



INITIATIVE 688:  
**WASHINGTON STATE'S FAILED  
MINIMUM WAGE EXPERIMENT**



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# INITIATIVE 688: WASHINGTON STATE'S FAILED MINIMUM WAGE EXPERIMENT

## INTRODUCTION

In 1998, Washington voters approved Initiative 688, dramatically boosting the state minimum wage from \$5.15 to \$5.70 on Jan. 1, 1999, and to \$6.50 on Jan. 1, 2000, and, for the first time in the U.S., indexing the minimum wage to inflation.

Supporters of the initiative argued its passage would “end poverty-wage work.”<sup>1</sup> In addition to combating poverty, automatically increasing the minimum wage each year to keep up with inflation was supposed to “depoliticize the issue”<sup>2</sup> or, as the Washington State Labor Council put it, “take the politics out of this issue, and put the fairness back.”<sup>3</sup>

Seventeen years after I-688's passage, however, the minimum wage is as politicized as ever. Despite having one of the nation's highest state minimum wages, labor activists are pressing for an even larger increase in the minimum wage to at least \$15 an hour.

Proponents make variations of several arguments for increasing the minimum wage, including: (1) The purchasing power of the minimum wage has been eroded; (2) compensation is not keeping pace with increases in worker productivity; (3) no working person

should live in poverty; (4) job growth will not be harmed; and (5) a higher minimum wage will stimulate the economy.

Historically speaking, though, the purchasing power of the current state minimum wage is quite high. Additionally, while there is some debate about whether the compensation of the average worker has kept up with average productivity, the data indicate minimum wage workers' compensation does not lag productivity. Lastly, an analysis of I-688's effect on Washington's poverty rate, food stamp usage, job growth and unemployment indicates the minimum wage initiative failed to deliver on the promises of its supporters.

There is no doubt that I-688 dramatically increased the state minimum wage. Before passage of I-688, a full-time minimum wage worker could live above the poverty line only if single. As of 2014, a full-time minimum wage worker could support two children just above the poverty threshold.

But despite the significant increase in the state minimum wage relative to the poverty threshold, Washington's poverty rate has remained essentially

unchanged, while the percentage of Washingtonians receiving food stamps has grown faster than the national average. At the same time, while the state's overall job market has performed well, job growth in low-wage industries like accommodation and food service has slowed substantially.

The decrease in job growth in these sectors does not necessarily mean workers are moving on to more profitable employment. While the state's teen unemployment rate generally mirrored the national rate before the minimum wage initiative, Washington's teen unemployment rate has significantly surpassed the national rate every year since I-688's passage.

Furthermore, despite claims that a higher minimum wage would boost the economy through additional consumer spending, the economic evidence to date continues to indicate minimum wage hikes are a net drain on the economy.

Given I-688's poor track record, Washington voters and policymakers should seriously consider the potential consequences before enacting further, unprecedented increases in the minimum wage.

Supporters of raising the minimum wage often argue it has failed to keep up with inflation, or the cost of living, and that it should be raised to bring it back into alignment with its historic purchasing power. They frequently point to the purchasing power of the minimum wage in 1968 as a benchmark.

Government agencies use multiple methods and indexes for tracking inflation over time. Two of the most prominent include the Consumer Price Index (CPI) and the Personal Consumption Expenditures Implicit Price Deflator (PCE-IPD).

Supporters of a higher minimum wage typically measure inflation using CPI. According to CPI, the minimum wage in 1968 had the purchasing power of \$10.94 in 2015 dollars. Since Washington's minimum wage is only \$9.47 an hour, they argue, it is below its historic level and should be raised.

However, the selection of 1968 as the benchmark year is deliberate and misleading; the purchasing value of the minimum wage hit an all-time high in that year.

When the minimum wage was first created in 1938, it was worth \$4.22 in 2015 dollars (adjusted by CPI)—less than half the purchasing power of the current state minimum. From 1938 to 2015, the minimum wage prevailing in Washington (sometimes the federal minimum was higher, sometimes the state minimum was) averaged a purchasing power of \$7.91 in 2015 dollars.

In other words, though below the peak in the minimum wage's purchasing power in 1968, as measured by CPI, Washington's current minimum wage of \$9.47 is nearly 20 percent higher than the historic average value of the minimum wage of \$7.91.

However, many economists and several government entities—including the Federal Reserve, Congressional Budget Office and Bureau of Economic Analysis—believe the CPI overestimates inflation and prefer to use the PCE-IPD.<sup>4</sup>

