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| **Agenda Item No.:** | 7 | **Date:** | 29 April 2014 |
| **Proposed No.:** | 2014-0058 | **Prepared by:** | Nick Wagner |
| **Invited:** | None | | |

***Proposed Motion 2014-0058 was reported out of committee on April 29 by a vote of 6-0 (one excused) without recommendation.***

**SUBJECT**

In its original form, Proposed Motion 2014-0058 (Att. 1) would establish a living wage policy for King County and ask the Executive to provide data and input concerning the scope and implementation of the policy and to transmit proposed legislation effectuating the policy.

A proposed striking amendment would revise the motion. Though the amended motion still would establish a living wage policy for King County, the request to the Executive is limited to providing the information listed in the motion and such other information as the Executive may wish the Council to consider or as the Council may request in considering whether to adopt a living wage ordinance.

**SUMMARY**

Since the original sponsors of the motion are proposing a striking amendment that would revise the motion extensively, this staff report focuses on the motion as it would be amended by the striking amendment (Att. 2).

Proposed Motion 2014-0058, as amended, 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 benefits from King County.” (Striking Amendment: Att. 2, lines 68-71) The motion includes an exemption for “other general purpose governments (e.g., the federal government, state governments or other counties, cities or towns)” (Att. 2, lines 96-99).

To explore the implications of implementing the living wage policy, the motion asks the Executive to provide to the Council, by 13 June 2014:

1. A list, by classification, not name, of all county employees who are being compensated at a rate lower than fifteen dollars per hour (excluding benefits), including each employee’s rate of compensation and the county department and division in which he or she is employed;

2. A list of all contracts the county currently has with non-government entities, in an amount greater than $25,000, for the provision of goods or services to the county or to third parties, excluding employment and labor agreements. The list should include the name of the entity, the term of the agreement, a brief description of the goods or services, and the total amount of all the required payments;

3. A list of all non-government entities that have received or are expected to receive tax exemptions or credits or other financial benefits from the county in a total amount greater than $25,000, including the name of the entity, a brief description of the exemption, credit, or other benefit, and the dollar amount; and

4. Such other information as the executive would like the council to include in its consideration of whether to adopt a living wage ordinance or as the council or its staff may subsequently request.

**BACKGROUND**

This section of the staff report is similar to the background section of the staff report on the original version of Proposed Motion 2014-0058, which was considered at the committee’s March 18 meeting.

**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. 3) 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. 4: “Inflation and the Real Minimum Wage: A Fact Sheet,” Congressional Research Service (8 Jan 2014))

The Washington State minimum wage was first adopted in 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 counties and cities have adopted living wage ordinances. According to the National Employment Law Project, they included, among others, 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.[[3]](#footnote-3) The report was prepared by Diana M. Pearce, Ph.D., Director of the Center for Women’s Welfare at the University of Washington School of Social Work. Dr. Pearce made a presentation to the committee at its meeting on 18 March 2014.

According a 2013 Job Gap Study prepared by the Alliance for a Just Society[[4]](#footnote-4):

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 (p. 33).
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 (p. 33).
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 (p. 1).
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 (p. 1).

According to federal census data for 2012 (American Community Survey 1-Year Estimates) (Attachment 6), a substantial portion of King County residents live in poverty:

1. Of all King County residents, 11.9 percent (about 235,000) live in poverty;
2. Of all King County families,[[5]](#footnote-5) 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.

Since the federal poverty level is a small fraction of the standard for self-sufficiency in King County,[[6]](#footnote-6) much higher percentages of county residents than those listed above have insufficient resources to support themselves without government assistance.

**Gender and Racial Equity**

According to the Bureau of Labor Statistics of the U.S. Department of Labor, minimum wage workers are disproportionately women, especially women of color.[[7]](#footnote-7) It is an aim of King County’s equity and social justice initiative to eliminate such disparities.

According to Communities Count, a public-private partnership of which King County is a member, 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.[[8]](#footnote-8)

**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 benefits from King County.”

There are a number of issues concerning the scope and details of the policy that need to be considered before a living wage policy is implemented by adoption of a living wage ordinance. Such issues include, but are not limited to:

1. The scope, applicability and specific provisions of a living wage ordinance to carry out the policy;
2. A dollar amount of, or formula for establishing, a living wage or wages;
3. Whether a living wage requirement, 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 a living wage ordinance should include any exemptions;
6. The costs and benefits of applying a living wage ordinance to county contractors who serve vulnerable populations;
7. Whether a living wage ordinance will result in a loss of jobs through the failure or contraction of businesses that cannot afford to pay higher wages;
8. How to enforce the ordinance;
9. 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; and
10. A plan and timeline for implementation of a living wage ordinance.

Other questions and issues are likely to arise during the Council’s consideration of how to implement the policy.

1. http://jobgap2013.files.wordpress.com/2013/12/2013-job-gap-study1.pdf [↑](#footnote-ref-1)
2. Attachment 5 contains the complete list. Additional jurisdictions have adopted living wage laws since the list was compiled. [↑](#footnote-ref-2)
3. <http://www.selfsufficiencystandard.org/docs/Washington2011.pdf> (pp. 64-65). [↑](#footnote-ref-3)
4. <http://jobgap2013.files.wordpress.com/2013/12/2013-job-gap-study1.pdf>. Page number references are to page numbers of the report. [↑](#footnote-ref-4)
5. 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-5)
6. Less than one third for a family consisting of one adult and one preschooler, according to “The Self-Sufficiency Standard for Washington State 2011,” p. 49 (<http://www.selfsufficiencystandard.org/docs/Washington2011.pdf>). [↑](#footnote-ref-6)
7. Characteristics of Minimum Wage Workers: 2012 (<http://www.bls.gov/cps/minwage2012.pdf>), p. 2, Table 1. As of 2012, women were 51% of all hourly workers, but 64% of all minimum wage workers. According to the National Women’s Law Center, 22% of all minimum wage workers are women of color (<http://www.nwlc.org/resource/fair-pay-women-requires-increasing-minimum-wage-and-tipped-minimum-wage>). [↑](#footnote-ref-7)
8. <http://www.communitiescount.org/index.php?page=race-ethnicity-3>. [↑](#footnote-ref-8)