

HOUSE BILL REPORT

HB 1355

As Reported by House Committee On:

Labor
Appropriations

Title: An act relating to increasing the minimum hourly wage to twelve dollars over four years, without creating new exemptions.

Brief Description: Increasing the minimum hourly wage to twelve dollars over four years.

Sponsors: Representatives Farrell, Jinkins, Ryu, S. Hunt, Riccelli, McBride, Stanford, Carlyle, Cody, Tharinger, Goodman, Ortiz-Self, Bergquist, Dunshee, Fitzgibbon, Peterson, Moscoso, Appleton, Sells, Pollet, Robinson, Reykdal, Walkinshaw, Wylie, Ormsby, Santos, Hudgins, Tarleton, Sawyer, Moeller, Fey, Lytton, Gregerson, Gregory, Van De Wege, Kirby, Hurst, Kilduff, Sullivan, Kagi and Springer.

Brief History:

Committee Activity:

Labor: 1/26/15, 1/29/15 [DP];

Appropriations: 2/16/15, 2/19/15 [DP].

Brief Summary of Bill

- Increases the state minimum hourly wage to \$12 over the course of four years.

HOUSE COMMITTEE ON LABOR

Majority Report: Do pass. Signed by 4 members: Representatives Sells, Chair; Gregerson, Vice Chair; Moeller and Ormsby.

Minority Report: Do not pass. Signed by 3 members: Representatives Manweller, Ranking Minority Member; G. Hunt, Assistant Ranking Minority Member; McCabe.

Staff: Trudes Tango (786-7384).

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.

Employers covered under the state Minimum Wage Act are required to pay employees age 18 or older at least the minimum hourly wage. Each year, the minimum hourly wage rate is adjusted for inflation using the consumer price index for urban wage earners and clerical workers (CPI-W) index.

The Department of Labor and Industries (Department) has authority to set the minimum wage rate for employees under the age of 18. The rules require that employees who are 16 and 17 years old must be paid at least the same minimum wage as adults. Employees under the age of 16 must be paid at least 85 percent of the minimum wage rate.

The current state minimum hourly wage is \$9.47. The federal minimum wage is \$7.25.

Summary of Bill:

The state minimum hourly wage is increased to \$12 over the course of four years, as follows:

- beginning January 1, 2016 - \$10.00;
- beginning January 1, 2017 - \$10.50;
- beginning January 1, 2018 - \$11.00;
- beginning January 1, 2019 - \$12.00;
- beginning January 1, 2020; and
- thereafter: rate adjusted for inflation.

Appropriation: None.

Fiscal Note: Requested on January 20, 2015.

Effective Date: The bill takes effect on January 1, 2016.

Staff Summary of Public Testimony:

(In support) If a person works full time, he or she should be able to pay basic necessities like rent and food, but today people making minimum wage still have to rely on government assistance to get by. When money is tight, people become marginalized in the community. Increasing the minimum wage makes the local community healthier and benefits local businesses. There are costs to businesses, but the benefits outweigh the costs. Giving people dignity and more money will not hurt businesses; it will create healthy communities where everyone can succeed. Retaining employees is critical for a business. The phase-in of the increase is a responsible approach and makes it easier for small businesses. Minimum wage workers cannot afford to support themselves and pay debts. Raising the wage to \$12 is a good step. In the 1980s, minimum wage had enough buying power, but that is not so in today's dollars. Raising the minimum wage would mean about \$350 more in earnings per month for workers. That could make a difference for people living on the edge and relying on government services. Service workers, who are usually the minimum wage workers, are an invisible class and are not valued.

(Opposed) Businesses depend on having a consistent and level playing field when operating in the state. Washington has the highest minimum wage in the country and raising it will have real costs to small businesses. Those costs will end up being passed on to vendors and suppliers. There is only so much a business can pass on to consumers. When small businesses close in communities, those businesses don't return. Seattle may have raised its minimum wage, but outside of Seattle the economic recovery is very slow. Employers offer great benefits, like health insurance, and those benefits should be considered in the minimum wage. Raising the minimum wage could increase youth unemployment, making it harder for youth to get their first job or any job. Wage increases should be tied to increases in education and skills. Benefits and tips should be counted or else employers may not be able to offer those benefits and the increase in wages may end up not improving the employees' standard of living. Restaurants operate on less than a 5 percent profit margin. The restaurant industry would be impacted negatively. Small grocery stores would not be able to compete with national chain grocers that are able to more easily absorb the costs because of the volume of their business. Increasing the minimum wage for employees also means increasing the amount of taxes the employer must pay. Raising the minimum wage would increase the cost and complexity of the agricultural industry.

Persons Testifying: (In support) Representative Farrell, prime sponsor; Luke Bridges, Working Washington; Dan Olmstead, Poverty Bay Coffee; Tiffany Turner, Adrift Hotel; Sarajane Siegfried, King County Democrats; Laura Waite and Don Orange, Main Street Alliance; Spencer Baldwin; Nathan Ward; Jessica Field; and Isel Solis.

(Opposed) Robert Battles, Association of Washington Business; Jasmine Donovan, Dicks Drive-In; JoReen Brinkman, Subway Restaurant; Robert Blue, Shining Ocean Incorporated; Bruce Beckett and Bob Mandell, Washington Restaurant Association; Scott Dilley, Washington Farm Bureau; Kelly Chambers, Visiting Angels Home Care; Patrick Conner, National Federation of Independent Business; and Carolyn Logue, Washington Food Industry Association.

