

Evaluating Current & Proposed Labor Standards in D.C.

Working Group on Jobs, Wages, and Benefits
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Current and proposed policies

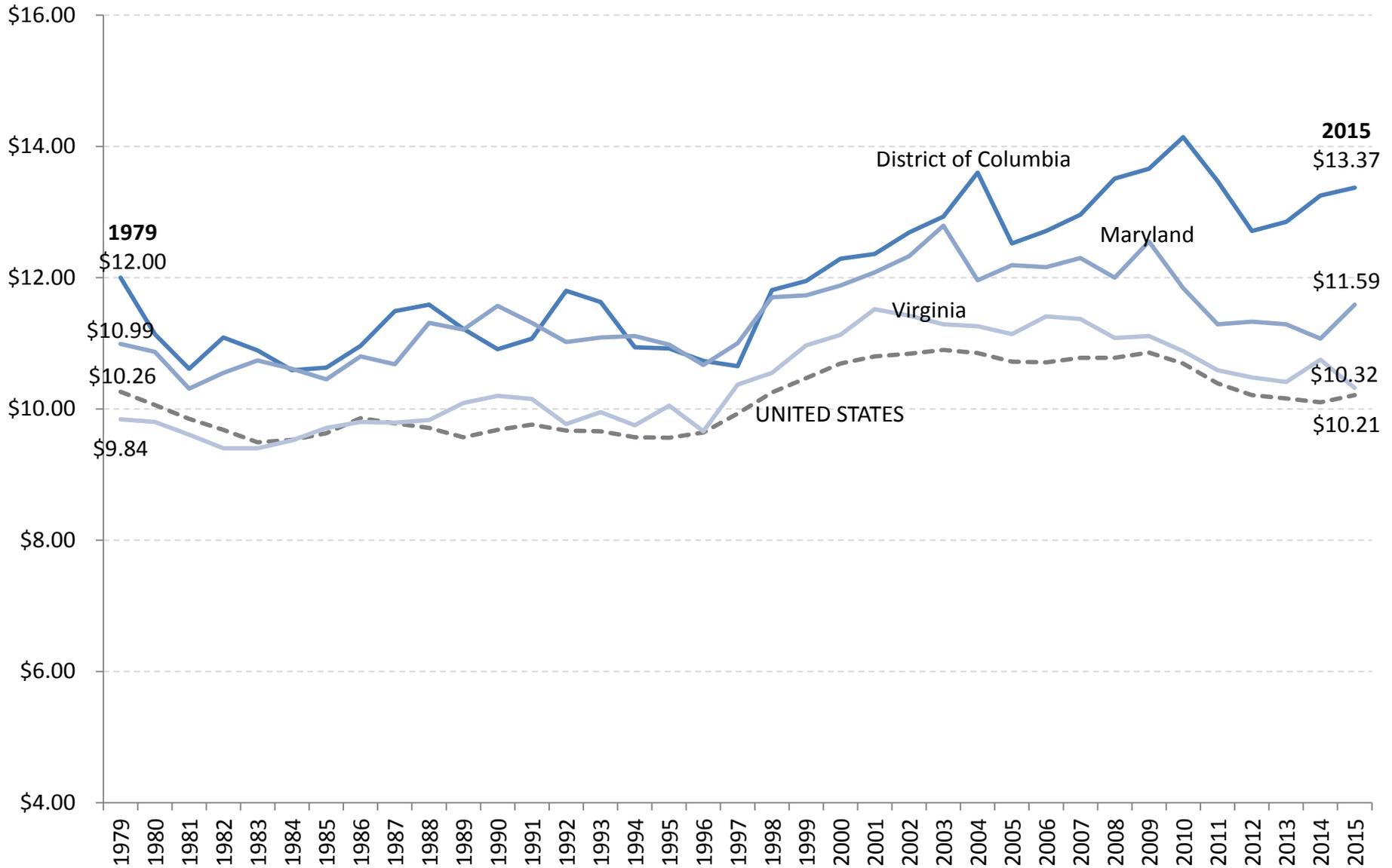
Current

- \$15 minimum wage by 2020
- Paid sick days (initially 2008, updated 2014)
- “Reporting pay” and split shift (1994)

