



Seattle and Washington State Lead Nation In Policy and Budget Decisions to Reduce Inequality and Promote Community Well-Being

Testimony of Misha Werschkul, Executive Director of the Washington State Budget & Policy Center, Before the House Select Committee on Economic Disparity and Fairness in Growth
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Good afternoon, Chairman Himes, Ranking Member Steil, and members of the committee. Thank you for the opportunity to testify today. I am Misha Werschkul, Executive Director of the Washington State Budget & Policy Center, a nonpartisan research and policy organization dedicated to building a stronger, more equitable Washington state.

I am honored to speak to what we are doing here in our part of the country to support equitable growth, and to share research that demonstrates that robust labor standards help reduce inequality and fuel the economy. The successes that I am sharing represent the vision and advocacy of countless community leaders, organizations, and elected leaders, including those who I am honored to present with on today's panel.

I plan to make four key points today:

1. Seattle's local economy is strong, and we have similar challenges with inequality as other major cities.
2. Our region has used a holistic approach to labor standards to support inclusive growth.
3. Labor standards have contributed to our region's strong economy and helped reduce economic insecurity.
4. Elected leaders at federal, state, and local level must continue to act to promote inclusive growth.

Seattle's local economy is strong, and we have similar challenges with inequality as other major cities.

I'd like to start with some background on the economy in the Seattle area. Our region is known for breathtaking natural beauty, vibrant arts and culture, an activist spirit, startups and innovators and world-renowned research institutions and universities. The Seattle region is a place of overall economic prosperity, marked by an unacceptable concentration of wealth and significant economic hardship.

The Seattle metropolitan area is the 10th largest regional economy in the United States, with a total GDP of \$382.6 billion in 2019.ⁱ Based on a range of economic indicators, the Seattle area ranks one of the strongest economies in the nation. Average weekly wages for all industries in King County were \$2,333 in the fall quarter of 2021, compared to \$1,418 in the U.S. as a whole. Unemployment rates in the Seattle metro area fell to just 2.8% in 2022.ⁱⁱ Per capita personal income in Seattle also ranks 10th in nation – around \$80,000 – and is increasing.ⁱⁱⁱ Seattle was recently ranked by Forbes as the Best Place for Business and Careers two years in a row due to the region's "booming economy, educated work force and large millennial population."^{iv} Seattle is home to a number of global corporations such as REI, Microsoft, and Costco.^v

Yet as is true across the country, economic growth is not reaching all Washingtonians. Because of the continued legacy of inequitable policies that create barriers to opportunity for people of color and people with low incomes, there are persistent and deep disparities based on race, ethnicity, class, and immigration status across

every measure of economic progress. While many local economic indicators have not been updated yet to reflect the impact of the pandemic, it is clear from national data that income and wealth have continued to increase for people with strong financial security. And while COVID relief efforts at the federal and local level helped provide some largely temporary relief for lower-income households, the core issues of economic insecurity and racial injustice remain.

The median net worth of all households in Seattle was \$399,000 in 2019, one of the highest in the country. Yet due to the history of racist policies controlling who is able to build wealth and how, white households in Seattle have median net worth of \$450,000 compared to \$23,000 for Black households and \$90,000 for Latino households in Seattle.^{vi} Recently updated data show that median net worth for homeowners in Seattle rose to nearly \$1 million in 2021, one of the highest in the nation. There is a vast wealth disparity between homeowners and renter, as this amount is more than 8 times the median net worth of Seattle renters.

In 2020, 10% of all Seattle residents lived below the federal poverty level. Again, as a result of persistent barriers to opportunity and wealth, Seattle residents who are American Indian, Alaska Native, and Black experience poverty at three times the rate of Seattle residents who are white.^{vii}

Seattle residents also experience disparities in homeownership rates, rent burden, food insecurity, and higher education by race.^{viii} Data from 2019 show that 20% of Seattleites were rent burdened (spending more than 30% of income on rent)^{ix}. Further, housing prices and cost of living continue to be major challenges for our region, contributing to high rates of houselessness.

