

Washington's minimum wage standard

PROTECTING WORKERS AND FAMILIES DURING TOUGH ECONOMIC TIMES

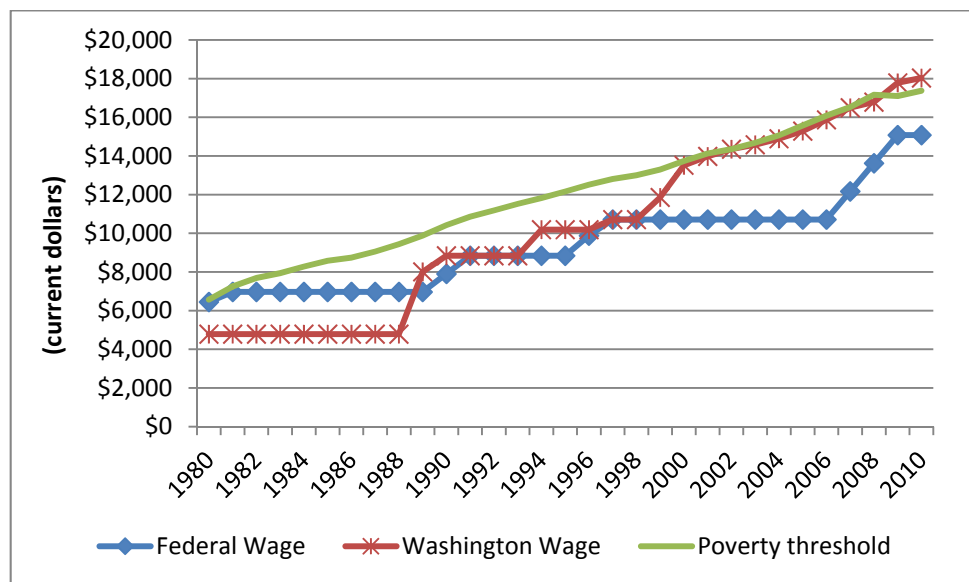
BY TATSUKO GO HOLLO, MSW

Key Findings

- Washington is one of 10 states with a cost of living adjustment to its minimum wage, and one of 9 with a rate of \$8.00 or more. Beginning in 2012, Washington will be the only state with a minimum wage above \$9.00.
- Minimum wage workers are disproportionately young, female, and people of color, but more than half are over age 25 and 20% are over age 45.
- Between February 2010 and November 2011, jobs in Washington grew by 2.5%. The sectors with the highest concentrations of minimum wage jobs kept pace with or exceeded that rate of growth, including accommodation and food service (4.8% growth), health care and social assistance (3.1%), and retail (2.4%).
- Although Washington's minimum wage allows a full-time worker to maintain a family of 3 above the official federal poverty line, it falls below the level necessary to meet basic living expenses for a single adult in most parts of the state – and many minimum wage jobs do not provide full-time work.
- Contrary to claims that a strong minimum wage leads to job loss or discrimination against less experienced workers, research continues to show good wages are better for workers and businesses alike.



ANNUAL EARNINGS FOR A FULL-TIME MINIMUM WAGE WORKER VS. FEDERAL POVERTY THRESHOLD FOR FAMILY OF 3



Source: U.S. Department of Labor, Washington State Department of Labor and Industries, and U.S. Census Bureau¹

DECEMBER 2011



\$9.04

WASHINGTON'S
MINIMUM WAGE
BEGINNING
JANUARY 1, 2012

51%

OF MINIMUM
WAGE WORKERS
ARE 25 OR OLDER

How Washington's Minimum Wage Compares

Beginning January 1, 2012, Washington's minimum wage will increase from \$8.67 to \$9.04 per hour.² The change is the result of legislation passed by voters in 1998, which directs the state's minimum wage to keep pace with increases in the cost of living.³ Because Washington's minimum wage is indexed to inflation, a full-time minimum wage worker in 2011 earns an annual income of \$18,034, just above the federal poverty threshold of \$17,374 for a family of three.⁴

The federal minimum wage, currently \$7.25 per hour, often remains unchanged for many years before Congressional action to increase it, and has fallen well below the poverty threshold for a family of three for decades. Washington's minimum wage was also below the official poverty level until the passage of the initiative to index the wage.

