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**Testimony of Ed Lazere, Executive Director  
At the Public Hearing on Bill 22-0913,  
The Tipped Wage Workers Fairness Amendment Act of 2018  
DC Council Committee of the Whole  
September 17, 2018**

Chairman Mendelson and members of the committee, good morning and thank you for the opportunity to speak today. My name is Ed Lazere, and I am the Executive Director of the DC Fiscal Policy Institute. DCFPI is a non-profit organization that promotes budget choices to reduce economic and racial inequality and build widespread prosperity in the District of Columbia through independent research and thoughtful policy recommendations.

I am here today to speak in opposition to this bill to repeal Ballot Initiative 77, which had the support of 56 percent of DC voters. Repealing the initiative would mean taking away a needed pay increase from 29,000 workers who currently rely almost entirely on tips for their income.

As you have heard today, while some workers have been able to make a living under a two-tiered minimum wage system, this does not in any way mean that it is a system that works well for everyone. Tipped jobs in DC and across the nation often are very low-paid, including restaurant servers and bartenders, but also the less-visible tipped workers such as restaurant bussers, parking garage attendants, hotel bellhops, and hairdressers. The median income for these workers in DC is close to \$30,000<sup>1</sup>, well below the cost of living in the District. This is not surprising, given the low base wage paid by employers, currently less than \$4 an hour. As you have heard today from other witnesses, this system also results in substantial inequities based on race and gender.

Public policy should aim to ensure that people working hard can support themselves, and it should aim to reduce racial and gender inequities. The DC policy, enshrined in law, that allows some employers to pay a very low minimum wage, lower than the standard minimum wage paid by most employers, is the source of the low pay and inequities we see among tipped workers. These facts form the strong policy arguments for phasing out the sub-minimum wage for tipped workers, as called for in Initiative 77. As you have heard today, incomes for tipped workers are higher in communities where tipped workers are paid the full minimum wage directly by their employers.<sup>2</sup>

To be sure, there are important issues of economic policy at play with Initiative 77, for both workers and business owners. These issues should be informed as much as possible by research.

The best evidence we have on the impact of paying tipped workers in DC the full minimum wage comes from seven states where this already is the policy—California, Washington State, Oregon, Nevada, Minnesota, Montana, and Alaska. There are promising signs from the experiences in these seven states that DC restaurants can pay their tipped workers more and continue to thrive. This research shows that tipping continues at similar rates as in communities with lower tipped wages, resulting in higher incomes for tipped workers. It also shows that restaurant prices in these

communities are higher than in DC, but not by a substantial margin, and that the restaurant industries are strong.

### Tipping Will Continue Under Initiative 77

Tipping in restaurants and other workplaces is part of American culture and is common across the country, regardless of the base wage paid to tipped workers, especially since patrons are unlikely to know what tipped workers are paid. The average tipping rates in the seven states where tips are on top of the full minimum wage are as high as the tipping rate in DC (*Table 1*). This data on tipping rates suggests that tipping will continue as DC moves to implement Initiative 77 over several years. When combined with data showing higher wages for tipped workers in these One Fair Wage states, the available evidence suggests that tipped workers will benefit from the combination of a higher base wage and continued tips.

### Menu Prices in DC Will Rise Modestly Under Initiative 77

There is only limited research on the impact of raising the tipped minimum wage on prices, but the available information shows that price increases would be modest. For example, when San Jose voted to increase its minimum wage from \$8 an hour to \$10 an hour over two years, with almost all of the increase enacted in the first year, economists from the [Institute for Research on Labor and Employment](#) found that restaurants (both full and limited service) increased prices by just 1.45 percent on average.<sup>3</sup>

There are other indications that restaurants in One Fair Wage states are able to pay tipped workers more without increasing menu prices much. Some popular dining establishments in the District also have locations in Washington and California, which both have One Fair Wage.

- Gordon Biersch, for example, serves steak tacos for \$13.69 in Seattle and \$11.99 in DC, a 14 percent difference. Their legendary garlic fries are \$6.79 in the District and \$8.32 in Seattle, a 23 percent difference.
- The Daily Grill has a trout amandine on the menu for \$23.50 in the District and \$24.50 in San Francisco, a 4 percent difference.
- The brisket tacos at Rosa Mexicana are \$19 in San Francisco and \$18 in DC, a 6 percent difference.
- Selected menu items from IHOP and Denny’s differ no more than two dollars in cost between One Fair Wage cities and the District. The Grand Slam is \$12.79 at Denny’s in Seattle and \$10.79 in DC, an 18 percent difference.

TABLE 1.

