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January 5, 2015

Helping DC Residents Get Good Jobs Recommendations to the New Mayor and DC Council

Summary

The rising cost of living in DC means that residents will face growing challenges to stay in the city if they are not able to find good-paying jobs. Yet a look below the surface of the District's strong economy reveals troubling trends for many workers. Unemployment is far higher today than before the last recession for residents other than those with a college degree. Hourly wages for workers near the bottom have fallen by \$1 an hour in recent years. The number of DC residents living in poverty has risen by more than 25 percent since 2007. And income inequality is wider here than in almost any other city.

In short, DC's economy is not enabling all residents to succeed. The job challenges are especially great for some residents, including the roughly 60,000 adults who lack a high school degree or equivalent, residents returning from prison, and others with limited job experience.

The District has a number of strengths to build on. The city's minimum wage will rise to \$11.50 an hour in 2016, and all workers in the city earn paid sick leave starting with their first day on the job. Legislation adopted in 2014 will prohibit employers from asking about an applicant's criminal record until a job offer has been made. And the District operates a number of training programs for adults and youth. The following steps would strengthen literacy and training programs and help more residents earn a living wage:

- ❖ ***Raise the Minimum Wage for Tipped Workers.*** Tipped workers earn just \$2.77 an hour before tips and were largely left out of the recent minimum wage increase.
- ❖ ***Implement New Approaches to Blend Literacy Services and Job Training.*** A "career pathways" task force will issue a report in 2015, and then the mayor and council will need to take steps to implement recommendations.
- ❖ ***Enforce New Wage and Job Benefits.*** Legislation adopted in 2013 and 2014 to raise wages, expand benefits, or protect workers -- including minimum wage, paid sick leave, and wage theft legislation -- will need to be communicated to workers and businesses, and the District will need adequate staff to enforce them.

- ❖ ***Adopt a Paid Family Leave Insurance Program.*** The District just adopted a policy to give DC government workers eight weeks of paid leave when they have a child, need to care for an ill relative, or face a serious illness. The District could extend paid leave benefits to all workers in the District, following the lead of other states.

- ❖ ***Make Better Use of Federal Job Training Funds through SNAP (Food Stamps).*** This program provides federal funds to cover half the costs of provide job training and supports to SNAP recipients.

Helping DC Residents Get Good Jobs

Recommendations to the New Mayor and DC Council

Issue # 1: Raising DC's Minimum Wage for Tipped Workers

When the District moved in 2013 to increase its minimum wage – which will increase to \$11.50 in a series of steps between July 2014 and July 2016 – workers who receive tips were left out. The minimum wage for tipped workers continues to be just \$2.77 an hour, with the large majority of their earnings expected to come from tips. DC falls into the bottom half of states when it comes to the tipped minimum wage. Some [26 states](#) have a higher tipped minimum wage than DC, including seven which make set the same minimum wage for tipped workers as for workers. These states include California, Minnesota, and Oregon.

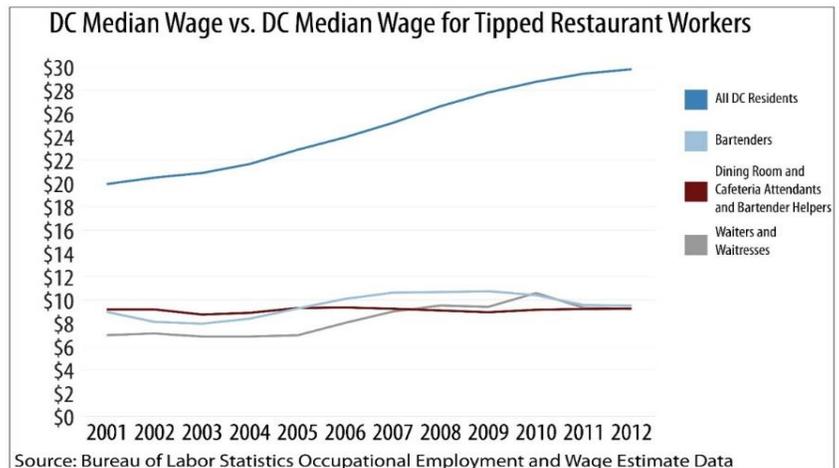
The District should consider raising its minimum wage for tipped workers, either to the full minimum wage or to a specified percentage of the minimum wage. In either case, the minimum wage for tipped workers would be adjusted each time the full minimum wage is increased.

