Seattle is a guinea pig for $15 minimum wage. Here's what the latest research shows

*Washington (CNN Business)*As states and cities have forged ahead in raising their minimum wages, early evaluations have found fears of widespread job loss to be mostly unfounded. It's been less clear, however, which workers have benefited more than others.

A new study out of Seattle, one of the earliest jurisdictions to adopt a path toward $15 an hour, offers a look under the surface. The economic ripple effects of the wave of minimum wage increases are hard to measure precisely, making the Seattle experience an important test case.

Congress hasn't raised the federal minimum wage since 2009. Instead, local politicians and voters have led the way in the past few years. Ten large cities and seven states have passed minimum wages to between $12 and $15 through August.

Seattle has served as a national guinea pig for the policy since 2014, when its voted to gradually raise its minimum wage from $9.47 to $15.45 for large employers this year and $16 in 2019. The latest research, released Monday, shows that workers made more money despite getting fewer hours — but that experienced workers made out the best.
The study, conducted by economists at the University of Washington using state unemployment insurance data, found that the increase added about $10 per week on average to the earnings of low-income workers through 2016, even while reducing weekly hours slightly. But more experienced workers made $19 more per week, the research found, partly by making up for lost hours in Seattle at second jobs worked outside city limits.

In addition, employee turnover decreased, which the authors believe suggests that employers tried harder to retain their most productive staff members as wages went up. That's a plus for existing workers, but potentially an obstacle for inexperienced or new workers trying to get that first line on their resume.

Indeed, the study showed that fewer new workers entered Seattle's low-wage labor market compared to the rest of Washington. "Seattle's minimum wage ordinance appears to have delivered higher pay to experienced workers at the cost of reduced opportunity for the inexperienced," the study's authors wrote.

The authors noted that younger workers priced out of fast-food or other low-wage industry jobs by the higher minimum wage are in the best position to get the training they would need to find better jobs. At the same time, higher minimum wages help make cashier, dishwasher or janitorial work into viable long-term employment for those who can't move up the career ladder.

Critics say studies overstated loss of new workers

The new findings update an initial study released last year by the same team of University of Washington researchers that found a net decrease in the

earnings of low-wage employees in Seattle, drawing fire from some economists over methodology.
A critique published Monday by the left-leaning Economic Policy Institute says problems with the first study haven't been fixed, and thus the new study overstates the reduction in new entrants to Seattle's labor market. Since it defines "new entrant" as someone making less than $15 an hour, the study would count someone who got hired at $16 or $17 an hour as a lost job instead of a better one.

In response, the University of Washington team says that even counting new workers making up to $19 an hour, Seattle still saw a decrease in its rate of new entrants compared to the rest of the state.

A different study released last month by the Institute for Research on Labor and Employment at the University of California at Berkeley showed no employment loss in six cities that had raised wages above $10 by 2016 — Seattle, San Francisco, Chicago, Washington D.C., Oakland and San Jose. Rather, that study found that average weekly earnings for workers in the food service industry went up between 1.3% and 2.5% for every 10% increase in the minimum wage.

"Recent studies of restaurant workers have arrived at a consensus: They find little to no detectable negative effects of minimum wages on restaurant employment," the authors wrote.

States lead the way, and Congress may follow

The findings come as the political calculus around the minimum wage has been shifting, with inequality on the rise and ballooning housing costs eating up more and more of the average worker's paycheck. Amazon's plan to increase its minimum wage to $15 on November 1 has added corporate heft to efforts to raise pay nationally.

If Democrats regain control of the House, they will prioritize a bill to raise the minimum wage to $15 by 2024, and then index it to inflation, according to a spokeswoman for the minority staff of the House Education and Workforce Committee. Democrats believe some Republicans might get on board, giving it a shot at passing the Senate even if Democrats don't control the chamber.

Meanwhile, state and local efforts continue. This year, ballot initiative efforts have failed in North Dakota and Michigan. But a $15 minimum wage bill was signed into law by Massachusetts Governor Charlie Baker, a Republican, and labor unions have won increases of up to $19 for workers at ports and airports. Voters in Arkansas and Missouri will decide on more modest increases on Election Day.

