

HOUSE BILL REPORT

HB 2672

As Reported by House Committee On: Labor & Workforce Development

Title: An act relating to increasing the minimum hourly wage to twelve dollars over three years.

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

Sponsors: Representatives Farrell, Sells, Ryu, Green, Reykdal, Stanford, Pollet, Hudgins, Gregerson, Walkinshaw, Robinson, Bergquist, S. Hunt, Fey, Riccelli, Lytton, Tharinger, Fitzgibbon, Sawyer, Tarleton, Jinkins, Goodman, Roberts, Moeller, Freeman, Moscoso, Cody, Wylie, Appleton, Ormsby, Dunshee and Habib.

Brief History:

Committee Activity:

Labor & Workforce Development: 2/4/14, 2/5/14 [DP].

Brief Summary of Bill

- Increases the state minimum wage rate to \$12 per hour over the course of three years.

HOUSE COMMITTEE ON LABOR & WORKFORCE DEVELOPMENT

Majority Report: Do pass. Signed by 5 members: Representatives Sells, Chair; Reykdal, Vice Chair; Green, Moeller and Ormsby.

Minority Report: Do not pass. Signed by 4 members: Representatives Manweller, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Christian and G. Hunt.

Staff: Trudes Tango (786-7384).

Background:

Minimum Wage Act. Employers covered under the state Minimum Wage Act are required to pay employees age 18 or older no less than the state minimum wage rate. The state

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.

minimum wage rate is currently \$9.32 per hour. The federal minimum wage rate is currently \$7.25 per hour.

The state minimum wage rate must be adjusted for inflation each year. The Department of Labor and Industries calculates the adjusted rate using the Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers (CPI-W), for the 12 months prior to each September 1.

Summary of Bill:

The state minimum wage rate is increased to \$12 per hour over the course of three years, as follows:

- beginning January 1, 2015: \$10 per hour.
- beginning January 1, 2016: \$11 per hour.
- beginning January 1, 2017: \$12 per hour.

Beginning January 1, 2018, and each January after, the state minimum wage rate must be adjusted using the same method under current law.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on January 1, 2015.

Staff Summary of Public Testimony:

(In support) Income inequality is at its most stark in three generations. If a person works every day, he should be able to pay for food, rent, and transportation. The minimum wage rate is still at federal poverty level, and a worker still qualifies for food assistance and other government benefits. Taxpayers subsidize big corporations who pay their employees minimum wage. Most minimum wage workers are over 18 years old. Many of these workers are women and have children. It is impossible to pay for child care on a minimum wage salary. Low wages drive all workers' wages down. The prices of goods have increased faster than the minimum wage has. If people are paid more, they will spend more. If people in the community do not have money to spend, small businesses won't have customers. Raising the minimum wage will help with employee retention. Low wage service jobs are the fastest growing jobs in the country. Raising the minimum wage means creating more purchasing power in the state. A strong economy is dependent on everyone sharing in economic growth. Raising the wage to \$12 may not be enough to get people out of poverty, but it is an incremental step.

(Opposed) This bill does not accomplish the goal of reducing income inequality. It will have a negative impact on small businesses. Washington's minimum wage is already the highest in

the country. These types of bills do not create more jobs. Workforce development and training creates more jobs. While some workers will get an increase in their wages, others will lose their jobs because businesses will not be able to afford the costs. There is no scholarly consensus that raising the minimum wage will effectively address the issues the proponents want to fix. Raising the minimum wage unfairly targets businesses that have people-intensive models, such as restaurants. Most jobs are entry level jobs filled by students and are meant to be stepping stones to higher paying jobs. Larger corporations will be able to absorb the cost but small businesses cannot. Profit margins for certain industries are very low. If wages are raised, other benefits will be harder to provide. Most minimum wage workers are part time, young, live at home, or are second earners. Increasing wages encourages automation, like self check out machines.

Persons Testifying: (In support) Representative Farrell, prime sponsor; Maria Alvarado, Service Employees International Union Healthcare 1199NW; Brittany Phelps; Jessica Field, Service Employees International Union Healthcare 775NW; Bruce Le, United Food and Commercial Workers 21; Don Orange; Laura Waite; Zach Silk; Lori Pfingst, Washington State Budget and Policy Center; Kshama Sawant, Seattle City Council; and Diana Pearce, University of Washington School of Social Work.

(Opposed) Kris Tefft, Association of Washington Business; Todd Dunnington, Skills Incorporated; Jim Fricke, Capital Aeroporter; Bruce Beckett, Washington Restaurant Association; Mark Johnson, Washington Retail Association; Carolyn Logue, Washington Food Industry Association; Erin Shannon, Washington Policy Center; and Patrick Connor, National Federation of Independent Business.

Persons Signed In To Testify But Not Testifying: Julie Salvi, Washington Education Association; and Diego Rondón Ichikawa, National Employment Law Project.