

Testimony of Brittany Alston
Policy Analyst, DC Fiscal Policy Institute
Committee of the Whole
In opposition of B22-0913 - Tipped Wage Workers Fairness Amendment Act of 2018
September 17th, 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% 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 in D.C. 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% 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

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 Ibid, 2

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 D.C., and servers and bartenders in Seattle earn 7 percent more than their counterparts in D.C. 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%, as compared to 18% 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 over the next year 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.

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

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
<i>Annual average change 2010–2017</i>	3.9%	1.5%	2.6%
<i>Annual average change 2013–2017</i>	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
<i>Annual average change 2010–2017</i>	6.4%	4.2%	3.5%
<i>Annual average change 2013–2017</i>	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
<i>Annual average change 2010–2017</i>	2.7%	5.3%	4.6%
<i>Annual average change 2013–2017</i>	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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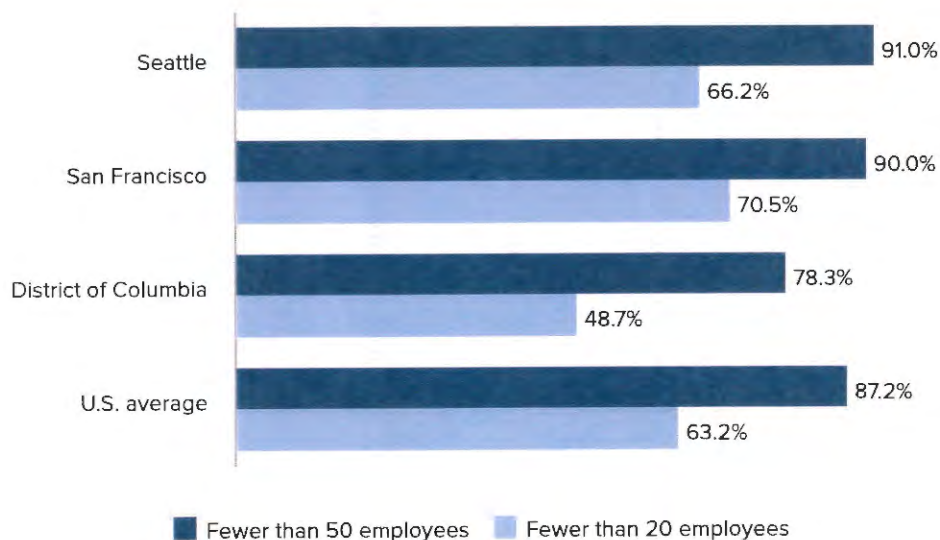
restaurant employment grew by 3.5 percent per year. So while D.C.'s restaurant boom has outpaced these cities in recent years, it hasn't been by that much.

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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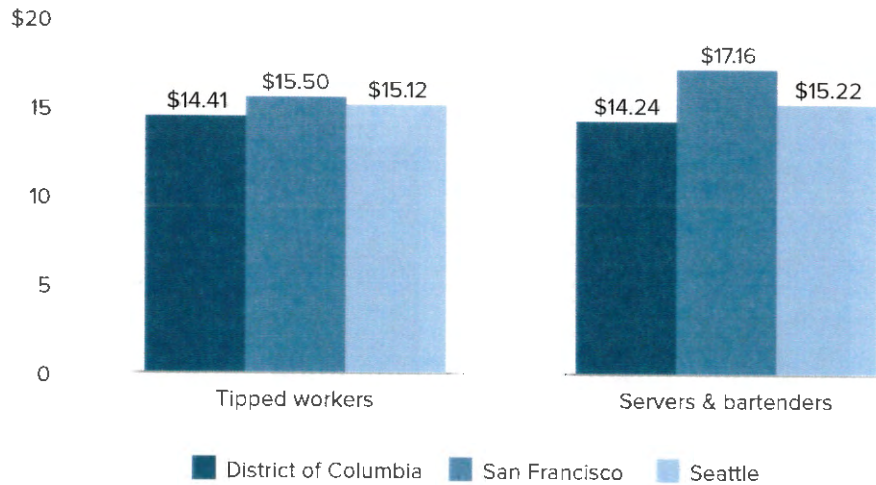
a large share of small, independently owned businesses. I can't speak to the ownership of D.C. restaurants, but we do know empirically that D.C. does not have an unusually large share of “small business” restaurants. As shown in **Figure A**, County Business Patterns data from the Bureau of Labor Statistics (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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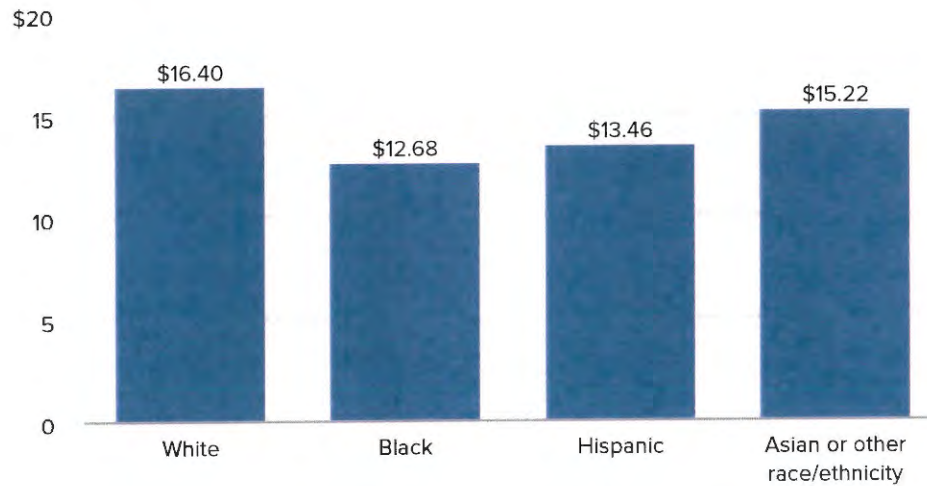
Finally, as you hear from tipped workers on this issue, be aware that the experience of tipped work is not the same for all tipped workers and there are significant disparities in pay within the D.C. tipped workforce. As shown in **Figure C**, my analysis finds that the typical black tipped worker in 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)



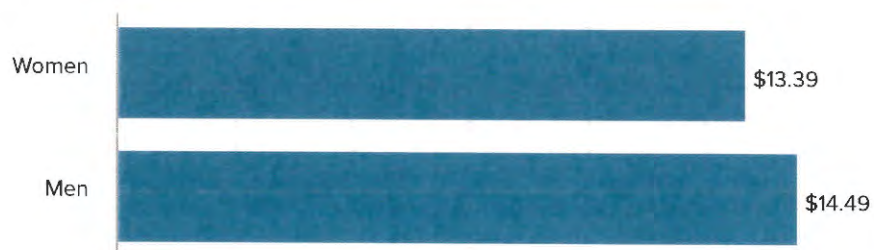
Notes: Wages include both base wages and tips. Data are for tipped workers whose place of work is in the District of Columbia. Hispanic workers include Hispanics of any race, and the race/ethnicity categories are mutually exclusive (e.g., "white" refers to non-Hispanic white). Tipped occupations are 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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Why D.C. should implement Initiative 77

Tipped workers do better in “one-fair-wage” cities; restaurants continue to thrive

Report • By [David Cooper](#) • September 12, 2018

Summary: In San Francisco and Seattle—“one-fair-wage” cities where tipped workers are paid the regular minimum wage regardless of tips—tipped workers receive higher take-home pay and restaurants big and small are operating successfully.

Summary and key findings

In June, voters in the District of Columbia passed Initiative 77, a ballot measure that raises the District's tipped minimum wage over eight years until it is equal to the District's regular minimum wage in 2026. In doing so, District voters opted to follow the lead of eight "one-fair-wage" states where tipped workers are treated no differently than other workers and receive the same minimum wage as a base wage, regardless of tips.¹ The city of Flagstaff, Arizona, also recently voted to gradually raise its lower tipped minimum wage until it reaches the level of the regular minimum wage.

Although Initiative 77 passed with 56 percent of the vote, D.C. mayor Muriel Bowser and members of the D.C. Council have publicly stated that they intend to overrule the will of the voters and repeal Initiative 77 (Jamison 2018; D.C. Board of Elections 2018). They claim that letting the initiative take effect would unduly harm the restaurant industry in D.C., leading to layoffs and closures. Opponents of the measure—led by the National Restaurant Association and the Restaurant Association of Metropolitan Washington—have also claimed that raising the base wage for tipped workers would ultimately do more harm than good, on the premises that tipped workers will lose their jobs, restaurant patrons will tip less, and businesses will move to a no-tipping model.

There is no evidence to support these opponents' claims. In fact, the evidence overwhelmingly indicates that in one-fair-wage cities and states—where tipped workers are paid the regular minimum wage regardless of tips—tipped workers receive higher take-home pay, customers still tip, and restaurants big and small are operating successfully, just as they do in the District of Columbia.

This report analyzes the tipped workforce and restaurant industry in Washington, D.C., and compares findings for D.C. with two prominent one-fair-wage cities that, like D.C., have enacted \$15 minimum wages: San Francisco and Seattle. Tipped workers in San Francisco receive the regular minimum wage as a base wage, regardless of any

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tips. Tipped workers at large employers in Seattle also receive the regular minimum wage as a base wage regardless of tips, and tipped workers at small employers in Seattle must be paid a base wage no less than \$1.00 below than the regular minimum wage. That means tipped workers in both cities were paid much higher minimum wages than D.C. tipped workers during the period of our analysis (even though the \$15 minimum wage had not yet been fully phased in in either city during the study period).

Tipped workers include restaurant servers and bartenders but also barbers, hairstylists, and other workers in occupations that customarily receive tips. (Appendix Table A1 provides the list of tipped workers included in this analysis.) Among the key metrics examined are wages, poverty rates, and tipped workers' earnings as a share of nontipped workers' earnings; these provide a measure of the relative welfare of tipped workers in each city.

Key findings for the District of Columbia include:

- Tipped workers in the District of Columbia are disproportionately people of color (who account for 70 percent of the tipped workforce, but only 55 percent of the overall workforce).
- The majority of tipped workers (65 percent) work full time, and tipped workers are more likely than workers overall to be District residents (24 percent versus 19 percent).
- The median wage of tipped workers in D.C. is \$14.41 per hour, inclusive of tips, which is 44 percent of the median hourly wage of nontipped workers in D.C. And because tipped workers get fewer hours on average, median tipped workers in D.C. annually earn only 34 percent of the median annual earnings of nontipped workers.
- There are significant pay disparities within the tipped workforce. Black tipped workers are paid 23 percent less per hour (in wages and tips) than white tipped workers. Women tipped workers are paid 8 percent less per hour, and 20 percent less annually, in wages and tips than men tipped workers. Women tipped workers tend to work fewer hours per week than men, for reasons that are likely involuntary for some.
- The poverty rate of tipped workers in D.C. is 13.7 percent—more than three times the poverty rate of nontipped workers (4.5 percent). Black tipped workers have a poverty rate of 18.5 percent.

Key findings comparing D.C. with one-fair-wage cities Seattle and San Francisco:

- Servers and bartenders, and tipped workers more broadly, earn more per hour (including both base wages and tips) in one-fair-wage cities than they do in the District of Columbia. Servers and bartenders in San Francisco earn 21 percent more per hour than their counterparts in D.C. Servers and bartenders in Seattle earn 7 percent more per hour than their counterparts in D.C.²
- There is less inequality between tipped and nontipped workers in one-fair-wage cities than in the District of Columbia. Tipped workers in Seattle and San Francisco have median annual wage earnings (including tips) that are 45 percent and 42 percent,

respectively, of the median for nontipped workers. In D.C., tipped workers' annual wage and tip earnings are only 34 percent of nontipped workers' earnings.

- Tipped workers in Seattle and San Francisco are roughly twice as likely as nontipped workers to be in poverty; in the District of Columbia, tipped workers are three times as likely as nontipped workers to be in poverty.
- Tipped workers make up a *larger* share of the overall workforce (including public, private, and nonprofit sectors) in both San Francisco and Seattle than they do in the District of Columbia. Tipped workers in the District make up the same share of the private-sector workforce as tipped workers in San Francisco and an only slightly greater share (by 0.9 percentage points) than the tipped workers' share of the private-sector workforce in Seattle. Paying tipped workers the regular minimum wage does not appear to have reduced the prevalence of tipped work in these two one-fair-wage cities.
- Restaurants in the District of Columbia are less likely to be “small businesses” than restaurants in Seattle and San Francisco. This holds true for both restaurants with fewer than 50 employees and restaurants with fewer than 20 employees.

