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Raising the D.C. minimum wage to $15 by 2020 would lift wages for 114,000 working people

Report • By David Cooper • May 4, 2016

Summary: A proposed ballot initiative would gradually raise the District of Columbia's minimum wage to $15 by mid-2020. It would also ensure tipped workers, such as waiters and bartenders, are eventually paid the full minimum wage, instead of the $2.77 subminimum wage. This proposal would raise wages for 114,000 working people—about 14 percent of all D.C. workers, and over one-fifth of D.C. private-sector workers. Once the minimum wage reaches $15, the average affected worker would earn roughly $2,900 more each year than she does today. Far from the stereotype of low-wage workers being teenagers working to earn spending money, those who would benefit are overwhelmingly adult workers, most of whom come from families of modest means, and many of whom are supporting families of their own.

Introduction and key findings

Over the last four decades, typical Americans' pay has stagnated—even though American workers are more productive and the economy has expanded. While low- and middle-income Americans are treading water, an enormous and rising share of income growth goes to corporate profits and the top 1 percent.

The reason America's prosperity in recent decades hasn't benefited the vast majority is because those with the most wealth and power have enacted policies that exacerbate inequality. We can counter these efforts with policies—such as raising the minimum wage—that help ensure America's prosperity is broadly shared.

As efforts to raise state and local minimum wages continue to spread across the country, there is perhaps no place more appropriate for a bold minimum-wage increase than our nation's capital. The Washington metro area is not only one of the wealthiest areas of the country, it is also one of the most expensive. For a family of four, it is the country's most expensive area (Gould, Cooke, and Kimball 2015). For families of other sizes, it vies with San Francisco and New York for the top spot—two cities that are already on their way to a $15 minimum wage. Even a single, childless adult working full time in the Washington area would need to earn over $20 an hour to achieve a modest but adequate standard of living (Gould, Cooke, and Kimball 2015). A D.C. minimum-wage worker will be paid $11.50 an hour as of July 2016, with planned future adjustments only for inflation—leaving a significant gap between what work provides and what it actually takes to achieve an adequate standard of living.

Advocates are now advancing a ballot initiative, The District of Columbia Minimum Wage Amendment Act of 2016, that would raise the D.C. minimum wage to $15 by 2020, and gradually lift the subminimum wage paid to tipped workers (such as waiters and bartenders) over a 9-year period until it equals the regular minimum wage. This report analyzes the likely effects of such an increase—in terms of the workers who would be affected

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and the resulting change in their pay. It also discusses some of the implications of raising and ultimately eliminating the separate lower minimum wage for tipped workers.

Key findings include:

- Raising the D.C. minimum wage to $15 by July 2020 would directly or indirectly raise wages for 114,000 workers—about 14 percent of all who work in the District of Columbia, and more than a fifth of D.C.'s private-sector workers (including nonprofit workers).
- As the minimum-wage increase is phased-in, affected workers would receive $329 million in additional wages. Once the minimum wage reaches $15, the average affected worker would earn roughly $2,900 more annually than she would under the District's current minimum-wage law (assuming no change in work hours).
- The workers who would benefit (either directly or indirectly) from the higher minimum wage are overwhelmingly adult workers, most of whom come from families of modest means, and many of whom are supporting families of their own.
    - Teenagers are a mere 2.5 percent of the workers who would get a raise. Virtually all of the affected workers are age 20 or older, and more than three-quarters are 25 or older.
    - Women are the majority (52.6 percent) of affected workers.
    - Workers of color comprise nearly 80 percent of the workers who would benefit from the increase. Slightly less than half of affected workers (46.7 percent) are black or African American, and nearly a quarter (24.0 percent) are Hispanic or Latino.
    - Of the workers who would receive a raise, nearly three-quarters work full time, more than half (56.0 percent) have some college education, and more than a quarter (29.0 percent) have children.
    - Workers in low- and middle-income households would benefit disproportionately from increasing the minimum wage. More than one-third (34.5 percent) of the workers who would get a raise are either in poverty or "near poverty," defined as having income less than twice the poverty line. About half of the District's workers in poverty or near poverty would benefit from the increase.
    - On average, the workers who would benefit from the higher minimum wage earn half of their family's total income. Of those workers with families who would get a raise, 20 percent are the sole provider for their family.
- The proposal's plan to gradually raise and eliminate the subminimum wage for workers who earn tips—as eight states have already done—would provide much-needed income stability for tipped workers, who typically experience poverty at twice the rate of non-tipped workers as a result of having a lower base wage.

Why this matters

By raising wages for roughly one in five private-sector workers in the nation's capital, a $15 minimum wage would help many low- and middle-income households make ends meet in one of the country's most expensive areas.

Details of the proposal

The Minimum Wage Amendment Act of 2016 would gradually raise D.C.'s minimum wage to $15 an hour by July 2020. In subsequent years, the minimum wage would be automatically adjusted to reflect changes in prices. In addition, the measure would slowly—over a nine-year period—raise the minimum wage paid to tipped workers from the current $2.77 to the full minimum wage. In doing so, the District of Columbia would join eight states where tipped workers are paid the regular minimum wage: Alaska, California, Hawaii, Minnesota, Montana, Nevada, Oregon, and Washington.

Table 1 shows the District's expected minimum wage under current law and the expected minimum wage under the ballot measure, as well as the expected minimum wage for tipped workers in both scenarios. Under current law, the D.C. minimum wage will rise to $11.50 in July 2016 and then will be adjusted for inflation in subsequent years. Using inflation projections from CBO (2016), the D.C. minimum wage is anticipated to be roughly $12.50 in 2020 under current law. Thus, the proposal to raise the minimum wage to $15 by 2020 would lift the city's wage floor about 20 percent above where it would likely be otherwise. Under the ballot proposal the minimum wage would also be indexed to inflation—meaning that it would be automatically adjusted for changes in prices each year after it has reached $15.

While under current law the minimum wage for tipped workers will remain at $2.77 indefinitely, the ballot proposal would raise the tipped minimum wage to equal the regular minimum wage by 2025. Because of the automatic price adjustments made to the minimum wage after 2020, the regular minimum wage would likely be about $16.90 by the time the lower tipped minimum wage reached parity.

The proposed increase in the tipped minimum wage is large, as a consequence of the fact that under current law, the tipped minimum wage is extraordinarily low. At $2.77 per hour—an amount that has not been changed since 1993—tipped workers in the District of Columbia receive a base wage that is nearly $10 lower than the base wage paid to tipped workers in San Francisco, where they currently receive a base wage of $12.25 per hour before tips (the regular San Francisco minimum wage). This is despite the fact that these areas have roughly comparable costs of living (Gould, Cooke, and Kimball 2015). Similarly, tipped workers in Seattle earn a base wage of $13 per hour before tips (the regular Seattle minimum wage)—more than $10 higher than their D.C. counterparts. Yet the cost of living in the Seattle area is actually *lower* than that of the Washington area.

