

SUMMARY and FISCAL NOTE

Department:	Contact Person/Phone:	Executive Contact/Phone:
Office of Labor Standards	Karina Bull/4-4536	David Mendoza /386-1256

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to employment in Seattle; amending Chapters 14.16, 14.17, 14.19, and 14.20 of the Seattle Municipal Code to prescribe additional remedies and enforcement procedures, harmonize ordinance language, and add provisions to facilitate compliance; amending Section 3.14.931 of the Seattle Municipal Code to update duties of the Seattle Human Rights Commissions; and amending Section 5.55.230 of the Seattle Municipal Code to require labor standards compliance for business license tax certificates.

Summary and background of the Legislation:

Origin of Proposed Legislation

The ordinance responds to City Council's 2015-2016 Statement of Legislative Intent requesting legislation to address wage theft; the Office of City Auditor's 2014 recommendations to improve implementation of the Paid Sick and Safe Time ordinance; and the Office of Labor Standard's ideas for improved implementation developed over four years of conducting labor standards outreach/enforcement and gathering stakeholder input.

The ordinance seeks to prevent wage theft among Seattle workers, quickly recover wages owed, allow for investigations that protect identifying information, and facilitate compliance with Seattle's labor standards by (1) strengthening penalties and enforcement procedures; (2) harmonizing ordinance provisions; (3) adding new definitions and requirements; and (4) creating incentives for employers to resolve investigations quickly to ensure workers receive their owed compensation as soon as administratively possible. The ordinance revises and adds new sections to labor standards regarding paid sick and safe time, use of criminal records in employment decisions, minimum wage, and compensation due by reason of employment. The ordinance also revises the duties for the Human Rights Commission and revises criteria for issuance of City of Seattle Business Licenses.

Pervasiveness of Wage Theft

Research shows that employer theft of wages is a significant problem around the country. A seminal study by the National Employment Law Project found that more than two thirds of 4,387 workers surveyed in low-wage industries in Los Angeles, Chicago and New York experienced at least one pay-related violation in the previous work week, amounting to an average loss of 15 percent of weekly earnings.¹ Application of this finding to the estimated 102,000 low wage workers in Seattle indicates that potentially tens of thousands of Seattle workers may regularly experience wage theft. Casa Latina, a Seattle-based non-profit organization, reported filing 100 wage theft complaints with the Washington Department of Labor and Industries in an 18-month period from 2010-11, and receiving 250 calls per year from workers who said that they were not getting paid. A comprehensive study of wage theft across the state, authored by a student at UW

Evans School of Public Affairs, reported that Washington State Labor and Industries closed 14,799 wage theft claims from 2009 to 2013 adding up to \$46 million in claims. The average claim per worker in King County was \$3,281.25.²

Encouraging greater compliance with labor standards benefits all workers by ensuring a level playing field in the labor market. Greater compliance also benefits businesses that already comply with these laws. This ordinance seeks a stronger incentive for employees to report labor standards violations and for employers to comply with labor standards requirements.

2. CAPITAL IMPROVEMENT PROGRAM

This legislation creates, funds, or amends a CIP Project.

3. SUMMARY OF FINANCIAL IMPLICATIONS

This legislation does not have direct financial implications.

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

Revenue/Reimbursement Notes:

This legislation permits the Director to impose civil penalties and fines, deposited in the City's General Fund, as a way to remedy an employer's labor standards. OLS will know more information about the revenue resulting from this legislation after implementation.

3.c. Positions

This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

- a) Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?
No.
- b) Is there financial cost or other impacts of not implementing the legislation?
No.
- c) Does this legislation affect any departments besides the originating department?

The City's Department of Finance and Administrative Services shall have the authority to

refuse to issue, refuse to renew, or revoke any business license for an employer's failure to comply with a settlement agreement or final order, in accordance with the Ordinance, specifically subsection SMC 5.55.230.A.9.

This ordinance also permits the City Attorney's Office to pursue collection procedures against an employer that fails to comply with a settlement agreement or final order.

d) Is a public hearing required for this legislation?

No.

e) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

f) Does this legislation affect a piece of property?

No.

g) Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

This proposal will advance RSJI principles and positively impact vulnerable or historically disadvantaged communities by increasing compliance with labor standards that are designed to address income inequality, protect public health and public safety, promote equal access to employment benefits, reduce the impact of criminal history in employment, and advance equitable treatment in the workplace. While all Seattle workers will benefit from implementation of these labor standards, people of color, women, LGBTQ workers, people with disabilities and immigrants and refugees represent a substantial portion of the low income working community that would otherwise not have access to the minimum requirements and protections of these ordinances.

h) If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.

The long term goals of this ordinance are to promote workplace equity for all Seattle workers, with a particular focus on vulnerable or historically disadvantaged workers by encouraging employer compliance with critical labor standards protections and providing appropriate compensation to workers for labor standards violations.

Examples of how the ordinance achieves the goal of encouraging employer compliance include increased penalties/fines that raise the cost of violations; enforcement measures that promote swift resolution of problems such as mitigation of penalties for prompt payment to workers; consistent enforcement procedures and definitions of key terms to promote better understanding of labor standards requirements; and modification of key terms to facilitate implementation such as broadening the definition of the year-long period for meeting Paid Sick and Safe Time requirements.

Examples of how the ordinance achieves the goal of appropriately compensating workers include new measures to encourage reporting of violations such as strengthening anti-retaliation provisions, codifying protections against disclosure of identifying information of complainants and witnesses; increasing remedies to up to three times unpaid wages to compensate workers for the delay in payment; creating a private right of action for complaints regarding Paid Sick and Safe Time, Minimum Wage and Wage Theft; adding a workplace poster requirement with necessary translations for all ordinances; and modifying/creating other provisions to promote stronger enforcement and improved compliance.

The Office of Labor Standards will publically share information on the outcomes of this ordinance through monthly reports to the Mayor on the amount of technical assistance provided to employers and the percentage of money collected for violations. The office's goal is to collect 90% of money assessed for violations; this is an important measure of success for the office's enforcement efforts since research shows that other labor standards agencies encounter significant obstacles with collections, sometimes collecting less than 50% of the amount assessed for workers.

OLS also will report on employer outreach and enforcement outcomes on a monthly dashboard posted on the office's web site and will create an on-line database with information on labor standards violations. Additionally, the office will monitor compliance of individual employers; gather stakeholder input; evaluate results from the University of Washington Audit of the Minimum Wage Ordinance; and continually incorporate this information into the office's implementation strategies.

i) Other Issues:

List attachments below:

¹ Annette Bernhardt, et. al., "[Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities](#)," Center for Urban Economic Development, National Employment Law Project (NELP), and UCLA Institute for Research on Labor and Employment, 2009.

² Issac Sederbaum, "Wage Theft in Washington: An Examination of Labor & Industries Claims 2009-2013," University of Washington Daniel J. Evans School of Public Affairs, 2014.