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Seattle: Minimum Wage’s Poster Child?

# Bend, Oregon is a place known nationwide for breathtaking beauty and being a one of kind place for anybody who deeply enjoys the outdoors and a good beer. All the national attention has caused the city’s population to grow significantly. Growth is good in that it can drive a city’s economy meaning more people spending and paying taxes to the city. However, it can also be detrimental and drive up the cost of rent due to high demand without controlling the supply, which is perhaps the biggest elephant in the room for the city of Bend, Oregon. The rising cost of rent and low paying jobs have brought a number of people to either live with their relatives or move altogether. Affordable housing projects are stalled by concerned neighbors of the proposed sites, so one way to fix the problem would be to raise the wages to match the rising cost of rent. By looking at the wage increase in the city of Seattle, Bend and other growing cities can turn to the studies done that yielded positive benefits in regard to higher paying jobs, economic growth and a happier population in general.

# A known fact in America is that the cost of living can be astronomical in a bigger city. Seattle recognized that its residents were suffering with the cost of living. To combat this the Seattle City Council decided in June 2014 to expand the minimum wage to $15 gradually, with the law taking effect on April 1, 2015 (“Minimum Wage Ordinance”). One component of the ordinance factored in size of business and whether employers paid healthcare. Specifically, it defined large businesses as ones that employ 501 or more employees and small businesses as ones that employ 500 or less. (“Minimum Wage Ordinance”). In 2018 for example small businesses that paid healthcare have to pay employees $11 an hour and without healthcare they pay $14 (“Minimum Wage Ordinance”). Large employers that provide and pay for healthcare pay $15 and without that option they must pay $15.45 (“Minimum Wage Ordinance”). The city plans to have all employers pay $15 by 2021 with the wage adjusted for inflation or price increases for the area every year thereafter (“Minimum Wage Ordinance”). At first some businesses’ voiced concern over the ordinance that was passed, along with many conservative economists and political commentators. However, the ordinance passed with overwhelming support from the population of the city. After the ordinance passed the city enlisted the University of Washington to conduct research to discover any effect the ordinance had on the working class, and unfortunately for the city, the school’s research discovered some grave effects.

# Opponents’ of raising the wage biggest argument is that raising the wage will kill jobs and hurt economic growth, so when the UW study came out it was immediately cited by them. The University of Washington’s investigation of Seattle’s wage increase reviewed two of the years the city raised the wages, using data unavailable to the public like totals hours worked by workers for a company and other factors. Looking at the first phase, when they raised the wage from 9.47 to 11 in 2015 found little to no negative impacts on businesses or hours worked by workers or number of jobs that pay minimum wage or above (Bourne). However, the team at the University created a control group using cities around the state with similar growth trends to Seattle and found the same results, suggesting the economy growing in the state was the cause of the results and not the ordinance raising the wages itself (Bourne). The second raise in January 2016 from $11 to $13 found negative effects on hours worked by workers, and a loss of minimum wage jobs in Seattle (Bourne). Ryan Bourne who leads Public Policy at The Institute of Economic Affairs in London writes, “Hours worked fell between 8.7 and 10.6% and the total number of low-wage jobs decreased by between 5.1% and 6.3%.” (Bourne). Percentage points can be pretty unconvincing, so Bourne did the math to conclude it was $125 a month that low-wage workers lost out on, and about 5,000 fewer jobs that would have been around had the ordinance not been passed (Bourne). When the study came out in July 2016 organizations and groups calling for a minimum wage were disheartened, with critics of raising the wages celebrating an “I told you so” moment. Upon releasing the findings of the study, The Economic Policy Institute issued a press release highlighting many flaws in the data collection point of study that they believe led the team at UW to see job loss occurred when none had.

# Many non-profit organizations take it upon themselves to correct information they see as incorrect and detrimental to the progress of society. The Economic Policy Institute is a non-profit with the sole mission to voice concerns and create discussions that turn into action in economic policy for low-wage and middle-income workers. The good news for proponents and people that want a higher wage is that the institute believes no job loss occurred partly because the data the university looked at did not include all businesses in Seattle. The Economic Policy Institute explains,” The UW study also omits all businesses with multiple locations in Washington State, thereby excluding roughly 40 percent of the workforce from their data.” (“University of Washington Analysis”). The UW team also counted people leaving single site businesses (businesses with one location) for multi-site firms (business with multiple locations) as job loss, which hurts the overall results of the UW study more (“University of Washington Analysis”). A more accurate study conducted by UC Berkeley looking at the same pay raise phases has shown much more positive results in regard to the food service industry for wages and employment effects like hours worked and number of jobs.

# A team at UC Berkeley saw the study from the team in Seattle and determined the public needed a more accurate report to safely form an accurate opinion for themselves. Careful not to make the same mistake as the UW team they used data from The Bureau of Labor Statistics’ because the information is collected quarterly. It also uses exact addresses and includes most employees in Seattle, creating a better overall picture of the working class of Seattle. They specifically studied the food service industry because it is an industry that employs the most low-wage workers, so any effects would be easily detectable, and the results can be used to predict effects on other industries (Reich). To make sure the data studied a wage increase they checked it with a control study made up of other counties of states that are similar in size and population to Washington State and Seattle’s King county specifically. The results were very positive for employment contrary to what most people would think. According to Michael Reich (who is the Professor of Economics at UC Berkeley), et al., “Post treatment employment gains are slightly greater in Seattle than in Synthetic Seattle for all restaurants.” (Reich, et al). What they have proven in their study is that when the wages were raised in Seattle, they experienced more employment gains than counties that did not. The team from UC Berkeley also found positive effects on overall pay. They explain,” Each ten percent minimum wage increase in Seattle raised pay by nearly one percent in food services overall” (Reich, et al). The authors are explaining that every time the minimum wage increased workers earned more at the end of the month. The gain in income might sound small, but it is not based on what 15$ would gain but still yields positive results and hope for the future. Overall pay and employment were found to be positive; however, those are not the main concerns about raising the wage. Most people worry about price increases on everyday goods, Jennifer Otten and others who work at the University of Washington asked the same question and decided to find the answer.

A common concern among most of the public, grocery prices were determined to be an important factor to be studied to determine if the increase had any adverse effects on the economy. Jennifer Otten at the University of Washington and others conducted a survey of supermarket food prices and restaurant prices across King county and Seattle and then compared the prices of the two. To make sure their research was sound they collected food prices by going around to over 70 locations one month before the policy went into effect, then again, a month after, and finally a year after post policy (Otten, et al.). According to Otten, et al.,” the CPHN market base had an average cost of $316.34 at baseline, 314.57 at follow up 1, and 313.83 at follow up 2 in Seattle as compared to $313.57,312.50, and 313.56 respectively in King County.” (Otten, et al.). What the authors are trying to convey through their data presented is that they found overall prices for groceries decreased in Seattle and rose slightly (about 2 percent) in neighboring King county when they raised the wage from $9.47 to $11 (Otten, et al.). In the second phase from $11 to $13 the authors found that prices continued to decrease in Seattle and actually decreased in neighboring King County, leaving them to conclude the ordinance had a positive effect on prices (Otten, et al.). The results disprove a commonly held perception that food prices will increase when the bottom wage is raised. In economics they would call the prices of food as “inelastic”, which means the food prices do not respond to increases in wages. By looking at all of these factors, it is easy to conclude that raising the minimum wage in Seattle responsibly had only positive effects for the city of Seattle.

With all the evidence given, one way to battle the ever-climbing cost of rent here in Bend, Oregon and free people from working multiple jobs at a time is to follow Seattle’s lead and raise the minimum wage for the city’s workers. The city or county could create an initiative or ordinance that mirrors Seattle, by separating businesses by size and whether employers pay healthcare. City officials in Bend can point to the results showing no significant employment drops or price increases for the city of Seattle. In fact, they can point to the positive results that showed prices on groceries decreased over time, and that employment in low-wage industries actually improved dramatically. At some point soon, the city of Bend will have an affordable housing crisis that the city must deal with somehow, leaving one option discussed here looking better and better.

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