Table 1

Schedule of current and proposed D.C. minimum-wage increases

	Current law		Ballot proposal	
Date	Regular minimum wage	Tipped minimum wage	Regular minimum wage	Tipped minimum wage
July 1, 2016	$11.50	$2.77	$11.50	$2.77
July 1, 2017	$11.65	$2.77	$12.50	$4.50
July 1, 2018	$11.92	$2.77	$13.25	$6.00
July 1, 2019	$12.19	$2.77	$14.00	$7.50
July 1, 2020	$12.48	$2.77	$15.00	$9.00
July 1, 2021	$12.78	$2.77	$15.36*	$10.50
July 1, 2022	$13.09	$2.77	$15.73*	$12.00
July 1, 2023	$13.40	$2.77	$16.11*	$13.50
July 1, 2024	$13.73	$2.77	$16.49*	$15.00
July 1, 2025	$14.06	$2.77	$16.89*	$16.89**

* Under the ballot proposal, the District's minimum wage will be indexed to changes in prices beginning in 2021. Estimates of future price changes are forecast using inflation projections for the CPI in CBO (2016).

** Under the ballot proposal, the tipped minimum wage will be equal to the regular minimum wage beginning in 2025.

Note: Under current law, the minimum wage in the District of Columbia will be automatically increased annually to reflect changes in prices as measured by the CPI-U for the Washington MSA.

Source: District of Columbia Minimum Wage Amendment Act of 2016; inflation projections from CBO (2016)

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Demographic characteristics of affected workers

Raising the D.C. minimum wage in stages to $15 by 2020 would lift pay, directly or indirectly, for 114,000 workers. This means 13.9 percent of workers in the District, including 21.4 percent of private-sector and nonprofit workers, would get a raise.[1]

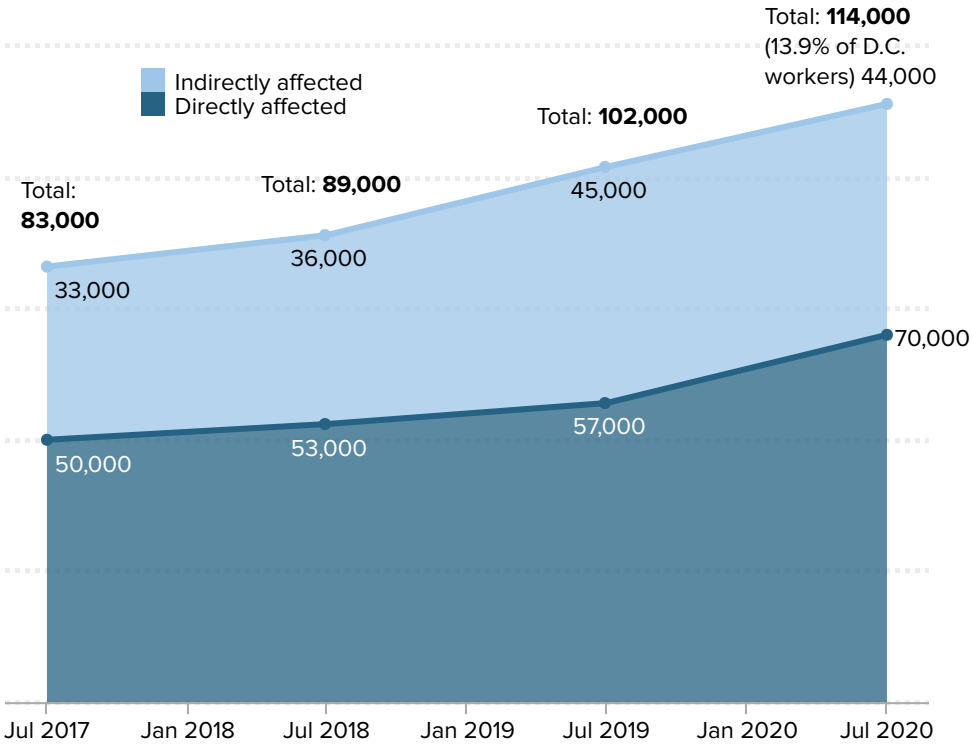
Figure A shows the number of workers who would receive a raise as the District's minimum wage gradually increases. In the first increase to $12.50, approximately 83,000 workers would receive a pay increase. This includes 50,000 workers who would directly benefit—because their existing rate of pay as of July 2017 is expected to be less than $12.50—and another 33,000 who would indirectly benefit, meaning that their pay in July 2017 is expected to be just above $12.50. These indirectly affected workers are likely to receive a raise through spillover or "ripple" effects as employers adjust internal wage ladders to reflect the new wage floor (Wicks-Lim 2006).

In the subsequent three increases, the cumulative number of workers who would benefit from the proposal would grow. In the second step, as the minimum increases to $13.25, the number of directly affected workers increases to 53,000, and the number of indirectly affected workers grows slightly to 36,000, for a total of 89,000 workers who would get a raise. In the third year, when the minimum wage goes to $14, the total affected population grows to 102,000 workers, with 57,000 directly affected and 45,000 indirectly affected. Finally, as the minimum wage rises to $15 in 2020, 70,000 District workers would directly benefit from the increase, and 44,000 would indirectly benefit, raising the total affected

Figure A

114,000 workers would get a raise if D.C. increased its minimum wage to $15

Number of workers who would benefit from gradually increasing the D.C. minimum wage to $15 by July 2020



Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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population to 114,000 workers. (See **Appendix Table A1** for more detail on the number of affected workers in each step.)

Age

Low-wage workers likely to benefit from minimum-wage hikes are often stereotyped as teenagers starting off their first job, earning discretionary income. While this stereotype may have been true 40 years ago, it is patently false today, particularly among D.C. workers. Teenagers account for a small fraction of the overall D.C. workforce, and just 2.5 percent of those who would benefit from increasing D.C.'s minimum wage to $15 by 2020. Nearly all affected workers are 20 years old or older.

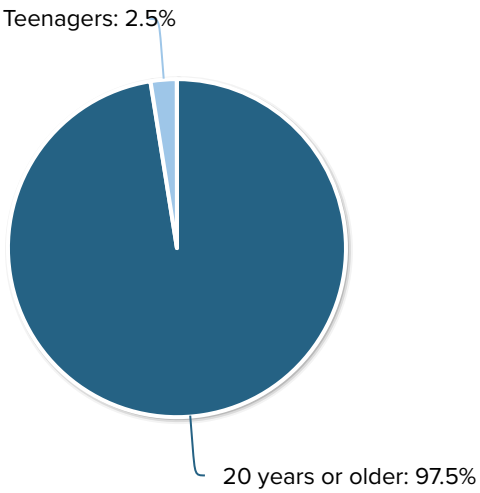
Figure B shows the share of affected workers who are teenagers, as well as a more detailed breakdown of the affected workforce by age group. More than three-quarters (77.5 percent) of the workers who would benefit are age 25 or older. In fact, among

workers who would benefit, twice as many are age 25–39 as are under age 25. The average age of affected workers is 35 years old.