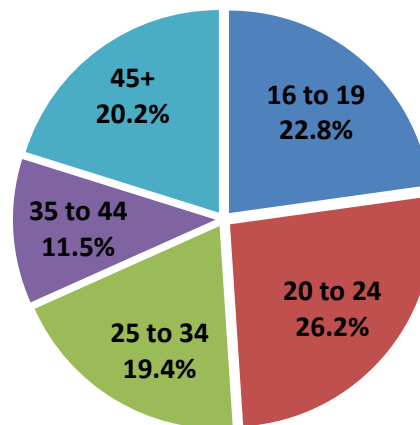
Since that time, annual minimum wage earnings for a full-time worker in Washington have been approximately equal to the federal poverty threshold for a three-person household. The cost of living adjustment to Washington's minimum wage may contribute to our state's lower rate of poverty compared to the U.S.⁵

In terms of buying power, the nation's minimum wage peaked in 1968 at the 2011 equivalent of \$9.60.⁶ Although the highest state rate, Washington's 2011 minimum wage of \$8.67 falls well below that level. Currently, 18 states plus the District of Columbia have set their minimum wage above the federal rate. Washington is one of 10 states with a cost of living adjustment, and one of 9 with a rate of \$8.00 or more.⁷ In 2012, the City of San Francisco's minimum wage will increase to \$10.24 per hour.⁸

Minimum Wage Workers: A Diverse Group

Nationally, the minimum wage workforce is made up of men and women from various age groups and multiple racial and ethnic backgrounds. However, those who work for minimum wage are disproportionately persons of color. Additionally, the majority of minimum wage workers are female, regardless of age group, race or number of hours worked.

WORKERS AT OR BELOW MINIMUM WAGE, BY AGE: U.S., 2010



Source: Bureau of Labor Statistic, Characteristics of Minimum Wage Workers 2010

According to the Bureau of Labor Statistics, less than a quarter of minimum wage workers are teenagers, more than half are over age 25, and one-third are over age 35. About 70% have at least a high school diploma and 7.5% have a B.A. or graduate degree.⁹ An analysis by the Economic Policy Institute of Current Population Survey data found that one-fourth of workers who would be impacted by an increase in the federal minimum wage are parents with children at home.¹⁰

The Economic Context

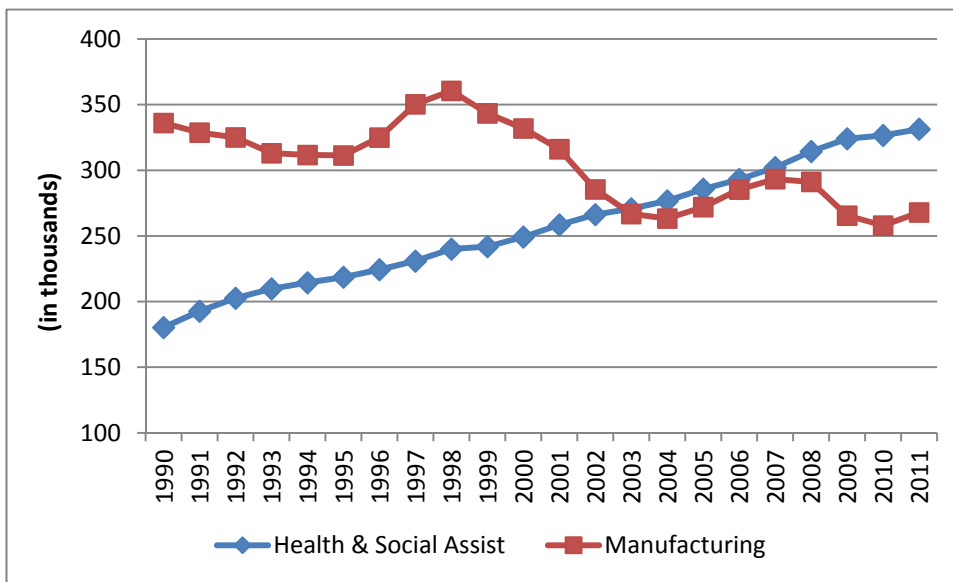
Many of Washington's industries have experienced tremendous changes over recent decades, reflecting a combination of structural changes and ups and downs in the national and world economies. The health care and social assistance sector, in particular, has shown remarkably steady growth, even during and following recessions. This sector, in which average earnings are typically below the average across sectors,¹¹ has nearly doubled its employment numbers since 1990.

