

Seattle's \$15 wage law a factor in restaurant closings

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As the implementation date for Seattle's strict \$15 per hour minimum wage law approaches, the city is experiencing a rising trend in restaurant closures. The tough new law goes into effect April 1st.

The closings have occurred across the city, from Grub in the upscale Queen Anne Hill neighborhood, to Little Uncle in gritty Pioneer Square, to the Boat Street Café on Western Avenue near the waterfront.

The shut-downs have idled dozens of low-wage workers, the very people advocates say the wage law is supposed to help. Instead of delivering the promised "living wage" of \$15 an hour, economic realities created by the new law have dropped the hourly wage for these workers to zero.

Restaurants close for many reasons, but Seattle has added a unique factor. *Seattle Magazine* [reports](#) [1], "...another major factor affecting restaurant futures in our city is the impending minimum wage hike to \$15 per hour." About 36% of restaurant earnings go to paying labor costs.

Advocates of a high minimum wage said businesses would simply pay the mandated wage out of profits, raising earnings for workers. Restaurants operate on thin margins, though, with average profits of 4% or less, and the business is highly competitive.

When prices rise consumers seek alternatives, a behavior economists call the "substitution effect," which results in lower demand for the higher-priced product. In the case of restaurants, consumers have access to the ultimate substitution – they can stay home.

[The Seattle Times](#) [2] and [Seattle Eater](#) [3] magazine have reported on some of the ways restaurant owners have tried to adapt – higher menu prices, cheaper, lower-quality ingredients, reduced opening times, and cutting work hours and firing workers. Sometimes these strategies, even in combination, are not enough. The business closes, workers lose their jobs and the neighborhood loses a prized amenity.

Restaurant owners seldom cite the minimum wage mandate directly as a reason for closing. Restaurateurs are business people, not politicians, and angering the Mayor over the law he signed is not a smart business move. A spokesman for the Washington Restaurant Association is more blunt, however. "Every [restaurant] operator I'm talking to is in panic mode, trying to figure out what the new world will look like." He added, "Seattle is the first city in this thing and everyone's watching, asking how is this going to change?"

Seattle is rightly famous for great neighborhood restaurants. That won't change. What will change is that fewer people will be able to afford to dine out, and as a result there will be fewer great restaurants to enjoy. People probably won't notice when some restaurant workers lose their jobs, but as prices rise and some neighborhood

businesses close, the quality of life in urban Seattle will become a little bit poorer.

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[1] <http://www.seattlemag.com/article/why-are-so-many-seattle-restaurants-closing-lately>

[2] <http://www.seattletimes.com/business/economy/workers-ready-employers-brace-for-seattles-minimum-wage-law/>

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