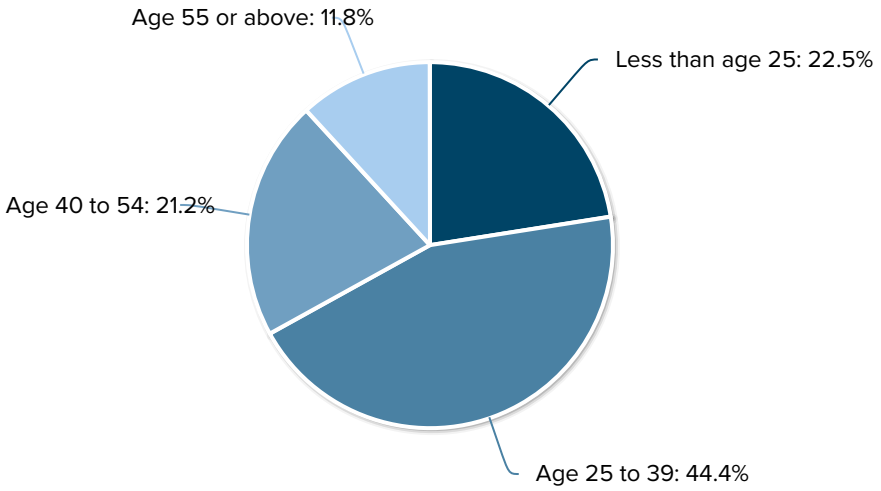
Figure B

Workers 20 and older make up almost all of those who would get a raise if D.C. increased its minimum wage

Age of workers who would benefit from increasing the D.C. minimum wage to $15 by July 2020



Detailed age breakdown of affected workers



Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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Gender

Women make up just less than half of the D.C. workforce, 48.9 percent. Yet because women are more likely than men to work in low-wage jobs, they account for more than half, 52.6 percent, of those who would benefit from increasing the minimum wage. **Figure C** shows the breakdown of affected workers by gender, as well as the rates at which different demographic groups would benefit from increasing the minimum wage to $15 by July 2020. Among all men working in the District of Columbia, 12.8 percent would benefit from the increase, compared with 14.9 percent of all women working in the District. Among working men with children, 8.5 percent would get a raise from the proposal. Among working women with children, 13.6 percent would get a raise.

Increasing the minimum wage disproportionately helps single parents, particularly single mothers. Raising the D.C. minimum wage to $15 by 2020 would give a raise to about one-fifth (19.3 percent) of single mothers working in the District, and a little more than 1 in 6 single working fathers (17.9 percent). Roughly 1 in 5 workers of color in the District, men or women, would benefit from the proposal.

Race/ethnicity

Raising the D.C. minimum wage to $15 by 2020 would disproportionately benefit workers of color. African Americans make up about one-third of the District workforce, yet they constitute nearly half of the workers who would benefit from increasing the minimum wage. As shown in **Figure D**, among all workers who would get a raise under the $15 proposal, 46.7 percent are black or African American. Similarly, Hispanic workers account for about one-tenth of D.C. workers, yet are nearly one-quarter (24.0 percent) of the workers who would benefit from increasing the District minimum wage. Asians comprise 7.0 percent of workers who would be affected by the proposal, and workers of other races or ethnicities 1.8 percent.

As these percentages indicate, workers of color in D.C. are far more likely than white, non-Hispanic workers to work in lower-paid jobs. The bar chart in Figure D shows the share of D.C. workers of each race or ethnic group who would receive a raise if the minimum wage were increased to $15 by 2020. As the figure shows, 29.4 percent of Hispanic workers would benefit from such an increase. Among black or African American workers, roughly one in five (19.8 percent) would get a raise. Among Asian workers in the District, 13.0 percent would see a pay increase from a minimum-wage hike to $15, while just 6.1 percent of non-Hispanic white workers are likely to be affected.

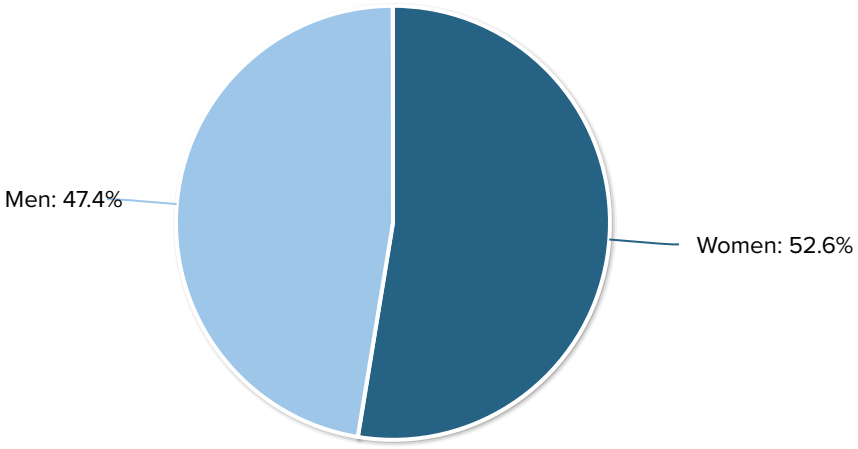
Education

Workers in low-wage occupations often have significantly more education than is commonly acknowledged. In fact, low-wage workers in D.C. who would benefit from increasing the minimum wage to $15 have higher levels of education than the workers who will benefit from similar $15 minimum-wage increases scheduled to occur in New York

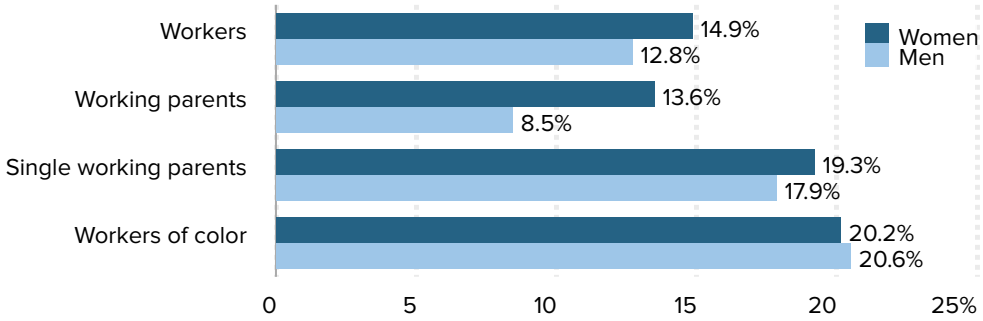
Figure C

Women make up a majority of workers who would get a raise if D.C. increased its minimum wage

Sex of workers who would benefit from increasing the D.C. minimum wage to $15 by July 2020



Shares of D.C. demographic groups that would benefit, by gender



Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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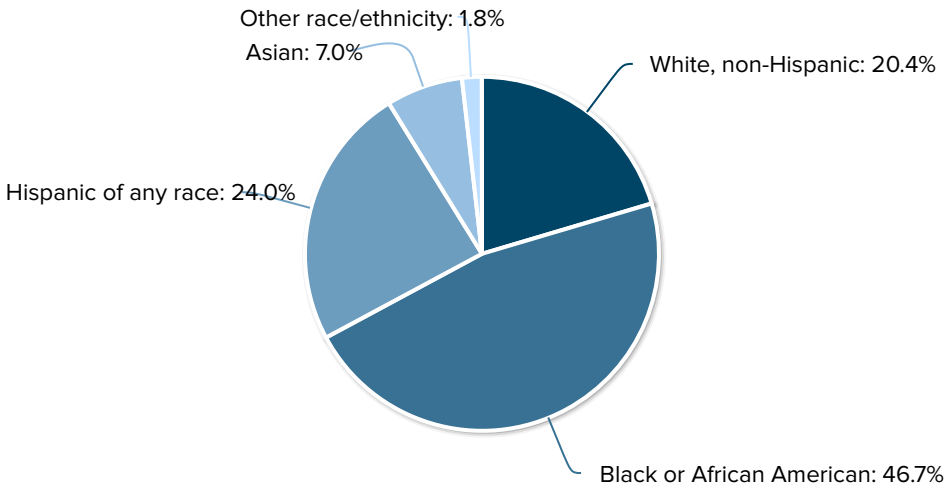
and California (see Cooper 2016 and Jacobs and Perry 2016). As shown in **Figure E**, 56.0 percent of the affected workers in D.C. have at least some college experience. Nearly one-third (29.3 percent) have at least a bachelor's degree, and more than one-third have either a bachelor's or associate degree. Only 15.3 percent of the workers who would get a raise have not completed high school.

