



Finance Committee

Discussion of a Process to Consider a Locally Mandated Minimum Wage in Olympia

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Title

Discussion of a Process to Consider a Locally Mandated Minimum Wage in Olympia

Recommended Action

Committee Recommendation:

Discuss possible process steps. This item was referred to the Finance Committee in 2018.

City Manager Recommendation:

Discuss process options to understand the issues, pros and cons of a locally mandated minimum wage.

Report

Issue:

Whether to recommend a process for the City Council to consider a locally mandated minimum wage.

Staff Contact:

Steve Hall, City Manager, 360.753.8370

Mike Reid, Director of Economic Development, 360.753.8591

Presenter(s):

Mike Reid, Director of Economic Development

Steve Hall, City Manager

Background and Analysis:

This is a very complex issue with many facets. To create good policy will take considerable research, public engagement and listening to avoid unintended consequences for employees, small businesses, not for profit groups and the overall the community.

In 2016, Washington State voters approved an increase in the State minimum wage that will reach \$13.50 per hour by January 2020 for most workers in the State.

Nevertheless, the costs of housing, health care and other expenses make it difficult for minimum wage earners to make ends meet even when they are working full time.

At the same time, most of Olympia's large and medium employers; health care, schools, the State of Washington, other governments, financial institutions already pay \$15.00 per hour and more.

However, Olympia's job employer mix is unique. After subtracting government, schools and health care who already exceed the minimum wage, most of Olympia's remaining employers are small and locally owned.

The biggest impact of increasing the minimum wage could come in the areas of retail and restaurants, which are already very competitive sectors of the local economy. This would leave many of these small businesses operating on thin margins. For example, recent closures of the 5th Avenue sandwich shop and Ramblin Jacks point to the thin margins of even well-established restaurants.

Also, a large part of the expense for any businesses is labor costs. Because these sectors are very competitive, business owners can make choices to locate outside Olympia in nearby Cities to avoid higher costs. Those type of decisions would hurt the Olympia economy.

In addition, Olympia is home to a number of not-for profit agencies (181 listed in the Secretary of State's website). These include groups such as Safeplace, United Way, YWCA, PIPE, YMCA, Together, Thurston County Food bank, Goodwill, etc. Many of these agencies have fixed revenues, dependent on grants and charitable giving. An increase in labor cost would have to be absorbed by reducing the number of employees and possibly reducing services.

Another issue that warrants consideration is childcare. Childcare is expensive and hard to find in Olympia. On one hand, childcare workers are sometimes paid less than \$15.00 per hour. While a higher minimum wage could help child care workers, a higher minimum wage could make it more difficult to afford childcare and harder to find, a vexing dilemma.

The real question for cities is whether they can help low wage workers earn more money without losing small business, losing not for profit organizations, or driving up the cost of essential services like child care.

Neighborhood/Community Interests (if known):

Many groups from labor to small business to not for profits, to child care providers/ employees and users have a stake in this discussion.

Options:

1. Choose from the list of process options suggested by staff
2. Develop other process steps

Financial Impact:

Unknown

Attachments:

April 10, 2018 Referral

Proposed Process Steps for Consideration of a Locally Mandated Minimum Wage