



2024 Minimum Wage Impact Analysis

Exploring Sustainable Wage Growth
for Economic Stability

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Executive Summary: Key Findings

Key findings from this analysis suggest that while raising the minimum wage can lead to higher incomes for workers, it may also present challenges for local businesses, particularly those in labor-intensive sectors such as **retail, food service, nonprofits, hospitality**, and industries that have yet to recover from the COVID-19 pandemic.

Teenagers are the most at-risk for reductions of hours and layoffs and make up about 28% of all minimum wage works in Olympia.

A wage increase to \$20 or \$24 per hour would place significant strain on businesses. This could result in **reduced hours, higher business closures, and increased reliance on automation**.

Experts supportive of a higher minimum wage recommend it should be between **50%-60% of the median wage** in a community. For Olympia, 60% would mean a minimum wage of \$16.80 per hour – an increase of \$0.52.

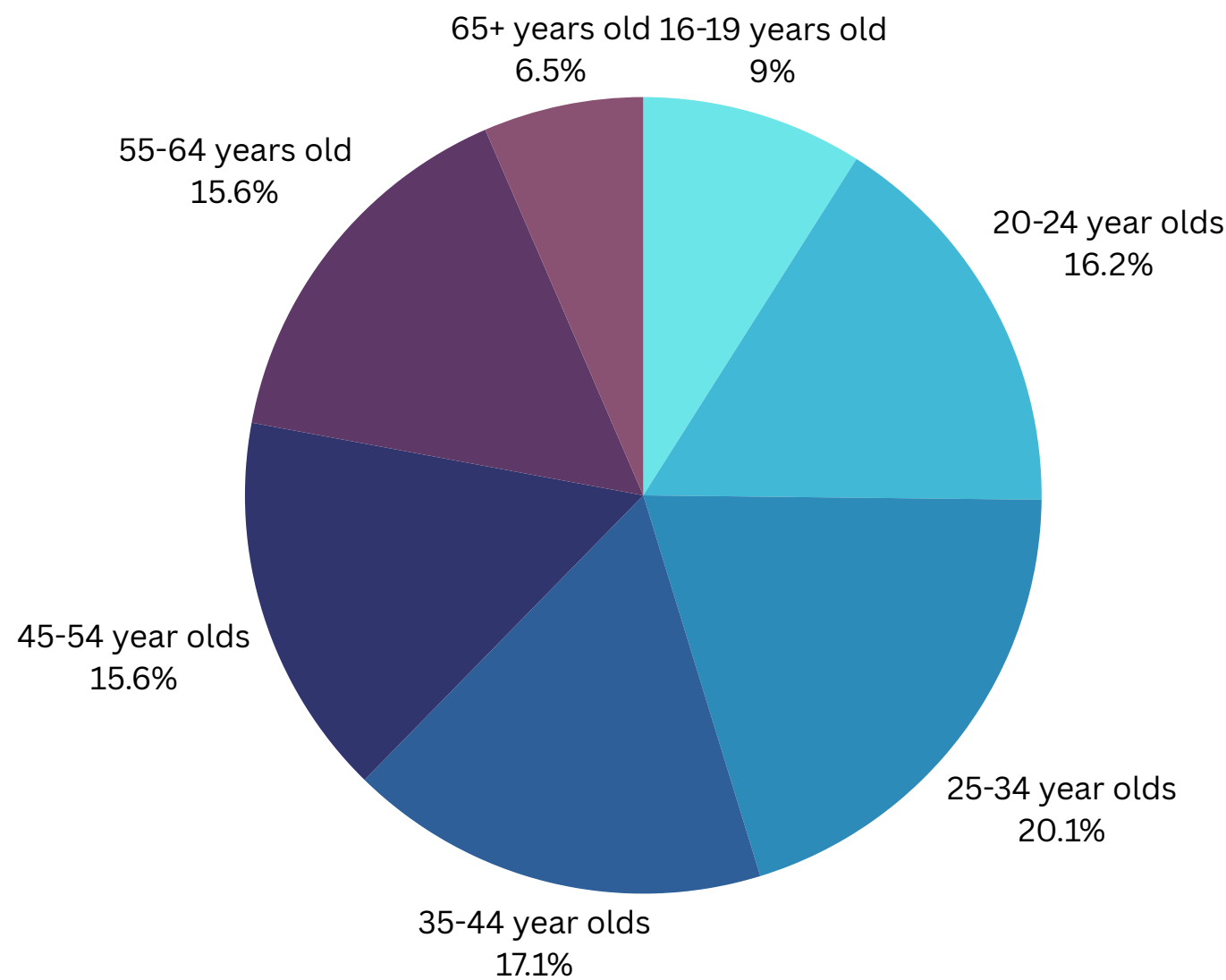
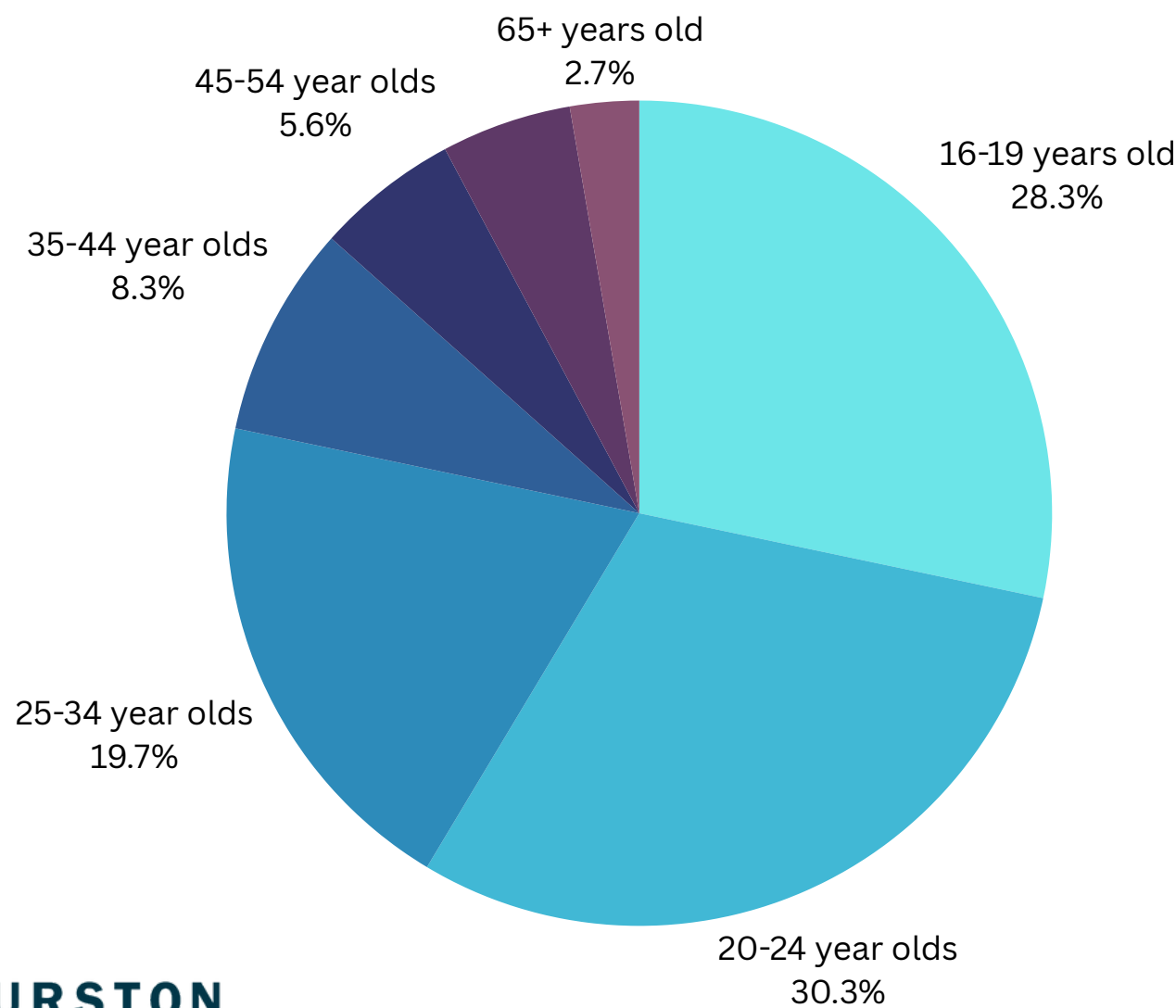
Businesses may pass on costs to consumers, but if middle-class consumers can't afford them, closures or **relocations outside Olympia** may follow.