A recent analysis from Gene Balk at The Seattle Times^x found the most affluent 20% of households in Seattle had average incomes of \$345,000 per year, while the poorest 20% of households had average income of about \$18,800. This disparity is unacceptably large, but one bright spot is that Seattle had one of the highest average incomes for the lowest 20% of households among the 50 largest U.S. cities. Importantly, Balk notes, “One factor keeping Seattle’s income gap in check is the city’s famously high minimum wage.”

Our region has used a holistic approach to labor standards to support inclusive growth.

Working people, labor unions, and elected officials in our region have championed a policy approach to labor standards that is holistic in addressing needs of low-income workers. Together these advocates have worked to do more than simply tackle single issues like raising the minimum wage, but have also understood that decisions on all aspects of policymaking including budget appropriations and tax policy impact workers and inequality. An example of this is efforts by Seattle elected leaders to use federal funds to help address impacts of pandemic on workers, including payments to child care workers, support for renters, and small business stabilization grants.^{xi}

Second, advocates have fought for policymaking structures that put workers in decisionmaking roles and create an environment for policy choices to respond to changing needs. One statewide example of this is the establishment of collective bargaining rights for 40,000 Medicaid-funded home care workers and the improvements in wages, health benefits, retirement benefits, and working conditions that resulted from the collective bargaining process.^{xii} An emerging innovation in this area is the creation of the new Domestic Workers Standards Board in the City of Seattle.^{xiii}

Finally, advocates have argued for not only increasing wages broadly, but also ensuring that workers have time away for family and personal needs, that workers have comprehensive health care, and that there are industry-

specific protections for workers, like protections for gig workers and hotel workers. An example of this is recent policy changes related to overtime pay for workers in Washington, where raising the overtime threshold for salaried workers is being paired with removing the exclusion of agricultural workers from overtime protections.

The table below summarizes some^{xiv} of the key labor standards advanced in our state in recent years:

Policy	Level of Government	Date	Summary
Requiring cost of living adjustment to state minimum wage (Initiative 688)	Washington state	Passed in 1998	First state minimum wage to include cost of living adjustments to mitigate impact of inflation. An earlier initiative (Initiative 518 in 1988) increased the minimum wage and included agricultural workers in minimum wage protections.
Paid Safe and Sick Time	City of Seattle	Went into effect on September 1, 2012	Requires employers to provide paid sick and safe leave to employees.
SeaTac city minimum wage ordinance (Proposition 1)	City of SeaTac	Passed in 2013, went into effect January 1, 2014	The 2022 minimum wage for hospitality and transportation industry workers in the City of SeaTac is \$17.53 per hour. This ordinance covers workers at SeaTac airport.
Seattle \$15 minimum wage increase	City of Seattle	Took effect April 1, 2015	The Seattle minimum wage in 2022 is \$17.27/hour for most workers.
Creation of Seattle Office of Labor Standards	City of Seattle	Created April 1, 2015	The Office of Labor Standards (OLS) was created to implement various labor standards in the City. ^{xv}
Tacoma sick leave	City of Tacoma	Took effect February 1, 2016	Tacoma was third city in Washington state to adopt paid sick leave policy.
Increase statewide minimum wage to \$13.50 per hour by 2020 and provide statewide paid sick leave (Initiative 1433)	Washington state	Passed November 2016	Washington state minimum wage in 2022 is \$14.49 per hour. This initiative also included agricultural workers in paid sick leave standards.
Paid Family and Medical Leave	Washington state	Passed 2017, eligible individuals began applying for benefits January 2020	Nearly every Washington worker is eligible for up to 12 weeks of paid leave as long as they have worked a minimum of 820 hours in Washington during the qualifying period.
Domestic Worker Bill of Rights	City of Seattle	Passed July 1, 2018	Provides minimum wage, rest break, and meal break rights to domestic workers and creates Domestic Workers Standards Board.
Secure Scheduling	City of Seattle	Took effect on July 1, 2017	Requires large coffee, food, and retail employers to provide written schedule to employees 14 days in advance, prevents workers from being forced to work back-to-back closing and opening shifts that are less