### Tipping in “One Fair Wage” States Is Higher Than in DC

	Ave Tip Rate, 2017
DC	14.9%
Alaska	17.1%
California	15.2%
Minnesota	16.0%
Montana	16.4%
Nevada	16.6%
Oregon	16.4%
Washington	16.3%

Source: “[Find Out Which States Give the Worst Tips](#),” Time.com, August 11, 2017

Results are similar when looking at prices from non-chain restaurants. A search by the DC Fiscal Policy Institute for articles on the best burgers in DC and San Francisco shows average prices of between \$14 and \$15 in both cities (*Table 2*, pg. 4).

It is important to note that any price increases resulting from paying workers the full minimum wage would happen over a period of years as the minimum wage is increased. A 20 percent increase in prices over 10 years, for example, requires an average increase of 2 percent per year. That amounts to 30 cents per year on a \$15 item.

### Restaurants Can Thrive Under Initiative 77

San Francisco and Seattle are examples of cities with thriving restaurant industries under One Fair Wage. Based on research by the [Economic Policy Institute](#), full-service restaurant employment in San Francisco and the Seattle metro area increased by 3.2 percent and 3.5 percent respectively since 2010—similar to the 4 percent growth experienced in the District.<sup>4</sup> Meanwhile, San Francisco and Seattle outpace the District in wage growth for restaurant workers. Wages for District restaurant workers increased by 2.7 percent, as compared to 5.3 percent in San Francisco and 4.6 percent in the Seattle area. Servers and bartenders, and tipped workers overall, earn more per hour (base wages and tips) than they do in the District.

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

### Restaurants continue to grow in One Fair Wage States.

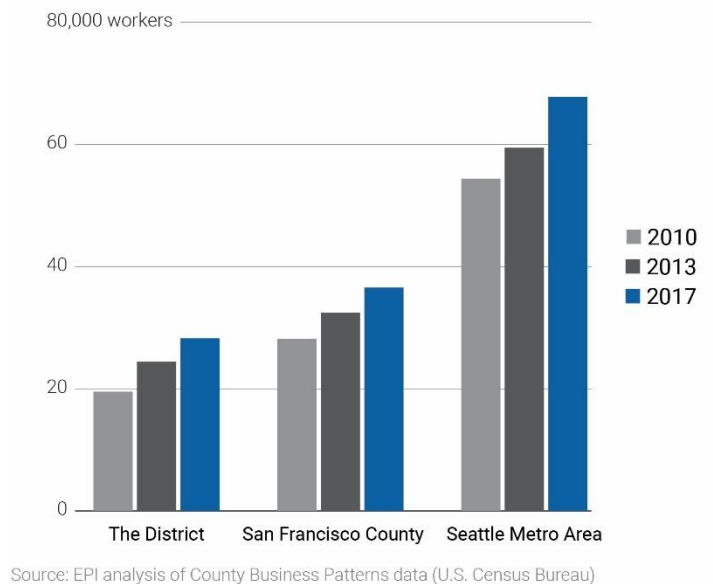


TABLE 2.

**The District Can Have Affordable Burgers and Higher Wages**

The best burgers in DC and San Francisco are comparably priced

<b>DC Restaurants</b>	<b>Price</b>	<b>San Francisco Restaurants</b>	<b>Price</b>
Duke's Grocery	15	4505 Burgers	14.45
Brookland's Finest Bar and Kitchen	14	ABV	14
Mintwood Place Northwest	17	Popsons	9.7
Pearl Dive	17	Jenny's Burger	7.5
Tune Inn	9	Black Sands Brewery	20
DC9	12	The Saratoga	16
Rebellion	15	Spruce	20
Burger Tap & Shake	10	Garaje	9
Boundary Stone	14	Mission Bowling Club	16
Le Diplomate	17	WesBurger 'N' More	12
Central	18	Sam's	12.94
Red Apron Burger Bar	15.5	Marlowe	18
<b>Average price</b>	<b>14.46</b>	<b>Average price</b>	<b>14.13</b>

Source: "[D.C.'s 25 Most Essential Burgers](#)," DCEater.com, April 2018; "[23 Essential San Francisco Burgers](#)," SFEater.com, February 2018

<sup>1</sup> According to Bureau of Labor Statistics, OES data for May 2017, the median annual income in DC is \$24,680 for waiters, \$31,300 for bartenders, \$25,160 for parking lot attendants, and \$26,160 for hotel bellhops.

<sup>2</sup> Economic Policy Institute, "[Why D.C. Should Implement Initiative 77](#)," September 12, 2018.

<sup>3</sup> Institute for Research on Labor and Employment, "[Are Local Minimum Wages Absorbed by Price Increases? Estimates from Internet-based Restaurant Menus](#)," November 2016.

<sup>4</sup> Economic Policy Institute, "[Why D.C. Should Implement Initiative 77](#)," September 12, 2018.