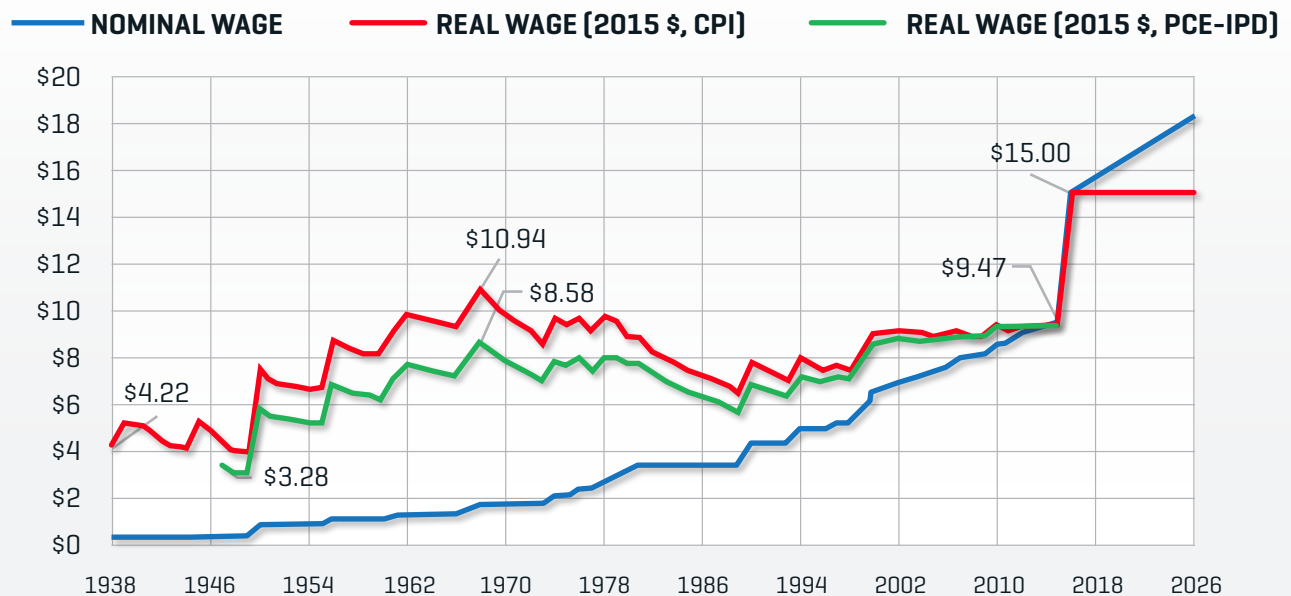
Measured by the PCE-IPD, the peak purchasing power of the minimum wage in 1968 was actually only \$8.58 in today's dollars. The purchasing power of Washington state's minimum wage has been higher than its 1968 level every year since 2001. At \$9.47, the current purchasing power of Washington's minimum wage is at an all-time high, as measured by the PCE-IPD.

It is also important to note that I-688 provided for automatic yearly increases in the state minimum wage based on the CPI measure of inflation. The law has since been interpreted to require the minimum wage to increase any time inflation does, but to remain frozen when inflation falls, meaning the current state minimum wage will actually outstrip increases in the cost of living over time.<sup>5</sup>

So, either Washington's current minimum wage is 20 percent higher than its historic average (if measured by CPI), or it's at its all-time high (if measured by the PCE-IPD), and it's on track to continue to increase faster than the cost of living. Either way, the argument that the minimum wage buys less now than it has in the past does not withstand scrutiny.

In the chart below, the red line represents the purchasing power of the minimum wage as measured in 2015 dollars by the CPI. The green line represents the purchasing power of the minimum wage as measured in 2015 dollars by the PCE-IPD. The blue line represents the legally designated minimum wage in place each year.

## VALUE OF WASHINGTON'S MINIMUM WAGE



*Inflation Continued on Page 4 >*

While I-688's minimum wage increase was significant by historic standards, a \$15 minimum wage in Washington state would represent a \$5.53 (58.4 percent) increase above its current level, greatly exceeding the magnitude of any prior increase.

The economic impact of an increase of this scale has never been assessed in any measurable way. Though the city of SeaTac adopted a \$15 minimum wage initiative in November of 2013, ongoing litigation and the narrow drafting of the initiative have prevented all but a handful of businesses from being subject to the requirement until very recently. In Seattle, the first increase in the city's \$15 minimum wage ordinance, to \$11 an hour, only recently occurred and the law will not be fully phased in until 2025.<sup>6</sup>

## DATA NOTES

The chart (page 3) projects a \$15 minimum wage taking effect on Jan. 1, 2016. The chart also assumes the minimum wage will be indexed to inflation and increase an average of 3 percent per year.

## DATA SOURCES

- Washington State Department of Labor and Industries. "History of Washington Minimum Wage."  
<http://www.lni.wa.gov/workplacerights/wages/minimum/history/default.asp>
- U.S. Department of Labor, Wage and Hour Division. "History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938 – 2009."  
<http://www.dol.gov/whd/minwage/chart.htm>
- U.S. Department of Labor, Bureau of Labor Statistics. "CPI Inflation Calculator."  
[http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)
- Author's analysis of PCE-IPD data from the Bureau of Economic Analysis and published by the Federal Reserve Bank of St. Louis.  
<https://research.stlouisfed.org/fred2/series/DPCERD3Q086SBEA>

Some advocates of raising the minimum wage contend it has failed to keep up with increases in workers' productivity. They argue that compensation tracked with productivity until 1968, when wage growth began to lag behind increasing productivity. Consequently, they argue, workers are not being fairly compensated for their labor.

The idea of comparing the minimum wage to productivity was first promulgated by the left-leaning Center for Economic and Policy Research (CEPR) in 2012, which compared the productivity of the average worker to the purchasing power of the minimum wage. CEPR contended that, "If the minimum wage had continued to move with average productivity after 1968, it would have reached \$21.72 per hour in 2012."<sup>7</sup>

But the claim that average wage growth has lagged behind average productivity increases is highly questionable. A detailed analysis of the issue by the right-leaning Heritage Foundation determined that, properly measured, the value of workers' wages and benefits continue to grow with productivity. The Heritage report notes:

*"Harvard Professor Martin Feldstein, the former President of the National Bureau of Economic Research, concluded that the apparent divergence results from using the wrong data to measure pay and productivity. Using the correct data, he finds that pay and productivity have both grown together. Dean Baker, director of the left-leaning Center for Economic and Policy Research, and staff at the Federal Reserve Bank of St. Louis also come to that conclusion. Georgetown Professor Stephen Rose likewise finds that the apparent gap between pay and productivity collapses under scrutiny. He concludes that economic growth resulting from productivity growth continues to benefit working Americans."<sup>8</sup>*

Regardless, however, the productivity and compensation of average workers says nothing about the productivity of the average minimum wage worker. In order to be relevant, the data would need to show that the productivity of minimum wage workers was increasing faster than their compensation.