In contrast, manufacturing, an industry where average wages are higher than the average across industries,¹² has seen substantial losses over time, reflecting the general trend across the U.S. The sector had barely begun to regain losses following the 2001 recession when the Great Recession began, spurring further declines from 2008 through 2010.

1 IN 4

MINIMUM WAGE
WORKERS HAVE
CHILDREN AT
HOME

HEALTH AND MANUFACTURING EMPLOYMENT: WASHINGTON, 1990 - Nov. 2011



Source: Workforce Explorer; Data Analysts; Historical Series¹³

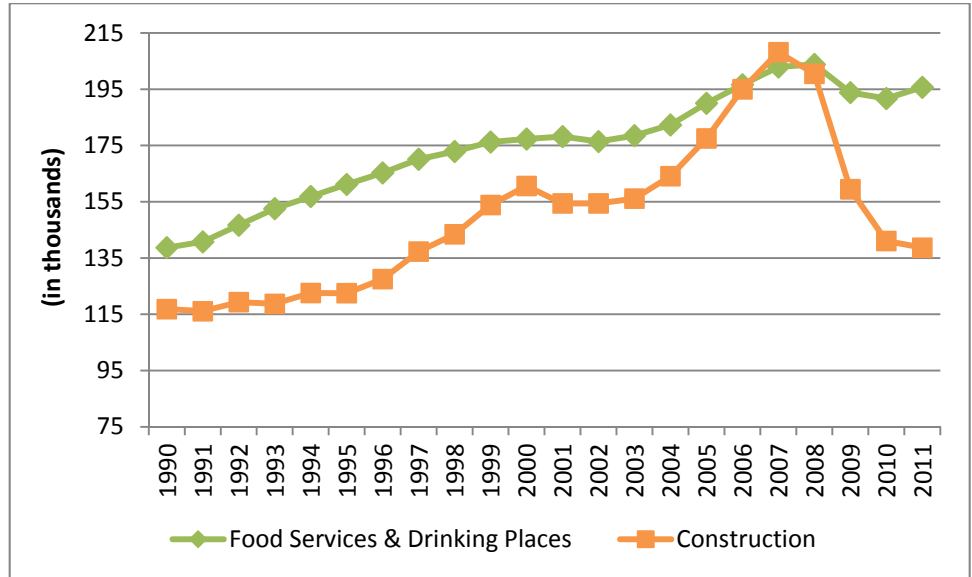
Construction, a typically mid-wage industry, has played an important role in the recent recession. Growth had been very consistent since 1990, and the industry recovered quickly after minimal losses in the previous recession of the early 2000s. However, once the sector began shedding jobs in 2008, employment numbers continued to plummet through 2010 and have only just begun to show some stabilization.

