

Testimony of Tsedeye Gebreselassie

National Employment Law Project

Increasing the Minimum Wage in Baltimore

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Good afternoon and thank you for the opportunity to testify today. My name is Tsedeye Gebreselassie, and I am a senior staff attorney at the National Employment Law Project (NELP).

NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country, and we partner with federal, state, and local lawmakers on a wide range of workforce issues.

Across the country, our staff are recognized as policy experts in areas such as unemployment insurance, wage and hour enforcement, and, as is relevant for today's hearing, the minimum wage. We have worked with dozens of city councils and state legislatures across the country and with the U.S. Congress on measures to boost pay for low-wage workers. NELP has worked with most of the cities in the United States that have adopted higher city minimum wages in recent years and is familiar with their economic experiences.

NELP testifies today in support of 16-0655, which would increase Baltimore's minimum wage to \$15 per hour and raise the subminimum wage for tipped workers, currently just \$3.63 an hour. This measure will help the City's workers meet basic needs and would follow a growing list of cities and counties across the country that have enacted or are pushing for a \$15 minimum wage.

Growing numbers of U.S. states and cities in just the last two years have adopted a minimum wage of \$15 per hour. California and New York approved a statewide \$15 minimum wage earlier this year. SeaTac, Washington, which was the first city to do so, approved a \$15 minimum wage in 2013. San Francisco Mayor Ed Lee brokered an agreement between labor and business to place a \$15 minimum wage on the November 2014 ballot, which the voters overwhelmingly approved, the Los Angeles city council approved a \$15 minimum wage in June of last year, and most recently the D.C. City Council approved a \$15 minimum wage bill.

The most rigorous modern research on the impact of raising minimum wages shows that raises increase worker earnings with negligible adverse impact on employment levels. As more and more U.S. cities enact local minimum wages, the research has similarly shown that such local measures have no adverse effect on jobs, and implementation of higher local wages has proven manageable for employers. The benefits for low-wage workers and their families of higher wages have been very significant, raising wages in the face of broader economic trends that have led to stagnant and falling wages across the bottom of our economy, reducing economic hardship, lifting workers out of poverty, and improving other life outcomes.

Low paying industries are disproportionately fueling job growth today, with more and more adults spending their careers in these positions. Raising the wage floor, which has badly eroded over the decades even as corporate profits have skyrocketed, is urgently needed to ensure that local economies can rely on workers' spending power to recover and that the growing numbers of workers relying on low wages to make ends meet can contribute fully to this recovery.

Additionally, eliminating the subminimum wage for tipped workers so that they are paid the full minimum wage from their employer, is a crucial part of any minimum wage increase that seeks to make a significant difference for low-wage workers. The typical tipped worker in Baltimore struggles on barely more than the minimum wage and faces significant economic insecurity. The complex subminimum wage system is difficult to enforce and can result in widespread noncompliance. Workers who are forced to rely mainly on tips as income, rather than on a stable base cash wage paid directly by their employer, face wide fluctuations in paychecks as tips vary

from season to season, shift to shift, and customer to customer. A growing movement across the country seeks to eliminate the subminimum wage for tipped workers, with the support of leaders, including President Obama, Secretary Clinton, Senator Sanders, and more than two hundred members of Congress. The restaurant industry is strong in states that do not have a subminimum wage for tipped workers, and it can afford both a \$15 minimum wage and the gradual elimination of the tipped minimum wage in Baltimore. Moreover, the experiences of cities that have already raised their minimum wage to \$15 and require that tipped workers receive the full minimum wage directly from their employer show that eliminating the subminimum wage in Baltimore will not lead to the widespread elimination of tipping or a significant reduction in tipping rates.

Over the past four decades, the typical worker in this country has seen their pay stagnate or decline even as worker productivity rates have gone up and our economy has expanded. Instead, the vast majority of income growth going towards the top 1 percent. We can counter this trend with policies – including raising the minimum wage – to help ensure that prosperity is broadly shared.

Who Would Benefit From A Higher Minimum Wage in Baltimore?