*Productivity Continued on Page 6 >*

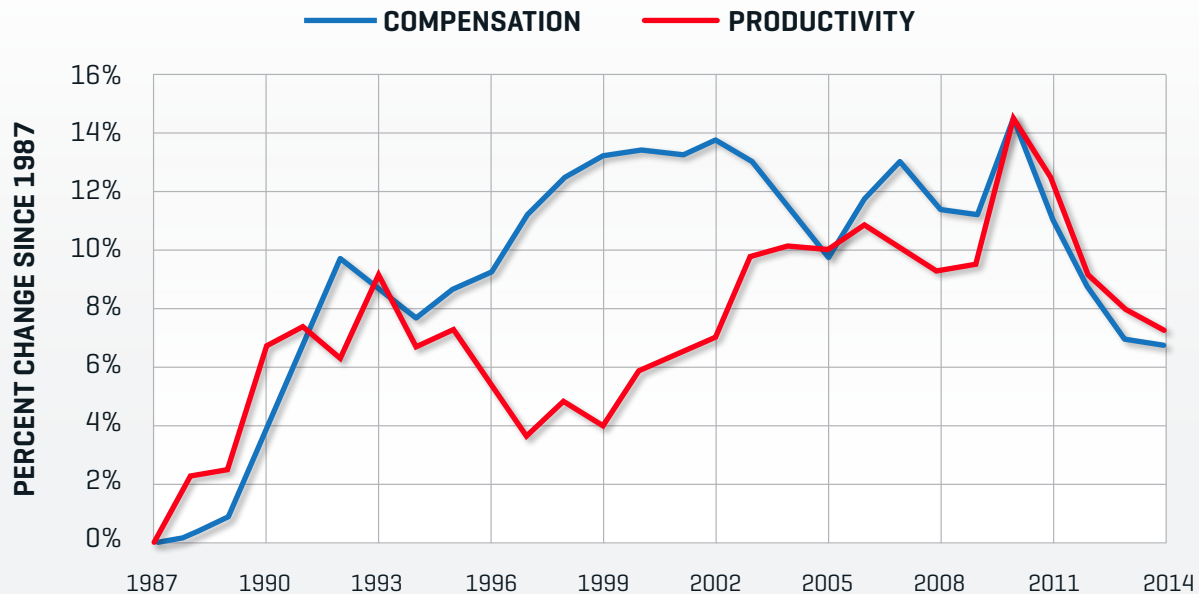


# PRODUCTIVITY

While the Department of Labor's Bureau of Labor Statistics (BLS) does not specifically track minimum wage workers' productivity, it does track the productivity of workers in certain industries, including limited service restaurants (fast food), that tend to pay lower wages.

The chart below tracks changes in fast food workers' hourly, inflation-adjusted compensation and productivity since 1987, the first year for which such data is available.

## FAST FOOD COMPENSATION AND PRODUCTIVITY



Up until 1994, compensation and productivity increased together. From 1994 to 2004, growth in compensation exceeded growth in productivity. Since 2004, productivity and compensation have again closely tracked each other.

At least for the fast food industry, it is entirely inaccurate to say that compensation for low-wage workers has failed to keep up with their productivity.





## DATA SOURCES

- Data for the adjacent chart came from the U.S. Department of Labor, Bureau of Labor Statistics, Labor Productivity and Costs, available at: <http://www.bls.gov/lpc>
- Calculations were made from the following data sets regarding “limited service eating places” for years 1987-2014:
  - Labor productivity, series ID: IPUTN72251AL000
  - Labor compensation cost (million \$), series ID: IPUTN72251AL020
  - Number of hours (millions), series ID: IPUTN72251AL200
  - Inflation adjusted using the implicit output deflator, series ID: IPUTN72251AT050
- This analysis was initially performed by James Sherk of the Heritage Foundation.<sup>9</sup>

“The primary impetus to increase the minimum wage is to enable people who work full-time to earn their way out of poverty.”

– Economic Opportunity Institute, September 1998.<sup>10</sup>

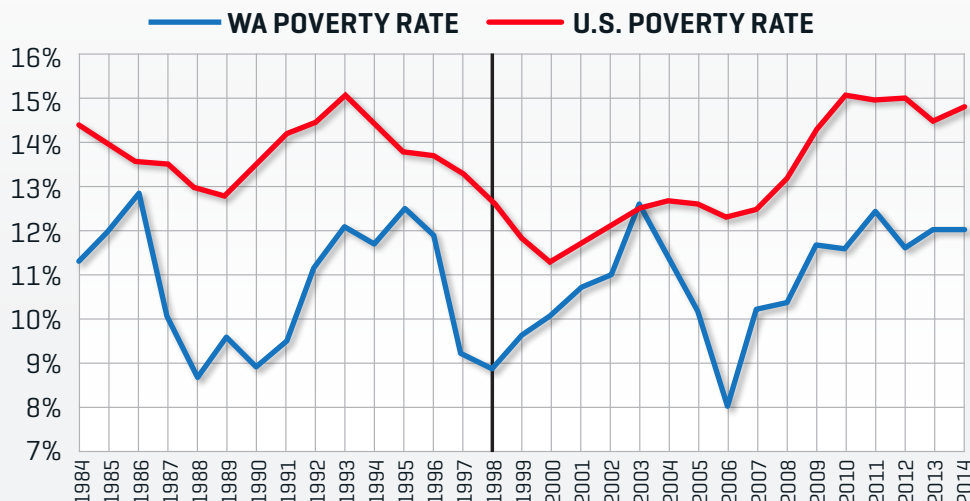
While the intent of I-688 may have been to decrease poverty, the sizable increase has had no discernable impact.