Accommodation and food services, a low-wage industry in which average pay is just 40% of the average across industries,¹⁴ lost 18,400 jobs from February 2008 to February 2010, but gained back 10,500 by November 2011. That 4.8% rate of growth was nearly double the overall rate of job growth in the state, which was 2.5% for that period. Food services and drinking places accounted for 9,000 of those new jobs.¹⁵

2.5%

GROWTH IN TOTAL
NONFARM
EMPLOYMENT IN
WA FROM FEB
2010 – NOV 2011

FOOD SERVICE AND CONSTRUCTION EMPLOYMENT: WASHINGTON, 1990 - Nov. 2011



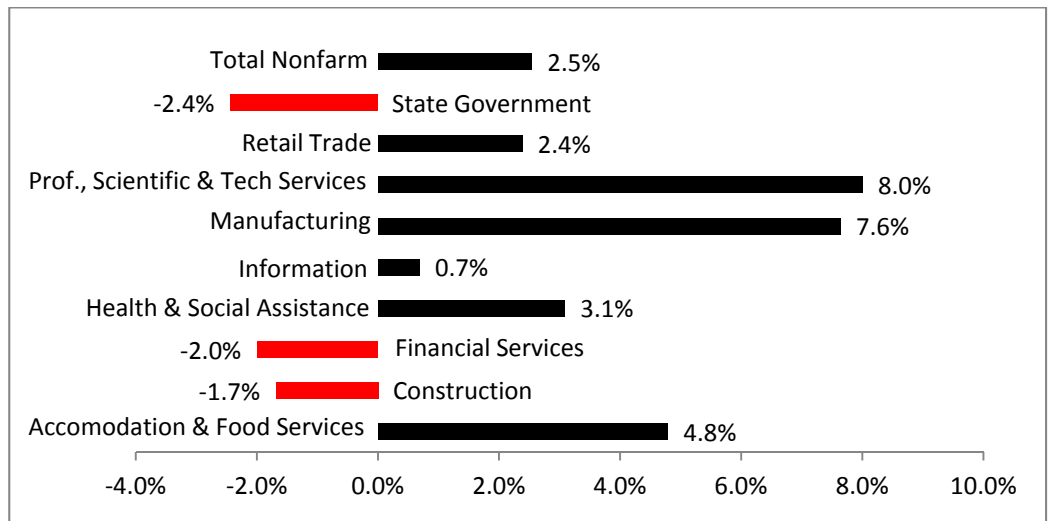
Source: Workforce Explorer; Data Analysts; Historical Series

Washington's private sector industries are just beginning to make very modest employment gains. The state's employment numbers reached their low point in February 2010, two months later than national employment numbers.¹⁶ Since March 2010, most industries have seen slight increases in employment, with total nonfarm employment growing 2.5% between February 2010 and November 2011.¹⁷

-2.4%

REDUCTION IN
WA STATE GOVT
JOBS FROM FEB
2010 – NOV 2011

INDUSTRY EMPLOYMENT GROWTH: WASHINGTON, FEB. 2010 – NOV. 2011



Source: EOI analysis of WA State Employment Security Department, Industry Employment Estimates (NAICS) data

Growth in Low-wage Sectors Outpacing Overall Growth

The three industries with the highest concentration of low-wage workers - accommodation and food services, retail, and health services and social assistance - have all begun to rebound along with the overall economy.

The higher-wage industry of manufacturing has shown remarkable growth since early 2010, but also experienced substantial losses during and before the Great Recession. The information sector as a whole is growing at a slower pace than total nonfarm industry growth, but the very high-wage software publishing subsector has continued growing through the recession, adding 3,400 jobs since early 2008. Those gains have been partially offset by continued losses in construction, financial, and public employment.¹⁸

While recent job growth has been painfully slow, an analysis of national private sector employment shows many industries are beginning to regain jobs. The National Employment Law Project found that although low-wage, mid-wage and high-wage industries all showed some growth between February 2010 and January 2011, it is the lower-wage industries that demonstrated the greatest increases in employment numbers. Higher-wage industries not only had the least growth, they also suffered the greatest job losses in the previous two years.¹⁹

