



POLICY BRIEF

Citizens' Guide to Initiative 1

to increase the minimum wage and limit job opportunities for Bellingham Workers

Increasing the minimum wage to \$1.00, increasing to \$2.00 in 2025 over the state minimum and will destroy jobs.

By Mark Harmsworth,
Director, Center for Small Business
October 2023

Key Findings

1. Bellingham Initiative 1 would increase costs and reduces available hours for employees to work.
2. Some businesses would likely be forced to close or re-locate outside of the Bellingham city limits to avoid the increase in minimum wage.
3. The harm caused by Initiative 1 would fall hardest on low-income workers and the most vulnerable families in the community.
4. The requirements placed on employees and employers by Initiative 1 would cost both the employees and employers more money, destroy jobs and create an uncompetitive job market in Bellingham that would slow economic growth in the region.



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| | |
|---|---|
| 3 | <i>Introduction</i> |
| 3 | <i>Summary of Initiative 1 and supporter statements</i> |
| 4 | <i>The harmful effects of Initiative 1 on employers and workers</i> |
| 4 | <i>Cuts in employment and work hours</i> |
| 5 | <i>Denying access to employment</i> |
| 6 | <i>Shutting out young workers</i> |
| 6 | <i>False sense of feeling generous</i> |
| 7 | <i>Minimum wage proponents often making false claims</i> |
| 8 | <i>Conclusion</i> |

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Introduction

This November, voters in the City of Bellingham will consider ballot Initiative 1, which if passed would:

- Require all employers to pay \$1.00 more per hour than that state minimum wage, increasing to \$2.00 more in 2025;
- The measure would also cover people who work at home.

The requirements imposed on employees and employers by Initiative 1 would cost both them more money, destroy jobs and create an uncompetitive job market in Bellingham that would slow economic growth in the region. It would also deny earning opportunities to those who are seeking jobs and want to work, especially for low-skilled and low-income workers.

Summary of Initiative 1 and supporter statements

Initiative 1's official title is: "An ordinance of the City of Bellingham, Washington regarding minimum wage for employees."

Initiative 1 is sponsored by a political action committee called Community First Bellingham, labor groups and local activists. In a statement in support of the measure, Community First Bellingham says:

"Our initiative lifts the minimum wage in Bellingham by a dollar in 2024 and by another dollar in 2025." They say the Initiative would:

- Apply to all employees working in the City of Bellingham;
- Set the Bellingham minimum wages at \$1.00 above the state minimum wage starting May 1st 2024;
- Set the Bellingham minimum wages at \$2.00 above the state minimum wage starting May 1st 2025;
- Set enforcement mechanisms.¹

The Initiative text that will appear in the voters pamphlet includes;

1 "Raise the Wage," Community First Whatcom, accessed on September 22, 2023, at <https://www.communityfirstwhatcom.org/>.

“This measure would establish a City minimum wage that is \$1.00 above the State minimum wage on May 1, 2024, increasing to \$2.00 above the State minimum wage on May 1, 2025. The measure prohibits retaliation by employers against employees; establishes a private right of action for employees; gives the City access to work sites and records; and allows the City to issue civil infractions and order injunctive relief including reinstatement, restitution, and payment of back wages.”

The harmful effects of Initiative 1 on employers and workers

Washington already has one of the highest minimum wage levels in the United States, a policy that already restricts job-creation and work opportunities, especially for low-income workers. Imposing a higher minimum wage will result in fewer jobs and working hours for employees living in the Bellingham area.²

Nowhere is the harm imposed on workers demonstrated more clearly than in Seattle. The city council there has aggressively increased the minimum wage and implemented harsh pay rules over the last few years. The rash of restaurant closures and lost jobs can be attributed, in many cases, directly to the additional fiscal cost caused by mandated wage increases.

The obvious result of a high minimum wage is the pressure it puts on small business owners trying to make payroll each month. Marginal small businesses are often forced to close and neighborhood jobs are lost.

