



Testimony of Margaret Singleton

Interim President & CEO, DC Chamber of Commerce

Before the Committee on Business, Consumer and Regulatory Affairs, on May 26, 2016

on

B21-712, the “Fair Shot Minimum Wage Amendment Act of 2016”

Good Afternoon, Chairperson Orange, Members of the Committee and Staff. My name is Margaret Singleton, and I am the Interim President and CEO of the DC Chamber of Commerce. I am pleased to be here today to testify on behalf of the DC Chamber’s membership and the hundreds of thousands of workers they employ. The DC Chamber of Commerce advocates for policies that lead to job creation and economic growth and we cannot accomplish these critical efforts without the collaboration from various stakeholders, including the District Government. Our mission, much like yours, is to continue to make the District of Columbia a great place to live, work, play and do business.

Ballot initiative

From the outset, I would like to again clarify that a legal challenge opposing the ballot initiative, which in many respects mirrors the legislation before the Committee today, was filed by former Chamber President and CEO, Harry Wingo. Mr. Wingo filed the lawsuit as an individual, exercising his constitutional right to challenge the initiative as a resident and voter in the District of Columbia. The DC Chamber is not a party in the legal challenge; however, we believe our position is shared by the Council in that we believe such a substantive matter that impacts the District’s economic trajectory is owed the deliberation process of Mayor or Council-sponsored legislation, much like the bill you authored in 2013. That is why we are happy to be here today and discuss our concerns in such a public and transparent manner.

Yesterday Compared to Today

As you are aware, Mr. Chairman, the predecessor of my predecessor, Ms. Barbara Lang, testified on behalf of the Chamber right before this Committee on B20-459, the “Minimum Wage Amendment Act of 2013.” Our organization and other business trade associations endorsed reasonable increases to the minimum wage because, after all, we fundamentally believe a successful business relies upon having a successful workforce. Such success is not merely measured by degrees or professional experience, but by the happiness of each individual employee. And there is no disagreement among anyone who testifies today that such a happiness is in many ways tied to an individual’s wage or salary.

In 2013, the Chamber commissioned a study done by Charles River Associates, which was completed by experts in the academic and professional economic fields. Reviewing the results and working with your Committee, we endorsed an increase from \$8.25/hour to \$10/hour; however, we also cautioned the Council that increasing the minimum wage, particularly above that rate, would not necessarily have the desired results associated with the legislation's intent. At the time, only 39% of eligible workers earning less than \$10/hour were District residents, while 19% live in Virginia and 36% in Maryland, a combined total of 54%. The Chamber and its members feared that the targeted demographic, District low-income residents, would ultimately be hurt by a rate anywhere from 1 to 3% decrease in employment because residents in surrounding jurisdictions would apply in larger volumes for jobs in the District, given the differences in minimum wage rates.

As we learned from a recent analysis by the Economic Policy Institute, that fear remains in line with recent empirical data: The legislation proposed today would increase the wages of 114,000, or 14%, of the private sector and nonprofit employees in the District; however, that number includes employees from Maryland and Virginia. The proposed legislation benefits individuals who reside in surrounding jurisdictions, but work, or are interested in working, in the District more than it benefits our eligible workforce. Equally disturbing, as you will hear from representatives from private sector employers, restaurants, hospitality and other industries have lost about 700 jobs, as oppose to gaining 2,000 or more jobs per year, as a result of the increase in minimum wage.¹ So instead of growing employment by 3% annually, the District witnessed approximately a reduction of 1% from a year ago in employment arenas that hire low-wage District residents.²

Unique Jurisdiction

We again take this legislative hearing as an opportunity to stress that we are a unique jurisdiction because we are bordered by jurisdictions with lower minimum wages, lower costs of housing, and overall lower costs of living. We commend Chairman Mendelson in the past for working with representatives from Montgomery County and Prince George's County in a coordinated effort to increase the minimum wage; however, to avoid hampering the very individuals this legislation seeks to assist, the District must secure buy in from the state level of both Virginia and Maryland. That means that although there is a bill currently proposed to raise the minimum wage to \$15/hour by 2020 in Montgomery County, though I might add it would leave untouched the county's \$4 tipped wage, the District should not move forward with such an increase until we see similar efforts in all of the jurisdictions that comprise the majority of our low-wage workforce.

