Proposition 1 Considerations for City of Olympia

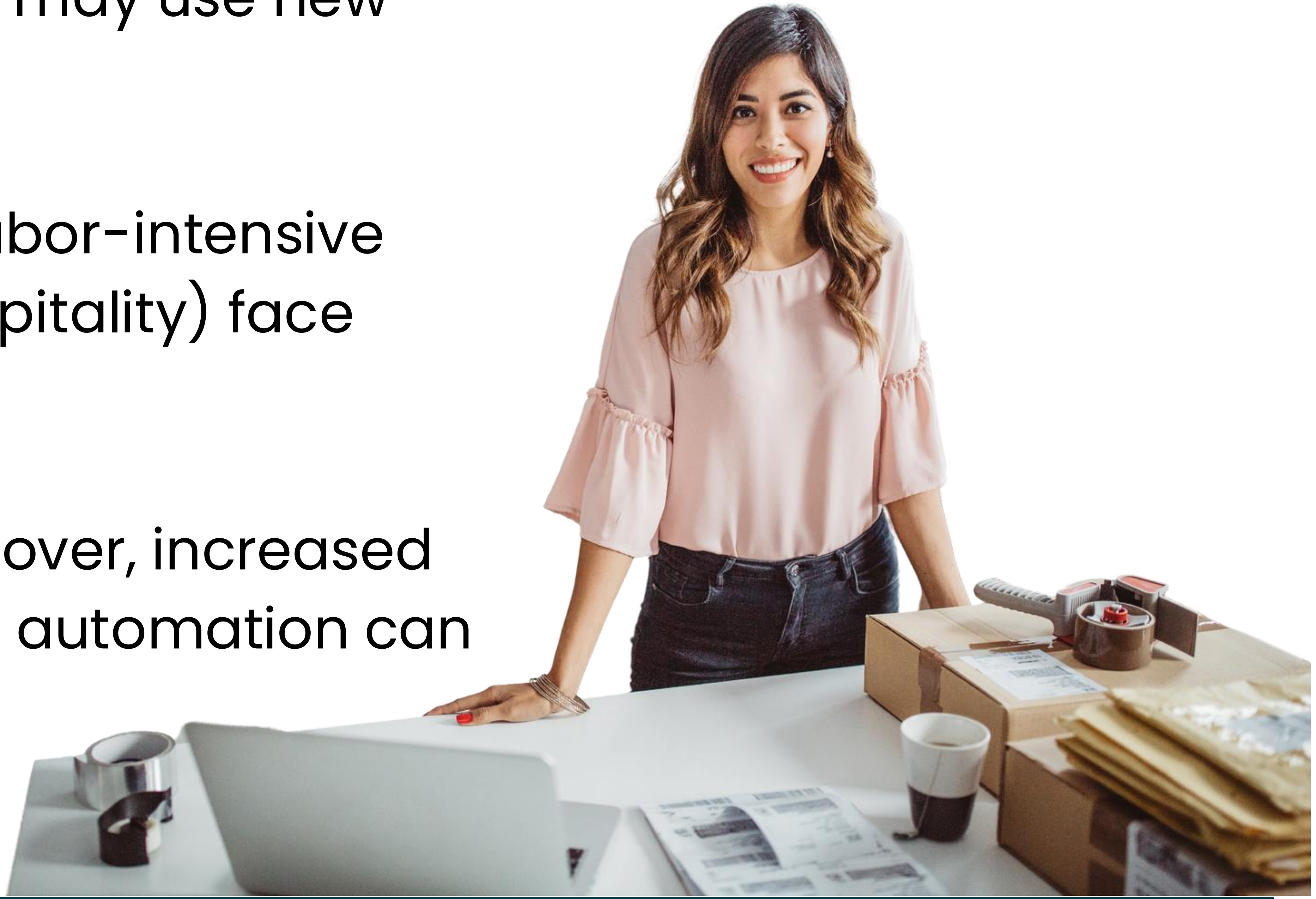
Connor Tibke
Research Manager

THURSTON EDC & CENTER FOR BUSINESS & INNOVATION

What is the Impact on Businesses?

Economizing labor is the new goal. Businesses, especially small ones, need to find ways to manage the higher labor costs. Some might raise prices, while others may use new technology like kiosks or reduce hours.

