

SENATE BILL REPORT

SB 5578

As of February 11, 2025

Title: An act relating to strengthening Washington's labor standards.

Brief Description: Concerning labor standards.

Sponsors: Senators Saldaña, Alvarado, Conway, Frame, Lovelett, Nobles, Stanford, Trudeau, Valdez and Wilson, C..

Brief History:

Committee Activity: Labor & Commerce: 2/11/25.

Brief Summary of Bill

- Increases the minimum wage for employees beginning January 1, 2026.
- Requires employers and transportation network companies (TNCs) to provide paid vacation leave to employees or drivers at a rate of 2.3 hours of paid vacation leave for every 40 hours worked.
- Entitles an employee to at least five days of paid bereavement leave per calendar year if an employee's family member dies.
- Allows the Department of Labor and Industries to issue a stop work order to cease all business operations where the violation occurred and require the employer or TNC to pay workers normal compensation for regularly scheduled hours, if an employer or TNC violates this act.

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Marlon Llanes (786-7423)

Background: Minimum Wage Requirements and Labor Standards. The Minimum Wage Act (MWA) establishes a statewide minimum hourly wage, requires overtime pay for

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certain workers, provides for paid sick leave, and provides for other labor standards. The current statewide hourly minimum wage is \$16.66, which is adjusted annually for inflation by the Department of Labor and Industries (L&I).

Under the MWA, an employer must pay its employees all tips, gratuities, and certain service charges. Tips and service charges paid to an employee are in addition to the employee's hourly minimum wage.

Some employees are exempted from the MWA, including individuals employed in a bona fide executive, administrative, or professional capacity or in the capacity of outside salespersons.

Paid Sick Leave for Employees. Every employer must provide each of its employees at least one hour of paid sick leave for every 40 hours worked as an employee. An employee is entitled to use accrued paid sick leave beginning on the 90th calendar day after the commencement of employment.

Accrued and unused paid sick leave carries over to the following year, except an employer is not required to allow an employee to carry over paid sick leave in excess of 40 hours. An employer is not required to provide financial or other reimbursement for accrued and unused paid sick leave to any employee upon the employee's termination, resignation, retirement, or other separation from employment. When there is a separation from employment and the employee is rehired within 12 months by the same employer, previously accrued unused paid sick leave must be reinstated and the previous period of employment counts for determining the employee's eligibility to use paid sick leave.

An employer may not adopt or enforce any policy that counts the use of paid sick leave time as an absence that may lead to or result in discipline against the employee. An employer may not discriminate or retaliate against an employee for the employee's exercise of any specified rights, including the use of paid sick leave.

Paid Sick Leave for Transportation Network Company Drivers. A transportation network company (TNC) must provide to each driver operating on its driver platform compensation for earned paid sick time. A driver shall accrue one hour of earned paid sick time for every 40 hours of passenger platform time worked. A driver is entitled to use accrued earned paid sick time upon recording 90 hours of passenger platform time on TNC's driver platform.

A TNC may not adopt or enforce any policy that counts the use of earned paid sick time as an absence that may result in any action that adversely affects the driver's use of the transportation network. A TNC may not take any action against a driver that adversely affects the driver's use of the transportation network due to the driver's exercise of any specified rights, including the use of earned paid sick time.

Construction Workers. Paid sick leave requirements do not apply to construction workers

covered by a collective bargaining agreement (CBA) if:

- the union signatory to the CBA is an approved Referral Union Program;
- the CBA establishes equivalent paid leave provisions; and
- the CBA expressly waives the sick leave requirements in clear and unambiguous terms or in an addendum to an existing agreement including an agreement open for negotiation provided the sick leave portions were previously ratified by the membership.

Equivalent sick leave must meet the requirements in state law, except the payment of leave may occur before usage.

Wage Payment Requirements. The Wage Payment Act authorizes a person owed wages to file a wage complaint with L&I. L&I must investigate the complaint and issue either a citation and notice of assessment, or a determination of compliance. A citation and notice of assessment state that a violation of wage payment requirements has occurred and impose a fine. A determination of compliance states that a violation has not occurred.

If L&I determines an employer has violated a wage payment requirement, and issues a citation and notice of assessment to the employer, L&I may order the employer to pay the employee all wages owed. If L&I determines the violation of the wage payment requirement was willful or intentional, L&I may also impose civil penalties on the employer. The minimum for a civil penalty is \$1,000 or 10 percent of the total amount of unpaid wages, whichever is greater, and the maximum is \$20,000.