Although raising local minimum wages has so far appeared to deliver benefits for workers, researchers caution that all recent studies have taken place in the midst of an economic expansion, and in particularly hot urban areas. Bringing a small town in New Mexico up to the same level, for example, might not yield similarly positive results.

And even some supporters of Seattle's minimum wage ordinance worry about the future.

"Are we making decisions that we're getting away with because of the economic boom?" asked Ryan Calkins, a Seattle Port Commissioner who until 2016 ran an import and distribution company. He said putting more money in the hands of low-wage workers is good for business, but that higher labor costs might not always be so easy to absorb. "What happens when things tighten up as the business cycle turns down?"

Oregon lawmakers approve landmark minimum wage increase

SALEM, Ore. (AP) -- Oregon lawmakers have approved landmark legislation that propels the state's minimum wage for all workers to the highest rank in the U.S., and does so through an unparalleled tiered system based on geography.

The measure passed the state House on Thursday and is headed to Democratic Gov. Kate Brown, who said in a statement she will sign it.

The move makes Oregon a trailblazer in the broader debate about minimum wage unfolding nationwide as the federal threshold remains unchanged from Great Recession levels.

Fourteen other states have raised their rates over the past two years. Another dozen or so are considering taking up the issue this year, either through legislative action or ballot initiative, as issues of wage inequality and middle-class incomes have climbed to the forefront of presidential campaigns by Democratic candidates Bernie Sanders and Hilary Clinton.

Oregon's plan imposes a series of gradual increases over six years. By 2022, the state's current $9.25 an hour minimum — already one of the highest in the nation — would climb to $14.75 in metro Portland, $13.50 in smaller cities such as Salem and Eugene, and $12.50 in rural communities.

Those minimums dethrone Massachusetts — where the statewide rate will climb to $11 an hour next year — from the top spot, according to the Economic Policy Institute, a D.C.-based think tank that tracks wage laws across the nation.

The measure was crafted as a compromise between what unions, businesses and farmers want and as an attempt to thwart more aggressive proposals that could go before voters in November. Those two proposals call for a statewide minimum of $13.50 or $15, and would be phased in over half the time. Labor unions have not yet indicated whether they'll follow through with ballot initiatives.

Other states that have boosted statewide minimums above $10 include California and Vermont. That stands in stark contrast to more conservative states such as Idaho, which has blocked previous efforts to raise its minimum beyond the federal level, and Arizona, where lawmakers are considering a bill that would block state funding to municipalities that set a local minimum wage.

While there are varying approaches to raising the minimum wage, the three-tiered regional system is uniquely Oregon's.

States have targeted wage hikes for government employees or certain industries, as seen recently in New York for fast-food workers, while others allow local jurisdictions to set their own rates above the state threshold, prompting recent hikes in cities such as Seattle and Los Angeles.

Oregon, however, would be the first state without a one-size-fits-all statewide minimum.

"Oregon has always been at the forefront of new ideas in the country. We were the first to actually have a minimum wage," said Rep. Paul Holvey, a Democrat from Eugene. "Trust me, we're not solving all the problems, but we are making a substantial dent in it by pushing up from the bottom some wage equality ... from the huge disparity we have in incomes."

The state is deeply divided between west and east by economic, cultural and political differences. The goal of the tiered approach is to balance the needs of the more urban west — where living costs have soared in rapidly growing Portland — and struggling farming communities in the east.

Division over the minimum wage — currently at $7.25 in federal law — is also often split along party lines and pits low-wage workers against business groups, as has been seen in Oregon this year. Republicans, the minority party in the Oregon Statehouse, have opposed the increase.

Barry Bushue, president of the Oregon Farm Bureau, said Thursday's vote shows Democrats don't value family agriculture.

"This enormous increase will force many family farmers to try to find ways to mechanize or transition away from labor-intensive products Oregon is known for, like apples, pears, milk and berries," Bushue said. "Unfortunately, some will give up and sell, while others will simply go out of business."

David Cooper, an economic analyst the Economic Policy Institute, said wage increases have never lead to widespread damaging effects, but he also expressed hesitation about Oregon's regional approach.