When I-688 was passed in 1998, an individual earning minimum wage and working full-time earned 126 percent of the Census Bureau’s poverty threshold. A worker with any dependents fell below the poverty line. A single, full-time minimum wage worker supporting two children under 18 earned 82 percent of the poverty threshold.

Sixteen years later, in 2014, single, full-time minimum wage workers earned 157 percent of the poverty threshold and single workers with two children earned 102 percent of the poverty line. By the reasoning of minimum wage supporters, such a dramatic increase in the minimum wage relative to the poverty threshold should have produced dramatically lower poverty rates.

In reality, despite the size of I-688’s increase and the fact that it gave Washington the nation’s highest minimum wage, the state poverty rate (the percentage of Washington residents living below the poverty threshold) changed little relative to the national poverty rate.

## WA AND U.S. POVERTY RATES



## KEY POINTS

- 1 The fact that Washington’s poverty rate lags behind the national average is sometimes referenced as evidence that the state’s high minimum wage has been good for the poor.<sup>11</sup> However, the state poverty rate has historically trailed the national rate, even prior to the passage of I-688 in 1998.
- 2 The only time Washington’s poverty rate exceeded the national rate was in 2003, following four years of increases in the poverty rate that began the year I-688 took effect.
- 3 The average state poverty rate for the 15 years preceding passage of I-688 (1984-1998) was 10.7 percent. The average national poverty rate for the same period was 13.8 percent. The average state poverty rate for the 15 years following passage of I-688 (1999-2013) was 10.9 percent, a slight increase, while the national poverty rate for the same period was 13.1 percent, a slight decrease.
- 4 Despite the fact that Washington’s minimum wage rose substantially in the years since 1998, there was no noticeable change in the state poverty rate.

These trends are in line with recent research showing “the failure of minimum wage hikes as an antipoverty policy.”<sup>12</sup> Even economists like David Card and Alan Krueger—authors of the first study claiming to find no decrease in employment following a minimum wage hike—have called the minimum wage a “blunt instrument” for helping the poor and find that “the effect of the minimum wage on the overall poverty rate of adults is statistically undetectable,” primarily because most people living below the poverty threshold are not working.<sup>13</sup>

## DATA NOTE

The annual, full-time minimum wage salary calculations were computed by multiplying the hourly minimum wage by 40 hours per week for 52 weeks per year.

## DATA SOURCES

- U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplements. <http://www.census.gov/hhes/www/poverty/publications/pubs-cps.html>
- U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplements, Historical Poverty Tables, Table 21, “Number of Poor and Poverty Rate, By State.” <http://www.census.gov/hhes/www/poverty/data/historical/people.html>
- U.S. Census Bureau, Poverty Thresholds by Size of Family and Number of Children. <http://www.census.gov/hhes/www/poverty/data/threshld/>
- Washington State Dept. of Labor and Industries. “History of Washington Minimum Wage.” <http://www.lni.wa.gov/WorkplaceRights/Wages/Minimum/History/default.asp>
- U.S. Department of Labor, Wage and Hour Division. “History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938 – 2009.” <http://www.dol.gov/whd/minwage/chart.htm>

“*Every dollar not paid in wages will be paid in food stamps or other forms of assistance. Raising the minimum wage is an investment in ending welfare dependence.*”

– *Kitsap Sun editorial board, October 1998.*<sup>14</sup>

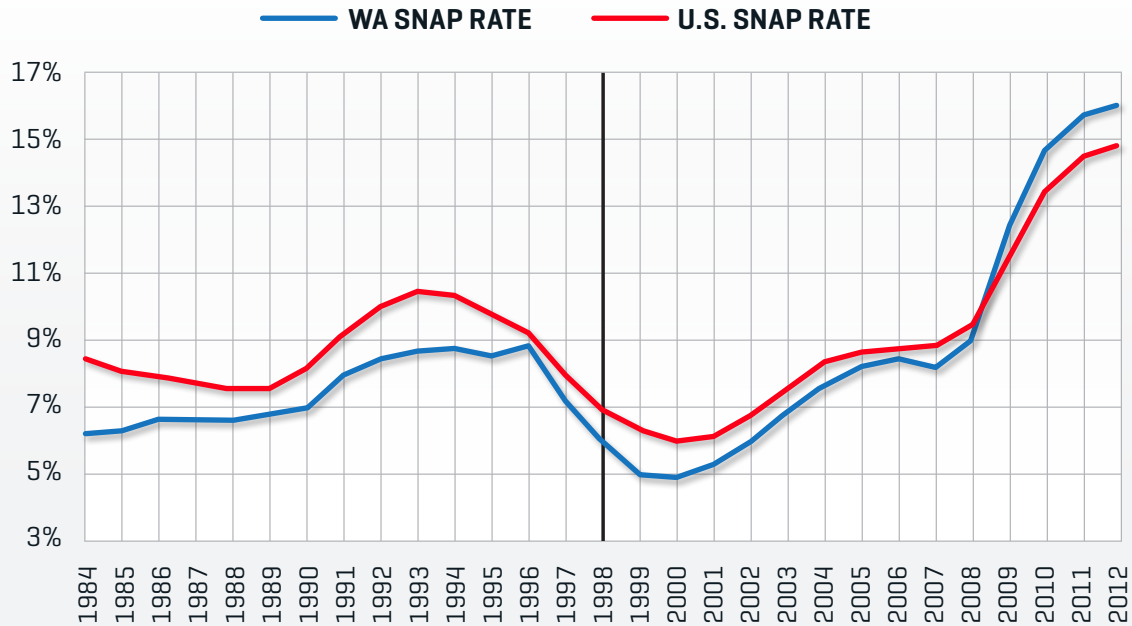
In an attempt to make their position seem more appealing to conservative voters and policymakers, minimum wage supporters contend that the current minimum wage amounts to taxpayers subsidizing corporations through food stamps and other forms of public assistance received by low wage employees. Were the minimum wage to be raised, they contend, it would reduce the need for public assistance programs.

