

# SENATE BILL REPORT

## SHB 1217

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As Reported by Senate Committee On:  
Labor & Commerce, March 27, 2023

**Title:** An act relating to improving worker recovery in wage complaints by authorizing the collection of interest and studying other options.

**Brief Description:** Concerning wage complaints.

**Sponsors:** House Committee on Labor & Workplace Standards (originally sponsored by Representatives Ortiz-Self, Fosse, Berry, Reed, Simmons, Gregerson, Ramel, Macri and Pollet).

**Brief History:** Passed House: 3/4/23, 53-43.

**Committee Activity:** Labor & Commerce: 3/16/23, 3/27/23 [DPA, DNP].

### Brief Summary of Amended Bill

- Requires certain wage complaint settlements to include interest of 1 percent per month on all amounts owed, with the option for an employee to request a waiver or reduction of interest as part of the settlement process.

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## SENATE COMMITTEE ON LABOR & COMMERCE

**Majority Report:** Do pass as amended.

Signed by Senators Keiser, Chair; Conway, Vice Chair; Saldaña, Vice Chair; Robinson and Stanford.

**Minority Report:** Do not pass.

Signed by Senators King, Ranking Member; Braun, MacEwen and Schoesler.

**Staff:** Matt Shepard-Koningsor (786-7627)

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

**Background:** Various laws, such as the Minimum Wage Act and Wage Payment Act (WPA), establish standards for payment of wages. Wages include compensation due to an employee by reason of employment. It is unlawful for an employer to deprive an employee of their wages. An individual owed unpaid wages may file a wage complaint with the Department of Labor & Industries (L&I) under the WPA, and L&I must investigate. Unless the complaint is otherwise resolved, L&I must issue either a citation and notice of assessment or a determination of compliance. Alternatively, an individual may file a private civil action to recover unpaid wages under certain conditions.

When L&I issues a citation and notice of assessment, it may order the employer to pay the employee all wages owed, including interest of 1 percent per month, calculated from the first date wages were owed. However, L&I may not order the payment of wages and interest that were owed more than three years before the filing date. The WPA has other provisions regarding civil penalties for willful violations, but does not have a provision allowing for collection of interest when a complaint is resolved before the issuance of a citation and notice of assessment.

**Summary of Amended Bill:** The WPA is amended to provide that if L&I offers the employer the option to resolve a wage complaint without a citation and notice of assessment, and the employer chooses to accept the offer, any settlement must include interest of 1 percent per month on all amounts owed. The employee may request a waiver or reduction of interest as part of the settlement process.

**EFFECT OF LABOR & COMMERCE COMMITTEE AMENDMENT(S):**

- Removes proposed language allowing L&I to demand all amounts owed, including interest, on wage complaints filed on or after October 1, 2024; prohibiting L&I from waiving or reducing interest unless an employee expressly requests such a waiver or reduction; and directing L&I to establish a work group to study specified aspects of wage theft.
- Provides that if L&I offers the employer the option to resolve a wage complaint without a citation and notice of assessment, and the employer chooses to accept the offer, any settlement must include interest of 1 percent per month on all amounts owed.
- Allows the employee to request a waiver or reduction of interest as part of the settlement process.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Substitute House Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: This bill is about accountability and fairness. Some people live paycheck-to-paycheck and not being paid one or two times can be detrimental. Wage theft affects the employee and their family. This bill incentivizes employers to resolve the issue quickly. We want to eliminate wage theft altogether. This is an easy fix to the WPA, giving L&I the authority to assess interest when wage claims are settled. The bill is directly inspired by the work of students at Seattle University School of Law, who represent victims of wage theft. This is a small bill with large impacts on the lives of workers who do not receive the paycheck they are owed. Currently, if a worker files a wage claim with L&I, it must investigate, and if L&I determines the claim has merit, it may issue a citation or encourage the employer to settle the case. In a settlement, the worker will receive the wages owed but not any interest. This bill puts an end to L&I unintentionally brokering interest-free loans at the expense of workers. Nothing in the bill changes an employer's ability to be heard. When a private suit is filed, we seek the wages, interest, and exemplary damages. Allowing L&I to collect interest if there is a settlement makes common sense. Creating a work group is also a good idea.

CON: We are talking about 292 claims out of 4,000,000 paychecks. Of the 4,800 investigations, 1,800 are thrown out as invalid. 1,450 claims are resolved outside of the notice of assessment, which are now being included in the administrative process. This bill is creating a solution for a nonexistent problem.

OTHER: L&I answered questions from the Committee.

**Persons Testifying:** PRO: Representative Lillian Ortiz-Self, Prime Sponsor; James Stafford; David Fernandez Antelo; Cory Elliott, Political Director, NW Carpenters Union; BEAU HAYNES, Washington Wage Claim Project; Andrea Schmitt.

CON: Bob Battles, Association of Washington Business (AWB).

OTHER: Tammy Fellin, Labor & Industries.

**Persons Signed In To Testify But Not Testifying:** No one.