

Testimony of David Cooper before the D.C. Council in opposition to B22-0913 and for making D.C. a ‘one-fair-wage’ city

Testimony • By **David Cooper** • September 17, 2018

Chairman Mendelson, members of the committee, thank you for allowing me to speak with you today. My name is David Cooper. I am the Senior Economic Analyst at the Economic Policy Institute (EPI). EPI is a nonpartisan, nonprofit research organization in Washington, D.C., whose mission is to analyze the economy through the lens of the typical U.S. working family. EPI researches, develops, and advocates for public policies that help ensure that the economy provides opportunity and fair rewards for all U.S. workers, with a focus on policies to support low- and middle-income households.

I am testifying today in opposition to the repeal of Initiative 77, the voter-approved measure that gradually raises the District's tipped minimum wage over eight years, at which point the same minimum wage would apply to all District workers, regardless of whether they receive tips. Such "one-fair-wage" systems are already in place in eight states.

Last week, EPI published a report, which I authored, that analyzes the tipped workforce in D.C. and compares tipped workers in D.C. with tipped workers in San Francisco and Seattle—two cities that have one-fair-wage policies. The report notes the problems created by having a separate lower tipped minimum wage, the bad incentives and enforcement challenges it creates, and most importantly, goes into detail on the harm that it causes tipped workers. I have included the report (Cooper 2018) with this testimony.

Today, I want to highlight a few key research findings from the report and from other research that speak to some of the arguments that have been put forward against Initiative 77.

First, one of the primary arguments made against raising base wages for tipped workers is that it will severely damage city businesses—particularly the restaurant industry—leading to closures and layoffs. This argument is essentially the same one that is made every time a minimum wage increase of any kind is proposed anywhere. These claims have been researched exhaustively, with the overwhelming conclusion of the academic literature being that moderate increases in minimum wages largely have their intended effect: raising wages for low-wage workers with little to no impact on employment levels or overall business trends (see Cooper, Mishel, and Zipperer 2018; Schmitt 2013; and Luca and Luca 2018).

In the one study that has looked at changes in the tipped minimum wage, Allegretto and Nadler (2015) analyzed the impacts of higher tipped minimum wages on workers in the restaurant industry over 20 years of data and arrived at the same conclusion: higher tipped minimum wages were associated with higher restaurant industry wages, and little, if any, change in employment levels.

Indeed, as the new report (Cooper 2018) shows, in cities that have adopted one-fair-wage policies, tipped employment and industries that employ tipped workers continue to grow. As shown in **Table 1**, over the last four years, full-service restaurant employment in D.C. has grown by an average of 4.0 percent per year. In San Francisco, a one-fair-wage city with a \$15 minimum wage for all workers, full-service restaurant employment grew by an average of 3.2 percent per year over the same period. In the Seattle MSA, full-service

Table 1

Full-service restaurant establishments, employment, and average weekly wages in the District of Columbia, San Francisco, and the Seattle MSA, 2010–2017

Full-service restaurant establishments			
	District of Columbia	San Francisco	Seattle-Tacoma-Bellevue MSA
2010	718	1,586	3,025
2013	789	1,706	3,098
2017	914	1,758	3,567
Annual average change 2010–2017	3.9%	1.5%	2.6%
Annual average change 2013–2017	4.0%	0.8%	3.8%

Full-service restaurant employment			
	District of Columbia	San Francisco	Seattle-Tacoma-Bellevue MSA
2010	19,525	28,193	54,402
2013	24,399	32,462	59,455
2017	28,266	36,558	67,802
Annual average change 2010–2017	6.4%	4.2%	3.5%
Annual average change 2013–2017	4.0%	3.2%	3.5%

Full-service restaurant average weekly wages			
	District of Columbia	San Francisco	Seattle-Tacoma-Bellevue MSA
2010	\$481	\$470	\$394
2013	\$509	\$519	\$431
2017	\$571	\$643	\$522
Annual average change 2010–2017	2.7%	5.3%	4.6%
Annual average change 2013–2017	3.0%	6.0%	5.3%

Note: Wages include base wages and tips.