While many regulations and programs distort the marketplace to benefit particular industries and business interests, social welfare programs are hardly corporate subsidies. The assumption made by minimum wage advocates is that the existence of public assistance programs allows companies to pay lower wages than they would otherwise. If true, this line of reasoning dictates that decreased public assistance should be accompanied by rising wages.

Both reason and research, however, indicate the opposite is true. Given that a low-wage job and no public assistance is better than no job and no public assistance, reductions in public assistance would likely make individuals more inclined to accept employment at whatever wage they could find. Conversely, as a number of economists have pointed out, overly generous social welfare programs can discourage individuals from seeking work, which could actually place upward pressure on the wages firms need to offer in order to compete with welfare and attract employees.<sup>15</sup>

Empirically, the percentage of Washington residence receiving assistance through the Supplemental Nutrition Assistance Program (SNAP), also known as food stamps, has not only expanded dramatically since the passage of I-688, but it has expanded at a rate faster than the national average.

## POPULATION RECEIVING SNAP BENEFITS



## KEY POINTS

- 1 The percentage of Washington residents receiving food stamp benefits was lower than the national average every year from 1984 to 1998.
- 2 After 1998, while food stamp use increased in both Washington state and the nation, it increased faster in Washington. When the Great Recession hit in 2008-09, food stamp usage in Washington exceeded the national average for the first time and has so far continued to outpace the national rate.

Again, these results echo recent research finding that, “on net, minimum wage increases have little to no ameliorating effect on participation in (or spending on) a range of means-tested programs.”<sup>16</sup>

## DATA SOURCES

- U.S. Census Bureau, Population Estimates, Intercensal Population Estimates.  
<http://www.census.gov/popest/data/intercensal/>
- U.S. Census Bureau, Small Area Income and Poverty Estimates, “State SNAP benefits data.”  
<https://www.census.gov/did/www/saipe/data/model/tables.html>

“Increasing the minimum wage is an effective tool for raising the earnings of low-wage workers without lowering their employment opportunities or harming the overall economy.”

– Economic Opportunity Institute, September 1998.<sup>17</sup>

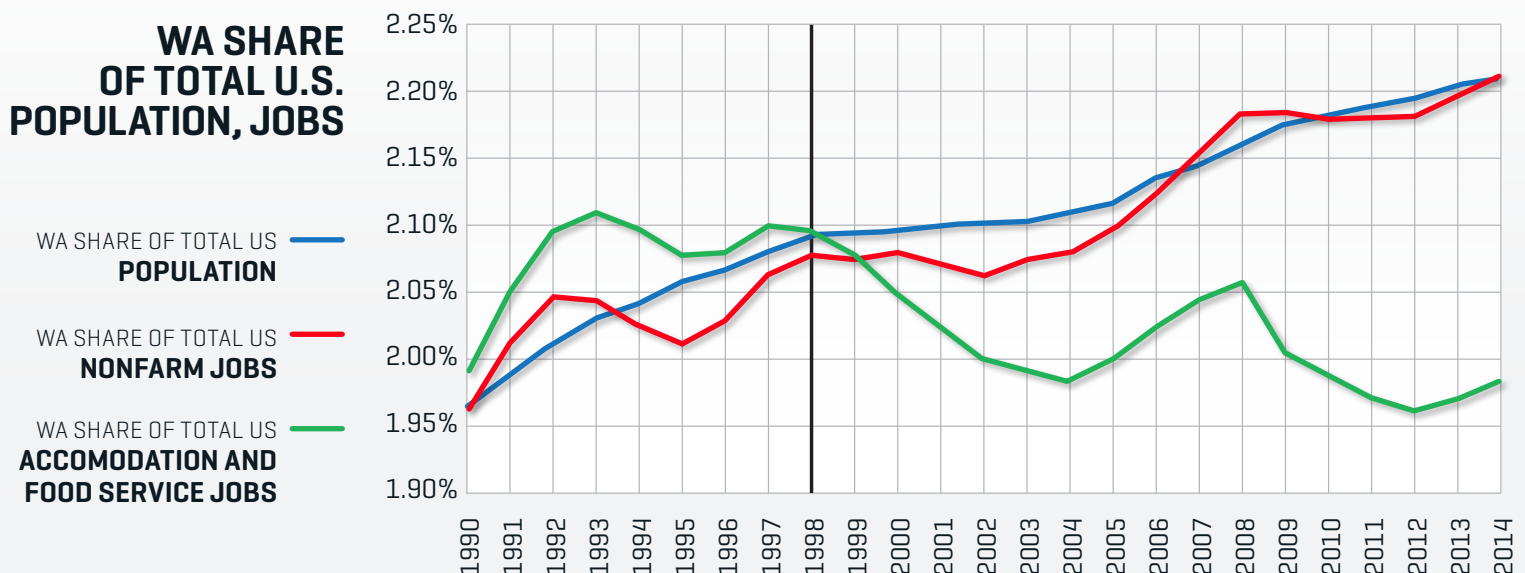
As they do today, minimum wage advocates in 1998 contended the government could raise the wage floor without negatively affecting job growth or employment.