Cuts in employment and work hours

A recent study by the University of Washington showed that Seattle’s \$15 minimum wage “did little to offset widening inequality”.³ This conclusion matches the research done across the United States and work by the Washington Policy Center over the last decade on the harmful effects of artificially high, government-set minimum wage policies.⁴

Passage of Initiative 1 would put Bellingham at a disadvantage compared to neighboring cities which will have a more competitive business environment for local businesses.

2 “The Seattle City Council forces grocery stores to pay more for its workers,” by Mark Harmsworth, Washington Policy Center, January 26, 2021, at <https://www.washingtonpolicy.org/publications/detail/the-seattle-city-council-forces-a-grocery-stores-to-pay-more-for-its-workers>.

3 “Seattle’s local minimum wage and earnings inequality,” by Mark C. Long, October 28, 2021, at https://mynorthwest.com/wp-content/uploads/2021/12/Long_Economic-Inquiry-202174484.pdf.

4 See for example, “Key fact about the minimum wage,” by Erin Shannon, Washington Policy Center, October 29, 2013, at <https://www.washingtonpolicy.org/publications/detail/key-facts-about-the-minimum-wage>.

For many service industries, such as restaurants, retail and hospitality services, profit margins are as low as 3%. Minimum wage mandates wipe out that profit and can put a business into negative fiscal territory. Business owners are forced to cut operational costs and use more automation, cutting the need for employees. In other words, business owners are forced to lay off workers or reduce work hours.

Instead of a salary bump, many workers instead find their work hours cut or their jobs eliminated completely. For some employees, if they fall below a minimum hour threshold required for benefits, they lose benefits too.

For unionized workers, the problem is more acute. Labor contracts that prevent staffing changes leave companies with few options; to either increase prices or go out of business. An increase in prices negates any benefit to the employee as the new higher wage the employee is receiving no longer buys as much as it used to.

High mandated wages often make a business non-viable in a given market region. When a business closes employee wages fall to zero.

For example, Seattle's mandatory wage increases eliminated the jobs of all employees at two supermarkets. Quality Food Centers (QFC) closed two outlets in Seattle, in the Wedgewood and Capitol Hill neighborhoods, as a direct result of the Seattle City Council passing \$4.00 an hour "Hazard Pay" mandated wage increase which was applied during the COVID-19 pandemic.⁵

As the University of Washington study found, "local minimum wage laws are not likely to substantially reduce earnings inequality." It is obvious that government controls on wages, such as minimum wage and hazard pay, have no long-term effects on workers overall income. The results of a high artificial minimum wage are exactly the opposite of the proponents desired result. While a high minimum wages may increase earnings for workers who are able to keep their jobs, it reduces income and destroys jobs for lower wage earners.

Denying access to employment

Imposing a high state or local minimum wage denies many workers access to employment. The wage mandate interferes in a voluntary agreement between an employer who wants to hire and job applicant who wants to work. If hiring at the high minimum wage makes no economic sense the job goes unfilled and the job applicant's wage remains at zero.

A harsh minimum wage mandate falls particularly hard on young workers seeking their first job. For example, SeaTac imposes the highest minimum wage restriction in the country, at \$19.06 an hour, meaning many low-skill workers will

5 "QFC to close two stores in Seattle after city mandates hazard pay for grocery workers," FOX-13 News, February 16, 2021, at <https://www.fox13seattle.com/news/qfc-to-close-two-stores-in-seattle-after-city-mandates-hazard-pay-for-grocery-workers>, and "It's 'devastating': As a QFC store winds down, neighbors and politicians thank employees, criticize closure," by Paul Roberts, The Seattle Times, April 22, 2021, at <https://www.seattletimes.com/business/local-business/as-a-qfc-store-winds-down-neighbors-and-politicians-thank-employees-criticize-owner/>.

