

# Monitoring THE Minimum Wage

NOV 2017



## BRIEF 3:

# What has the experience been in other jurisdictions phasing in a \$15 minimum wage?

by James Parrott

New York City is certainly not alone among cities in phasing in a \$15 minimum wage. Washington, D.C., Minneapolis, Seattle and many cities in the San Francisco-San Jose and Los Angeles areas have enacted \$15 wage floors. Some, like Seattle and Sea-Tac (the town where the Seattle-Tacoma airport is located) are already at \$15 (or higher), and others like San Francisco and Sunnyvale and Mountain View in Silicon Valley, will reach \$15 before December 31, 2018, when the \$15 wage floor kicks in for New York City employers with 11 or more workers.

To better inform discussions of the rising minimum wage in New York City, this issue of *Monitoring the Minimum Wage* looks at what the experience has been so far in some of these other areas. A close look is focused on Seattle where there has been dueling assessments of the impact of a higher wage floor.

New York and California are the only states at this point that have enacted phased-in \$15 minimum wage floors. These two populous states account for nearly one in every five workers in the country.

Table 1 lists the cities (and Los Angeles County) that are moving toward \$15, and indicates the date that level will be reached. While the statewide minimum wage in California will reach \$15 at the beginning of 2022 (for employers with more than 25 workers), San Francisco

The *Monitoring the Minimum Wage* brief series is produced by The Workforce Field Building Hub (The Hub), a signature initiative of New York City-based Workforce Professionals Training Institute. This project provides resources gleaned from economic research and insights from local businesses and community-based organizations designed to help workforce practitioners and their public and philanthropic funders respond to the opportunities and challenges posed by the increasing minimum wage. This brief was prepared by Hub Senior Fellow Dr. James Parrott, a long-time NYC labor market analyst and policy expert who also serves as Director of Economic and Fiscal Policy at the Center for New York City Affairs at The New School.

and 10 other cities in the greater Bay Area will reach \$15 much sooner, and Los Angeles City and County and three other cities near Los Angeles will hit \$15 per hour 18-24 months sooner (for larger employers) than the statewide minimum.

**TABLE 1: Cities Phasing in \$15 Minimum Wage**

City	Minimum Wage on July 1, 2017	Date \$15 Minimum Wage Is Reached
Seattle (> 501 employees)	\$15.00	1/1/2017
San Francisco	\$14.00	7/1/2018
New York City (> 10 employees)	\$11.00	12/31/2018
Seattle (< 500 employees)	\$13.00	1/1/2019
San Jose, CA	\$12.00	1/1/2019
New York City (< 11 employees)	\$10.50	12/31/2019
Washington, D.C.	\$12.50	7/1/2020
Los Angeles City & County (> 25 employees)	\$12.00	7/1/2020
Los Angeles City & County (< 26 employees)	\$10.50	7/1/2021
Minneapolis (> 100 employees)	\$7.75	7/1/2022
Minneapolis (< 101 employees)	\$7.75	7/1/2024

**Other Cities Phasing in \$15 Minimum Wage**

Cities	Year \$15 Is Reached
SeaTac, WA	2016
Berkeley; Emeryville; Mountain View; Sunnyvale (California)	2018
Cupertino; El Cerrito; Los Altos; Milipitas; Palo Alto; San Mateo (California)	2019
Malibu (>25 employees); San Leandro; Santa Monica (>25 employees) (California)	2020
Flagstaff, AZ; Malibu (<26 employees); Santa Monica (<26 employees) (California)	2021

Source: UC Berkeley Center for Labor Research and Education, updated September 5, 2017.

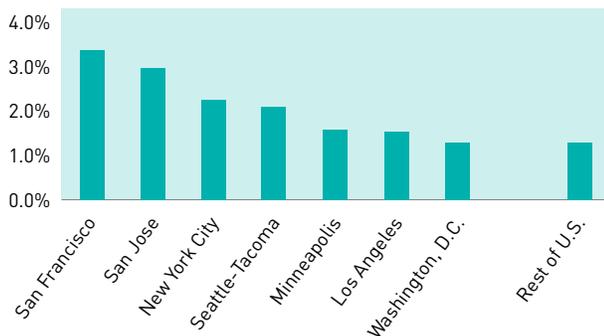
It is also noteworthy that of the 22 cities on this list, all but New York City and San Leandro, California, will index their minimum wage beginning the year after \$15 is reached to maintain its purchasing power. However, since California is also indexing its minimum wage beyond \$15,

San Leandro will be covered by the state's indexation. Since New York State did not include an indexation provision in its 2016 minimum wage hike, there will be no automatic annual consumer price index adjustment in New York City after the \$15 level is reached.