According to the Economic Policy Institute, raising Baltimore’s minimum wage to \$15 an hour would raise wages for 98,000 workers – 27 percent of the city’s workforce.¹ These workers are overwhelmingly adults – almost 96 percent of affected workers are over the age of 20 (and 80 percent of affected workers are over the age of 25).²

Moreover, most of these workers come from families of modest means, are contributing the majority of their households’ earnings, are working full-time, and many are supporting families of their own. Nearly half of affected workers come from households earning less than \$50,000, and the vast majority – 74 percent – are working full-time.³

That lower-income families would particularly benefit from the \$15 minimum wage is particularly important because the cost of living in the Baltimore-Towson metropolitan area is significantly higher than in much of the rest of the country. According to the Economic Policy Institute, typical living costs in this area are comparable to those in Los Angeles, Philadelphia, and Seattle metro areas.⁴ Accounting for costs of housing, food, transportation, and other necessities, a single childless adult working full-time would need to earn \$16.36 in 2015 (\$34,000 annually) to achieve an adequate living standard.⁵

The Growing List of Cities and States Enacting Minimum Wage Increases Reflects a Deepening Wage Crisis and Popular Support for Bold Change

The U.S. economy has seen steady growth and improvement in the unemployment rate in recent years, but wages have been flat or declining for much of the labor force.⁶ Averaged across all occupations, real median hourly wages declined by 4 percent from 2009 to 2014, and lower-wage occupations experienced greater declines in their real wages than did higher-wage occupations.⁷ Moreover, job growth over the past year—and in the recovery overall—continues to be unbalanced, with especially pronounced job gains in lower-wage industries and slow growth in mid-wage industries. There are approximately 1.2 million fewer jobs in mid and higher-wage industries than there were prior to the recession, while there are 2.3 million more jobs in lower-wage industries.⁸ Thus, low-wage workers and families are being squeezed between flat pay and rising living costs. The worsening prospects and opportunities for low-wage workers have prompted a record number of cities, counties, and states to enact higher minimum wage rates for their residents.

Since November 2012, nearly 17 million workers throughout the country have earned wage increases through a combination of states and cities raising their minimum wage rates; executive orders by city, state and federal leaders; and individual companies raising their pay scales.⁹ Of those workers, nearly 10 million will receive gradual raises to \$15 per hour.¹⁰ More than fifty cities and states have raised their minimum wage since 2012.¹¹

As the Fight for \$15 movement gathers strength, advocates in a rapidly growing list of localities and states are calling for a \$15 minimum wage. Los Angeles, San Francisco, Seattle, SeaTac, Washington, and Emeryville, California, have already enacted a \$15 minimum wage for all workers.¹² New York and California approved a statewide \$15 minimum wage earlier this year.¹³ More than a dozen cities and counties are currently pushing for a \$15 minimum, and the list of states considering the same is rapidly expanding.¹⁴ States now considering legislative proposals and/or ballot initiatives that would raise the statewide minimum wage to \$15 include Missouri and New Jersey.¹⁵

Recent polling data shows that approximately two out of three individuals support a \$15 minimum wage, and support among low-wage workers is even higher.¹⁶ A poll of low-wage workers commissioned by NELP found that approximately 75 percent of low-wage workers support a \$15 minimum wage and a union.¹⁷ It also found that 69 percent of unregistered respondents would register to vote if there were a presidential candidate who supported raising the minimum wage to \$15 and making it easier for workers to join a union, and 65 percent of registered voters reported that they are more likely to vote if a candidate supports \$15 and a union for all workers.¹⁸

The trend in localities and states pushing for higher minimum wage rates will likely continue to intensify as wages continue to decline, inequality remains at historically high levels, and the federal government fails to take bold action to ensure that hard-working individuals can make ends meet.

