

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Discussion of External Workforce Regulations and Paid Parental Leave		
<b>DEPARTMENT:</b>	City Manager's Office		
<b>PRESENTED BY:</b>	Alex Herzog, CMO Management Analyst		
<b>ACTION:</b>	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

**PROBLEM/ISSUE STATEMENT:**

At its March 28, 2016 meeting, Council discussed two workforce regulations that could potentially be implemented citywide; an increased minimum wage and paid sick leave requirements. Also, discussed was a statewide initiative (I-1433) which will gradually increase the State's minimum hourly wage from \$11 beginning January 1, 2017 to \$13.50 in 2020 and require employers throughout the state to provide one hour of paid sick leave for every 40 hours worked.

During the March 2016 discussion, Council instructed staff to return after the November 8 General Election, in which I-1433 would be considered by voters, to further discuss minimum wage and paid sick leave requirements. And, in the meantime, staff was instructed to conduct outreach with the City's business community to fully understand the potential impacts these types of regulations may have on businesses.

Initiative 1433, at the time of this writing, was passed by voters with over 57% approving the measure.

At the Council's Strategic Planning Workshop in February 2016, Councilmembers also asked staff to return with information on paid parental leave for City employees.

**RESOURCE/FINANCIAL IMPACT:**

There is no financial impact of tonight's discussion, though beginning January 1, 2017 when I-1433 takes effect, the City would incur costs for increasing some wages above what was expected with regard to natural inflation via the area's consumer price index.

An analysis shows that the 2017 impact on the Operating Budget due to implementation of I-1433, is estimated to be \$94,945 over what the minimum wage increase would have been without I-1433. The 2017 Operating Budget includes \$116,273 in contingency for the passage of I-1433. Assuming the 2017 level of Extra Help hours is maintained through 2020, the estimated total impact on the Operating Budget from 2017 to 2020 is

approximately \$685,000. The Surface Water Utility Fund is estimated to be impacted in 2017 by approximately \$4,700. There was no contingency funds added to the Surface Water Utility budget in 2017, and the Surface Water Utility will either have to make adjustments in Extra Help hours or find savings elsewhere

If the City enacts workforce regulations beyond those in I-1433 there may be further impacts to the City's employees and budgets. Should Council also implement a paid parental leave program for the City's employees, there could be costs for backfilling positions while an employee is on leave.

A fuller cost breakout of is below.

### **RECOMMENDATION**

No formal action is required at this time. Staff recommends that Council discuss the various aspects of I-1433 and recently-concluded business outreach efforts. Council should also determine if there are any further questions or information that staff should bring back for Council consideration regarding paid parental leave.

If the City enacts workforce regulations beyond those in I-1433, further outreach, legal review, and policy development would have to be conducted. Further, if the City enacts additional workforce regulations, outreach and enforcement of those would fall to the City. Other local jurisdictions' experiences with implementing workforce regulations indicate that Shoreline may need additional full-time staff for purposes of outreach and enforcement of these regulations.

Outreach and enforcement with regard to the provisions of I-1433 will fall to the State Department of Labor and Industries.

Approved By:        City Manager **DT**    City Attorney **MK**

## **BACKGROUND**

At its March 28, 2016 meeting, Council discussed two workforce regulations that could potentially be implemented citywide; an increased minimum wage and paid sick leave requirements. Also, discussed was a statewide initiative (I-1433) which will gradually increase the State's minimum hourly wage from \$11 beginning January 1, 2017 to \$13.50 in 2020 and require employers throughout the state to provide one hour of paid sick leave for every 40 hours worked.

During the March 2016 discussion, Council instructed staff to return after the November 8 General Election, in which I-1433 would be considered by voters, to further discuss minimum wage and paid sick leave requirements. And, in the meantime, staff was instructed to conduct outreach with the City's business community to fully understand the potential impacts these types of regulations may have on businesses. Materials from the March 28 Council discussion are available on the City's website, here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport032816-8a.pdf>.

At the Council's Strategic Planning Workshop in February 2016 Councilmembers also asked staff to return with information on paid parental leave for City employees.

### **Initiative 1433**

Initiative 1433, at the time of this writing, was passed by voters with over 57% approving the measure. It will raise the state minimum wage incrementally over four years to \$13.50 per hour. Tips and service charges paid to an employee are in addition to and may not count towards the employee's hourly minimum wage.

