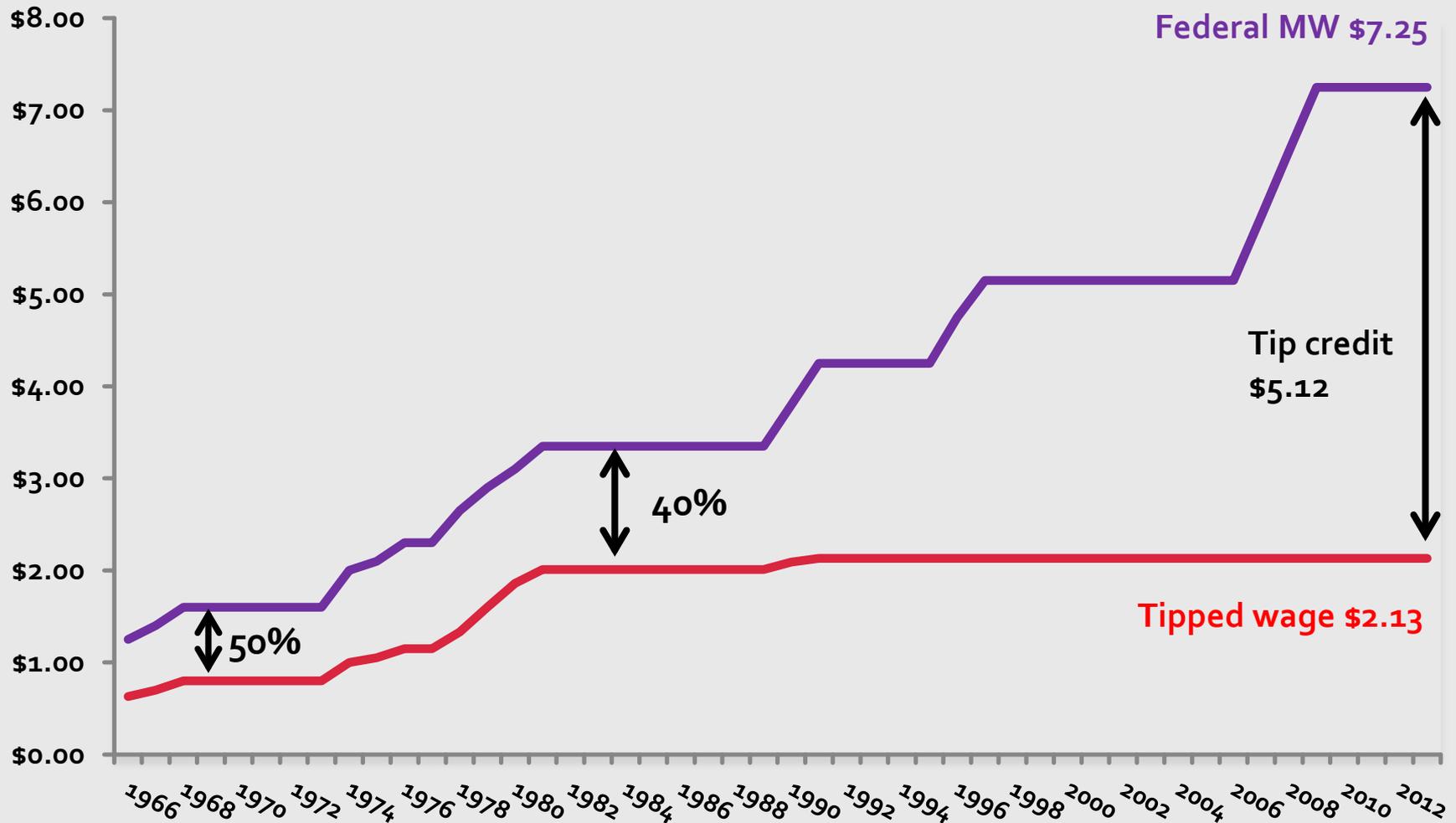


Waiting for Change: Twenty-three years of \$2.13

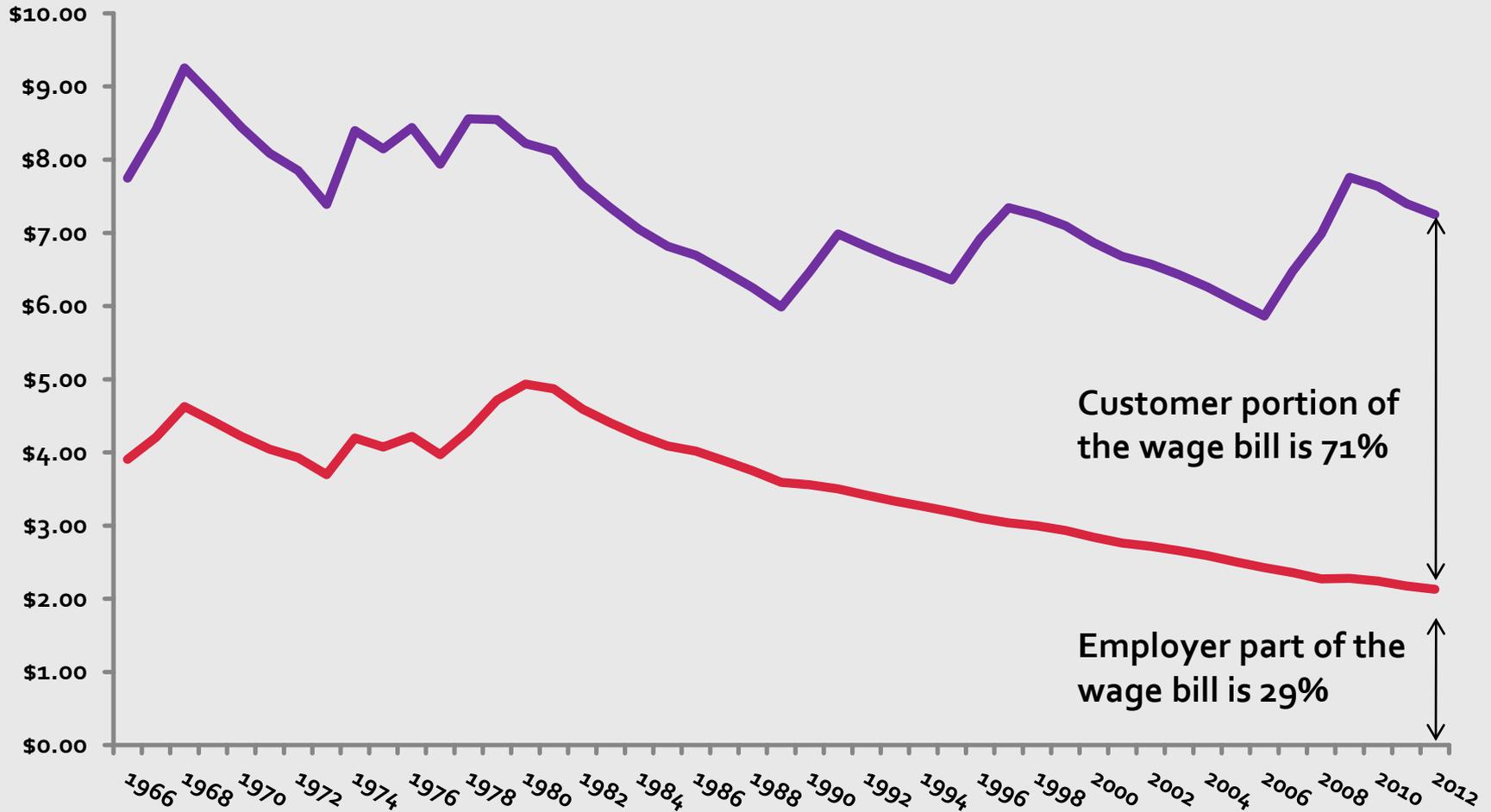
75 Years of the Fair Labor Standards Act
U.S. Department of Labor
Cesar E. Chavez Memorial Auditorium
November 15, 2013