Indeed, despite having the nation’s highest minimum wage, Washington’s population growth rate has consistently exceeded the national average since 1990, except in 2003 when both Washington’s population and the total U.S. population grew by .86 percent.

Similarly, growth in Washington’s total nonfarm employment exceeded the national rate in 15 of the 24 years since 1991. Washington’s strong overall labor market has led some observers to argue that the state’s high minimum wage has not negatively affected job growth.<sup>18</sup>

Despite the increases in Washington’s population and overall employment, however, industries with a predominance of entry-level, low-wage jobs have not fared nearly so well.

The chart below compares Washington’s population and total job growth to growth in accommodation and food service jobs (mainly hotel and restaurant jobs, as defined by NAICS sector 72), which tend to be among the lowest-paying jobs.<sup>19</sup>



## KEY POINTS

- 1 Washington's share of total U.S. accommodation and food service industry jobs exceeded Washington's share of total U.S. nonfarm employment and total U.S. population every year from 1990 until implementation of I-688 in 1999.
- 2 Since the passage of I-688, Washington's share of total accommodation and food service jobs has substantially declined, even while the state's share of the nation's population and total jobs have steadily increased.
- 3 When voters passed I-688 in 1998, Washington had 2.09 percent of the nation's population, 2.08 percent of the nation's jobs and 2.10 percent of the nation's accommodation and food service jobs. As of 2014, Washington's share of the population had increased to 2.21 percent, its share of the nation's jobs had increased to 2.21 percent, while its share of total U.S. accommodation and food services jobs had declined to 1.98 percent.
- 4 While Washington's share of the nation's population increased by 5.7 percent since passage of I-688 in 1998, and its share of total U.S. jobs increased by 6.3 percent, the state's share of U.S. accommodation and food services jobs fell by 5.7 percent.

This does not mean there are fewer accommodation and food service jobs now than before I-688 was passed, but that the growth of these jobs in Washington has slowed significantly compared to the rest of the country. When I-688 passed in 1998, 201,000 individuals were employed in the accommodation and food services sector. As of 2014, that number had risen to 250,000. Had job growth in the industry maintained its pre-I-688 rates or even just kept up with Washington's population and total job growth, however, the industry should have employed about 280,000-300,000 people in 2014.

While the increase in the minimum wage was not significant enough to reverse Washington's overall economic growth, it does appear to have substantially reduced growth in lower-wage industries, preventing tens of thousands of jobs from ever being created.

## DATA NOTES

The adjacent chart reflects the 12-month average employment for each year. State-level CES data is only available back to 1990.

## DATA SOURCES

- Bureau of Labor Statistics, Current Employment Statistics (CES).
- Series ID numbers for the pertinent CES datasets are provided below:
  - U.S. nonfarm employment: CES0000000001
  - Washington nonfarm employment: SMS530000000000000001
  - U.S. accommodation and food services employment: CES7072000001
  - Washington accommodation and food services employment: SMS53000007072000001
- U.S. Census Bureau, Population Estimates, Intercensal Population Estimates.  
<http://www.census.gov/popest/data/intercensal/>