Higher Wages from Minimum Wage Increases Have Very Significant Beneficial Effects for Low-Income Individuals and Households

The higher incomes that result from minimum wage increases have very direct and tangible impacts on the lives of the workers affected and their families. Significant increases in minimum wages have proven an effective strategy for addressing declining wages and opportunity for low-wage workers by raising pay broadly across the bottom of the city economy. For example, over the decade that San Francisco's strong minimum wage has been in effect, it has raised pay by more than \$1.2 billion for more than 55,000 workers, and it has permanently raised citywide pay rates for the bottom 10 percent of the labor force.¹⁹ The widely recognized success of San Francisco's minimum wage led Mayor Ed Lee to broker an agreement with business and labor to place an increase to \$15 on the November 2014 ballot, which the voters overwhelmingly approved.

The higher pay resulting from minimum wage increases translates to a range of other important improvements in the lives of struggling low-paid workers and their households. For workers with the very lowest incomes, studies show that minimum wage increases lift workers and their families out of poverty.²⁰ Similarly, higher incomes for low-wage workers and their households translate to improved educational attainment and health. For example, a recent study by the National Institutes of Health determined that "[a]n additional \$4000 per year for the poorest households increases educational attainment by one year at age 21."²¹ Another study found that raising California's minimum wage to \$13 per hour by 2017 "would significantly benefit health and well-being."²² It stated that "Californians would experience fewer chronic diseases and disabilities; less hunger,

smoking and obesity; and lower rates of depression and bipolar illness.”²³ Moreover, “[i]n the long run, raising the minimum wage would prevent the premature deaths of hundreds of lower-income Californians each year.”²⁴ Yet another study found that high dropout rates among low-income children can be linked to parents’ low-wage jobs and that youth in low-income families have a greater likelihood of experiencing health problems.²⁵

The Most Rigorous Research Shows That Higher Minimum Wages Raise Worker Incomes without Reducing Employment

The most rigorous research over the past 20 years—examining scores of state and local minimum wage increases across the U.S.—demonstrates that these increases have raised workers’ incomes *without* reducing employment. This substantial weight of scholarly evidence reflects a significant shift in the views of the economics profession, away from a former view that higher minimum wages cost jobs. As Bloomberg News summarized in 2012:

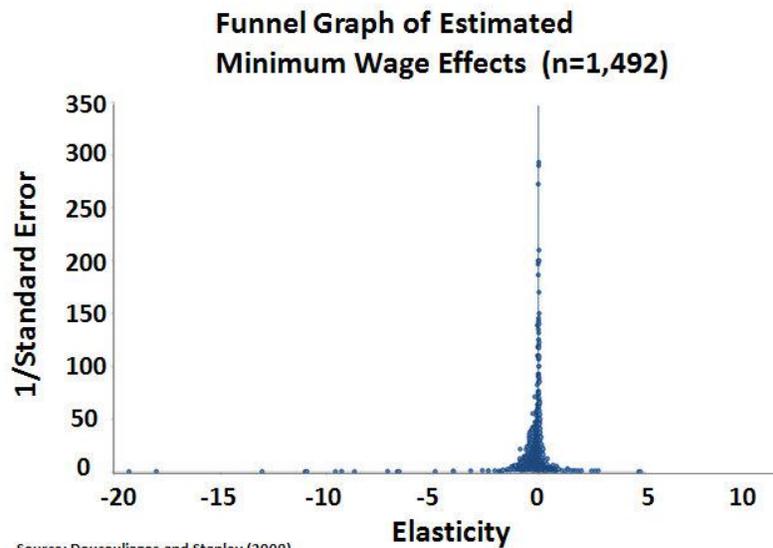
[A] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.²⁶

The most sophisticated of the new wave of minimum wage studies, “Minimum Wage Effects Across State Borders,” was published in 2010 by economists at the Universities of California, Massachusetts, and North Carolina in the prestigious *Review of Economics and Statistics*.²⁷ That study carefully analyzed minimum wage impacts across state borders by comparing employment patterns in more than 250 pairs of neighboring counties in the U.S. that had different minimum wage rates between 1990 and 2006. The study’s innovative approach of comparing neighboring counties on either side of a state line is generally recognized as especially effective at isolating the true impact of minimum wage differences, since neighboring counties otherwise tend to have very similar economic conditions, and the study has been lauded as state-of-the-art by the nation’s top labor economists, such as Harvard’s Lawrence Katz, MIT’s David Autor, and MIT’s Michael Greenstone. (By contrast, studies often cited by the opponents of raising the minimum wage that compare one state to another—and especially those comparing states in different regions of the U.S.—cannot as effectively isolate the impact of the minimum wage, because different states face different economic conditions, of which varying minimum wage rates is but one.)