And, cities like Seattle, SeaTac and any other municipality that have chosen or choose in the future to enact higher minimum wages or sick leave standards are free to do so under I-1433. For reference, below is a comparison of local hourly minimum wage regulations and that of I-1433:

	2014	2015	2016	2017	2018	2019	2020
<b>City of SeaTac*</b>	\$15						
<b>City of Seattle**</b>	State wage	\$11	\$12	\$13	\$14	\$15	
<b>City of Tacoma</b>	State wage	State wage	\$10.35	\$11.15	\$12		
<b>I-1433</b>	State wage	State wage	State wage	\$11	\$11.50	\$12	\$13.50

\*Minimum wage increases only for workers in the transportation and hospitality industries.

\*\*For employees not receiving benefits or tips working at businesses that employ 500 or fewer workers.

**Note:** At the end of the incremental increases noted above, each minimum wage regulation includes provisions for annual increases based on inflation.

The initiative, beginning January 1, 2018, also provides, opportunities for workers who lack the benefit, to earn up to seven days per year of paid sick leave by accruing one hour of paid sick leave for every 40 hours worked. Employers who already provide wages or paid sick leave equal to or greater than the minimums outlined above would not be affected by this initiative. As with the initiative's minimum wage provisions, other municipalities may choose to enact higher sick leave standards.

Outreach and enforcement with regard to the provisions of I-1433 will fall to the State Department of Labor and Industries.

### **External Workforce Regulations Results/Impacts**

Regionally, the full impacts of minimum wage and paid sick and safe time regulations on businesses are not yet fully known. And, most jurisdictions that have substantially increased the state minimum wage have done so relatively recently and it is possible that not enough time has passed for full impacts to be felt. Additionally, minimum wage and paid sick and safe time regulations may have substantially different impacts from one business sector to another. Other factors, such as the general strength of the economy in an area may mitigate or exacerbate impacts as well.

A team including University of Washington faculty and economists from the Washington State Employment Security Department convened to begin a research project evaluating the impact of Seattle's minimum wage ordinance. The team released its first comprehensive analysis of Seattle's increase in minimum wage in June 2016.

Summarily, the evaluation noted that "Seattle's labor market has thrived since the City became the first major metropolis in the country to pass a law setting its minimum wage on a path to \$15 per hour. The city's job-growth rate has been triple the national average, for example. Much of that success, though, can be attributed to trends separate from the minimum-wage law itself, such as the growth of Seattle's tech sector and its construction boom..." Other key findings include:

- "Increased wages were offset by modest reductions in employment and hours, thereby limiting the extent to which higher wages directly translated into higher average earnings."
- "Seattle's low-wage workers who kept working were modestly better off as a result of the Minimum Wage Ordinance, having \$13 more per week in earnings and working 15 minutes less per week."
- "Seattle's low-wage workers did see larger-than-usual paychecks (i.e., quarterly earnings) in late 2015, but most— if not all—of that increase was due to a strong local economy."
- "[UW researchers did] not find compelling evidence that the minimum wage has caused significant increases in business failure rates. Moreover, if there has been any increase in business closings caused by the Minimum Wage Ordinance, it has been more than offset by an increase in business openings."

The full study can be found on the University of Washington's website at:  
<https://www.documentcloud.org/documents/2997999-Seattle-Minimum-Wage-Final-Report.html>.

## **DISCUSSION**

### **Business Outreach**

Staff conducted a survey and focus groups with a number of businesses in Shoreline.

#### *Focus Groups*

The City worked with consultant Jim Reid, principal of The Falconer Group, to conduct focus groups of local businesspeople to learn what they think might be the impacts on their businesses and Shoreline's economy if the minimum wage were increased and paid sick leave required. Mr. Reid contacted approximately fifty people who primarily represent the business sector, but also the not-for-profit and public sectors. Mr. Reid invited them to participate in focus groups from October 6 through October 11, 2016. Fifteen people participated.

Below are key findings from focus groups, interviews, and written comments regarding increasing the hourly minimum wage:

- All representatives of private businesses opposed increasing the minimum wage above its current level of \$9.47.
- Representatives of CRISTA Senior Living, Hope-Link, and the Shoreline School District reported that their organizations currently offer, or will soon offer, minimum hourly wages from approximately \$13 - \$15.
- The business community representatives expressed these concerns about increasing the minimum wage:
  - It represents increased government regulation and intrusion
  - Administering and tracking a variety of minimum wages from city to city would be burdensome for business operating in multiple jurisdictions.
  - If the minimum wage becomes a "living wage," people with more experience may compete for what are currently entry-level jobs, making it more difficult for inexperienced, unskilled people to enter the job market.
  - The cost of conducting business may increase. For example, an increase in the minimum wage would result in increased taxes paid on wages.
  - If the hourly minimum wage is increased, the differences between salary levels within an organization could decrease or compress.
  - Raising the minimum wage may reduce the resiliency of business, especially if there is a downturn in the economy.