Persons Signed In To Testify But Not Testifying: Monique Trudnowsia, Adriatic Grill; and Jolinda Stephens, Unitarian Universalist Voices for Justice.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 18 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Carlyle, Cody, Dunshee, Hansen, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, Pettigrew, Sawyer, Senn, Springer, Sullivan, Tharinger and Walkinshaw.

Minority Report: Do not pass. Signed by 12 members: Representatives Chandler, Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Condotta, Dent, Haler, G. Hunt, MacEwen, Magendanz, Schmick, Taylor and Van Werven.

Minority Report: Without recommendation. Signed by 3 members: Representatives Parker, Assistant Ranking Minority Member; Fagan and Stokesbary.

Staff: David Pringle (786-7310).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Labor:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2016.

Staff Summary of Public Testimony:

(In support) If a person works hard, and works full-time, the current minimum wage will only provide about \$1,600, and that is not enough for basic needs. This bill helps those at the very bottom of the economic ladder. Eighty-five percent of those earning the minimum wage are over age 18, so it is wrong to characterize minimum wage as a training wage. This minimum wage increase is good for the economy. Evidence supports that a wage boost like this is spent in the economy immediately, and will have no impact on employment levels. This change will also reduce inequalities, and move families just over the poverty line. Some Walmart employees are not paid right for the work they perform. Sick leave and wages have been stolen. Overtime has not been paid. Walmart has fired employees. Some Macy's holiday temporary employees, for over a 3-month period, only make \$800 gross per month. Some people would like to see the minimum wage raised so workers can support themselves and their families. Mental health workers are also low-wage workers. The minimum must go up so staff can be retained to protect vulnerable populations. In 1961 the \$1.61 minimum wage bought 20 chocolate bars. Today the same hour of minimum wage work wouldn't buy nearly so many—it has not kept up. So many people who support this bill cannot afford to take time off to come here and testify. After years of being considered "entry level," some decide to open their own businesses, but businesses won't survive if neighbors can't use the services. This bill is about dignity and doing the right thing. Please support people having the bare necessities after working hard all day. This bill is like "trickle-up" economics: give more to those at the bottom, and they can spend more at local businesses. Being at this hearing is costing some people their daily wages. At \$10 per hour, and it is hard to buy enough food to keep families with kids healthy. Some parents skip meals, and have to limit what their kids eat. The changes in this bill could give people almost \$100 more per month and help workers provide more for their kids and maybe save a little. This is a challenge—Washington already has shown that you can raise poverty wages without destroying businesses. Some workers barely make ends meet, and can't begin to pay student loans. This probably doesn't this represent the values of our state. Some working students, support increasing the minimum wage to \$12, but eventually increasing it to \$15. We should be working to live, not living to work. Poverty is still on the rise in Washington. Living on the minimum wage is stressful, and makes it difficult to earn enough to feed one's own self. Maintaining grades is impossible because of the long hours that must be support one's own self. A women owned a deli and had 3 employees. She provided them sick leave, and because she treated them well, when she fell ill they helped her out. This is a sensible proposal that gets people closer to a living wage. The restaurant industry is expected to grow at 10 percent per year, but many workers live below the poverty line. Restaurant workers use

food stamps at twice the rate of the rest of the population, which is ironic for food servers. More income during working years means more money available during retirement as an alternative to state support.

(Opposed) The independent grocers have small profit margins, and this minimum wage increase will hurt them; a lot of businesses will just cease to exist. What will the cost be to the state? A possible \$235 million vendor rate increase just in the first year? Also, concerns about the impact on the Unemployment Insurance Trust Fund are raised by the fiscal note. The private sector impact of this bill is not reflected in the fiscal note at all. Statements about no impact to the private sector seem inconsistent with the impacts to the state illustrated in the fiscal note. Casino employees work for hourly wages plus tips. When the wages are raised for the lowest paid workers, those above them must go up too. At about 100 employees per casino location, there is little flexibility and the price of a \$1 chip cannot go up.

Persons Testifying: (In support) Representative Farrell, prime sponsor; Lori Pfingst, Budget Policy Center; Marilyn Watkins, Economic Opportunity Institute; Andrea Schmitt, Columbia Legal Services; Gerry Paladan; Wendy Brown; Jesse Inman, Downtown Emergency Services Center; Kyong Berry; Don Orange, Hoesly Eco Auto; Laura Waite, Jay's Professional Auto; Dan Olmstead, Poverty Bay Coffee Company; Lilia Montes; Samuel Stubbins; Liz Atkinson-Pattinson; Klayson Braga; Kristen Rowe Finkbiener, MomsRising; Joan Lankford; Anne Guerrein; Bianca Bailey; Autumn Brown; Michelle Thomas, Housing Action Fund; Juanita Maestas; Alex Hur, Statewide Poverty Action; Rachel Dehn, Restaurant Opportunity Center; and Michael Warren, Puget Sound Advocates for Retirement Action.

(Opposed) Mark Johnson, Washington Retail Association; Carolyn Logue, Washington Food Industry; Bob Battles, Association of Washington Business; and Dolores Chiechi, Recreational Gaming Association.

Persons Signed In To Testify But Not Testifying: None.