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POLICY NOTE

Initiative 1433: To increase the state minimum wage and to require paid sick leave

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Key Findings

1. Initiative 1433 would increase the state's minimum wage to $13.50 by 2020 and require employers to provide paid sick leave for every worker starting in 2018.
2. The paid sick leave provisions in Initiative 1433 are more generous and more broadly applied than the limited paid sick leave mandates that officials imposed in the cities of Seattle, Tacoma and Spokane.
3. There is no accommodation for small business; a business employing two workers would have to give the same amount of paid sick time as businesses with 5,000 workers.
4. There is no limit to how much paid sick leave a worker could accrue or use each year.
5. Initiative 1433's paid sick leave mandate would impose significant costs on the state's smallest employers, who would be forced not only to pay the wages of the worker using paid sick leave hours, but also the wages of the employees doing the work of those out on sick leave.
6. The harmful effect of an artificially high minimum wage on low-skill workers was noted by University of Washington researchers studying the initial impacts of Seattle's $15 minimum wage law.
7. While Seattle's lowest-wage workers are earning slightly more than they were before the new wage law took effect, they have suffered reduced hours and lower rates of employment. These cutbacks in work hours have largely offset the slight wage gains of some workers.
8. The UW study found that despite the city's hot economy, Seattle's low-wage workers are "lagging behind" their counterparts in other cities with less robust economies.
9. The UW study warns against assuming a higher statewide minimum wage would have the same modest effects as Seattle's new wage law, noting the impact could be significantly negative in regions where the local economy is not as strong as Seattle's.

Introduction

This fall, voters will have their say on whether the state's minimum wage should be increased beyond the current $9.47 per hour that automatically increases every January based on inflation. Initiative 1433 would increase the state minimum wage to $13.50 by 2020, with future automatic increases indexed to inflation.

In addition, the measure would, for the first time, require all employers to provide mandated paid sick leave for every worker starting in 2018.

Policy Analysis

Mandating Paid Sick Leave

Initiative 1433 would require every employer to provide paid sick leave to every worker starting in 2018. There is no consideration of employer size, so a business employing two workers would have to give the same amount of paid sick time as a business with 5,000 workers.

Workers would receive one hour of paid sick leave for every forty hours worked, and they could begin using the leave after 90 days of employment. Employees would be allowed to carry over 40 hours of unused paid sick leave every year, with no limit to how many days of accrued paid leave could be used in a year. The state's smallest employers could find themselves forced to offer two to three weeks of paid leave for one worker.

Supporters of paid sick leave point to the seeming success of Seattle's paid leave policy as evidence it will have no negative impacts. However, the provisions in Initiative 1433 are more generous and more broadly applied than the limited paid sick leave mandates currently imposed in Seattle, Tacoma and Spokane.

Increasing the Minimum Wage to $13.50

Under Initiative 1433, the state's minimum wage would increase to $11.00 in 2017, $11.50 in 2018, $12.00 in 2019, and $13.50 in 2020. The minimum wage would then go up automatically every year according to inflation.

Voters should heed the warning of the University of Washington researchers who have studied the impact of Seattle's new $15 minimum wage law.

The UW study, which examines the first year implementation of Seattle's minimum wage law to $11, reveals while Seattle's lowest-wage workers are earning slightly more, they have suffered reduced hours and lower rates of employment.

Erin Shannon is director of WPC's Center for Small Business and Labor Reform. Before joining Washington Policy Center in 2012, she was the Public Relations director of Washington state's largest pro-small business trade association, and was formerly a Legislative Correspondent for U.S. Congressman Randy Tate in Washington, D.C. Over the past 15 years Erin has appeared regularly in print, broadcast and radio media. She was a recurring guest on ABC's "Bill Maher's Politically Incorrect" until the show's cancellation in 2002, and participated in a live, on-stage version of Politically Incorrect in Seattle with Bill Maher. Erin has served as the spokesperson for several pro-small business initiative campaigns including Referendum 53, repealing increases in unemployment insurance taxes; Initiative 841, repealing the state's ergonomics rule; and Initiative 1082, to end the state's monopoly on workers' compensation. Erin holds a bachelor's degree in political science from the University of Washington.

Even worse, as a result of what the study calls the "negative unintended consequence" of fewer hours and reduced employment, Seattle's lowest wage workers are actually doing worse compared to low-wage workers in other parts of the state. Despite the city's hot economy, Seattle workers are "lagging behind" their counterparts from other cities with less robust economies.

The UW study also reveals prices in the restaurant industry, heavily reliant on minimum wage workers, increased an average of 9 percent after Seattle's wage jumped to $11. Even more concerning, many Seattle employers reported they will no longer hire unskilled and inexperienced workers for entry-level jobs.

In their conclusion, the UW researchers warn against assuming a higher statewide minimum wage would have the same modest effects as Seattle's wage law. They point out a high minimum wage could have significant negative impacts on regions where the local economy is not as strong as Seattle's.

Conclusion

We don't know for certain what the "negative, unintended consequence," might be of a $13.50 minimum wage in cities whose economies are not nearly as strong as Seattle's, and whose cost of living is much lower.

For example, the cost of living is so low in Kennewick, workers living in that city and earning the state minimum wage of $9.47 enjoy the nation's highest "real" minimum wage. Spokane ranks 3rd in the nation and Yakima ranks 7th, thanks to those cities' below average cost of living.

The flip side to those below average costs of living is higher than average unemployment. Yakima's unemployment rate is 7.2 percent, compared to the state's overall rate of 5.7 percent. Kennewick's unemployment rate is slightly better at 6.6 percent, with Spokane at 6.8 percent.

Cleary, many people in Washington are already struggling to find work at the state's current $9.47 minimum wage. Those workers who cannot find a job would not benefit from a $13.50 mandated wage or a paid sick leave mandate, and they would have an even harder time finding a job.

These harmful effects would likely be amplified in border communities in Eastern Washington, where businesses must compete with employers in Idaho who pay a much lower state minimum wage of $7.25 per hour. Not only would Washington's employers be at a competitive disadvantage due to their increased cost of doing business, the higher wage would increase the competition for jobs as workers from Idaho cross the border into Washington in search of higher wages. More competition for jobs that are already scarce in many cities would put even more pressure on unemployed and low-skill workers.

Washington is already struggling with the nation's 7th highest jobless rate, creating real hardship for the unemployed and low-income families across the state. The policies required under Initiative 1433 would make Washington's employment situation worse, by imposing even more limitations on the state's labor market.

This publication is a summary of an 11-page study on Initiative 1433. To access the full study, go to www.washingtonpolicy.org

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