Below are key findings from focus groups, interviews, and written comments regarding requiring paid sick leave:

- All representatives of private businesses opposed paid sick leave regulations.
  - Representatives of larger private businesses reported that they provide sick leave in the form of “personal time” that employees can use to go on vacation, when they are ill, and for daytime appointments. It is administratively easier and less costly to track “personal time” than it would be to maintain separate records for different types absence from work.
- CRISTA Senior Living, Hope-Link, and the Shoreline School District currently provide paid sick leave.

Business representatives proposed a number of elements that Council might consider if implementing an increase in the minimum wage and paid sick leave, including:

- Cost of living within the City and surrounding area
- Size of the business and how a business’ size might be defined in this context
- Ways to offset business impacts, such as tax incentives.

Business representatives also had two recommendations:

- Governments should put more effort into fixing the tax code and funding education than raising the minimum wage.
- The City should reexamine its relationships with businesses and ask if it could be more supportive. Concerns and complaints about a number of City processes were raised; from permitting requirements/processes to tree cutting ordinances; and how the City generally communicates with the business community.
  - One focus group member stated that the City was very difficult to work with in relation to a business’s physical expansion. This person felt that the City took too long to negotiate a resolution to removing trees from a property to allow a business to expand.
  - Multiple business owners also felt that inspections took too long to schedule and complete once they were scheduled
  - Another business owner stated that she was welcomed at some point by the City, but later felt there was no communication and the City was no longer interested in a relationship with the business or the business community at large.

Mr. Reid’s full summary report is attached to this staff report as Attachment A.

### *Survey*

Staff also developed a survey aimed at Shoreline businesses that have more than one employee; staff attempted to filter out sole proprietors because they may not be impacted to the extent that businesses with employees might. Staff sent an email and postcard (Attachment B) to 1,571 businesses in the City identified as non-sole proprietors. The survey was available from July 14 to August 1.

A total of 209 responses were received; the response rate of 13.3% was slightly higher than industry standards. Though staff were pleased with the overall response rate, 76 (36%) of respondents reported that they did not have any employees, leaving 133 (64%) of respondents self-identifying as having one or more employees. For the purposes of evaluating the survey data, respondents who reported they had no employees were removed. Notable findings from the survey include:

- \*In response to an increase in the minimum wage to \$13.50 over three- or four-year period:
  - 58 respondents would maintain and operate business as usual
  - 53 respondents would raise prices for goods and services
  - 18 respondents would move to a different location with a lower minimum wage
  - 18 respondents would layoff existing employees
  - 18 respondents would leave vacant positions open
  - 9 respondents would close their businesses
- \*Of the 29 respondents that stated that some of their employees were paid between \$9.47 and \$10 per hour, most said they would decrease the number of work hours for existing employees and/or raise prices for goods and services in response to an increase in the minimum wage to \$13.50 over three- or four-year period.
- 57 respondents (43%) reported that paid sick leave was available to employees
  - Of those 57, 31 (54%) reported that employees accrued paid sick leave at a rate of less than one hour per every 30 hours worked
  - Of those 57, 34 (60%) would oppose a law requiring employers to allow employees to earn paid sick days based on the hours they have worked, approximately the same percentage of total respondents reported that they would oppose such a requirement
- For reference, 41 respondents (31%) reported that their business provided retirement benefits such as a 401K, simple IRA, pension, or other program to their employees
  - Of those 41, 30 (73%) said that they provided paid sick leave to employees
  - Of those 41, 34 (83%) said that they provided paid vacation time to employees

\*In answering this question, respondents were asked to select all options that applied; percentages may equal more 100.

### **Additional Regulations**

If the City enacts workforce regulations beyond those in I-1433, further legal and financial review and policy development would have to be conducted. And, the impacts on Shoreline's approximate 2,600 businesses would depend on the specifications of proposed regulations (i.e. thresholds for number of workers a business employs, number of hours worked by employees, definition of full-time employees, etc.).

Further, if the City enacts additional workforce regulations, outreach and enforcement of those would fall to the City. Other local jurisdictions' experiences with implementing workforce regulations indicate that Shoreline may need additional full-time staff for purposes of outreach and enforcement of any workforce regulations. The State Department of Labor and Industries will only be responsible for outreach and enforcement of the provisions of I-1433.