A copy of the full research analysis can be found online at thurstonedc.com/olympiaminimumwage

Current Status: City of Olympia Workforce

Total Workforce 28,160
Makes within \$1 of min wage 1,370 (4.9%)

Total Workforce 28,160
Makes within \$5 of min wage 12,516 (44.4%)



What is the Impact on Businesses?

Increasing labor costs will force businesses to economize for labor and accelerate the adoption of automation and technological solutions (think self-checkouts and ordering kiosks like those at grocery stores).

Businesses that can pass costs along to consumers will, but middle-class consumers might not be able to afford them in which case those businesses are likely to close or relocate away from Olympia.



Teenage Workforce Impacts

In Thurston County, 28.3% of workers who make within \$1 of the minimum wage are between the ages of 16–19 years old.

Reduction in hours worked of 0.3% to 0.8% for each 1% wage increase in Seattle. This suggests businesses prefer cutting hours to laying off workers. (Jardim et al – 2019)

Businesses lean toward heavier use of technology to substitute for labor where possible (automated ordering systems, kiosks and similar).



What is the Impact on Workers?

Higher wages mean workers can afford a better quality of life. They spend more on goods and services, which boosts the economy.

But will they spend their money in Olympia?

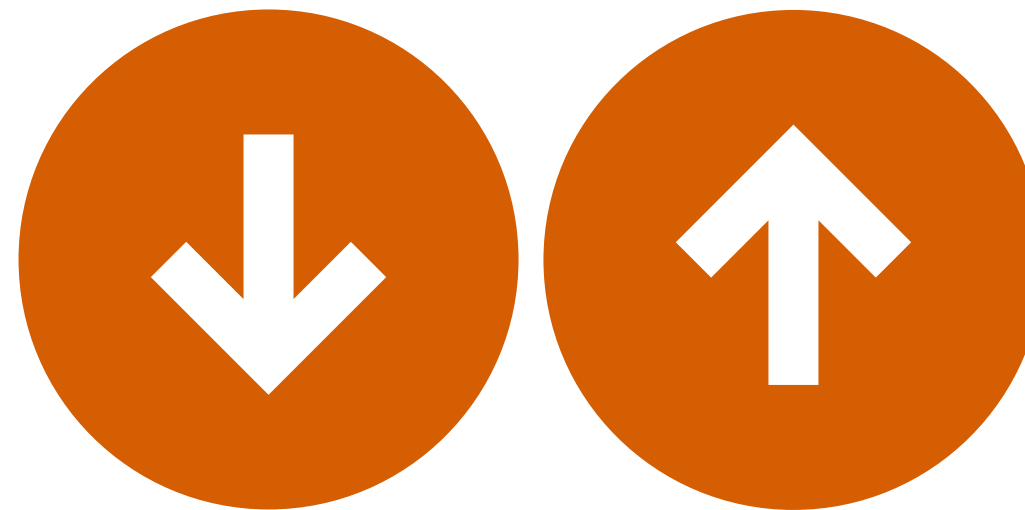


The Kaitz Index

We rely on a consensus, evidence-based metric known as the Kaitz Index to determine if middle class consumers can absorb additional costs before changing their consumption behaviors.

The Kaitz Index measures the ratio between the minimum wage and the median wage of a region. A value below 50% may create structural inequality in a region. A value above 60% may create structural employment issues within a region.