Consistent with a long line of similar research, the Dube, Lester, and Reich study found no difference in job growth rates in the data from the 250 pairs of neighboring counties—such as Washington State’s Spokane County compared with Idaho’s Kootenai County where the minimum wage was substantially lower—and found no evidence that higher minimum wages harmed states’ competitiveness by pushing businesses across the state line.²⁸

However, it is not simply individual state-of-the-art studies, but the whole body of the most rigorous modern research on the minimum wage that now indicates that higher minimum wages have had little impact on employment levels. This is most clearly demonstrated by several recent “meta-studies” surveying research in the field. For example, a meta-study of 64 studies of the

impact of minimum wage increases published in the *British Journal of Industrial Relations* in 2009 shows that the bulk of the studies find close to no impact on employment.²⁹ This is vividly illustrated by a graph from the meta-study showing the results clustered around zero:



Another recent meta-study by Paul Wolfson and Dale Belman of the minimum wage literature demonstrates similar results.³⁰

Further underscoring how minimum wage increases are simply not a major factor affecting job growth, economists at the Center for Economic & Policy Research and Goldman Sachs have noted that the U.S. states that have raised their minimum wages above the minimal federal level are enjoying stronger job growth than those that have not.³¹

The Evidence from Cities That Have Adopted Significantly Higher Local Minimum Wages Similarly Shows That They Have Not Cost Jobs and That Implementation Has Proven Manageable for Employers

The experiences of cities with higher local minimum wages—and the most rigorous economic research on the impact of city wage laws—have shown that they have raised wages broadly without slowing job growth or hurting local employers.

The two U.S. cities that have had higher local minimum wages for the longest period are San Francisco, California, and Santa Fe, New Mexico. Both adopted significantly higher local minimum wages in 2003 and the impact of the minimum wages has been the subject of sophisticated economic impact studies. In San Francisco, a 2007 study by University of California researchers gathered employment and hours data from restaurants in San Francisco as well as from surrounding counties that were not covered by the higher minimum wage and found that the higher wage had not led San Francisco employers to reduce either their employment levels or employee hours worked.³² A follow-up 2014 study examined the combined impact on San Francisco employers of the city’s minimum wage ordinance and of other city compensation mandates that cumulatively raised employment costs 80 percent above the level of the federal

minimum wage. The study again found no adverse effect on employment levels or hours, and found that food service jobs—the sector most heavily affected—actually grew about 17 percent faster in San Francisco than in surrounding counties during that period.³³

In Santa Fe, a similar 2006 study conducted after the city raised its minimum wage 65 percent above the state rate compared job growth in Santa Fe with that in Albuquerque (which at that time did not have a higher city minimum wage). It determined that “[o]verall, . . . the living wage had no discernible impact on employment per firm, and that Santa Fe actually did better than Albuquerque in terms of employment changes.”³⁴

A sophisticated 2011 study of higher minimum wages in San Francisco, Santa Fe, and Washington, D.C., compared employment impacts to control groups in surrounding suburbs and cities. It similarly found that “[t]he results for fast food, food services, retail, and low-wage establishments . . . support the view that citywide minimum wages can raise the earnings of low-wage workers, without a discernible impact on their employment”³⁵

Low Wages Paid By Large Profitable Employers Present a Significant Cost to the Public by Forcing Workers to Rely on Public Assistance in Order to Afford Basic Necessities

Nationally, nearly three quarters (73 percent) of enrollments in the U.S.’s major public benefits programs are from working families. With wages that leave their earnings below subsistence levels, these workers must rely on additional support from programs like the Supplemental Nutrition Assistance Program (SNAP), Medicaid, Children’s Health Insurance Programs, and the Earned Income Tax Credit (EITC) in order to afford basics like food, housing, and health care.