- **Short-term challenges:** Businesses in labor-intensive sectors (e.g., food service, retail and hospitality) face immediate pressure.
- **Long-term opportunities:** Reduced turnover, increased consumer spending, and investments in automation can help businesses recover.



Teenage Workforce Impacts

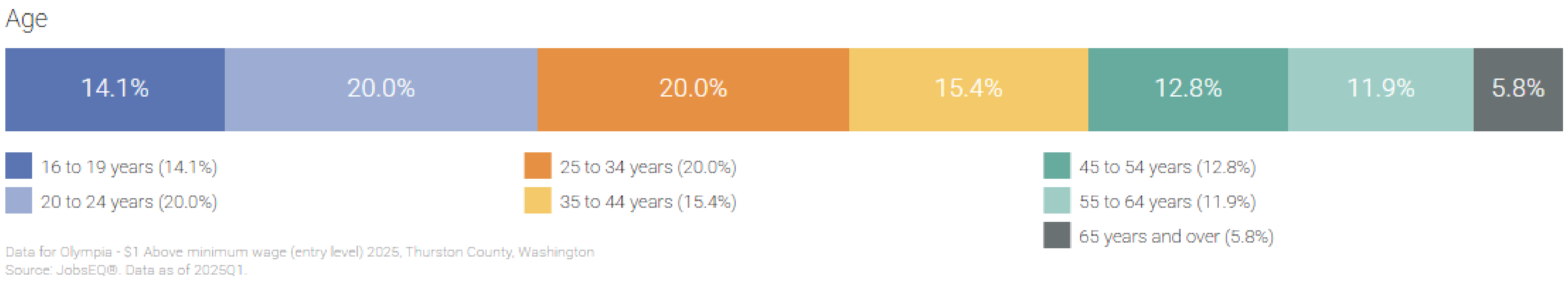
- Labor costs go up -> businesses prioritize hours for more experienced and reliable employees.
- The most impacted sectors, such as restaurants, experienced job declines for teenage employees.
- In Thurston County, 14.1% of workers who make within $1 of the minimum wage are between the ages of 16-19 years old.
- Reduction in hours worked of 0.3% to 0.8% for each 1% wage increase in Seattle. Reductions of hours not firings

THURSTON EDC & CENTER FOR BUSINESS INNOVATION

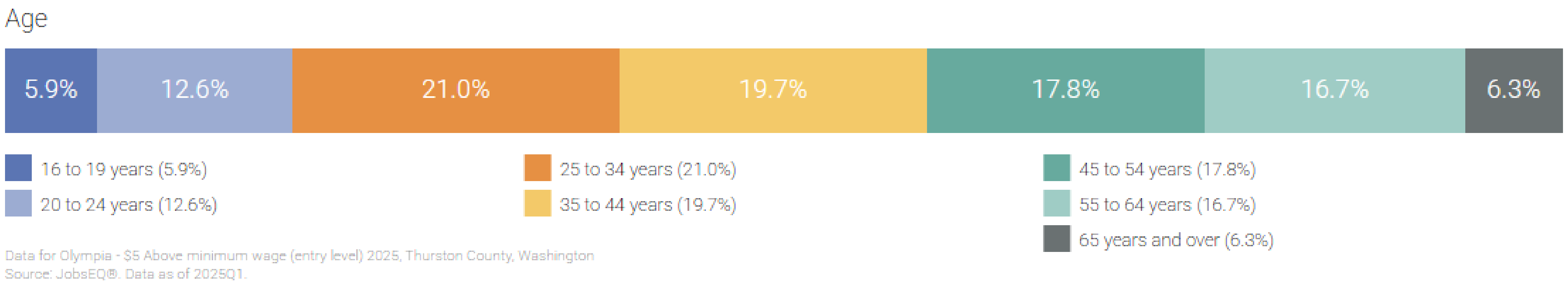
Current Status: Thurston County Workforce

Total Workforce (16 and older) 143,346

Makes within $1 of min wage 15,887 (11.1%)



Makes within $5 of min wage 63,831 (44.5%)