Sylvia A. Allegretto, PhD
Co-chair: Center on Wage & Employment Dynamics
Institute for Research & Labor Employment
University of California, Berkeley

The two tiered system



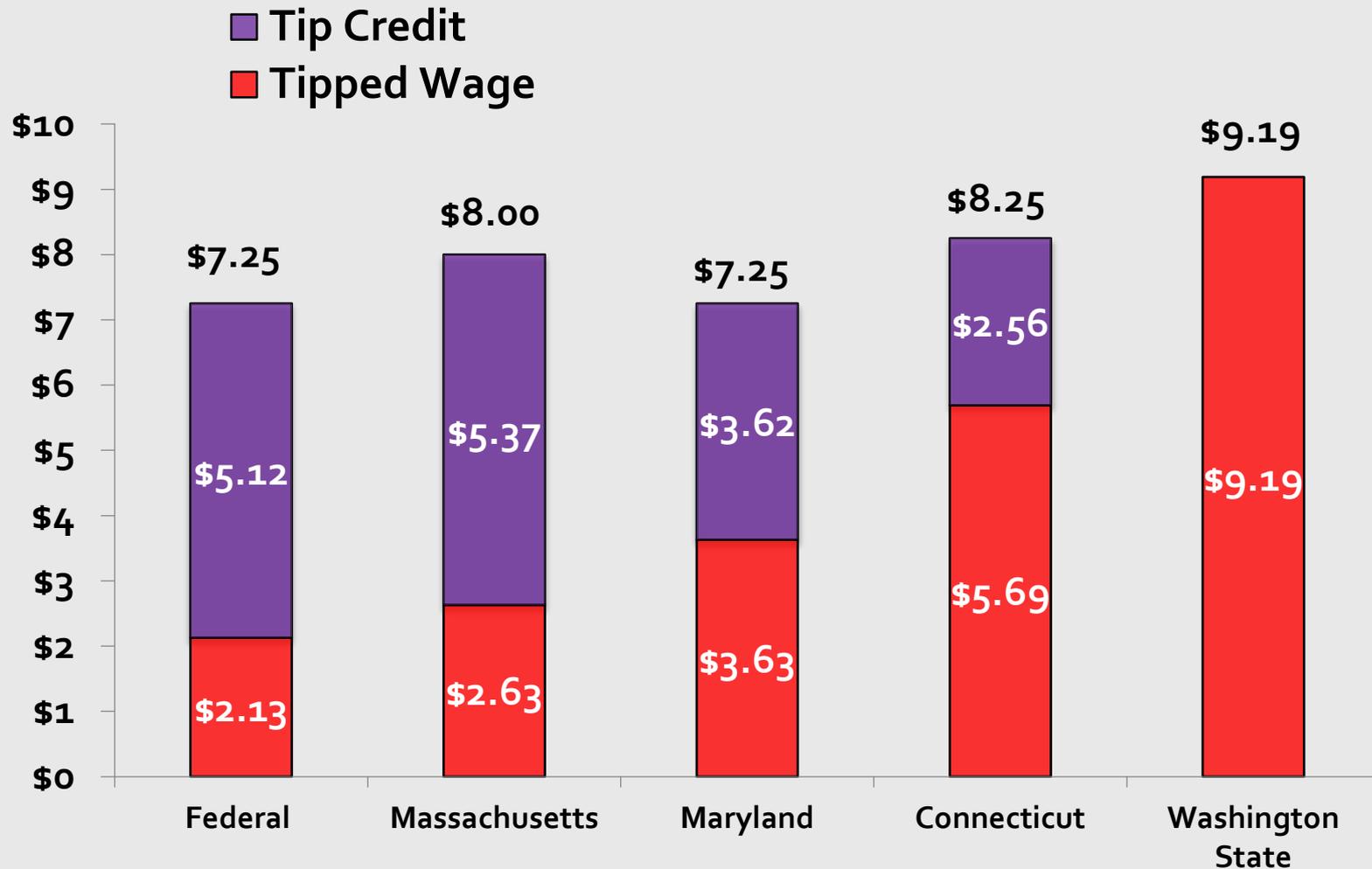
When a tip isn't a tip



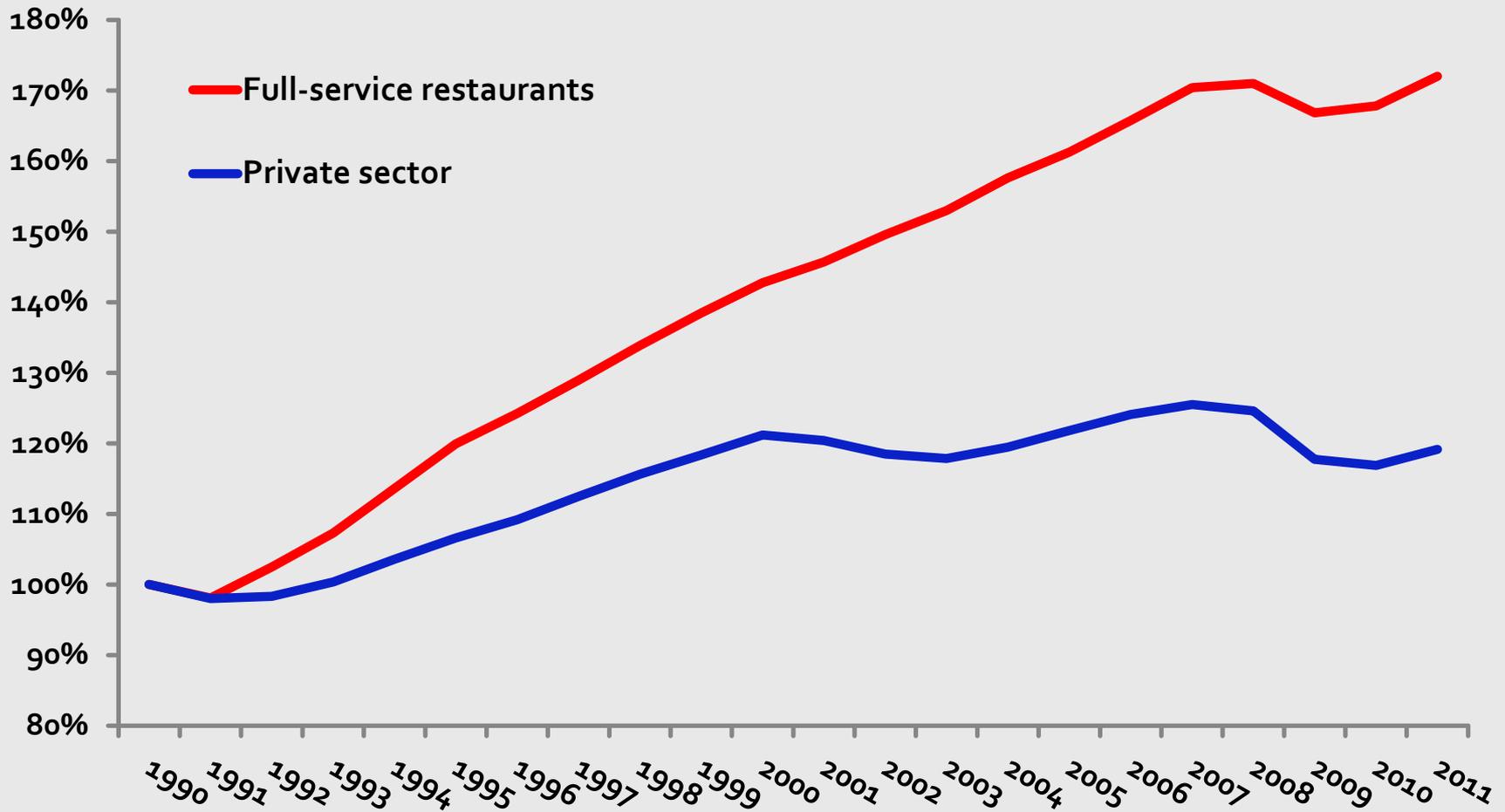
Customer portion of the wage bill is 71%

