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| **Agenda Item No.:** | 9 | **Date:** | 18 March 2014 |
| **Proposed No.:** | 2014-0058 | **Prepared by:** | Nick Wagner |
| **Invited:** | Diana Pearce, Senior Lecturer and Director, Center for Women’s Welfare, University of Washington | | |

**SUBJECT**

A motion establishing a living wage policy for King County and asking the Executive to provide data and input concerning the scope and implementation of the policy and to transmit proposed legislation effectuating the policy.

**SUMMARY**

Proposed Motion 2014-0058 would establish that it is “the policy of King County that a living wage should be paid to county employees and to the employees of persons, businesses, organizations and other entities that receive procurement contracts, tax exemptions or credits or other financial or programmatic benefits from King County.” (Att. 1, lines 90-93)

The motion asks the Executive to provide by 1 September 2014:

1. A report assessing “the costs, benefits, and other consequences of adopting a living wage ordinance setting a minimum level of compensation for all county employees and for the employees of persons, businesses, organizations and other entities receiving or applying for county procurement contracts, county tax exemptions or credits or other financial or programmatic benefits from King County” (Att. 1, lines 94-101); and
2. “Proposed legislation effectuating the living wage policy set forth in the motion” (Att. 1, lines 102-04).

The motion directs the Executive, in providing the report and the proposed legislation, to analyze and address a number of specific issues, as well as any other issues that the Executive considers relevant. (Att. 1, lines 105-39) The motion also asks the Executive to address “whether the [living wage] policy . . . should apply to special or limited purpose governments with whom the county contracts or that receive procurement or other contracts, county tax exemptions or credits or other financial or programmatic benefits from King County.” (Att. 1, lines 140-44)

Finally, the motion states that it is “not intended to apply to other general purpose governments (e.g., the federal government, state governments or other counties, cities or towns) receiving or applying for county procurement or other contracts, county tax exemptions or credits or other financial or programmatic benefits from King County.” (Att. 1, lines 144-47)

**BACKGROUND**

**King County Strategic Plan**

The proposed motion is based in part on the King County Strategic Plan. One of the eight goals of the plan, under the heading of “Economic Growth and Built Environment,” is to “[e]ncourage vibrant, economically thriving, and sustainable communities.” (Att. 2) The first listed objective toward achieving that goal is to “[s]upport a strong, diverse, and sustainable economy.” One of the specified indicators of whether that objective has been attained is the “percent of jobs paying a living wage.”

“Living wage” is not defined in the strategic plan; however, the Alliance for a Just Society, a national network of twelve racial and economic justice organizations, defined “living wage” in a December 2013 report as “a wage that allows families to meet their basic needs, without public assistance, and that provides them some ability to deal with emergencies and plan ahead. It is not a poverty wage.” (“America’s Changing Economy: Searching for Work that Pays in the New Low-Wage Job Market,” p. 9)[[1]](#footnote-1)

**Minimum Wage**

A common method of promoting the welfare of employees, throughout the United States and around the world, has been the adoption of legislation requiring employers to pay their employees at least a specified minimum wage.

The federal minimum wage was first adopted in 1938 through the Fair Labor Standards Act and has never been tied to inflation, though it has been revised upward through subsequent legislation from time to time. In July 2013 dollars, according to the Congressional Research Service, the federal minimum hourly wage started at $4.06 in 1938, reached a maximum of $10.69 in 1968, reached a modern low point of $6.58 in 2007, and currently stands at $7.25. (Att. 3: “Inflation and the Real Minimum Wage: A Fact Sheet,” Congressional Research Service (8 Jan 2014))

The Washington State minimum wage was first adopted 1961 and originally was not tied to inflation. Initiative 688, which Washington voters approved in 1998, tied the state minimum wage to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Washington’s minimum hourly wage currently stands at $9.32.

**Living Wage**

Apart from whether the minimum wage has kept pace with inflation, there is a question whether today’s minimum wage provides a full-time worker with an income sufficient to live on without government assistance.