The next section provides background on the tipped minimum wage and Initiative 77. The subsequent section describes D.C.'s tipped workforce, noting important racial and gender disparities among tipped workers. The section after that compares wages, incomes, and poverty rates of tipped workers in D.C. with those of tipped workers in Seattle and San Francisco. The final section compares the restaurant industry in D.C. with the restaurant industries in Seattle and San Francisco.

Unless otherwise noted, the analyses in this report are based on American Community Survey (ACS) microdata. All hourly wage and annual wage income values are inflated to 2017 dollars. The various workforces described are workers whose place of work is within the specified jurisdiction, regardless of where they live, e.g., D.C. tipped workers are workers whose place of work is in the District of Columbia, though they may live in Maryland or Virginia. For data related to race and ethnicity, “white” workers refers to non-Hispanic white workers, “black” workers refers to non-Hispanic black workers, and “Hispanic” workers include individuals of any race who identify as Hispanic in the Hispanic ethnicity question.

Background

Under existing law in the District of Columbia—and in much of the rest of the country—there is a regular minimum wage and a separate “tipped minimum wage” that applies to workers who customarily receive tips. As Allegretto and Cooper (2014) explain in detail, in these areas tipped workers can be paid an hourly rate as low as \$2.13 per hour, provided the tips they receive over the course of a week raise their effective hourly wage rate (combining both base pay and tips) to at least the regular minimum wage (\$2.13 is the federal tipped minimum wage, applicable in jurisdictions that have not enacted higher subminimum wages). If a worker's tips are inadequate, employers are supposed to “top

off” their pay—that is, employers are supposed to raise the worker’s base wage for that week just enough to bring their total earnings up to a regular minimum wage income.

In D.C. the regular minimum wage is currently \$13.25 per hour, having attained that rate in July 2018 under a schedule of gradual increases established by a 2016 D.C. Council ordinance that raises the regular minimum wage in the District to \$15.00 an hour by July 1, 2020. The legislation, which adjusts the regular minimum wage for inflation after 2020, also increases the tipped minimum wage to \$5.00 an hour by 2020. In July, the tipped minimum wage increased from \$3.33 per hour to \$3.89 per hour.

Thus, as of July 1, 2018, employers in the District of Columbia may pay any worker who regularly and customarily receives tips a base wage as low as \$3.89 per hour, provided that worker’s weekly tips are sufficient to bring their total earnings (base wage plus tips) up to at least \$13.25 per hour.³ In other words, as long as tipped workers are receiving at least \$9.36 per hour in tips (\$13.25 minus \$3.89), the wage they receive from their employer need only be \$3.89 per hour.

Under this system, if employers are fully complying with the law, tipped occupations guarantee only a minimum wage income—pay above and beyond the minimum wage is entirely at the discretion of customers. In fact, even when generous customers want to reward good service by leaving a good tip, that goodwill can be effectively negated later in the workweek by stingier patrons, bad weather, slow business, patrons displeased by a kitchen mix-up affecting their order, or a manager with a grudge who assigns a worker only small parties—anything that results in periods in which the tipped worker is not receiving similarly strong tips.

For example, consider a server who is paid the tipped minimum wage and works a Monday night for six hours, during which time she receives \$100 in tips. If she stops working for the week, she’s made a pretax income of \$123.34 (\$3.89 times 6, plus \$100) or an hourly wage of \$20.56 per hour. It’s worth noting that of the \$100 she received in tips, \$56 essentially went to her employer. How? Under existing law, her employer must ensure that she receives \$13.25 per hour through base wages and tips. Thus, for six hours of work, she is guaranteed \$79.50; however, the law allows her employer to reduce her base wage dollar-for-dollar out of tips up to \$9.36 per hour—meaning that the first \$56.16 (6 times \$9.36) in tips that she receives during that six-hour shift effectively goes straight to her employer. It is money the employer would have had to pay as base wages, had the server not received any tips.

Now, consider what happens if that same server works two more six-hour shifts that week, but the weather is bad, business is slow, and she only receives another \$70 in tips over those two shifts. She has now worked 18 hours and received \$170 in tips. Even though she has now worked three times as many hours, her employer need only pay her \$3.89 per hour for those additional 12 hours, reducing her hourly take-home pay to \$13.33 per hour, before taxes—just above the District’s minimum wage.

Cooper (2017) explains that this unusual system—no other country worldwide employs a similar system for service industries—creates a host of problems for tipped workers. It means their weekly and monthly incomes are unstable, making it difficult to budget.

Tipped workers' incomes are subject to racial and gender biases, and research has shown that restaurant customers are often discriminatory in how they tip (Lynn et al. 2008). Because the bulk of a restaurant worker's pay is at the customer's discretion, restaurant worker advocates assert that pressure to ensure customer satisfaction forces restaurant workers to tolerate high rates of sexual harassment (Casteel 2018). Workers in other tipped occupations face similar pressure to please the customer at all costs, lest their earnings take a hit.

Although employers are legally supposed to ensure that the tipped workers they employ receive at least the full minimum wage for all hours worked each week, there is considerable evidence that employers often do not meet this obligation. For example, studies have shown that workers in the food and drink service industry experience wage theft at significantly higher rates than workers in other industries (see Cooper and Kroeger 2017 or Bernhardt et al. 2009). In fact, in August 2018 one of the largest restaurant groups in the District of Columbia settled a \$1.5 million lawsuit with nearly 1,000 employees for failing to "top off" tipped workers' wages and for not providing sick leave (Steingart 2018).

Proponents of the tipping system claim that tips ensure good service, yet Lynn (2001) shows that quality of service often has little relationship to tip amounts. Check size is the only consistent determinant of tip amounts. This may encourage tipped workers to attempt to inflate customers' bills, but it also encourages tipped workers to vie with each other for the busiest shifts, the largest service sections, and the biggest parties—all factors that are at the discretion of supervisors. In this type of environment, it is not realistic to expect that workers will be able to police their employers to ensure proper compensation. If a worker demands that her paycheck be "topped off" because of insufficient tips, there is nothing to stop her employer from subsequently giving her fewer shifts, smaller parties, or simply firing her.

In June 2018, voters in the District of Columbia passed Initiative 77, a ballot measure that gradually raises D.C.'s tipped minimum wage over eight years until it is equal to the regular minimum wage in 2026. At that time, tipped workers in D.C. will be paid the full regular minimum wage for every hour they work, regardless of any tip income. This is how tipped workers are currently paid in eight states: Alaska, California, Hawaii, Minnesota, Montana, Nevada, Oregon, and Washington State.⁴ The city of Flagstaff, Arizona, also recently voted to gradually raise its lower tipped minimum wage until it reaches the level of the regular minimum wage. As Cooper (2017) shows, tipped workers in these states—sometimes called "equal treatment" or "one-fair-wage" jurisdictions—have higher typical (median) take-home pay and lower poverty rates than tipped workers in states that have a separate lower tipped minimum wage. Moreover, these one-fair-wage states continue to have vibrant restaurant industries, including in cities that have enacted high local minimum wages, such as San Francisco and Seattle.

Since the ballot measure's passage, D.C. mayor Muriel Bowser and several members of the D.C. Council have indicated that they do not support the measure and may act to repeal the initiative. As the following sections in this report show, repealing the initiative would be a loss for some of the most vulnerable workers in the city, particularly women, single mothers, and black workers.

Table 1

Employment counts and shares of workers in the District of Columbia for all workers, all tipped workers, and servers and bartenders

	Estimated workforce	Share of total workforce	Share of tipped workers
<i>All D.C. workers</i>	812,100	100.0%	n/a
<i>All tipped workers</i>	16,100	2.0%	100.0%
<i>Servers and bartenders</i>	10,500	1.3%	65.5%
<i>Tipped workers, excluding servers and bartenders</i>	5,600	0.7%	34.5%

Notes: Data are for workers whose place of work is in the District of Columbia. “Tipped workers” includes workers in tipped occupations listed in Appendix Table A1. “Servers and bartenders” includes waiters, waitresses, and bartenders, a subset of all tipped workers.

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

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Who are D.C.’s tipped workers?

There are approximately 16,100 tipped workers in the District of Columbia—equaling 2.0 percent of the overall D.C. workforce, as shown in **Table 1**. Roughly two-thirds (10,500) of these workers are waiters, waitresses, and bartenders—hereafter referred to collectively as “servers and bartenders.” Because they make up the lion’s share of the tipped workforce, servers and bartenders dominate discussions of tipped minimum wage policy. However, workers in other tipped occupations may also be paid base wages below the regular minimum wage. In the District, there are 5,600 workers in other traditionally tipped occupations, such as nail salon workers, hairstylists, bussers, and barbacks. (**Appendix Table A1** lists the occupations considered “tipped workers” in this report and shows the share of D.C.’s tipped workforce in each occupation.)

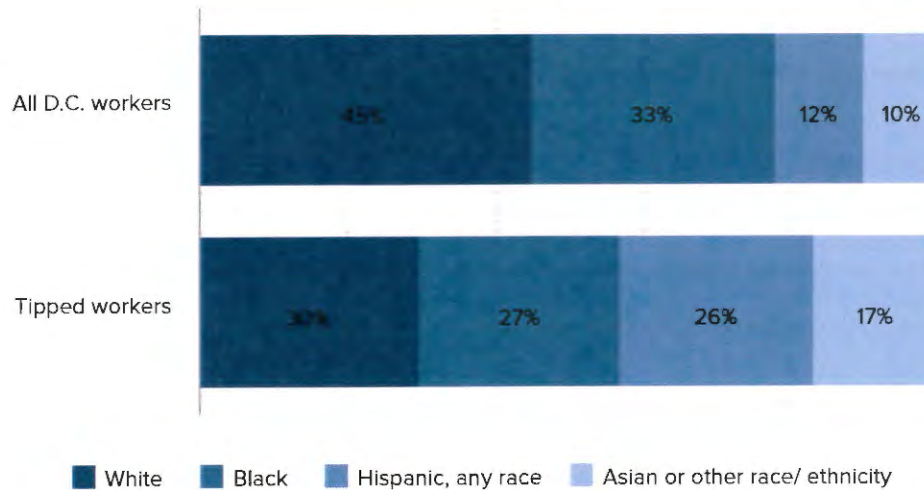
Appendix Table A2 presents demographic characteristics of the District of Columbia’s overall workforce, the nontipped workforce, the tipped workforce, and servers and bartenders. As the table shows, men and women are equally represented among the District’s tipped workers. This is somewhat surprising since nationally, tipped workers are far more likely to be women: two-thirds of U.S. tipped workers are women and nearly 70 percent of U.S. servers and bartenders are women (Allegretto and Cooper 2014).⁵ The fact that D.C.’s tipped workforce has such an atypically large proportion of men may reflect particular characteristics of the city’s restaurant industry, such as its high concentration of fine dining or generally higher-end restaurants; however, this report does not contain data that can verify this theory.

As shown in **Figure A**, tipped workers are disproportionately people of color. Roughly 45 percent of the D.C. workforce is white, yet only 30 percent of D.C.’s tipped workers are white. Hispanic workers make up only 12 percent of the overall D.C. workforce, yet they

Figure A

Tipped workers in D.C. are disproportionately people of color

Composition of District of Columbia workforce by race/ethnicity, all D.C. workers and tipped workers



Notes: Data are for 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.

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

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constitute over a quarter of all tipped workers. Black workers make up 27 percent of tipped workers—slightly larger than the share of Hispanic workers among tipped workers, yet a smaller share than black workers’ 33 percent share of the overall workforce. Workers who are Asian or identify as some other race or ethnicity make up 17 percent of tipped workers despite being only 10 percent of the overall D.C. workforce.

Tipped work, particularly in restaurants, is commonly thought to be part-time work, e.g., jobs held by college students while they’re in school or secondary jobs for people wanting to supplement their income. It is true that nationally a minority of tipped workers (46.5 percent) maintain a full-time schedule (Allegretto and Cooper 2014). But in the District of Columbia, most tipped workers work full time. As shown in **Figure B**, 65 percent of D.C. tipped workers work full time. Another 30 percent work at least 20 hours per week.