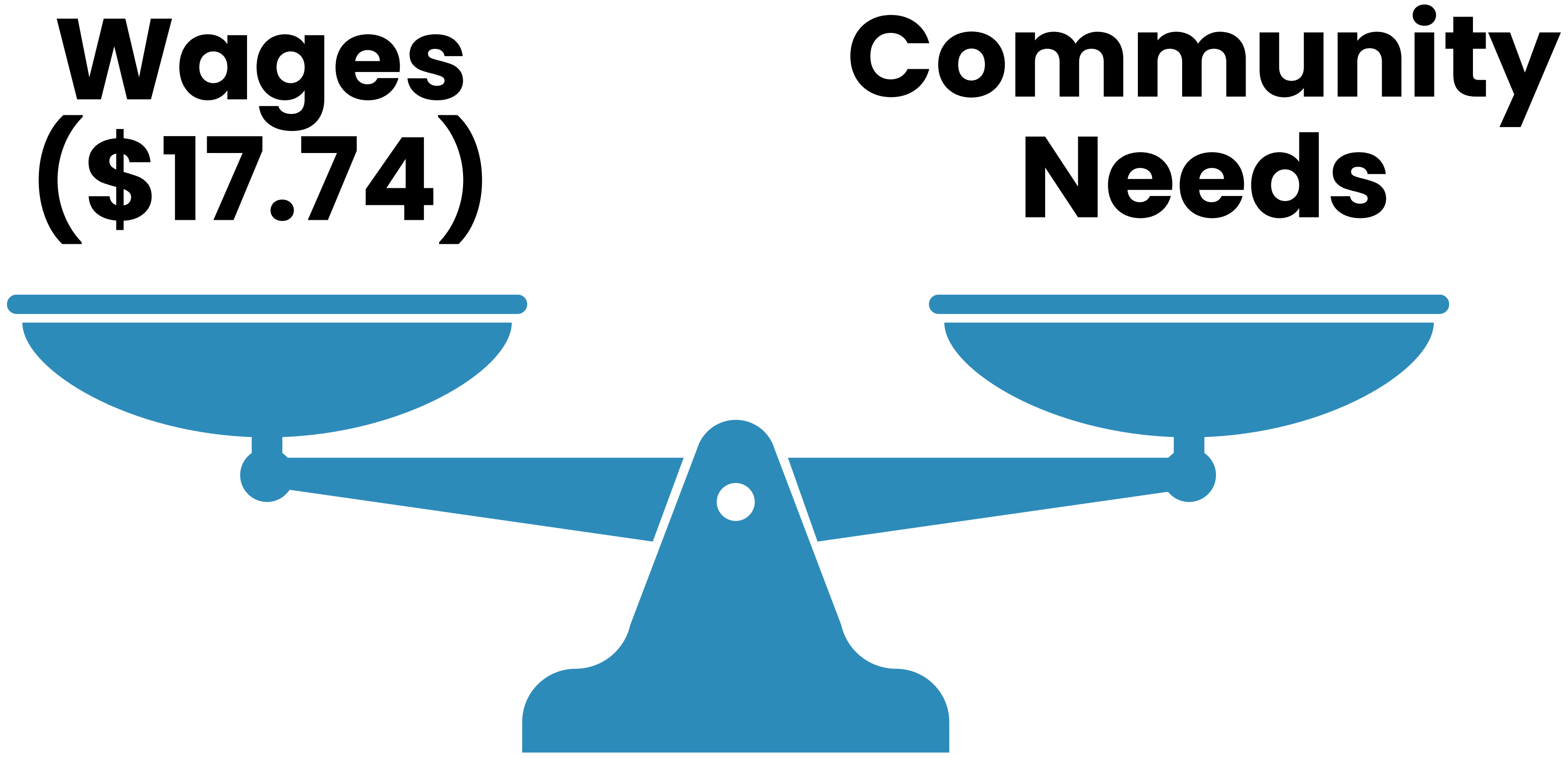
THURSTON EDC & CENTER FOR BUSINESS & INNOVATION

What is the Impact on Workers?

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

But will they spend their money in the City of Olympia?

Experts recommend keeping the minimum wage between 50%-60% of the median wage in a community. For Olympia, that would mean a minimum wage of about $17.74.