In DC and most states, tipped workers such as restaurant servers, bartenders, nail salon technicians, and car wash employees are covered by a lower minimum wage than other workers. These workers qualify for a “tipped credit,” meaning that wages plus tips must equal the full minimum wage. If employees do not reach at least the full minimum wage over the work week, counting both wages and tips, their employer is required to pay the difference. This is rarely enforced, however.

For many years, the tipped minimum wage at the federal level was set as a percentage of the full minimum wage – as high as 60 percent -- so that workers who receive tips as part of their compensation have a stable living income and are not subject to wild fluctuations of earnings. While the federal government stopped this practice in the 1990s, a number of states continue to do so. Currently, 10 states set their minimum wage for tipped workers at 60 percent of the full minimum wage, and four states set the tipped minimum wage at 50 percent of the full minimum wage.

By contrast, when DC’s minimum wage reaches \$11.50, the tipped minimum wage of \$2.77 will equal just 25 percent.

Raising the minimum wage for tipped workers, along with other workers, is important for several reasons. Some servers work in low-price establishments where tips can be very low. Restaurant business can vary from week to week or shift to shift, so that a worker relying mainly on tips could face very uneven income despite having the same bills to pay every month. And freezing the tipped worker minimum wage for a long



period of time means that the balance of who pays servers changes over time from owners to patrons.

The median wage for DC workers who identify themselves as waiters and waitresses was \$9.23 per hour in 2012, including both tips and hourly pay, according to the Bureau of Labor Statistics. In other words, 50 percent of servers make more than \$9.23 and 50 percent make less. The average hourly income, including the highest-paid servers, was \$13.08. Nationally, tipped workers have [twice](#) the poverty rate of the average worker and are more than three times as likely to rely on food stamps.

And wages for DC’s tipped restaurant workers have not kept pace with DC workers in general. While the median wage for all DC workers jumped nearly \$10 over between 2001 and 2012 – from about \$20 an hour to nearly \$30 an hour -- the median wage for tipped workers has remained relatively flat.

For these reasons, it makes sense to raise DC’s minimum wage for tipped workers. The District could do so by covering tipped workers under the basic minimum wage, which will rise to \$10.50 in 2015 and \$11.50 in 2016 and then rise with inflation in subsequent years. Or the District could set the tipped worker minimum wage at 60 percent of the full minimum wage or higher. This would mean a \$6.30 minimum wage in 2015 and a \$6.90 minimum wage in 2016. It also would guarantee that the minimum wage for tipped workers increases every year for inflation in subsequent years.

| State | Tipped Worker Minimum Wage |
|-----------------------------|----------------------------|
| Washington | \$9.32 |
| Oregon | \$9.10 |
| California | \$9.00 |
| Minnesota | \$8.00 |
| Montana | \$7.90 |
| Alaska | \$7.75 |
| Nevada | \$7.25-\$8.25 |
| Hawaii | \$7.00 |
| West Virginia | \$5.80 |
| Connecticut | \$5.69 |
| New York | Up to \$5.65 |
| Colorado | \$4.98 |
| Illinois | \$4.95 |
| Florida | \$4.91 |
| Arizona | \$4.90 |
| North Dakota | \$4.86 |
| Iowa | \$4.35 |
| Vermont | \$4.23 |
| Ohio | \$3.98 |
| Maine | \$3.75 |
| Missouri | \$3.75 |
| Maryland | \$3.63 |
| Idaho | \$3.35 |
| Michigan | \$3.10 |
| New Hampshire | \$3.01 |
| Rhode Island | \$2.89 |
| Pennsylvania | \$2.83 |
| District of Columbia | \$2.77 |
| Arkansas | \$2.63 |
| Massachusetts | \$2.63 |
| Wisconsin | \$2.33 |
| Delaware | \$2.23 |
| All others | \$2.13 |