not get hired in Sea-Tac.⁶ The same is true in Seattle, where the mandated wage is \$18.69 an hour.⁷

Shutting out young workers

When the minimum wage is too high, such on-the-job training becomes too expensive for employers. Many business owners stop hiring young workers, favoring applicants with more experience and proven skills instead.⁸

This is not just an opinion. Economic research shows a high minimum wage has the greatest negative effect on people with low skills, such as teenagers trying to enter the workforce to get part-time work. Seattle, for example, would have 5,000 more jobs available, mostly for youth, if it did not impose a high minimum wage.⁹

The University of Washington researcher studying Seattle's \$15 minimum wage law explains:

“...if they [employers] are going to be paying as much as they have to pay they are not taking a chance on a teenager, they are looking for a more experienced worker to fill that job.”¹⁰

Today the state unemployment rate for teen workers is 18 percent, over four times higher than the general unemployment rate.¹¹ It is obvious that high mandated wages kill jobs for young people. For that reason some lawmakers have proposed a youth starter wage to offset the job-killing effect of the Washington minimum wage law.

False sense of feeling generous

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- 6 “SeaTac will have the highest minimum wage in the nation next year,” KIRO 7 News, October 11, 2022, at <https://www.kiro7.com/news/local/seatac-will-have-highest-minimum-wage-nation-next-year/3DTUXVECEZAAFGCOYWQIOU5WHY/>.
 - 7 “2023 Minimum Wage for Washington state,” Washington Department of Labor and Industries, at <https://www.lni.wa.gov/workers-rights/wages/minimum-wage/>, accessed August 1, 2023, and “Minimum Wage Calculator, Office of Labor Standards, City of Seattle, at <https://www.seattle.gov/laborstandards/ordinances/minimum-wage>, accessed August 1, 2023.
 - 8 “U.W. study finds Seattle’s minimum wage is costing jobs,” by Janet I. Tu, The Seattle Times, June 26, 2017, at <https://www.seattletimes.com/business/uw-study-finds-seattles-minimum-wage-is-costing-jobs/>.
 - 9 Ibid.
 - 10 “Report on the impact of Seattle’s minimum wage ordinance on wages, workers, jobs, and establishments through 2015,” by Jacob Vigdor et al., The Seattle Minimum Wage Study Team, University of Washington, July 2016, at <https://www.documentcloud.org/documents/2997999-Seattle-Minimum-Wage-Final-Report.html>, and “Sawant, U.W. researchers clash over impact of \$15 minimum-wage law,” by Daniel Beekman, The Seattle Times, September 21, 2016, <https://www.seattletimes.com/seattle-news/politics/sawant-uw-researchers-clash-over-impact-of-15-minimum-wage-law/>.
 - 11 “Average unemployment rates in Washington by age group, 2011 – 2021,” 2022 Youth Unemployment Outlook, Washington Workforce Training and Coordination Board, accessed August 21, 2023, at <https://wtb.wa.gov/research-resources/youth-employment/>.

Some people like to promote increases in the state-imposed minimum wage because it makes them feel generous. They to think they are “giving workers a raise,” without taking responsibility for the harm their proposal does to young workers, the unskilled, immigrants and the unemployed.

Minimum wage proponents often making false claims

Many of the arguments people make in pushing for a high minimum wage are not true. A government-imposed minimum wage is a price control; it sets the rate below which it is illegal to work, so millions of entry-level jobs are eliminated. People who support a high minimum wage are advocating to price many poor workers out of the labor market, because the law they want sets their effective minimum wage at zero.

