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PUBLIC HEARING ON

Bill 22-913

"Tipped Wage Workers Fairness Amendment Act of 2018"

Before the Committee of the Whole

Councilmember Phil Mendelson, Chairman

Testimony of Yesim Sayin Taylor

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John A. Wilson Building, Room 412

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Good afternoon, Chairman Mendelson and the members of the Committee of the Whole. My name is Yesim Sayin Taylor and I am the Executive Director of the D.C. Policy Center, an independent, nonpartisan think tank focused on the District's economy and demography, and with a mission of advancing policies for a strong and vibrant economy in the District of Columbia. I thank you for the opportunity to testify on Bill 22-913, Tipped Wage Workers Fairness Amendment Act of 2018.

Last week, the Economic Policy Institute (EPI) published a report[1] in support of Ballot Initiative 77, which eliminated tip credits restaurants can claim against the minimum wage to bring the minimum wage for tipped workers to the same levels as every other worker. The report presents analysis that largely relies on the public use microdata sample (PUMS) from the American Community Survey for the period 2012-2016 in order to make a case that (a) wage gaps between tipped and untipped workers in DC are wider than in places where tip credits are not allowed, (b) the gaps are larger for minorities, workers with lower levels of education, or workers who are single parents; and (c) the gaps will decline and fewer workers will be in poverty if the District continues with the current plan to eliminate tip credits.

This study fails to meet standard tests of reliability, and its finding should be ignored.

The American Community Survey (ACS) is a very valuable resource, on which we also rely in our work at the D.C. Policy Center. However, we are also very familiar with its limitations: Like with any other survey, the ACS helps us infer population characteristics from a representative sample. The Census Bureau researchers construct each sample at the state level (including DC and Puerto Rico) adjusting for different characteristics of each state.[2] The estimates developed based on these samples are quite useful when making inferences

[1] Cooper, David (2018), "Why D.C. should implement Initiative 77: Tipped workers do better in "one-fair-wage" cities; restaurants continue to thrive." Economic Policy Institute, Washington DC, Available at https://www.epi.org/publication/tipped-workers-do-better-in-cities-where-they-are-paid-the-regular-minimum-wage-and-the-restaurant-industry-continues-to-thrive-why-dc-should-implement-initiative-77/
[2] See for a discussion on the accuracy of the data and how to conduct alternative tests of reliability for restricted samples: https://www2.census.gov/programs-surveys/acs/tech_docs/pums/accuracy/2012_2016AccuracyPUMS.pdf.

about the entire state population, but they become increasingly unreliable with each additional restriction. For example, the estimate for all males living in DC is more reliable (0.04 percent margin of error) than males in an age group (for example, 4 percent for ages 5 to 9), which, in return is more reliable than an estimate for a single age group (11 percent for males aged 21).[3]

Furthermore, the Census Bureau does not publish data summaries for all characteristics surveyed in the ACS. For example, estimated workforce size or median earnings for servers and bartenders are suppressed under the larger group of "food preparation and serving related occupations." Researchers who want to build their own, more granular estimates must use the microdata sample the Census Bureau releases for each state. This is a subset of about 5 percent of ACS's full sample, and therefore requires even more care.[4]

The EPI study pools PUMS samples for DC, MD, and VA to estimate that there are 16,100 tipped wage workers in DC. How confident should we be in this estimate? That one headline number pulls data on eight out of over 600 different occupational codes in three states.[5] Just based on these two dimensions, the number could be 5,192 lower or higher—a margin of error of 32 percent. If you include race and ethnicity, further dicing and slicing the sample, your best guess, if you want to be certain with 90 percent reliability, is somewhere between 9,886 and 22,861—a margin of error of 39 percent.[6]

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[3] This information is based on the published data summaries using the 2012-2016 five-year ACS data. The data tables show an estimate of 306,674 males living in DC during the survey period with a margin of error of 0.04 percent (+/- 145) at a 90 percent confidence level. That is, we can say with 90 percent confidence that the male population in DC is somewhere between 306,529 and 306,815.
[4] Estimates from the PUMS file are expected to be different from the previously released ACS estimates because they are subject to additional sampling error and further data processing operations. The additional sampling error is a result of selecting the PUMS housing and person records through an additional stage of sampling.
[5] The District pulls workers from largely three jurisdictions: DC, MD and VA. Because ACS analysis is based on place of residence, unlike the BLS data, which is based on place of employment, states are a relevant dimension.
[6] To compare, based on information collected from employers, the BLS estimates that in 2016—the last year of the five-year period in the EPI study—employers reported 20,560 employees in tipped wage occupations covered in the study. Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, [September 15, 2018] [www.bls.gov/oes/].

Much of the rest in the study, including the comparison of tipped wage earnings to the median hourly earnings for all workers and claims about the poverty levels follow from this very unreliable sample. Importantly, the same problems plague their estimates for the comparison counties—San Francisco, CA and King County, WA, casting doubt on the study's conclusions regarding the relationship between wage equality and elimination of tip credits.

There are other dubious uses of statistics in the study. For example, the study marshals the argument that banning tip credits have not reduced the prevalence of tipped work in San Francisco or Seattle (King County) by observing that tipped workers make a larger share of the workforce in these two jurisdictions compared to DC.

The comparison is inappropriate and provides no evidence to either support or debunk the claim. The relationship between the demand for restaurants, barbershops or nail salons and the total size of the workforce gets increasingly weak if a larger share of the workers commutes from other jurisdictions. In DC, the out-of-state workforce is twice the District's labor force. In Seattle it is 8 percent; in San Francisco, it is 39 percent.

According to the National Restaurant Association, in 2017, DC restaurants had estimated sales of $3.8 billion. If tips equaled 10 percent of this sales figure, the approximately 12,730[7] waiters, waitresses, and bartenders, took home about $380 million, or $29,700 each in tips. Eliminating tip credits will reshuffle these earnings, benefitting some (including those working in the back of the house) and moving them out of or further away from poverty. But others will be poorer or left without a job. Hourly wage disparities could decline, but inequality, as a whole, might be aggravated if some lose their jobs or their earnings. The District and its Council should not roll the dice based on dubious stories.

Thank you for the opportunity to testify. I am happy to answer any questions.

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[7] According to the BLS Occupational Employment Statistics, https://www.bls.gov/oes/current/oessrcst.htm

Appendix Table 1 - Occupational Codes used to approximate tipped worker population

CODE	Occupation
4040	Bartenders
4110	Servers
4120	Non-restaurant Food Servers
4130	Misc. Food Preparation and Serving-Related Workers
4400	Gaming service workers
4500	Barbers
4510	Hairdressers, Hairstylists, And Cosmetologists
4520	Miscellaneous Personal Appearance Workers

Appendix Table 2 – Estimated size of and margins of error for the occupations that make up the tipped workforce in DC, by place of residence and occupation

State	Occupation (group)	Estimate	Margin of Error (+/-)
DC	Bartenders & Servers	4,186	21%
	Other tipped food service workers	1,034	48%
	Barbers, Hairdressers, Stylists, etc.	1,252	45%
MD	Bartenders & Servers	3,494	23%
	Other tipped food service workers	530	46%
	Gaming service workers	12	170%
	Barbers, Hairdressers, Stylists, etc.	1,474	41%
VA	Bartenders & Servers	2,832	31%
	Other tipped food service workers	445	68%
	Barbers, Hairdressers, Stylists, etc.	1,115	37%

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Appendix Table 3 – Estimated size of and margins of error for the occupations that make up the tipped workforce in DC, by race/ethnicity and occupation

Race (group)	Occupation (group)	Estimate	Margin of Error (+/-)
White alone	Bartenders & Servers	4,716	19%
	Other tipped food service w..	462	70%
	Gaming service workers	12	170%
	Barbers, Hairdressers, Stylis..	1,090	35%
Black or African American alone	Bartenders & Servers	2,783	26%
	Other tipped food service w..	606	50%
	Barbers, Hairdressers, Stylis..	1,414	42%
Hispanic	Bartenders & Servers	204	107%
	Other tipped food service w..	126	141%
	Barbers, Hairdressers, Stylis..	141	163%
Asian Alone	Bartenders & Servers	841	35%
	Other tipped food service w..	293	67%
	Barbers, Hairdressers, Stylis..	741	59%
Other	Bartenders & Servers	1,968	47%
	Other tipped food service w..	522	70%
	Barbers, Hairdressers, Stylis..	455	83%

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