Summary of Bill: Minimum Wage Requirements and Labor Standards. Beginning on January 1, 2026, the minimum wage for employees is increased as follows:

Dates:	Rate per hour:
Beginning January 1, 2026, until January 1, 2027	\$17.50
Beginning January 1, 2027, until January 1, 2028	\$19.00
Beginning January 1, 2028, until January 1, 2029	\$20.50
Beginning January 1, 2029, until January 1, 2030	\$22.00
Beginning January 1, 2030, until January 1, 2031	\$23.50
Beginning January 1, 2031, until January 1, 2032	\$25.00

An employer is required to pay employees all tips, gratuities, and certain service charges, regardless of whether a local government establishes a minimum wage rate higher than required under this act. Tips and service charges paid to an employee are in addition to, and may not count towards, the employee's hourly minimum wage required by this act or a local government.

Vacation Leave For Employees. Employers must provide paid vacation leave to employees. An employee must accrue at least 2.3 hours of paid vacation leave for every 40 hours worked as an employee. An employer may provide paid vacation leave in advance of accrual if it complies with specified requirements. The employer is responsible for providing regular notification to employees about the amount of leave available.

An employee is entitled to use accrued paid vacation leave for any purpose beginning on the 90th calendar day after the commencement of employment. For each hour of paid vacation leave used, an employee must be paid the greater of the specified minimum hourly wage rate or the employee's normal hourly compensation. An employer may not require, as a condition of an employee taking paid vacation leave, that the employee search for or find a replacement worker to cover the hours during which the employee is on paid vacation leave. An employer may require employees to give reasonable notice of an absence from work, so long as such notice does not interfere with an employee's lawful use of paid vacation leave.

Accrued and unused paid vacation leave carries over to the following year, but an employer is not required to allow an employee to carry over paid vacation leave in excess of 40 hours. An employer is not required to provide financial or other reimbursement for accrued and unused paid vacation leave to any employee upon termination, resignation, retirement, or other separation from employment. When there is a separation from employment and the employee is rehired within 12 months of separation by the same employer, whether at the same or a different business location of the employer, previously accrued unused paid vacation leave must be reinstated and the previous period of employment shall be counted for purposes of determining the employee's eligibility to use paid vacation leave.

A construction industry employer must pay a construction worker the balance of the worker's accrued and unused paid vacation leave at the end of the pay period following the worker's separation regardless of whether the worker has met the specified 90-calendar-day requirement at the time of separation.

L&I must adopt rules regarding the specified notice that an employer may require from an employee before an absence from work, combined paid time off leave banks, and circumstances when an employer may deny an employee's use of vacation leave.

Vacation Leave for Transportation Network Company Drivers. A TNC must provide to each driver operating on its driver platform compensation for earned vacation time. A

driver must accrue 2.3 hours of earned paid vacation time for every 40 hours of passenger platform time worked.

A driver is entitled to use accrued earned paid vacation time upon recording 90 hours of passenger platform time on the TNC's driver platform. For each hour of earned paid vacation time used, a driver must be paid the driver's average hourly compensation.

A TNC must establish an accessible system for drivers to request and use earned paid vacation time. The system must be available to drivers via smartphone application and online web portal.

A driver may carry over up to 40 hours of unused earned paid vacation time to the next calendar year. If a driver carries over unused earned paid vacation time to the following year, accrual of earned paid vacation time in the subsequent year must be in addition to the hours accrued in the previous year and carried over. A driver is entitled to use accrued earned paid vacation time if the driver has used the TNC's platform as a driver within 90 calendar days preceding the request to use earned paid vacation time. A driver is also entitled to use earned paid vacation time during a deactivation or other status that prevents the driver from performing network services on the TNC's platform, unless the deactivation or status is due to a verified allegation of sexual assault or physical assault perpetrated by the driver.

If a driver does not record any passenger platform time in a TNC's driver platform for 365 or more consecutive days, any unused earned paid vacation time accrued up to that point with that TNC is no longer valid or recognized.

Drivers may use accrued days of earned paid vacation time in increments of a minimum of one or more hours. Drivers are entitled to request one or more hours of earned paid vacation time for immediate use, including consecutive days of use. Drivers are not entitled to use more than eight hours of earned paid vacation time within a single calendar day.

A TNC must compensate a driver for requested hours or days of earned paid vacation time no later than 14 calendar days or the next regularly scheduled date of compensation following the requested hours or days of earned paid vacation time.

A TNC must provide each driver with:

- written notification of the current rate of average hourly compensation while a passenger is in the vehicle during the most recent calendar month for use of earned paid vacation time;
- an updated amount of accrued earned paid vacation time since the last notification;
- reduced earned paid vacation time since the last notification;
- any unused earned paid vacation time available for use; and
- any amount that the TNC may subtract from the driver's compensation for earned paid vacation time. The TNC must provide this information to the driver no less than

monthly. The TNC may choose a reasonable system for providing this notification including, among other things, a pay stub. A TNC is not required to provide this information to a driver if the driver has not worked any days since the last notification.