			than 10 hours apart, and other protections.
Hotel Employee Protections	City of Seattle	Took effect July 1, 2020	Specific safety and injury protections for workers in hotel industry such as providing panic buttons to employees.
Update to Salary Threshold for Overtime Exempt Workers	Washington state	Adjustments phase in between July 1, 2020 and January 1, 2028	An estimated 259,099 workers in WA will become eligible for overtime pay by the time the rules are fully implemented in 2028. ^{xvi} Once fully implemented, Washington state will have strongest overtime protections in nation.
Hazard Pay for Grocery Workers	City of Seattle	Went into effect in 2021 and ended in 2022	Requirement that grocery stores with over 500 employees pay workers an extra \$4 per hour. Temporary measure associated with COVID-19 pandemic.
Long Term Care Social Insurance (WA Cares)	Washington state	Benefits become available to certain qualified workers July 2026	First in the nation earned benefit to ensure working Washingtonians can access long-term care when they need it.
Removal of Overtime Exemption for Agricultural Workers	Washington state	Effective January 1, 2022 with a three year phase in	This was a legislative response to litigation about dairy workers. Established entitlement to overtime with three-year phase in resulting in agricultural workers receiving overtime pay for hours worked in excess of 40 hours per week Jan. 1, 2024.
Minimum Compensation Standards for Gig Workers	City of Seattle	Policy passed in May 2022	Requires app-based companies with 250 or more contract workers to provide a minimum income for gig workers. Also known as the PayUp bill.
Statewide Working Families Tax Credit	Washington state	Program launches in 2023	420,000 working households eligible for new state sales tax rebate of up to \$1200 per year. Modeled after federal earned income tax credit.

Labor standards have contributed to our region’s strong economy and helped reduce economic insecurity.

Policy choices to support worker power and decisionmaking, provide foundational protections like minimum wage, and innovate in key areas have been critical ingredients for the economic success of the Seattle region.

The Seattle labor policy that has been most extensively researched is the minimum wage.^{xvii} Because of the scale of the increase included in the City of Seattle minimum wage law (\$3.53 increase in less than a year), policymakers worked with researchers with the University of Washington on a five-year academic study the impact of the policy over time. The results included:^{xviii}

- Average earnings for low-income Seattle residents increased by \$10 per week;
- Speculation about negative impact to businesses were overstated, as 99.3% of businesses adjusted to the new wage standards;
- There was some evidence of price increases in restaurants; but no price impacts in other industries or on housing or gas prices;
- Increased worker productivity and reduction in turnover rates; and
- There were some reduction in work hours and workers had more time to spend with family and away

from work.

Numerous studies document the impact of paid sick leave in a range of jurisdictions on positive economic indicators like worker productivity, employee morale, and reduced turnover.^{xxix} A study on outcomes associated with the Seattle sick leave law found that in the first year the Ordinance was implemented, Seattle saw faster growth in the number of employers than Bellevue, Everett, and Tacoma.^{xxx}

During the first two years of operation, Washington's Paid Family and Medical Leave program provided benefits to 262,500 claimants, and served significantly more people than anticipated in the midst of a global pandemic.^{xxxi} Research supports that paid family and medical leave has a positive impact on family well-being, including benefits to maternal mental health, breastfeeding duration, and the timing of children's immunizations.^{xxxii} Other studies have documented the impact of paid leave on long-term employment outcomes.^{xxxiii}

An evaluation of the Seattle Secure Scheduling Ordinance (SSO) found positive outcomes for workers and the economy, including:^{xxxiv}

- Compared to workers in other large cities that have similar progressive labor policies but no secure scheduling laws, 10% fewer workers reported not having enough money for food, housing, medical care, or utilities.
- The study also found that the SSO increased workers' satisfaction with their work schedule and their job and increased workers' overall happiness and sleep quality.
- Share of workers receiving at least two weeks' advance notice of their schedules increased by 10%.
- Last-minute schedule changes were reduced by 9%, and pay when changes did occur increased by 4%.

While other labor standards are too new to have been extensively studied, early anecdotal evidence supports the importance of protections for the lowest-wage workers as a core strategy for inclusive growth.

Elected leaders at federal, state, and local level must continue to act to promote inclusive growth.

It is clear even with the important policy choices made at the state and local level, more needs to be done to ensure that our region's economy is healthy and inclusive. At the local and state level, there are important emerging campaigns to continue to fill gaps in labor standards. These include providing relief for unemployed undocumented workers, bolstering protections for gig workers and others unjustly excluded from core labor standards, and ensuring that any recipients of state and local funds (either via direct spending or receipt of tax credits) are following high-road labor practices like prevailing wage determinations. Workers, worker organizations, and labor unions are calling for continued action to address core issues of economic insecurity that have been exacerbated by the pandemic.