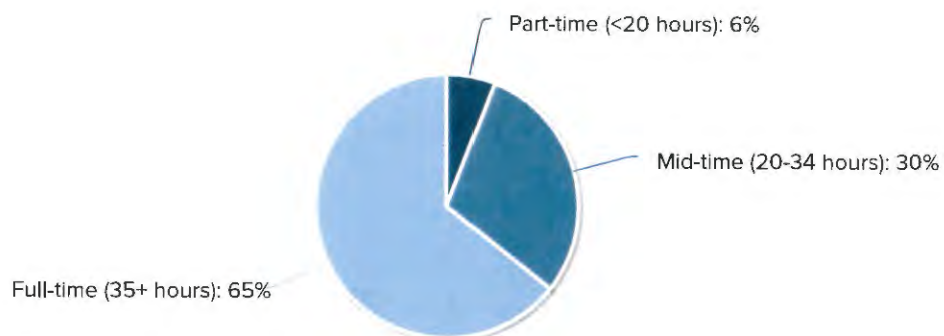
Notably, tipped workers in the District of Columbia are more likely than D.C. workers overall to be residents of D.C. **Figure C** shows that nearly a quarter of tipped workers who work in the District also live in the District, compared with only 19 percent of the overall workforce. In other words, the tipped minimum wage is a policy that disproportionately affects D.C. residents.

Appendix Table A2 also shows a number of other ways that D.C.’s tipped workforce differs

Figure B

Most tipped workers in D.C. work full time

Composition of tipped workforce in the District of Columbia, by usual weekly hours worked



Note: Data are for workers whose place of work is in the District of Columbia.

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

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from the overall D.C. workforce. For example, tipped workers in D.C. tend to be younger than the overall D.C. workforce. However, the overwhelming majority of D.C.'s tipped workers (79 percent) and servers and bartenders (73 percent) are age 25 or older. And the District's tipped workers are older than tipped workers nationally, 62 percent of whom are 25 or older (Allegretto and Cooper 2014). The data also show that while D.C.'s tipped workers typically have less formal education than the overall D.C. workforce, a majority have at least some college experience. One in four D.C. tipped workers has completed a bachelor's degree or more education.

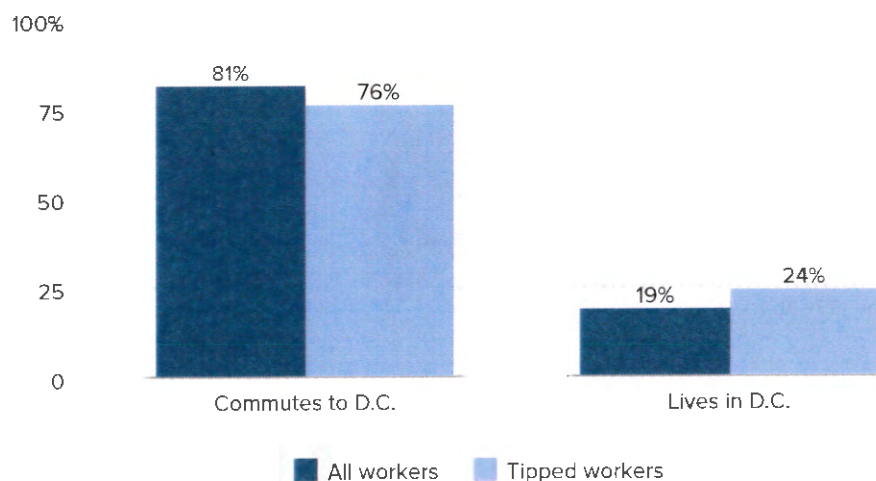
Largely consistent with tipped workers nationally (Allegretto and Cooper 2014, Table 2), more than a quarter (28 percent) of D.C. tipped workers have children. And 10 percent of D.C. tipped workers are single parents, a slightly higher percentage than in the overall D.C. workforce.

How do wages, incomes, and poverty rates of tipped workers compare with those of nontipped workers?

Tipped work is overwhelmingly low-wage work, even including income from tips. (The hourly and annual wage income values throughout this report all include base wages and

Figure C **Tipped workers in D.C. are disproportionately District residents**

Composition of District of Columbia workforce, by residency, all workers and tipped workers



Note: Data are for workers whose place of work is in the District of Columbia.

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

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tips.) As shown in **Figure D**, the median hourly wage of tipped workers in D.C.—as reported in the American Community Survey (ACS)—is \$14.41, inclusive of tips. The median hourly wage of servers and bartenders is \$14.24.⁶ In contrast, the median hourly wage of nontipped workers in D.C. is \$32.45—meaning that the typical tipped worker is paid roughly 44 percent of what the typical nontipped worker is receiving.

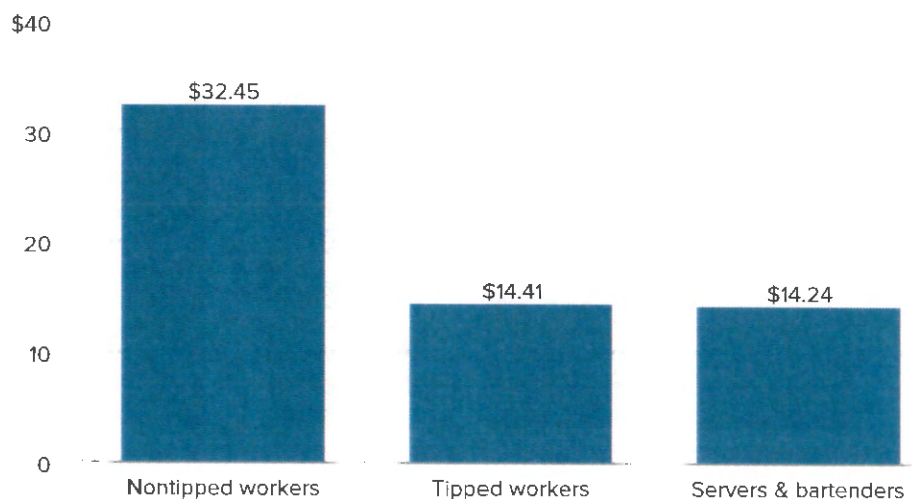
Earnings gaps between tipped and nontipped workers are even more pronounced when considering annual wage income (base wages and tips). As shown in **Appendix Table A3**, nontipped workers in the District have median annual wage income of \$69,462. The median annual wage income of tipped workers in the District is \$23,798 (34 percent of the median annual wage of D.C. nontipped workers) and the median annual wage income of servers and bartenders is \$22,763 (33 percent of the median annual wage of D.C. nontipped workers).

The annual earnings gap for tipped workers relative to nontipped workers is larger than the hourly earnings gap because tipped workers work fewer total hours throughout the year. In many cases, this may not be voluntary. As previously discussed, the tipping system encourages tipped workers to compete for access to the most lucrative shifts, and there is nothing to prevent managers from giving preference in scheduling to some workers over others. Work hours in many tipped occupations are irregular, often responding unpredictably to changes in customer traffic. And most tipped workers do not have paid

Figure D

Tipped workers in D.C. earn far less per hour than nontipped workers

Median hourly wages of nontipped workers, tipped workers, and servers and bartenders in the District of Columbia (2017 dollars)



Notes: Wages include both base wages and tips. Data are for workers whose place of work is in the District of Columbia.

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

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time off, so any time dedicated to vacation, visiting family, or any other nonwork activity often comes at the expense of paid work hours. As shown in Allegretto and Cooper 2014, less than half (45 percent) of all workers in accommodation and food service industries nationally have paid vacations, and only 36 percent receive paid holidays. These percentages likely greatly overstate the percentage of tipped workers who receive paid time off because they include managers and supervisors in accommodation and food services, who are not tipped workers. The District of Columbia only began requiring hospitality industry employers to provide paid sick leave in 2016, and compliance remains problematic (see Steingart 2018).

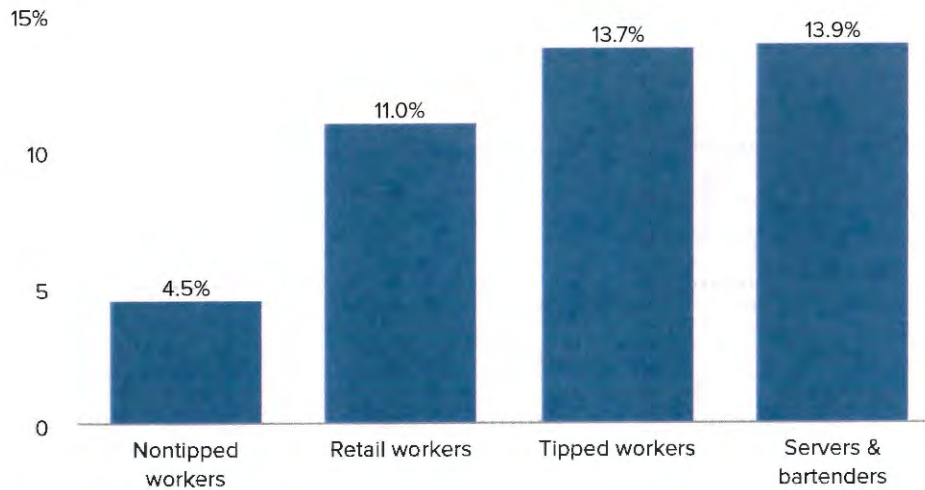
As a result of their low hourly wages and low annual earnings, tipped workers experience poverty at far greater rates than nontipped workers. As shown in **Figure E**, tipped workers in the District of Columbia have a poverty rate of 13.7 percent—more than three times the 4.5 percent poverty rate of nontipped workers in D.C. Servers and bartenders in D.C. have a poverty rate of 13.9 percent. Even when compared with workers in other low-wage industries, tipped workers are still more likely to be in poverty. The same ACS data used throughout this report shows that retail workers in the District of Columbia have a poverty rate of 11.0 percent—still high, but 2.7 percentage points lower than that of D.C. tipped workers.

The data in Appendix Table A2 further show that a large proportion of tipped workers are

Figure E

Tipped workers in D.C. experience poverty at three times the rate of nontipped workers

Poverty rates of nontipped workers, retail workers, tipped workers, and servers and bartenders in the District of Columbia



Notes: Data are for workers whose place of work is in the District of Columbia. Tipped worker occupations are listed in Appendix Table A1.

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

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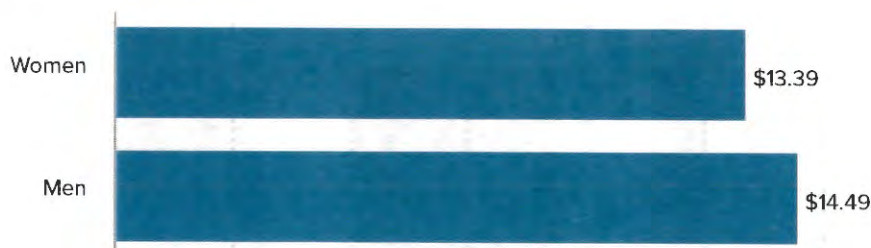
either in poverty or remain close to it. Nearly one-third (31 percent) of all tipped workers have total family incomes within 200 percent of the poverty line (14 percent are in poverty and 18 percent are just above the poverty line). In comparison, only 11 percent of nontipped workers have total family incomes within 200 percent of the poverty line. About 70 percent of tipped workers in D.C. have incomes within 400 percent of the poverty line—that means that about seven in 10 D.C. tipped workers qualify for either Medicaid or subsidized health insurance on the healthcare exchanges.⁷ For comparison, only 28 percent of nontipped D.C. workers would similarly qualify for healthcare assistance.

There is significant inequality within the D.C. tipped workforce

Although low hourly wages, low annual incomes, and high poverty rates are common features among tipped workers generally, there are significant disparities in job quality and economic outcomes within the tipped workforce.

Figure F **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.

