

**Testimony of Julie Vogtman
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**Submitted to the
Committee on Business, Consumer & Regulatory Affairs
Council of the District of Columbia**

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Thank you for the opportunity to submit this testimony on behalf of the National Women's Law Center, a non-profit organization that has been working since 1972 to secure and defend women's legal rights, and to help women and their families achieve economic security. The National Women's Law Center recognizes B21-712, the "Fair Shot Minimum Wage Amendment Act of 2016," as an important step toward equal pay and improved economic security for women and people of color in the District of Columbia—but we urge the Council to take the additional step of gradually raising the minimum cash wage for tipped workers until it matches the regular minimum wage by 2025, as proposed by the "District of Columbia Minimum Wage Act of 2016," an initiative put forward for the November ballot. For the reasons set forth below, if the Council is not willing to ensure that *all* working women and men in the District are entitled to the same fair minimum wage, regardless of tips, Members should let their constituents decide to do so at the voting booth this November.

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Women and people of color are more likely to be paid low wages. Women represent the majority of workers struggling to get by on the minimum wage in the District,¹ and people of color are dramatically overrepresented among D.C.'s low wage workforce.² These workers provide valuable services in our communities—providing care for children and elderly adults, cleaning homes and offices, waiting tables—but a woman working full time at D.C.'s minimum wage earns just \$21,000 annually (\$23,000 beginning in July, when the wage will rise to \$11.50 per hour), far less than what families need to cover the extremely high costs of housing, groceries, child care, and other necessities in the nation's capital.³

Raising the minimum wage would lift incomes for working women and people of color in the District and help close the wage gap. Increasing D.C.'s minimum wage to \$15.00 per hour by 2020, as proposed by B21-712, would boost a minimum wage worker's annual full-time earnings to \$30,000—and the bill would ensure that these gains are not erased as the cost of living rises by indexing the minimum wage to keep pace with inflation beginning in 2021. An income of \$30,000 in 2020 would enable many workers to lift their families out of poverty,⁴ though it represents a very modest increase relative to the cost of living in the District. Washington, D.C. is one of the most expensive cities in the country, especially for families with children; the Economic Policy Institute (EPI) estimates that a two-parent, two-child family in the Washington metro area needs an annual income of \$106,493 to attain a modest but adequate standard of living.⁵

In an analysis of the proposed ballot initiative, which would ultimately provide the same minimum wage for both tipped and non-tipped workers, EPI estimates that if D.C.'s minimum wage reaches

\$15.00 per hour by 2020, about one in five District workers—114,000—will get a raise.⁶ Nearly all of these workers are adults, and 29 percent (33,000) are parents, including nearly 14,000 single parents—representing close to one-fifth of all working parents in D.C. who are supporting children on their own.⁷ About eight in ten working single parents in the District are women.⁸

The majority (53 percent) of all workers who would benefit under the proposed ballot initiative are women, though they remain a slight minority of D.C.'s workforce (49 percent).⁹ Workers of color, who are 54 percent of all workers in the District, are nearly 80 percent of the workers who would get a raise, and more than half of these workers are women.¹⁰

By concentrating income gains among women and workers of color, raising the minimum wage to \$15.00 per hour could help close the persistent wage gap that women—especially women of color—face in D.C.¹¹ Women working full time, year round in the District make about 10 percent less than their male counterparts—a significant wage gap, though smaller than gap for the U.S. as a whole. But women of color in particular experience wider wage gaps than almost anywhere else in the country: African American women in D.C. typically make 56 cents, and Latinas just 50 cents, for every dollar white men make.¹² Under the proposed ballot initiative, one in five women of color working in the District would get a raise by 2020.¹³ Nearly 28,600 African American women would see their annual incomes rise by an average of about \$3,100; over 13,100 Latinas would receive an average increase of about \$2,900 in their annual incomes.¹⁴

B21-712 should be strengthened to ensure that the District's tipped workers will fully benefit from the proposed wage increase. One key provision of B21-712 prevents the bill from adequately boosting women's economic security and helping to close the wage gap: it maintains a separate, lower minimum cash wage for tipped workers. Today, employers in the District can pay their tipped workers \$2.77 an hour—just a few cents above the \$2.13 hourly minimum permitted under federal law, which has not gone up in 25 years. While B21-712 does gradually raise the tipped minimum cash wage to half of the regular minimum wage, the bill perpetuates the unfair, two-tiered minimum wage system that has undermined economic security for women and their families in the District and across the country. The leaders in our nation's capital should instead be seizing the opportunity to set a new standard and ensure one fair minimum wage for *all* workers.