## Large \$15 minimum wage cities all have strong job growth and high living costs

The large cities on this list all share two things in common with New York City: strong job growth since the end of the 2008-09 recession, and a fairly high cost of living. As Chart 1 shows, average annual 2009-2016 job growth in New York City and the metropolitan areas of the other \$15 cities either exceeded the job growth pace for the rest of the country, or matched it in the case of Washington, D.C.

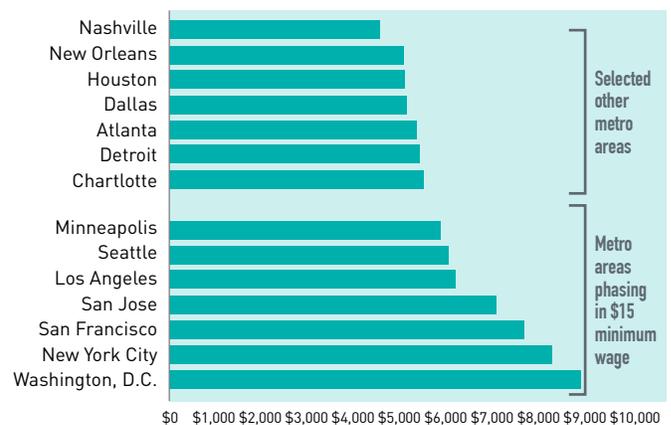
CHART 1: 2009-2016 Average Annual Job Growth in Metro Areas with a Major City Phasing in \$15 Minimum Wage



Source: Bureau of Labor Statistics, Monthly Metropolitan Area Employment and Unemployment.

According to the [Family Budget Calculator](#) developed by the Economic Policy Institute, basic family budgets for a two-adult, two-child family are considerably higher in New York City and the other large \$15 cities than in cities like Atlanta, Dallas, Houston or Charlotte, where the wage floor is still pegged to the \$7.25 per hour federal minimum wage.

CHART 2: Monthly Average Family Budget for Two-Adult, Two-Child Families



Source: Economic Policy Institute, [Family Budget Calculator](#). Budgets in 2014 dollars.

## Seattle's experience

Acting in 2014, Seattle was the first major city in the country to adopt a \$15 minimum wage, with all businesses reaching \$15 by the beginning of 2019 (see Table 2).<sup>1</sup> To help promote understanding and compliance of its minimum wage law, Seattle provided \$2.3 million in 2017 in funding for outreach and education by community and business organizations.

A firestorm of controversy was set off this past summer when a [University of Washington \(UW\)](#)

TABLE 2: Seattle Minimum Wage Increase Schedule

	2015	2016	2017	2018	2019	2020	2021
Large employers (501 or more employees) not offering medical benefits	\$11.00	\$13.00	\$15.00	\$15.45			
Large employers (501 or more employees) offering medical benefits	\$11.00	\$12.50	\$13.50	\$15.00			
Small employers (500 or more employees) not offering medical benefits	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00		
Small employers (500 or more employees) offering medical benefits	\$10.00	\$10.50	\$11.00	\$11.50	\$12.00	\$13.50	\$15.00

Source: [Seattle Office of Labor Standards](#). Accessed October 23, 2017.

[study](#), supported in part by a contract with the City of Seattle, reported significant adverse effects on low-wage workers. Defining “low-wage” workers as those making \$19 an hour or less, the UW study found that the Seattle hourly minimum wage increase from \$11 to \$13 on January 1, 2016, resulted in a 3 percent increase in hourly wages for low-wage workers, a 9 percent reduction in hours worked, and average total wage declines of \$125 per month for low-wage workers.

Several labor market economists noted that the magnitude of such employment effects from a minimum wage increase were well beyond the effects estimated based on previous research. Most studies have found relatively small employment and wage effects, positive or negative. University of California (UC), Berkeley labor economist Michael Reich [noted](#) the unprecedented magnitude of the minimum wage impact reported in the UW study, pointing out that it was an astounding 10 times higher than the average effect found in nearly 1,000

published studies examining the impact of a wage increase on employment.