Data available for some of the largest employers in the retail and fast-food industries indicate that the low wages paid by profitable companies like Walmart and McDonald’s entail substantial costs for the public, as a whole.

A 2013 report from the Democratic Staff of the U.S. House Committee on Education and the Workforce estimates that low wages paid at a single Walmart supercenter cost taxpayers between \$900,000 and \$1.7 million on average per year.³⁶

Similarly, a 2013 study from the University of California-Berkeley found that the low wages paid by companies in the fast-food industry cost taxpayers an average of \$7 billion per year.³⁷ A companion study from NELP found that the bulk of these costs stem from the ten largest fast-food chains, which account for an estimated \$3.9 billion per year in public costs.³⁸

Eliminating the Subminimum Wage for Tipped Workers Is a Crucial Part of any Minimum Wage Legislation That Seeks to Make a Significant Difference in the Lives of Low-Wage Workers

For any other minimum wage initiative to make a significant difference in the lives of low-wage workers, it must also eliminate the subminimum wage for tipped workers. In Baltimore, this subminimum wage is currently just \$3.63 an hour. This archaic and unfair two-tiered wage system contributes to increased poverty rates and economic insecurity for Baltimore’s tipped workers, while allowing the restaurant industry – one of the fastest growing industries in this country – to pay a lower minimum wage when no other industry is allowed to do so.

The subminimum wage for tipped workers has not always existed. Until 1966, there was no federal subminimum wage for tipped workers.³⁹ With the 1966 expansion of the Fair Labor Standards Act (FLSA) to cover hotel, motel, restaurant, and other leisure and hospitality employees who had previously been excluded by the FLSA, the FLSA was amended to allow employers to pay tipped workers a subminimum wage set at 50 percent of the full minimum wage.⁴⁰ In 1996, when the Republican-controlled Congress raised the federal minimum wage from \$4.25 to \$5.15, it bowed to pressure from the restaurant industry, and froze the tipped minimum wage at \$2.13, decoupling it from the full minimum wage for the first time, and setting up *two decades* of a frozen minimum wage for tipped workers.⁴¹ Maryland's subminimum wage is similarly frozen at \$3.63 per hour – when the state raised the minimum wage from \$7.25 to \$10.10 an hour, the tipped minimum wage was set at 50 percent of the full minimum wage -- \$3.63 per hour. Bowing to pressure from the restaurant industry, the state legislature froze the tipped minimum wage at \$3.63. Thus, tipped workers in Baltimore are guaranteed just \$3.63 paid directly from their employer, with tips expected to bring them up to the full minimum wage.

Forced to rely substantially on tips to make ends meet, this sub-minimum wage is a key factor behind low wages, higher poverty rates, and unstable paychecks amongst tipped workers.

First, although some in the industry claim that most tipped workers earn high incomes once tips are included, government data shows that this simply isn't the case. The typical tipped worker in Baltimore earns a little more than the state's minimum wage, even once tips are factored in. According to 2015 data from the Bureau of Labor Statistics (BLS) the median wage for tipped restaurant waiters and waitresses – one of the largest shares of tipped workers – was just \$9.08 an hour during the 2012-2015 period.⁴² This median wage includes both the base wage plus tips. Outside the restaurant industry, tipped jobs include car wash workers, nail salon workers and pizza delivery drivers to name a few – notorious sweatshop occupations where pay is often even lower.

Second, tipped work is inherently uneven and often unpredictable. While most of us expect to be paid the same for every day or hour we work, for tipped workers this is often not the case. Restaurant servers, who make up one of the largest tipped occupations, may make a substantial amount of money on Friday or Saturday nights but much less on other days of the week. Bad weather, a sluggish economy, the changing of the seasons, a less generous customer, an employer that only gives you less desirable shifts, and a host of other factors can also cause sudden drops in their tipped income and lead to economic insecurity.