STRUCTURAL INEQUALITY
PROBLEMS



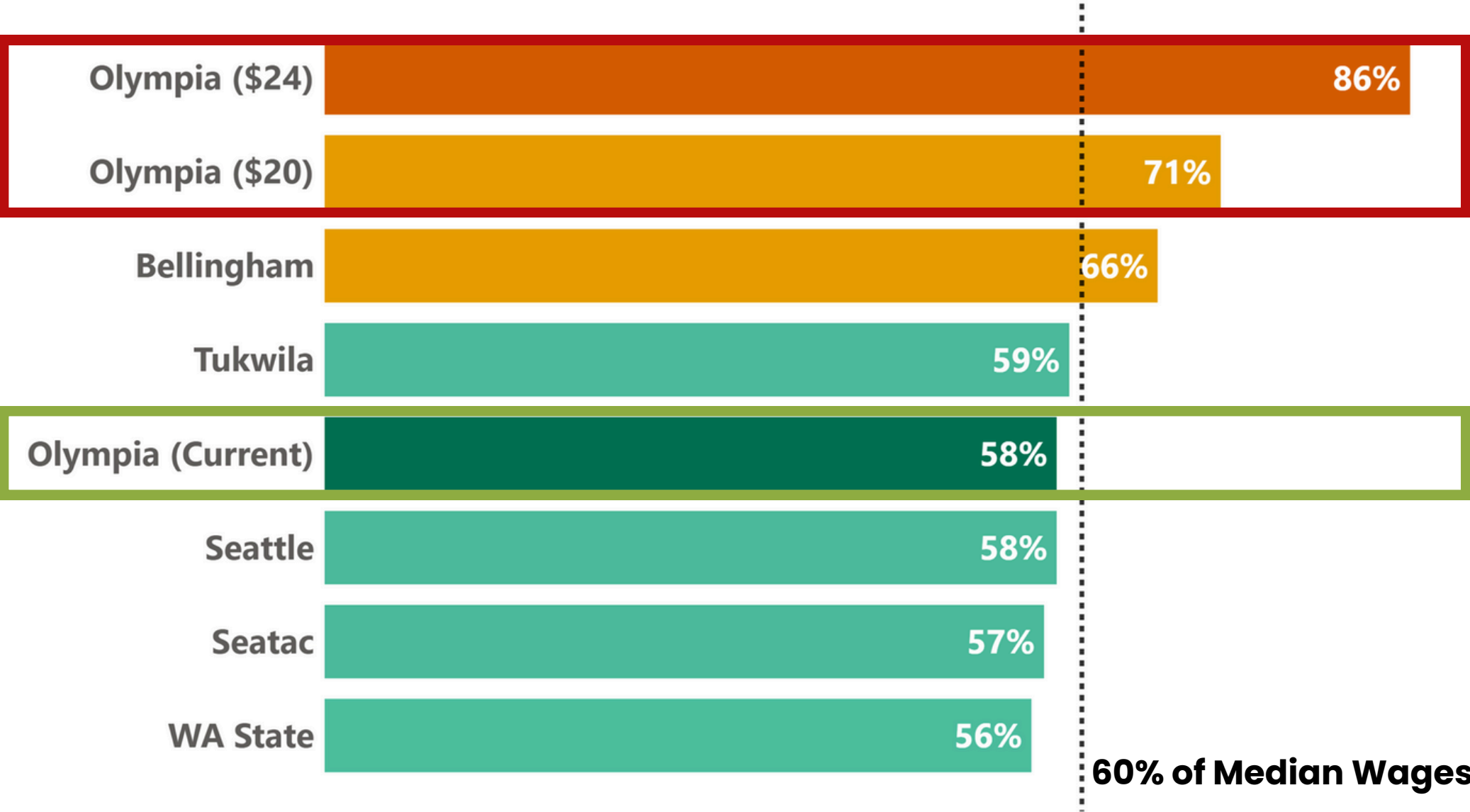
STRUCTURAL EMPLOYMENT
PROBLEMS

Olympia vs Western Washington

Olympia Median Wage:
\$58,200 annual (\$27.98 /hr)
Minimum Wage: \$16.28
Current Kaitz Index: 58.1%

Olympia’s middle class cannot absorb wage increases as easily as Seattle’s due to lower income levels.

