



City of Burien
400 SW 152nd Street
Suite 300
Burien, WA 98166-1911

P 206.241.4647
F 206.248.5539

burienwa.gov

MEMORANDUM

From: Chris Craig, Economic Development Manager
To: Burien Business and Economic Development Partnership
Subject: City Council Direction on Minimum Wage in Burien

PURPOSE

This memorandum serves to provide information regarding minimum wage ordinances adopted by other cities, and policy questions the City will need to consider, in order to inform a Council discussion regarding implementing a local minimum wage in Burien.

BACKGROUND

At the July 24, 2023 Burien City Council meeting, Council passed a motion ‘to direct the City Manager to conduct a study on minimum wage ordinances adopted by other cities and bring back a recommendation for a councilmanic process to establish a minimum wage in Burien.’ Council direction did not ask staff to evaluate or make a recommendation on if a minimum wage should or should not be adopted, only bring back options for a process to implement a local minimum wage.

The BEDP will have an opportunity to make an advisory board recommendation to Council regarding a local minimum wage that will be included in the staff presentation to Council.

MINIMUM WAGE SCHEDULE OUTREACH

Economic development staff was provided direction to bring the minimum wage agenda item back to Council with a target of late October. This timeline is too compressed to perform comprehensive or representative community engagement with businesses or workers on the subject, so staff conducted targeted stakeholder interviews with interested businesses,

business associations, and labor groups from a coalition that had signed a letter to Council advocating for implementing a local minimum wage.

In addition, staff worked with the BEDP to schedule a roundtable discussion on the subject at a regularly scheduled BEDP meeting on 9/22. Staff is currently working on a more comprehensive community engagement plan to implement should Council direct staff to gather additional feedback from businesses, workers, and community on the subject at the 10/23 City Council meeting.

Timeline:

- **7/24:** Council directed City Manager to bring back recommendations for implementing a local minimum wage
- **8/7-9/1:** Staff conducted stakeholder interviews and compiled research on minimum wage laws adopted in surrounding cities
- **9/4-9/15:** BEDP Minimum Wage Roundtable coordination by staff
- **9/22:** BEDP Minimum Wage Meeting #1: Roundtable discussion
- **9/24-10/6:** Staff to research and bring back any additional information requested during Roundtable discussion for BEDP meeting #2
- **10/13:** BEDP Minimum Wage Meeting #2: BEDP discussion on potential Council recommendation
- **10/23:** Staff will provide a presentation to City Council. Council will have opportunity to discuss and provide additional direction to staff.

POLICY CONSIDERATIONS OF A MINIMUM WAGE

The 2022 Facilitator Report for the BEDP on *Minimum Wages and Burien Local Economy* noted there are four policy design decisions that need to be considered in implementing a higher minimum wage. Staff is using the BEDP report as a framework to discuss potential policy options for Council in implementing a local minimum wage. Specifically, those policy design discussion points are:

A primary consideration is determining which firms are affected. In minimum wage legislation, this determination is designed by identifying a certain employer size threshold. Above that threshold, employers are mandated to raise their wages. Many labor laws exclude small employers, which can be as small as 4 employees in the case of Seattle's paid sick leave policy, or larger like the 26 employee cutoff for San Diego's minimum wage law or the 100 employee cutoff for the minimum wage law in Novato, CA.

..... Although the proportion of large firms in Burien is small, the proportion of workers employed in large firms is not. Nearly 76 percent of Burien jobs are in firms with 10 or

more employees and 64 percent of Burien jobs are in firms with 20 or more employees. This suggests that while a minimum wage on large firms may not target a large share of Burien employers, it has the potential to impact a large number of Burien workers...

...The Seattle minimum wage evaluation conducted a comprehensive evaluation of prices and found that prices in basic grocery store items, gas prices and housing did not change at all, while prices in the restaurant and accommodation industry increased by 10 percent to reflect the new cost (Hill et al., 2016).

Another key consideration is the level of the new higher wage. Jurisdictions take one of two approaches. First, jurisdictions may choose to set a new minimum wage that automatically increases annually with inflation. Examples of this approach include Seattle and Washington state. Second, jurisdictions may set a new minimum wage and keep the wage at that level until it is re-legislated. An example of this design is the federal minimum wage. Jurisdictions define the exact dollar amount in several ways: they may find a target percentage increase, or identify the cost of living in their area and set a new minimum that represents a “living wage.”

..... A key theme that comes across in evaluations of the minimum wage is that the size of the minimum wage increase matters: Economic theory suggests that employer, worker and community adjustments occur in proportion to the change in the minimum wage. Small wage increases will have small impacts while large wage increases will have larger impacts as employers have to handle a larger cost of labor.....

Evidence from a meta-analysis of 200+ of minimum wage law evaluations found that the average employment impact was 0 or very small when the local, state, or federal minimum wage laws increased (Belman & Wolfson, 2014).⁴ This meta-analysis included studies on local minimum wage, so the lessons are instructive for Burien. By contrast, Seattle’s minimum wage law increased their minimum wage by substantial amount – higher than prior state and federal laws--within the two years months of enactment and this led to a larger reduction in employment growth by 5 percent and a reduction in the growth of hours worked by 7 percent.