Economists at the Economic Policy Institute [raised methodological and data questions](#) about the UW research, including the failure to distinguish the effects of the minimum wage from other changes in the Seattle labor market. The booming Seattle labor market has been shifting employment from lower-paid to higher-paid jobs; for a recent two-year period total job growth was nearly 12 percent, with the number of jobs paying over \$19 an hour rising by 21.2 percent while the number of jobs paying under \$19 an hour declined by 8.5 percent. Yet the UW study implied that the minimum wage increase caused large gains in the number of jobs paying more than \$19 an hour. Additionally, the study excluded 40 percent of the workforce employed by companies with multiple locations, such as chains, in Seattle.<sup>2</sup> Over the past year, unemployment in the Seattle metro area has averaged 3.6 percent, indicating a relatively tight job market.

<sup>1</sup>Voters in SeaTac, a small town (population - 25,000) that is home to the Seattle-Tacoma International Airport, approved a \$15 hourly minimum wage in November 2013, but a court challenge delayed implementation for most airport workers. The SeaTac minimum wage reached \$15.34 on January 1, 2017 as a result of indexation.

<sup>2</sup>University of California at Berkeley labor economist Michael Reich [points out that the UW report excluded 48% of Seattle’s low-wage workforce](#).

# BRIEF 3 Monitoring THE Minimum Wage

Other prominent labor economists<sup>3</sup>, including a former chief economist at the U.S. Department of Labor, have echoed the criticisms of the UW study made by Zipperer and Schmitt of the Economic Policy Institute, and underscore how far out of the range of plausible results are the findings of the UW study. In a [recent study](#), one of these economists, Arin Dube, looked at over 100 state-level minimum wage increases over the past three decades to determine the effect on employment higher up the wage distribution and found “virtually no change,” in contrast to the sizable growth in jobs paying over \$19 an hour found by the UW study.

## Another Seattle study found no adverse employment or wage effects

Researchers at UC Berkeley issued a [study of Seattle’s minimum wage experience](#), funded by the Ford Foundation and UC Berkeley, a few days before the UW study was released but reached much different conclusions. Focusing on the restaurant industry as a large employer of many low-wage workers, and using government data for all Seattle restaurant employers, the UC Berkeley study found moderate, but statistically significant, wage increases with a greater increase for limited service—or fast food—restaurants than full service restaurants. The latter could make greater use of a tipped wage credit that was introduced in Seattle for the first time when the \$15 minimum wage was adopted.

The UC Berkeley study did not find significant effects of the minimum wage increase on

employment. The UC Berkeley study controlled for Seattle’s tech-fueled job boom by using a broader, national set of comparison localities to isolate the effects of the Seattle minimum wage increase. Unlike for the UW study, outside labor economists have not raised questions about the methodology or data utilized in the UC Berkeley study.

## Nonprofit response to the minimum wage increase in Seattle

UW researchers were also asked by the City of Seattle to examine the response to the minimum wage increase from nonprofit organizations. Using surveys and interviews with nonprofit executives, this [first study of the nonprofit sector response found](#):

- Nearly 60 percent of all Seattle nonprofits initially contacted did not have workers paid less than \$15 an hour;
- Most nonprofits participating in the study who employed low-wage workers did not report significant changes to programs or the services they provided because of the wage hike, or indicate that they were considering relocation outside of Seattle;
- Those interviewed did not expect the higher minimum wage to lead to improved morale and productivity; and
- Many reported that they were seeking additional funding from current funders to help pay for the wage increase.

According to the Seattle City Budget Office, the city has provided funding to help nonprofits

<sup>3</sup>Jesse Rothstein and Diane Schanzenbach, “[What Does the Seattle Experience Teach Us About Minimum Wages?](#)” Econofact, August 7, 2017; and Arindrajit Dube, “[Minimum Wage and Job Loss: One Alarming Seattle Study Is Not the Last Word.](#)” The New York Times, July 20, 2017.

that provide human services under existing city contracts for workers who were earning below the new minimum wage.<sup>4</sup>

## Minimum wage one of many San Francisco employer mandates

San Francisco's minimum wage rose to \$14 an hour on July 1 this year, and will reach \$15 on July 1, 2018 (and is indexed to inflation after that). In a recent interview, a representative of the city's Office of Labor Standards Enforcement indicated that businesses seem generally accepting of the rising wage floor considering strong job growth and the need to pay higher wages to recruit and retain employees.<sup>5</sup> Of greater concern to businesses is the steady addition of new labor requirements.<sup>6</sup> In previous years, the City of San Francisco adopted paid parental leave and a health care security provision requiring employers to contribute to employee health insurance plans. Taking effect next January will be a requirement for employers to accommodate lactating mothers, and one to require employers to *not* consider an employee's past salary history in hiring and pay decisions.