It is no surprise, then, that, nationally, tipped workers face poverty rates that are about double those for non-tipped workers, and that the poverty rate for waiters and bartenders is even higher.⁴³ Tipped workers across the country are also significantly more likely to rely on public assistance to make ends meet. Close to half (46 percent) of tipped workers and their families rely on public benefits compared with 35.5 percent of non-tipped workers.⁴⁴

Ultimately, shifting the responsibility to pay workers' wages to customers under the tipped minimum wage allows employers in a few select industries to benefit from a customer-funded subsidy at the expense of workers' economic security.

The Restaurant Industry Can Afford a \$15 Minimum Wage in Baltimore and the Elimination of the Subminimum Wage for Tipped Workers

While some in the restaurant industry argue that eliminating the tipped subminimum wage would hurt the restaurant industry and/or restaurant workers, the facts belie those claims. In particular,

the restaurant industry is strong in the states that have no tipped minimum wage, and sales there are projected to grow at even faster rates than in many of the states that have retained the tipped minimum wage.

Seven states—California, Nevada, Oregon, Washington, Minnesota, Montana, and Alaska—do not have a subminimum wage for tipped workers. Neither do the cities in California and Washington that have raised their wages to \$15 an hour, such as Los Angeles, Seattle and San Francisco. Tipped workers in these states and cities receive the full minimum wage directly from their employer and their tips function as a gratuity should—not as customers subsidizing wages that an employer should be paying, but as supplemental income over and above their wages in recognition of good service. Similarly, Hawaii recently abolished the subminimum wage for most tipped workers (preserving a very limited subminimum wage of just 75 cents less than the full minimum wage for tipped workers that average at least \$7.00 an hour in tips).

Notably, between 1995 and 2014 these states experienced slightly faster employment growth in the hospitality industry (the industry with the highest concentration of tipped workers) than the states where tipped workers are paid a lower minimum wage.⁴⁵

Moreover, the overall restaurant industry is strong. The National Restaurant Association (NRA) estimates that in 2016, restaurant job growth will outpace the overall economy, adding more than 300,000 jobs.⁴⁶ Restaurant sales are expected to reach \$783 billion this year, according to the latest NRA Industry Forecast.⁴⁷ 2015 marked the sixteenth consecutive year in which the restaurant industry's job growth outpaced the overall U.S. economy.⁴⁸ Jobs in the "eating-and-drinking place sector" increased by 38 percent over that sixteen-year period, while jobs in the overall economy increased by only 10 percent.⁴⁹

A 2015 *Cornell Hospitality Report* looked at the impact of minimum wage increases on restaurant employment and business growth levels over twenty years across the United States. It found that raising the regular and tipped minimum wage will raise restaurant industry wages but will not lead to "large or reliable effects on full-service and limited-service restaurant employment."⁵⁰

The Complex Subminimum Wage System for Tipped Workers Is Difficult to Enforce and Results in Widespread Noncompliance

The subminimum tipped wage system in Baltimore and across the country is difficult to implement and plagued by noncompliance. Employers in Baltimore are permitted to pay tipped workers a base wage of only \$3.63 per hour as long as workers earn at least the full tipped minimum wage in tips when averaged over the course of a work-week.⁵¹ This requirement is difficult to enforce. Employers and employees find it difficult to track tip earnings, a task that is often complicated by tip sharing arrangements amongst workers. Workers also often fear asking an employer to make up the difference between their earnings and the full minimum wage—an employer might choose to give more favorable shifts to workers who do not make such demands, for example.

