

Brief Summary

**“Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle”
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Ekaterina Jardim, Mark C. Long, Robert Plotnick, Emma van Inwegen, Jacob Vigdor, and Hilary Wething

For all media inquiries, please email mwage@uw.edu.

See the Minimum Wage Study website -- <https://evans.uw.edu/policy-impact/minimum-wage-study> -- for more details about the project.

Study Design

- This NBER working paper evaluates the impact of the city minimum wage on Seattle’s entire low-wage labor market, defined as jobs paying \$19/hour or less, after two consecutive wage increases from:
 - \$9.47/hour to as much as \$11/hour on April 1, 2015, and from
 - \$11/hour to as much as \$13/hour on January 1, 2016.
- It examines whether Seattle’s minimum wage policy affected the number of low-wage jobs available, the number of hours that workers in low-wage jobs were employed, and the amount of money paid to workers in low-wage jobs.
- The analyses use data from the State of Washington Employment Security Department (ESD), collected quarterly from all employers in the state. Washington is one of only 4 states that collects hours worked, in addition to earnings, in these data. These unique data allow us to identify jobs that pay low wages and workers who earn low wages. Prior studies without hours data have had to define “low wage jobs” imperfectly (e.g. by focusing on the food service industry or teenage workers).
- The analyses examine data from Washington businesses that specify whether their employees work inside or outside Seattle in their quarterly reports to ESD. This includes 89.2% of businesses which employ 62% of the state’s workforce. The excluded businesses operate in multiple locations and do not report which employees work in which location. Evidence from the research team’s separate survey of Seattle business license holders suggests that the working paper’s conclusions would apply similarly to excluded businesses.

Key Findings

- The first Seattle minimum wage increase to \$11/hour on April 1, 2015, led to:
 - a 1.5% increase in hourly wages for low wage employees (i.e., those earning \$19/hour or less)
 - modest reductions in employment
 - little change in total payroll for low-wage jobs (total payroll is the sum of wages for all hours worked across all employees)

- The second Seattle minimum wage increase, to as much as \$13/hour on January 1, 2016, resulted in:
 - a 3% increase in hourly wages for low-wage employees
 - a 9% reduction in hours worked at wages below \$19/hour. A disemployment effect of this size would occur if, for example, a business that employed 11 low wage workers per shift in 2014 cut back to about 10 workers per shift in 2016.
 - a reduction of over \$100 million per year in total payroll for low-wage jobs, measured as total sum of increased wages received less wages lost due to employment reductions. Total payroll losses average about \$125 per job per month.
 - The findings that total payroll for low-wage jobs declined rather than rose as a consequence of the 2016 minimum wage increase is at odds with most prior studies of minimum wage laws. These differences likely reflect methodological improvements made possible by Washington State’s exceptional individual-level data. When we replicate methods used in previous studies, we produce the same results as previously found. And as noted above, survey data collected independently of this data analysis indicate that the inclusion of multiple-location businesses would not significantly alter the results.

Future Analyses

- These analyses are designed to reveal the impact on the entire Seattle low-wage labor market and do not necessarily reveal the full effect of the minimum wage increases on individual workers. Most importantly, our data do not capture employment or earnings in contract or “gig” jobs, work paid “off the books,” self-employment, or work done outside the City of Seattle.
- We may not find the same things we found in this study in other cities, states, or at the national level. There are multiple factors that make Seattle and this minimum wage law unique, including high housing costs and relatively large increases in the minimum wage beginning at what had been the nation’s highest state minimum wage.
- In coming months, the minimum wage study team expects to expand and deepen this analysis by examining:
 - How the effects of the Seattle minimum wage differ across workers with different personal and family characteristics;
 - How higher minimum wages impact worker productivity; and
 - What the employer surveys and worker interviews say about the lived experiences of this law.