

Seattle Minimum Wage Study: Spring 2019 update

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With major intellectual contributions from UW Minimum Wage Study members, Evans School of Public Policy & Governance, School of Social Work, School of Public Health

Overview

- > Overview of longitudinal findings (paper released by NBER in October 2018)
- > What's been going on the past couple of years?
- > Q&A

Table 1: Minimum Wage Schedule in Seattle under the Seattle Minimum Wage Ordinance

Effective Date	Large Employers ^a		Small Employers	
	No benefits	With benefits ^b	No benefits or tips	Benefits or tips ^c
Before Seattle Ordinance				
January 1, 2015	\$9.47	\$9.47	\$9.47	\$9.47
After Ordinance				
April 1, 2015	\$11.00	\$11.00	\$11.00	\$10.00
January 1, 2016	\$13.00	\$12.50	\$12.00	\$10.50
January 1, 2017	\$15.00 ^d	\$13.50	\$13.00	\$11.00
January 1, 2018	\$15.45	\$15.00 ^e	\$14.00	\$11.50
January 1, 2019	\$16.00	\$16.00	\$15.00 ^f	\$12.00
January 1, 2020				\$13.50
January 1, 2021				\$15.00 ^g

Data: Cohorts of workers earning below new minimum wage in baseline quarter

Pre-policy Quarters used for Match			Outcome Observation Quarters		
Baseline Quarter					
Cohort 1: MW increases up to \$11/hour					
2014.3	2014.4	2015q1	→	2015q2	2015q3 2015q4
Cohort 2: MW increases up to \$13/hour					
2015.2	2015.3	2015q4	→	2016q1	2016q2 2016q3

Methods: Nearest Neighbor Matching

Nearest neighbor matching to estimate intent to treat

> 1:1 matching using Mahalanobis distance

> Sample without replacement

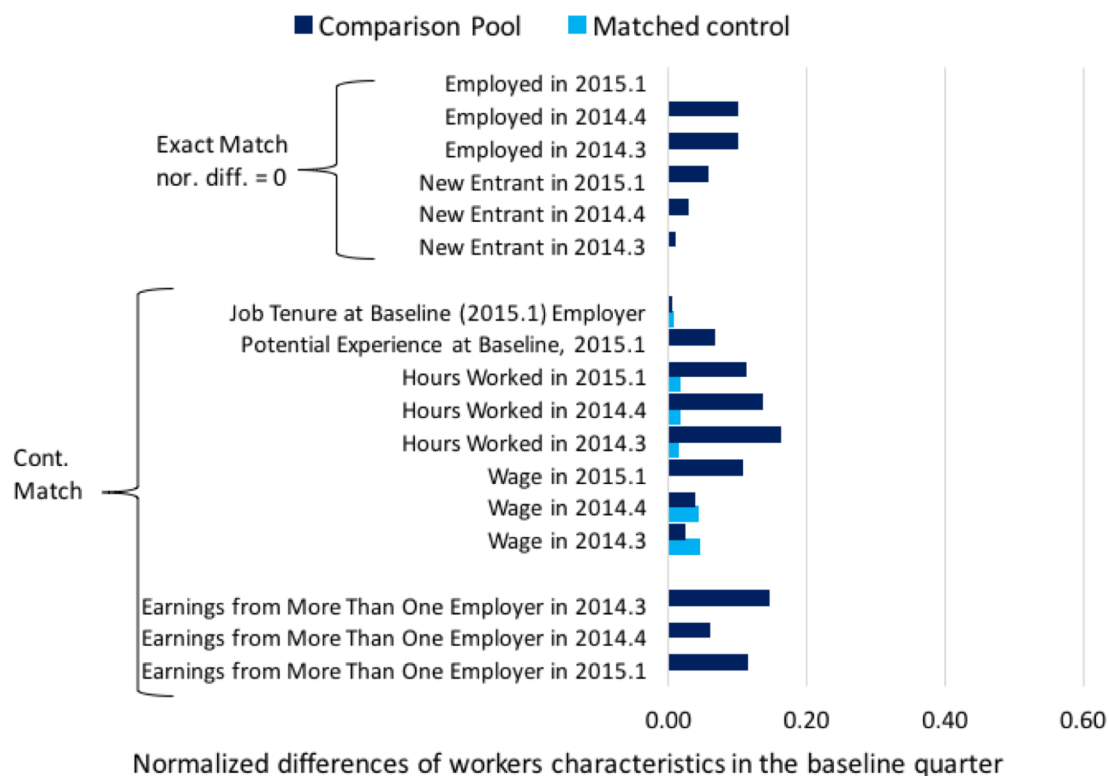
> Exact Match:

- employment history, entrant status in pre-period quarters.