#### *Paid Parental Leave*

Some Councilmembers have asked questions about implementing paid parental leave solely for City employees; it has not been suggested that businesses and organizations in Shoreline be required to comply with such a regulation.

Paid parental leave is different from the Family and Medical Leave Act (FMLA), which is a federal law that guarantees certain employees up to 12 workweeks of unpaid leave each year with no threat of job loss. FMLA also requires that employers covered by the law maintain the health benefits for eligible workers just as if they were working

Locally, King County has the most notable paid parental regulations. From January 1 through December 31, 2016, King County employees are allowed to take up to 12 weeks of paid leave when welcoming a new family member through birth, adoption, or foster-to-adopt placement. This supplemental benefit is available to both new mothers and fathers. Paid parental leave provided by the County fills the gap between the combined amount of the employee's vacation and sick leave and the total allowable parental leave of 12 weeks.

For example, an employee has accrued, at the time of the qualifying event, two weeks of sick leave and three weeks of vacation. One week of each leave type is required to be maintained and is not included in determining paid parental leave. So, in calculating the leave, the employee would have one week of sick time and two weeks of vacation, for a total of three weeks paid leave. Thus, the County would provide nine weeks parental leave to allow the employee the opportunity to take a maximum of 12 weeks paid leave.

The County projected that its paid parental leave program would be used by less than 2% of the County's workforce and would cost \$2.7 million annually. This calculation assumed that every position would be fully backfilled, while recognizing that some employees may not need to be backfilled and others would need to be backfilled at 1.5 times their normal rate of pay. More information on the County's program, including an analysis of various program options can be found on the County's website:

<http://www.kingcounty.gov/audience/employees/pay-benefits/paid-parental-leave.aspx>.

The program was initially offered as a pilot for 2016. A paid parental leave benefit beyond 2016 would need to be negotiated as part of a comprehensive, sustainable total compensation package with the labor unions that represent County employees. King County's workforce is 83% represented by labor organizations.



If the City were to enact a similar program for its employees, some assumptions would have to be made to calculate the value of leave provided, including:

- Paid leave would not apply to Extra Help personnel
- An average hourly wage, including an additional 19% for benefit costs, is \$41.65
- Three to five employees might take advantage of a paid parental leave program per year
- The City would provide the difference between the employee's accrued leave and the maximum of 12 weeks of paid leave

Using this formula, the City would provide leave valued at \$1,666 per employee per week. For reference, if two employees, six weeks of paid parental leave would be valued at \$19,992; and 12 weeks would be valued at \$39,984. For five employees, six weeks of paid parental leave would be valued at \$49,980; and 12 weeks would be valued at \$99,960. However, this is not to say that the true financial impact would be as significant.

It is important to note that for budgeting purposes, staff are assumed to work a full year and thus there might be no additional budgetary cost. In other words, in this context, the City will incur the same costs whether the employee is on paid leave status or in the office. However, the greater impact on the City as an organization could be workload adjustments and backfilling.

Employees might be in paid leave status longer if paid parental leave were available than if such a program were unavailable as is currently the case. If employees are out of the office for a long period of time, workloads might have to be delayed, spread among other employees or backfilled with temporary workers. Some of this may depend on the specific job held by the employee or the assigned work of the employee.

Backfilling would have true additional costs. If an employee's position is backfilled while they are on leave by another City employee, the wage of the employee who is backfilling the position could be increased by 5% if the work assigned is considered to be "out-of-class." If the employee's position is backfilled by a temporary or contract worker, the City could expect to incur additional costs at a similar rate to that of the employee on leave.

Actual costs might fluctuate greatly from year to year and would depend on the employee's wage, the number of employees that take advantage of the program, the employee's accrued sick and vacation leave at the time of the event, the amount of paid parental leave allocated and taken, and the cost to backfill the position while the employee is on leave, if any.

Using the baseline costs identified earlier in this section may give a fair range of the expected cost to backfill positions.

### *Secured Scheduling*

Staff is currently planning a discussion of secured scheduling regulations for Council's February 27 meeting. This discussion was sponsored by Councilmembers Salomon and McConnell.