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

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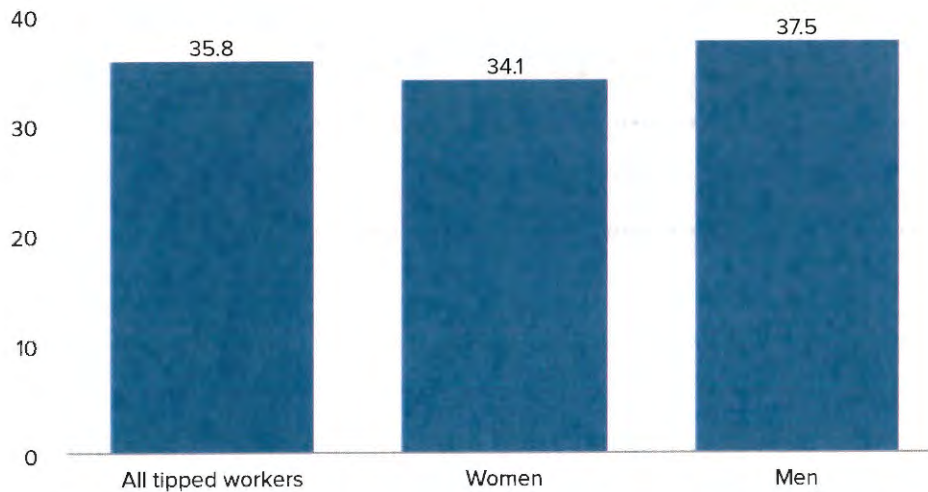
Disparities by gender

Figure F shows that tipped men workers in D.C. are paid significantly more than tipped women workers, both on an hourly and annual basis. The top panel of Figure F shows that the median hourly wage (including tips) of tipped men in D.C. is \$14.49 per hour, compared with a wage of \$13.39 per hour for women in D.C.—an 8 percent gap. On an annual basis, the difference is even starker: the median annual wage income of tipped men in D.C. is \$26,350, while tipped women in D.C. have a median annual wage of only \$21,080—more than \$5,000 (or 20 percent) less per year. All data on hourly wages, annual wage income, poverty rates, and average weekly work hours, by gender, race/ethnicity, and family status, are presented in **Appendix Table A4**.

Figure G

Tipped men workers in D.C. get more hours than tipped women workers

Average weekly work hours of District of Columbia tipped workers, all and by gender



Notes: Data are for workers whose place of work is in the District of Columbia. Tipped occupations are listed in Appendix Table A1.

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

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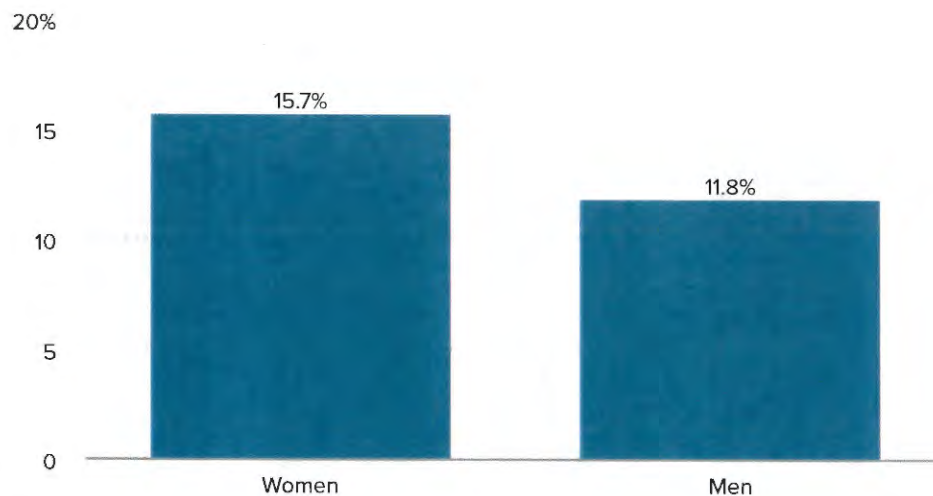
As with the differences in annual income between tipped and nontipped workers, some of the earnings gap between tipped men and tipped women workers is a function of hours. As shown in **Figure G**, tipped men in D.C., on average, work 3.4 more hours per week than tipped women. However, as with tipped workers overall, some tipped women workers in D.C. are likely working fewer hours not by choice. Women are more likely than men to be caregivers and thus may face greater constraints on their available work hours. Women may also face discrimination in requesting schedules. Because income for tipped workers is so dependent upon optimizing one’s schedule to maximize potential tips, tipped workers often must negotiate their work schedule in the same way that other workers negotiate pay. As Gould, Schieder, and Geier (2016) note in the context of salary negotiation, “men and women face different social incentives for negotiation, and there is evidence that women are more likely to be penalized when they negotiate.” It stands to reason that women face similar disadvantages in schedule negotiation as they do in salary negotiation.

As a consequence of their lower hourly pay, fewer weekly hours, lower annual income, and greater likelihood of having children under their care, tipped women workers in D.C. have significantly higher poverty rates than tipped men workers.⁸ **Figure H** shows that tipped women workers in D.C. have a poverty rate of 15.7 percent—nearly 4 percentage points higher than the poverty rate of tipped men workers in the District.

Figure H

Tipped women workers in D.C. are more likely to be in poverty than tipped men workers

Poverty rates of District of Columbia tipped workers, by gender



Notes: Data are for tipped workers whose place of work is in the District of Columbia. Tipped occupations are listed in Appendix Table A1.

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

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Disparities by race and ethnicity

Just as there are significant earnings disparities among D.C. tipped workers by gender, there are also large gaps in hourly wages and annual wage incomes by race and ethnicity. As in earlier analyses, hourly wage and annual wage incomes include wages and tips.

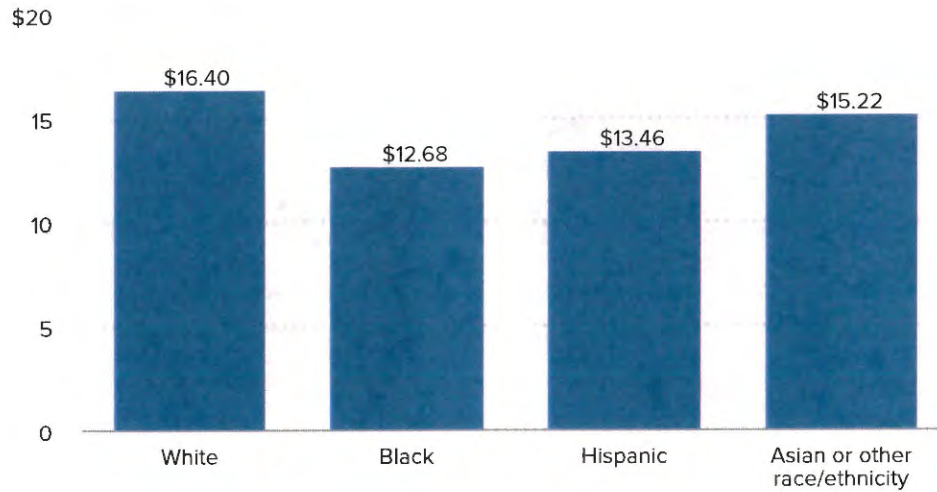
The top panel of **Figure I** shows that non-Hispanic white tipped workers are paid hourly wages that are noticeably higher than those for tipped workers of color. With an hourly wage of \$16.40, the median white tipped worker earns \$3.72 (or 29 percent) more per hour than the median black tipped worker, who receives only \$12.68 per hour.⁹ The median hourly wage for Hispanic workers is \$13.46—that’s 6 percent higher than the median for black tipped workers, but still 18 percent less than that of white tipped workers. Tipped workers who identify as Asian or of some other race or ethnicity have a median hourly wage of \$15.22.

The bottom panel of Figure I shows that these disparities remain—with some relative changes—when considering annual wage income. White tipped workers have a median annual wage income of \$27,810—more than \$6,400 (or 30 percent) higher than the \$21,393 median annual wage income of black tipped workers. The median annual wage income of Hispanic tipped workers is \$24,832—11 percent less than that of white tipped workers—and the median annual wage income of tipped workers who are Asian or some

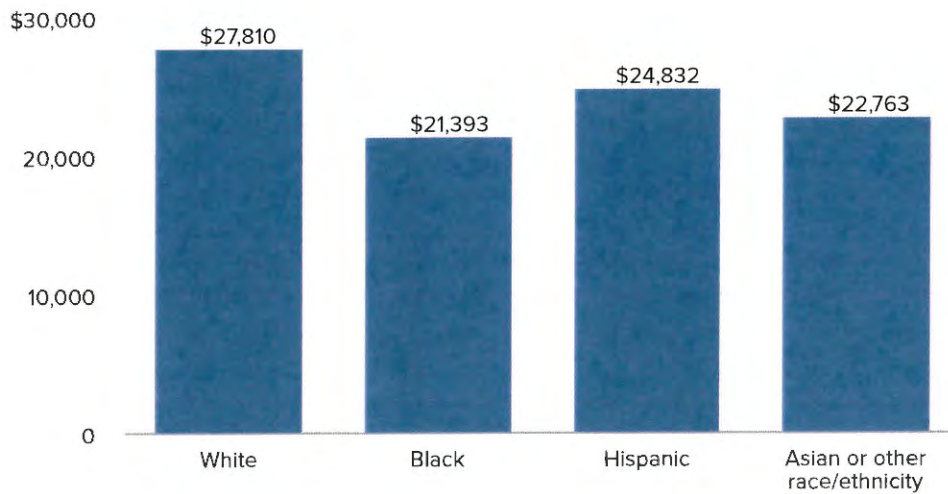
Figure 1

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)



Median annual wage income of District of Columbia tipped workers, by race/ethnicity (2017 dollars)



Notes: Wages and annual wage income 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.

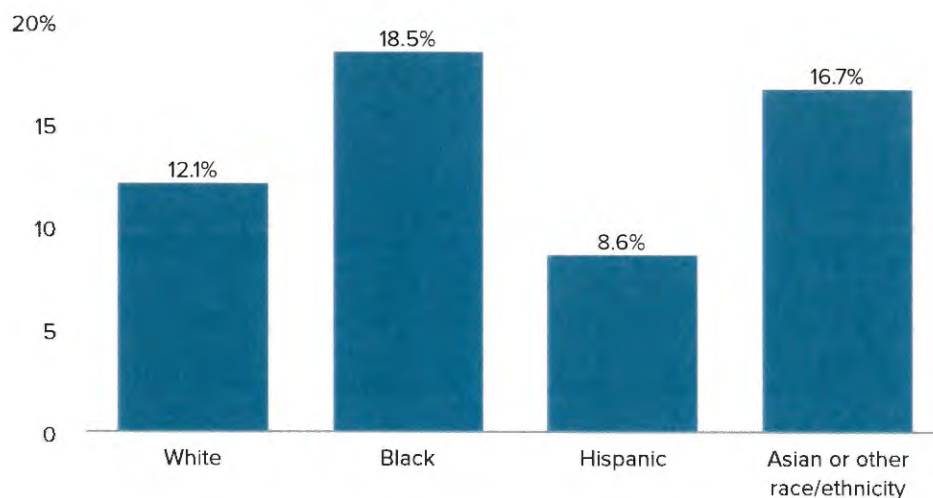
Source: EPI analysis of American Community Survey microdata, pooled years 2012–2016 (Ruggles et al. 2018)

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Figure J

Black tipped workers in D.C. are far more likely than white or Hispanic tipped workers to be in poverty

Poverty rates of District of Columbia tipped workers, by race/ethnicity



Notes: 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.

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

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other race or ethnicity is \$22,763—18 percent less than that of white tipped workers.

Poverty rates for tipped workers vary noticeably by race and ethnicity, with some perhaps unexpected differences. As shown in **Figure J**, black tipped workers in D.C. have the highest poverty rate of any group at 18.5 percent—nearly one in five of these workers are in poverty. In contrast, Hispanic workers have the lowest poverty rate among D.C.’s tipped workforce, at 8.6 percent. The poverty rate for white tipped workers is 12.1 percent, and for tipped workers who are Asian or some other race or ethnicity, 16.7 percent.

Tipped workers are better off in one-fair-wage jurisdictions where they receive the regular minimum wage before tips

As noted earlier, one-fair-wage jurisdictions are those that have eliminated the subminimum wage for tipped workers, requiring that tipped workers be paid the full regular minimum wage for every hour they work, regardless of any tip income. Cooper (2017) compares wages and poverty rates of tipped workers in one-fair-wage states with

wages and poverty rates of tipped workers in states that use the federal \$2.13 per hour tipped minimum wage as well as in states that have a tipped minimum wage higher than \$2.13 per hour, but still below the regular minimum wage. The report shows that tipped workers in one-fair-wage states receive significantly higher hourly wages and have lower poverty rates than tipped workers in states with lower tipped minimum wages. For example, restaurant servers in one-fair-wage states have median hourly wages that are 20 percent higher, and poverty rates that are 7.4 percentage points lower, than tipped workers in states that use the federal \$2.13 per hour tipped minimum wage (Cooper 2017, Table 1 and Figure A).