Negative Consequences

Mr. Chairperson, this is not "The Boy who Cried Wolf." The proposed legislation, as did the last minimum wage increase law, will increase the cost of housing, food and consumer

¹Graham, Jed. "6 Big Cities See Hiring Fade After Minimum Wage Hikes." Investor's Business Daily, <http://www.investors.com/minimum-wage-chills-hiring-in-dc-chicago-la-san-francisco/>

² Id.

products. Equally likely, employers would reduce fringe benefits and restructure their workforces or reduce future hiring because, after all, a minimum wage increase is a tax on employers that must be addressed in overhead and or the product. That tax is ultimately passed onto the consumer, and the data supports these projections. According to a widely cited report by SmartAssets, the District the fifth-most-expensive U.S. city when it comes to rent.³ The four jurisdictions that are more expensive than the District - San Francisco, New York City, Los Angeles, and Boston - have implemented or are in the process of implementing a minimum wage increase to \$15/hour. One can spin this statistic and suggest that the District should jump on the bandwagon because it is becoming more expensive to live in a city; however, the reality is that increasing the minimum wage does not make the District more affordable for low-income families because costs adjust accordingly. Low-income wage earners will likely be made up of workers from surrounding jurisdictions, which inevitably lead to a higher unemployment or displacement rate by low wage earners that reside in the District.

Holistic Approach

The Chamber by no means suggests that the minimum wage increase alone will substantially have unintended consequences that we raise in today's testimony. Over, 40 bills have been introduced since Council Period 19 that would codify changes to the employment relationship in the workplace and how employees are compensated. There are several bills that have been recently enacted or are currently under review by the Council that, together, will continue to increase the cost of doing business in the District, which increases the District's cost of living and displaces our low-wage earners by residents in surrounding jurisdictions:

1. Bill 21-415, the "Universal Paid Leave Act of 2015," creates a payroll tax on District employers and again benefits more employees from Maryland and Virginia than the District;
2. Bill 21-512, the "Hours and Scheduling Stability Act of 2015," makes it difficult to attract covered employers without absorbing costs and spreading it among commercial tenants and their customers. Again, a business that is faced with absorbing a unique comparative cost creates a stronger incentive to seek opportunities in surrounding jurisdictions;
3. Bill 21-331, the "Building Service Employees Minimum Work Week Act of 2015," creates a non-market driven minimum work schedule and target employers without considering the economic ramifications on the business community and the individuals who are hired to perform such covered duties. To avoid punitive measures, employers will restructure their workforces and consumers will pay accordingly.

In conjunction with ban the box, paid sick leave, and other measures, we urge the Council to consider how collectively these bills have created burdens on the District's ability to create employment, particularly for low-wage earners who reside here.

Recommendation

³ Dixon, Amanda. "The Income Needed to Pay Rent in the Largest U.S. Cities." <https://smartasset.com/mortgage/the-income-needed-to-pay-rent-in-the-largest-cities>

If the purpose of the legislation is to increase hiring opportunities and improve the quality of life for our District's workforce, the Chamber strongly recommends that the District focus on tax incentives for actual District resident employment. We of course want to take this opportunity to commend the Chairman and Council for speeding up the Tax Revision Commission's recommended tax relief package based on increases in revenue that the District will experience in Fiscal Year 2017. The Chamber recommends continuing to revisit the earned income tax credit, unincorporated and incorporated franchise taxes, and personal exemptions to make us more competitive than some of the more business-friendly jurisdictions and thereby luring more employees to reside or operate businesses in the District. In conjunction with tax relief, investing more in government-sponsored training opportunities with a stronger focus by the agencies responsible for administering such programs will also lead to a higher quality of life for low-wage earners in the District. We are happy to work with the Mayor and the Council to develop additional recommendations at your pleasure.

This concludes my testimony. I would be happy to answer any questions at this time. Thank you.