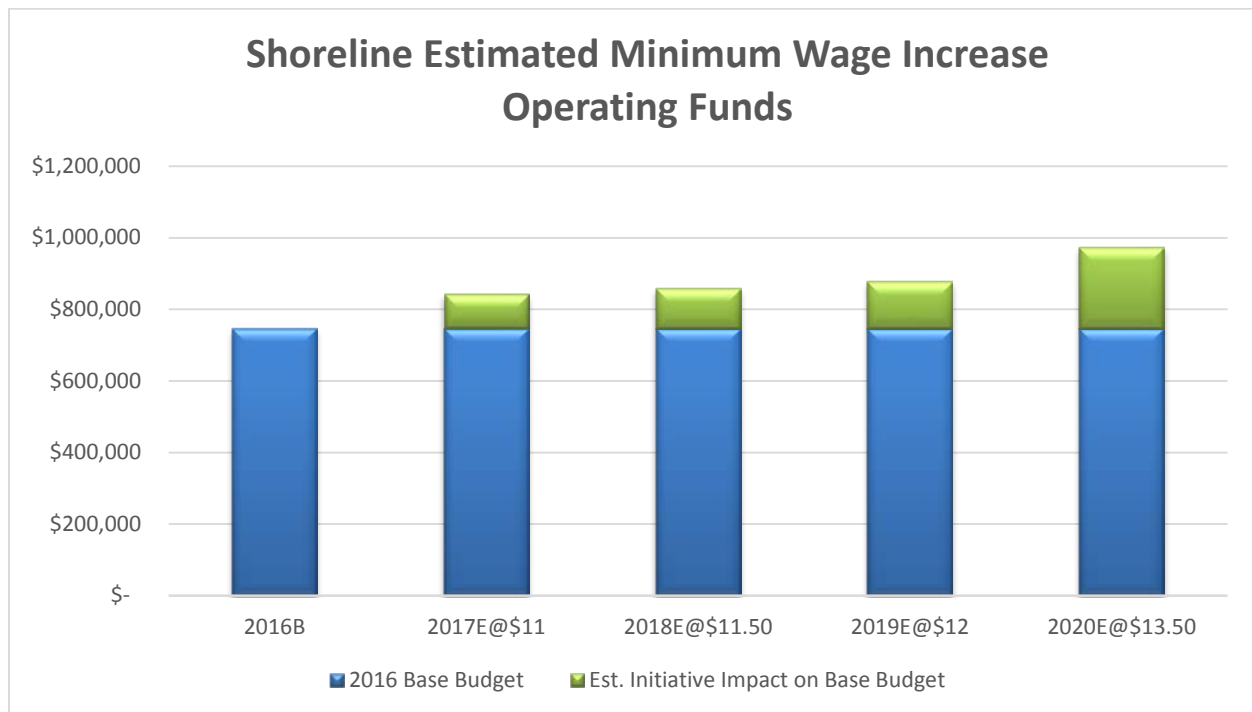
## **FINANCIAL IMPACT**

There is no financial impact of tonight's discussion, though beginning January 1, 2017 when I-1433 takes effect, the City would incur costs for increasing some wages above what was expected with regard to natural inflation via the area's consumer price index.

The City will be primarily impacted by I-1433 in Extra Help costs. In response to the initiative's 2017 required minimum hourly wage of \$11 beginning on January 1, the 2017 Extra Help pay table, adopted by Council on November 21, 2016, was modified by 12.7%. This increase brings the entry level rate in the Extra Help pay table to \$11 per hour and maintains the equitable relationships between extra help positions through the top level rate.

An analysis shows that the 2017 impact on the Operating Budget due to implementation of I-1433, is estimated to be \$94,945 over what the minimum wage increase would have been without I-1433. The 2017 Operating Budget includes \$116,273 in contingency for the passage of I-1433.

The estimated impacts of I-1433 on the City's Operating Funds can be seen in the chart below:



Assuming the 2017 level of Extra Help hours is maintained through 2020, the estimated total impact on the Operating Budget from 2017 to 2020 is approximately \$685,000. The table below shows the estimated year-over-year impact and its cumulative impact each year:

<b>Est. Impact of I-1433 on Operating Budget</b>	<b>2017E@\$11</b>	<b>2018E@\$11.50</b>	<b>2019E@\$12</b>	<b>2020E@\$13.50</b>	<b>TOTAL</b>
<b>Year-Over-Year Change</b>	\$ 94,645	\$ 38,279	\$ 38,279	\$ 114,838	
<b>Cumulative Impact over 2016B</b>	\$ 94,645	\$ 132,925	\$ 171,204	\$ 286,042	\$ 684,816

The Surface Water Utility Fund is estimated to be impacted in 2017 by approximately \$4,700. There was no contingency funds added to the Surface Water Utility budget in 2017, and the Surface Water Utility will either have to make adjustments in Extra Help hours or find savings elsewhere.

