DC Jobs, Wages and Benefits

Prepared For DC Mayor's Working Group

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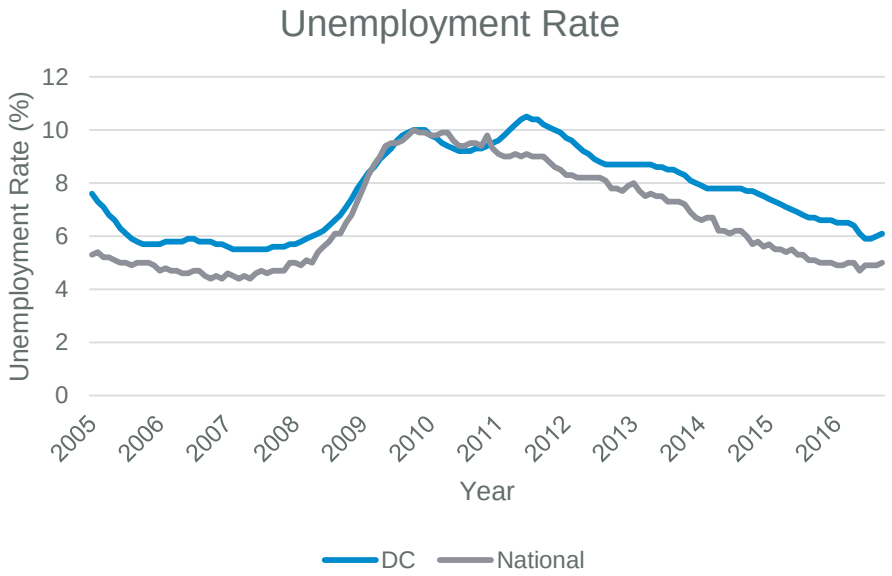
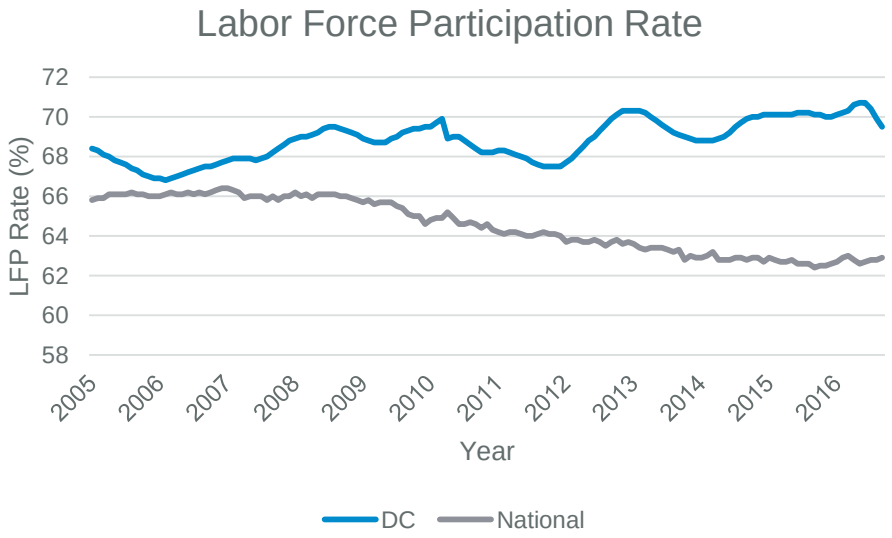
October 26, 2016

Competition Matters

- Business policies in DC need to be set with the recognition that spatial competition matters
- Policies that matter to employers:
  - *Tax Policy*
  - *Minimum Wages*
  - *Right to Work Laws*
  - *New Benefits: Paid Family leave*
  - *Policies to Encourage Hiring*

Unemployment





6.1%

DC unemployment rate. This compares to 4.1% for the Washington-Arlington-Alexandria region.