Still, skeptics of the District of Columbia's Initiative 77 question whether the city's tipped workers will be better off if D.C.'s tipped minimum wage is gradually raised and then eliminated in favor of a single minimum wage, given that the city's regular minimum wage—currently \$13.25 and scheduled to rise to \$15.00—is relatively high compared with minimum wages in much of the rest of the country. City-level data presented here strongly indicate that the answer is yes: Tipped workers are unambiguously better off in cities that have eliminated their lower tipped minimum wages, even when those cities have a relatively high regular minimum wage.

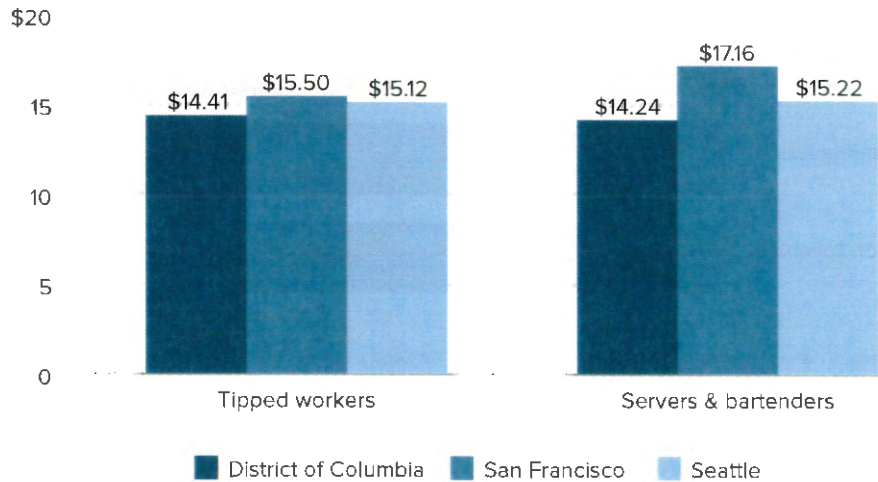
The first two major cities in the United States to adopt a \$15 per hour regular minimum wage were Seattle and San Francisco.¹⁰ These cities' minimum wage hikes came on the heels of prior increases—both city and state—that had put their minimum wages well above the federal minimum wage of \$7.25 an hour. Notably for our analyses below, both Washington State and California are one-fair-wage states—meaning that tipped workers are treated no differently than nontipped workers. Tipped workers there receive the regular minimum wage as a base wage, regardless of any tips.¹¹ Thus, while the \$15 tipped minimum wage had not yet been fully phased in for workers in either city during the years of our pooled data (2012–2016), both cities effectively already had tipped minimum wages ranging from just over \$9.00 to well over \$13.00 an hour in the years of the study period—far higher than the federal tipped minimum wage of \$2.13 per hour and the \$2.77 tipped minimum wage in the District of Columbia in 2014.¹²

As shown in **Figure K**, the median wages (base wages and tips) of tipped workers in Seattle and San Francisco are \$15.12 and \$15.50 per hour, respectively, 4.9 percent and 7.5 percent higher than the median wage of tipped workers in the District of Columbia.¹³ Restaurant servers in Seattle and San Francisco do even better than the overall tipped workforce relative to their peers in D.C. In Seattle, the median restaurant server earns \$15.22 per hour, 6.9 percent more than in the District of Columbia. In San Francisco, the median restaurant server earns \$17.16 per hour, 20.5 percent more than the median server in D.C. **Appendix Table A5** presents additional wage data on restaurant servers from the Occupational Employment Statistics (OES) that are largely consistent with these ACS-based findings. According to the OES data, the median wage of waiters and waitresses is 21 percent higher in the San Francisco-Redwood City-South San Francisco metro division than it is in D.C. In the Seattle-Bellevue-Everett metro division, the median wage of waiters and waitresses is 16 percent higher than in D.C. The wage gaps between servers and nontipped workers reported in the OES data are also similar to what we find in the ACS, with larger gaps in D.C. than in the Seattle and San Francisco regions.

Figure K

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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Tipped workers in Seattle and San Francisco also have annual earnings closer to the annual earnings of their city’s nontipped workers. **Figure L** shows that in Seattle, the median annual wage income (base wages and tips) of tipped workers is 45 percent of the median annual wage of nontipped workers; in San Francisco, tipped worker median annual earnings are 42 percent of nontipped worker median annual earnings. In other words, in these one-fair-wage cities, tipped workers typically make a little less than half of what the typical nontipped worker earns in a year. In contrast, tipped workers in D.C. typically only make about a third of what nontipped workers are paid: the median annual earnings of tipped workers in D.C. is only 34 percent of the median annual earnings of nontipped workers.

Appendix Table A6 shows tipped and nontipped workers earnings in 2017 dollars in all three cities, as well as earnings of servers and bartenders and the overall workforce. D.C. has the highest median annual wage income for nontipped workers, at \$69,462, yet tipped workers in the District have a median annual wage of only \$23,798.

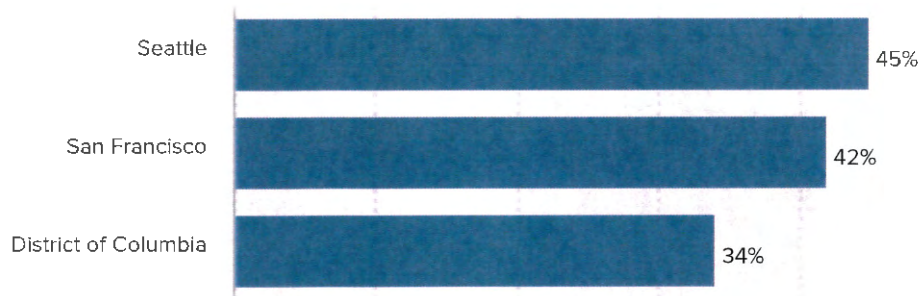
In San Francisco, the nontipped median annual wage is \$60,269—13 percent lower than in D.C.—while San Francisco tipped workers’ median annual wage of \$25,538 is 7 percent higher than in D.C.

In Seattle, the median annual wage for tipped workers is \$22,763—4 percent less than the tipped worker median annual wage in D.C. However, the median annual wage of

Figure L

In one-fair-wage cities, tipped workers have earnings closer to those of nontipped workers

Median tipped worker annual earnings as a share of nontipped worker annual earnings in San Francisco, Seattle, and the District of Columbia



Notes: “Earnings” refers to all wages, salaries, 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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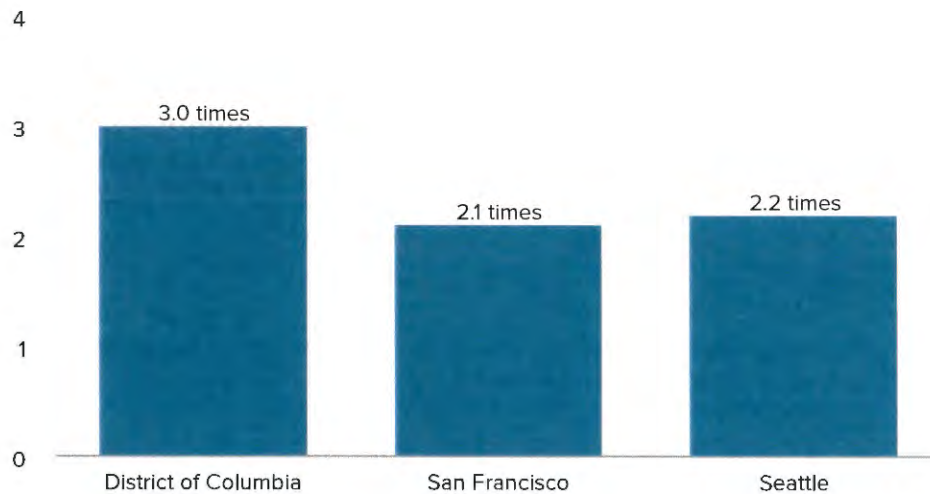
nontipped workers in Seattle is only \$50,593—27 percent less than in D.C. In other words, tipped workers in Seattle have annual wages comparable to tipped workers in D.C. despite the fact that wages in Seattle overall are significantly lower than in the District of Columbia.

Again, consistent with Cooper’s (2017) state-level findings, poverty is less concentrated among tipped workers in cities that have eliminated their separate tipped minimum wage. As shown in **Figure M**, poverty rates of tipped workers in both Seattle and San Francisco are roughly twice the poverty rates of nontipped workers. Because tipped workers typically have lower incomes than nontipped workers, even in one-fair-wage cities, tipped workers’ high relative poverty rates in these cities are not surprising. However, they stand in stark contrast to the relative poverty rates of tipped workers in the District of Columbia, who experience poverty at three times the rate of the nontipped workforce. The data in Appendix Table A6 show that poverty rates of tipped workers across the three cities are similar, but poverty rates overall and among nontipped workers are moderately higher in both San Francisco and Seattle than in D.C. Whatever other factors are contributing to these cities’ higher prevalence of poverty, the strong base wage for tipped workers seems to moderate how these factors impact the tipped workforce.

Figure M

Poverty is more concentrated among tipped workers when they have a lower tipped minimum wage

Ratio of tipped worker poverty rate to nontipped worker poverty rate in San Francisco, Seattle, and the District of Columbia



Note: The ratios show how much more likely tipped workers are to be in poverty than nontipped workers. The 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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How does D.C.'s restaurant industry compare with Seattle's and San Francisco's?

Opponents of Initiative 77 have claimed that raising and gradually eliminating the lower minimum wage for tipped workers will badly damage the District of Columbia's booming restaurant industry, leading to closures, layoffs, and worse economic outcomes for the workers the policy is intended to help. Many of these claims are similar, if not identical, to claims routinely made by business groups in response to proposals to increase regular minimum wages (see National Employment Law Project 2013). As explained by Cooper, Mishel, and Zipperer (2018) and Schmitt (2013), over the past several decades, research on the effect of higher minimum wages has grown ever more conclusive 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.

Indeed, these findings were recently confirmed by Allegretto et al. (2018), who analyzed the impact of city minimum wages of \$10 or higher on workers in food service industries in Chicago, Oakland, San Francisco, San Jose, Seattle, and Washington, D.C. The authors

state that they “cannot detect significant negative employment effects. Our models estimate employment effects of a 10 percent increase in the minimum wage that range from a 0.3 percent decrease to a 1.1 percent increase, on average.”

In the one study that has looked specifically 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 industry wages, and little, if any, change in employment levels.

Data presented here on the full-service restaurant industries in Seattle and San Francisco show that the restaurant industries in these cities are still successful. In fact, the restaurant industry—particularly small restaurants—is an even bigger part of the local economy in those cities than it is in the District of Columbia. Both Seattle and San Francisco have higher concentrations of tipped workers and boutique restaurants than the District of Columbia. As noted earlier, because of state and local legislation, both Seattle and San Francisco have had tipped minimum wages far higher than the District of Columbia for decades.

Table 2 shows employment counts and shares of tipped workers and servers and bartenders in the District of Columbia, San Francisco, and King County, Washington (the county that includes Seattle). As previously noted, the roughly 16,000 tipped workers in D.C. represent 2 percent of the overall District workforce. San Francisco has roughly 21,000 tipped workers (about 30 percent more than D.C.) in a total workforce of only about 687,000 (15 percent less than D.C.). San Francisco’s tipped workers constitute 3 percent of the city’s overall workforce. The roughly 30,000 tipped workers in King County account for 2.4 percent of the county’s total workforce. Similarly, in San Francisco and King County, servers and bartenders make up larger shares of the total workforce than they do in the District of Columbia.

Of course, as the seat of the federal government, D.C. has a much larger concentration of government and nonprofit workers than both San Francisco and King County. Table 2 also shows employment counts and shares for tipped workers and servers and bartenders in the private sector and the broader nongovernment sector, which includes both private, for-profit businesses and nonprofit entities (tipped occupations can exist in all three sectors).¹⁴ The data show that when only considering the nongovernment sectors, there is still a slightly higher concentration of tipped workers in San Francisco (3.4 percent) than in D.C. (2.9 percent). King County’s tipped worker share of the nongovernment workforce (2.7 percent) is nearly the same as D.C.’s. Among just servers and bartenders in the nongovernment sector, San Francisco has a slightly higher concentration (2.1 percent) than D.C. (1.9 percent). King County has a slightly lower concentration (1.6 percent) of servers and bartenders, though this difference may simply be because King County encompasses both the city of Seattle and parts of the surrounding suburbs.