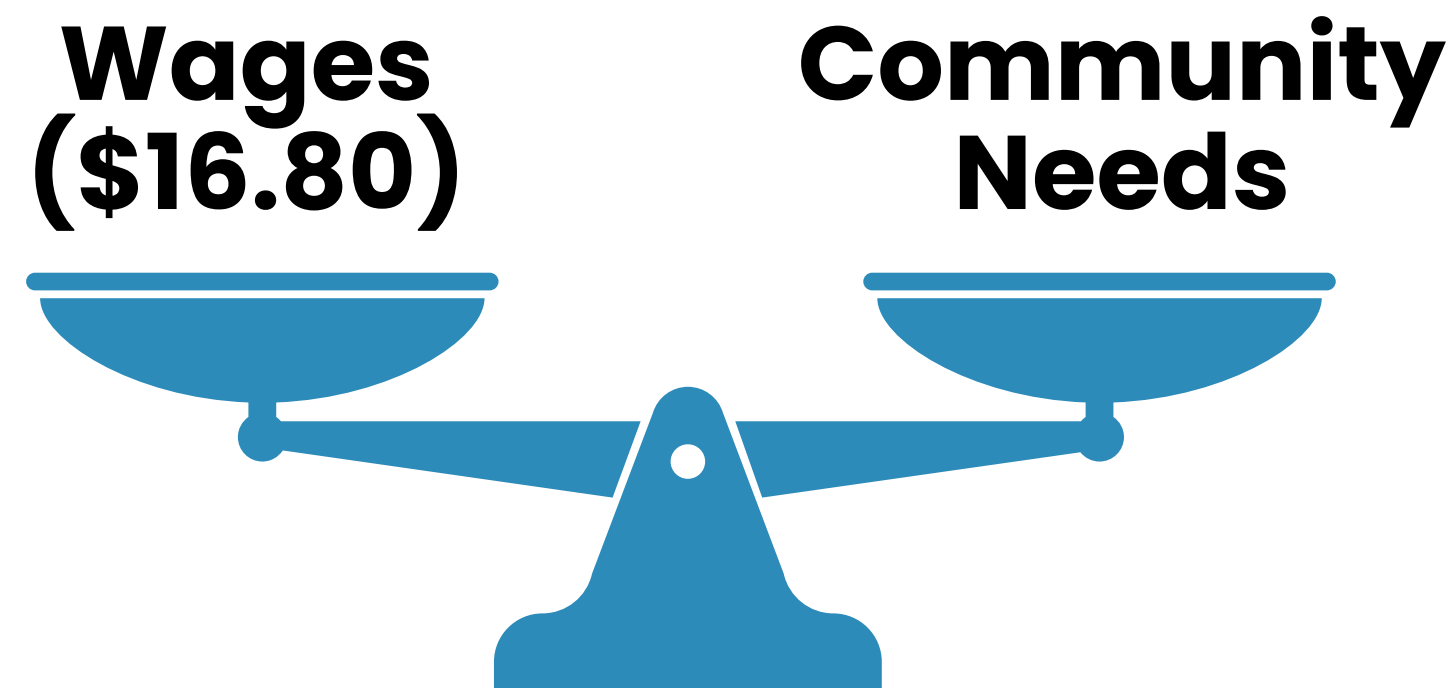
Values above 60% can create structural employment risks



Experts recommend...

Keep the minimum wage between 50%-60% of the median wage in a community. For Olympia, 60% would mean a minimum wage of \$16.80 per hour – an increase of \$0.52.

This strategy would maximize the benefits of reducing inequality while minimizing negative impacts on employment and economic stability.



A Sustainable Approach

It is essential that these wage changes are implemented carefully to prevent unintended consequences, such as job loss or decreased business competitiveness.

By focusing on a sustainable wage growth model, alongside policies to reduce costs in housing, energy, and healthcare, we can ensure that all members of our community—both workers and business owners—can flourish.

In 2024 our local economy was recognized as the fourth most income equal economy in the nation by the Milken Institute.

Our area has a cost problem, not an income problem.



In Conclusion

The discussion surrounding minimum wage increases in Olympia reflects the **complex balance required to foster both social and economic sustainability**. At the Thurston Economic Development Council (EDC), we recognize that higher wages improve the quality of life for workers, driving economic growth through increased consumer spending. However, we must also acknowledge the potential challenges for local businesses, particularly in labor-intensive sectors like retail, food service, and hospitality.

Our research suggests that a **careful, evidence-based approach to wage increases**, such as aligning minimum wage levels with 50%–60% of Olympia’s median wage, will maximize the benefits of reducing income inequality while minimizing the risks of job loss, business closures, and over-reliance on automation. A targeted wage range of \$16.80 (at the highest) will help strike this balance, allowing businesses to adjust sustainably without sacrificing competitiveness or economic stability.

As we move forward, it is essential that we continue to address the rising costs of living—such as housing, energy, and healthcare—while **ensuring that wage policies are fair, inclusive, and reflective** of our community’s unique economic conditions. By working together—businesses, workers, and policymakers alike—we can create a resilient, prosperous economy where all members of our community have the opportunity to thrive.

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