## Minimum wages for employees at City of San Francisco nonprofit contractors

Since 2000, San Francisco has had a Minimum Compensation Ordinance (MCO) requiring payment of minimum wages by City of San Francisco contractors, including nonprofits. For most years from 2000 to 2015, the MCO-mandated minimum wage (sometimes referred to as the "living wage" ordinance) was \$1.75 to \$2.00 higher than the overall City-mandated minimum wage; for example, at the beginning of 2015, the MCO rate was \$13.02 compared to \$11.05 for the overall City minimum rate. Since the city did not adjust the MCO rate when the phased-in \$15 minimum wage was enacted, currently the two levels are the same.<sup>7</sup> The San Francisco Board of Supervisors is currently considering raising the MCO level above the broader minimum wage, and looking at the budget implications of doing that since the city would need to increase funding levels for nonprofits.<sup>8</sup>

<sup>4</sup>Interview with Seattle Mayor's Office staff, August 2, 2017.

<sup>5</sup>Interview, official of San Francisco Office of Labor Standards Enforcement, September 7, 2017.

<sup>6</sup>See, for example, *When Mandates Work, Raising Labor Standards at the Local Level*, edited by Michael Reich, Ken Jacobs and Miranda Dietz, University of California Press, 2014, for a discussion of the health spending and other employer requirements applicable in San Francisco.

<sup>7</sup>See: [San Francisco Minimum Compensation Ordinance](#), [historical wage rates](#), and [historical overall San Francisco minimum wage rates](#).

<sup>8</sup>Interview, official of San Francisco Office of Labor Standards Enforcement, September 7, 2017.

# BRIEF 3 Monitoring THE Minimum Wage

**The Workforce Field Building Hub (The Hub)** is a New York City-wide resource that brings together key leaders from across the interdisciplinary and diverse New York City and national workforce community to identify common issues and solutions to build the field of workforce development. For more information, visit <http://thehub.workforceprofessionals.org>

**Workforce Professionals Training Institute (WPTI)** increases the effectiveness of people, programs, and organizations that are committed to generating pathways out of poverty through employment. Our three-tiered approach—professional training, organizational consulting, and systems building—strengthens capacity at all levels of the workforce development system. For more information, visit <http://workforceprofessionals.org>.

**The Center for New York City Affairs** is dedicated to advancing innovative public policies that strengthen neighborhoods, support families and reduce poverty. For more information, visit <http://www.centernyc.org>.

The *Monitoring the Minimum Wage* brief series is made possible through support from the New York City Workforce Funders; The New York Community Trust; The Fund for the City of New York; The Pinkerton Foundation; Altman Foundation; Ira W. DeCamp Foundation; and The Clark Foundation.

## Conclusion

As of October 2017, seven large cities and 15 smaller cities across the country have begun phasing in a \$15 minimum wage. These cities are all in metropolitan areas that have experienced strong job growth in the recovery and have higher than average living costs.

Seattle is the first large city in the country to reach \$15 (January 1, 2017) for large employers that do not pay toward medical benefits; large employers that do pay for medical benefits will reach \$15 on January 1, 2018. A University of Washington study of the impact of an increased minimum wage through the third quarter of 2016 estimated adverse impacts on the total earnings of low-wage workers, with a slight hourly wage increase more than offset by a sharp reduction in hours worked. However, the methodology used by that study has been criticized for not taking proper account of the effects of Seattle's strong job growth, and the data utilized in that analysis excluded nearly half of all Seattle low-wage workers. On the other hand, a University of California, Berkeley study of Seattle's restaurant industry that more effectively separated the effects of strong job growth from the minimum wage, estimated moderate wage gains and found no significant effects on overall low-wage employment.

These studies will be updated as the phase-in continues and others will be conducted to assess the experience as the minimum rises in other cities, including New York City. It is still too early to examine the effects on nonprofits, and studies have not yet appeared that examine in detail the effects on workers and their families from higher minimum wages. Future issues in this series of briefs will report on new studies as they become available.

*The Workforce Field Building Hub would like to acknowledge the special contributions to this brief of the following institutions and individuals:*

- *The City of Seattle*
- *The City of San Francisco*
- *Charles Kupferberg for research assistance*

**The next issue of *Monitoring the Minimum Wage* will highlight the experiences of some New York City businesses as they adapt to the minimum wage increase.**