Beyond determining the dollar amount of the minimum wage, **jurisdictions need to decide the phase-in period.** Some jurisdictions opt to phase in the higher wage all at once, as is done at the federal level. Other jurisdictions, particularly those who increase their minimum wage substantially, choose to phase in the minimum wage over several years. Prominent examples include Seattle, which phased in its wage over a 3-7 year period, Tacoma, which phased in its wage over a 4 year period, and Washington State, which phased in its wage over a 4 year period.

A final consideration is compliance. To craft an effective public policy, the Burien City Council needs to consider how to report employers who are not complying with the law. In many jurisdictions, this takes the form of employee complaints to the city or state office of labor standards. In order for this design to meaningfully deter employers from noncompliance, employees need to have full knowledge of their rights. This can happen through a public knowledge campaign, or a mandate for employers to post information about employee rights in a prominent at the business establishment.

MATRIX OF MINIMUM WAGE LAWS IN SURROUNDING CITIES

The following matrix provides information on minimum wage laws in cities near Burien, organized around the main policy decisions to be made when implementing a local minimum wage according to the 2022 Facilitator Report for the BEDP on Minimum Wages and Burien Local Economy:

Minimum Wage Laws in Surrounding Cities

| Jurisdiction | Legislative Process | Wage Rate | Annual Adjustments to Rate | Businesses Affected | Phase-in Period | Compliance |
|--|---|--|--|--|--|--|
| City of Seattle | Mayor-Councilmanic process | \$18.69. For small employers (500 or under employees) if the employer pays \$2.19/hour toward medical benefits and/or employee earns \$2.19/hour in tips the minimum wage is set at \$16.50. | Every year Seattle's Minimum Wage increases on January 1. OLS announces the upcoming year's minimum wage increase by the fall of each year. For large employers, the minimum wage will increase to reflect the rate of inflation, based on the Seattle-Tacoma-Bremerton Area Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). | All businesses, with a carve out for a lower minimum wage to businesses with 500 or fewer employees that pays \$2.19/hour toward medical benefits and/or employee earns \$2.19/hour in tips. | Large employers (businesses with 500 or more employees, either in Seattle or nationally) were required to reach \$15 per hour in three years. Small businesses in Seattle were required to incrementally raise their minimum wage each year until reaching \$15 per hour over seven years. | City of Seattle created the Office of Labor Standards department currently staffed with 36 employees according to City of Seattle website. |
| City of SeaTac | Voter-approved initiative | \$19.06 | Annual adjustment calculated using the CPI-consumer price index for urban wage earners and clerical workers (CPI-W) for 12 months prior to each September 1 as calculated by the US Department of Labor. | Limited to transportation companies with 25+ employees and hospitality companies who operate any Hotel that has 100 or more guest rooms and 30 or more workers or who operates any institutional foodservice or retail operation employing 10 or more nonmanagerial, nonsupervisory employees. | Passed by voter initiative in November 2013, effective January 1, 2014. | City shall adopt auditing procedures sufficient to monitor and ensure compliance with authority to investigate and initiate legal action. Any person claiming violation of the law may bring an action against the employer in King County Superior Court. |
| City of Tukwila | Voter- approved initiative | For 2023, \$18.99 for Large employers (more than 500 employees), \$16.99 for mid-size employers (at least 15 but no more than 500 employees worldwide or over \$2M in annual gross revenue in Tukwila.) No minimum wage for businesses with fewer than 15 employees. | On every January 1, the minimum wage will be adjusted for inflation. | Employers who have fewer than 15 employees worldwide and earn \$2 million or less of annual gross revenue in Tukwila and are not associated with a franchisor or network of franchisees that employ more than 500 employees in aggregate are not affected by minimum wage. | Passed in 2022 and effective July 1, 2023. Mid-size employers will start with a minimum wage of \$2.00 less than large employers in year one of the minimum wage, \$1.00 less than larger employers in year two and be the same rate as large employers July 1, 2025. | Businesses must retain records to confirm compliance and allow City to inspect the records. Businesses must certify compliance with the ordinance by January 31 for the previous year. The City has the authority, but not necessarily the obligation, to take legal action to enforce compliance. Persons alleging a violation of TMC 5.63, including retaliatory conduct, may bring a civil action against the employer or other person violating the ordinance. |
| Unincorporated King County Policy Proposal (DRAFT) | Draft of minmum wage legislation proposed by Office of Councilmember Girmay Zahilay | \$18.99. If under 15 employees, \$3.00 less increasing by \$.50 per year until at existing rate , if between 15-500 employees \$2.00 less increasing by \$1.00 per year until at existing rate. | This hourly minimum wage shall increase annually on a percentage basis to reflect the rate of inflation and calculated to the nearest cent on February 1 of each year thereafter. | All businesses, with lower starting minimum wage rate for small and mid size businesses until phased up to full amount. | Begins February 1, 2024. If under 15 employees, businesses shall pay their employees \$3.00 less increasing by \$.50 per year until at existing rate , if between 15-500 employees employers shall pay employees \$2.00 less increasing by \$1.00 per year until at existing rate. | Unknown |
| City of Tacoma | Voter-approved initiative | No longer in effect. As of January 1, 2020, Tacoma employers are required to use the State of Washington's minimum wage | | | | |