CEPR
CENTER FOR ECONOMIC AND POLICY RESEARCH

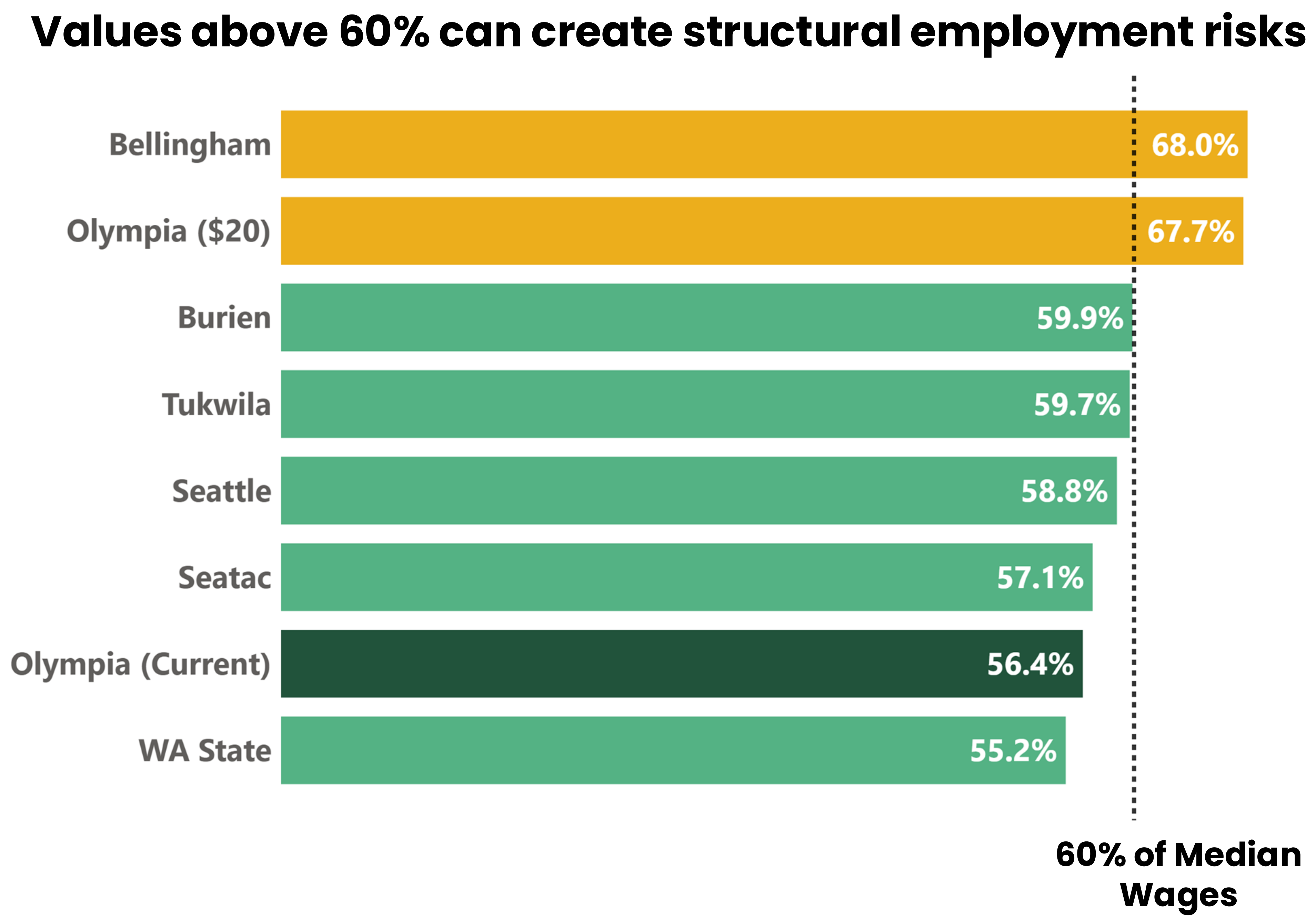
Economic Policy Institute

THURSTON EDC
CENTER FOR BUSINESS & INNOVATION

Olympia vs Western Washington

Olympia Median Wage:
$61,500 annual ($29.56 /hr)
Minimum Wage:
$16.66
Current Kaitz Index:
56.4%

Rising wages have lowered Olympia's Kaitz ratio. With the high WA State minimum wage, there is still little room for increases.



THURSTON EDC & CENTER FOR BUSINESS & INNOVATION

Just in Time Scheduling (JIT) What is it for?