There is evidence of considerable abuse of this two-tiered system. In its investigations of over 9,000 restaurants from 2010 to 2012, the federal Department of Labor found that roughly 84 percent of investigated restaurants were in violation of the federal Fair Labor Standards Act, including millions of dollars' worth of tipped minimum wage violations.⁵² Similarly, a 2014 report by the White House National Economic Council and the U.S. Department of Labor found that one of the most prevalent violations amongst employers is failing to properly track employees' tips and

make up the difference between an employee's base pay and the full minimum wage when tips fail to fill that gap.⁵³ A survey found that more than 1 in 10 workers employed in predominantly tipped occupations earned hourly wages below the full federal minimum wage, including tips.⁵⁴

A Growing National Movement Seeks to Abolish the Tipped Minimum Wage

A growing list of national leaders are backing proposals to gradually phase out the outmoded tipped minimum wage. This includes:

- President Barack Obama⁵⁵
- Vice President Joseph Biden⁵⁶
- Secretary Hillary Clinton⁵⁷
- Senator Bernie Sanders⁵⁸
- U.S. Secretary of Labor Tom Perez⁵⁹
- 174 members of the House, including every Democrat in the Maryland delegation⁶⁰
- 33 U.S. Senators, including both of Maryland's Senators.⁶¹

All of these leaders have endorsed or co-sponsored the federal Raise the Wage Act (HR 2150; S. 1150), which would gradually phase out the tipped subminimum wage, and raise the federal minimum wage to \$12 by 2020. (A number have also endorsed the Pay Workers a Living Wage Act (HR 3164; S. 1832), which would gradually phase out the tipped subminimum wage, and raise the federal minimum to \$15 by 2020.) Their support highlights the growing national consensus among progressive leaders that it is time to get rid of the unfair and outdated tipped minimum wage for tipped workers.

The Restaurant Industry Is Thriving in Cities like Seattle, San Francisco, and SeaTac That Are Raising Their Minimum Wage to \$15 and Have No Tipped Minimum Wage

In addition, the restaurant industry is thriving in cities such as Seattle, San Francisco, and SeaTac, Washington—all of which have all approved a \$15 minimum wage and which have no tipped subminimum—demonstrating that this combination is manageable for the restaurant industry and does not hurt jobs.

Last fall in a front-page story titled “Apocalypse Not: \$15 and the Cuts that Never Came,” the *Puget Sound Business Journal* reported on “[t]he minimum wage meltdown that never happened,” explaining that Seattle’s restaurant industry has continued to expand and thrive as the \$15 wage phases in.⁶² More recent reports confirm neither the city’s economy nor the restaurant industry has suffered.⁶³ Today, Seattle continues to thrive and perform better than the rest of Washington State, with local unemployment rates that are significantly lower than the state’s.⁶⁴

Similarly, in San Francisco, where there is no tipped subminimum wage and the minimum wage is increasing to \$15, the Golden Gate Restaurant Association reports that, “the metrics show that San Francisco has still seen record restaurant growth.”⁶⁵ The small suburban city of SeaTac, Washington, which is home to the Seattle airport and many hotels and restaurants, has had a similar experience. Before the Washington city implemented a minimum wage increase to \$15 in 2014 for workers in the travel and hospitality industry, opponents warned of adverse

consequences. Yet, as *The Seattle Times* summarized, “[f]or all the political uproar it caused, SeaTac’s closely watched experiment with a \$15 minimum wage has not created a large chain reaction of lost jobs and higher prices.”⁶⁶

Restaurants in Cities That Are Raising the Minimum Wage to \$15 and Have No Tipped Minimum Wage Are Not Rushing to Abolish Tipping, and Tipping Rates Have Not Dropped Significantly under Such Policies

Contrary to predictions by some, raising the minimum wage to \$15 and eliminating the tipped minimum wage at the same time does not lead restaurants to abolish tipping or lead diners to reduce tipping levels. While a small number of mostly high-end restaurants today are experimenting with getting rid of tipping entirely⁶⁷—including in D.C. where the tipped minimum wage is very low – tipping continues to be the norm in states like California, Washington, Oregon, and Minnesota where tipped workers receive the full minimum wage before tips.