Proposed

- Paid family and medical leave
- Hours and scheduling stability act

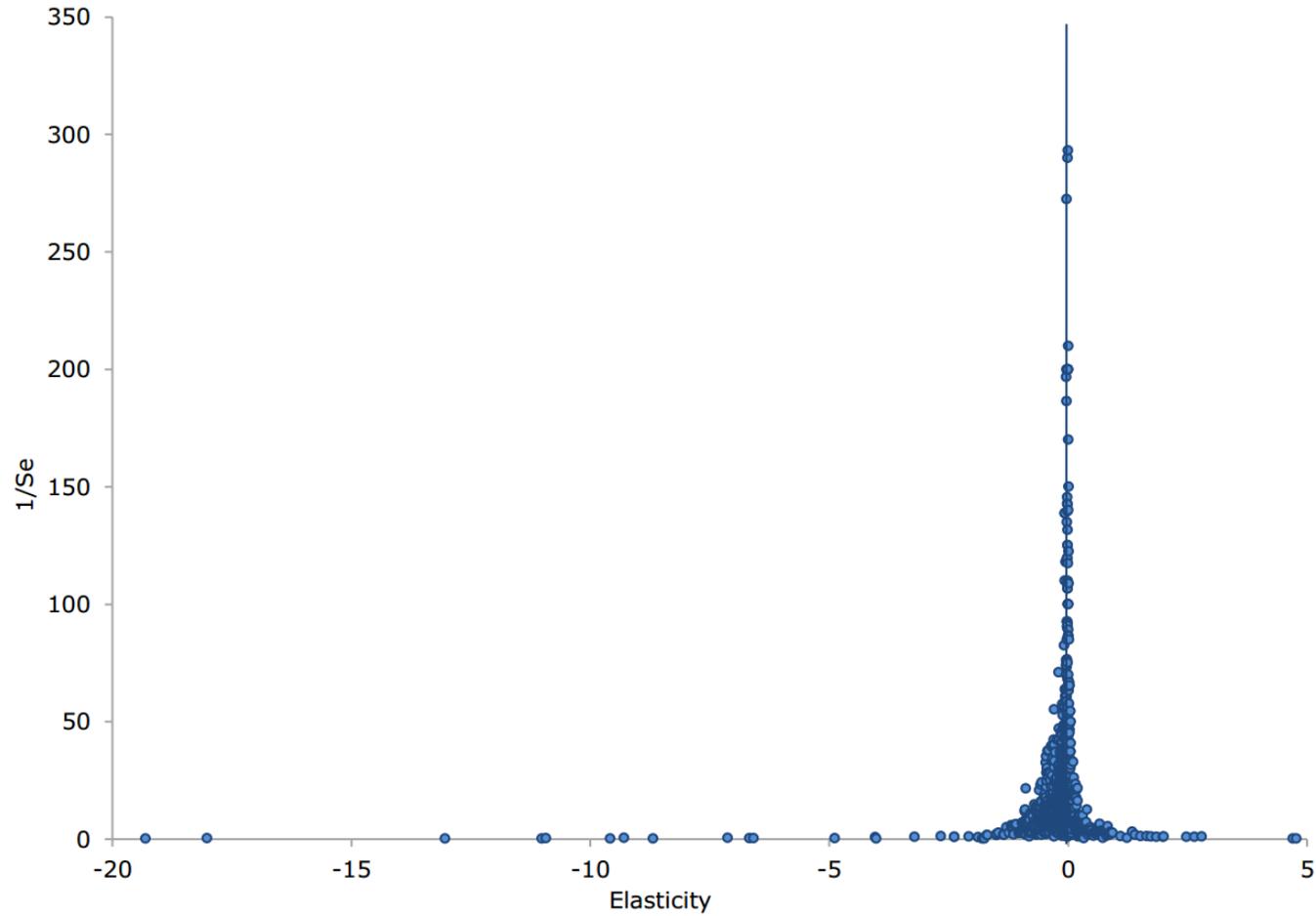
Inflation-adjusted wages at the 20th percentile



Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

Meta-studies: Moderate increases in the minimum wage have “little to no effect on employment”

Trimmed Funnel Graph of Estimated Minimum-Wage Effects (n = 1,492)



Source: Doucouliagos and Stanley (2009).

Why no significant negative effect on jobs?

- Schmitt, John (2013) “Why Does the Minimum Wage Have No Discernible Effect on Employment?”

