

HOUSE BILL REPORT

HB 1716

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, Appleton, Morrell, Moeller and Conway.

Brief History:

Committee Activity:

Commerce & Labor: 2/13/09, 2/18/09 [DP].

Brief Summary of Bill

- Requires state contractors and subcontractors to pay employees performing work under contracts a living wage rate.
- Specifies that the living wage rate is \$9.70 per hour if health benefits are provided, or \$11.55 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, 2010.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Green, Moeller and Williams.

Minority Report: Do not pass. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Chandler and Crouse.

Staff: Jill Reinmuth (786-7134)

Background:

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.

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 \$8.55 per hour in 2009.

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 2009 the City's living wage rates were \$11.27 if health benefits were included, or \$12.96 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 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 \$9.70 per hour if health benefits are paid in whole or in substantial part, or \$11.55 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 using the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, CPI-W, plus 3 percent.
- 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, 2010. The employees subject to this requirement do not include employees who are not covered under the state Minimum Wage Act. 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.

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.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The state privatizes half of the work, but doesn't make sure that private workers are paid a decent wage. The Legislature should make sure that the state does not contribute to poverty. When times are good, all workers should earn decent wages.

The Catholic faith calls us to serve the poor and vulnerable. The state should not make decisions that undermine a person's right to decent working conditions and adequate pay. For example, reimbursement rates for child care facilities are often less than 50 percent of the cost of providing child care.

When the state is paying small businesses and other contractors, setting standards for wages and health care is important.

The bill is a great first step. Families should not have to make choices between buying food and paying rent.

(Information only) The fiscal note will be revised. It should only include the costs for information, and not the costs of enforcement.

(Opposed) None.

Persons Testifying: (In support) Representative Miloscia, prime sponsor; Kim Sheley, Washington State Catholic Conference; Mia Wells, Washington State Coalition for the Homeless; and Misha Werschkul, Service Employees International Union Healthcare 775 Northwest.

(Information only) Rich Ervin, Department of Labor and Industries.

Persons Signed In To Testify But Not Testifying: None.