In San Francisco, with its minimum wage increasing to \$15 by 2018⁶⁸ and no subminimum wage for tipped workers, the Golden Gate Restaurant Association says that “[d]iners in San Francisco reported an average 19% tip rate”—a healthy rate that does not indicate a decline.⁶⁹

These reports are confirmed by national data, which shows that “raising the tipped wage significantly increases earnings of workers in FSRs [Full-Service Restaurants].”⁷⁰ According to University of California researchers, “tipped workers in equal treatment states [with no tipped minimum wage] earn 14.2 percent more than tipped workers in low tipped minimum states.”⁷¹ When looking at only waiters and bartenders, data shows that earnings are about 20 percent higher in states where tipped workers must be paid the full minimum wage before tips, than in states that follow the federal \$2.13 tipped minimum wage.⁷²

Thank you so much for the opportunity to testify today. I would be happy to answer any questions that you may have.

For more information, please contact NELP Senior Staff Attorney Tsedeye Gebreselassie at tsedeye@nelp.org. For more about NELP, visit www.nelp.org or www.raisetheminimumwage.org.

¹ Economic Policy Institute, Raising Baltimore’s Minimum Wage to \$15 by July 2020 Would Lift Wages for 98,000 Working People (May 4, 2016), available at <http://www.epi.org/files/pdf/105370.pdf>

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ National Employment Law Project, Occupational Wage Declines Since the Great Recession (Sept. 2015), available at <http://www.nelp.org/content/uploads/Occupational-Wage-Declines-Since-the-Great-Recession.pdf>.

⁷ *Id.*

⁸ National Employment Law Project, An Unbalanced Recovery: Real Wage and Job Growth Trends (Aug. 2014), available at <https://www.nelp.org/content/uploads/2015/03/Unbalanced-Recovery-Real-Wage-Job-Growth-Trends-August-2014.pdf>.

⁹ National Employment Law Project, Fight for \$15 Impact Report: Raises for 17 Million Workers, 10 Million Going to \$15 (Apr. 2016), *available at* <http://www.nelp.org/content/uploads/NELP-Fact-Sheet-Fight-for-15-Impact-Report.pdf>.

¹⁰ *Id.*

¹¹ *Id.*

¹² Raise the Minimum Wage, \$15 Laws & Current Campaigns, <http://raisetheminimumwage.org/pages/15-Laws-Current-Campaigns> (last viewed May 26, 2016).

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Hart Research, Support for a Federal Minimum Wage of \$12.50 or above (Jan. 2015), *available at* <http://www.nelp.org/content/uploads/2015/03/Minimum-Wage-Poll-Memo-Jan-2015.pdf>.

¹⁷ Victoria Research, Results of National Poll of Workers Paid Less than \$15 Per Hour (Oct. 2015), *available at* <http://www.nelp.org/content/uploads/Low-Wage-Worker-Survey-Memo-October-2015.pdf>.

¹⁸ *Id.*

¹⁹ Michael Reich et al (eds.), University of California Press, When Mandates Work: Raising Labor Standards at the Local Level (2014), *available at* <http://irle.berkeley.edu/publications/when-mandates-work/>.

²⁰ Arindrajit Dube, Minimum Wages and the Distribution of Family Incomes (Dec. 2013) at 31, *available at* https://dl.dropboxusercontent.com/u/15038936/Dube_MinimumWagesFamilyIncomes.pdf (“I find robust evidence that minimum wages tend to reduce the incidence of poverty, and also proportions with incomes under one-half or three-quarters of the poverty line”).

²¹ William Copeland & Elizabeth J. Costello, *Am. Econ. J. Appl. Econ.*, Parents’ Incomes and Children’s Outcomes: A Quasi-Experiment (Jan. 2010) at 1.

²² Rajiv Bhatia, Human Impact Partners, Health Impacts of Raising California’s Minimum Wage (May 2014) at 3, *available at* http://healthpolicy.ucla.edu/publications/Documents/PDF/2014/SB935_HealthAnalysis.pdf.

²³ *Id.*

²⁴ *Id.*

²⁵ Lisa Dodson & Randy Albelda, Center for Social Policy, Univ. of Mass., Boston, How Youth Are Put at Risk by Parents’ Low-Wage Jobs (Fall 2012) at 9–13.

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