While Washington state and local government leaders should be commended for acting to fill gaps in federal protections and mitigate the impact of the federal government's failure to update key standards like overtime protections and updating the federal minimum wage, it is clear that this approach is not sufficient for ensuring economic security for everyone across the country. Congressional action is urgently needed to establish a strong floor of economic security for all.

In closing, I want to urge Congress to prioritize action in a few areas:

1. **Modernize core federal labor standards**, like updating the federal minimum wage and overtime standards and removing exclusions so that all workers – including domestic and agricultural workers –

are covered by these core protections.

2. **Continue policies that are working**, including reauthorizing the expanded monthly child tax credit that expired in December 2021 and investing in state, municipal, tribal and territorial fiscal relief to ensure that state and local governments have the resources to pay for community services and support workers.
3. **In addition to bolstering labor standards, advance strategies to address concentration of wealth.** The focus of my testimony has been on strategies to promote economic security for lower-income Washingtonians, which is a necessary element of ensuring equitable growth. At the same time, it is clear that policymakers must act to address the growing concentration of wealth among a small number of Americans and the negative impacts of that concentration on our economy and democracy. Tools to do this include addressing structural issues like tax code and market consolidation and corporate power.

Thank you for the opportunity to testify today and for your work to understand and develop solutions to the growing wealth and income gaps in our country. Robust protections and higher wages for lower-wage workers are an essential element of any strategy to promote fair growth and equitable development.

ⁱ Calculation by Greater Seattle Partners, using data from the U.S. Bureau of Economic Analysis (BEA). As reported in the Puget Sound Business Journal. <https://www.bizjournals.com/seattle/news/2021/01/14/seattle-10th-largest-us-regional-economy.html>

ⁱⁱ U.S. Bureau of Labor Statistics, Seattle Area Economic Summary. Updated July 06, 2022 https://www.bls.gov/regions/west/summary/blsummary_seattle.pdf

ⁱⁱⁱ U.S. Department of Commerce, Bureau of Economic Analysis. <https://www.bea.gov/news/2021/personal-income-county-and-metropolitan-area-2020>

^{iv} Forbes Magazine, “The Best Places for Business and Careers: Seattle Still on Top” <https://www.forbes.com/sites/samanthasharf/2019/10/30/the-best-places-for-business-and-careers-2019-seattle-still-on-top/>

^v The top five industries in Seattle, by number of people employed, are: professional, scientific, and technical services (88,815 people employed), health care and social assistance (56,921 people employed), retail trade (56,733 people employed), educational services (42,823 people employed), and accommodation and food services (34,734 people employed).^v In 2021, approximately 20% of Washington workers were represented by a union, an increase from 2019.^v U.S. Census Bureau. S2403: INDUSTRY BY SEX FOR THE CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER, 2020: ACS 5-Year Estimates Subject Tables.

<https://data.census.gov/cedsci/table?q=industry&g=1600000US5363000&tid=ACSST5Y2020.S2403>; U.S. Bureau of Labor Statistics, “Union Members – 2021” <https://www.bls.gov/news.release/pdf/union2.pdf>

^{vi} Balk, Gene. “Seattle household net worth ranks among top in nation — but wealth doesn’t reach everyone.” *The Seattle Times*. February 19, 2019. <https://www.seattletimes.com/seattle-news/data/seattle-household-net-worth-ranks-among-top-in-nation-but-wealth-doesnt-reach-everyone>

^{vii} U.S. Census Bureau. S1701 POVERTY STATUS IN THE PAST 12 MONTHS, 2020: ACS 5-Year Estimates Subject Tables: <https://data.census.gov/cedsci/table?q=Poverty&g=1600000US5363000>

^{viii} [Housing burden | National Equity Atlas](#); [Food Insecurity - RSJI | seattle.gov](#)

^{ix} [Housing burden | National Equity Atlas](#)

^x Balk, Gene. “Even with Seattle’s superrich top earners, the city’s income gap is nowhere near the worst in the U.S.”, *The Seattle Times*. May 24, 2022. <https://www.seattletimes.com/seattle-news/data/even-with-seattles-superrich-top-earners-the-citys-income-gap-is-nowhere-near-the-worst-in-the-u-s/>

^{xi}View dashboard of City of Seattle spending of American Rescue Plan funds here: <https://experience.arcgis.com/experience/63f08d2d4af14311acf62f2daa0a62c6>

^{xii} Through the collective bargaining process, home care workers have negotiated increased in pay from \$7.62/hr in 2002 to starting pay above \$19 per hour in 2022.