The bar chart in Figure E shows the share of D.C. workers within each educational category who would receive a raise from increasing the District's minimum wage to $15 by

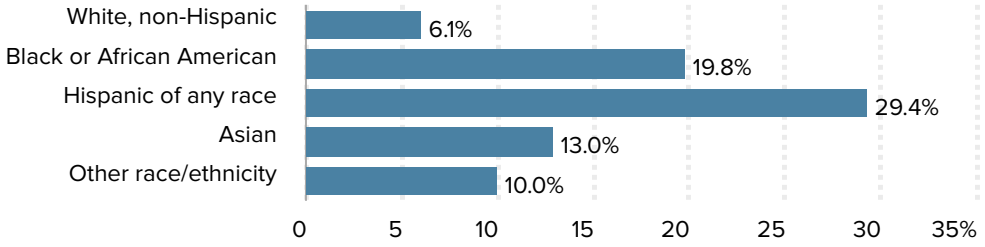
Figure D

Black workers make up almost half of those who would get a raise if D.C. increased its minimum wage

Race/ethnicity of workers who would benefit from raising the D.C. minimum wage to $15 by July 2020



Share of each D.C. worker race/ethnic group that would benefit



Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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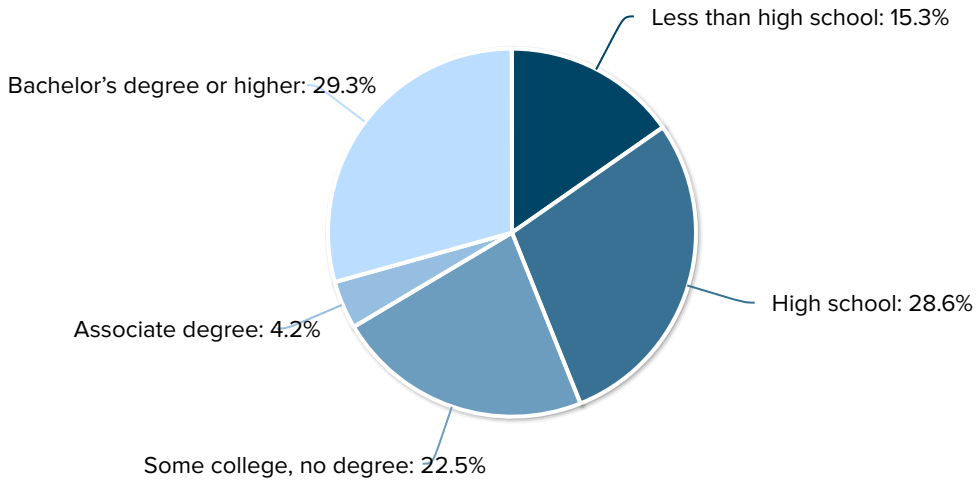
2020. Workers with lower levels of education are still more likely to receive a raise than those with higher levels of education. Among D.C. workers who have not completed high school, 41.8 percent would benefit from the higher minimum wage. Slightly less than one-third (29.9 percent) of workers with only a high school diploma would get a raise, as would one-fifth (20.6 percent) of workers with some college experience, but no degree. Among D.C. workers with associate degrees, 14.3 percent would get a raise, as would 6.5 percent of D.C. workers with at least a bachelor's degree.

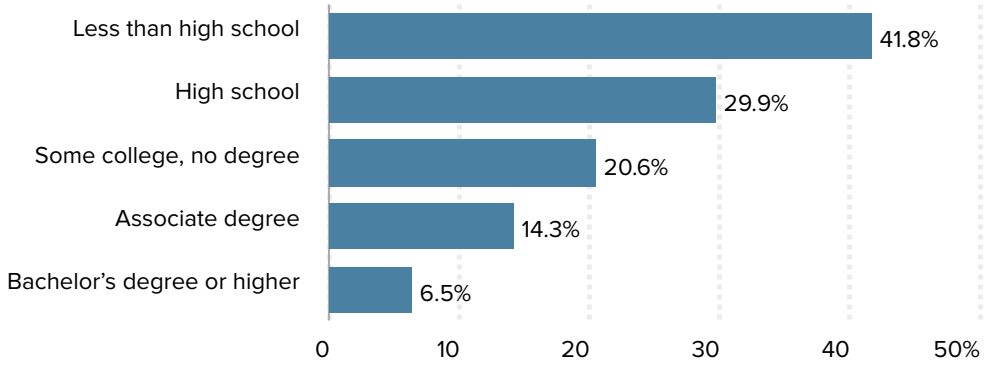
Figure E

Workers with at least some college education make up a majority of those who would get a raise if D.C. increased its minimum wage

Educational attainment of workers who would benefit from increasing the D.C. minimum wage to $15 by July 2020



Share of each D.C. worker educational attainment group that would benefit



Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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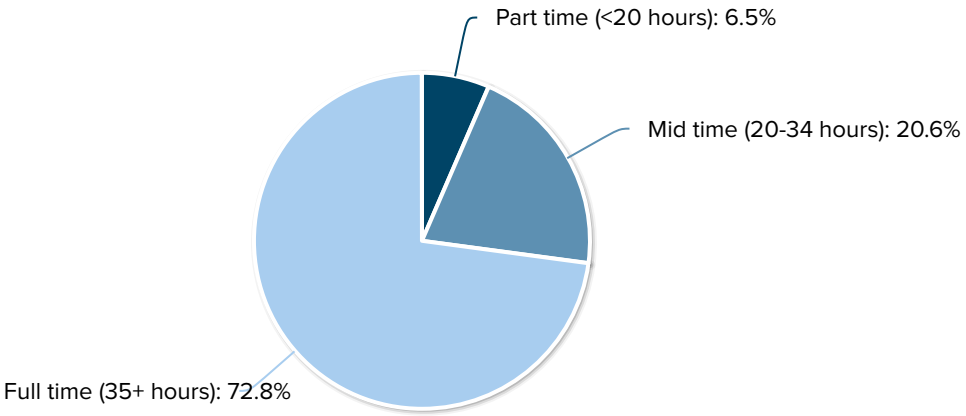
Work hours

Again contrary to stereotypes, full-time workers comprise the vast majority of those who would be affected by raising the D.C. minimum wage to $15 by 2020. As shown in **Figure**

