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**Commerce & Labor Committee**

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**HB 1118**

**Brief Description:** Providing living wages on public contracts.

**Sponsors:** Representatives Miloscia, Chase, Hasegawa, Cody, Moeller, Dunshee, Sells, McCoy, Darneille, Green, Pettigrew, Santos, Roberts, Appleton, Ormsby, Dickerson, Morrell, Conway, Kenney and Simpson.

**Brief Summary of Bill**

- Requires state contractors and subcontractors to pay their employees a living wage rate.
- Specifies that the living wage rate is \$8 per hour if health benefits are provided, or \$9.50 per hour if health benefits are not provided.
- Requires that the living wage rate be adjusted annually for inflation.
- Makes the living wage rate requirement applicable only to contracts entered into by either the Department of Community, Trade, and Economic Development or the Department of Social and Health Services on or after January 1, 2008.

**Hearing Date:** 2/6/07

**Staff:** Jill Reinmuth (786-7134).

**Background:**

State laws require that certain employers pay their employees minimum wages, and that certain government contractors pay their employees prevailing wages. There is not a living wage requirement applicable to state contracts.

Minimum Wage Requirement

The state Minimum Wage Act requires employers to pay their employees no less than the state minimum wage rate. Pursuant to Initiative 688, the Department of Labor and Industries

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(Department) adjusts the state minimum wage rate for inflation each year. The state minimum wage rate is \$7.93 per hour in 2007.

### Prevailing Wage Requirement

The state Public Works Act requires government contractors to pay their employees prevailing wages on public work and public building service maintenance contracts. The prevailing wage is the hourly wage, including usual benefits and overtime, paid in the largest city in each county, to the majority of workers in a particular trade or occupation. The prevailing wage requirement applies to state and local governments, including counties, cities, towns, and most districts.

### Living Wage Requirement

One jurisdiction in the state, the City of Bellingham, requires certain contractors to pay their employees a living wage rate, and adjusts the rate for inflation each year. The contracts subject to the City's living wage requirement are service contracts for more than \$10,000 performed by contractors with four or more employees and in business for more than one year. In 2006 the City's living wage rates were \$10.81 if health benefits were included, or \$12.43 if health benefits were not included. The City adjusts the living wage rates for inflation each year by an amount corresponding to the previous year's change in the implicit price deflator.

### **Summary of Bill:**

State contractors and subcontractors are required to pay their employees a living wage rate. This rate varies depending on whether the contractors and subcontractors pay for health benefits, and is adjusted annually for inflation. This requirement applies only to contracts entered into by specified agencies.

### Living Wage Requirement

State contractors and subcontractors must pay their employees \$8 per hour if health benefits are paid in whole or in substantial part, or \$9.50 per hour if health benefits are not provided. The Department of Labor and Industries (Department) must adjust the living wage rate for inflation each year as follows:

- If per capita personal income for Washington is equal to or greater than per capita personal income for the United States, the adjusted living wage rate is calculated based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, CPI-W, and the increase in per capita personal income.
- If per capita personal income for Washington is less than per capita personal income for the United States, the living wage rate is adjusted in the same manner as the state minimum wage rate.

The contracts subject to this requirement are state contracts for public works, personal services, purchased services, and goods that are entered into, renewed, or extended by either the Department of Community, Trade, and Economic Development or the Department of Social and Health Services on or after January 1, 2008. The employees subject to this requirement do not include: employees who are not covered under the state Minimum Wage Act, employees while they are on-call or standby, and employees who are subject to collective bargaining agreements.

They also do not include trainees, apprentices, interns, work study students, and employees who are seventeen years old or younger.

#### Other Provisions

Employees may report violations of this requirement to the director of the Department of Labor and Industries (Department). The Department has the same administrative and enforcement powers as in state laws governing wage payments. Contractors who are out of compliance with this requirement for the first time have thirty days to come into compliance. After thirty days, the state may terminate the contract. Contractors and subcontractors who violate this requirement a second time are prohibited from contracting with the state for two years. Contractors and subcontractors may not retaliate or discriminate against employees for asserting their rights under this requirement. In circumstances requiring payment of prevailing wage rates, contractors and subcontractors must pay either the prevailing wage rate or the living wage rate, whichever is higher. Contractors and subcontractors must also pay either the minimum wage rate or the living wage rate, whichever is higher.

**Rules Authority:** The bill does not address the rule-making powers of an agency.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.