Source: U.S. Department of Labor. Data as of Sept 1, 2014

Helping DC Residents Get Good Jobs

Recommendations to the New Mayor and DC Council

Issue #2: Connect DC's Adult Learners to Career Pathways

In recent years, the District has invested in new initiatives to connect more DC residents to careers — from building a community college to funding adult job training. Yet many District residents lack the basic reading, writing, math, English language, and digital literacy skills and credentials to take advantage of these programs. A new taskforce focused on strengthen adult literacy and adult basic education programs and better connecting them with job-skills training will make its recommendations in 2015. In addition, changes in federal job training law create an opportunity to improve coordination of training programs across multiple agencies.

The mayor and DC Council should move quickly to implement recommendations of the Career Pathways taskforce when they are issued in 2015, and to take advantage of the opportunities provided under changes in federal law.

The urgency of the issue is clear. Economists project that in just four years, 72 percent of all jobs in DC will require some postsecondary education. Yet more than 60,000 residents lack a high school diploma or its equivalent, and yet only 8,000 adults get basic education services. Moreover, the District does not have a city-wide strategy to guide adult literacy services provided by a number of agencies or to coordinate these services with job training programs. Adult education programs in DC have higher attrition rates and lower levels of educational gains compared to adults nationally.¹

Many communities have had success by bridging their adult education and job training functions. Under this approach, known as “career pathways,” basic skills programs integrate career skills-training and help adults transition to the next level of education and training. A career pathways approach coordinates adult literacy and training programs to allow individuals to move seamlessly among them as they seek services at different points in their careers. Adults in these types of programs are more likely to pass the GED and earn college credits and certificates than those in traditional basic skills programs.²

The District is in the midst of exploring how to make earning a GED or other high school equivalency the first step on a pathway that leads to additional education, training, and work experience. A “Career Pathways” task force authorized in 2014 is expected to complete its work and issue recommendations in mid-2015. The task force is being operated by the Workforce Investment Council, a body that oversees implementation of federal job funding and includes business, labor, government, and other representatives.

¹ Brooke DeRenzi, *From Basic Skills to Good Jobs: A Strategy for Connecting D.C.'s Adult Learners to Career Pathways*, DC Applesseed, April 2014, page 6.

² Ibid, page 1.

In addition, federal law adopted in 2014 – the Workforce Innovation and Opportunity Act – creates opportunities for coordinating training programs across different agencies, like the welfare-to-work programs operated by the DC Department of Human Services and federal Department of Labor training programs operated by the DC Department of Employment Services. WIOA requires creation of a joint plan for workforce development by DOES, DHS, the Office of the State Superintendent for Education (which oversees youth training and adult basic education) and the Department of Disability Services. This joint plan could be used as opportunity to engage in more joint planning and coordination across these agencies.

To best take advantage of these, the District should:

- ❖ ***Implement Career Pathways Taskforce Recommendations.*** Mayor Bowser and the DC council should act quickly to implement recommendations of the Career Pathways taskforce, which are currently scheduled to be released in June 2015. That would be near the end of the development of the budget for Fiscal Year 2016; Mayor Bowser will submit a budget by early April and the DC Council will hold its main budget vote in May. While this means that it may not be possible to fully implement the recommendations in FY 2016, Mayor Bowser and the Council could set aside a set amount in the budget to start the implementation process in FY 2016. This is similar to actions taken by the DC Council to set aside \$5 million in FY 2014 for implementation of some recommendations of the DC Tax Revision Commission before the recommendations had been completed.
- ❖ ***Create a Coordination Plan Under New Federal Workforce Development Law.*** Mayor Bowser should use the opportunity of the new federal WIOA law to better coordinate the services of District agencies involved in adult education and training. The new federal law requires development of a joint plan among the Department of Employment Services, the Office of the State Superintendent of Education, the Department of Human Services, and the Department of Disability Services. This joint plan can be developed in a way that builds off the recommendations of the Career Pathways taskforce. It can focus on using a common tool to assess client needs, developing a referral system that crosses agencies, creating a common set of outcome measurements, and improving communications across agencies and programs.
- ❖ ***Empower the DC Workforce Investment Council to Lead Coordination Efforts.*** The District should empower an entity to oversee the coordination of adult literacy and job training services. This is consistent with Mayor-elect Bowser’s recommendation to create a “Workforce Opportunity Advisory” to improve how the Districts uses the more than \$100 million devoted to workforce development. Given the role of Workforce Investment Council in both the Career Pathways Taskforce and implementing the new federal WIOA law, it would make sense to place these responsibilities in the WIC.