24,100

Unemployed people in Washington DC

69.9%

DC Labor Force Participation Rate

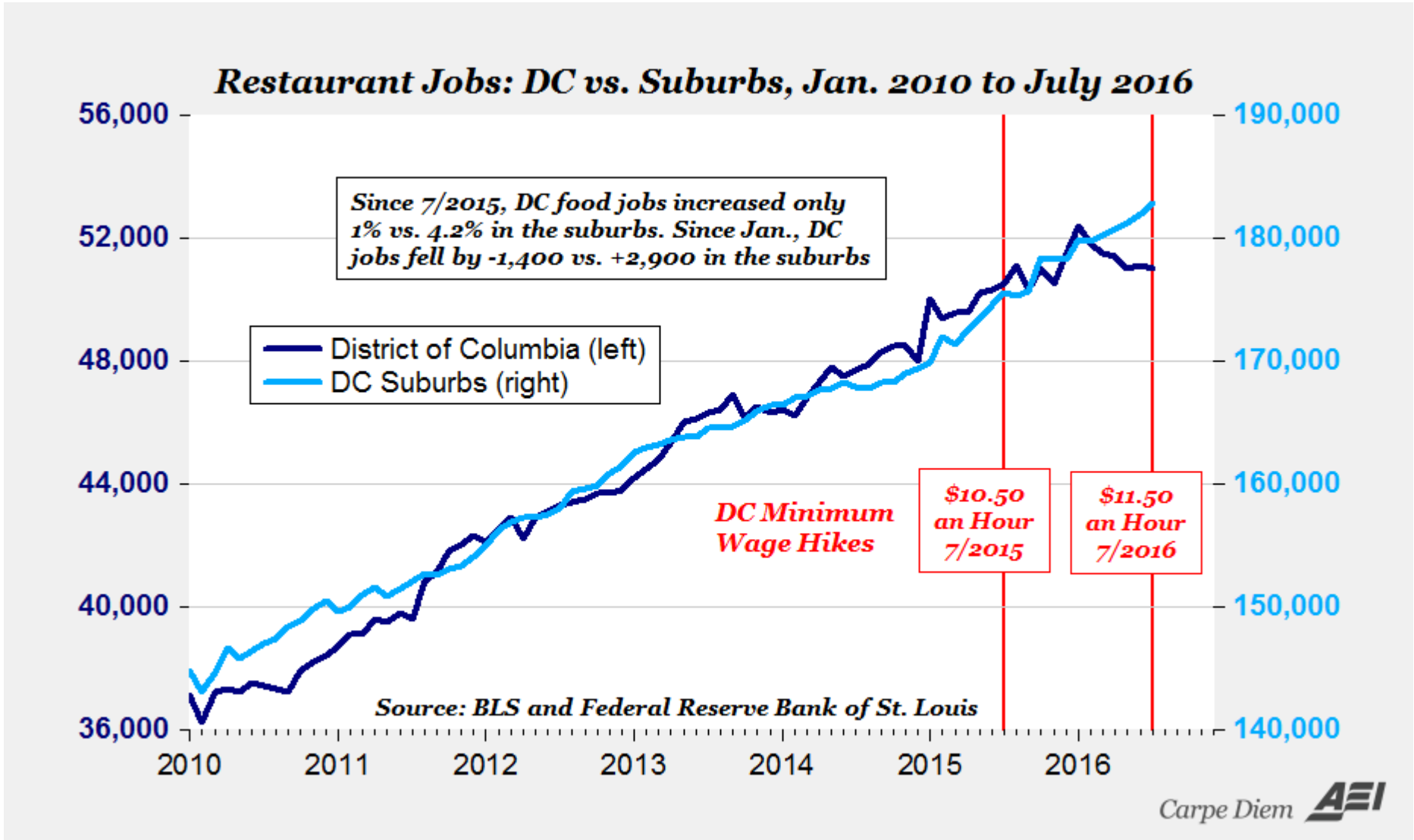
Minimum Wage Hikes

Minimum wages are going to increase from $11.50 in 2017 to $15 in 2020

- Economists generally worry about the adverse impacts of steep hikes in the minimum wage on employment
- Some workers will benefit but some other workers will lose out (CBO, 2014)
- Unemployment may result from firms choosing to let go of unskilled workers
- If workers lose jobs, also lose access to EITC and other credits that are conditional on work

DC is considering a hike in the minimum wage that is out of line with its neighbors

- Maryland: $8.75/hr, Virginia: $7.25/hr
- Could encourage businesses to relocate to these states to take advantage of lower minimum wages
- Loss of jobs in the district, particularly in the restaurant industry (Mark Perry, AEI)


Restaurant Jobs: DC vs. Suburbs, Jan. 2010 to July 2016
56,000
52,000
48,000
44,000
40,000
36,000
190,000
180,000
170,000
160,000
150,000
140,000
2010
2011
2012
2013
2014
2015
2016
Since 7/2015, DC food jobs increased only 1% vs. 4.2% in the suburbs. Since Jan., DC jobs fell by -1,400 vs. +2,900 in the suburbs
District of Columbia (left)
DC Suburbs (right)
DC Minimum Wage Hikes
$10.50 an Hour 7/2015
$11.50 an Hour 7/2016
Source: BLS and Federal Reserve Bank of St. Louis
Carpe Diem
AEI

State EITC

- The EITC is a very well-targeted program that has helped lift people out of poverty and encouraged workforce participation
- Better than minimum wage hikes to help lower income households since it has no negative employment effects
- DC has a generous EITC program
  - Rate of 40% (100% for childless workers)
  - 56,590 people in DC receive the EITC, which is 10% of the civilian non-institutional population or 15.3% of the employed population.
- Some studies suggest that people eligible for the federal EITC are not claiming it, which implies that they cannot claim the state EITC either
  - More outreach on this and research to explore why this is happening is critical
- Also since the federal childless EITC is so low, might be worth exploring options to increase the size of the benefit for childless workers maybe even as a lump-sum amount?

Paid Family Leave

Providing access to paid family leave is important

- Benefits working mothers and their families
- Encourages workforce participation and retention
- Leads to higher wages in the long-run
- Particularly helpful for disadvantaged groups

Current proposal

- 12 weeks instead of 16
- Replacement rate of 90% for those making less than twice the minimum wage ($11.50/hr).
- Rapid phase-down, maximum payment of $1500/wk.