Low-wage industries are anticipated to have even stronger growth in the coming years. The Washington State Employment Security Department recently projected the top twenty occupations expected to have the greatest increases in employment numbers between 2008 and 2018.²⁰ Of those twenty occupations, more than half are low-wage positions paying at least five dollars less than \$18.32, the 2010 state median hourly wage across industries.²¹

INCREASED EMPLOYMENT FOR TOP TWENTY OCCUPATIONS WITH GREATEST PROJECTED GROWTH: WASHINGTON, 2008-2018



Source: EOI analysis of WA State Employment Security Department/Labor Market and Economic Analysis data²²

Using wage ranges to compile occupations into low-wage, mid-wage and high-wage groups, it becomes clear that low-wage positions are anticipated to add significantly more jobs than high-wage occupations in the coming years. Examples of low-wage positions include personal and home care aides, waiters and waitresses, and child care workers. Examples of mid-wage occupations include teacher assistants and landscapers; and examples of high-wage occupations include computer software engineers and registered nurses.

4.8%

GROWTH IN
ACCOMMODATION
AND FOOD SERVICE
JOBS, FEB 2010 –
Nov 2011

\$18.32

THE STATE
MEDIAN WAGE IN
2010 ACROSS
INDUSTRIES

Is A Minimum Wage Enough To Live On?

While some of Washington's largest industries rely on low-wage workers for growth, minimum wage employees must rely on near-poverty earnings to pay for living expenses. In Washington, a full-time minimum wage worker will earn just over \$18,000 in 2011.

\$14,000

ANNUAL
EARNINGS OF
TYPICAL RETAIL
WORKER, 2011

Although this is enough income to keep a family of three above the poverty threshold, it is not enough to cover the basic expenses of daily living.²³ Moreover, many individuals in low-wage sectors work fewer than 40 hours per week. In retail, the average work week was 31.3 hours in 2011, providing only \$14,000 in annual income for the typical minimum wage worker. In leisure and hospitality, the average work week was 25.9 hours in 2011.²⁴

In order to afford regular necessities such as transportation, child care and housing, one must earn a living wage. In some parts of the state the minimum wage meets the standard of a living wage for a household of one; however, this is not the case for urban areas. Furthermore, the minimum wage is far below the wage needed to reasonably support a household of two or more across the state.

MINIMUM WAGE VS. LIVING WAGES IN 2011, ASSUMING FULL-TIME WORK

Region	Minimum wage (1-income)	Living Wage		Minimum wage (2-income)	Living Wage 2 Adults, 2 Children
		1 Adult	1 Adult, 1 Child		
Clark County	\$8.67	\$10.17	\$18.97	\$17.34	\$26.26
City of Seattle	\$8.67	\$10.62	\$22.17	\$17.34	\$29.16
West Snohomish County	\$8.67	\$12.87	\$22.77	\$17.34	\$30.64
Spokane County	\$8.67	\$8.09	\$16.13	\$17.34	\$22.88
Thurston County	\$8.67	\$9.49	\$18.35	\$17.34	\$25.46
Yakima County	\$8.67	\$8.51	\$15.15	\$17.34	\$21.28

Source: Workforce Development Council, Self-Sufficiency Standard for Washington State 2011²⁵

The disparity between the living wage and minimum wage emphasizes the importance of maintaining wage standards for low-income workers. Despite falling below the standard of a living wage, Washington does have the highest state minimum wage in the country. As such, Washington's wage is a model for other states.

The Importance of a Strong Minimum Wage

A high wage standard not only provides a benchmark for other states, it is good economic policy. According to an analysis by the Washington State Employment Security Department, Washington's change in employment since 2010 is very similar to that of neighboring states and the U.S. overall.²⁶

Some critics of the minimum wage point to older economic research that indicated minimum wage increases may lead to job loss. However, the most recent research utilizes new, larger data sets and accounts for regional differences in economic trends - not accounted for in older research.