Source: EPI analysis of Quarterly Census of Employment and Wages data from the Bureau of Labor Statistics, 2010–2017

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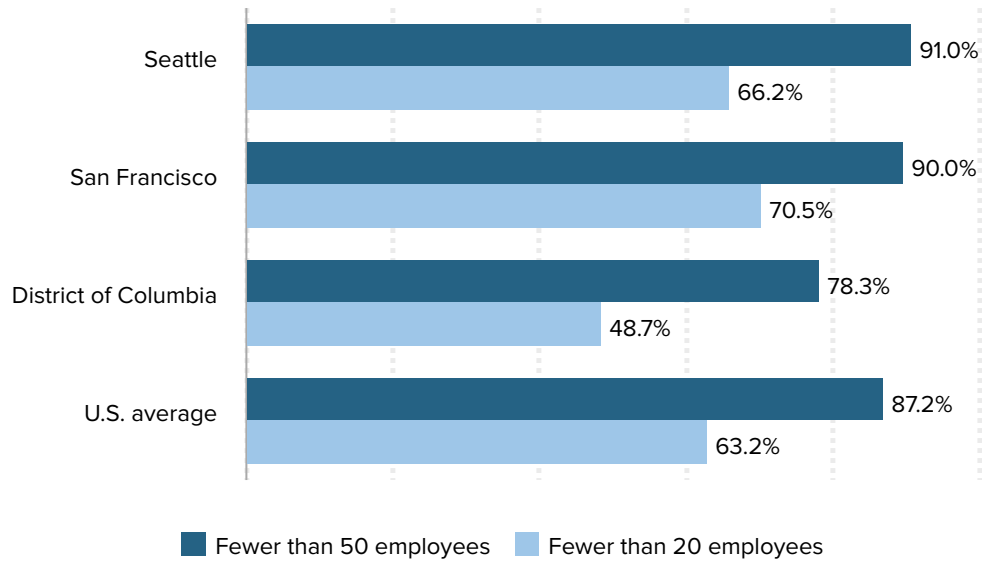
restaurant employment grew by 3.5 percent per year. So while D.C.'s restaurant boom has outpaced these cities in recent years, it hasn't been by that much.

Second, there have been claims that D.C. is different from these other cities because it has

Figure A

Restaurants in D.C. are less likely to be “small businesses” than restaurants in San Francisco or Seattle

Share of full-service restaurant establishments in the District of Columbia, San Francisco, Seattle, and nationally that have fewer than 20 or 50 employees



Note: Values for Seattle reflect all of King County, Washington.

Source: EPI analysis of County Business Patterns data (U.S. Census Bureau 2016)

