They said Seattle's higher base pay would hurt workers. Why did they flip?

Researchers whose findings last year pointed to a downside from raising the minimum wage have taken another look and the reality is more nuanced.

By Noam Scheiber
October 22, 2018 – *The New York Times*

A research team including economists from the University of Washington has put out a paper showing that Seattle's recent minimum-wage increases brought benefits to many workers employed at the time, while leaving few employed workers worse off.

On their own, these results appear unremarkable. Large stacks of academic papers have shown that, for the average worker, a minimum-wage increase does more good in raising pay than it hurts by prompting some employers to cut back on hiring or hours.

But this new paper, issued Monday, has a unique pedigree: Last summer, the same authors released a paper showing that Seattle's minimum-wage increases had large costs for workers. Because employers reduced hours in response to the city's rising minimum wage in 2016, the researchers found, average pay fell by an eye-popping $125 a month, or about 6.6 percent. (They did not observe such effects for a minimum-wage increase the year before.)

The earlier paper created an immediate political sensation, not least because the researchers had access to highly detailed data on worker wages and hours — the kind of information generally not available to the authors of other studies.

Conservative politicians and news outlets quickly hailed the findings. "So often, liberal policies, born of good intentions to 'help the poor,' end up hurting them," Senator Ted Cruz, Republican of Texas, said on Twitter.

Liberals, for their part, gnashed their teeth over the result, pointing out a variety of methodological flaws that could have skewed it.

In light of the new paper, do commentators on both sides suddenly have to reassess?

"We're prepared to have a lot of people come out and say we're contradicting ourselves," said Jacob Vigdor, an economist at the University of Washington who is an author of the study. "That we're flip-flopping."

He cautioned, however, that the truth was more complicated. Here's why.

The minimum wage affects different groups of workers differently.

Seattle increased its minimum wage for large employers to $11 an hour, from $9.47, in April 2015, then to $13 for many of those same employers in January 2016. (The minimum wage increased by less for small employers, and for large employers that contributed toward workers' health coverage.)

In their latest paper, which has not been formally peer reviewed, Mr. Vigdor and his colleagues considered how the minimum-wage increases affected three broad groups: People in low-wage jobs who worked the most during the nine months leading up to and including the quarter in which the increase took effect (more than about 600 or 700 hours, depending on the year); people who worked less during that nine-month period (fewer than 600 or 700 hours); and people who didn't work at all and hadn't during several previous years, but might later work. The latter were potential "new entrants" to the ranks of the employed, in the authors' words.

The workers who worked the most ahead of the minimum-wage increase appeared to do the best. They saw a significant increase in their wages and only a small percentage decrease in their hours, leading to a healthy bump in overall pay — an average of $84 a month for the nine months that followed the 2016 minimum-wage increase.

The workers who worked less in the months before the minimum-wage increase saw almost no improvement in overall pay — $4 a month on average over the same period, although the result was not statistically significant. While their hourly wage increased, their hours fell substantially. (That doesn't mean they were no better off, however. Earning roughly the same wage while working fewer hours is a trade most workers would accept.)

It's the final group of workers — the potential new entrants who were not employed at the time of the first minimum-wage increase — that Mr. Vigdor and his colleagues believe fared the worst. They note that, at the time of the first increase, the growth rate in new workers in Seattle making less than $15 an hour flattened out and was lagging behind the growth rate in new workers making less than $15 outside Seattle's county. This suggests that the minimum wage had priced some workers out of the labor market, according to the authors.

"For folks trying to get a job with no prior experience, it might have been worth hiring and training them when the going rate for them was $10 an hour," Mr. Vigdor speculated, but perhaps not at $13 an hour.

(Mr. Vigdor conceded that it was somewhat unclear when the divergence between Seattle and the rest of the state began, which could make the explanation less persuasive, and that this required additional study.)

Even so, how can this year's study be squared with last year's study?

Mr. Vigdor said the two studies were broadly consistent when considering the effect both on workers employed at the time of the increases and workers who might soon seek employment. The minimum-wage increases helped people who were already working low-wage jobs, hurt people who weren't yet working, and had a somewhat negative effect on pay over all. (Mr. Vigdor and his colleagues have revised the earlier paper so that the large negative effect they initially found after the second minimum-wage increase was smaller: an average loss of $74 a month instead of $125.)

Other researchers were more skeptical. When last year's study came out, Ben Zipperer, an expert on the minimum wage at the liberal Economic Policy Institute, pointed out that it failed to adequately account for the fact that Seattle's economy was growing rapidly when the minimum wage increases took effect.

In a booming economy, Mr. Zipperer argued, we would expect to see fewer workers employed at low wages — not because employers decide it's not worth hiring people, but because the competition for workers bids up wages, and many low-paying jobs disappear and are replaced by somewhat higher-paying jobs.

Alternatively, many potential low-wage workers may decide it's too expensive to live and work in Seattle even with the benefit of a higher minimum wage, leading them to leave the city or not migrate there in the first place.

In either case, it would be the boom, and not a minimum-wage increase, that was reducing the number of hours worked at low wages.

In an interview, Mr. Zipperer said he was unconvinced by the authors' attempt to square this year's findings with last year's. He said that the relatively low number of people making less than $15 an hour in Seattle, the linchpin of the effort to reconcile the results, is consistent with the city’s booming labor market, which the authors still haven’t properly addressed.

“At the end of the day, it really to me points to the hazards of a single case study,” he said. “If something contaminates the case study, like a shock to Seattle, you’re out of luck. There’s no counterbalance you can use.”

Mr. Vigdor conceded that a boom could be partly distorting his team’s findings. “What we can’t tell from our data is whether a lot of people are trying to find work and not finding anyone willing to hire them, or whether there just aren’t as many people making the effort” — because it’s not worth their while to work in Seattle even at a higher minimum wage.

If the new study is flawed, does it still provide insight into the minimum wage?

Mr. Vigdor said the real contribution of the latest paper might be to force policymakers to consider who benefits from a minimum-wage increase and who doesn’t, and whether that allocation of benefits is consistent with what a government is trying to accomplish.

For example, one interpretation of the findings is that the Seattle minimum-wage increases helped workers who had languished in low-paying jobs for some time — perhaps parents working full time to support a family — while providing fewer benefits, or even causing harm, to workers like college students who seek part-time jobs for discrete periods to earn spending money or help pay for school.

“Whatever you think about that trade-off depends on your values,” Mr. Vigdor said. “We want to illuminate those trade-offs, make them as clear as possible. But we aren’t being paid the big bucks to make the final decision.”