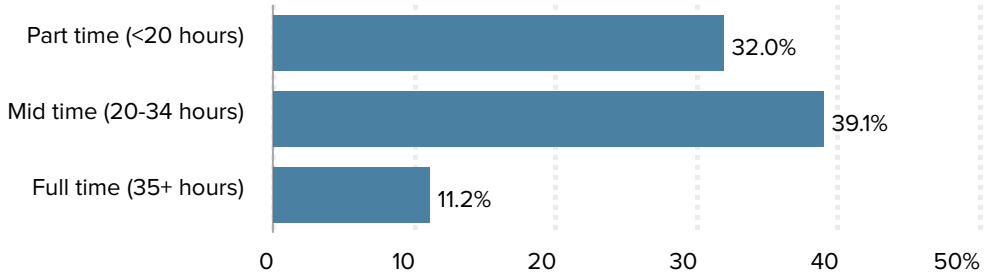
Figure F

Full-time workers make up nearly three-fourths of those who would get a raise if D.C. increased its minimum wage

Work hours of workers who would benefit from raising the D.C. minimum wage to $15 by July 2020



Share of each D.C. work hour group that would benefit



Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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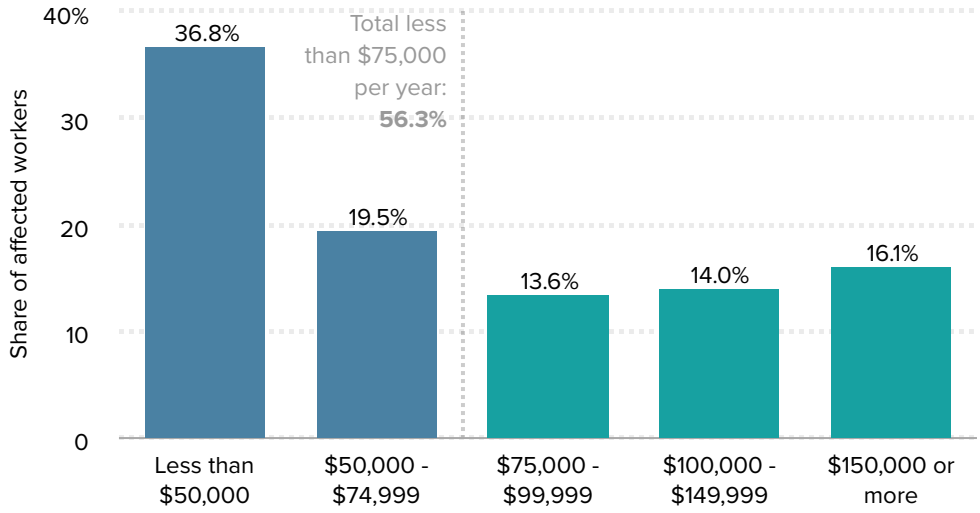
F, nearly three-quarters (72.8 percent) of the workers who would benefit from such an increase work full time, defined as at least 35 hours per week. Another 20.6 percent work between 20 and 34 hours per week, and 6.5 percent work fewer than 20 hours per week.

Many individuals who work less than full time would prefer to work more, but they are limited either by a lack of available work, or by circumstances that prevent them from seeking full-time employment. For example, the cost of child care can be so expensive—particularly in the D.C. area—that some workers who would prefer to work full time may opt for part-time employment in order to be available to care for a child (see

Figure G

Workers with household income below $75,000 make up a majority of those who would get a raise if D.C. increased its minimum wage

Household income of workers who would benefit from increasing the D.C. minimum wage to $15 by July 2020



Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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Bivens et al. 2016). For these workers who cannot work a full-time schedule, raising pay for the hours that they do work can be especially helpful. The bar chart in Figure F shows that nearly 40 percent of D.C. workers who work between 20 and 34 hours each week stand to benefit from a minimum-wage hike to $15. Among those working fewer than 20 hours per week, 32.0 percent would benefit from such an increase, as would 11.2 percent of the full-time workforce.

Household and family income

The majority of D.C. workers who would benefit from increasing the minimum wage to $15 by 2020 come from households with relatively modest incomes. **Figure G** shows that 36.8 percent of the workers who would benefit come from households with total incomes less than $50,000, and 56.3 percent of those who would benefit are in households with total incomes below $75,000.

While these levels of household income may appear high relative to a minimum-wage income, household incomes of D.C. workers tend to be much higher than those of workers elsewhere in the country. Indeed, only 25 percent of all D.C. workers' households have total incomes below $75,000. This reflects, in part, the region's high cost of living. According to EPI's Family Budget Calculator, after accounting for area-specific costs of

housing, food, child care, transportation, health care, taxes, and other necessities, the Washington metropolitan area is the most expensive region in the country for families with two or more children (Gould, Cooke, and Kimball 2015). A two-parent, two-child family in the Washington metro area needs an annual income of $106,493 to attain a modest but adequate standard of living. Thus, even with a minimum wage of $15, a two-parent, two-child family in the D.C. area with both parents working full time at the minimum wage would earn less than 60 percent of the income required to achieve an adequate standard of living for their family.

The family budget data are ideal for capturing regional differences in costs of living and are far better suited for understanding true living standards than measures (such as the federal poverty line) that do not adjust for regional price variation. Researchers have long acknowledged that the federal poverty line—developed in the 1950s to reflect three times the cost of a basic food plan and subsequently updated only for overall inflation—is woefully inadequate for evaluating actual needs in today's economy. Indeed, the family budget threshold for a family of four in the Washington, D.C., area ($106,493) is more than four times the federal poverty line in 2015 for a family of four ($23,850). Nevertheless, many federal and state public assistance programs use the federal poverty line to determine adequacy of income and eligibility for public assistance. For example, the health insurance subsidies provided to low-income buyers of health insurance on the Affordable Care Act's insurance exchanges are available to buyers with family incomes less than 400 percent of the federal poverty line. By this measure, raising the District minimum wage to $15 would disproportionately help workers with the greatest need.

Figure H shows the share of workers at different income thresholds (relative to the poverty line) who would benefit from increasing the D.C. minimum wage. Roughly half (49.2 percent) of all D.C. workers in poverty would get a raise from increasing the minimum wage to $15 by 2020. Similarly, just over half (51.5 percent) of all District workers "near poverty"—with family income between 100 percent and 200 percent of the poverty line—would benefit. Over 40 percent of workers with family incomes between 200 and 300 percent of the poverty line would also get a raise. In contrast, less than 7 percent of workers with incomes above 300 percent of the poverty line would be affected by the higher minimum wage.

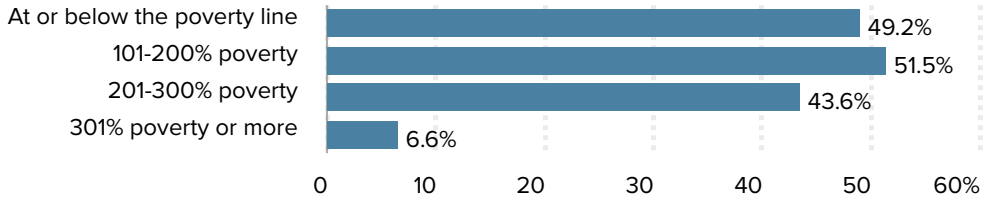
Family status and children

Many of the District workers who would benefit from raising the minimum wage to $15 by 2020 are supporting families and children. As shown in the pie chart in **Figure I**, more than a quarter (28.4 percent) of the affected workers are married, and a roughly equal share (29.0 percent) are parents. This includes the 12.1 percent of affected workers who are single parents. Importantly, only 8.7 percent of all D.C. workers are single parents—meaning that they are disproportionately likely to get a raise from increasing the minimum wage to $15. (Detailed statistics on the D.C. workforce and the workers who would benefit from increasing the minimum wage to $15 are available in **Appendix Table A2**.) The bar chart in Figure I further reiterates this point; it shows that nearly 1 in 5 single

Figure H

Nearly half of D.C. workers in poverty would get a raise if the District increased its minimum wage

Share of D.C. workers by family income group (relative to poverty line) who would benefit from increasing the District's minimum wage to $15 by July 2020



Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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parents working in D.C. would get a raise if the minimum wage were increased to $15—roughly 14,000 working single parents.

