

Making History

A New Future for DC's Restaurant Industry



What comparable cities requiring One Fair Wage show Washington, D.C. will gain from Initiative 82

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Federal law abolished slavery in the District of Columbia in April 1862, with the District of Columbia Emancipation Act — three years before the ratification of the 13th Amendment which would make it illegal to enslave another human being nationwide.¹ Prior to this, the District already had one of the earliest known thriving Black owned food establishments, Epicurean Eating House; racism led to the rioting against the owner, Beverly Snow, in 1835.² A century later, thanks to the lawsuit brought by activist Mary Church Terrell, D.C. de-segregated restaurants in 1953, a year before Brown v Board of Education began a process of desegregation across the nation.³

Unfortunately, the subminimum wage for tipped workers, a direct legacy of slavery used mainly to suppress the incomes of Black workers, persists in Washington D.C. today. There are over 15,000 tipped workers in D.C. today who are more than 75 percent people of color, and are paid less than one-third the minimum wage — \$5.35 an hour.^{4,5}

The subminimum wage forces a population of tipped workers that is overwhelmingly women and disproportionately women of color to rely on customer tips for the majority of their income, making them more vulnerable than other workers to the race and gender inequities of tipping. In a March 2022 national survey of tipped workers, nearly six in ten women of color said they were not receiving enough in tips to bring them to the full minimum wage — twice the rate of men. Tipped workers also experience high rates of sexual harassment, which has worsened during the pandemic — particularly for women of color.⁶

However, there are currently 7 states in the United States that require all restaurant employers to pay One Fair Wage — a full minimum wage, with tips on top.⁷ These states have consistently performed better on all economic and industry metrics — better employee retention, better small business growth rates, dramatically lower rates of reported sexual harassment and steady or even higher rates of tipping.⁸ Thanks to the tireless efforts of workers, advocates and volunteers Michigan has become the eighth state to end the subminimum wage for tipped workers.⁹

INITIATIVE 82

This November, “District of Columbia Tip Credit Elimination Act of 2021” aka Initiative 82, is on the ballot in D.C.¹⁰ It would gradually eliminate the sub-minimum tipped wage (currently \$5.35 per hour) by 2027, and ensure all tipped workers receive DC’s full minimum wage of at least \$16.10 plus tips on top. By voting Yes on Initiative 82, D.C. has a chance to continue to make history by being the torchbearer on progressive reform in racial equity and worker justice.





CITY COMPARISON

To underscore the benefits of moving to One Fair Wage, in this report we examine government data and private company reports to compare Washington D.C. to three cities in states that already require One Fair Wage — Los Angeles, San Francisco and Seattle.¹¹

While in D.C. workers currently earn \$5.35 an hour (compared to the D.C. minimum wage of \$16.10 an hour), this is not the case in the three One Fair Wage cities. In Los Angeles, California all restaurant workers earn at least a full minimum wage of \$16.04 with tips on top.¹² In San Francisco, all restaurant workers earn at least \$16.99 with tips on top.¹³ And in Seattle, all restaurant workers earn at least \$15.75 with tips on top.¹⁴

In these three cities in which the subminimum wage for tipped workers has been eliminated and all tipped workers are paid a full minimum wage with tips on top, workers earn more overall and are less likely to live in poverty. Both employment and establishment growth within the full service restaurant industry is higher.¹⁵

KEY FINDINGS

› Tipped Workers in One Fair Wage Cities Earn More

- Seattle, Washington and Washington, D.C. have similar cost of living, but in Seattle all workers are paid the minimum wage of \$15.75 — including tipped workers — and tipped restaurant workers earn 23 percent more than their DC counterparts.^{16,17}
- Recent research has shown that Seattle ranks among cities with the highest tipping averages, with data showing that 38 percent of diners in Seattle tip more than 20 percent to their servers.¹⁸

› Tipped Workers in One Fair Wage Cities are Less Likely to Live in Poverty

- Food service workers are more likely to live in poverty in the DC metro area, where the subminimum wage still persists, compared with workers in the LA, Seattle, or San Francisco metro areas, where there is no subminimum wage.¹⁹
- Compared to workers in the DC metro area overall, 2.8 times as many tipped workers — and 3.2 times as many servers and bartenders — earn less than the federal poverty line in the D.C metro area.²⁰

› The Restaurant Industry Grows Faster in One Fair Wage Cities than in DC

- Pre-pandemic, the number of LA full service restaurant establishments grew by 5.0 percent while D.C. restaurants grew only by 2.7 percent — roughly half the rate of LA.^{21,22}
- With the pandemic, wage shortages lead to worker shortages. However there was a differential impact in cities with One Fair Wage.²³ L.A. has recovered quicker than D.C. from the pandemic downturn.
- Employment within the LA metro full service restaurant industry in Q1 2022 was down 12.5 percent compared to the same time in 2019. Compare this with the DC metro industry which has been slower to rebuild, with employment down a full 20.0 percent.²⁴ The gap in recovery is 7.5 percent between the two cities for the same time period.

› Tipped Workers in One Fair Wage Cities Face Less Earnings Inequality

- Leaving workers' wages dependent on customers leads to huge inequities within the sector. In D.C, the lowest earning servers and bartenders make only 37 percent of what their highest paid counterparts make. Compare this to Los Angeles where even the lowest paid server would earn approximately half (or 54 percent) of what the highest paid earner does.
- That translates to an overall wage gap, including wages and tips, of \$25.69 per hour in DC compared to \$12.21 in L.A.²⁵



CONCLUSION

The subminimum wage, a legacy of slavery, persists in Washington D.C. where tipped workers are paid less than one-third the minimum wage — \$5.35 an hour. This subminimum wage affects a workforce of over 15,000 tipped workers who are mostly Black and other workers of color.²⁶ This wage is unlivable for workers who face decreasing tips, an increasing cost of living in DC and its metropolitan area, and increasing sexual harassment and discrimination from customers on whose tips they rely.²⁷ By comparison, restaurant workers in Los Angeles, San Francisco and Seattle, are guaranteed a full minimum wage with tips on top of \$16.04, \$16.99, and \$15.75, respectively.^{28,29,30}

Seven states — California, Oregon, Washington, Nevada, Minnesota, Montana, and Alaska — all require restaurants to pay a full minimum wage with tips on top. Most recently Michigan was added to this list. With Initiative 82, Washington DC can

join these states in eliminating the subminimum wage, and start paying tipped workers livable wages.

With the passage of Initiative 82 in November 2022, D.C. could make United States history, leading the East Coast in ending the subminimum wage for tipped workers, serving as a vanguard as it similarly did with abolishing slavery and de-segregating restaurants, well ahead of the federal government.

Methodology

Where possible comparisons are made directly between Los Angeles, San Francisco, Seattle, and Washington D.C., but due to technical limitations of the data, comparisons between the metropolitan areas of Los Angeles, San Francisco, Seattle, and Washington D.C. are made where necessary, and noted as such. The metropolitan areas are made comparable due to the high number of non-resident workers in each city, similar surrounding area minimum wage laws, and costs of living in each metropolitan area.

To make comparisons between each city and/or metro area, OFW utilized data from the Bureau of Labor Statistics May 2021 Occupation Employment and Wage Statistics program and its Quarterly Census of Wages, in addition to data from IPUMS' 5-Year 2016–2020 American Community Survey sample.

To estimate tipping averages, One Fair Wage referenced Payscale's Restaurant Report, which drew its conclusions from 15,000 workers who participated in a survey of their tips and wages between January 1, 2013 and January 1, 2015. To determine the cities with the highest percentage tippers, OFW referred to data released by a restaurant menu and marketing company, Popmenu, that analyzed results from an anonymous survey of 1,000 consumers from October 5 to October 6, 2021, combined with tipping percentages for online food orders placed in the last 180 days nationwide.

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ENDNOTES

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- 6 One Fair Wage and U.C. Berkeley Food Labor Research Center. (April 2022). Unlivable: Increased Sexual Harassment and Wage Theft Continue to Drive Women, Women of Color, and Single Mothers Out of the Service Sector. <https://onefairwage.site/wp-content/uploads/2022/04/OFW.Unlivable.pdf>.
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- 10 Better Restaurants DC. (2022). DC Committee to Build a Better Restaurant Industry #YESon82. <https://betterrestaurantsdc.org/>.
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- 15 With the exception of San Francisco where full service restaurant establishment growth slightly lags behind Washington, D.C. (1.13% vs 2.68%).
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- 29 San Francisco Off of Labor Standards Enforcement. (2022). Minimum Wage Ordinance. <https://sfgov.org/olse/minimum-wage-ordinance-mwo>.
- 30 Seattle Office of Labor Standards. (2022). Minimum Wage Ordinance. <https://www.seattle.gov/laborstandards/ordinances/minimum-wage>.