Findings from the Seattle Minimum Wage Study

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The City of Seattle minimum wage ordinance went into effect in April 2015, with a minimum wage of $10 or $11 depending on the size of the employer and whether the employer provides health insurance. The mandate covers nearly all workers in the City of Seattle, regardless of where the employer is headquartered. The wage rate is scheduled to increase incrementally every January through 2021 and is tied to inflation thereafter (see Figure below).

The Seattle Minimum Wage Study (SMWS), a comprehensive, multi-year evaluation of the Seattle Minimum Wage Ordinance passed in June 2014 includes four longitudinal components: 1) Employer surveys with local businesses and nonprofits employing low-wage workers regarding business models, employment practices, and finances as the Ordinance is implemented. 2) In-depth interviews with workers about low-wage work, financial well-being, and work-family balance. 3) Regional price tracking of a number of consumer commodities through web-scraping and door-to-door retail canvassing. 4) Impact analysis using state administrative files from Unemployment Insurance and other social programs to understand how the law affected wage, hours, earnings, public benefit receipt, income, and poverty.

Key Findings:

Knowledge and Opinions of the Law
✦ Employers and workers know about the city minimum wage law, but there is confusion about the specifics. Most, but not all, employers knew the correct minimum wage for their business at the time they were surveyed. Many workers had a vague understanding of the law, which was insufficient to know how they would be affected. Vague or inaccurate knowledge was more common among immigrants.

✦ When asked how the higher minimum wage might alter their business model, employers’ most common response involved price increases. This response was most prevalent in the labor-intensive restaurant and hospitality industry.

✦ Workers, though generally enthusiastic about the prospects of higher earnings, often expressed wariness that the law would lead to price increases or reductions in benefits.
Short-Term Effects of the Law

Prices: No measurable impacts of the minimum wage on grocery prices, apartment rents, gas prices, or retail goods. Seattle restaurant prices have risen by an average of 7 percent, but this may reflect regional increases since we do not have sufficient data on a comparison region.

Wages: The minimum wage ordinance raised wages for individuals at the low end of the City’s workforce at the time the law passed. In late 2015, the average wage for this group was 73 cents higher than the team’s estimate of what might have happened in the absence of the wage increase.

Employment: Evidence points to a modest negative impact of the ordinance on employment opportunities. The City appears to have experienced modest reductions in the number of low-wage jobs, and the lowest-paid worker became slightly more likely to leave the City for jobs in the surrounding region.

Earnings: The modest positive effects on wages and negative effects on employment opportunities come close to canceling one another out in an analysis of total earned income. The team’s preferred estimate suggests gains of a few dollars per week, but the estimate is sensitive to methodological choice.

Implications for Policy
At this early stage of the study, we caution against drawing conclusions or generalizing the results beyond the context of Seattle.

For the City of Seattle, the employer survey and worker interviews revealed that there are some challenges with implementing a complicated policy—one which established four different minimum wages dependent on employer size and other factors—and that there was a need for greater outreach, education, and enforcement. While many employers planned to increase prices and workers feared priced increases, our preliminary price data collection did not find evidence of increases attributable to the law. The short-term impacts of the minimum wage on economic outcomes in Seattle were modest and mixed: Relative to comparison regions, Seattle wages went up, but employment and hours were reduced slightly.

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