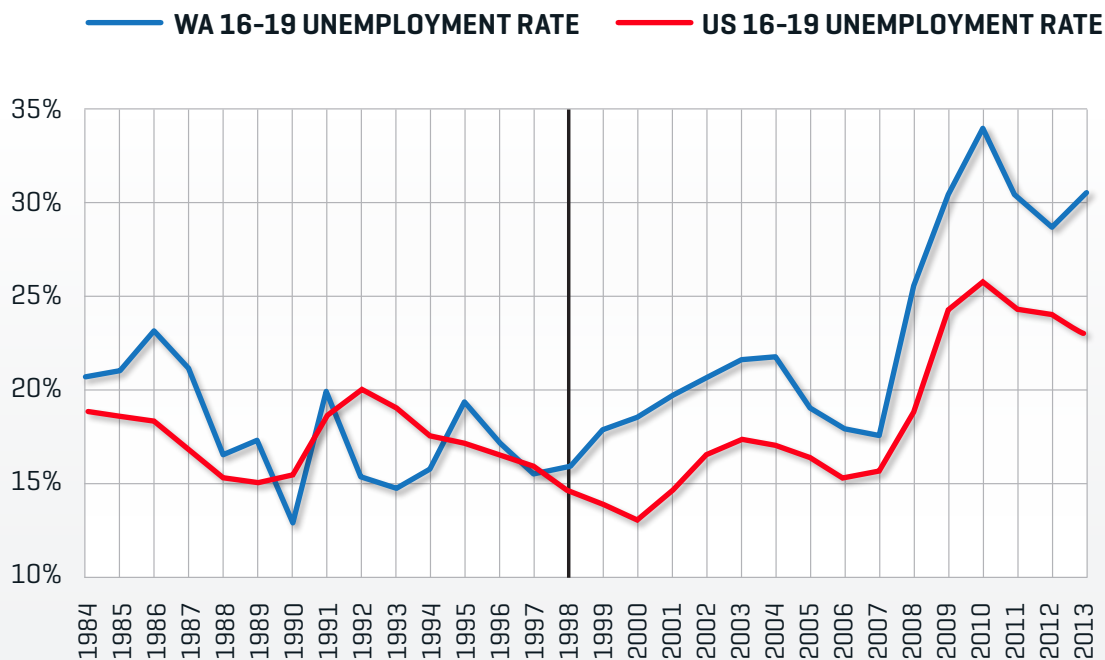


“The opponents of Initiative 688 are like Chicken Little crying the sky is falling. Whenever a minimum wage increase is contemplated, they always warn of impending job losses. But it never happens, and they never go back and look at the data that shows that there are not statistically significant impacts on jobs from minimum wage increases.”

– Economic Opportunity Institute, October 1998.<sup>20</sup>

While the sky has not fallen in on Washington’s robust economy since passage of I-688, job prospects for the least-skilled and least-educated workers have certainly fallen along with declining jobs growth in low-wage industries. The chart below compares Washington’s teen unemployment rate to the national rate before and after passage of I-688.

## WA AND U.S. TEEN UNEMPLOYMENT RATES



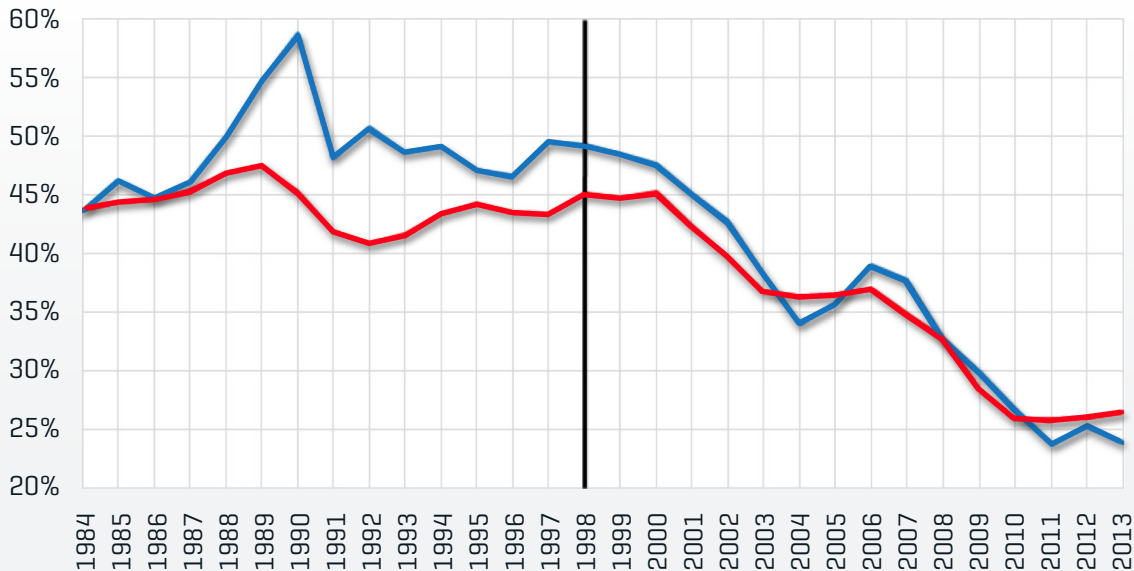
## KEY POINTS

- 1 The decline in the number of entry-level jobs in industries like accommodation and food services that followed passage of I-688 corresponded with elevated unemployment for low-skilled workers like teens.
- 2 For the 15 years preceding the implementation of I-688, teen unemployment in Washington generally followed national trends, with Washington's teen unemployment rate higher than the national rate in 10 out of 15 years. On average over this period, Washington's teen unemployment rate was 0.6 percentage points above the national average.
- 3 Washington's teen unemployment rate has surpassed the national rate every year since the passage of I-688. On average, Washington's teen unemployment rate was 5.0 percentage points higher than the national average. At the peak of the recession in 2010, Washington's teenage unemployment rate was 8.2 points higher than the unemployment rate for teens nationwide.

The unemployment rate indicates the percentage of teens looking for jobs who could not find work. As Washington's teen unemployment rate was increasing, the percentage of teens actually employed was decreasing.

## WA AND U.S. EMPLOYMENT-POPULATION RATIO

— WA 16-19 EMPLOYMENT-POPULATION RATIO — US 16-19 EMPLOYMENT-POPULATION RATIO



## KEY POINTS

- 1 Prior to 1998, Washington teens were consistently more likely to have a job than the national average. Since 1998, Washington's lead over the rest of the nation evaporated.
- 2 The employment-population ratio for Washington teens was higher than the national average in 14 of the 15 years prior to passage of the minimum wage initiative. On average over this period, Washington's teen employment-population ratio was 4.8 percentage points higher than the national average.
- 3 Washington's teen employment-population ratio exceeded the national average in 10 of the 15 years after I-688's implementation. On average, the percentage of Washington teens employed was only 0.8 percentage points higher than the national average.

Not all teens are employed at minimum wage, and not all minimum wage workers are teens. However, because limited data exists on minimum wage workers, teens are often used as a proxy since they are more likely to be working in entry-level, lower-wage jobs than the rest of the population. The fact that teen unemployment increased and the percentage of teens working decreased following I-688's passage suggests low-skilled employees generally faced increased difficulty finding work because of the higher minimum wage.