Although employers are obligated to ensure that their tipped employees receive at least the regular minimum wage—making up the difference when tips fall short—many fail to do so.¹⁵ As a result, D.C.'s tipped workers often must struggle to make ends meet on unpredictable tips with virtually no dependable income from a paycheck. Among women tipped workers in the District, more than one in five (22 percent) live in poverty—double the rate for men tipped workers (11 percent), and more than twice the rate for working women and men overall. Female restaurant servers and bartenders in the District have especially low incomes: more than one in four (28 percent) live in poverty, compared to 12 percent of male servers and bartenders.¹⁶

In addition, workers relying on variable tips at the whim of customers for the bulk of their income—rather than set wages from their employer—are more vulnerable to sexual harassment. A recent study from Restaurant Opportunities Centers United found that women tipped workers in states with a \$2.13 tipped minimum wage are *twice* as likely to experience sexual harassment as their counterparts in states where employers are required to pay the regular minimum wage before tips.¹⁷

In eight states, tipped workers are entitled to the full minimum wage before tips, including California and the entire West Coast.¹⁸ In these states, the average poverty rate for women tipped workers is 33

percent lower—and the average gender wage gap is 14 percent smaller—than in states with a \$2.13 tipped minimum cash wage.¹⁹ And these gains have not come at the expense of business; the states with one minimum wage for all workers have experienced higher restaurant sales per capita and greater growth in restaurant industry jobs than the states with lower minimum wages for tipped workers.²⁰ D.C. would do well to join their ranks.

Raising the minimum wage would strengthen D.C.’s economy. Increasing the wages paid to low-wage workers results in lower turnover and higher productivity, benefiting employers.²¹ And raising the minimum wage would likely boost the District’s economy, because most minimum wage workers need all of their income to make ends meet and spend it quickly in their communities: indeed, research indicates that for every \$1 added to the minimum wage, low-wage worker households spent an additional \$2,800 the following year.²² Moreover, evidence from the jurisdictions that have begun to phase in a \$15.00 minimum wage suggests a positive impact on employment. For example, in San Jose and San Francisco, jobs in the restaurant industry grew faster after the minimum wage was increased than they did in surrounding cities and counties that did not raise wages, while the Seattle region’s unemployment rate hit an eight-year low of 3.6 percent in August 2015, several months after the first increase under city’s minimum wage ordinance took effect.²³

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Establishing one fair minimum wage in the District of Columbia for all workers—tipped and non-tipped alike—would benefit tens of thousands of working women and their families, as well as the local economy. Taking this step would help women in all aspects of their lives, allowing them to better afford necessities like housing, child care, reproductive health care, and groceries. We urge the Committee to pass B21-712 with amendments to ensure that tipped workers finally and fully benefit from a fair minimum wage.

¹ Women represent more than half of minimum wage workers in the District of Columbia. NWLC calculations based on unpublished U.S. Dep’t of Labor, Bureau of Labor Statistics (BLS) data for all wage and salary workers. Figures are annual averages for 2014. Available data do not permit a precise calculation of the percentage of women making the state minimum wage in D.C. due to the increments by which wages are reported; estimate is based on the share of workers who are women at or below the reported wage levels immediately above and below the minimum wage. “Minimum wage workers” refers to workers making the minimum wage or less.

² See David Cooper, Econ. Policy Inst. (EPI), Raising the D.C. Minimum Wage to \$15 by 2020 Would Lift Wages for 114,000 Working People, at 20 (May 2016), available at <http://www.epi.org/files/pdf/104915.pdf>. EPI estimates that workers of color represent 54 percent of D.C.’s workforce, but 80 percent of workers whose wages are low enough to benefit from an increase to \$15 per hour by 2020.

³ See, e.g., Elise Gould, Tanyell Cooke, & Will Kimball. EPI, Family Budget Calculator, <http://www.epi.org/resources/budget/> (last visited May 16, 2016). Under current law, D.C.’s minimum wage will be adjusted annually based on inflation beginning in 2017, but it is not projected to reach \$15.00 per hour until after 2025. See Cooper, *supra* note 2. Calculations of annual earnings in this document assume 40 hours per week, 50 weeks per year at the specified wage rate.

⁴ For example, for a family with one adult and two children, \$30,000 is above both today’s poverty line (\$19,096) as well as the estimated poverty line for 2020, based on the Congressional Budget Office’s predictions regarding the CPI-U (the inflation measure used to increase the Census Bureau’s poverty thresholds annually) for 2015 through 2020.

⁵ See Gould, Cooke, & Kimball, *supra* note 3.

⁶ Cooper, *supra* note 2, at 2. Unlike B21-712, the ballot initiative would not raise wages for workers employed by the District of Columbia, as D.C. law forbids ballot measures from having a direct impact on D.C.'s budget; the inclusion of city employees would increase the total number affected by about 8,000 workers. *Id.* at 15-16.