Starting with Baltimore in 1994, more than 125 states, counties, and cities have adopted living wage ordinances. According to the National Employment Law Project, they included, as of July 2011, the cities of Baltimore, Washington, D.C., San Francisco, Oakland, San Jose, Portland (OR), Pittsburgh, Miami (FL), New York City, Minneapolis, St. Paul, Los Angeles, Boston, Chicago, San Antonio, Detroit, Tucson, Buffalo, Denver, Omaha, Cleveland, St. Louis, Rochester (NY), Missoula (MT), Bozeman (MT), New Orleans, Albuquerque, and Santa Barbara, and 27 counties.[[2]](#footnote-2)

The living wage laws in these jurisdictions vary in their scope and in the amount of the living wage that they require, but in general they are more limited in scope than minimum wage laws, typically covering only the employees of the government entity that adopted the living wage law or its contractors or both, and they require a wage rate higher than the applicable minimum wage.

**King County and Washington State**

According to “The Self-Sufficiency Standard for Washington State 2011,” a report prepared for the Workforce Development Council of Seattle-King County, the Washington State minimum wage is insufficient to meet the basic needs of working families, in that the current minimum wage for Washington State, which is $9.32 per hour as of January 2014, is less than the 2011 "self-sufficiency standard" by between 12 percent and 73 percent, depending on the number of adults and children in the family and the family's specific location within King County.

According to the Alliance for a Just Society:

1. The Washington State minimum wage, which is $9.32 per hour as of January 2014, is 42 percent less than a living wage for a single adult, and the disparity is larger if the household includes school-age children or a non-working spouse.
2. Forty-one percent of all job openings in Washington State in 2012 paid less than a living wage for a household consisting of a single adult; the percentage was larger for households that included school-age children or a non-working spouse.
3. From 2009 to 2012, the percentage of U.S. jobs that pay less than $15 per hour increased from 36.55 percent to 39.45 percent, reaching a total of 51.4 million in 2012.
4. The number of jobs in occupational categories with median wages above $15 per hour dropped by four million from 2009 to 2012, masked by an increase of 3.6 million jobs with median wages below $15 an hour.

According to federal census data for the past 12 months (American Community Survey 1-Year Estimates) (Attachment 5):

1. Of all King County residents, 11.9 percent (about 235,000) live in poverty;
2. Of all King County families,[[3]](#footnote-3) 7.7 percent live in poverty;
3. Of King County families with related children under 18, 12.1 percent live in poverty;
4. Of King County families, female household, no husband present, with related children under 18, 32.3 percent live in poverty;
5. Of King County families that include one worker, 11.4 percent (about 17,348 families) lived in poverty;
6. Of King County families that include two workers, 2.4 percent (about 5,186 families) live in poverty;
7. Of King County families in which the householder worked full-time, year-round during the past 12 months, 1.7 percent (about 4,465 families) live in poverty.

**Gender and Racial Equity**

According to the U.S. Department of Labor, minimum wage workers are disproportionately women and people of color. It is an aim of King County’s equity and social justice initiative to eliminate such disparities.

According to Communities Count, the 233,000 King County residents who lived in poverty in 2010 included 38 percent of the county's Native Hawaiian/Pacific Islander residents, 30 percent of the county's Black residents, 29 percent of the county's American Indian/Alaska Native residents, and 27 percent of the county's Hispanic residents, compared with 10 percent of white residents and 11 percent of Asian residents.

**ANALYSIS**

Proposed Motion 2014-0041 identifies a problem—the increasing number of jobs in King County that do not pay enough for a full-time worker to be self-sufficient—and adopts, as a partial solution to the problem, a policy that “a living wage should be paid to county employees and to the employees of persons, businesses, organizations and other entities that receive procurement contracts, tax exemptions or credits or other financial or programmatic benefits from King County.”

The motion recognizes that there are a number of issues concerning the scope and details of the policy that need to be considered before the policy is implemented by adoption of an ordinance. The following issues are listed in the motion:

1. The scope, applicability and specific provisions of a living wage ordinance to carry out the policy;
2. A dollar amount or formula for establishing a living wage or wages;
3. Whether the living wage, once established, should be indexed to protect against inflation and, if so, what measure of inflation should be used;
4. Whether the value of nonwage compensation and benefits should be included in determining a living wage;
5. Whether there should there be any exemptions from the ordinance;
6. Whether the ordinance can and should apply to extensions or renewals of existing contracts;
7. Whether King County should adopt a minimum wage different from that imposed under state law for unincorporated King County and at King County International Airport, and if so, in what amount;
8. Whether there would be any adverse consequences to the county's represented workforce, the scope and nature of those consequences, and how such adverse consequences could be mitigated or otherwise resolved;
9. Whether a county contractor, bidder or proposer who fails to comply with any living wage policy or law should be disqualified from consideration from county contracts and benefits, or whether such a status should be merely one factor for the county to consider in awarding contracts, or a combination thereof depending on circumstances;
10. How to ensure compliance with and enforcement of the ordinance;
11. The effective date of the ordinance;
12. The overall fiscal impact of a living wage ordinance, taking into consideration any reductions in the need for the county and its taxpayers to provide support for low-income families and individuals as well as any increased costs;
13. A plan and timeline for implementation of the living wage ordinance; and
14. Whether there are any legal impediments or practical problems likely to be associated with the county's adoption of a living wage ordinance, and a plan to resolve or mitigate any adverse legal or practical hurdles.

Underlying several of these issues are the financial challenges that the county continues to face and the need to avoid undesirable, unintended consequences, such as reductions in services to vulnerable populations that increased labor costs might entail in the absence of commensurate increases in funding to the entities that provide those services. Other questions and issues may arise during the council’s consideration of how to implement the policy.

The motion anticipates a concern that is often raised as an objection to both living wage requirements and substantial increases in the minimum wage: that they will result in the loss of jobs through the failure or contraction of businesses that cannot afford to pay higher wages. The motion cites a letter published in January 2014 and signed by a group of seventy-five economists (the number now exceeds 600), including seven Nobel laureates and eight former presidents of the American Economic Association. The letter recommended that the federal minimum hourly wage be raised to $10.10 by 2016 and be indexed to inflation thereafter and expressed the views that "the weight of evidence now show[s] that increases in the minimum wage have had little or no negative effect on employment of minimum wage workers, even during times of weakness in the labor market," and that "[r]esearch suggests that a minimum wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front." The letter was distributed by the Economic Policy Institute (EPI), a research organization based in Washington, D.C., that, according to its website, receives about 26 percent of its funding from labor unions and about 60 percent from foundation grants.

In response to the economists’ statement that EPI distributed, according to the New York Times, the National Restaurant Association (NRA) recently helped draft and distribute a statement signed by more than 500 economists, including four Nobel laureates and several former federal officials, opposing the proposal to increase the federal minimum hourly wage to $10.10 and arguing:

As economists, we understand the fragile nature of this recovery and the dire financial realities of the nearly 50 million Americans living in poverty. To alleviate these burdens for families and improve our local, regional, and national economies, we need a mix of solutions that encourage employment, business creation, and boost earnings rather than across-the-board mandates that raise the cost of labor.

The NRA letter relied in part on a recent report from the nonpartisan Congressional Budget Office, which found, as described by the New York Times, that raising the federal minimum hourly wage to $10.10 “could reduce total employment by 500,000 workers by the second half of 2016. But it would also lift 900,000 families out of poverty and increase the incomes of 16.5 million low-wage workers in an average week.”

A substantial amount of research and analysis remains to be done before a living wage ordinance will be ready for consideration by the Council. As councilmembers are aware, the City of Seattle is currently considering an increase in the city’s minimum hourly wage to $15. According to the Seattle Times, the city has asked researchers at the University of California at Berkeley and at the University of Washington’s Evans School of Public Policy to examine the impact of such an increase.

**ATTACHMENTS**

1. Proposed Motion 2014-0058
2. Excerpt from the King County Strategic Plan 2010-2014
3. “Inflation and the Real Minimum Wage: A Fact Sheet,” Congressional Research Service (8 Jan 2014)
4. Local Living Wage Laws and Coverage
5. U.S. Census Bureau, American Community Survey data

1. http://jobgap2013.files.wordpress.com/2013/12/2013-job-gap-study1.pdf [↑](#footnote-ref-1)
2. Attachment 4 contains the complete list. Additional jurisdictions have adopted living wage laws since the list was compiled. [↑](#footnote-ref-2)
3. As defined by the American Community Survey: “A family consists of a householder and one or more other people living in the same household who are related to the householder by birth, marriage, or

   adoption.” [↑](#footnote-ref-3)