\$18.97

LIVING WAGE
STANDARD FOR 1
ADULT, 1 CHILD IN
THE CITY OF
SEATTLE IN 2011

These newer, more sophisticated studies found that minimum wage increases have no significant effects on employment numbers.²⁷ Furthermore, researchers concluded that raising the minimum wage both increases the income of low-wage workers and results in reduced turnover, which means employers spend less on hiring and training new employees to fill recently vacated positions.

Others have argued that a training wage would offer an incentive to businesses to hire teens and other less experienced workers, pointing to declining teen employment over the past decade. However, falling teen employment is a national trend that has been linked to increased participation in summer school, unpaid internships and volunteer activities, and access to financial aid for college.²⁸

Studies clearly show that a higher minimum wage does not reduce job opportunities for teens.²⁹ Moreover, with state budget cuts forcing college tuition to skyrocket, teens and young adults are even more reliant on earnings to pay for higher education.

A subminimum wage for newer employees (sometimes called a "training wage") would also impact a significant number of workers – including many with employment experience, because Americans change jobs frequently.

According to Bureau of Labor Statistics publications:³⁰

- 19% of all U.S. workers had been with their current employer fewer than 12 months in January 2010. That figure is lower than usual now because of the recession. In 2006, fully 24% of employees had been with their current employer less than 1 year.
- Over the past decade, median job tenure for all U.S. employees has been about 4 years, meaning half of all workers have been with their current employer a shorter period of time.
- Sectors with the largest number of minimum wage jobs tend to have higher rates of turnover. In retail, median job tenure is about 3 years. In restaurants, it is about 1.5 years.

All workers, including those with little employment experience, need to cover daily expenses. Even during periods of economic difficulty, costs continue to rise. The guarantee of an adequate wage not only benefits workers and their families directly; it also supports other businesses and service-providers, since lower-wage earners tend to put most or all of their wages right back into the economy. The economic stimulus of a strong minimum wage would be similar to that of food stamps or Unemployment Insurance benefits, for which Mark Zandi of Moody's economy.com has estimated \$1.50 to \$1.70 of impact for every \$1.00 spent.³¹

A strong minimum wage also provides a floor for those workers who earn near-minimum wages. As the minimum wage increases, those earning just above minimum wage tend to see increases in their wage, too. This is especially important for Washington's economy, as employment growth for positions earning less than \$10 per hour accounted for more than 10% of the state's total growth between 2008 and 2010.³² As such, wage standards serve as important protections that also benefit families, business owners and communities.

4 YEARS

**MEDIAN JOB
TENURE FOR ALL
U.S. EMPLOYEES**

\$1.50 - \$1.70

**LIKELY
MULTIPLIER
EFFECT FOR EVERY
DOLLAR OF
MINIMUM WAGE
EARNINGS**

WA STATE

ONE OF THE FEW
PLACES MINIMUM
WAGE WORKERS
EARN ENOUGH TO
STAY ABOVE THE
POVERTY LINE

Conclusion

Our state's minimum wage workers are a diverse group who are concentrated in important sectors. They are often the people who handle and prepare our food or care for our children and elders. Some use their wages to support family members and are struggling to get by with a near-poverty income. Others are trying to support themselves through college and are facing double digit increases in tuition every year.

Because Washington has a high wage standard that increases with the rate of inflation, full-time minimum wage workers are able to earn enough to stay above the official poverty line, which is not the case for many other states.

As the economy struggles toward recovery, low-wage industries are exhibiting growth at greater rates than the state overall. A relatively high minimum wage does not result in job loss. In fact, workers who receive wage increases are less likely to leave their position, which means employers do not have to spend money to fill vacancies.

As individuals, families and industries continue to struggle through years of economic difficulty, it is essential that workers earn enough to maintain basic living standards. By guaranteeing a strong minimum wage, Washington can be confident that more workers are able to meet their needs, even during periods of economic difficulty.

