UW MINIMUM WAGE STUDY: IMPACTS OF SEATTLE'S LANDMARK ORDINANCE VARY, ARE POSITIVE FOR EXPERIENCED WORKERS

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October 22, 2018

While Seattle's Low-Wage Labor Market Opportunities Declined Overall as Minimum Wages Rose, Many Low-Wage Workers Earned More as a Result of the Wage Increase

- Most analyses of the minimum wage, including this team's prior work, focus on the "average" impact of the policy. In reality, minimum wage increases may have very different effects on different workers. For policymakers wrestling with the implications of raising the minimum wage, it is important to understand who benefits and who is harmed as a result of the increased minimum, and by how much.

- Jardim et al. (2018a) reported that Seattle's second minimum wage increase to $13 in 2016 reduced hours worked in low-wage jobs by 6-7 percent, while hourly wages in such jobs increased by 3 percent. The net effect was to decrease the total amount paid to low-wage workers in Seattle. This doesn't necessarily imply that all workers lost income, however.

- The Minimum Wage Study's new working paper, Jardim et al. (2018b), sheds light on the experiences of over 14,000 people working Seattle's lowest paid jobs in early 2015.

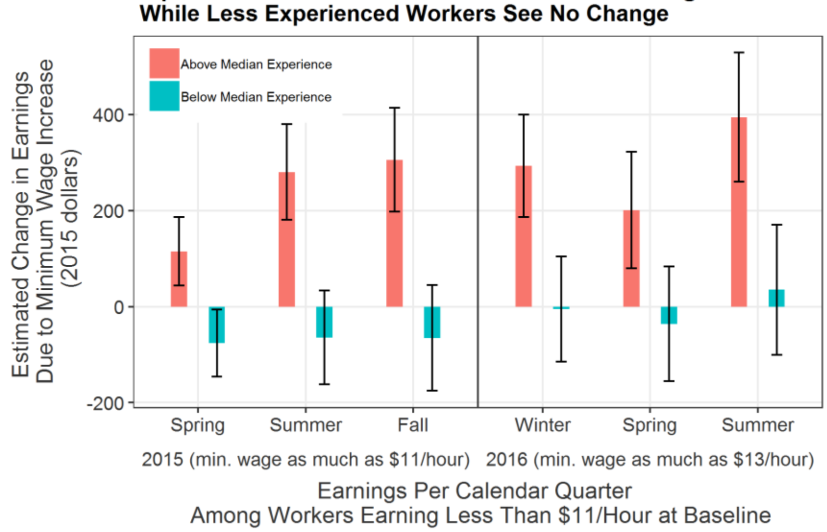
Most Experienced Half of Workers See Gains

- We evaluate the impact of the minimum wage on individual worker earnings and other labor market outcomes by following, over time, a specific group of low-wage workers: those *already employed in Seattle earning less than the new minimum wage before it increased*.

- For this group Seattle's ordinance raised average hourly wages up to $1.54 six quarters after the initial minimum wage increase, decreased hours worked by about 30 minutes per week, resulting in an average earnings gain of $156 per quarter ($12 per week).

- The effects differ significantly by worker experience (see figure). Workers with above median experience saw their earnings increase by an average of $251 per quarter ($19 per week). Less experienced workers saw little to no average change.

Experienced Workers See Gains from Minimum Wage Increases While Less Experienced Workers See No Change



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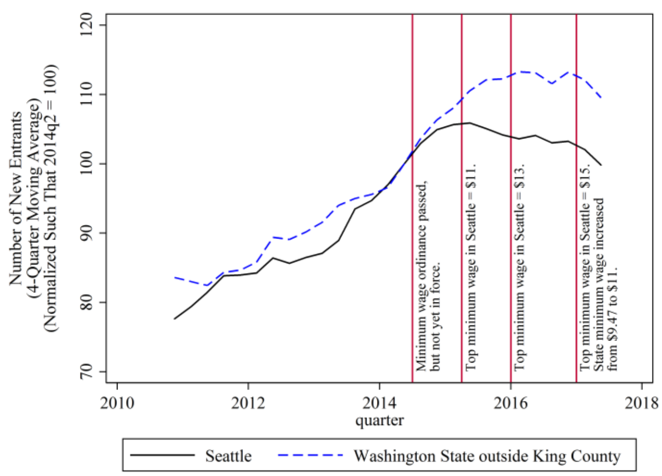
Workers More Likely to Remain With Baseline Employer, Reducing Turnover in Low-Wage Seattle Jobs

- A higher minimum wage increases incentives for employers to retain workers who have become productive at their jobs rather than hiring and training new workers. Higher wages may also increase incentives for workers to continue working for their current employer.
- In the six quarters following the introduction of the initial minimum wage increase to $11 in 2015, turnover rates declined by 8%. Reduced turnover may help explain an additional result: the number of new workers entering Seattle's low wage labor market has declined.

Fewer New Entrants in the Labor Market

- To understand how the minimum wage increases affected people just starting off in Seattle's low-wage labor market, we compared the number of new workers entering Seattle's job market to the number of new workers entering job markets across Washington State (outside of King County) from 2011 through 2017.

Fewer New Entrants in the Labor Market
Workers entering Seattle and WA who earn <$15/hour



- As shown in the figure on the right, Seattle's rate of growth of new entrants was comparable to the rest of Washington's through 2014.
- Just as the new minimum wage ordinance began to be enforced in 2015, the pace of growth in new workers entering Seattle's job market stalled and lagged behind the rest of the state thereafter.

What's Next for The Minimum Wage Study?

- The results from Jardim et al. (2018b) illuminate how raising the minimum wage affects different groups of workers based on observed work experience. However, the impact of the minimum wage may vary by other characteristics such as age or gender.
- The UW Minimum Wage Study team is in the process of acquiring additional administrative datasets that will allow us to examine demographic differences in the effects of Seattle's minimum wage ordinance and on additional outcomes including public program participation.

References

Jardim*, E., M.C. Long, R. Plotnick, E. van Inwegen, J. Vigdor, and H. Wething (2018a). "Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle", *National Bureau of Economic Research* Working Paper No. 23532 (revised).

______ (2018b). "Minimum Wage Increases and Individual Employment Trajectories", *National Bureau of Economic Research* Working Paper No. 25812.

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