The results are consistent with a large body of research indicating that raising the minimum wage decreases job prospects for the least-skilled, educated and experienced workers.<sup>21</sup>

## DATA NOTES

Annual unemployment rates and employment-population ratios included in the previous charts are 12-month averages.

## DATA SOURCES

- Bureau of Labor Statistics, Current Employment Statistics, Series ID LNS14000012.
- Bureau of Labor Statistics, Current Employment Statistics, Series ID LNS12300012.
- Data on the Washington teen unemployment rate and employment-population ratio was obtained by request from the Bureau of Labor Statistics.

“*The greater the proportion of minimum wage workers in a local economy, the bigger and more positive the economic impact of increasing the minimum wage becomes. Minimum wage workers spend a higher proportion of their income on immediate consumption than higher-income workers do. In fact, increasing the minimum wage may have a disproportionately positive impact in rural low-income areas.*”

– *Economic Opportunity Institute, February 2001.*<sup>22</sup>

Many national and state advocates of raising the minimum wage argue that doing so will not destroy jobs because beneficiaries of a higher minimum wage will spend more money in the local economy, thus creating more demand and creating new jobs.

Years after I-688's passage, however, there is no evidence that minimum wage hikes stimulate the economy or benefit local businesses.

Minimum wage proponents will sometimes use demographic information to estimate the number of employees that would be affected by a proposed minimum wage increase.<sup>23</sup> Proponents then multiply the number of affected workers by the additional amount they would earn if all received a raise to the new minimum and everything else remained constant.

This unrealistic analysis allows advocates to trumpet alleged increases in economic activity of millions or billions of dollars, but fails to account for the decreased employment and increased prices that typically accompany minimum wage increases. After all, the money for employee raises has to come from somewhere.

Increasing the minimum wage no more stimulates the economy than a parent increasing a child's allowance increases a family's income. It is redistributive, not stimulative.

As the Congressional Budget Office explained,

*The increased earnings for some workers would be accompanied by reductions in real (inflation-adjusted) income for the people who became jobless because of the minimum-wage increase, for business owners, and for consumers facing higher prices.*<sup>24</sup>

While certain low-skill employees will certainly be able to spend more money following a minimum wage hike, the evidence indicates that their higher spending power is more than offset by other factors.

Advocates sometimes refer to a 2011 study by researchers at the Chicago Federal Reserve that found, unsurprisingly, that households benefitting from a minimum wage increase spend more than they did previously. The authors specifically warn, however, that their study is “silent about the aggregate effects of a minimum wage hike.”<sup>25</sup>

In earlier research, the same researchers documented some of the negative consequences of a higher minimum wage, including decreased employment<sup>26</sup> and higher prices.<sup>27</sup>

When the researchers took only the negative employment effects of a higher minimum wage into account in a 2013 study, they concluded, “A minimum wage hike provides stimulus for a year or so, but serves as a drag on the economy beyond that.”<sup>28</sup>

Some minimum wage advocates, like Washington State Rep. Laurie Jenkins (D-Tacoma), have cited<sup>29</sup> a 2006 paper<sup>30</sup> by Marshall Fisher of the Wharton School at the University of Pennsylvania that concluded strategic changes in payroll can boost monthly retail sales as proof that the minimum wage is an economic stimulus. However, the paper had to do with increasing efficiency on the store’s side and made no mention of the minimum wage or its effects on the wider economy. In response to an email inquiry, Professor Fisher confirmed that “those citing the paper (to support the minimum wage) are misinterpreting it.”

On the other hand, a 2015 study by Joseph Sabia of San Diego State University concluded, “Minimum wage increases are associated with a reduction in state GDP (Gross Domestic Product) generated by lower-skilled industries” and found there is “little support for the claim that minimum wage increases provide a short-run economic stimulus.”<sup>31</sup>

Even Professor Sylvia Allegretto of the University of California-Berkeley, whose research is often cited by minimum wage supporters, has admitted her research does not show that the minimum wage stimulates the economy.<sup>32</sup>

The one-sidedness of the debate on the issue has led minimum wage expert David Neumark of the University of California-Irvine to conclude, “There is simply no evidence” that boosting the minimum wage stimulates the economy through consumer spending.<sup>33</sup>

## CONCLUSION

While some of the information presented in this report is purely correlative, it is startling how directly the observed changes in Washington's economy after passage of I-688 align with the projections of minimum wage skeptics. Just as significant is the lack of any indication that enacting the nation's highest minimum wage produced the gains promised by labor activists in any measurable or lasting way.

Despite the rhetoric about ending "poverty-wage jobs," the state poverty rate failed to decline beyond its historic levels. Washington's historically below average food stamp usage began to reverse course following I-688's passage and now exceeds the national average. At the same time Washington's economy was performing strongly overall, job growth in low-wage industries slowed following the increased minimum wage and has yet to recover. Low-skilled workers like teens have consistently had a more difficult time finding work and getting a foothold in the job market. Lastly, economy-infusing spending increases from low-wage workers have not been measured or proven, while research continues to indicate that minimum wage increases do not lead to net economic growth.

If nothing else, the fact that Washington yet again finds itself embroiled in a debate over an issue that was supposed to be "depoliticized" 16 years ago is a testament to the long-term ineffectiveness of I-688. As labor activists renew their drive to boost government wage floor regulations still further, I-688's track record should give voters and policymakers reason to think twice.

## END NOTES

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