The parents who would get a raise from increasing the D.C. minimum wage to $15 provide for more than 80,000 children in the Washington metro region, or nearly 20 percent of children in the region's households with at least one family member working in the District of Columbia.

The importance of affected workers' pay to their total family incomes

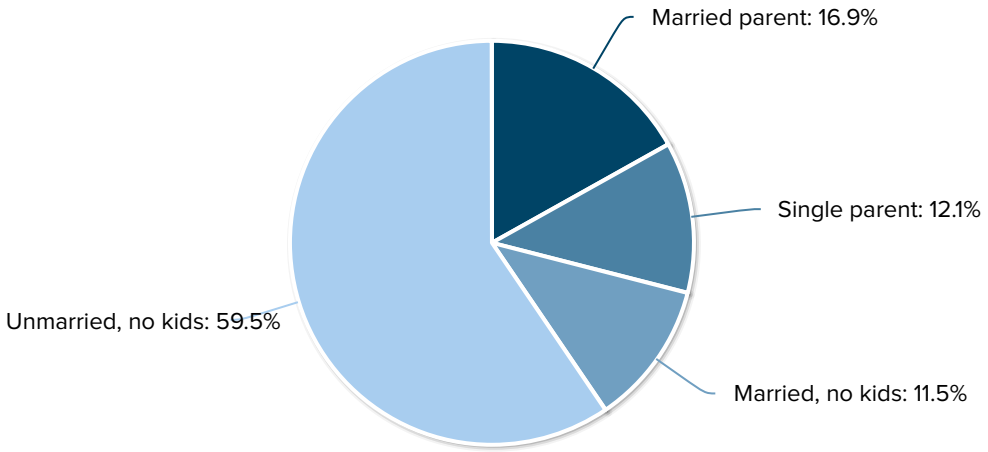
The workers who would benefit from increasing the D.C. minimum wage to $15 provide critical income for their families. On average, affected workers earn half their family's total income. This belies the notion that low-wage workers' earnings are discretionary, or less important to their family's overall financial well-being. In fact, 20 percent of the workers with families who would get a raise from increasing the minimum wage are the sole providers of their family's income.

Raising the D.C. minimum wage to $15 would boost the annual income of affected workers by an average of roughly $2,900 in today's dollars once the increase is fully phased-in (assuming no change in work hours). For a full-time worker at the current D.C. minimum wage of $10.50 per hour, this represents a 13.3 percent real (i.e., inflation-adjusted) increase in their take-home pay.

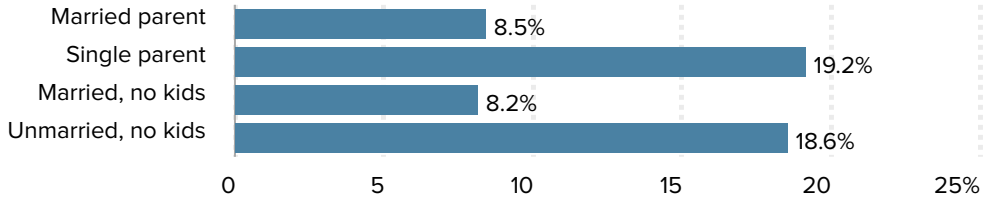
Figure I

Working parents make up over one-fourth of those who would get a raise if D.C. increased its minimum wage

Family status of workers who would benefit from increasing the D.C. minimum wage to $15 by July 2020



Share of each D.C. worker family type that would benefit



Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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The need to replace the subminimum wage for tipped workers with the full minimum wage

D.C. Mayor Muriel Bowser recently announced her own proposal for raising the city's minimum wage to $15 by 2020. Her proposal for the regular minimum wage is essentially identical to the ballot measure analyzed above, except that it also would apply to city employees (which is impossible for a ballot measure to achieve, as D.C. law forbids ballot

measures from having a direct impact on D.C.'s budget). This change would increase the total number of affected workers by about 8,000 workers.

Mayor Bowser's proposal differs more substantively from the ballot measure in that it would only raise the subminimum wage for tipped workers to $7.50, or half the regular minimum wage. While an improvement over the current $2.77 base wage paid to tipped workers, this would leave a significant gap between the base wage paid by employers to tipped workers and the base wage paid to all other workers. This would leave tipped workers facing considerable income instability, a higher likelihood of falling into poverty, and a greater risk of exploitation by unscrupulous employers.

As explained in Allegretto and Cooper (2014), median pay for tipped workers is low compared with the median wage of non-tipped workers, even after accounting for tips. However, in the states where tipped workers are paid the regular minimum wage as a base wage, tipped workers' median hourly pay (counting both base wages and tips) is significantly higher.[2] Waiters, waitresses, and bartenders in states where they are paid the regular minimum wage before tips earn 20 percent more per hour (including both tips and base pay) than their counterparts in states where tipped workers receive the federal tipped minimum wage of $2.13 per hour. They also earn 12.5 percent more than their counterparts in states with a tipped minimum wage between $2.13 and the regular minimum wage.[3]

Not only do tipped workers earn more in total pay when they are treated equally to all other employees, but the stability of that income leaves them less likely to fall into poverty. Nationwide, tipped workers experience poverty at more than twice the rate of non-tipped workers, but as shown in **Figure J** (adapted from Allegretto and Cooper 2014), there are important differences in poverty rates for tipped workers depending on their state's tipped minimum-wage policy. In the states where tipped workers are paid the federal tipped minimum wage of $2.13 per hour, 18.0 percent of waiters, waitresses, and bartenders are in poverty. Yet in the states where they are paid the regular minimum wage before tips, the poverty rate for waitstaff and bartenders is only 10.2 percent. The figure also shows that poverty rates of non-tipped workers do not vary much by state tipped minimum-wage policy, indicating that this dramatic difference in poverty rates for tipped workers is likely a direct result of the differences in state tipped-minimum-wage policy.