"I think any time you create these sorts of somewhat arbitrary geographic districts, that's when you can create opportunities for some sort of economic disruption," he said.

Minimum wage fight may heat up after new study finds jobs and hours fell in Seattle

Natalie Kitroeff

It's one of the core questions in the debate over minimum wage: Does pushing the pay floor to $15 lead businesses to cut hours and jobs?

A much-anticipated study released Monday by a team of researchers at the University of Washington is likely to intensify that controversy — just as Los Angeles heads toward its own minimum-wage increase for large businesses, from $10.50 an hour to $12 an hour on July 1.

The new study has found that jobs and work hours fell for Seattle's lowest paid employees after the city raised the minimum wage to $13 last year on its march to $15 for all workers by 2021.

The analysis shows that jobs and hours for those workers declined faster in Seattle than in surrounding control areas, where the minimum wage did not increase.

That finding diverges from past studies of minimum wage increases in Seattle and elsewhere, which have found relatively little effect on employment. And some economists see it as a possible sign that $15 minimum wage laws such as those passed in Seattle, New York and several California cities could hurt workers at the lowest end of the wage spectrum.

Seattle has been a leader among the nation's cities in dramatically raising its wage floor, to one of the highest in the country. For that reason, it has drawn the attention and intense scrutiny of academics and pundits on both sides of the minimum wage debate.

The University of Washington’s ongoing study, commissioned by the city of Seattle, is well suited to measure the results of that experiment because it looks specifically at what happened to workers who earned low wages, independent economists said.

Washington is one of only four states that actually track how many hours each employee works, allowing researchers to identify exactly which workers are paid the lowest hourly wage and how their pay and employment opportunities changed.

Studies of wage hikes in other states and cities have instead focused on broad industries, like restaurants, that tend to pay low wages, or on teenagers, who tend to earn small paychecks.

“This is a study that has the power to move people’s beliefs. It will have a substantial impact on the debate,” said David Autor of MIT, one of the country’s leading labor economists, who reviewed the paper before it was published.

“It suggests we should be proceeding cautiously when we start pushing minimum wages into ranges where they are pretty significant,” Autor said.

Of course, what happens in Seattle could stay in Seattle. The city is unique in that it started from a high wage floor. In two dozen U.S. states, the minimum wage is less than $9 today, and there’s no indication that bringing those rates up incrementally would do any harm.

Under the Seattle wage law, companies with more than 500 workers worldwide that didn't contribute to worker health insurance saw the minimum hourly rate they were required to pay rise from $9.47 in 2014 to $11 in April 2015. That uptick barely changed the number of low-wage jobs in the city, according to an analysis released last year by the same group of Washington researchers. It was only when the rate went to $13 an hour in January 2016 that the economists started seeing signs of trouble.

Low-wage workers in Seattle — people earning less than $19 an hour — saw their hours decrease by about 9% from 2014 to 2016, compared with the surrounding control area, the study found. The number of low-wage jobs overall declined by nearly 7% relative to the control group.

Emmanuel Saez, an economist at UC Berkeley who also reviewed the paper, agreed that the study was well designed. But he was less sure of its negative implications.

Saez said that it's possible that a booming Seattle job market drove away low-wage jobs. Seattle's unemployment rate has dropped to record lows in recent months, reaching 3.2% in May, and employers may have been forced to pass out raises even without a higher minimum, he said.

"I am not yet convinced by this study that the Seattle minimum wage has created large employment losses," Saez wrote in an email.

Seattle's 2014 law applied different minimum wage rates depending on the size of the business and whether employees got medical benefits or tips. Franchisees — say, individual McDonald's restaurants — were counted as large businesses and subject to higher rates.

"The cost of labor is going up and employers are trying to adjust to that by cutting hours worked," said Katya Jardim, a co-author of the University of Washington report. "It suggests there are at least some workers being impacted negatively by higher minimum wages."

It is impossible to know for sure how a similar jump will play out in Los Angeles, which has a different economy than Seattle. But some economists said there's reason to worry.

