



OLRGCC

Office of Legislative Research
and General Counsel

MINIMUM WAGE EFFECTS

Findings from
Seattle

MINIMUM WAGE RESEARCH

Classic theory:

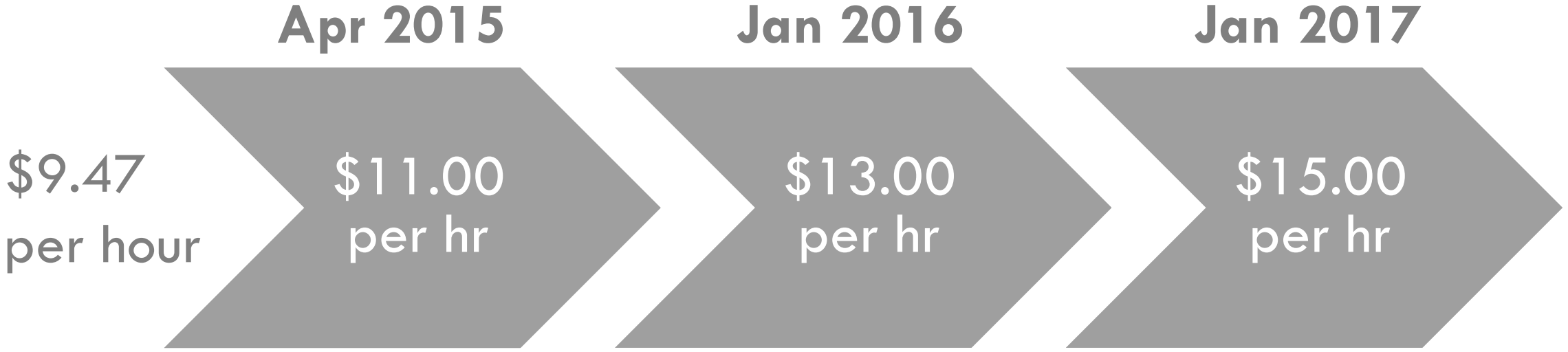
- Higher minimum wage leads to reduction in employment
- Whether gains outweigh losses depends on elasticity of demand
- 1982 – Minimum Wage Study Commission
 - 10% increase in min wage ~ 1-3% reduction in employment

MINIMUM WAGE RESEARCH

New Minimum Wage Research:

- 100s of studies since the early 1990's
- Results vary from disemployment effect to positive employment effect
- Explanations vary

SEATTLE MINIMUM WAGE INCREASES



UC BERKELEY STUDY

Data/Methodology

- Food services industry
- Quarterly Census of Employment and Wages
- Total Payroll & Employment Headcount
- Synthetic control

Source: Reich, Alegretto, and Godoey, "Seattle's Minimum Wage Experience 2015-16," 2017.



UC BERKELEY STUDY

Wage Impact

- Limited service restaurants
elasticity = .229*
- Full service restaurants
elasticity = .036

*Statistically significant



UC BERKELEY STUDY

Employment Impact

- Limited service restaurants
elasticity = $-.060$
- Full service restaurants
elasticity = $.045$





UNIVERSITY OF WASHINGTON STUDY

Data/Methodology

- Single-site low wage workers
- Washington Employment Security Department
- Total payroll & Hours worked
- Synthetic control

Source: Jardim, et al, "Minimum Wage Increases, Wages, and Low-wage Employment Evidence from Seattle," 2017.



UNIVERSITY OF WASHINGTON STUDY

Wage Impact

- \$9.47 to \$11.00
1.7% increase in wages
- \$11.00 to \$13.00
3.1%* increase in wages

*Statistically significant



UNIVERSITY OF WASHINGTON STUDY

Employment Impact

- \$9.47 to \$11.00
1.9% decrease in hours
- \$11.00 to \$13.00
9.4%* decrease in hours

*Statistically significant



UNIVERSITY OF WASHINGTON STUDY

Overall Impact

- Ave. low-wage employee:
\$1,897 per month
- Reduction in hours cost:
\$179 per month
- Wage increase:
\$54 per month
- Net loss:
\$125 per month (6.6%)



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