- **Generating Flexibility for managers, schedulers and staff.** Businesses, especially ones with small margins, need to find ways to manage the higher labor costs.
  - JIT creates flexibility **to respond to real time demand**
  - JIT creates uncertainty **about hours and income for workers**

Impacts of the "Workers Bill of Rights" What do we know?

Study on NYC Fast Food - **JIT ban *did not* lead to net job losses.**

Harvard Business Review (Chicago/Philadelphia/LA) - **Short-notice shifts declined. Hours still fluctuate weekly/seasonally.**

Some evidence of productivity gains, reduced turnover and employee morale improvements.

JIT mostly advantages highest-selling staff. Predictive scheduling creates net benefits in staff productivity.

A Leap into the Unknown

Olympia's new Kaitz Index:
67.7%
Minimum Wage:
$20.00

Current Kaitz Index:
56.4%

While not as radical as last year's proposal, the current policy suggests an increased risk of labor market instability and lower entry rates for firms.

THURSTON EDC & CENTER FOR BUSINESS & INNOVATION

Bibliography

Jardim, E., & van Inwegen, E. (2019). "Payroll, Revenue, and Labor Demand Effects of the Minimum Wage." Upjohn Institute Working Paper 19-298. *W.E. Upjohn Institute for Employment Research.* [Retrieved from: https://doi.org/10.17848/wp19-298]

Buszkiewicz, J., House, C., Aggarwal, A., Long, M., Drewnowski, A., & Otten, J. (2019). "The Impact of a City-Level Minimum Wage Policy on Supermarket Food Prices by Food Quality Metrics: A Two-Year Follow Up Study." *International Journal of Environmental Research and Public Health, 16(1), 102.* [Retrieved from: https://doi.org/10.3390/ijerph16010102]

Romich, J., & Hill, H. (2018). "Coupling a Federal Minimum Wage Hike with Public Investments to Make Work Pay and Reduce Poverty." *RSF: The Russell Sage Foundation Journal of the Social Sciences*, 4(3), 22–43. [Retrieved from: https://www.jstor.org/stable/10.7758/rsf.2018.4.3.02]

Long, M. C. (2021). "Seattle's Local Minimum Wage and Earnings Inequality." *Economic Inquiry*, 59(3), 1–15. [Retrieved from: https://doi.org/10.1111/ecin.13053]

Buszkiewicz, J., Drewnowski, A., Long, M. C., & Otten, J. (2018). "Seattle's Minimum Wage Ordinance Did Not Affect Supermarket Food Prices by Food Processing Category." *Public Health Nutrition*, 21(9), 1762–1770. [Retrieved from: https://doi.org/10.1017/S1368980017004037]

Somashekhar, M. (2022). "How Do Employers Belonging to Marginalized Communities Respond to Minimum Wage Increases? The Case of Immigrant-Owned Businesses in Seattle."

Karabarbounis, L., Lise, J., & Nath, A. (2021). "Economic Impact Evaluation of the City of Saint Paul's Minimum Wage Ordinance" *Federal Reserve Bank of Minneapolis*. https://www.minneapolisfed.org/-/media/assets/topics/minimum-wage/saintpaul_minimumwage_report.pdf

Wursten, J., & Reich, M. (2023). "Small Businesses and the Minimum Wage. IRLE Working Paper No. 102-23." *Institute for Research on Labor and Employment, University of California, Berkeley.* [Retrieved from: https://irle.berkeley.edu/publications/working-papers/small-businesses-and-the-minimum-wage]

Dube, A. (2019), "Minimum Wages and the Distribution of Family Incomes," *American Economic Journal: Applied Economics.*

Card, D., & Krueger, A. (1995), "Myth and Measurement: The New Economics of the Minimum Wage."

Roth, Seidel, Ahlfeldt (2022) "Optimal Minimum Wages" *Centre for Economic Policy Research.* https://cepr.org/voxeu/columns/optimal-minimum-wages

Cooper, Schmitt, Mishel (2015) "We Can Afford a 12$ Federal Minimum Wage in 2020" *Economic Policy Institute.* https://www.epi.org/publication/we-can-afford-a-12-00-federal-minimum-wage-in-2020/

Kamalahmadi, M., Q. Yu, and Y. P. Zhou (2021) "Call to duty: Just-in-time scheduling in a restaurant chain." *Management Science* 67, no. 11: 6751-6781. https://doi.org/10.1287/mnsc.2020.3877