Looking only at workers in the private, for-profit sector, tipped workers make up the same shares of the private-sector workforce in both D.C. and San Francisco, at 3.9 percent. The tipped worker share of total private-sector employment in King County is lower, at 3.0

Table 2

Tipped workforce counts and shares in D.C., San Francisco, and King County, Washington

	District of Columbia	San Francisco	San Francisco relative to D.C.	King County, Wash.	King County, Wash., relative to D.C.
Total workforce	812,100	687,200	85%	1,261,900	155%
Tipped workers	16,100	20,700	129%	30,500	189%
<i>Share of total workforce</i>	2.0%	3.0%		2.4%	
Servers & bartenders	10,500	12,500	119%	17,600	168%
<i>Share of total workforce</i>	1.3%	1.8%		1.4%	
Total nongovernment workforce	541,300	600,200	111%	1,104,000	204%
<i>Share of total workforce</i>	66.7%	87.3%		87.5%	
Nongovernment tipped workers	16,000	20,600	129%	30,100	188%
<i>Share of nongovernment workforce</i>	2.9%	3.4%		2.7%	
Nongovernment servers & bartenders	10,400	12,500	120%	17,500	168%
<i>Share of nongovernment workforce</i>	1.9%	2.1%		1.6%	
Private-sector workforce	361,200	464,200	129%	878,800	243%
<i>Share of total workforce</i>	44.5%	67.5%		69.6%	
Private-sector tipped workers	14,300	17,900	125%	26,000	182%
<i>Share of private-sector workforce</i>	3.9%	3.9%		3.0%	
Private-sector servers & bartenders	10,100	12,200	121%	16,900	167%
<i>Share of private-sector workforce</i>	2.8%	2.6%		1.9%	

Note: Data are for workers in the specified sector whose place of work is in the specified jurisdiction.

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

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percent—again, some of this may be because King County encompasses a broader area than just the city of Seattle. Servers and bartenders make up nearly equivalent shares of the private sector in San Francisco and the District of Columbia, at 2.6 percent and 2.8 percent, respectively. In King County, servers and bartenders account for 1.9 percent of private-sector employment—lower than their shares in D.C. and San Francisco, again likely due at least in part to the differences in the geographic units being compared.

The upshot of these data is that in two cities where tipped workers are paid the regular minimum wage, tipped workers make up a larger share of the overall workforce than in D.C., where tipped workers make a subminimum wage. Tipped workers make up similar, if not equal, shares of the nongovernment and private-sector workforces in San Francisco as well. The concentration of tipped occupations in King County is lower than it is in D.C., although this may be largely because King County encompasses a broader geographic

area than just the city of Seattle, where there are likely higher concentrations of restaurants and other employers of tipped workers.

The District of Columbia has experienced a boom in its restaurant industry in recent years. **Table 3** presents data on full-service restaurant establishments, employment, and wages for the District of Columbia, San Francisco, and the Seattle-Tacoma-Bellevue metropolitan statistical area (henceforth the “Seattle MSA”) from the Quarterly Census of Employment and Wages (QCEW).¹⁵

The data show that D.C. has experienced strong growth in the number of full-service restaurant establishments and in restaurant employment since 2010, with the number of establishments increasing by an average of 3.9 percent per year from 2010 to 2017, and restaurant employment growing by 6.4 percent per year from 2010 to 2017—faster, in both cases, than restaurant establishment and employment growth in San Francisco and in the Seattle MSA. It is worth noting, however, that over the past four years, as all three cities have begun to phase in raises to their minimum wages, the growth rates in D.C., San Francisco, and the Seattle MSA have started to converge (with one exception). From 2013 to 2017, growth in the number of restaurant establishments in the Seattle MSA averaged 3.8 percent, compared with 4.0 percent in D.C. (San Francisco’s 0.8 percent growth rate in this measure is the outlier.) Similarly, restaurant employment in the Seattle MSA grew by 3.5 percent and San Francisco restaurant employment grew by 3.2 percent—in both cases slower than D.C.’s 4.0 percent, but not dramatically so.

However, from 2013 to 2017, average weekly wages (base wages and tips) grew much faster in Seattle and San Francisco restaurants than they did in D.C., rising by 5.3 percent in the Seattle MSA and by 6.0 percent in San Francisco, compared with 3.0 percent growth in D.C.

D.C.’s restaurant scene has a lower concentration of “small business” restaurants than other cities

Finally, it is important to recognize that D.C.’s restaurant boom has not been entirely an emergence of small, locally owned, boutique restaurants. In fact, the share of the District’s restaurant industry made up of “small businesses” has actually shrunk since 2010 (and this is true for both businesses with fewer than 20 employees, and for businesses with fewer than 50 employees). **Appendix Table A7** shows that the share of District restaurants with fewer than 50 employees fell by 2.4 percentage points from 2010 to 2016, the most recent year for which relevant data are available. As the table shows, this is a larger reduction in the small-business share of the industry than occurred in both San Francisco (down 2.2 percentage points) and King County, Washington (down 1.2 percentage points). The share of restaurants in D.C. that have fewer than 20 employees fell by 5.9 percentage points from 2010 to 2016.

As of 2016, the most recent year of available data, the share of restaurants in the District of

Table 3

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
<i>Annual average change 2010–2017</i>	3.9%	1.5%	2.6%
<i>Annual average change 2013–2017</i>	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
<i>Annual average change 2010–2017</i>	6.4%	4.2%	3.5%
<i>Annual average change 2013–2017</i>	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
<i>Annual average change 2010–2017</i>	2.7%	5.3%	4.6%
<i>Annual average change 2013–2017</i>	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

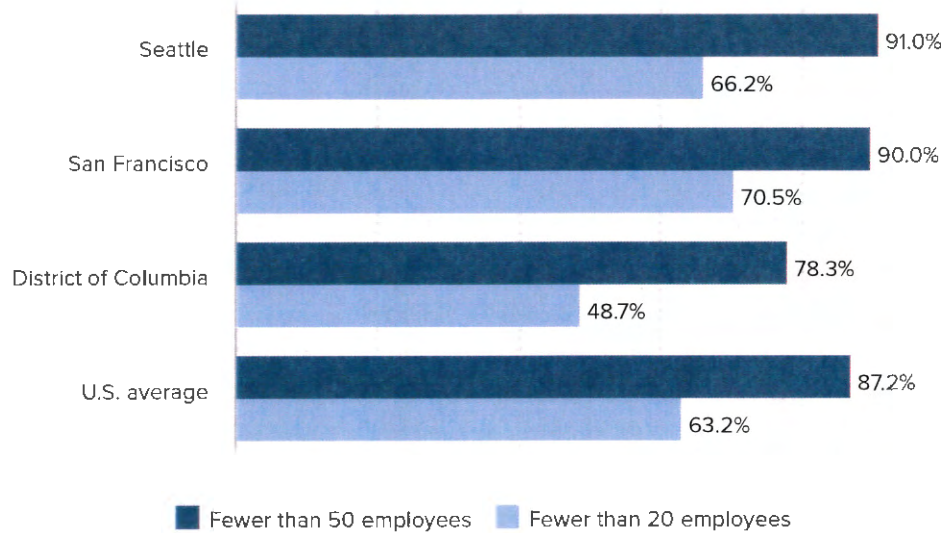
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Columbia that were “small businesses” was much smaller than in one-fair-wage cities San Francisco and Seattle. **Figure N** shows that in King County, Washington (where Seattle is located), 66.2 percent of all restaurants have fewer than 20 employees, and 91.0 percent have fewer than 50 employees. Similarly, in San Francisco, 70.5 percent of all restaurants

Figure N

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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have fewer than 20 employees and 90.0 percent have fewer than 50 employees. In contrast, restaurants in the District of Columbia are much more likely to be large employers: less than half (48.7 percent) have fewer than 20 employees, and only 78.3 percent have fewer than 50 employees. This is low compared with San Francisco, Seattle, and the U.S. as a whole—nationally, 63.2 percent and 87.2 percent of restaurants have fewer than 20 and 50 employees, respectively. (Though not in the scope of this report, the District of Columbia is an outlier compared with other major cities as well, including New York, Boston, and Portland, Oregon.)¹⁶

Why restaurants in the District of Columbia tend to be larger than restaurants in other major cities is not obvious. Whatever the reason, the notion that the restaurant industry in the District of Columbia is unique for its prevalence of small businesses is false. Many cities—including those where tipped workers are paid the regular minimum wage as a base wage—have a larger proportion of small-business restaurants than D.C. does.

Conclusion

When voters in the District of Columbia elected, by a 12-point margin, to gradually raise and eliminate the lower minimum wage for tipped workers, they were opting for a policy change that has been law for decades in seven states, and that has unambiguously improved economic outcomes for tipped workers there.¹⁷ Contrary to false rhetoric from Initiative 77 opponents, the data show that tipped workers have higher hourly pay (including both base wages and tips) in cities and states where they are paid the regular minimum wage as a base wage. This holds true in the two major cities—Seattle and San Francisco—that were first to adopt \$15 minimum wages. In these cities, there is little evidence that the one-fair-wage policy is hurting tipped workers. In fact, tipped workers make up larger shares of the overall workforce in those cities than they do in the District of Columbia, and they make up similar shares of the private-sector workforces. The restaurant industries in those one-fair-wage cities continue to grow.

If the District of Columbia’s city council members choose to overturn the will of the voters and undo Initiative 77, they will be doing a disservice to a segment of the city’s workforce that is disproportionately low-income, workers of color, and living within city limits. The facts show little justification for such a choice.

Endnotes

1. The states that have adopted one-fair-wage laws are Alaska, California, Hawaii, Minnesota, Montana, Nevada, Oregon, and Washington. In Hawaii, tipped workers may be paid a base wage \$1.00 less than the regular minimum wage, but only if their combined base wage plus tips is at least \$7.00 more per hour than the regular minimum wage.
2. In both Seattle and San Francisco, wages of the overall workforce and of nontipped workers are lower than wages for those groups in D.C. This strongly suggests that it is these cities’ adoption of a one-fair-wage policy that is leading to higher wages for tipped workers there.
3. Initiative 77, which passed in June 2018, would set the current tipped minimum wage at \$4.50 (see One Fair Wage DC 2018). However, the initiative has not yet taken effect, and the tipped minimum wage under existing city ordinance still applies. Under current law, the District’s tipped minimum wage is scheduled to rise to \$4.45 on July 1, 2019, and to \$5.00 on July 1, 2020.
4. In Hawaii, tipped workers may be paid a base wage \$1.00 less than the regular minimum wage, but only if their combined base wage plus tips is at least \$7.00 more per hour than the regular minimum wage.
5. National shares from Cooper and Allegretto were calculated from pooled 2011–2013 Current Population Survey Outgoing Rotation Group microdata; D.C. shares in this report are calculated from pooled 2012–2016 American Community Survey microdata.
6. The ACS hourly wage data used in this report may even overstate true hourly earnings for tipped workers. According to the May 2017 Occupational Employment Statistics, the median hourly wage of waiters and waitresses in the District of Columbia was \$11.86.

