

CITY OF TACOMA'S MINIMUM WAGE TASK FORCE

THE TASK FORCE'S THIRD MEETING

Thursday, 4 June 2015 5:35 – 8:00 p.m.

The Center for Urban Waters

SUMMARY

OF THE MEETING'S KEY DISCUSSIONS, DECISIONS, AND AGREEMENTS

Approved by the Task Force on 11 June 2015

In attendance: Task Force Members and Alternates: Sarah Cherin, Pastor Gregory Christopher, Odette D'Aniello, Michelle Douglas (by phone), Liz Dunbar, Dennis Farrow, Reggie Frederick (by phone), Eric Hahn (by phone), Russ Heaton, Dr. Ali Modarres, Abranna Romero Rocha, David Strong, Robert Taylor, and Brenda Wiest; **City Staff** serving the Task Force: Andy Cherullo and Christina Watts; **Economic Consultants:** Katie Baird; **Facilitator:** Jim Reid

Task Force members who were absent: Kelly Chambers, Elizabeth Lewis, and Jason Kinlow

Facilitator Jim Reid called the Tacoma Minimum Wage Task Force's meeting to order at 5:35 p.m. PDT.

THE TASK FORCE'S DECISIONS AND AGREEMENTS

The Task Force members:

1. Approved the draft summary of the key discussions, decisions, and agreements of their second meeting on 1 June 2015. The final summary will be posted on the Task Force's website to help keep the public informed about the Task Force's work.
2. Developed four preliminary alternatives for raising the minimum wage in Tacoma.

TASK FORCE BRAINSTORMS FOUR PRELIMINARY ALTERNATIVES FOR RAISING MINIMUM WAGE IN TACOMA

The Task Force members devoted most of the meeting to brainstorming four alternatives for raising the minimum wage in Tacoma. The preliminary options are described in the matrix on the following page.

Under the definition of “brainstorming,” the Task Force members suggested ideas they may not support. Rather, they “floated trial balloons” to get the conversation going and get some initial ideas “on the table.” Furthermore, there was no discussion or debate of the merits of the alternatives. The intent of this exercise was to craft some potential alternatives and identify information needed to refine them before beginning to discuss and debate them.

ELEMENTS	ALTERNATIVE A	Alternative B	Alternative C	Alternative D
Amount in Dollars Total dollar increase in the minimum wage.	\$12 per hour	\$15 per hour	\$10 per hour	\$13 per hour
Date Implementation Starts (Length of Time to Implementation) Date the program to increase the minimum wage starts.	1 July 2016 ¹	1 July 2016	1 July 2016	1 July 2016
Phased-in or Immediate Approach What approach should be used to increase minimum wage?	Support for both approaches	Phased-in (up to 5 years)	Support for both approaches	Phased-in (up to 4 years)
Length of Time to Final Increase Length of time to achieve a total increase in the minimum wage.	Immediately for big businesses to 1 year for everyone	1 year for big businesses to 5 years for everyone	Immediately	1 year for big businesses to 4 years for everyone
Number of Steps to Amount How many steps needed to reach total increase in minimum wage?	0 - 3 ²	0 - 5	0	0 - 4
Credits or Exemptions What credits or exemptions should be considered?	See list on next page.	See list on next page.	See list on next page.	See list on next page.
Maintaining an Amount Should the minimum wage continue to increase based on some cost of living measure?	Yes ³	Yes	Yes	Yes
Compliance/Enforcement How is compliance with the program ensured or enforced?	⁴			
Intended Consequences What are some intended outcomes?				
Unintended Consequences What might be unintended consequences, both positive and negative?				

¹ For all four alternatives, the minimum wage would rise on 1 January 2016 under existing state and city law. There would be a second increase on 1 July 2016 under the terms of this program.

² The ranges in steps for Alternatives A, B, and D represent 0 years (or immediately achieve the goal) for big businesses to the number of annual increases (beginning on 1 July 2016) needed to raise the minimum wage to achieve the goal.