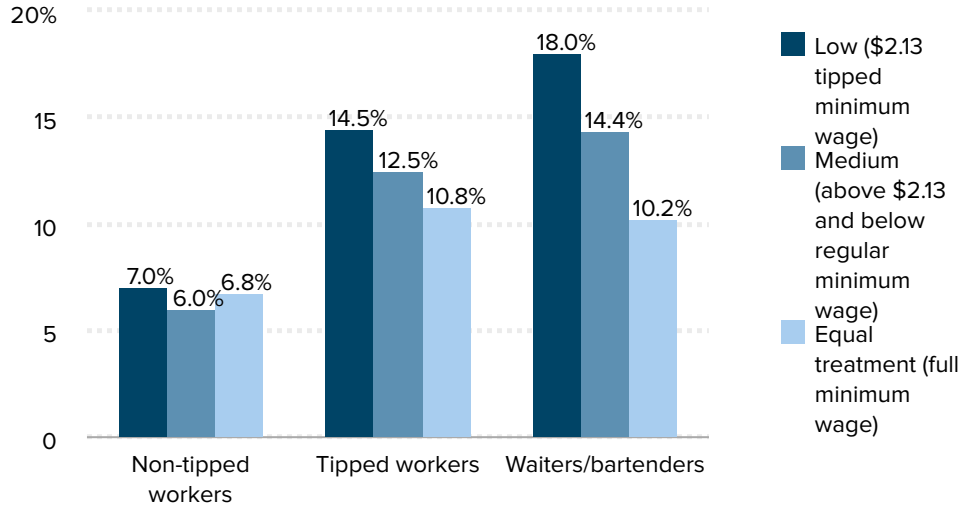
Tipped-minimum-wage policy is also highly relevant for efforts to reduce gender and racial inequality. Tipped workers are predominantly women (66.6 percent), yet even in tipped occupations, women tend to be paid less than their male counterparts (Davis and Cooper 2015). Similarly, workers of color in tipped occupations tend to be paid less than white tipped workers. In fact, research has shown that the practice of tipping is regularly discriminatory, with black service workers being tipped less than white service workers, even when customers report the same quality of service (Lynn et al. 2008).

Eight states have already done away with the separate lower minimum wage for tipped workers, and in these states, tipped workers are better off and the restaurant industry is thriving. In fact, in recent years, states that have eliminated the separate subminimum wage for tipped workers have led the nation in restaurant industry job growth.[4] Given the

Figure J

Tipped workers' poverty rates are lower in states where they're paid the full minimum wage

Poverty rates of non-tipped workers, tipped workers, and waiters and bartenders, by state tipped-minimum-wage level



Source: Adapted from Allegretto and Cooper (2014)

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clear benefits for tipped workers and the lack of evidence that eliminating the separate tipped minimum wage has damaged the main industry that employs tipped staff, there is no credible reason why the District of Columbia should not do away with this damaging policy.

Conclusion

The proposed ballot measure to raise the D.C. minimum wage to $15 by 2020 would be a powerful and much-needed step to help ensure workers in the Washington area can achieve a decent quality of life. By raising the wages of roughly one-fifth of the District's private-sector workers, the measure would strengthen many low- and middle-income households' spending power, improve their living standards, and bolster the region's economic vitality. At the same time, the measure's proposal to slowly phase-out the lower subminimum wage for tipped workers would finally do away with a system that exacerbates poverty and amplifies gender and racial inequities. In short, a $15 minimum wage would help ensure the economy works for all D.C. workers.

For a detailed explanation of the methodology used in this report, see Appendix B in Cooper (2016).

*— The author thanks **Tanyell Cooke** and **Michael McCarthy** for their invaluable help producing this report.*

About the author

David Cooper joined the Economic Policy Institute in 2011. As senior economic analyst, he conducts national and state-level research, with a focus on the minimum wage, employment and unemployment, poverty, and wage and income trends. As deputy director of the Economic Analysis and Research Network (EARN), he coordinates and provides technical support to the EARN network of over 60 state-level policy research and advocacy organizations.

David has testified in a half-dozen states on the challenges facing low-wage workers and their families. His analyses on the impact of minimum-wage laws have been used by policymakers and advocates in city halls and statehouses across the country, as well as in Congress and the White House. David has been interviewed and cited by numerous local and national media, including *The New York Times, The Washington Post, The Wall Street Journal,* CNBC, and NPR.

He holds a Master of Public Policy from Georgetown University.

Appendix Table A1

Estimated effects of a D.C. minimum-wage increase to $15 by 2020

Simulated increases	Nominal increase in minimum wage	Total estimated workers[1]	Total private and nonprofit workers	Directly affected[2]	Indirectly affected[3]	Total affected	Total affected as share of all workers	Total affected as share of private and nonprofit workers	Cumulative increase in total annual wages for directly and indirectly affected[4]		Cumulative change in average hourly wage of affected workers		Cumulative change in average annual income of affected workers	
									Nominal dollars	2016 dollars	Nominal dollars	2016 dollars	Nominal dollars	2016 dollars
July 1, 2017: $12.50	$1.00	793,000	515,000	50,000	33,000	83,000	10.5%	16.1%	$68,567,000	$67,025,000	$0.51	$0.50	$828	$809
July 1, 2018: $13.25	$0.75	803,000	521,000	53,000	36,000	89,000	11.1%	17.1%	$142,681,000	$136,337,000	$0.99	$0.95	$1,593	$1,522
July 1, 2019: $14.00	$0.75	812,000	527,000	57,000	45,000	102,000	12.6%	19.4%	$238,725,000	$222,765,000	$1.46	$1.36	$2,353	$2,196
July 1, 2020: $15.00	$1.00	821,000	533,000	70,000	44,000	114,000	13.9%	21.4%	$361,349,000	$329,288,000	$1.96	$1.78	$3,177	$2,895
Total	$3.50	821,000	533,000	70,000	44,000	114,000	13.9%	21.4%	$361,349,000	$329,288,000				

[1] Total estimated workers is estimated from the American Community Survey respondents who were 16 years old or older, employed, but not self-employed, and for whom a valid hourly wage can be imputed from annual wage earnings, usual hours worked per week, and weeks worked in the previous year.
[2] Directly affected workers will see their wages rise, as the new minimum-wage rate will exceed their current hourly pay.
[3] Indirectly affected workers have a wage rate just above the new minimum wage (between the new minimum wage and 115 percent of the new minimum). They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage.
[4] Total amount of increased annual wages for directly and indirectly affected workers. Values in each step are cumulative of preceding steps.

Note: Assumed annual working-age population growth: 1.15% (2015–2020 annualized population growth rate projections from Metropolitan Washington Council of Governments employment forecast). Assumed annual nominal wage growth of 1.2% leading up to first step (average annual increase in CPI from 2014 to 2017 using actual 2014 and 2015 CPI inflation and CBO's inflation projections). In subsequent steps, wages are assumed to grow at the projected pace of consumer price inflation, per the CBO: 2.3% in 2018, 2.4% in 2019, 2.4% in 2020. Dollar values are adjusted to 2016 dollars using CBO's inflation projections.

Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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Appendix Table A2

Characteristics of D.C. workers who would be affected by increasing the minimum wage to $15 by 2020