7. Income in the income-to-poverty calculations reflect total family income from all sources, not just wage and tip income.
8. The ACS data indicate that 17 percent of tipped women workers in D.C. are married with children—roughly equal to the share of U.S. tipped workers overall that are married with children. However, 18 percent of tipped women workers are single parents—markedly higher than the 10 percent share of the national tipped workforce. Unfortunately, the ACS sample size of tipped workers in D.C. is not large enough to produce statistically precise shares of tipped workers by both gender and family status. Thus, while these findings are suggestive and seem plausible, they are not statistically different from the overall national tipped workforce shares and are not published in this report.
9. The wage data in this report are the average over the period from 2012 to 2016, yet all values have been inflated to 2017 dollars using the Consumer Price Index for all urban consumers (CPI-U). The overall minimum wage in the District of Columbia was \$11.50 from January to June 2017 and was \$12.50 from July to December 2017.
10. Seattle enacted its own minimum wage in 2014 by city council ordinance. For employers with 500 or fewer employees, the minimum wage is currently \$14.00 an hour and will reach \$15.00 an hour January 1, 2019, with annual indexing thereafter. With annual indexing, the minimum wage for Seattle employers with more than 500 employees is currently \$15.45. San Francisco changed its minimum wage in 2014 by a ballot measure. The minimum wage is \$15.00 an hour with annual indexing beginning January 1, 2019. See EPI's [Minimum Wage Tracker](#) (EPI 2018).
11. The Seattle minimum wage ordinance allows businesses with fewer than 500 employees worldwide to credit a portion of tips against the regular minimum wage if they provide health insurance to their employees. As of January 1, 2018, this credit can lower tipped workers' base wage to \$11.50 per hour, provided workers receive at least \$15 an hour in total compensation. This credit decreases each year and will be fully eliminated by 2025.
12. More details on the history of the three jurisdictions' minimum wages can be obtained from Washington State Department of Labor & Industries 2018; Seattle Office of Labor Standards 2018; San Francisco Office of Labor Standards Enforcement 2018; and Allegretto and Cooper 2014, Appendix Table A1.
13. The place of work identified in the ACS microdata does not isolate the city of Seattle from the rest of King County, Washington. Thus, all statistics for Seattle reflect values for all of King County. Because wages in city centers are typically higher than in the surrounding region, reported wage values likely understate true tipped worker wages in Seattle.
14. It may strike some readers as odd that tipped workers could exist in the government or nonprofit sectors, but they can—although some employed through contractors may be misidentifying their employer. For example, a restaurant server at a university, a union hall, a professional association, or a government building is still a tipped worker. In some of these situations, tipped workers may technically be employees of some private contracted service provider. But it is likely that in responding to a survey, workers in such situations may not correctly identify—and may not even know—their true employer. See Katz and Kreuger 2016 for a discussion of these arrangements.
15. The entire state of Washington is a one-fair-wage jurisdiction, meaning tipped workers' base pay must equal at least the state's minimum wage, which was \$9.32 in January 2014 and \$11.50 as of January 2018, and which will reach \$13.50 in 2020 (Washington State Department of Labor & Industries 2018). Additionally, within the Seattle-Takoma-Bellevue MSA, three cities—Seattle, Tacoma, and SeaTac—have all raised their local minimum wages in the last few years to rates

higher than the state rate (see Seattle Office of Labor Standards 2018; City of Takoma 2018; and City of SeaTac 2018).

16. EPI analysis of County Business Patterns data (U.S. Census Bureau, various years).
17. Hawaii changed its tipped minimum wage policy to become a one-fair-wage state in 2014. The other seven one-fair-wage states have all had one-fair-wage policies in place for decades.

Appendix
Table A1

Employment counts and shares of tipped workers in the District of Columbia, by tipped occupation

Occupation	Count	Share
<i>Bartenders</i>	2,700	17.0%
<i>Waiters and waitresses</i>	7,800	48.4%
<i>Nonrestaurant food servers</i>	300	1.8%
<i>Misc. food preparation and serving-related workers including dining room attendants (bussers) and bartender helpers (barbacks)</i>	1,400	8.6%
<i>Gaming service workers</i>	>20	0.1%
<i>Barbers</i>	400	2.5%
<i>Hairdressers, hairstylists, and cosmetologists</i>	2,600	16.0%
<i>Miscellaneous personal appearance workers, including nail salon workers</i>	900	5.5%
Total	16,100	

Note: Tipped occupations are those that customarily receive tips and in which at least some workers may be paid less than the regular minimum wage as a base wage. See Allegretto and Cooper 2014 for further details.

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

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Appendix

Appendix
Table A2

Demographic characteristics of all workers, nontipped workers, tipped workers, and servers and bartenders in the District of Columbia

Demographic category	All workers	Nontipped workers	Tipped workers	Servers & bartenders
<i>Total</i>	812,100	796,000	16,100	10,500
<i>Shares of workers in each subcategory</i>				
<i>Gender</i>				
<i>Women</i>	48%	48%	50%	47%
<i>Men</i>	52%	52%	50%	53%
<i>Age</i>				
<i>Less than 25</i>	7%	7%	21%	27%
<i>25 to 39 years</i>	38%	38%	44%	45%
<i>40 to 54 years</i>	34%	34%	23%	17%
<i>55 years or older</i>	21%	21%	13%	11%
<i>Education</i>				
<i>Less than high school</i>	6%	5%	12%	8%
<i>High school</i>	13%	13%	25%	23%
<i>Some college/associate degree</i>	19%	19%	37%	40%
<i>Bachelor's degree or more education</i>	62%	63%	26%	29%
<i>Race/ethnicity</i>				
<i>White</i>	45%	46%	30%	36%
<i>Black</i>	33%	33%	27%	25%
<i>Hispanic, any race</i>	12%	11%	26%	25%
<i>Asian or other race/ethnicity</i>	10%	10%	17%	14%
<i>Usual weekly hours of work</i>				
<i>Part-time (<20 hours)</i>	3%	3%	6%	6%
<i>Mid-time (20–34 hours)</i>	8%	8%	30%	33%
<i>Full-time (35+ hours)</i>	89%	89%	65%	62%
<i>Family status</i>				
<i>Married parent</i>	29%	29%	18%	13%
<i>Single parent</i>	9%	9%	10%	10%
<i>Married, no children</i>	20%	20%	11%	11%
<i>Single, no children</i>	43%	43%	61%	66%
<i>Income-to-poverty level</i>				

Appendix
Table A2
(cont.)

Demographic category	All workers	Nontipped workers	Tipped workers	Servers & bartenders
<i>In poverty</i>	5%	4%	14%	14%
<i>101%–200% poverty</i>	7%	6%	18%	16%
<i>201%–300% poverty</i>	8%	8%	21%	20%
<i>301%–400% poverty</i>	9%	9%	18%	18%
<i>400%+ poverty</i>	70%	71%	29%	30%
<i>Missing poverty status</i>	1%	1%	2%	2%
<i>Household income</i>				
<i>Less than \$25,000</i>	3%	3%	10%	10%
<i>\$25,000–\$49,999</i>	9%	8%	21%	20%
<i>\$50,000–\$74,999</i>	12%	12%	19%	18%
<i>\$75,000–\$99,999</i>	12%	12%	13%	13%
<i>\$100,000–\$149,999</i>	22%	22%	17%	18%
<i>\$150,000 or more</i>	42%	43%	20%	21%
<i>Residency status</i>				
<i>Lives outside D.C.</i>	81%	81%	76%	74%
<i>Lives in D.C.</i>	19%	19%	24%	26%

Notes: Data are for workers whose place of work is in the District of Columbia. Tipped occupations are listed in Appendix Table A1. Income-to-poverty level is specific to each person's family size and composition. In 2017, the poverty threshold for a single person under age 65 with one child was \$16,895. Values may not sum due to rounding.

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

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Appendix
Table A3

Wages, incomes, poverty rates, and average weekly hours of all workers, all tipped workers, and servers and bartenders in the District of Columbia

	Median hourly wage (2017\$)	Median annual wage income (2017\$)	Poverty rate	Average weekly work hours	Average annual work hours
<i>All D.C. workers</i>	\$31.96	\$67,387	4.7%	41.5	2,075
<i>Nontipped workers</i>	\$32.45	\$69,462	4.5%	41.6	2,083
<i>All tipped workers</i>	\$14.41	\$23,798	13.7%	35.8	1,694
<i>Servers & bartenders</i>	\$14.24	\$22,763	13.9%	35.7	1,668

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

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

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Appendix
Table A4

Wages, incomes, and poverty rates of tipped workers in the District of Columbia, by demographic group

	Median hourly wage (2017\$)	Median annual wage income (2017\$)	Poverty rate	Average weekly work hours
All tipped workers	\$14.41	\$23,798	13.7%	35.8
Gender				
Women	\$13.39	\$21,080	15.7%	34.1
Men	\$14.49	\$26,350	11.8%	37.5
Gender gap (women/men)	-7.7%	-20.0%	3.9 ppt.	-9.3%
Race/ethnicity				
White	\$16.40	\$27,810	12.1%	36.2
Black	\$12.68	\$21,393	18.5%	34.3
Hispanic, any race	\$13.46	\$24,832	8.6%	35.8
Asian or other race/ethnicity	\$15.22	\$22,763	16.7%	37.7
Black relative to white	-22.7%	-23.1%	6.4 ppt.	-5.1%
Hispanic relative to white	-17.9%	-10.7%	-3.5 ppt.	-1.0%
Family status				
Married parent	\$15.92	\$26,741	6.0%	36.6
Single parent	\$11.96	\$20,694	21.0%	33.4
Married, no children	\$16.53	\$24,875	11.1%	36.2
Single, no children	\$13.74	\$23,083	15.3%	35.9

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

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

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Appendix
Table A5 **Median wages from the May 2017 Occupational Employment Statistics, by occupation and city or metro division (2017 dollars)**

	District of Columbia	San Francisco-Redwood City-South San Francisco metro division	San Francisco relative to D.C.	Seattle-Bellevue-Everett, Wash. metro division	Seattle relative to D.C.
<i>All occupations</i>	\$33.82	\$27.55	82%	\$24.30	72%
<i>Waiters & waitresses</i>	\$11.86	\$14.32	121%	\$13.76	116%
Relative to all occupations	35%	52%		57%	
<i>Bartenders</i>	\$15.05	\$14.91	99%	\$13.89	92%
Relative to all occupations	45%	54%		57%	

Source: May 2017 Occupational Employment Statistics from the Bureau of Labor Statistics

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Median wages, incomes, and poverty rates of all workers, tipped workers, and nontipped workers in the District of Columbia, San Francisco, and King County, Washington

	District of Columbia	San Francisco	San Francisco relative to D.C.	King County, Wash.	King County, Wash., relative to D.C.
<i>Hourly wages (2017 dollars)</i>					
Overall workforce	\$31.96	\$28.57	89%	\$24.51	77%
Nontipped workers	\$32.45	\$29.50	91%	\$24.79	76%
Tipped workers	\$14.41	\$15.50	108%	\$15.12	105%
Relative to overall workforce	45%	54%		62%	
Relative to nontipped workers	44%	53%		61%	
Servers & bartenders	\$14.24	\$17.16	121%	\$15.22	107%
Relative to overall workforce	45%	60%		62%	
Relative to nontipped workers	44%	58%		61%	
<i>Annual wage income (2017 dollars)</i>					
Overall workforce	\$67,387	\$57,971	86%	\$49,032	73%
Nontipped workers	\$69,462	\$60,269	87%	\$50,593	73%
Tipped workers	\$23,798	\$25,538	107%	\$22,763	96%
Relative to overall workforce	35%	44%		46%	
Relative to nontipped workers	34%	42%		45%	
Servers & bartenders	\$22,763	\$28,880	127%	\$21,393	94%
Relative to overall workforce	34%	50%		44%	
Relative to nontipped workers	33%	48%		42%	

Appendix
Table A6
(cont.)

	District of Columbia	San Francisco	San Francisco relative to D.C.	King County, Wash.	King County, Wash., relative to D.C.
<i>Poverty rate</i>					
<i>Overall workforce</i>	4.7%	7.1%	1.51	6.2%	1.31
<i>Nontipped workers</i>	4.5%	6.9%	1.52	6.0%	1.32
<i>Tipped workers</i>	13.7%	14.5%	1.06	13.0%	0.95
Relative to overall workforce	2.9	2.0		2.1	
Relative to nontipped workers	3.0	2.1		2.2	
<i>Servers & bartenders</i>	13.9%	14.8%	1.06	14.4%	1.04
Relative to overall workforce	2.9	2.1		2.3	
Relative to nontipped workers	3.1	2.1		2.4	

Note: Hourly and annual wages include both base wages and tips.