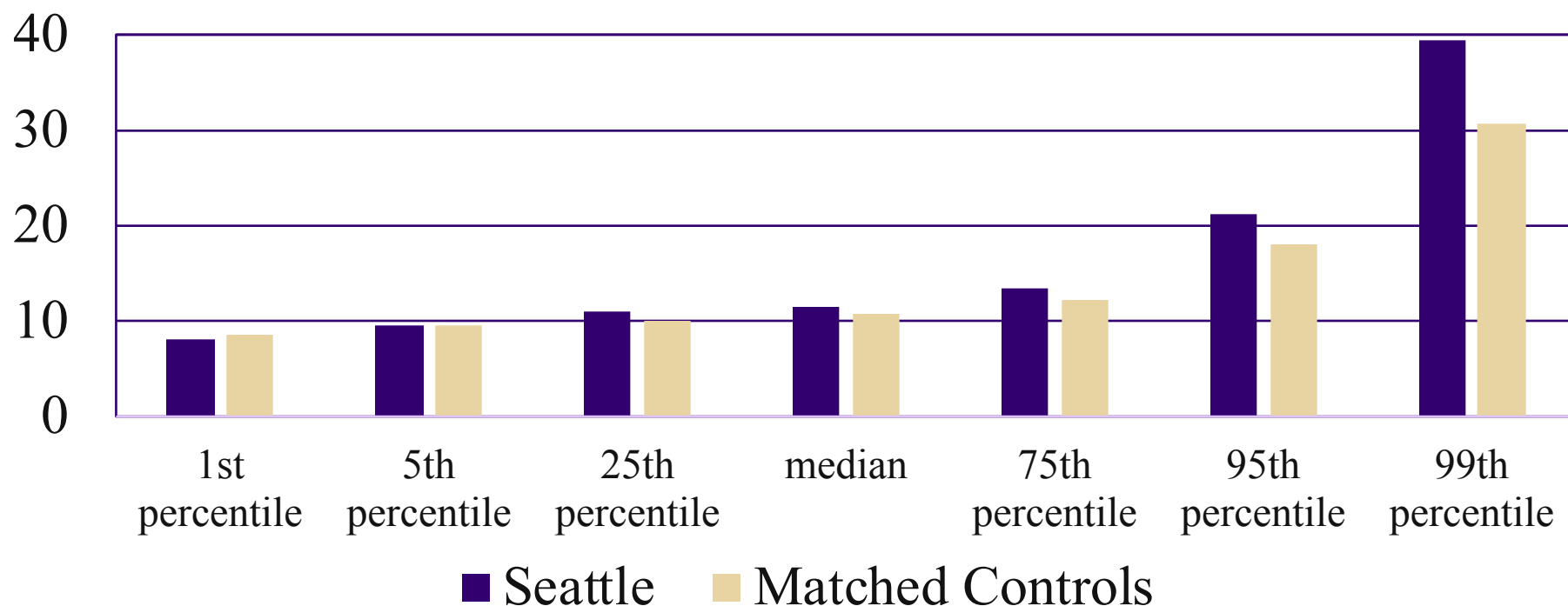
> Continuous matching:

- hours worked in all jobs,
- hourly wage rate (conditional on employment),
- multiple job holding (conditional on employment),
- number of quarters a worker has been with their baseline employer,
- number of quarters since we have first observed this worker in Washington State data

Methods: Normalized Differences, Cohort 1 (Baseline: 2015q1)



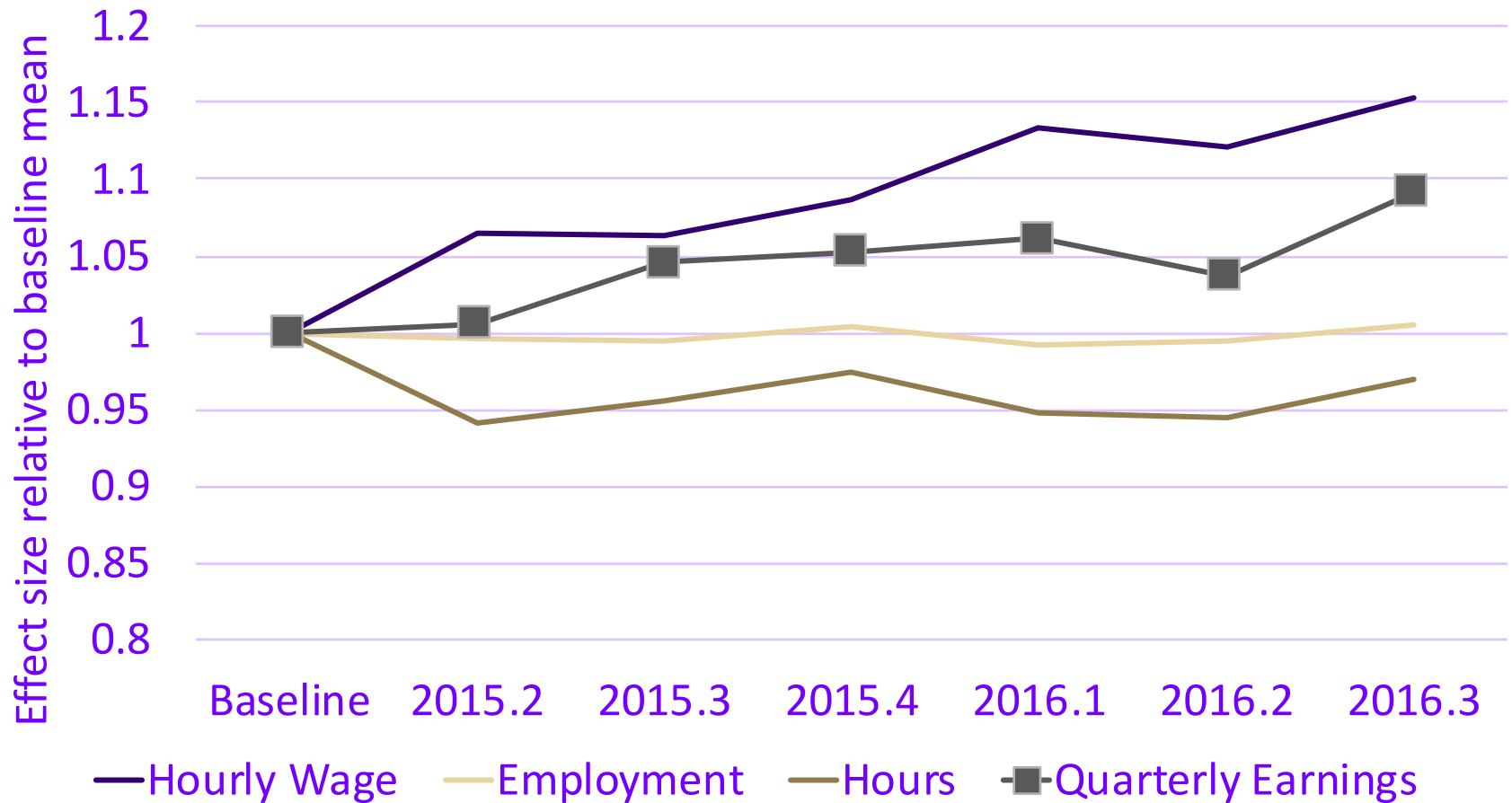
**Appendix Figure 1: Cohort 1 hourly wage distribution
in 2015q4**
(conditional on employment)




Methods: Additional differencing with placebo cohort

- > The “Seattle upper tail mechanism” threatens to confound efforts to estimate ITT effects.
- > Difference out S.U.T.M. under the assumption that it operates similarly in 2012-13 as it does in 2015-16.