Channels of adjustment:

1. Reduction in turnover costs (+10% MW → -2.2%)
2. Improved productivity & efficiency
3. Wage compression
4. Small price increases (+10% MW → 0.3%-1.5%)

Workers affected by DC \$15 minimum wage

Workers affected by raising the DC minimum wage to \$15 by 2020, by industry

	Estimated workforce	Share of workforce	Total affected workers	Share of the total affected population	Share of total/industry affected	Change in total wage bill resulting from minimum wage increase
Total	821,000	100.0%	114,000	100.0%	13.9%	0.5%
Industry						
Retail trade	26,000	3.2%	12,000	10.5%	46.2%	3.8%
Restaurants	36,000	4.4%	16,000	14.0%	44.4%	4.9%
Accommodation	16,000	1.9%	5,000	4.4%	31.3%	2.5%
Administrative services & waste management	34,000	4.1%	10,000	8.8%	29.4%	1.7%
Healthcare and social assistance	75,000	9.1%	17,000	14.9%	22.7%	0.9%
Construction	33,000	4.0%	7,000	6.1%	21.2%	1.4%
Transportation, warehouse, utilities	25,000	3.0%	4,000	3.5%	16.0%	0.9%
Other services	65,000	7.9%	10,000	8.8%	15.4%	0.6%
Educational services	66,000	8.0%	10,000	8.8%	15.2%	0.7%
Finance, insurance, real estate	48,000	5.8%	7,000	6.1%	14.6%	0.3%
Other industries*	60,000	7.3%	8,000	7.0%	13.3%	0.5%
Professional, science, management services	123,000	15.0%	6,000	5.3%	4.9%	0.1%
Public Administration	214,000	26.1%	-	0.0%	0.0%	0.0%

Note: *Includes agriculture, fishing, hunting, mining, wholesale trade, information, manufacturing, arts, entertainment, recreation. Totals may not sum due to rounding.

Source: EPI analysis of American Community Survey microdata

Cost of paid sick leave likely very small

Estimated cost of implementing paid sick days, assuming no paid sick leave currently, as share of total sales, by number of days and industry sector

Industrial Sector*	Payroll as Share of Employer Sales **	Maximum Cost of 3 days (%)	Maximum Cost of 7 days (%)	Average Use (in days) of sick leave (given 24 hours of sick leave)***	Average Use (in days) of sick leave (given 56 hours of sick leave)***	Cost of Average Use as Share of Total Sales (3 days)	Cost of Average Use as Share of Total Sales (7 days)
Manufacturing	24.3%	0.28%	0.65%	1.8	2.5	0.17%	0.23%
Wholesale trade	10.2%	0.12%	0.28%	2.0	2.8	0.08%	0.11%
Retail trade	12.6%	0.15%	0.34%	2.0	2.8	0.10%	0.13%
Real estate and rental and leasing	22.7%	0.26%	0.61%	2.3	3.2	0.20%	0.28%
Professional, scientific, and technical services	35.4%	0.41%	0.95%	2.1	3.0	0.29%	0.40%
Administrative and support and waste management and remediation services	44.9%	0.52%	1.21%	2.2	3.1	0.39%	0.54%
Educational services	25.0%	0.29%	0.67%	2.2	3.1	0.21%	0.29%
Health care and social assistance	40.6%	0.47%	1.09%	1.9	2.7	0.30%	0.42%
Arts, entertainment, and recreation	36.4%	0.42%	0.98%	2.1	3.0	0.30%	0.41%
Accommodation and food services	28.9%	0.33%	0.78%	1.2	1.6	0.13%	0.18%
Other services (except public administration)	20.4%	0.23%	0.55%	2.1	2.9	0.16%	0.22%
Total (for available sectors)	29.6%	0.34%	0.80%	1.9	2.6	0.21%	0.29%

* NAICS industry sectors lacking data on payroll and/or sales excluded from analysis here include: Mining, Utilities, Construction, Transportation and Warehousing, Information, Finance and Insurance, and Management

** "Sales" refers to "employer sales, shipments, receipts, or business done," as defined in the U.S. Census Bureau's Economic Census.

*** Includes time taken for own illness, to care for ill family members, and for medical appointments.

Source: EPI analysis of U.S. Census Bureau (2007) and Miller (2011)

Need to think of labor as more than just a cost to be minimized

- Costs more immediate; benefits are longer-term but arguably just as significant
- Policies to improve job quality can lead to improved market outcomes
 - Reducing churn/turnover
 - Expanding labor supply
 - Increased labor force attachment
 - Increased productivity

Paid leave makes work possible for more people

- PFL increases labor force attachment, particularly among women
 - Women work longer into pregnancy (Joesch, 1997)
 - Availability of PFL increases use, but also hastens return to workforce
 - Berger, Hill, & Waldfogel (2005): 40% more likely to return to work
 - Reduces likelihood that women will quit jobs to care for a family member
 - Evidence that PFL increases retention

