

# SENATE BILL REPORT

## SB 5541

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As of February 7, 2017

**Title:** An act relating to teen wages.

**Brief Description:** Addressing teen wages.

**Sponsors:** Senator Baumgartner.

**Brief History:**

**Committee Activity:** Commerce, Labor & Sports: 2/02/17.

**Brief Summary of Bill**

- Requires an employer to pay employees under age 18 at least 85 percent of the minimum wage.

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### SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

**Staff:** Susan Jones (786-7404)

**Background:** Employers covered under the state Minimum Wage Act are required to pay employees age 18 or older at least the minimum hourly wage. Initiative Measure No. 1433, approved on November 8, 2016, increased the minimum wage over a period of time. The current state minimum hourly wage is \$11. The minimum wage will increase to: \$11.50 per hour in 2018; \$12 per hour in 2019; \$13.50 per hour in 2020; and adjusted for inflation thereafter. The federal minimum wage is \$7.25.

The Department of Labor and Industries has authority to set the minimum wage rate for employees under the age of 18 by rule. The rule requires 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.

**Summary of Bill:** Every employer must pay to its employees under the age 18 at least 85 percent of the hourly rate required under the minimum wage laws for employees over age 18.

**Appropriation:** None.

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*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.*

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: Constituents frequently say that we have a generation losing the work ethic. Many Americans have the opportunity to find employment and learn job skills. With the increasing costs of entry level positions, fewer and fewer young people, potential leaders, are being given that opportunity. It is not just wages, there is an overall costs to employers. With this modest change for people under the age of 18, we would increase employment opportunities. The lower wage justifies the extra time to train young workers. As they gain experience, they get raises. This is a simple, common sense solution.

The lower wage allows the employer to hire teens and teach them job skills like how to do a good job, show up on time, and give great customer service. Two thirds of all minimum wage earners earn more within one year of taking the job. Employers say that on the job training becomes a risk they are not willing to take with teens at the minimum wage. The overwhelming economic studies over the past decade on this issue agree that a high minimum wage has the greatest negative impact on the youngest and unskilled workers, such as teen workers just entering the work force. A UW researcher studying Seattle's \$15 per hour wage law explained, if employers are going to be paying as much as they have to pay, they are not taking a chance on a teenager; they are looking for a more experienced worker to fill that job.

There are some jobs where teens are not allowed to do parts of the jobs, sometimes involving safety issues. In those situations, the employer has to have two people to do that job. As wages become higher, the more willing employers are to make capital investments in automation, eliminating workers, example includes a self-checkout at a grocery store.

After I-1433 passed, some employers have had to cut teen employees. The minimum wage ties the hands of employers to hire teens and increase the high teen unemployment rate. Washington has high teen employment. As an overall percentage of the workforce, teen unemployment has been halved despite the economy growing and more people working. One in seven young people, 16 to 24 years of age, are neither in school or in the workforce. This is a problem that needs a solution. For every year a person is employed in the teen years, the person's income rises 14 to 16 percent in the person's twenties. First jobs are not only important to the employee, they are vital to our economy.

I-1433 does not mandate a minimum wage for workers under the age of 18. Passage of a teen training wage would not run afoul of the two year moratorium on amendments.

CON: Equal work deserves equal pay regardless of gender, race, or age. This devalues teens as human beings to be paid less. This bill is discrimination. Teenagers work for all sorts of reasons, including to paying for college and other schooling, to support themselves, and to help support their families. A recent Urban Institute study of youth who left high school and went to work, as study found that the majority of them did contribute to their family income.

These teens earnings moved 42 percent of the households out of the poverty level. One-third of these teens were not living with a parent.

Teen employment fell in every single state between 1980 and 2010 according to the Bureau of Labor Statistics. A study listed a number of reasons including more students enrolled in school over the summer and graduation requirements for unpaid service work. Washington's teen unemployment rate is in the top 5 nationally but this lower minimum wage is not the answer. The number of teens who do have jobs is right at the national average. Teen unemployment is not preventing young adults from getting jobs in Washington compared to other states.

A teen wage will impact older workers if the law incentivizes hiring someone who makes a lower wage even if the person has experience and is more qualified to do the job. As consumers, they would want the most qualified person doing the job.

**Persons Testifying:** PRO: Senator Michael Baumgartner, Prime Sponsor; Holli Johnson, Washington Food Industry Assn; Tammy Bailey, Bailey's IGA; Julia Gorton, WA Hospitality Assn; Tammie Hetrick, Washington Retail Assn; Erin Shannon, WA Policy Center; Bob Battles, AWB.

CON: Nathan Rodke, Washington CAN!; Marilyn Watkins, Economic Opportunity Institute; Ray Guerrero, Restaurant Opportunity Center.

**Persons Signed In To Testify But Not Testifying:** No one.