

HOUSE BILL REPORT

HB 1118

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to providing living wages on public contracts.

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 History:

Committee Activity:

Commerce & Labor: 2/6/07, 2/23/07 [DPS].

Brief Summary of Substitute Bill

- Requires state contractors and subcontractors to pay employees performing work under contracts a living wage rate.
- Specifies that the living wage rate is \$9.25 per hour if health benefits are provided, or \$11 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 Ecology on or after January 1, 2008.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Green, Moeller and Williams.

Minority Report: Do not pass. Signed by 2 members: Representatives Condotta, Ranking Minority Member and Chandler, Assistant Ranking Minority Member.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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 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 (City), 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 Substitute Bill:

State contractors and subcontractors are required to pay employees performing work under contracts 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 employees performing work under contracts \$9.25 per hour if health benefits are paid in whole or in substantial part, or \$11 per hour if

health benefits are not provided. The Department of Labor and Industries 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 Ecology 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, and employees while they are on-call or standby. They also do not include trainees, apprentices, interns, work study students, and employees who are 17 years old or younger.

Other Provisions

If a contractor violates the living wage rate requirement, the relevant agency may withhold payment, or suspend or terminate the contract. If the contractor willfully violates the requirement more than once in two years, the agency may disqualify the contractor from further contracts for up to two years.

In addition, an employee may file a complaint with the Department of Labor and Industries for violation of a wage payment requirement. The Department of Labor and Industries may order the payment of wages owed, including interest and, for willful violations of wage payment requirements, civil penalties.

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.

Substitute Bill Compared to Original Bill:

The living wage rates are increased to \$9.25 (instead of \$8) per hour if health benefits are provided, and \$11 (instead of \$9.50) per hour if health benefits are not provided. The living wage rate requirement applies to contracts entered into by the Department of Ecology (instead of the Department of Social and Health Services). It applies only to a contractor's employees who are performing work under a contract (instead of all of the contractor's employees). It also applies to employees who are subject to a collective bargaining agreement. If a

contractor violates the living wage rate requirement, agencies may take certain actions and employees may file complaints with the Department of Labor and Industries.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Society has an obligation to ensure that basic needs are met. We are failing to meet that obligation. We need to pay vendors more so they can pay their workers a decent wage, one that is sufficient to raise a family and have quality of life. Government is part of the problem. We are paying our vendors too little for their employees to meet basic needs. It is inexcusable for the state to contribute to human suffering. This bill will help the private sector do the right thing.

Providing living wage jobs is essential to helping families become self-sufficient. The minimum wage is just that, a minimum. A significant percentage of food bank clients have a working adult in the family. The living wage would allow them to purchase necessities. This bill is an important first step.

This bill will improve the quality of life for all workers. Adequate wages will increase productivity and improve retention. A living wage is the best type of investment, an investment in our workers.

The moral measure of our economy is how the lowest-wage workers and those who cannot work are treated. The state should set a standard and an example that affirm the dignity of all. We live in a prosperous state, yet many do not have a sufficient, sustainable livelihood. Without a living wage, a substantial safety net is needed. There are currently living wage ordinances in over 100 jurisdictions across the country.

As trustees of public funds, we get the biggest bang when we are contracting with the private sector. We believe that the health care element of the living wage rates is key. We support the mechanism used to adjust the living wage rate. We are not certain that the exemption for employees who are subject to collective bargaining agreements is needed. This bill should set the floor for all.

(With concerns) We are concerned about how this bill brushes up against the prevailing wage law, and how the Department of Labor and Industries assumes that enforcement will be coordinated with enforcement of the prevailing wage law. Do not task the prevailing wage program with this task. We are also concerned about using the Accident and Medical Aid funds for the costs of enforcing this bill.

(Opposed) Many small businesses already do not contract with the state. We need to encourage more small businesses to contract with the state, instead of taking steps like this one. We already have to pay prevailing wage rates on some contracts. Small businesses that are just getting started should not be shut out of the state contracting process.

(By invitation) A living wage requirement will drive up labor costs and inhibit business growth. Government needs to restrain itself from setting wages based on need instead of productivity. Taxpayers will be on the hook for the expense of this requirement.

Persons Testifying: (In support) Representative Miloscia, prime sponsor; Gina Breukelman, Emergency Food Network and Pierce County Human Service Coalition; Rachel Berkson, Service Employees International Union - Washington State Council; Nick Federici, Washington Low-Income Housing Alliance; Michael Ramos, Church Council of Greater Seattle; and Jeff Johnson, Washington State Labor Council.

(With concerns) Rick Slunaker, Associated General Contractors.

(Opposed) Carolyn Logue, National Federation of Independent Business.

(By invitation) Carl Gipson, Washington Policy Center.

Persons Signed In To Testify But Not Testifying: Sean O'Sullivan, Association of Western Pulp and Paper Workers.