Notes

- ¹ Author calculated annual income of a full-time worker by multiplying minimum wage by 2080 hours. The resulting value is income before taxes. Federal wage rates were provided by the U.S. Department of Labor, <http://www.dol.gov/whd/minwage/chart.htm>. Washington wage rates were provided by the Washington State Department of Labor and Industries, <http://www.lni.wa.gov/WorkplaceRights/Wages/Minimum/History/default.asp>. Poverty thresholds were provided by the U.S. Census Bureau, <http://www.census.gov/hhes/www/poverty/data/threshld/index.html>.
- ² Washington State Department of Labor and Industries, "Washington's minimum wage to increase to \$9.04 next year," September 2011, <http://www.lni.wa.gov/news/2011/pr110930a.asp>.
- ³ Revised Code of Washington 49.46.020: Minimum hourly wage, <http://apps.leg.wa.gov/RCW/default.aspx?cite=49.46.020>.
- ⁴ U.S. Census Bureau, Poverty Thresholds, 2010, <http://www.census.gov/hhes/www/poverty/data/threshld/index.html>.
- ⁵ U.S. Census Bureau, American Community Survey, Selected Social Characteristics, 2010, <http://factfinder2.census.gov/>.
- ⁶ Heidi Shierholz, "Fix it and Forget it: Index the Minimum Wage to Growth in Average Wages," Economic Policy Institute, December 2009, www.epi.org. 2009 figure adjusted according to CPI-U.
- ⁷ U.S. Department of Labor, "Minimum Wage Laws in the States – January 1, 2011," <http://www.dol.gov/whd/minwage/america.htm>.
- ⁸ City and County of San Francisco, Labor Standards Enforcement, Minimum Wage Ordinance, <http://sfgsa.org/index.aspx?page=411>
- ⁹ U.S. Department of Labor, Characteristics of Minimum Wage Workers: 2010, <http://www.bls.gov/cps/minwage2010.pdf>.
- ¹⁰ Heidi Shierholz, "Fix it and Forget it: Index the Minimum Wage to Growth in Average Wages," Economic Policy Institute, December 2009, www.epi.org.
- ¹¹ U.S. Census Bureau, Quarterly Workforce Indicators, reviewed four quarter averages for Q4 1990-Q3 2010, <http://lehd.did.census.gov/led/datatools/qwiapp.html>.
- ¹² U.S. Census Bureau, Quarterly Workforce Indicators, reviewed four quarter averages for Q4 1990-Q3 2010, <http://lehd.did.census.gov/led/datatools/qwiapp.html>.
- ¹³ Annual averages, not seasonally adjusted. 2011 average is through preliminary November data, retrieved December 15, 2011.
- ¹⁴ U.S. Census Bureau, Quarterly Workforce Indicators, analyzed four quarter averages of monthly earnings for both Accommodation and Food Services and All NAICS industries for Q4 1990-Q3 2010, <http://lehd.did.census.gov/led/datatools/qwiapp.html>.
- ¹⁵ Washington State Employment Security Department, Nonagricultural Salary and Wage Employment in Washington State, Seasonally adjusted, retrieved December 15, 2011, <http://www.workforceexplorer.com/>.
- ¹⁶ Paul Trause, Greg Weeks and Dave Wallace, "2010 Washington State Labor Market and Economic Report," Washington State Employment Security Department, December 2010, http://www.workforceexplorer.com/admin/uploadedPublications/10891_2010_Annual_Report_WebV.pdf.
- ¹⁷ Washington State Employment Security Department, Washington Industry Employment Estimates, Seasonally Adjusted Historical Series, retrieved December 15, 2011, <http://www.workforceexplorer.com/cgi/dataanalysis/?PAGEID=158>.
- ¹⁸ Washington State Employment Security Department, Washington Industry Employment Estimates, Seasonally Adjusted Historical Series, retrieved December 15, 2011, <http://www.workforceexplorer.com/cgi/dataanalysis/?PAGEID=158>.
- ¹⁹ National Employment Law Project, "A Year of Unbalanced Growth: Industries, Wages, and the First 12 Months of Job Growth After the Great Recession," February 2011, <http://www.nelp.org/>.
- ²⁰ Paul Trause, Greg Weeks and Dave Wallace, "2010 Washington State Labor Market and Economic Report," Washington State Employment Security Department, December 2010, http://www.workforceexplorer.com/admin/uploadedPublications/10891_2010_Annual_Report_WebV.pdf.
- ²¹ Economic Policy Institute analysis of Current Population Survey data.
- ²² Top twenty industries were broken out into low-wage, mid-wage and high-wage groups using 2010 median hourly wages. Low-wage occupations ranged in median hourly pay from \$9.51 to \$13.28; mid-wage from \$14.02 to \$17.81 (still below the state-wide median) and high-wage from \$34.00. Low-wage occupations include personal and home care aides, combined food prep and serving workers, including fast food, janitors and cleaners, retail salespersons, home health aides, laborers and freight, stock and material movers, child care workers, waiters and waitresses, nursing aides, orderlies and attendants, maids and housekeeping cleaners, and reception and information clerks. Mid-wage occupations include landscaping and groundskeeping workers, general office clerks, medical secretaries, teacher assistants and customer service representatives. High-wage occupations include registered nurses, computer software engineers for application and systems software and network systems and data communication analysts.
- ²³ Diana Pearce, "The Self-Sufficiency Standard for Washington State 2011," Workforce Development Council, October 2011, <http://www.selfsufficiencystandard.org/docs/Washington2011.pdf>.
- ²⁴ Bureau of Labor Statistics, Table B-2. Average weekly hours and overtime of all employees on private nonfarm payrolls by industry sector, seasonally adjusted, <http://www.bls.gov/news.release/empsit.t18.htm>.
- ²⁵ Wage for "1 Adult and 1 Child" assumes child is a preschooler. Wage for "Family of 4" assumes two adults, one preschooler and one school-age child; this wage is the total that one or both adults would have to earn working full-time to support the family.