The U.S. is an outlier

- US only industrialized country without federal paid family leave
 - Nearly all EU countries offer at least 14 weeks @ 66% wage replacement or higher
- Some states (CA, HI, NY, NJ, RI) have instituted PFL through TDI programs
 - Little evidence that these programs have been overly burdensome for employers
 - Survey of CA businesses (Appelbaum and Milkman 2011)
 - Positive or no effect on: productivity 89%; morale 99%
 - Increase in operating costs: 13%; 8.8% reduction in costs

Unpredictable schedules have consequences for business

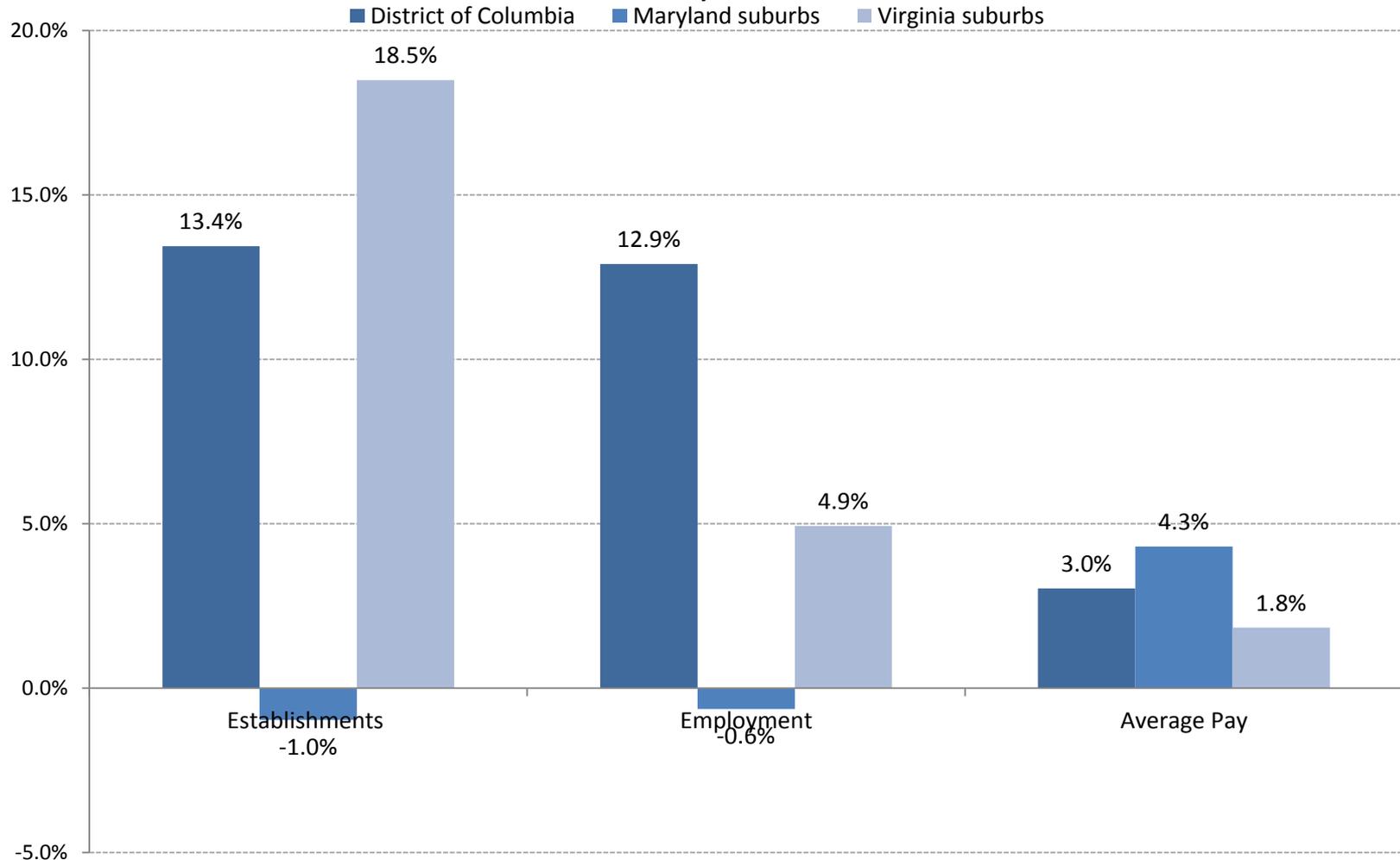
- Unpredictable schedules are increasingly common
 - Survey of DC retail and restaurant employees:
 - 1/2 less than 1 week's notice
 - 1/3 less than 3 days notice
 - 1/3 restaurant staff less than 24 hours notice
- Shifts risk of doing business onto workers
- Constrains labor supply, limits workers' mobility, could encourage job mismatch