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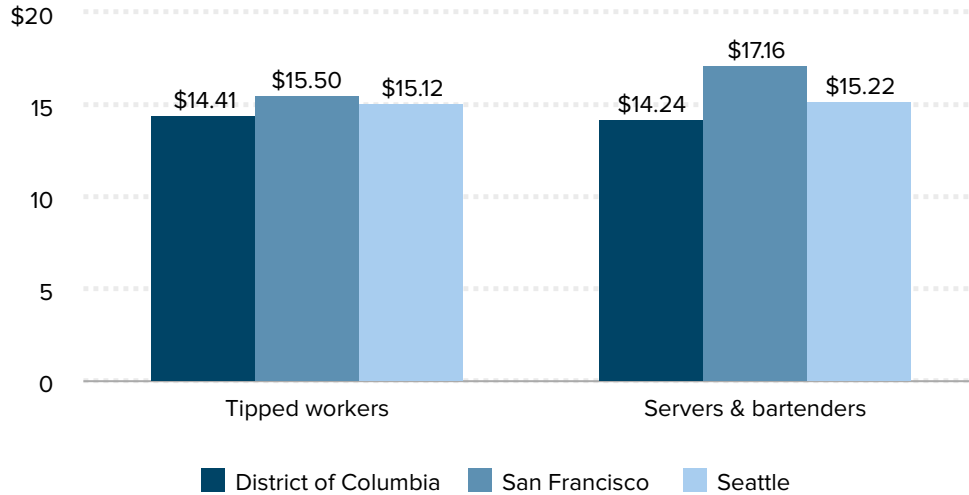
a large share of small, independently owned businesses. I can’t speak to the ownership of D.C. restaurants, but we do know empirically that D.C. does not have an unusually large share of “small business” restaurants. As shown in **Figure A**, County Business Patterns data from the Bureau of Labor Statistics (BLS) indicate that D.C. actually has a *smaller* share of “small business” restaurants than either San Francisco or Seattle¹ (Cooper 2018). That holds true whether “small business” restaurants are defined as those with fewer than 20 employees, or those with fewer than 50 employees. Though not shown in the figure, County Business Patterns data also reveal that the District also has a smaller share of small business restaurants than Boston, New York City, or the U.S. average as a whole. Restaurants in D.C. tend to be larger establishments than in most of the rest of the country.

Third, pay for tipped workers is higher in both San Francisco and Seattle than it is in D.C. As shown in **Figure B**, among servers and bartenders, the median hourly wage in San Francisco (including both base wages and tips) is 21 percent higher than the median wage for those workers in D.C. In King County, Washington, it’s 7 percent higher. These findings from my research (Cooper 2018) are consistent with existing research on wages for tipped workers in one-fair-wage states compared with states with lower tipped minimum wages (Allegretto and Cooper 2014). The findings are also consistent with Bureau of Labor Statistics Occupational Employment Statistics data on wages of waiters and waitresses.

Figure B

Tipped workers earn more per hour in San Francisco and Seattle than they do in D.C.

Median hourly wage of all tipped workers and of servers and bartenders, in San Francisco, Seattle, and the District of Columbia (2017 dollars)



Notes: Wages include both base wages and tips. Values for Seattle reflect all of King County, Washington.

Source: EPI analysis of American Community Survey microdata, pooled years 2012–2016 (Ruggles et al. 2018)

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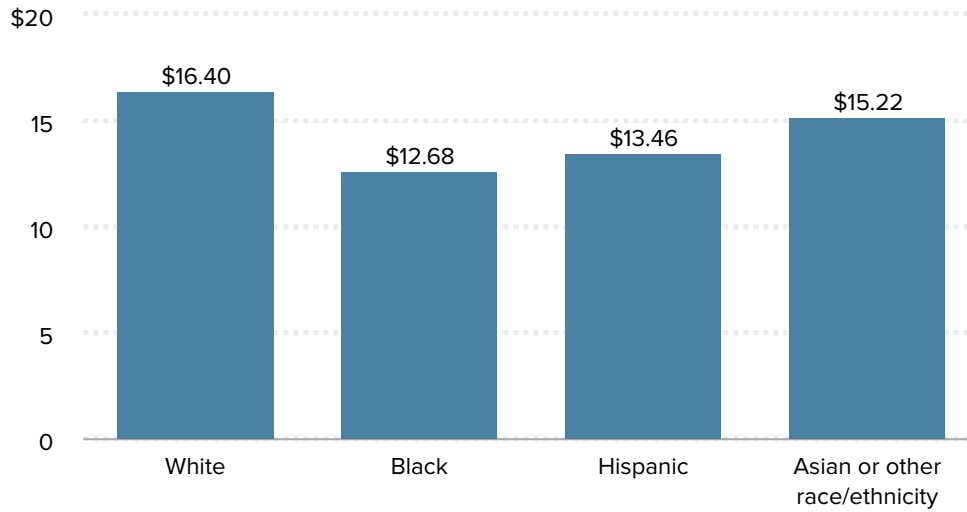
Finally, as you hear from tipped workers on this issue, be aware that the experience of tipped work is not the same for all tipped workers and there are significant disparities in pay within the D.C. tipped workforce. As shown in **Figure C**, my analysis finds that the typical black tipped worker in D.C. receives 23 percent less per hour than the typical white tipped worker; Hispanic tipped workers receive 18 percent less per hour. **Figure D** shows that women tipped workers in D.C. earn 8 percent less per hour and 20 percent less per year than men tipped workers because they tend to work fewer hours per week. We can surmise that at least some of this disparity in hours is involuntary. Again, these median hourly and annual wage figures include base wages and tips.