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- ²⁶ Washington State Employment Security Department, "State of the State," Labor Market and Economic Analysis, November 2011 Economic Symposium, <https://fortress.wa.gov/esd/employmentdata/docs/presentations/state-of-the-state-economic-symposium-2011.pdf>.
- ²⁷ Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," *The Review of Economics and Statistics*, November 2010, http://www.mitpressjournals.org/doi/abs/10.1162/REST_a_00039; Allegretto, Sylvia, Dube, Arindrajit, Reich, Michael, "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data" *Industrial Relations*, April 2011, <http://www.irle.berkeley.edu/workingpapers/166-08.pdf>; Dube, Lester, and Reich, "Do Frictions Matter in the Labor Market? Accessions, Separations and Minimum Wage Effects," October 12, 2010, <http://www.irle.berkeley.edu/workingpapers/222-10.pdf>.
- ²⁸ Teresa Morisi, "The Early 2000s: A Period of Declining Teen Summer Employment Rates," *Monthly Labor Review*, May 2010.
- ²⁹ Sylvia Allegretto, Arindrajit Dube, Michael Reich, "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data" *Industrial Relations*, April 2011, <http://www.irle.berkeley.edu/workingpapers/166-08.pdf>.
- ³⁰ <http://www.bls.gov/news.release/pdf/tenure.pdf>; http://www.bls.gov/news.release/archives/tenure_09082006.pdf.
- ³¹ Mark Zandi, "An Analysis of the Obama Jobs Plan," September 2011, Moody's economy.com, http://www.economy.com/dismal/article_free.asp?cid=224641&tid=F0851CC1-F571-48DE-A136-B2F622EF6FA4&src=economy_homepage.
- ³² Washington State Employment Security Department, "State of the State," Labor Market and Economic Analysis, November 2011 Economic Symposium, <https://fortress.wa.gov/esd/employmentdata/docs/presentations/state-of-the-state-economic-symposium-2011.pdf>.



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