D.C. has capacity to set higher standards

- Skills training, income supplements, and employer subsidies are good, but insufficient
 - Need to consider job quality
- DC, like San Francisco & NYC, should be at the vanguard of setting labor standards to improve job quality
 - Wages and incomes are higher
 - Retail and restaurant consumers are less price sensitive (tourism, less consumer mobility)

Growth in D.C. vs surrounding counties

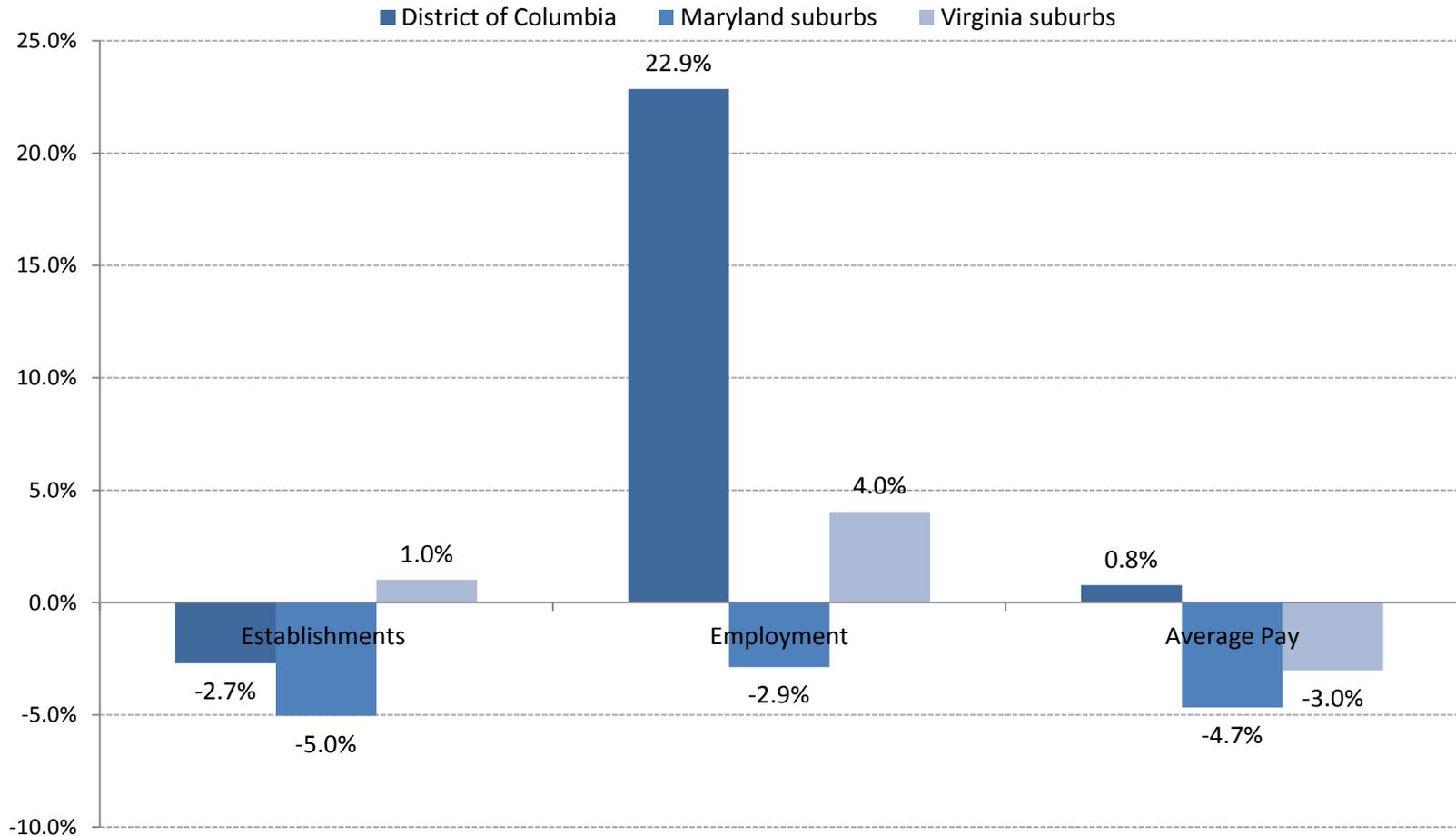
Change in establishments, employment, and average pay, total of all industries, 2007-2015



