CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to employment in Seattle; revising and clarifying minimum wage and minimum compensation requirements for certain employees performing work in Seattle; and amending Sections 14.19.035 and 14.19.040 of the Seattle Municipal Code.

WHEREAS, Seattle was the first major city in the United States to adopt a $15 minimum wage and is one of about 60 local jurisdictions that require a higher minimum wage than the state or federal standard; and

WHEREAS, Seattle's minimum wage requirements remain among the highest in the nation and increase every year on January 1 to reflect the rate of inflation for the Seattle-Tacoma-Bremerton area; and

WHEREAS, Seattle's Minimum Wage Ordinance, Chapter 14.19 of the Seattle Municipal Code, became effective on April 1, 2015, and gradually increased the minimum wage to $15 per hour over three to seven years depending on employer size; and

WHEREAS, large employers with more than 500 employees worldwide, including those in franchise networks, followed an accelerated timeline with annual adjustments to the minimum wage starting in 2018; and

WHEREAS small employers with 500 or fewer employees worldwide followed a slower timeline with annual adjustments to the "minimum compensation" standard starting in 2021; and

WHEREAS, the Minimum Wage Ordinance established "minimum compensation" as a temporary standard to ease the transition to paying higher wages for small employers; and

WHEREAS, for a ten-year period, small employers could pay a lower minimum wage by counting payments toward the employee's medical benefits and/or customer tips paid to the employee toward the minimum compensation requirement; and

WHEREAS, the minimum compensation standard will expire on January 1, 2025, and all employers regardless of size must pay the same minimum wage (as adjusted for inflation) solely through wages (i.e., hourly pay, piece-rate pay, non-discretionary performance bonuses); and

WHEREAS, as a result, some small employers, particularly those with tipped employees such as food-service businesses, may need to increase wages by a substantial amount in 2025 and beyond; and

WHEREAS, since the Minimum Wage Ordinance went into effect, an exceptional pandemic has disrupted every aspect of society; and

WHEREAS, subsequent to the pandemic, businesses and residents of Seattle have experienced unexpected and significant inflation in food prices and in other goods and services; and

WHEREAS, the City's decision to enact minimum compensation as a temporary standard did not contemplate or account for such a pandemic nor such levels of inflation; and

WHEREAS, the expiration of minimum compensation will create a financial hardship for small food-service businesses and their customers starting January 1, 2025, requiring the City's immediate intervention; and

WHEREAS, amending the Minimum Wage Ordinance to make minimum compensation a permanent standard for small employers requires appropriate action by the City Council; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 14.19.035 of the Seattle Municipal Code, enacted by Ordinance 124960, is amended as follows:

14.19.035 Hourly minimum wage - Schedule 2 employers

A. Effective April 1, 2015, Schedule 2 employers shall pay each employee an hourly minimum wage of at least $10.00. Schedule 2 employers can meet the applicable hourly minimum wage requirement through a payment of the minimum wage, provided that the Schedule 2 employer is in compliance with all applicable law. Effective January 1, 2016 and each year thereafter, Schedule 2 employers shall pay each employee an hourly

minimum wage that is the lower of (a) the applicable hourly minimum wage for Schedule 1 employers or (b) the hourly minimum wage shown in the following schedule:

Year	**Hourly Minimum Wage**
2016	$10.50
2017	$11.00
2018	$11.50
2019	$12.00
2020	$13.50
2021	$15.00
2022	$15.75
2023	$16.50
2024	$17.25

((~~Effective January 1, of 2025, and January 1 of every year thereafter, the hourly minimum wage paid by a Schedule 2 employer to any employee shall equal the hourly minimum wage applicable to Schedule 1 employers.~~))

Effective January 1, 2025, the hourly minimum wage paid by any Schedule 2 employer to an employee shall be increased annually on a percentage basis to reflect the rate of inflation calculated to the nearest cent on January 1 of each year thereafter.

B. Schedule 2 employers can meet the applicable hourly minimum wage requirements through a payment of the minimum wage, provided that the Schedule 2 employer is in compliance with all applicable law. Where an employee is paid on a commission or piece-rate basis, wholly or partially, the amount earned on such basis in each work-week period may be credited as a part of the total wage for that period, and the total wages paid for such period shall be computed on the hours worked in that period resulting in no less than the applicable minimum wage rate. Where an employee is paid a bonus, the amount of the bonus in each work-week period may be credited as a part of the total wage for that period, and the total wages paid for such period shall be computed on the hours worked in that period resulting in no less than the applicable minimum wage

rate.

Section 2. Section 14.19.040 of the Seattle Municipal Code, last amended by Ordinance 124960, is amended as follows:

14.19.040 Hourly minimum compensation - Schedule 2 employer

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((~~C. Effective January 1, 2025, minimum compensation will no longer be applicable as defined in this Chapter 14.19.~~))

Section 3. The Council requests that the Office of Economic Development, in consultation with the Office of Labor Standards, conduct outreach and analysis to develop recommendations for what, if any, changes should be made to Chapter 14.19 of the Seattle Municipal Code, reporting back to the Governance, Accountability, and Economic Development Committee, or successor committee no later than July 1, 2026.

Section 4. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2024, and signed by me in open session in authentication of its passage this _____ day of _____, 2024.

_____

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2024.

_____

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2024.

_____

Scheereen Dedman, City Clerk

(Seal)

Attachments: