



**TESTIMONY OF ILANA BOIVIE, SENIOR POLICY ANALYST  
DC FISCAL POLICY INSTITUTE**

**For the Public Hearing on B21-712, the Fair Shot Minimum Wage Amendment Act of 2016  
DC Council Committee on Business, Consumer, and Regulatory Affairs  
May 26, 2016**

Chairman Orange and members of the Committee on Business, Consumer & Regulatory Affairs, thank you for the opportunity to speak today. My name is Ilana Boivie, and I am the Senior Policy Analyst at the DC Fiscal Policy Institute. DCFPI is a non-profit organization that promotes budget and policy choices to expand economic opportunity and reduce income inequality for District of Columbia residents, through independent research and policy recommendations.

I am here today to testify on the Fair Shot Minimum Wage Amendment Act of 2016. DCFPI is in favor of increasing the minimum wage to \$15 by 2020. Research suggests that the increase to \$15 over four years will help some of the most vulnerable workers make ends meet, without causing significant negative impacts on employment opportunities.

We are also highly in favor of the bill's intent to raise the base minimum wage for tipped workers from the current rate of \$2.77 per hour. However, we believe that DC should follow the model of more and more jurisdictions around the country to eliminate the subminimum wage for tipped workers altogether, to address the severe income stability and other challenges these workers face. We support raising the base minimum wage for tipped workers to \$15, phased in gradually over time.

**Some of the Most Vulnerable DC Workers Will Benefit from the Increase to \$15**

DCFPI commends the DC Council for passing legislation to raise the minimum wage in 2013. However, the current minimum wage—scheduled for its final increase to \$11.50 per hour in July 2016—is still not enough to make ends meet in the District.

According to the Economic Policy Institute, the living wage in the District of Columbia is \$20.25 per hour for an individual, and \$25.60 for a family of four with two working adults. This measures the income a family needs in order to attain a “secure yet modest standard of living,” including expenses related to housing, food, child care, transportation, health care, other necessities, and taxes.<sup>1</sup>

Massachusetts Institute of Technology's Living Wage Calculator calculates a slightly more modest the living wage in DC, but still finds that in 2014 the living wage is \$14.84 for an individual, and \$20.27 for a family of four with two working adults—the highest level of any major city in the

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<sup>1</sup> Economic Policy Institute. 2015. “The Economic Policy Institute’s 2015 Family Budget Calculator.” <http://www.epi.org/resources/budget/>

country.<sup>2</sup> This wage is defined as the minimum income necessary to meet basic living expenses, taking into account local costs and tax rates. MIT researchers note that families below this income level are likely to “suffer consistent and severe housing and food insecurity.”

Thus, an increase to \$15 an hour by 2020 would go a long way in ensuring that workers in the District can meet their basic needs. (Note that by 2020, the living wage in DC will likely be above \$15 an hour, due to inflation.)

Increasing the minimum wage would help many workers who struggle to make ends meet in DC’s increasingly expensive housing market. According to an analysis from the Economic Policy Institute, with an increase to \$15, some 114,000 DC workers would see a wage increase by 2020—roughly 14 percent of the city’s workforce—with the average worker earning some \$2,900 more annually than under the current minimum wage.<sup>3</sup>

In addition, the workers who stand to benefit most from the increase are some of the most vulnerable. Specifically:

- Nearly 80 percent of the workers who would benefit are women of color.
- 29 percent of these workers have children.
- Nearly 35 percent of affected workers are either in poverty or “near poverty.”
- Nearly one-fifth of single mothers in DC, and half of DC’s workers in and near poverty, stand to benefit from the increase.<sup>4</sup>

It is also important to keep in mind that the full \$15 wage will not go into effect until 2020. This not only gives businesses time to adjust, but it also means that the wage will be worth less than it would be today. If inflation is just 2 percent per year, then the \$15 wage in 2020 will be worth about \$13.85 in today’s purchasing power—which, incidentally, is currently the city’s “living wage” that employers who receive city funds must pay their workers.<sup>5</sup>

### **Research Suggests that the Increase to \$15 Will Not Negatively Affect Job Growth**

Often, when an increase to the minimum wage is considered, employers are legitimately concerned about the effect that the increased payroll may have on their business, and may voice concern that they will have to cut back on employees or hours. However, the minimum wage has been increased countless times over many decades at the federal, state, and municipal levels, and there is now considerable evidence as to the actual effect it has on employment. The consensus of that research

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<sup>2</sup> Massachusetts Institute of Technology. “Living Wage Calculation for District of Columbia.” MIT defines the living wage as the hourly rate an individual must earn to support their family, if they are the sole provider and are working full-time. The calculations take into account local costs of typical expenses, including food, child care, medical, housing, transportation, as well as local tax rates. <http://livingwage.mit.edu/counties/11001>

<sup>3</sup> David Cooper. 2016. “Raising the DC Minimum Wage to \$15 by 2020 would Lift Wages for 114,000 Working People.” Economic Policy Institute.

<sup>4</sup> David Cooper. 2016. “Raising the DC Minimum Wage to \$15 by 2020 would Lift Wages for 114,000 Working People.” Economic Policy Institute.

<sup>5</sup> DOES Living Wage Increase Notice. [http://does.dc.gov/sites/default/files/dc/sites/does/page\\_content/attachments/1116%20Living%20Wage%20Increase%20DAC%20Signed.pdf](http://does.dc.gov/sites/default/files/dc/sites/does/page_content/attachments/1116%20Living%20Wage%20Increase%20DAC%20Signed.pdf)

finds virtually no significant impact on job growth and employment opportunities.<sup>6</sup> One recent award-winning book, *What does the Minimum Wage Do?*, concluded that modest minimum wage increases raise wages for the working poor without substantially affecting employment or work hours, providing “solid benefits with small costs.”<sup>7</sup>

This makes intuitive sense, because businesses still need workers to perform all the same duties as before, and industries where the minimum wage is prevalent often are location-specific. They tend to find other ways to adjust. Also, research shows that minimum wage increases are associated with many additional benefits to employers, including increased productivity and reduced turnover, which can significantly offset the additional payroll costs.<sup>8</sup> In addition, when workers have more money in their pockets, they spend that in the local economy, which boosts economic activity overall.

A general rule of thumb is that the minimum wage can be set at up to 50 percent of the area’s median wage without negatively affecting the economy or reducing job growth.<sup>9</sup> DC’s median wage was \$31.75 in 2015,<sup>10</sup> which suggests that the city could support a minimum wage increase up to \$15.88 this year, without harmful economic effects. And in the past two years, cities with a lower median wage than DC—including New York, San Francisco, Los Angeles, and Seattle—have increased the minimum wage to \$15.

### **Tipped Workers Need \$15 for Income Stability**

DC’s tipped wage of \$2.77 has not been changed since 1993, and is low, considering the city’s extremely high cost of living. While this legislation would raise the tipped wage to \$7.50, this is not nearly enough for District workers to make ends meet. As discussed earlier, the living wage for an individual in DC is nearly \$15 per hour or more—and tipped workers face the same prices as all other workers in the city.

While federal and local law require that tipped workers be paid up to the full minimum wage by their employer if their tips do not cover the difference, this very rarely occurs in reality. First, many employees do not ask their employers for the difference, for lack of understanding of the law or fear of retaliation. Second, many employers simply do not comply. A 2014 report from the White House Economic Council and the U.S. Department of Labor confirmed these deep problems.<sup>11</sup>

In addition, on principle, workers should not have to rely on tips to make ends meet, for several reasons:<sup>12</sup>

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<sup>6</sup> National Employment Law Project. “Employment and Business Effects of Minimum Wage Increases.”

<sup>7</sup> Dale Belman and Paul Wolfson, “What Does the Minimum Wage Do?” Upjohn Institute for Employment Research, 2014.

<sup>8</sup> National Employment Law Project. “Employment and Business Effects of Minimum Wage Increases.”

<sup>9</sup> Arindrajit Dube. “Proposal 13: Designing Thoughtful Minimum Wage Policy at the State and Local Levels.” Brookings Institution. And National Employment Law Project. “Employment and Business Effects of Minimum Wage Increases.”

<sup>10</sup> Bureau of Labor Statistics. May 2015 State Occupational Employment and Wage Estimates for the District of Columbia.

<sup>11</sup> White House Economic Council and U.S. Department of Labor. 2014. “The Impact of Raising the Minimum Wage on Women and the Importance of Ensuring a Robust Tipped Minimum Wage.”

<sup>12</sup> Restaurant Opportunities Centers United, of Chicago, of Michigan, and of New Orleans. 2014. “The Great Service Divide: Occupational Segregation and Inequality in the US Restaurant Industry.”