			Directly affected		Indirectly affected		Total affected		
Category	Estimated workforce	Share of workforce	Count	Share of category	Count	Share of category	Count	Share of the total affected	Share within category that is affected
Total	**821,100**	**100.0%**	**70,200**	**8.5%**	**43,600**	**5.3%**	**113,800**	**100.0%**	**13.9%**
Sex									
Women	401,500	48.9%	37,700	9.4%	22,200	5.5%	59,900	52.6%	14.9%
Men	419,700	51.1%	32,500	7.7%	21,400	5.1%	53,900	47.4%	12.8%
Age									
20 or older	815,000	99.3%	68,100	8.4%	42,800	5.3%	110,900	97.5%	13.6%
Under 20	6,100	0.7%	2,100	34.4%	700	11.5%	2,800	2.5%	45.9%
Less than 25	63,500	7.7%	17,200	27.1%	8,400	13.2%	25,600	22.5%	40.3%
25 to 39	319,500	38.9%	30,500	9.5%	20,000	6.3%	50,500	44.4%	15.8%
40 to 54	278,100	33.9%	14,900	5.4%	9,200	3.3%	24,100	21.2%	8.7%
55 or older	160,100	19.5%	7,500	4.7%	5,900	3.7%	13,400	11.8%	8.4%
Race/ethnicity									
White, non-Hispanic	377,700	46.0%	14,400	3.8%	8,800	2.3%	23,200	20.4%	6.1%
Black, non-Hispanic	268,000	32.6%	34,400	12.8%	18,700	7.0%	53,100	46.7%	19.8%
Hispanic of any race	93,000	11.3%	16,200	17.4%	11,100	11.9%	27,300	24.0%	29.4%
Asian	61,400	7.5%	4,100	6.7%	3,900	6.4%	8,000	7.0%	13.0%
Other race or ethnicity	21,100	2.6%	1,000	4.7%	1,100	5.2%	2,100	1.8%	10.0%
People of color, by sex									
Women and men of color	443,500	54.0%	55,800	12.6%	34,800	7.8%	90,600	79.6%	20.4%
White, non-Hispanic women	168,000	20.5%	8,100	4.8%	4,500	2.7%	12,600	11.1%	7.5%
Women of color	233,500	28.4%	29,500	12.6%	17,700	7.6%	47,200	41.5%	20.2%
White, non-Hispanic men	209,700	25.5%	6,300	3.0%	4,300	2.1%	10,600	9.3%	5.1%
Men of color	210,000	25.6%	26,200	12.5%	17,100	8.1%	43,300	38.0%	20.6%
Education									
Less than high school	41,600	5.1%	12,300	29.6%	5,100	12.3%	17,400	15.3%	41.8%
High school	108,700	13.2%	18,900	17.4%	13,600	12.5%	32,500	28.6%	29.9%
Some college, no degree	124,300	15.1%	16,300	13.1%	9,300	7.5%	25,600	22.5%	20.6%
Associate degree	33,500	4.1%	2,700	8.1%	2,100	6.3%	4,800	4.2%	14.3%
Bachelor's degree or higher	513,100	62.5%	19,900	3.9%	13,500	2.6%	33,400	29.3%	6.5%
Family status									
Married parent	226,900	27.6%	11,200	4.9%	8,000	3.5%	19,200	16.9%	8.5%
Single parent	71,700	8.7%	8,500	11.9%	5,300	7.4%	13,800	12.1%	19.2%
Married, no kids	159,000	19.4%	7,900	5.0%	5,200	3.3%	13,100	11.5%	8.2%
Single, no kids	363,500	44.3%	42,600	11.7%	25,100	6.9%	67,700	59.5%	18.6%
Family status, by sex									
Women									
Married parent	89,000	10.8%	6,300	7.1%	2,600	2.9%	8,900	7.8%	10.0%
Single parent	56,600	6.9%	6,400	11.3%	4,500	8.0%	10,900	9.6%	19.3%
Married, no kids	69,700	8.5%	4,000	5.7%	2,500	3.6%	6,500	5.7%	9.3%
Single, no kids	186,200	22.7%	21,000	11.3%	12,500	6.7%	33,500	29.4%	18.0%
Men									
Married parent	137,900	16.8%	4,900	3.6%	5,400	3.9%	10,300	9.1%	7.5%
Single parent	15,100	1.8%	2,000	13.2%	700	4.6%	2,700	2.4%	17.9%

Appendix Table A2 (cont.)

Category	Estimated workforce	Share of workforce	Directly affected: Count	Directly affected: Share of category	Indirectly affected: Count	Indirectly affected: Share of category	Total affected: Count	Total affected: Share of the total affected	Total affected: Share within category that is affected
Married, no kids	89,300	10.9%	3,900	4.4%	2,700	3.0%	6,600	5.8%	7.4%
Single, no kids	177,300	21.6%	21,600	12.2%	12,500	7.1%	34,100	30.0%	19.2%
Usual work hours									
Part time (< 20 hours)	23,100	2.8%	5,400	23.4%	2,000	8.7%	7,400	6.5%	32.0%
Mid time (20–34 hours)	59,900	7.3%	17,400	29.0%	6,000	10.0%	23,400	20.6%	39.1%
Full time (35 hours or more)	738,100	89.9%	47,400	6.4%	35,500	4.8%	82,900	72.8%	11.2%
Sector									
Federal government	232,700	28.3%	–	0.0%	–	0.0%	–	0.0%	0.0%
Private, for profit	384,900	46.9%	58,200	15.1%	33,400	8.7%	91,600	80.5%	23.8%
Private, non-profit	147,700	18.0%	11,900	8.1%	10,200	6.9%	22,100	19.4%	15.0%
State and local government	55,800	6.8%	–	0.0%	–	0.0%	–	0.0%	0.0%
Household income									
Less than $25,000	29,600	3.6%	11,400	38.5%	3,500	11.8%	14,900	13.1%	50.3%
$25,000–$49,999	76,900	9.4%	15,200	19.8%	11,800	15.3%	27,000	23.7%	35.1%
$50,000–$74,999	98,400	12.0%	14,500	14.7%	7,700	7.8%	22,200	19.5%	22.6%
$75,000–$99,999	101,400	12.3%	8,200	8.1%	7,300	7.2%	15,500	13.6%	15.3%
$100,000–$149,999	189,000	23.0%	8,400	4.4%	7,500	4.0%	15,900	14.0%	8.4%
$150,000 or more	325,800	39.7%	12,500	3.8%	5,800	1.8%	18,300	16.1%	5.6%
Poverty status									
In poverty	24,000	2.9%	10,400	43.3%	1,400	5.8%	11,800	10.4%	49.2%
101–200% poverty	53,400	6.5%	17,400	32.6%	10,100	18.9%	27,500	24.2%	51.5%
201–300% poverty	61,000	7.4%	16,500	27.0%	10,100	16.6%	26,600	23.4%	43.6%
301–400% poverty	79,000	9.6%	8,300	10.5%	8,700	11.0%	17,000	14.9%	21.5%
400%+ poverty	595,800	72.6%	15,000	2.5%	12,300	2.1%	27,300	24.0%	4.6%
Missing poverty status	8,100	1.0%	2,600	32.1%	1,000	12.3%	3,600	3.2%	44.4%

	Children in households with a D.C. worker	Child has directly affected parents	Child has indirectly affected parents	Total children with affected parents	Share of children
Children with at least one affected parent	425,100	54,400	26,500	80,900	19.0%

Source: EPI analysis of District of Columbia Minimum Wage Amendment Act of 2016 using American Community Survey microdata

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Endnotes

1. This includes people who work in the District of Columbia but live in other jurisdictions, such as Virginia or Maryland. This analysis only captures the effects of the proposed minimum-wage increase for tipped workers through 2020. The simulation model applies minimum-wage increases to tipped workers in the sample as outlined in the proposal; however, because tipped workers are a small subset of the sample, we cannot break out the effects for the tipped population from the overall simulation results.

2. The data in the cited paper are from 2013, when there were only seven states where tipped workers received the full minimum wage: Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. Hawaii has since also done away with its separate lower minimum wage for tipped workers.

3. See Table 4 from Allegretto and Cooper (2014).

4. According to the National Restaurant Association (2015), California and Nevada had the strongest restaurant job growth from 2013 to 2014. In both states, tipped workers receive the full minimum wage.

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