³ The amount of the automatic annual raise in the hourly minimum wage could be determined by: a) maintaining Tacoma's minimum annual wage at a certain amount or percentage about the State's minimum wage; b) linking it to the appropriate Consumer Price Index (CPI); or c) linking it to the median income in the city.

⁴ Ideas ranged from using administrative support followed by civil penalties for non-compliance to basing enforcement on state law. Depending on how complicated the enforcement mechanism becomes, a Task Force member suggested that Tacoma may need to establish an Office of Labor Standards.

Brainstormed List of Credits and Exemptions:

A couple Task Force members said there should be no exemptions, and speculated that the simpler the program, the less need there could be for them. A couple other Task Force members suggested there should be exemptions for small businesses and small non-profit organizations but they should "sunset" (expire) after a certain amount of time. One interest expressed was that Tacoma's policies should be consistent with state law.

Here is the brainstormed list of potential exemptions or credits:

- provide a "tip credit" for restaurant employees
- calculate medical/health benefits as well as paid sick days, vacation days, and retirement programs into the equation
- provide credits for first-time hires, trainees and interns, youth, and/or chronically unemployed people
- remove collective bargaining units from the minimum wage ordinance, as some cities have done
- exempt businesses that do not sell their products in Tacoma but export them out of the city
- provide credit for companies that incentivize full-time employment, such as making part-time positions into full-time jobs for employees who want to work more hours
- protect tips by ensuring they go to the employees

Follow-up items:

Based on the brainstorming of alternatives and credits and exemptions, here are some follow-up steps:

1. Define "small" and "big" businesses in Tacoma. If small and big businesses are distinguished from one another in a proposal from the Task Force to the Mayor and Council, would there be two categories or would businesses be grouped into more than two?
2. Learn how the city currently enforces its minimum wage law.
3. Understand the state's structure for addressing minimum wage.
4. Learn if the state provides exemptions under its minimum wage law.
5. Review the state's enforcement policies, standards, and methods, including its penalties.

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6. Identify which CPI would be used to determine the amount of an automatic annual increase in the minimum wage (once the target amount is achieved) if that index was chosen as the standard for calculating the increase.
 7. Find out if there are any other indicators to maintain the minimum wage.

DR. MODARRES PRESENTS A PORTRAIT OF SOME TACOMA RESIDENTS WHO EARN LESS THAN \$15 PER HOUR

At the request of his fellow Task Force members, Ali Modarres provided a profile of the workers in a part of Tacoma who earn less than \$15 per hour. The area that he focused on is the Public Use Microdata Area (PUMA) 11501. The population is 124,900 (this number, and the others below) are rounded off. Among the people of this PUMA, 47,900 reported having worked in the past twelve months for 50-52 weeks and reported annual wages.

In 2013, the state minimum wage was \$9.19. Someone working full-time at minimum wage should have reported annual wages (or salary incomes) equal to or larger than \$19,115.20 (2080 hours x \$9.19 per hour). Annual wages reported below that level might suggest that either the person reported incorrectly or received other non-wage benefits. People who worked below \$15 per hour should have reported annual wages (or salary incomes) below \$31,200 (2080 hours x \$15 per hour). About 10,100 people reported working full time, earning annual wages equal to or larger than \$19,115.20 and less than \$31,200. This represents 21% of the 47,900 full-time employees who reside in PUMA 11501.

Information on this universe of 10,100 workers:

- *Annual Wage distribution:*
 - 18.6% made \$20,000 or less (i.e., worked at or about the state minimum wage circa 2013)
 - 38.7% made \$20-\$25,000
 - 43.7% made more than \$25,000 but less than \$31,200
- *Gender:*
 - 44.5% were male
 - 55.5% were female
- *Age Distribution:*
 - They were all 20 years of age or older
 - 49.7% were 20 to 30
 - 15.9% were between 30 and 40
 - 34.4% were older than 40
- *School enrollment:*
 - 81.5% had not attended a school in the past three months
 - 18.5% were attending school/college

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- *Educational attainment:*
 - 3.7%: No schooling completed
 - 37.4%: High school degree or less (including GED or alternative credentials)
 - The remainder had some years in college, including Associate, BA/BS, and MA/MS degrees