Helping DC Residents Get Good Jobs

Recommendations to the New Mayor and DC Council

Issue #3: The District Should Vigorously Enforce New Worker-Oriented Legislation

The District enacted a number of laws in 2013 to improve wages or benefits of people who work in the District. These laws will not be effective, however, if they are not implemented fully – through regulations and education of workers and employers – or if they are not actively enforced.

The new worker-directed legislation includes:

- ❖ ***Minimum Wage.*** Legislation adopted in 2013 raised the minimum wage over stages to \$11.50 in 2016, with the first step implemented in July 2014. The minimum wage will be adjusted for inflation annually after 2016.
- ❖ ***Paid Sick and Safe Leave.*** The requirement that employers provided paid leave to deal with illness or domestic violence was expanded in 2013, primarily by extending this benefit to tipped workers and by enabling workers to accrue benefits starting with their first day of work.
- ❖ ***Wage Theft:*** Legislation adopted in 2014 increases penalties for employers who fail to pay workers fully what they are obligated to pay.
- ❖ ***Protecting Workers from Discrimination.*** Recently adopted legislation prevents employers from asking about an employee’s criminal record until they have made a job offer, and prevents employers from rescinding the job offer unless there is a clear rationale for doing so. In addition, the District has adopted protections against discrimination for workers who are unemployed or pregnant.

These changes will help workers get and keep jobs, and help them earn a decent wage. Because they reflect new wage and benefit rules and new protections, the laws will need to be communicated to employers and workers. In addition, the District will need added staff capacity to respond to worker concerns about employers’ failure to follow the new laws.

- ❖ ***More Staff to Enforce Minimum Wage, Paid Sick Leave, and Wage Theft.*** Additional staff will be needed at the Department of Employment Services (Office of Wage-Hour), and at the Office of Attorney General to address instances of employer non-compliance. In addition, the Office of Human Rights will need additional resources to implement the Pregnant Workers Protection Act.
- ❖ ***Educational Campaigns for Workers.*** Public education efforts aimed at workers in the District will help them understand their rights under the new wage and benefit laws, and will help ensure that employers comply.

Helping DC Residents Get Good Jobs

Recommendations to the New Mayor and DC Council

Issue #4: Adopt a Paid Family Leave Insurance Program

The District should help workers who need to take leave from their job for family or medical reasons by creating an insurance program to replace a portion of their wages.

Nearly all workers need to take extended time off from their job at some point: when they have a child, need to attend to an ailing parent or face a serious illness themselves. But only 12 percent of workers in the United States get paid family leave through their job, forcing most to make the difficult choice of losing income – and possibly their job – or not taking adequate care of their child, a relative or themselves.

The District can help people in this situation by creating a program to replace a portion of wages for workers who take family or medical leave. Paid leave helps families take care of each other and helps the economy by keeping workers in the labor market rather than leaving work to attend to family duties. California, New Jersey, and Rhode Island have paid family leave programs, and the DC government created a paid family leave program for its employees just this year. In addition, the District recently received a federal grant to explore creating a citywide family leave program.

In the three states that have paid family leave, workers receive a portion of their former wages while on leave. In New Jersey, for example, the payment equals two-thirds of earnings in the months prior to leave, with a cap of about \$600 per week. The amount of paid family leave ranges from four to six weeks, although these states also offer temporary disability assistance for 26 weeks to 52 weeks when a worker faces a temporary disability of their own.