Source: EPI analysis of QCEW data, 2007-2015

Growth in D.C. vs surrounding counties

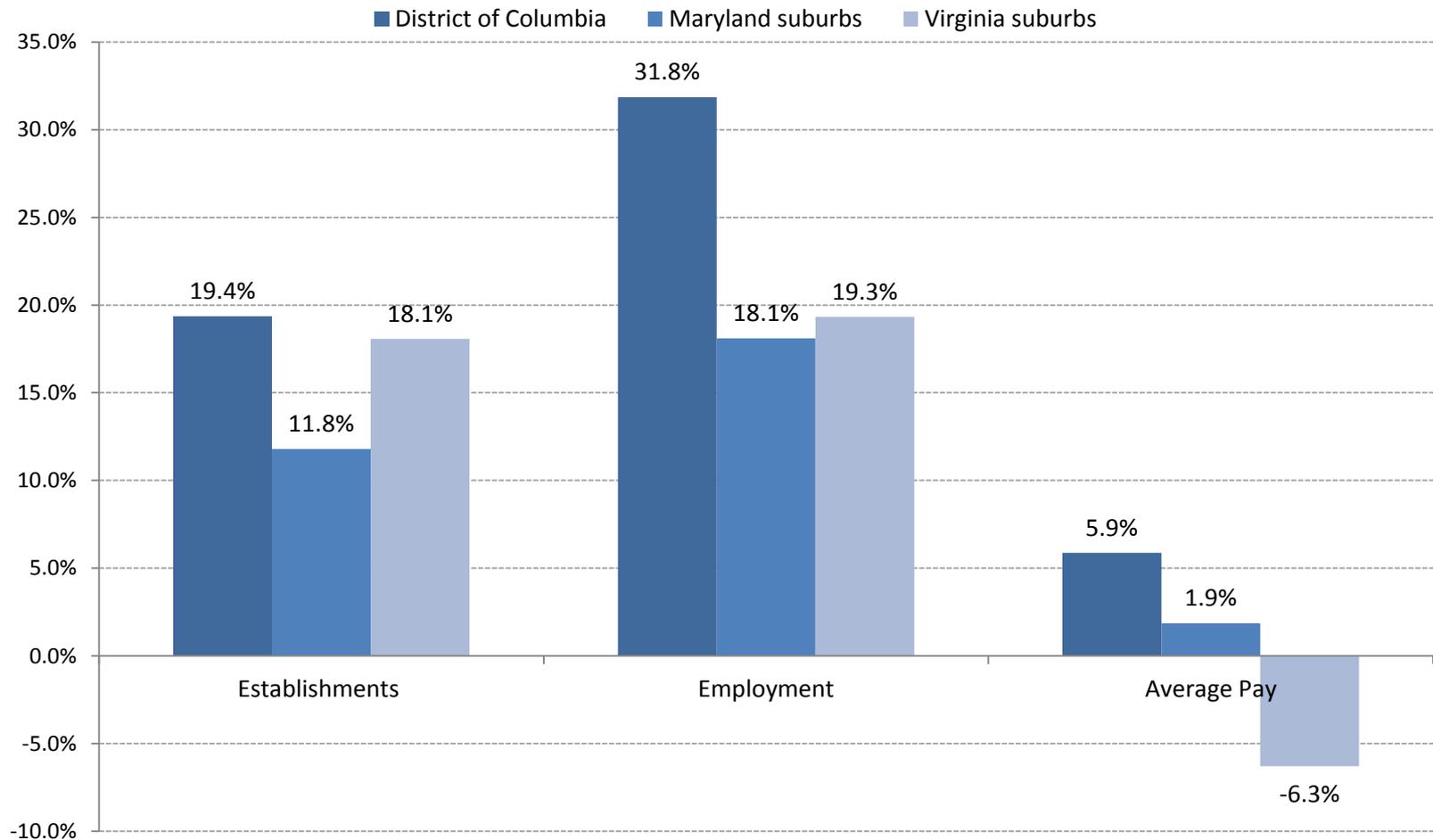
Change in establishments, employment and average pay, retail only, 2007-2015



Source: EPI analysis of QCEW data, 2007-2015

Growth in D.C. vs surrounding counties

Change in establishments, employment and average pay, leisure & hospitality only, 2007-2015



Source: EPI analysis of QCEW data, 2007-2015