://evans.uw.edu/centers-and-projects/minimum-wage-study>

Contact us at:

mwage@uw.edu

Figure 2: Synthetic Seattle (Excluding King County)
(For outcome = median wage rate
(For sample = workers who had <\$11 wages in quarter 0 and who
were employed in quarter 6)



Source: The Seattle Minimum Wage Study: *Report on Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015, July 2016.*

