June 26, 2017

Jacob Vigdor, Professor
Evans School of Public Policy & Governance
University of Washington
Parrington Hall, Room 324
Box 353055
Seattle, WA 98195-3055

Dear Professor Jacob Vigdor et al.:

Working with City staff, I have received and reviewed your June 2017 paper "Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle." We have several concerns regarding the principal conclusion that "employment losses associated with [the minimum wage increase]... have resulted in net reductions in payroll expenses" (p. 3).

We understand that every methodology – including the various decisions involved in implementation – come with advantages and limitations. As a result, our primary concern is that your conclusion does not fully acknowledge the limits of your given methodology, and may, as a result, be both overly broad and not entirely justified by the evidence based on your deep, but limited, dataset. These concerns prompted us to request a review by University of California at Berkeley economics Professor Michael Reich, who, in his attached letter, identified the follow four areas of significant concerns with your study, summarized here:

1. Your reliance on a "synthetic Seattle" model raises concerns regarding comparability, because it draws only from widely varying labor markets in Washington State, to the exclusion of other cities that would have been significantly similar to Seattle.

2. Your exclusion of multi-site businesses leaves out 48 percent of Seattle's low-paid workforce out of your analysis. This exclusion is methodologically significant because, as you are aware, Seattle's minimum-wage policy set a higher minimum wage for these very businesses. This means that workers who left a single-site business for a multi-site business to benefit from the wage increase are not counted in wage gains, but rather counted as jobs lost. The resulting potential bias in your conclusions is concerning.

3. Your report focuses only on jobs that paid less than $19 per hour, which is likely too low and not reflective of Seattle's economy, as "low-wage" jobs in Seattle are often commonly understood to exceed your cut-off point of $19 per hour. For example, you find large reductions in restaurant jobs that paid less than $19 per hour, but no effect on the number of all restaurant jobs. This may imply that, in fact, the policy increased pay without costing jobs.

4. Finally, your report finds an impact of wage increases on jobs that is ten times more than in the hundreds of prior minimum wage and non-minimum wage studies, and even triple that of minimum wage critic David Neumark. It does not appear that you advanced an explanation for why Seattle's employers might be so significantly more sensitive to wage increases, which contributes to uncertainty about the study's conclusions.

Although we appreciate the time and effort invested by your team, Professor Reich's concerns lead us to believe that your report may not, in fact, tell the full story of the effects of Seattle's minimum-wage policy. We would hope that future work will address these substantive and methodological concerns, and that your team will be open to looking at how to examine more precisely the characteristics of Seattle's labor market.

Sincerely,

Robert Feldstein, Director
Office of Policy and Innovation
Office of Mayor Ed Murray