- 1) Tips can vary widely based on extremely arbitrary factors, such as weather, the time of one's shift, and even whether the tip is paid via credit card or cash. A server working the lunch shift at Denny's on a rainy weekday may work just as hard, doing the same work, as a server at a high-end restaurant on a Saturday night, but the tip discrepancy between these two workers would be quite stark.
- 2) Workers of color are often tipped less than white workers.
- 3) Women experience sexual harassment more often when they must rely on tips.
- 4) Reliance on tips means that customers are responsible for supplying wages directly, while employers are off the hook. This is a business model that does not exist anywhere else.

The bottom line is that tips can vary widely based on extremely arbitrary factors. Especially for lower-income workers, it is incredibly difficult to balance a household budget when you must rely on such an unstable source of income.

Research shows that tipped workers have very low incomes. For example, the median wage for waiters and waitresses was just \$9.58 per hour in DC last year.<sup>13</sup> Also, tipped workers are twice as likely to be experiencing poverty as non-tipped workers, and 46 percent rely on public assistance programs to make ends meet.<sup>14</sup>

Tipped workers are much better off when they are paid the full minimum wage. For example, in states with the lowest tipped minimum wage, 18 percent of waiters and bartenders are in poverty, but in states that provide the full minimum wage, the poverty rate of waiters and bartenders drops to just over 10 percent.<sup>15</sup>

The concern about low wages among tipped workers led several jurisdictions to pass laws to require tipped workers to be paid the full minimum wage. San Francisco, with a similar cost of living to DC, mandates the full minimum wage of \$12.25 per hour. Tipped workers in Seattle—with a lower cost of living than the District—receive the city's full \$13 minimum wage. In addition, there are currently seven states that pay tipped workers the full minimum wage—Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington.

### **Recent Findings from DC and Nationally Suggest that Increasing the Minimum Wage Will Not Have a Negative Effect on Restaurant Jobs**

Early evidence from the first round of DC's recent minimum wage increase suggests that the restaurant industry should be able to absorb increases to workers' wages.

From July 2014 to July 2015, which marked the first year of DC's recent minimum wage increase, employment in DC's limited-service eating places jobs grew by 6.1 percent. By contrast, from mid-2013 to mid-2014, these jobs grew by just 1.1 percent.<sup>16</sup> Full-service restaurant jobs have shown

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<sup>13</sup> Bureau of Labor Statistics. Occupational Employment Statistics, 2015.

<sup>14</sup> National Employment Law Project. "Minimum Wage Basics: Overview of the Tipped Minimum Wage."

<sup>15</sup> David Cooper. 2016. "Raising the DC Minimum Wage to \$15 by 2020 would Lift Wages for 114,000 Working People." Economic Policy Institute.

<sup>16</sup> Ilana Boivie. 2016. "Jobs in Retail and Food Service Grew in the First Year of DC's Minimum Wage Increase." DCFPI blog.

extremely strong growth since 2011, including a 3.5 percent increase in 2014 and 3.4 percent in 2015.

<b>Table 1. Annual Change in Minimum Wage Jobs in DC, 2006-2015</b>			
	<b>Retail Trade</b>	<b>Limited Service Eating Places</b>	<b>Full-Service Restaurants</b>
2006	1.1%	-3.0%	3.0%
2007	1.7%	5.1%	5.8%
2008	2.2%	6.8%	4.4%
2009	-6.5%	2.7%	3.2%
2010	6.4%	3.5%	3.1%
2011	-0.5%	4.3%	8.9%
2012	2.7%	13.9%	7.7%
2013	4.3%	5.0%	7.6%
2014	6.6%	1.4%	3.5%
2015*	6.2%	6.1%	3.4%

Source: BLS State and Metro Area Employment, Hours, & Earnings; percent changes calculated from July to July each year.  
 \* Indicates year in which the minimum wage increase has been in effect.

This is a very early indication that minimum wage increases can occur without affecting job opportunities.

Looking nationally, the states with the strongest restaurant growth in 2013 and 2014 were California and Nevada<sup>17</sup>—and both of these states provide the full minimum wage to tipped workers. Among all seven states that provide the full wage, the National Restaurant Association itself projects that restaurant employment will grow 11.2 percent over the next 10 years, just slightly less than the 12.3 percent projected nationwide.<sup>18</sup>

In summary, a \$15 minimum wage would be hugely beneficial to over 100,000 District workers, and research shows that businesses will be able to absorb the increases. We hope that the \$15 wage will be broadened to include all workers, including those who are tipped.

Thank you again for the opportunity to testify. I am happy to answer any questions.

<sup>17</sup> National Restaurant Association. 2015. “California, Nevada Lead Restaurant Job Growth.” Press release, March 27.

<sup>18</sup> National Employment Law Project. “Minimum Wage Basics: Overview of the Tipped Minimum Wage.”