Paid leave programs have important benefits for both families and the economy:

- ❖ ***Improved Parental Involvement and Child Well-Being.*** In California, mothers with paid leave are more likely to breastfeed their children. The share of California fathers who take parental leave has doubled since their program was created.
- ❖ ***Better Ability to Care for Ailing Parents.*** Most adults who care for a parent have a full-time job. Having the option of paid leave ensures that caregivers can take the time needed to help parents without severe financial strain. This will become increasingly important over time, given projected increases in the elderly population.
- ❖ ***Family Financial Stability in Challenging Times.*** When new mothers do not have paid leave, one-third either dip into savings, borrow money, or get behind on bills.
- ❖ ***Improved Labor Market Stability.*** If workers must take extended leave without pay, many will end up leaving or losing their jobs, creating turnover in the labor market and forcing employers to hire and train new workers.

Paid family leave programs are financed either by employees only as a deduction from paychecks, or by a combination of a payroll deduction for employees and a payroll tax on employers. The taxes are paid into a fund that is then used to cover the costs of leave payments. The level of the tax is often modest and depends on the level and duration of benefits. The tax rate is 0.1 percent of wages in New Jersey, where workers can get up to six weeks of paid leave per year.

The District will need to consider a number of factors as it works to shape a paid family leave policy, including who would be eligible, the structure of paid leave benefits, the duration of benefits and how to finance it.

The benefits of paid family leave and its modest cost make it an important issue for the District to adopt in 2015, through designing and then adopting paid family leave for everyone who works in the city.

Helping DC Residents Get Good Jobs Recommendations to the New Mayor and DC Council

Issue #5: Make Better Use of Federal Job Training Funds through SNAP (Food Stamps)

The District has a great opportunity to access federal job training funds to help DC residents who are eager to go to work or get a better job. It comes, of all places, from the federal food stamp program, now known as SNAP. The SNAP Employment and Training (E&T) program provides covers half of the costs of a wide array of employment-related services for residents who get food stamp benefits.

The District has taken steps in recent years to make better use of SNAP E&T funds, but further progress can be made. The District budgeted about \$4 million for services under this program in fiscal year 2014 – roughly half of it from federal funds. While this reflects an increase from prior years, it is a modest amount and reflects a number of missed opportunities. For example, the District’s Project Empowerment program provides short-term subsidized employment to help residents build work experience, but the program does not currently offer help with transportation expenses. This would be an allowable expense under SNAP E&T.

The District could access more federal funding from the SNAP Employment and Training Program by expanding staff capacity to explore funding opportunities and then work out the agreements needed to access federal funds. Even one additional staff position is likely to result in millions of new federal funds coming into the District to support employment efforts.

SNAP E&T doesn’t require the city to re-invent the wheel by creating new programs. The city can incorporate or coordinate existing workforce development programs into SNAP E&T — by identifying participants who receive SNAP benefits and making sure the education or training program is part of an employment plan — and then accessing federal funds to support program costs.

SNAP E&T can be used in a number of ways:

- ❖ ***Expanding Local Training Programs.*** Federal SNAP Employment and Training funds cannot be used to replace existing local funding, but the program can be used to expand existing programs or for new programs.
- ❖ ***Adding Work Supports to Training Programs.*** SNAP Employment and Training funds can be used for things that support employment, such as uniforms or transportation costs.
- ❖ ***Supporting the Work of Non-Profits.*** SNAP E&T can support programs operated directly by the DC government, but it also can be used to match expenditures of non-profit training providers to enhance their services. The District has partnered with a number of non-profits in recent years to help them access these funds, but it is likely that these efforts could be expanded.

The District is likely to need to expand staffing capacity in the Department of Human Services to identify more government programs and more non-profits that can participate in SNAP E&T, and then to develop the agreements needed to comply with SNAP E&T rules.

These efforts are promising and should be pursued fully. At a time when it is hard to look to the federal government to expand services, the SNAP Employment and Training program is an important opportunity.