Within the regular salary schedule, only a few pay ranges will be updated to reflect the increase in the minimum wage. However, there will be no material impact to the City because there are no positions in the lowest pay ranges (one through four).

Financial impacts of paid sick leave, another aspect of I-1433, are harder to quantify. Again, the City's Extra Help staff and related budgets will be most affected. Beginning January 1, 2018, one hour of sick leave accrual will be provided to Extra Help staff for every 40 hours worked. The total cost of paid sick leave will largely depend on the number of hours worked by Extra Help Staff and how much, if any, paid sick leave is taken during the Extra Help's time with the City.

The paid sick leave requirements in the initiative could be administratively onerous and would require semi-manual tracking of hours worked and accrued. To minimize this burden, staff intends to propose a policy that provides an automatic weekly accrual designed to comply with this law.

The initiative's paid sick leave regulations have no impact on the City's regular staff because existing City policies already meet or exceed the provisions of this new law. Currently, the City offers paid sick leave to full-time City employees; regular part-time employees accrue sick leave based on a pro-rata amount to reflect their normally scheduled workweek as compared to a full-time workweek of 40 hours; and extra help employees are not eligible for this benefit.

If the City enacts workforce regulations beyond those in I-1433 there may be further impacts to the City's employees and budgets. Should Council also implement a paid parental leave program for the City's employees, there could be costs for backfilling positions while an employee is on leave.

## **RECOMMENDATION**

No formal action is required at this time. Staff recommends that Council discuss the various aspects of I-1433 and recently-concluded business outreach efforts. Council should also determine if there are any further questions or information that staff should bring back for Council consideration regarding paid parental leave.

If the City enacts workforce regulations beyond those in I-1433, further outreach, legal review, and policy development would have to be conducted. Further, if the City enacts additional workforce regulations, outreach and enforcement of those would fall to the City. Other local jurisdictions' experiences with implementing workforce regulations indicate that Shoreline may need additional full-time staff for purposes of outreach and enforcement of these regulations.

Outreach and enforcement with regard to the provisions of I-1433 will fall to the State Department of Labor and Industries.

## **ATTACHMENTS**

Attachment A: Minimum Wage and Paid Sick Leave Key Findings from Focus Groups and Interviews

Attachment B: Business Survey Postcard Mailer

CITY OF SHORELINE

Minimum Wage and Paid Sick Leave

**KEY FINDINGS FROM FOCUS GROUPS AND  
INTERVIEWS**

Jim Reid, The Falconer Group, Consultant  
16 November 2016

**THE PROCESS OF COLLECTING PERSPECTIVES AND OPINIONS**

The Shoreline City Council is interested in learning the opinions of representatives of the local business community about increasing the minimum wage and requiring paid sick leave.

The City Council is not currently considering raising the minimum wage or requiring paid sick leave in Shoreline. Statewide Initiative 1433 is on the ballot on November 8<sup>th</sup> and proposes to raise the state's hourly minimum wage from \$9.47 to \$13.50 by 2020 and mandate paid sick leave. Passage of the initiative may reduce a need to act locally.

On behalf of the City Council, the City Manager's Office hired consultant Jim Reid, principal of The Falconer Group, to conduct focus groups of local businesspeople to learn what they think might be the impacts on their businesses and Shoreline's economy if the minimum wage were increased and paid sick leave required.

With names provided by Alex Herzog and Dan Eernisse of the City Manager's Office, Jim contacted approximately fifty people representing primarily the business sector, but also the not-for-profit and public sectors. He invited them to participate in focus groups on the evening of 6 October, the afternoon of 7 October, and the morning of 11 October.

Fifteen people participated. One person represented Hope-Link, a social services non-profit organization with five service centers across the region, including in Shoreline, and another represented the Shoreline School District. Of the remaining thirteen individuals, eight are owners of businesses in Shoreline and five represented businesses with offices or franchises in other cities or states besides Shoreline. Six participants are in the hospitality industry.

Three people who could not participate in the focus groups provided their perspectives. Jim interviewed one of them and the other two submitted written comments. One of these individuals owns a car dealership in Shoreline, another

owns a franchise in Shoreline of a company that has numerous retail outlets across the Puget Sound area, and the third works for CRISTA Senior Living, which serves elderly people and has 550 employees in Shoreline. It also has a facility in Silverdale, Kitsap County.

