

**Testimony of Brittany Alston, Policy Analyst
At the Public Hearing on Bill 22-0913,
Tipped Wage Workers Fairness Amendment Act of 2018
DC Council Committee of the Whole
September 17, 2018**

Chairman Mendelson and councilmembers, thank you for the opportunity to testify this morning. My name is Brittany Alston and I am the workforce development policy analyst with the DC Fiscal Policy Institute. DCFPI promotes budget and policy choices to expand economic opportunity for DC residents and to reduce income inequality in the District of Columbia, through independent research and policy recommendations. I would like to use this testimony to express support for Initiative 77 and opposition to the proposed repeal. In 2016, Mayor Bowser introduced the Fair Shot Minimum Wage Act of 2016. She stated, “Cities and states across the country are proving that decent wages and strong business climates are not mutually exclusive.” The District has been a leader among cities and states around the country in enacting legislation that protects the rights of workers and raises the quality of work for District residents. By eliminating the subminimum wage for tipped workers, the District can continue along this path.

Tipped Jobs in the District Are Often Low Paid Jobs

Although a small number of tipped workers are employed in high-end restaurants where they earn significant amounts in tips and receive higher incomes, high-earning servers are not representative of DC’s tipped workforce. Currently, the annual median wage for bartenders and servers is approximately \$31,000 and \$25,000, respectively. The median annual wage for a hairdresser is about \$30,000. The MIT Living Wage Calculator, which considers regional costs of living, estimates that a District worker with two children must make \$32.50 per hour, or \$68,000 annually¹, to adequately provide for her family — more than twice what a bartender or hairdresser in the District make.

Living on tips does not provide sufficient, predictable income or economic security. Tipped workers — about 70 percent of whom are people of color — experience a poverty rate nearly twice that of other workers. In the District, the poverty rate of tipped workers is 13.7 percent—more than three times the poverty rate of non-tipped workers (4.5 percent) and Black tipped workers have a poverty rate of 18.5 percent.² According to the Economic Policy Institute, average wages for tipped workers are nearly 40 percent lower than for all workers. Currently, 16 percent of DC’s tipped workers have incomes that qualify them for SNAP benefits. In the District, most tipped work is low-wage work.

Tipped work is also volatile work. 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.

Black workers and female workers in DC’s tipped jobs often make less than their white, male peers do. Black tipped workers take home 23 percent less per hour than white tipped workers. Women tipped workers earn 8 percent less per hour, and 20 percent less annually than their male

counterparts. In a system with a higher guaranteed base pay, customer biases will not determine whether or not a tipped worker is able to pay her bills on time.

Tipped Workers Are Much Better Off When They Are Paid the Full Minimum Wage

The first two major cities in the United States to adopt a \$15 per hour regular minimum wage were Seattle and San Francisco. These increases came after both state and local hikes to the minimum wage. They are strong comparisons to the District. In both cities, workers receive the regular minimum wage as a base wage and are still able to earn tips.

Servers and bartenders in San Francisco earn 20 percent more per hour than their counterparts in DC, and servers and bartenders in Seattle earn 7 percent more than their counterparts in DC. Similarly, bellhops in San Francisco earn about \$5,000 more per year than they do in the District. Overall, there is a smaller earnings gap between tipped workers and non-tipped workers in San Francisco and Seattle.³

Workers in states with One Fair Wage are also significantly less likely to live in poverty, compared to workers in states with a tipped minimum wage. Tipped workers in states with One Fair Wage have a poverty rate of 10.2 percent, as compared to 18 percent for tipped workers in states where they only earn a subminimum wage.

There is also no shortage of work for tipped workers in One Fair Wage States. 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.⁴ San Francisco and Seattle have continued adding new dining establishments and this growth has been complemented by steady employment growth.⁵

Contrary to restaurant industry claims, Initiative 77 would provide workers a higher base wage plus any tips from patrons, a system that can result in higher total earnings for tipped workers. Living on tips is not enough. Initiative 77 provides much-needed security to an industry characterized by volatile wages.

Thank you for the opportunity to testify today and I welcome any questions you may have.

¹ 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>

² Cooper, David (2018) Why D.C. should Implement Initiative 77. [Economic Policy Institute](#).

³ Bureau of Labor Statistics (2016). Quarterly Census of Employment and Wages.

⁴ National Employment Law Project. "Minimum Wage Basics: Overview of the Tipped Minimum Wage."

⁵ Bureau of Labor Statistics (2016). Quarterly Census of Employment and Wages