Employer part of the wage bill is 29%

MW – TW = Tip credit allowance



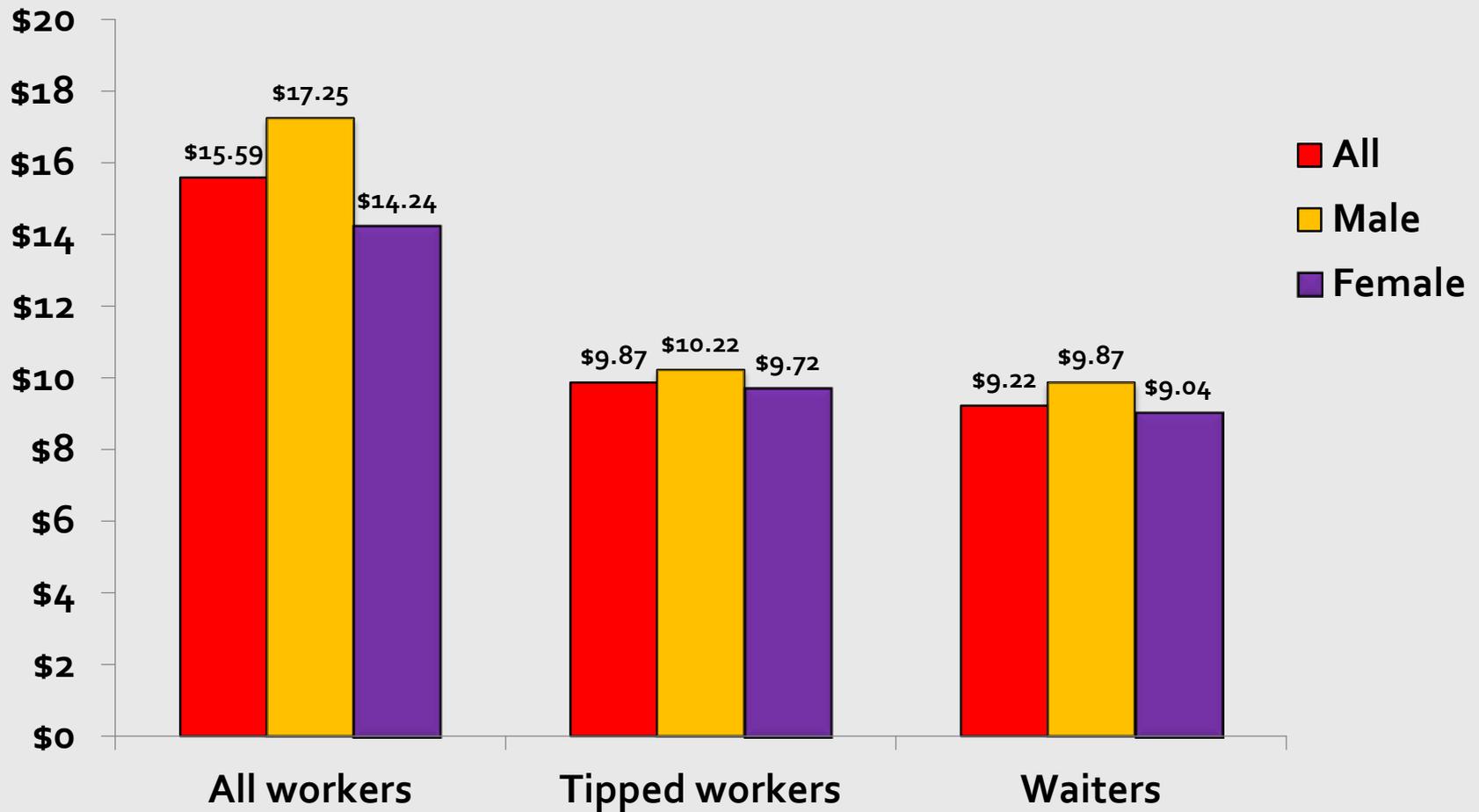
Let's eat out!