**KEY FINDINGS: THE MINIMUM WAGE**

These are the key findings regarding the issue of increasing the hourly minimum wage from the focus groups, interviews, and written comments:

1. All representatives of private businesses opposed increasing the minimum wage above its current state level of \$9.47.
2. The representatives of CRISTA Senior Living and Hope-Link reported that their organizations offer or will soon offer a minimum hourly wage of \$15. The representative of the Shoreline School District stated that a large majority of its employees earn more than \$15 per hour; the lowest wage the School District pays is slightly below \$13 per hour.
3. The business community representatives expressed these concerns about increasing the minimum wage:
  - a. It represents increased government regulation and intrusion.
  - b. Businesses located in more than one city may have to pay a variety of hourly minimum wages if each city acts independently. Paying more than one minimum wage would increase administrative burdens and costs. It is more efficient and less costly for these businesses to pay the statewide hourly minimum wage that is prescribed by Washington state law.

Businesses with multiple locations have experienced disruption and uncertainty, and are ultimately paying more, because their employees in other locations have requested to transfer to Seattle to capitalize on its higher minimum wage. A couple business owners reported that to avoid this disruption, they have increased or will soon increase the hourly minimum wage for all their employees to \$15 per hour to match Seattle's wage structure.

- c. They consider the hourly minimum wage to be an entry-level wage that enables inexperienced, unskilled people, such as high school and college students, to obtain work experience and life skills in short-term jobs. If the minimum wage becomes accepted as a "living wage," people with more experience may compete for what are currently entry-level jobs, making it more difficult for inexperienced, unskilled people to enter the job market.

Related to this point was a concern expressed by those business owners with employees who are disabled, on public assistance, or former felons. One business owner stated that although he receives some public funding for hiring these employees, training them is expensive. A higher minimum wage would make him inclined to hire more skilled and experienced workers to reduce training costs.

- d. Businesses that do not operate with much profit margin, including restaurants and bars, may eliminate positions or reduce the hours of employees from full-time to part-time, or they may have to raise prices.

Smaller, local businesses may find it harder to raise prices than “big box” retailers or national and regional restaurant chains. For example, local businesses that sell goods now face competition from global companies such as Amazon. They cannot raise prices without considering the possibility that their customers can go on-line to order goods from a global retailer for a lower price.

- e. If businesses reduce the number of employees, they may experience higher overtime costs because there would be fewer staff people available to cover for employees who call in sick.
- f. Some restaurant employees, such as the “front of the house” staff, may experience reduced overall wages despite a higher hourly minimum wage because the income derived from tips could be reduced or eliminated and the higher hourly wage would not make up for that loss.
- g. The cost of conducting business may increase. For example, an increase in the hourly minimum wage would result in a corresponding increase in taxes paid on wages.

Also, the costs of hiring might increase if there were more applicants for these higher paying jobs. The increased hiring costs would be linked to the additional time needed to review more applications, interview more candidates, and conduct more background and/or reference checks.

- h. The affects of “wage compression” are an even greater concern. If the hourly minimum wage is increased, the differences between salary levels within an organization could decrease or compress. Employees with more education, experience, and/or skill and who earn more than the current minimum wage, may expect or demand an increase in their salaries to maintain the distinction between them and colleagues who would be paid at their level or higher if the minimum wage was increased. Maintaining pay deltas between positions/skill levels would increase payrolls and payroll taxes. If a business could not afford to raise wages for everyone, it

may experience more frequent turnover with the departure of its more skilled and experienced employees.

- i. The cost of paying higher salaries might come out of the business owners' salaries. This could cause businesses to close as owners decide they are not earning enough money to make owning a business worthwhile.
  - j. Raising the minimum wage may reduce the resiliency of business, especially if there is a downturn in the economy.
  - k. The market's response to higher wages could be higher prices. Thus, increasing the minimum wage may contribute to an even higher rate of increase in the community's cost of living.
  - l. The City would likely incur additional costs to enforce a higher minimum wage, including, perhaps, the cost of additional staff. Would these costs somehow be transferred to businesses, making their cost of doing business in Shoreline even higher?
4. Hope-Link raised the minimum wage for all its employees throughout the region to at least \$15 per hour two years ago. This step was partly motivated by an interest in the employees' welfare and partly by competition; Hope-Link's unionized competitors were offering higher salaries. The salaries of employees earning the lowest wage rates, between \$12.09 and \$14.63 per hour, were immediately raised to \$15 per hour.
- The salary scale for all wage levels at Hope-Link compressed, meaning that differences between the various wage levels were reduced. Today the Board of Directors is taking steps to reestablish more distinction between salary ranges so that that skill and experience levels of positions are taken into account in compensation.
5. The majority of the Shoreline School District's employees make more than \$15 per hour. The lowest salary level paid to employees is slightly under \$13 per hour. Market factors are preponderant in determining salaries; the District has found that if it pays too low an hourly wage, the positions do not attract applicants.
6. CRISTA Senior Living is in the process of raising the hourly minimum wage to \$15. The process will take three years. CRISTA Senior Living's leadership approved this initiative because of competition in the health care industry. The organization was having a difficult time recruiting and retaining employees, partly because of retirements and partly because experienced, talented health care workers in the area preferred to work in Seattle where \$15 per hour is the minimum wage.