"Los Angeles should be alarmed by this," said Edward Leamer, an economist at UCLA. Seattle is packed to the gills with high earners, he said, and is the type of city that economists expect to weather minimum wage increases better than most.

In Seattle, the average hourly wage is about $36, compared with $28 in Los Angeles, according to the Bureau of Labor Statistics.

"A high minimum wage in Los Angeles is likely to do more harm because you have more minority, low-pay, low-skill workers," said David Neumark, an economist at UC Irvine.

In Los Angeles' favor is that it is surrounded by urban centers that are also pushing quickly toward a $15 wage floor, giving fewer options to companies looking to move to greener pastures. In Washington, Seattle is the only major city that's quickly approaching $15.

By 2016, Seattle restaurants had cut hours and jobs for low paid workers, but had hired more highly paid employees, the study found.

Servers prepare food orders at an Ivar's restaurant in Seattle. In Seattle restaurants the number of jobs and hours worked overall did not change much after the minimum wage rose to $13 an hour, a University of Washington study found. (Elaine Thompson / Associated Press)

The researchers conducted two surveys of 500 businesses, which seem to suggest that restaurants are moving toward a model of either limited service — where people pick up their food at a counter and bus their own tables — or lavish, full-service joints — places where a salad can cost, say, $25.

"It's an evolution in the types of restaurants you see in Seattle and it's an evolution in terms of restaurants hiring experienced workers," said Jacob Vigdor, who co-authored the report.

All restaurants appear to be relying more and more on higher paid workers. That could be happening because Seattle is booming and hordes of new tech workers need fancy places to eat.

"This is happening in Seattle anyway, regardless of the minimum wage; we are seeing a shift away from low-wage jobs and to high-wage jobs," said Ben Zipperer, of the Economic Policy Institute, a liberal research group.

It could also show that the minimum wage is achieving one of its intended goals, by leading cities away from being centers of low-paying gigs in favor of more lucrative job opportunities.

Either way, that shift could produce losers: teenagers, for instance, and other people who don't have the skills to vie for positions that pay top dollar.

"If you are someone trying to break into the labor market, get your first job, a young person or immigrant, that's where it really seems like it's become more difficult," Vigdor said.

Researchers at UC Berkeley published a separate report on food services businesses in Seattle earlier this month, which found that pay went up in the sector and the number of jobs didn't change, compared with a control group that included areas outside of Washington.

The researchers did not have the hourly data that the Washington researchers used, so they could not disentangle low-paid servers and cooks from higher paid ones, or look specifically at work hours.

"You have to have the special micro-data, which only they have. It's not publicly available," said Michael Reich, an economist at UC Berkeley and the lead author of that report.

Reich said he was skeptical of the University of Washington research because it found that employers were considerably more sensitive to small changes in the average wage than in any previous study.

“Their results look way off the charts,” Reich said.

He faulted the researchers for using a control group that only included regions within Washington, when bigger cities outside the state have job markets that act more like Seattle’s. He also took issue with the approach because it focused almost exclusively on employers that have one location in Seattle, which excludes retail and restaurant chains.

The report could have overstated the impact on employment, Reich said, because some people who lost jobs at single-site employers may have actually decided to go work at a multisite employer. The report would have labeled that move a job loss.

The Washington researchers said they couldn’t track multisite employers because those businesses don’t identify the specific locations where their employees report to work. However, in separate surveys, where the researchers talked to both types of business, the ones with multiple locations were actually more likely than single-site employers to say they had cut jobs and hours when the wage went up. That suggests that there may have been an even greater job loss for low-paid workers in those bigger businesses.

It is possible that employers didn’t cut as many jobs as it appeared in the study, because some bosses could have responded to a higher minimum by moving low-wage workers into independent contract positions rather than firing them. The researchers didn’t have data on independent contractors, and so they didn’t capture that dynamic.

Natalie.Kitroeff@latimes.com

Follow me @NatalieKitro on Twitter

ALSO

[The Internet is mauling America's malls. Is your favorite retailer closing its doors?]

[Women in their own words: Why we're not working]

[To fight unemployment, Trump plans to push apprenticeships. But will he spend more money on them?]