Thank you, Chairman Mendelson and The Committee of the Whole, for the opportunity to testify. My name is Chris Kennedy and I am a resident of Ward 6. I have more than 15 years of restaurant industry experience, both as an employee and, as of last year, an owner of Reliable Tavern in Park View. I also hold a PhD in economics and I am a tenured professor at George Mason University. I believe this combination of experience and training gives me a unique perspective on the quality and limits of the body of research on minimum wage changes, as well as the specific risks facing the DC restaurant and bar industry.

So, what does the research say? In general, not much. Most studies of have shown little or no impact on jobs and income for restaurant workers. This is despite well-established predictions from economic theory when you set a floor on wages, employment is likely to drop, and specifically among those workers who are not critical to operations. In the restaurant industry, this means busers, hosts, food runners, lunch- and weekday-night servers, and others in entry-level or part-time roles. Why the discrepancy? There are two main reasons.

1. Research on large, mandated minimum wage hikes is limited, and even researchers who generally support increasing the minimum wage recognize that large increases are likely to have negative consequences for employment. Initiative 77 would represent a nearly 400 percent increase in base wage for tipped employees when fully implemented in just over seven years, and hence falls outside the majority of examples studied by economists.

2. It is difficult to get detailed data on establishment (restaurant) level employment, or even data on different subgroups of workers. This matters because Initiative 77 represents a very specific intervention in which labor costs for one group of workers is increasing. In response to eliminating the tip credit, a restaurant may decide to lay off a buser and require waiters to instead clear tables. In aggregate data, lost income to that buser would be partially offset by the additional income to waiters, as they no longer tip out the buser. This same pattern—a reallocation of responsibilities between roles—can also affect overall employment, obfuscating losses among the lowest-productivity workers (e.g., a restaurant eliminating the role of food runner and instead hiring an extra kitchen staff to handle delivery to tables). Because we can't see data on specific classes of workers, we might see minimal impact on aggregate income or employment, but that doesn't capture the real pain experienced by certain classes of workers.

A recent study of a minimum wage increase in Seattle by the National Bureau of Economic Research (the premier, nonpartisan national economic research center) tackled these problems with a data set that included different classes of workers. They "low-skilled" restaurant workers (defined as earning less than $19 per hour) experienced a 6 percent to 7 percent drop in hours and lower monthly pay (http://www.nber.org/papers/w23532), likely a result of businesses changing the way they operate: ending service during low-revenue shifts, thinning out staff, and moving to buzzer/counter service, as economic theory suggests. Recent stories from San Francisco (as reported by the NY Times, https://www.nytimes.com/2018/06/25/dining/san-francisco-restaurants-service.html) and other locations lends further credence the claim that rising minimum wages are leading to fewer service jobs at new establishments, which increasingly rely on self-service in response to higher labor costs. This pattern is also supported by research from the Economic Policy Institute (a left-leaning think tank supporting Initiative

77) released last Wednesday (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/). EPI found private servers and bartenders to make up a larger proportion of private sector employment in DC (2.8%) than both San Francisco (2.6%) and Seattle (1.9%), which have both eliminated the tip credit, suggesting a lower reliance on front-of-house staff in the food service industry in the latter two areas.

Another reason to worry about Initiative 77 arises when considering the impacts on growth in the bar and restaurant industry in DC which, as many here likely know, has been significant in recent years. Again, citing the pro-Initiative 77 EPI research, from 2010 to 2017, the number of full-service establishments in DC increased by 3.9% annually, whereas growth in San Francisco and Seattle has been lower at 1.5% and 2.6%, respectively. Job growth in this sector has been 6.2% annually (4.2% and 3.5% for SF and Seattle). DC's tip credit has allowed businesses to keep labor costs reasonable even in the face of rapidly rising rents, while also providing opportunities for significant job growth for entry-level and experienced service industry professionals.

In summary, Initiative 77 is likely to have negative consequences for workers, and especially the entry-level workers at the lower end of the earning range that 77's proponents claim to want to help. Initiative 77 will also represent a significant labor cost increase for restaurants and will be the equivalent of throwing a wet blanket on DC's restaurant scene at a time of unprecedented innovation and expansion, a particular risk for those areas of the city that are only now beginning to experience this sort of investment.

I want to thank you for your action on this important issue, and especially my council member Charles Allen for his open mind and rapid responses to inquiries following the primary election. I urge you to carefully consider the risks of Initiative 77, and to vote to repeal quickly to avoid creating uncertainty and risking any disruption to our vibrant and growing restaurant industry.

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