In promoting a false message, public figures often cite common myths about a high minimum wage. These false assertions include:

1. Myth: Increasing the minimum wage will “lift workers out of poverty”

Some politicians say the minimum rate is “a starvation wage” and that people are working hard but “...going nowhere in a hurry.”¹²

This is not true. The primary cause of poverty is the lack of a job. Of working age adults living in poverty, nearly two-thirds do not work. Public officials harm poor people by making low-skill starter jobs illegal, pushing more low-income people into poverty.¹³

2. Myth: Most minimum wage workers are supporting a family

False. Research shows most minimum wage workers are young, work part time, have never been married, and live at home. Most minimum wage earners provide the second or third income in a household making more than \$50,000 a year.¹⁴

3. Myth: The purchasing power of the minimum wage has not kept up with inflation

12 “It’s time for a national \$15 minimum wage,” by Senator Bernie Sanders and Senator Patty Murray, The Seattle Times, April 28, 2017, at www.seattletimes.com/opinion/bernie-sanders-and-patty-murray-its-time-for-national-15-minimum-wage/

13 “The effects of minimum wage on employment,” by David Neumark, Federal Reserve Bank of San Francisco Economic Letter, December 21, 2015, at www.frbsf.org/economic-research/publications/economic-letter/2015/december/effects-of-minimum-wage-on-employment/, and “UW study finds Seattle’s minimum wage is reducing jobs,” by Janet I. Tu, The Seattle Times, June 26, 2017, at www.seattletimes.com/business/uw-study-finds-seattles-minimum-wage-is-costing-jobs.

14 “The Effects of a \$12 Federal Minimum Wage.” Dr. William E. Even, Miami University, and Dr. David Macpherson, Trinity University, for Employment Policies Institute, March 2016, at www.minimumwage.com/wp-content/uploads/2016/07/MinimumWage101_PolicyBrief_July.pdf.

False. The Washington state minimum wage has more than kept pace with inflation. When it started, in 1961, the state minimum wage was \$1.15 an hour. Adjusted for inflation the minimum wage would be \$11.77 today.¹⁵ The current state minimum wage is much higher, at \$15.74 an hour, than the original minimum adjusted for inflation. The mandated wage proposed by Proposition 1 is even higher.¹⁶

4. *Myth: The minimum wage should be a “living wage”*

False: The minimum wage was never intended to provide a living wage.

The minimum wage is intended to create first-time job opportunities for young workers and build job skills so workers can advance to higher-wage employment. It is also meant for those workers who want part-time flexibility, particularly to supplement the income of another full-time wage earner in the household. It was never intended to support a family or to provide a full-time, career position.

Conclusion

Washington employers are still struggling with COVID-19 restrictions, the mandated government shutdowns and continued economic uncertainty. Adding unnecessary cost would not help the Bellingham economy recover. Instead it would destroy jobs, reduce working hours for existing employees and drive some small businesses out of the city.

Some employers would likely be forced to close or re-locate outside of the Bellingham city limits to avoid the regulations. Overall, passage of Initiative 1 would harm the area’s business climate and impose direct hardship on employers and workers in the city. Initiative 1 would fall particularly hard on low-income workers and the most vulnerable in the community.

Whether the personal and economic damage caused by Initiative 1 would be worth its claimed social benefits and the desire by many people to feel good about a city policy will be up to the voters.

15 “CPI Inflation Calculator, 1961 – 2023,” Bureau of Labor Statistics, U.S. Department of Labor, accessed August 1, 2023, at https://www.bls.gov/data/inflation_calculator.htm.

16 “Minimum Wage 2023,” Workers’ Rights, Washington Department of Labor and Industries, accessed September 6, 2023, at <https://www.lni.wa.gov/workers-rights/wages/minimum-wage/>.

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Mark Harmsworth was elected in 2014 to the Washington State House of Representatives where he served two terms. His focus was on transportation and technology, including serving as the ranking member on the House Transportation Committee.

Prior to the legislature, Mark served two terms on the Mill Creek City Council and was elected Mayor Pro-Tem in his last year.

He recently finished serving as a Director on the Everett Community College Foundation Board and also served as a Director on the Boys and Girls Club of Snohomish County until 2021.

Mark works in the technology industry and is an owner of a small business after completing a long career at Microsoft and Amazon.

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