Bereavement Leave. Beginning on the 90th calendar day after the commencement of employment, the employee is entitled to at least five days of paid bereavement leave per calendar year if an employee's family member dies. An employer may not require an employee to take paid bereavement leave on consecutive days. For each day of paid bereavement leave used, an employee must be paid the greater of the specified minimum hourly wage rate or the employee's normal hourly compensation.

Employers are not prevented from providing more generous bereavement leave policies or to allow employees to take additional leave without pay for purposes of bereavement.

An employer may require verification of the family member's death. Employer-required verification may not result in an unreasonable burden or expense on the employee. If an employer requires verification for the use of bereavement leave, the employer must have a written policy or a CBA outlining the requirements. The employer must notify the employee of the policy or agreement, including the employee's right to assert that the verification requirement results in an unreasonable burden or expense on the employee, prior to requiring the employee to provide verification. An employer must make this information readily available to all employees.

Paid Sick Leave for Transportation Network Company Drivers. Drivers may use accrued days of earned paid sick time in increments of one or more hours. Drivers are entitled to request one or more hours of earned paid sick time for immediate use, including consecutive days of use.

Construction Workers. The sick, vacation, and bereavement leave provisions of this act do not apply to construction workers covered by a CBA if, among other requirements:

- the CBA establishes equivalent or better sick, vacation, and bereavement leave provisions;
- the requirements of the sick, vacation, and bereavement leave provisions of this act are expressly waived in the CBA in clear and unambiguous terms or in an addendum to an existing agreement including an agreement open for negotiation provided the relevant leave portions were previously ratified by the membership; and
- equivalent leave provisions provided by a CBA meet the requirements of the sick, vacation, and bereavement leave provisions of this act, and the rules adopted by L&I.

Wage Payment Requirements and Stop Work Order. If the director of L&I determines that an employer or TNC has violated this act, L&I may issue a stop work order to cease all business operations at every site where the violation has occurred. Employers or TNCs must pay employees or drivers normal hourly compensation for all hours they would have

been regularly scheduled to work during the stop work period. This requirement is a wage payment requirement.

A stop work order remains in effect until the director of L&I issues an order releasing the stop work order upon finding that the employer or TNC has paid any amounts owed to the employees or drivers, including interest, and any penalties due. As a condition for release from a stop work order, the director of L&I may require the employer or TNC to file with L&I periodic reports for a probationary period that demonstrate the employer's or TNC's continued compliance with the provisions of this act. Any probationary period may not exceed two years.

The director of L&I may assess a civil penalty with a maximum of \$5,000 per day against an employer or TNC for each day that the employer or TNC conducts business operations that violate the stop work order. L&I may adopt by rule penalty amounts that vary by the size of the employer or TNC.

Beginning on September 30, 2028, L&I must calculate adjusted penalties on a yearly basis by increasing the current year's penalties by the rate of inflation. The penalties must be calculated to the nearest cent using the consumer price index for urban wage earners and clerical workers, CPI-W, or a successor index, for the 12 months prior to each September 1st as calculated by the United States Department of Labor. The adjusted penalties calculated take effect on the following January 1st.

An employer or TNC may contest a stop work order within 72 hours of the issuance of the stop work order by filing a petition for judicial review to the superior court. Upon the filing of any such petition, superior courts have jurisdiction to issue a temporary stay of the stop work order pending further agency action. The court may not grant a temporary stay unless the employer or TNC meets its burden to show such a stay is appropriate.

Other. L&I may adopt rules for implementation.

The definition of director is modified to include the director's authorized representative in an employee-related law.

The director of L&I must require an employer of an individual employed in a bona fide executive, administrative, or professional capacity to provide paid vacation leave consistent with the new leave provisions of this act, including the provisions that establish the accrual rate and the employee's right to use paid vacation leave.

Provisions and definitions related to employers and TNCs are reorganized to separate the laws that apply to employees from the laws that apply to drivers.

The laws that prevent an employer or TNC from adopting or enforcing any policy that, among other things, counts the use of certain leave as an absence that may result in

discipline are expanded to include other types of leave.

Outdated provisions are struck.

An intent section related to paid sick leave is modified to, among other things, apply to all paid leave.

Appropriation: None.

Fiscal Note: Requested on January 30, 2025.

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

Effective Date: The bill takes effect on January 1, 2026.