

SENATE BILL REPORT

ESSB 5551

As Passed Senate, February 6, 2006

Title: An act relating to studying the minimum wage in Washington state.

Brief Description: Studying the minimum wage.

Sponsors: Senate Committee on Labor, Commerce, Research & Development (originally sponsored by Senators Hargrove, Hewitt, Schoesler, Mulliken, Parlette and Oke).

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 2/22/05, 3/1/05 [DPS].
Passed Senate: 3/14/05, 47-2; 2/6/06, 43-1.

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5551 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kohl-Welles, Chair; Franklin, Vice Chair; Parlette, Ranking Minority Member; Brown, Honeyford, Keiser and Prentice.

Staff: Jennifer Strus (786-7316)

Background: Employers must pay each employee who is 18 or older at least the minimum hourly wage established under RCW 49.46.020 for all hours worked. "Hours worked" includes preparation time, opening and closing the business, and required meetings and training. Any time spent by an employee in the performance of these duties must be recorded and paid. Fourteen- and 15-year-old workers may be paid 85 percent of the adult minimum wage.

The Minimum Wage Act provides that on September 30 of each year the Department of Labor and Industries must calculate an adjusted minimum wage rate to maintain employee purchasing power by increasing the current year's minimum wage rate by the rate of inflation. This rate is calculated to the nearest cent using the Consumer Price Index (CPI-U) for urban wage earners and clerical workers (CPI-W) for the twelve months prior to each September 1 as calculated by the U.S. Department of Labor. The adjusted minimum wage rate takes effect on the following January 1.

The current state minimum wage rate is \$7.35 per hour. The minimum wage for 14 and 15 year old minors is \$6.25 per hour. The current federal minimum wage rate is \$5.15.

Summary of Bill: The Washington State Institute for Public Policy, in consultation with the Employment Security Department, must conduct a study to address the impact of the minimum wage and its annual increases.

The study should address the following issues:

- the impact of the minimum wage on job creation from 1990 to the present;
- the role of the minimum wage in maintaining the purchasing power of low income workers compared to other workers;
- whether wage compression has occurred as a result of minimum wage increases;
- the demographics of persons earning \$8.35 per hour or less, including race, age, ethnicity, gender, marital status and family size;
- the differences, if any, in economic activity attributed to the minimum wage increases in this state compared to similar economic activity in Oregon, Idaho, and other states similar in size and industrial base to Washington;
- the impact of the minimum wage on state unemployment rates; the economic activity and wage progression in industries with large numbers of low-wage workers compared to wages paid in other moderate to high-income fields; and
- an analysis of any causal relation between increases in the minimum wage and fluctuations in available jobs; a measurement of the effect the minimum has on the federal poverty level; an analysis of how often workers earning the minimum wage use taxpayer provided services; the average amount of time persons earn the minimum wage; the effect the increase in the minimum wage has on the mechanization and elimination of jobs; and the impact on workers and businesses of a minimum tipped wage.

In designing the study, the Institute must collect the required information from both private and public sources.

The Institute must report its findings to the legislature by December 1, 2006.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This study will provide valuable information to assist the legislature in making informed policy decisions. Washington has the highest minimum wage in the country and jobs are being transported out of state to states with lower minimum wages. The state's high minimum wage is making it difficult for businesses to hire teenagers anymore. Service jobs are what is holding our economy together and we need to keep service jobs in this state.

Testimony Against: None.

Who Testified: PRO: Senator Jim Hargrove, prime sponsor; Dan Fazio, Washington Farm Bureau; Carolyn Logue, National Federation of Independent Businesses; Denny Eliason, Washington State Restaurant Association; Mark Johnson, Washington Retail Association.