 - *Race and Ethnicity:*
 - 53.3% Non-Hispanic White
 - 13.1% Non-Hispanic African American
 - 3.7% Non-Hispanic Native American
 - 8% Non-Hispanic Asian
 - 2.4% Non-Hispanic Native Hawaiian and other Pacific Islanders
 - 11% Two or more races
 - 8.5% Latino

 - *Citizenship Status:*
 - 81.9% Born in the U.S.
 - 2.4% Born in Puerto Rico, Guam, the U.S. Virgin Islands, or the Northern Marianas
 - Less than 1% were born abroad of American parent(s)
 - 9.1% U.S. Citizens by naturalization
 - 6% Not a citizen of the U.S.

Something to think about:

Reported **personal incomes** (which are different than wages) from the same 10,100 people ranged from \$19,200 to \$53,300. At the lower end that matches the \$9.19 state minimum wage for 2013. The higher end, however, exceeds the upper limit of \$31,200 (for \$15 per hour wages). Looking into the data, only 5.2% of these workers reported personal incomes above \$31,200. Overall, this means that only a small portion of the targeted population—those who earned between \$9.19 and \$15 per hour—earned supplemental incomes.

TASK FORCE MEMBERS SUGGEST INFORMATION NEEDS TO REFINE ALTERNATIVES

The meeting ended with Task Force members suggesting additional information they might be able to use to refine the alternatives.

Top Priorities -- Information already produced that we assume will be efficiently obtained:

- The structure of the State's law on minimum wage, including credits and exemptions, if any.
- Data, information, or studies from state legislative staff that were helpful to the State Senate and House when they considered legislation to raise the statewide minimum wage. Rep. Laurie Jenkins and her staff could be the initial resources.
- Two studies that Brenda Wiest suggested. 1) A study that focuses on the relationship between

Spokane and neighboring cities in Idaho, particularly Coeur d'Alene. Has the higher minimum wage in Washington State led to businesses relocating in Idaho? What have been other impacts of a higher minimum wage in Washington? 2) An examination of a "training" wage. Brenda sent these to me and I will forward them.

- Information/studies from last year's Seattle Income Inequality Task Force that would be relevant or could be extrapolated for Tacoma.

The next tier of information that may be interesting and useful, although we are not sure it exists:

- A study or report on the experience of a comparable city to Tacoma that raised its minimum wage. What have been the consequences, both intended and unintended? And Ali stated that if we found such a study, it would be most useful to consider regional impacts since Tacoma is part of the regional economy.
- An understanding of differences between San Francisco and Oakland to suggest differences between Seattle and Tacoma. Ali suggested it would help us to learn more about why Oakland made a choice to have a lower minimum wage than SF.
- Katie's suggestion of what the minimum wage jobs are in Tacoma. This might be a companion piece--more drilled down--to the matrix Ali has presented that documents the jobs in Pierce County.

This information was requested but may be challenging to acquire in the limited time we have or may be inconclusive for a variety of reasons:

- A study that indicates whether or not the poverty level has been affected by cities raising the minimum wage above that of their state.
- Information/data indicating the impact on businesses in a city or cities with minimum wages above that of their states.
- When minimum wages increase, do rents rise, too? Do people have more money for groceries, living expenses, and entertainment? What do they do with their higher wages? (Is there a multiplier affect?)
- What is the average salary of tip workers in Tacoma? Would that information confirm or refute the assumption that "tipped workers" are doing well?
- If wages are raised, do people still qualify for subsidizations such as health care or childcare?

Finally, this is not a request for information as much as it could be an exercise to help solidify alternatives or a preferred alternative: Review Chris' matrix about the ordinances cities have adopted raising the minimum wage to compare their elements with the elements of the alternatives the Task Force discussed last night. In other words, learn from the experience of others to see if anything any of them has done could be borrowed for a proposal from the Task Force to the Mayor and Council.

The meeting adjourned at 8:00 p.m. PDT. The Task Force's next meeting is **Thursday, 11 June** from 5:30-8:30 at the Center for Urban Waters.