DDD Effect estimates: Cohort 1

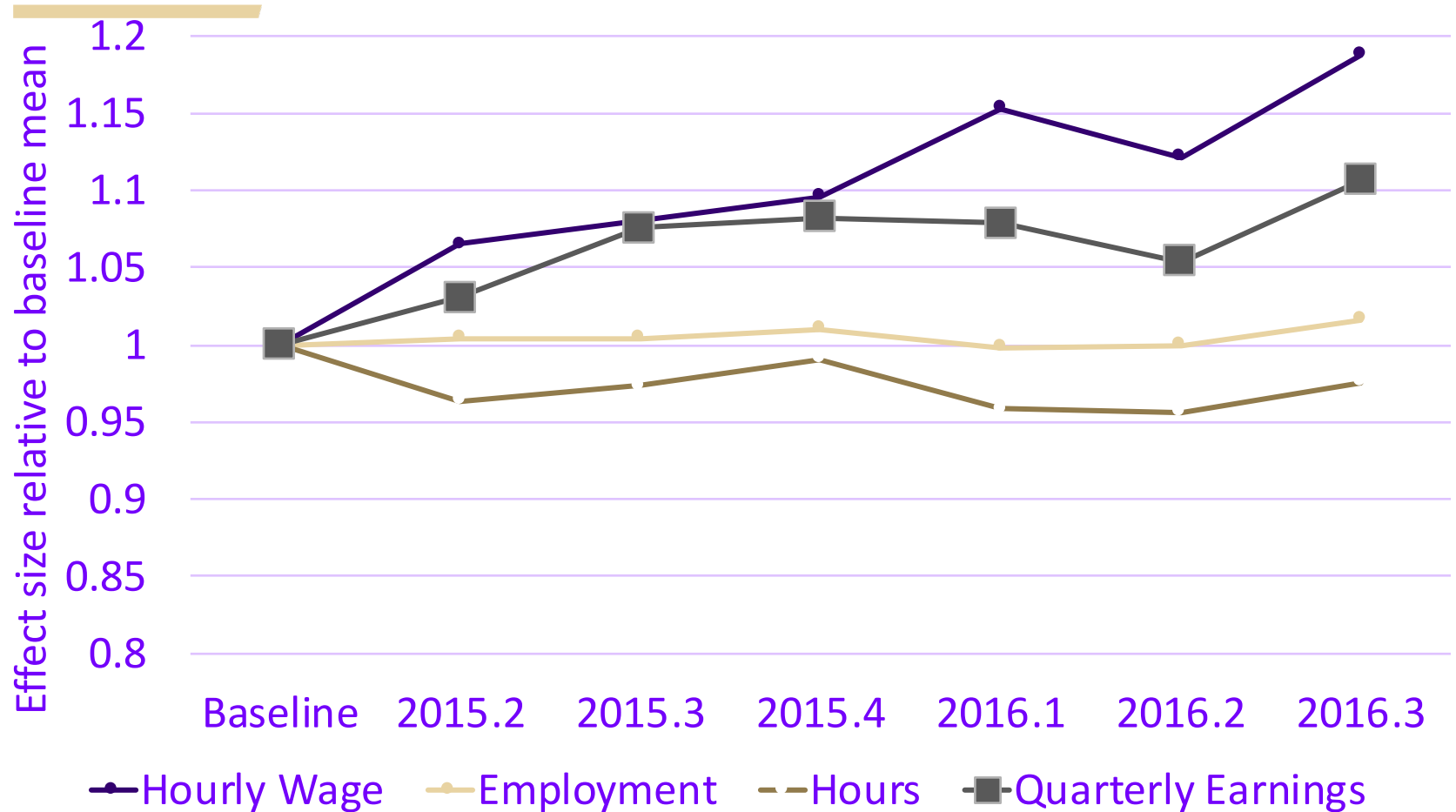




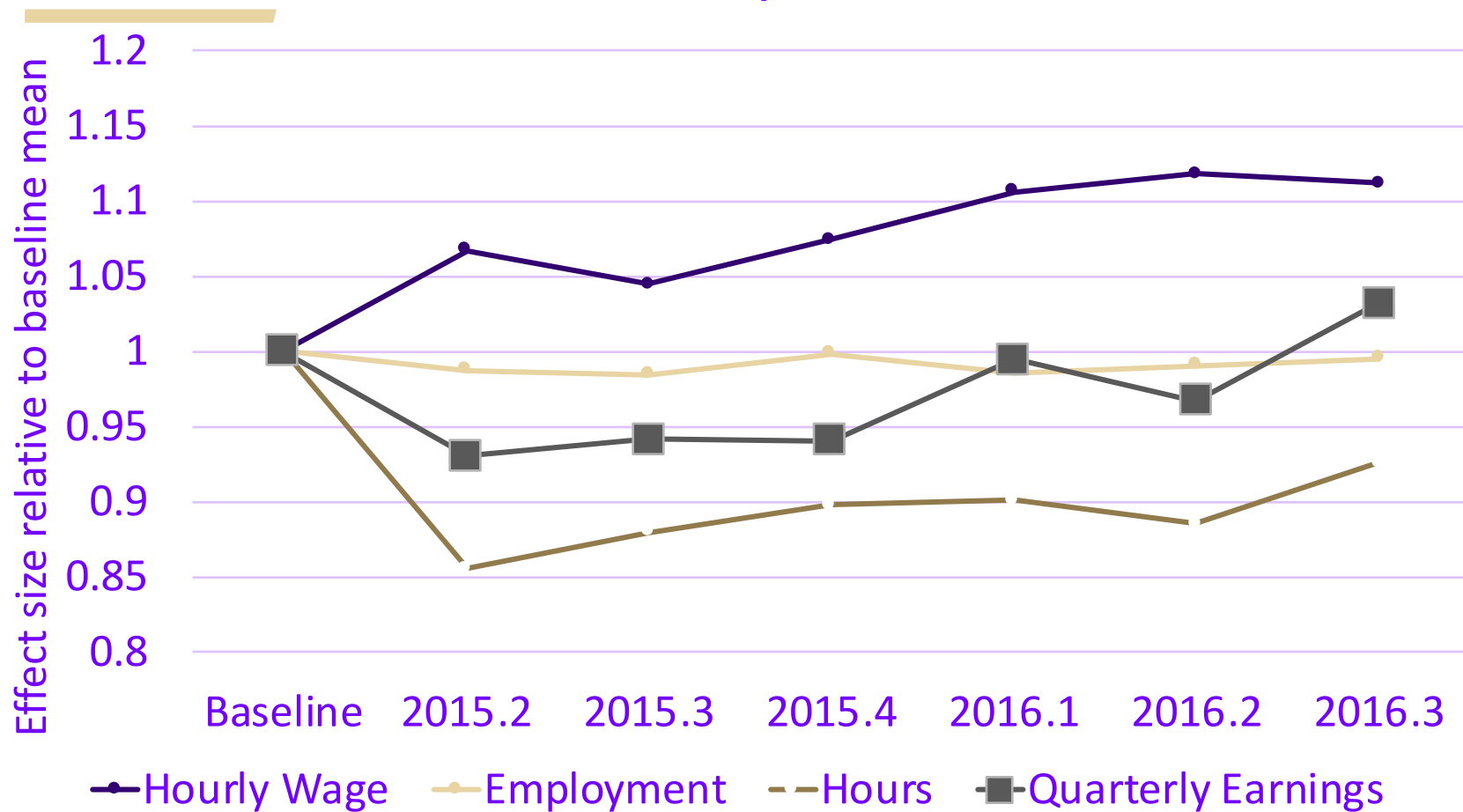
How do we reconcile positive impacts of the law on worker outcomes with our prior findings of neutral or negative impacts of the law on the low wage labor market (Jardim et al., 2018)?

One hypothesis: A tale of winners (experienced workers) and losers (inexperienced workers/new entrants)...