⁷ *Id.* at 13-14, 20.

⁸ NWLC calculations based on *id.* at 20.

⁹ *Id.* at 5.

¹⁰ Cooper, *supra* note 2, at 7, 20. An estimated 47,200 women of color would benefit from the proposed ballot initiative, representing 41.5 percent of total beneficiaries; 43,300 men of color would benefit (38.0 percent of total beneficiaries). *Id.* at 20.

¹¹ A higher minimum wage generally would narrow the wage distribution, effectively narrowing the wage gap. Nicole M. Fortin & Thomas Lemieux, Institutional Changes and Rising Inequality, *Journal of Economic Perspectives*, Spring 1997, 75-96, at 78, available at <http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.11.2.75>. See also Francine D. Blau & Lawrence M. Kahn, Swimming Upstream, *Journal of Labor Economics*, Jan. 1997, 1-42, at 28, available at http://econ2.econ.iastate.edu/classes/econ321/orazem/blau_wages.pdf.

¹² See NWLC, The Wage Gap, State by State, <http://nwlc.org/resources/wage-gap-state-state/> (last visited May 13, 2016).

¹³ Cooper, *supra* note 2, at 7, 20.

¹⁴ Unpublished EPI estimates (on file with author). Because white men typically earn more than women of color, the share benefiting would be considerably smaller: approximately 5 percent of white men (10,500) working in the District would be affected by the proposed wage increase, and among those benefiting, the average annual wage increase would be approximately \$2,600. *Id.*

¹⁵ See, e.g., Sylvia A. Allegretto & David Cooper, Econ. Policy Inst. (EPI) & Ctr. on Wage & Employment Dynamics, Univ. of Ca., Berkeley, Twenty-Three Years and Still Waiting for Change, at 17-18 (2014), available at <http://s2.epi.org/files/2014/EPI-CWED-BP379.pdf>.

¹⁶ NWLC calculations based on American Community Survey (ACS) 2010-2014 five-year averages using Steven Ruggles et al., Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2010. Figures are for employed workers. NWLC defines tipped workers as all workers in a set of predominately tipped occupations identified in Allegretto & Cooper, *supra* note 15, at 20, 23. The poverty rate for working women in D.C. is 9.3 percent; for working men, it is 6.8 percent.

¹⁷ Restaurant Opportunities Ctr. United (ROC United) & Forward Together, et al., The Glass Floor: Sexual Harassment in the Restaurant Industry, at 14-16 (Oct. 2014), available at http://rocunited.org/wp-content/uploads/2014/10/REPORT_The-Glass-Floor-Sexual-Harassment-in-the-Restaurant-Industry2.pdf.

¹⁸ The eight states are Alaska, California, Hawaii, Minnesota, Montana, Nevada, Oregon, and Washington. In 2016, Hawaii does allow employers to pay tipped workers \$0.50 below the state minimum wage of \$8.50 per hour, but only if the total wages an employee receives from her employer plus tips equal at least \$7.00 more per hour than the regular minimum wage. See EPI, Minimum Wage Tracker, http://www.epi.org/minimum-wage-tracker/#/tip_wage/ (last visited May 12, 2016).

¹⁹ Katherine Gallagher Robbins et al., NWLC, States with Equal Minimum Wages for Tipped Workers Have Smaller Wage Gaps for Women Overall and Lower Poverty Rates for Tipped Workers (May 2015), available at http://nwlc.org/wp-content/uploads/2015/08/tipped_minimum_wage_worker_wage_gap_may_2015.pdf.

²⁰ See ROC United, The Impact of Raising the Subminimum Wage on Restaurant Sales & Employment (March 2014), available at http://rocunited.org/wp-content/uploads/2014/03/ROC-United_FactSheet-on-TMW.pdf.

²¹ See, e.g., Justin Wolfers & Jan Zilinsky, Peterson Inst. for Int'l Economics, Higher Wages for Low-Income Workers Lead to Higher Productivity (Jan. 2015), available at <https://piie.com/blogs/realtime-economic-issues-watch/higher-wages-low-income-workers-lead-higher-productivity>.

²² Daniel Aaronson, Sumit Agarwal & Eric French, Fed. Reserve Bank of Chicago, The Spending and Debt Responses to Minimum Wage Increases, at 10 (Revised Feb. 2011), available at http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf.

²³ See NELP & Fiscal Policy Inst., Myth vs. Fact on a \$15 Minimum Wage for New York, at 6 (Feb. 2016), available at <http://nelp.org/content/uploads/NELP-FPI-Myth-vs-Fact-15-Minimum-Wage-New-York.pdf>.