- The representative of CRISTA Senior Living commented that the health care industry is unique. Competition for both employees and customers is fierce. The pool of talented prospective employees is shrinking, and with many “baby boomers” retiring, vacant positions go unfilled. Although many employees are highly educated and skilled, and already command a higher salary than \$15 per hour, lower paid positions—those below \$15 per hour—are as difficult to fill.
- As CRISTA Senior Living increases the minimum hourly wage of its employees, it is looking to save money in other areas. It is not currently considering reducing the number of employees because it does not want to risk reducing the quality of care.

### **KEY FINDINGS: PAID SICK LEAVE**

These are the key findings regarding the issue of requiring paid sick leave from the focus groups, interviews, and written comments:

1. The representatives of private businesses oppose mandating paid sick leave. Representatives of the larger private businesses reported that they provide sick leave in the form of “personal time” that employees can use to go on vacation, when they are ill, and for daytime appointments. It is easier and less costly to track “personal time” than it would be to maintain separate records for each category of absence from work.
2. Some of the other businesses represented in this process do not provide paid sick leave because their employees are mostly part-time high school and college students or are paid a commission rather than a salary and may not be full-time. Sick leave was a benefit reserved for full-time employees.
3. CRISTA Senior Living, Hope-Link, and the Shoreline School District provide paid sick leave.
  - The School District follows State of Washington law that requires employees be given twelve paid sick days and three “personal days” annually. Like full-time employees, substitute teachers receive retirement benefits but not paid sick days or personal days.
  - Hope Link offers eighty hours per year of paid sick leave whether the employee earns a salary or an hourly wage.
4. Hope-Link’s representative commented that staff members hear their clients say that the only time they can come into the service center is during lunchtime because if they came in during their work hours, they would not be compensated.

**ISSUES AND INFORMATION TO CONSIDER:**

Here are the participants' suggestions regarding issues the City may want to consider or information and data the City may need when considering the issues:

- How should “large,” “medium,” and “small” businesses be defined? What are the relevant distinctions between them?
- If Shoreline is a city of small businesses, what would be the impact on the economy with a locally prescribed hike in the minimum hourly wage?
- As Seattle implements its \$15 per hour minimum wage, what are the lessons learned? (The University of Washington has been commissioned by the Seattle City Council to report annually on progress in implementing the ordinance and the on trends and key indicators.)
- How do the cost of living and economic growth, particularly in terms of jobs, compare between Shoreline, Seattle, and other nearby communities?
- How many people in Shoreline live below the “poverty line?”
- Have other cities that have raised the minimum wage offered tax incentives to business?

**RECOMMENDATIONS:**

1. Business leaders recommended that government should put more effort into fixing the tax code and funding education than raising the minimum wage.
2. The City should reexamine its relationships with businesses and ask if it could be more supportive. Concerns and complaints about a number of City processes were raised, from permitting requirements/processes to tree cutting ordinances, and how the City generally communicates with the business community.

# WE NEED YOUR INPUT

Business owners, we need your opinion on regulations regarding

## PAID SICK LEAVE & MINIMUM WAGE

Please visit [surveymonkey.com/r/shorelinebusinessowners](https://surveymonkey.com/r/shorelinebusinessowners)  
and complete a short survey by August 1.  
Survey will take approximately 5 minutes to complete.



**CITY OF SHORELINE**

Questions? Contact Management Analyst Alex Herzog at [aherzog@shorelinewa.gov](mailto:aherzog@shorelinewa.gov) or (206) 801-2216

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## **Attachment B**

PRSR STD  
US Postage  
PAID  
Seattle, WA  
Permit No. 248

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