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POLICY NOTE

Policy Note: The negative effects of Initiative 1433's wage and paid leave mandates on Washington agriculture

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Key Findings

- Washington currently ranks tenth in total farm labor costs as a portion of sales at 20 percent and third in total amount spent on labor at $1.84 billion.
- To accommodate the effects of state-imposed costs under Initiative 1433, farmers would have to cut back somewhere else, by reducing work hours, hiring fewer workers, shifting to less labor-intensive crops, and adopting mechanization equipment.
- By 2020, the implementation of Initiative 1433 would increase the median agricultural wage by 40 percent to $18.63 and would increase total labor costs to $2.4 billion, ranking Washington highest in total agricultural labor cost for the United States.
- Mandating paid sick-leave for agricultural laborers would increase food waste, create market loss, and reduce income due to late or incomplete work during pruning and harvest.
- Small farms, averaging $100,000 to $249,999 in sales, devote a higher portion, 25 percent, to labor.

Introduction

In November Washington voters will consider Initiative 1433, to raise the mandatory state minimum wage to $13.50 by 2020 and, for the first time, require all employers to give one hour of paid sick leave for every 40 hours worked, starting in 2018. Future minimum wage increases would be imposed automatically each year, based on the Seattle-area inflation rate. The state minimum wage is already indexed to inflation, and is scheduled to increase on January 1st under current law.

Initiative 1433 will have a major effect on jobs and job creation across the state. Washington's agriculture industry is uniquely situated and will have an extremely difficult time in coping with this mandatory legislation. This summary Policy Note of a larger study on I-1433 looks at how a higher mandated minimum wage, in addition to an unprecedented paid sick-leave, would affect Washington's farm families and agricultural communities.

Background

Washington's agriculture sector makes up 13 percent of the state's GDP and employs 160,000 people – more than the employment of Microsoft and Boeing combined. Additionally, Washington is the third largest exporter of food and agricultural products in the U.S.

High in-state labor costs, like those proposed in Initiative 1433, would make it difficult for Washington farmers to reach their consumers around the world. Already, Washington agriculture ranks tenth nationally in total labor costs as a portion of sales, at 20 percent. In terms of total dollars spent on agricultural labor Washington ranks third, after California and Texas.

Impact of increasing labor costs on agriculture

Unlike local retailers, farmers must participate in a globally competitive market - in both buying of crop inputs and selling of their crops. Washington farmers cannot simply raise the price of their product to pay for mandated wages and benefits imposed by state law when supplying a commodity.

To accommodate the effects of state-imposed costs under Initiative 1433, farmers would have to cut back somewhere else, by reducing work hours or hiring fewer workers. Other options for farmers include shifting to less labor-intensive crops and adopting more mechanization and automation in processing.

All these required adjustments would have the effect of reducing agricultural employment and take-home pay for rural families. Higher mandated wage costs create incentives for farms and processors to move away from Washington to areas where it is more affordable to operate.

As with many top-down agricultural regulations, small and mid-sized farms would be disproportionately hurt by minimum wage increases. The head of the Washington State Farm Bureau summed up the problem, noting, "A law to increase the minimum wage without providing support for starting jobs, or those that get young adults their first work experience will hit farming operations, particularly smaller ones, and their employees hard."

Washington agriculture under Initiative 1433

The mandated wage increases proposed by Initiative 1433 would create a minimum wage shock of 16 percent in the first year alone. In contrast, under current law the minimum wage increase in Washington has averaged three percent annually over the last ten years. Additionally, the paid sick-leave imposed by Initiative 1433 would increase food waste, create market loss and reduce farm income due to delays and incomplete work during pruning and harvest.

Washington agriculture already pays above minimum-wage with a 2013 median wage of $11.40 to $21.00 per hour depending on agricultural subsector. Since 2005, this difference has averaged 38 percent above the state's minimum wage. Overall, Initiative 1433 would impose average wage increases of nine percent per year, a 300 percent rise in the rate of state-mandated wage increases. If the median agricultural wage remains 38 percent above the Washington minimum wage, then by 2020 the median agricultural wage will be $18.63 – a 40 percent increase from 2015.

The incorporation of a higher minimum wage of $13.50 by 2020 would increase Washington's total farm labor costs to $2.4 billion. Based on the 2012 Census of Agriculture this would raise total in-state labor expense as a portion of agriculture product sales to 26.3 percent, ranking Washington as eighth in the nation for total labor as a percentage of sales and first in the nation for total labor cost.

The labor cost increase proposed by Initiative 1433 would make Washington agriculture less competitive on a global market and would increase the negative economic forces that tend to push agricultural businesses out of the state or out of business.

A larger, broader Citizen's Guide on Initiative 1433, as well as a full study on I-1433's impact on agriculture are both available at www.washingtonpolicy.org.

Madilynne Clark is the Agriculture Policy Research Director at Washington Policy Center, based in our Tri-Cities office.

An Oregon native, Madilynne brings a lifetime of experience in agriculture to WPC. Her passion for agriculture grew as she helped her dad on veterinary calls and then became active in FFA.

Before joining WPC, she worked for Ag Association Management in Kennewick as an Account Manager and field rep for the Far West Spearmint Marketing Order. She worked with growers and industry across Washington, Oregon, and Idaho. She also spent two years as an associate of The Context Network. Her time involved working as a business analyst on various agriculture projects in production, wholesale, retail, and policy Ag sectors.

Madilynne holds a Master's Degree in Agricultural and Resource Economics from Colorado State University as well as a B.S. in Environmental Economics, Policy and Management from Oregon State University. When not working for WPC, she enjoys knitting, running, and every minute with her husband, newborn son, and their dog, Parli.

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