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

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Numbers and shares of full-service restaurants that are “small businesses” in D.C., San Francisco, and King County, Washington

District of Columbia					
	Total establishments	Establishments with 1–49 employees	1–49 share of total	Establishments with 1–19 employees	1–19 share of total
2010	705	569	80.7%	385	54.6%
2011	723	584	80.8%	393	54.4%
2012	742	586	79.0%	370	49.9%
2013	771	617	80.0%	394	51.1%
2014	806	639	79.3%	398	49.4%
2015	834	649	77.8%	405	48.6%
2016	881	690	78.3%	429	48.7%
<i>Average annual change 2010–2016</i>	4.2%	3.5%	-2.4 ppt. (total change)	1.9%	-5.9 ppt. (total change)
<i>Average annual change 2013–2016</i>	4.8%	3.9%	-1.7 ppt. (total change)	3.0%	-2.4 ppt. (total change)
San Francisco					
	Total establishments	Establishments with 1–49 employees	1–49 share of total	Establishments with 1–19 employees	1–19 share of total
2010	1,755	1,618	92.2%	1354	77.2%
2011	1,764	1,623	92.0%	1322	74.9%
2012	1,784	1,636	91.7%	1333	74.7%
2013	1,847	1,699	92.0%	1375	74.4%
2014	1,893	1,718	90.8%	1369	72.3%
2015	1,922	1,738	90.4%	1376	71.6%
2016	1,917	1,726	90.0%	1352	70.5%
<i>Average annual change 2010–2016</i>	1.5%	1.1%	-2.2 ppt. (total change)	0.0%	-6.7 ppt. (total change)
<i>Average annual change 2013–2016</i>	1.3%	0.5%	-2.0 ppt. (total change)	-0.6%	-3.9 ppt. (total change)

Appendix
Table A7
(cont.)

San Francisco					
	Total establishments	Establishments with 1–49 employees	1–49 share of total	Establishments with 1–19 employees	1–19 share of total
			change)		change)
King County, Wash.					
	Total establishments	Establishments with 1–49 employees	1–49 share of total	Establishments with 1–19 employees	1–19 share of total
2010	2,140	1,973	92.2%	1518	70.9%
2011	2,160	1,991	92.2%	1514	70.1%
2012	2,188	2,018	92.2%	1532	70.0%
2013	2,261	2,088	92.3%	1567	69.3%
2014	2,301	2,105	91.5%	1564	68.0%
2015	2,356	2,141	90.9%	1581	67.1%
2016	2,454	2,232	91.0%	1625	66.2%
<i>Average annual change 2010–2016</i>	2.4%	2.2%	-1.2 ppt. (total change)	1.2%	-4.7 ppt. (total change)
<i>Average annual change 2013–2016</i>	2.8%	2.3%	-1.4 ppt. (total change)	1.2%	-3.1 ppt. (total change)

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

Economic Policy Institute

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Independent Research. Poverty Solutions. Better DC Government.

**Testimony of Ed Lazere, Executive Director, DC Fiscal Policy Institute
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 committees, 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 \$30,000¹, 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.²

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. 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, this 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.ⁱⁱⁱ

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%

Note: "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 10 best burgers in DC and San Francisco shows average prices of between \$14 and \$15 in both cities. CITATION AND TABLE

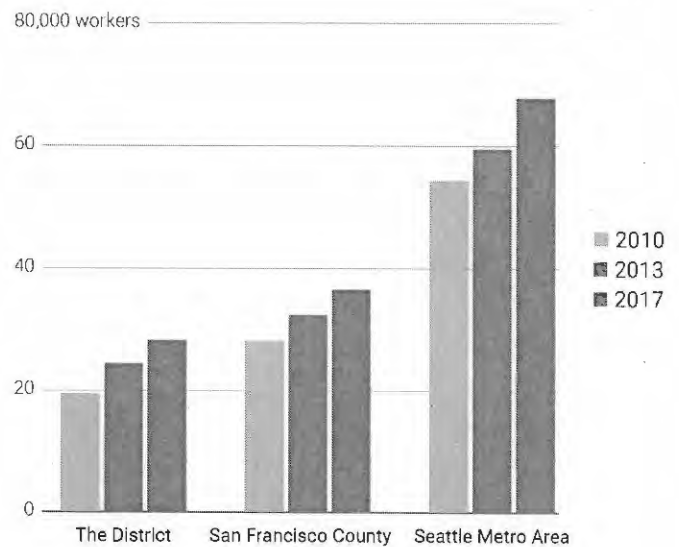
It is important to note that any price increases resulting from paying workers the full minimum wage would happen over a period of years as the minimum wage is increased. A 20 percent increase in prices over 10 years, for example, requires an average increase of 2 percent per year. That amounts to 30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



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

ⁱ 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.

ⁱⁱ Economic Policy Institute, “Why D.C. Should Implement Initiative 77,” September 12, 2018.

ⁱⁱⁱ Institute for Research on Labor and Employment, “Are Local Minimum Wages Absorbed by Price Increases? Estimates from Internet-based Restaurant Menus,” November 2016.

^{iv} Economic Policy Institute, “Why D.C. Should Implement Initiative 77,” September 12, 2018.

September 17, 2018

To: Council of the District of Columbia, John A. Wilson Building
1350 Pennsylvania Ave., N.W., Washington, DC 20004

From: Teófilo Reyes, PhD, Research Director, Restaurant Opportunities Centers United

Good day,

Thank you, Chairman Mendelson and the Committee of the Whole / DC Council for the opportunity to speak to you today about wages and working conditions in the restaurant industry.

I am the Research Director for the Restaurant Opportunities Centers United as well as a Visiting Scholar with the Food Labor Research Center, at the Goldman School of Public Policy, UC Berkeley.

The mission of the Restaurant Opportunities Centers (ROC) United is to improve wages and working conditions for the nation's restaurant workforce. We represent thousands of restaurant workers, hundreds of employers, and thousands of consumers united for raising restaurant industry standards. One of the most important public policy steps to immediately improve the lives of thousands of tipped workers in Washington, DC is to phase out and eliminate the subminimum wage, as voters recently enacted through Initiative 77.

We know there are seven states that do not have a subminimum wage, and in those states tipped workers fare better on nearly every measure. If we compare the major metropolitan regions in those seven states with Washington, DC, we can see that tipped workers in DC, be they US born or foreign born, workers of color or white workers, women or men, all are more likely to live in poverty in DC. This is especially pronounced for women, where an additional one-out-of every ten tipped women workers lives in poverty in DC, compared to OFW metropolitan regions (29 percent compared to 18 percent).

According to the National Restaurant Association's data, restaurant industry employment will grow faster in all but one of those seven states when compared to DC. In certain cases, doubling DC's rate of growth.

We don't have to limit ourselves to One Fair Wage states. The National Restaurant Association projects that employment in Colorado, where the subminimum wage grew from \$6.28 to \$7.18 an hour, will grow by double the rate of DC over the next decade. Employment in Arizona, where the subminimum wage grew from \$7 to \$7.50, is projected to grow at over 2.5 times the rate of DC. It is a similar story in Florida and other states with a subminimum wage that dwarfs the wage in DC.

Together with Michael Paarlberg at the Institute for Policy Studies, we examined data from the Quarterly Census of Employment and Wages, which provides data on a county-by-county basis, to compare employment and wage patterns in the bordering counties of Pennsylvania and New York. In 2016, the wage for tipped workers in New York was raised from \$5 to \$7.50. In

Pennsylvania, it remained at \$2.83. In the bordering counties of New York, both wages increased and employment grew faster than in Pennsylvania.

Except for those DC restaurant owners who also operate restaurants in Las Vegas, and other One Fair Wage locations, it is understandable that restaurant owners would be concerned about a wage increase. Those concerns are similar to the concerns they felt when smoking was banned. However, as the reality around the country demonstrates, these fears are unwarranted. Restaurants will continue to thrive, in some cases buoyed by the increasing purchasing power of service industry staff.

Service industry staff has a separate concern about the effect of wage increases on tipping practices. All of the available data demonstrate that tipping is unaffected by wage increases. Some of the highest rates of tipping can be found in One Fair Wage cities and states, such as San Francisco and Alaska. Tipping is driven by cultural norms. As individuals travel from one state to another they do not change their tips based on the wage. An individual living in New Orleans, with a \$2.13 subminimum wage, does not tip less if they travel to Las Vegas, a One Fair Wage city. Likewise, an individual living in Las Vegas does not tip more when they travel to New Orleans. Tipping practices are largely static, although certain psychological ploys can be employed to encourage higher tipping. As a rule, individuals who are aware of tipping norms tip higher than individuals who are unfamiliar with tipping norms.

DC has lived a similar experience before. When Washington, DC first passed paid sick days legislation, it excluded restaurant workers at the insistence of scared restaurant owners. Many years later, the Council expanded paid sick days to restaurant workers and the industry continued to grow. The difference today is that the restaurant industry has adopted captive audience meetings, perfected by decades of anti-union campaigns, to scare restaurant workers into believing that they will lose their jobs if beneficial legislation is adopted. This has had a measurable effect in Albuquerque, New Mexico where voters narrowly rejected paid sick days legislation. We see this effect here today. However, voters in DC, educated largely by the industry that waged an aggressive Vote No on 77 Campaign chose a different path in DC and voted Yes. They approved Initiative 77 by a sizeable majority. The council should look to its experience with smoking bans and earned sick days legislation, and listen to the residents of DC.

Thank you.

Negin Owliaei
Inequality Editor and Researcher
Institute for Policy Studies
Bill Hearing #B22-0913
September 17, 2018

Chairperson and members of the committee,

Thank you for allowing me to speak today. My name is Negin Owliaei and I am testifying on behalf of the Institute for Policy Studies, where I am an Inequality Researcher and Editor. IPS has examined how ending the two-tiered wage system offers benefits for workers and businesses alike. To say it would harm D.C.'s restaurant industry is to ignore the plentiful evidence from the seven states that have thrived on one fair wage.

As IPS associate fellow Michael Paarlberg documented in an article for *The Washington Post*, raising the wages of tipped workers will not lead to fewer restaurant jobs. Paarlberg examined a New York county that raised its tipped wage from \$5 to \$7.50 an hour. As the workers' take-home pay increased with the minimum wage boost, so too did the number of restaurant jobs.

Meanwhile, a neighboring Pennsylvania county with all of the same economic indicators — excluding a lower tipped minimum wage of \$2.83 an hour — saw a smaller pay increase as well as a decline in jobs. Those findings fall in line with other research that shows raising the minimum wage in general, and the tipped wage in particular, does not have a significant impact on employment.

The research shows no cause for alarm on behalf of the restaurant industry should the council respect the vote on Initiative 77. But it does show that maintaining the two-tier system would hurt tipped workers, who face higher rates of poverty and wage theft than their counterparts who receive a full minimum wage from their employer.

Our concern over the health of D.C.'s restaurant industry must also consider the economic health of these workers. We have found one fair wage to be the best path forward for both restaurants and their employees.

Dr. Yvonne Slosarski
September 17, 2018
Ward 6 resident
yvonneslosarski@gmail.com

My name is Dr. Yvonne Slosarski, and I'm a lecturer, researcher, and organizer who specializes in political-economic communication. This means that I analyze arguments about economic data, theory, and policy.

The *Washington Post* Local published my op-ed on 77, and I'll submit that in writing to the Council. Today, though, I'll make just two points: First, we don't know exactly how 77 will affect the hospitality industry. However, and this is my second point, 77 – like all minimum wage increases – can make the city a more equitable place to work, to live, and –yes— even to eat.

Instead of indisputable facts about how 77 will affect the industry, what we have is anecdotal evidence from other states and limited studies, whose results often contradict each other. So, when people make definitive predictions – like “there will be fewer restaurant jobs” – they are not basing these predictions on INDevidence. The effects of 77 will be determined by how the city implements and monitors the measure and how willing industry operators are to use their entrepreneurial creativity to pay their staff.

77 also offers us the chance to ask whether we want more restaurants whose operators won't pay the minimum wage. In 2017, DC operators complained that the Wharf would exacerbate what they called the “restaurant staffing crisis.” Might we have too many unaffordable restaurants? And are those restaurants serving longtime communities or are they accelerating DC's displacement problem?

Moreover, DC wage data shows significant disparities in tipped work. 2017 data from the Bureau of Labor Statistics shows that DC waiters at the low end made \$24,000 annually, while those on the high end made \$66,000. You must consider the tipped workers who can't publicly testify for 77 but who would benefit from it – those who are either working or who are influenced by operators who have lobbied against 77 at work, which, when you consider the power dynamics, is highly problematic.

As you vote, I urge you to think of the wait staff who make the median of \$11.86 an hour and the bellhops who make a median of \$12.58 an hour. Then think about how much your mortgage is, how much rent is, and how much public transportation costs. You have the power to fulfill the voters' will and make DC a more equitable city. I urge you not to repeal Initiative 77.