The upshot of all of this is simple: Tipped workers are better off in places where they get the regular minimum wage regardless of tips, and in those places, the industries that employ tipped workers have adapted, and continue to operate successfully. There is no empirical basis for repealing Initiative 77.

Figure C

White tipped workers in D.C. are paid more than tipped workers of color

Median hourly wages of District of Columbia tipped workers, by race/ethnicity (2017 dollars)



Notes: Wages include both base wages and tips. Data are for tipped workers whose place of work is in the District of Columbia. Hispanic workers include Hispanics of any race, and the race/ethnicity categories are mutually exclusive (e.g., “white” refers to non-Hispanic white). Tipped occupations are listed in Appendix Table A1 of Cooper 2018.

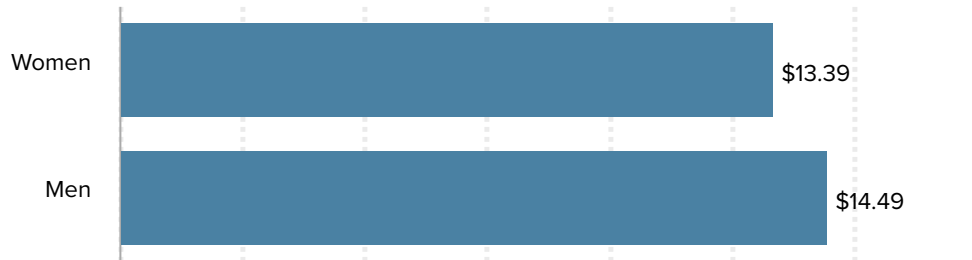
Source: EPI analysis of American Community Survey microdata, pooled years 2012–2016 (Ruggles et al. 2018)

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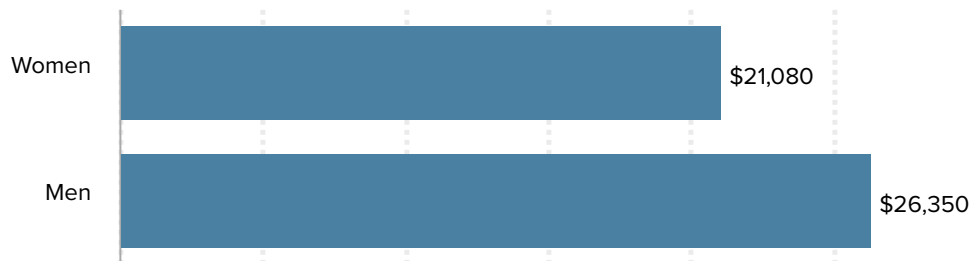
Figure D

Tipped men workers are paid more than tipped women workers in D.C.

Median hourly wages of District of Columbia tipped workers, by gender (2017 dollars)



Median annual wage income of District of Columbia tipped workers, by gender (2017 dollars)



Notes: Data are for workers whose place of work is in the District of Columbia. Wages and annual wage income include both base wages and tips. Tipped occupations are listed in Appendix Table A1 of Cooper 2018.

Source: EPI analysis of American Community Survey microdata, pooled years 2012–2016 (Ruggles et al. 2018)

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Endnote

1. Data for Seattle reflect all of King County, Washington.

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