^{xiii} The Domestic Workers Standards Board is a 9-member board who reflect the domestic work industry and who have a demonstrated interest in improving domestic work industry standards. Their focus will be to consider and suggest ways to improve the working conditions of domestic workers in Seattle.

^{xiv} Note this is not an exhaustive list of state and local policy changes.

^{xv} The Office of Labor Standards is now responsible for the following City ordinances: Minimum Wage, Paid Sick and Safe Time, Wage Theft, Fair Chance Employment (limiting the use of conviction and arrest records in employment decisions), Secure Scheduling, Hotel Employees Protections Ordinances, Domestic Workers Ordinance, Commuter Benefits Ordinance, and Transportation Network Company Legislation.

^{xvi} Washington State Department of Labor & Industries “Key Facts of the Washington Overtime Rules Changes.” December 2019. <https://lni.wa.gov/forms-publications/F700-205-000.pdf>

^{xvii} See, for example, recent summaries from Economic Policy Institute: <https://www.epi.org/blog/rising-minimum-wages-in-20-states-and-localities-help-protect-workers-and-families-against-higher-prices/>

^{xviii} Testimony of Professor Jacob Vigdor before the U.S. Senate Committee on the Budget, February 25, 2021.

<https://www.budget.senate.gov/imo/media/doc/Jacob%20Vigdor%20-%20Testimony%20-%20U.S.%20Senate%20Budget%20Committee%20Hearing.pdf>

^{xix} A Better Balance. “Paid Sick Leave is Good For Business.” Feb. 2021. Available at <https://www.abetterbalance.org/wp-content/uploads/2021/02/Paid-Sick-Leave-Is-Good-for-Business-2.23.21.pdf>; Economic Opportunity Institute. “Local Results of Paid Sick Days Laws,” n.d. <https://www.opportunityinstitute.org/research/post/local-results-of-paid-sick-days-laws/>.

^{xx} Jennifer Romich et al., “Implementation and Early Outcomes of the City of Seattle Paid Sick and Safe Time Ordinance, City of Seattle” Apr. 23, 2014.

<https://www.seattle.gov/Documents/Departments/CityAuditor/auditreports/PSSTOUWReportwAppendices.pdf>.

^{xxi} Watkins, Marilyn. “Washington’s Paid Family & Medical Leave Program: Two Years of Operation.” Economic Opportunity Institute, April 2022. https://www.opportunityinstitute.org/wp-content/uploads/2022/04/WA-PFML-Two-Years-of-Operation-Formatted.Final_.pdf

^{xxii} Donovan, Sarah A. “Paid Family and Medical Leave in the United States.” Congressional Research Service, June 13, 2022. <https://sgp.fas.org/crs/misc/R44835.pdf>.

^{xxiii} Rossin-Slater, Maya, Christopher Ruhm, and Jane Waldfogel. “The Effects of California’s Paid Family Leave Program on Mothers’ Leave-Taking and Subsequent Labor Market Outcomes” 32, no. 2 (2013): 224–45.

<https://doi.org/10.1002/pam.21676>.

^{xxiv} Harknett, Kristen, Daniel Schneider, & Veronique Irwin. “Seattle’s Secure Scheduling Ordinance: Year 2 Worker Impact Report.” Feb. 2021. <https://shift.hks.harvard.edu/wp-content/uploads/2021/02/Seattle-Year-2-Evaluation.pdf>; Harknett, Kristen, Daniel Schneider, & Veronique Irwin. “Improving health and economic security by reducing work schedule uncertainty.” Oct. 7, 2021. <https://www.pnas.org/doi/10.1073/pnas.2107828118>.