Paid Family Leave

1. Generous policy, but need to figure out how costly the proposed program will be (depends upon take-up)
2. Payroll Tax: What the burden on employees is likely to be
3. Does it comes with job protection?
    - FMLA doesn't cover bottom 40% so they won't have job protection
4. Maybe phase-in the program along the lines of New York
5. Exempt small businesses?
6. No state currently has a 100% or 90% wage replacement rate, start with something lower?
7. Who should be eligible?

Taxes

- Taxes matter for investment, jobs and wages
- My own research shows that higher corporate taxes lead to lower wages
- Other research highlights the adverse impacts of high taxes on investment
- High personal tax rates discourage work and often the reporting of incomes
- DC currently has much higher corporate and personal income taxes than surrounding states
- DC ranks 47th on the Tax Foundation's State Business Tax Climate Index for 2017 (previously 40th)
    - 31st on corporate tax (improving b/c of recent corporate tax rate reductions)
    - 43rd on individual tax (previously 34th)

Taxes

Tax type	DC	Virginia	Maryland
Sales tax	5.75%	5.30%	6%
Individual rates	4 - 8.95%	2 - 5.75%	2 - 5.75% + county
Corporate tax	9.20%	6%	8.25%

Right to Work Laws

- DC has not passed a Right to Work Law and it's worth considering this
- Some research suggests that businesses are more likely to set up shop in states with Right To Work Laws
- More than 26 states have RTW laws, and Virginia is one of them
- Holmes (1998) examines manufacturing employment in border counties of neighboring states where one state had RTW protections and the other did not. Holmes (1998) finds that manufacturing employment as a percentage of county population increased by one-third in the counties within the RTW states vis-à-vis non-RTW states.

DC Ban the Box Legislation

Fair Criminal Record Screening Amendment Act of 2014 (FCRSA)

- Employers may not ask or seek disclosure of a non-pending arrest or criminal accusation that did not result in a conviction.
- May obtain information on applicant's criminal convictions after conditional employment offer. An employer may rescind the offer after consideration of numerous factors, including:
  - Specific duties and responsibilities of the position
  - Bearing of the offense on applicant's ability to perform the job
  - Age at time of offense, time elapsed since offense, seriousness of offense
  - Information provided by applicant to demonstrate rehabilitation
- DC Auditor found in 2016 that the majority of businesses were unfamiliar with FCRSA
  - Applies to only 25% of DC businesses
  - DC agencies increased the share of jobs requiring background checks, which are exempt from FCRSA
  - Those subject to FCRSA faced substantial compliance costs, reporting that FCRSA increased the costs, complexity and duration of the hiring process.

Does Ban the Box Work?

- Recent research suggests adverse impacts on exactly the population these laws are trying to help
- Goal is to improve employment outcomes for those with criminal records, reduce racial disparities in employment
- Recent research however shows that employers are less likely to interview applicants from certain demographic groups that are more likely to have a criminal record
- The employment probability of young, low-skilled Black men and low-skilled Hispanic men went down significantly as a result of this policy (Doleac, 2016)

DC Scheduling Legislation

Hours and Scheduling Stability Act of 2015 – tabled

- Prevent employer use of "just in time" scheduling
- Applies to retail and food industry employers with 40+ locations nationwide
- Must publish schedules at least two weeks in advance, with an exception for change requests by an employee.
    - Failure requires "predictability pay": 1 hour extra compensation if the change made between 14 weeks and 1 day before the shift, and 4 hours compensation if less than 24 hours before the shift starts.
    - For on-call shifts when the employee does not get called in, compensation is 2 hours of pay for shifts under 4 hours, and 4 hours of pay for longer shifts.
- Must pay part-time employees the same wage as full-time employees if their jobs have similar skills and responsibilities
- Employers must offer additional hours to existing part-time employees before hiring new part-time employees

DC Scheduling Legislation

- Don’t think we should mandate these laws despite the benefits to workers
- Allow workers the right to request a schedule in advance, but often business conditions don’t allow employers the flexibility to offer it
- If we mandate pay for unpredictable schedules, it would make workers more costly to businesses, and that increases the risk that workers would be laid off or new workers would not be hired
    - Particularly in combination with minimum wage hikes

Other Policies

Paid Apprenticeship Programs

- In 2015, the youth unemployment rate was 14.6% in DC, and 10.5% nationally
- DC has a paid apprenticeship program for out-of-school youth and adults
    - Also expand to those in college or high school?

Wage Subsidy programs

- Tax credits for businesses to provide on-the-job training to workers (Wisconsin fast Forward Initiative)
- Project Empowerment seems to be a 100% wage subsidy to employers—more successful programs seem to offer some sharing of costs with employers or work essentially through tax credits

Concluding Thoughts

1. Competitive tax rates
2. Understand costs of paid family leave programs, phase in
3. EITC better approach than minimum wage hikes
4. Paid apprenticeships