DDD Effect estimates: Cohort 1 ABOVE median experience



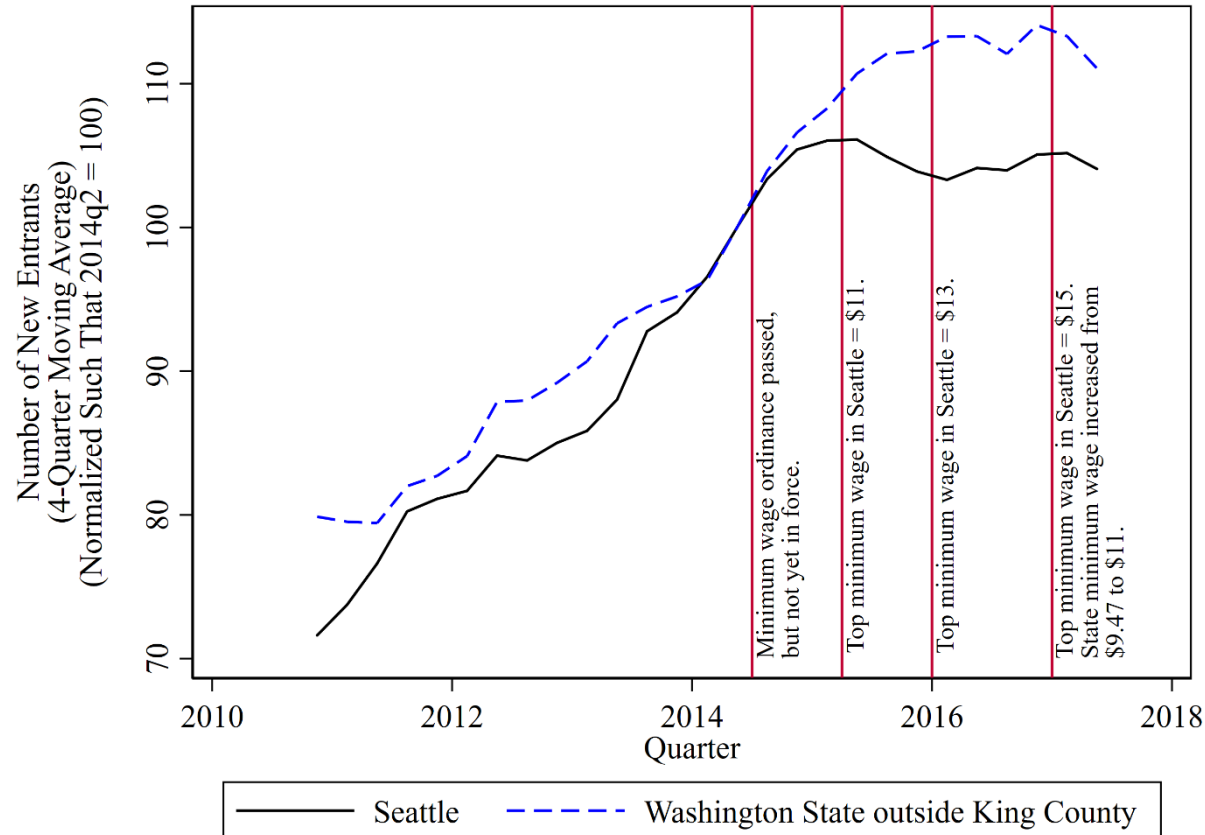
DDD Effect estimates: Cohort 1 BELOW median experience



Tracking the outcomes of individuals not yet in the LF by the baseline quarter

- > Finding: about 1 in 12 low-wage workers in any given quarter had no prior work experience in Washington state. Employees with a prior work history constitute a selected sample, missing “new entrants.”
- > Challenge: if “new entrants” don’t enter the workforce, we never see them.
- > Use ESD data to track the number of new entrants into low-wage jobs, where a “new entrant” is an individual who appears in the data after an absence of at least 20 consecutive calendar quarters.
- > Compare Seattle to outlying Washington state in order to infer whether the absorption rate has declined.

Relative Decline in New Labor Market Entrants in Seattle



The years since 2016

- > 1/1/2015 to 1/1/2016: minimum wage for large businesses up \$3.53, or 37% in one year.
- > 1/1/2016 to present: minimum wage for large businesses up \$3.00, or 7.7% per year.
- > Our ability to estimate effects after 1/1/17 complicated by simultaneous state minimum wage increases.
- > Is the “market clearing” wage catching up to the minimum?

Observed 1/25/19. Minimum wage for small business offering health benefits is \$12.00.

**ARE YOU LOOKING FOR A GOOD JOB
WITH EXCELLENT PAY AND BENEFITS?**

GREAT PAY:

- DICKS PAYS **\$17.00**/HR TO START
- REGULAR MERIT RAISES

EXCELLENT BENEFITS:

- 100% EMPLOYER-PAID MEDICAL INSURANCE
- **\$3,500 \$9,000** PER YEAR FOR TUITION/CHILDCARE
- 401K (WITH 50% EMPLOYER MATCHING BENEFITS)
- PAID TIME FOR VOLUNTEER SERVICE
- UP TO 3 WEEKS PAID VACATION

ADVANCEMENT OPPORTUNITY:

- ALL MANAGERS PROMOTED FROM WITHIN

APPLICATIONS NOW BEING ACCEPTED

PLEASE APPLY BETWEEN 1:30-3:00; MON. THRU THURS., OR BY APPOINTMENT