Source: BLS QCEW data.

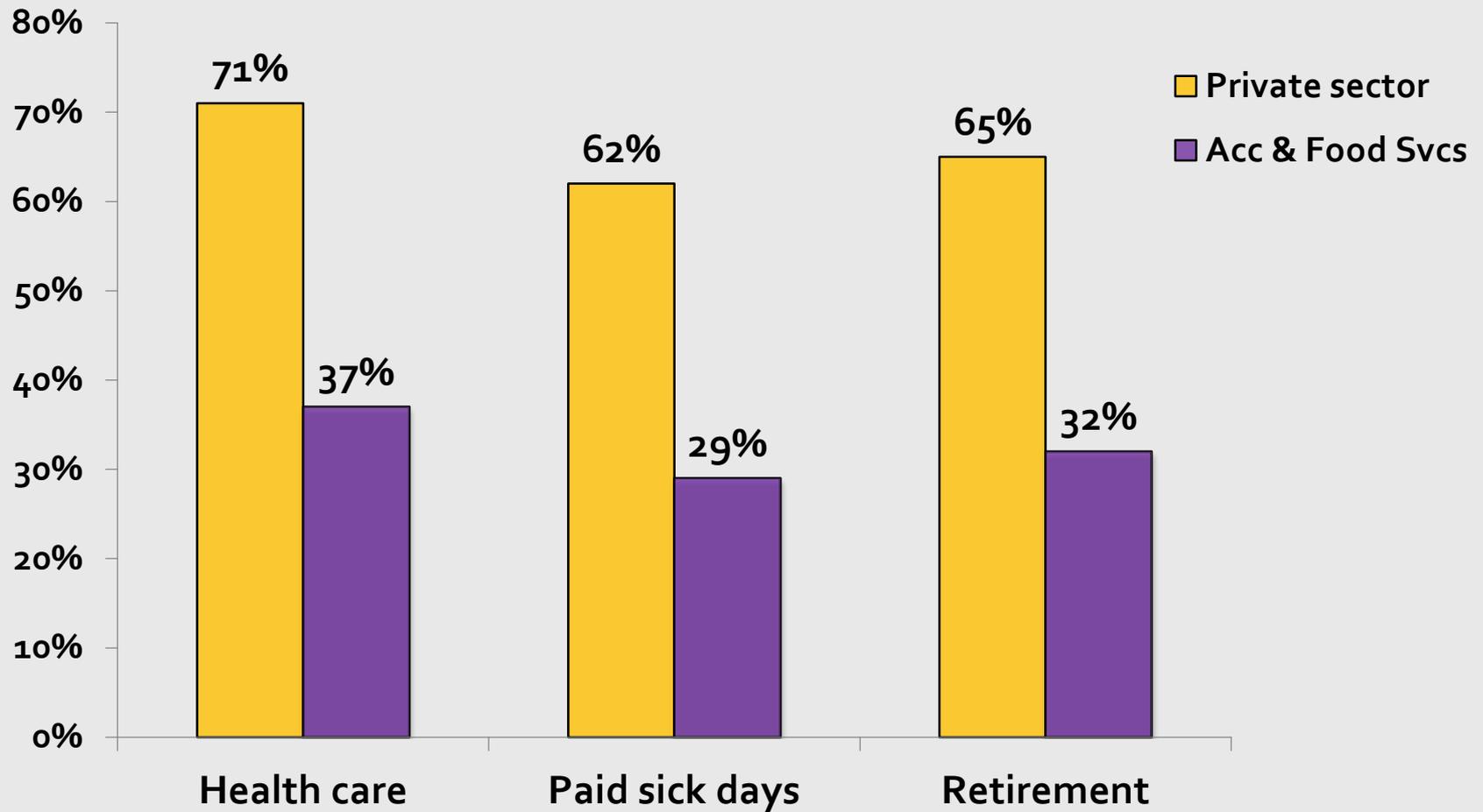
Allegretto 2013

Wages

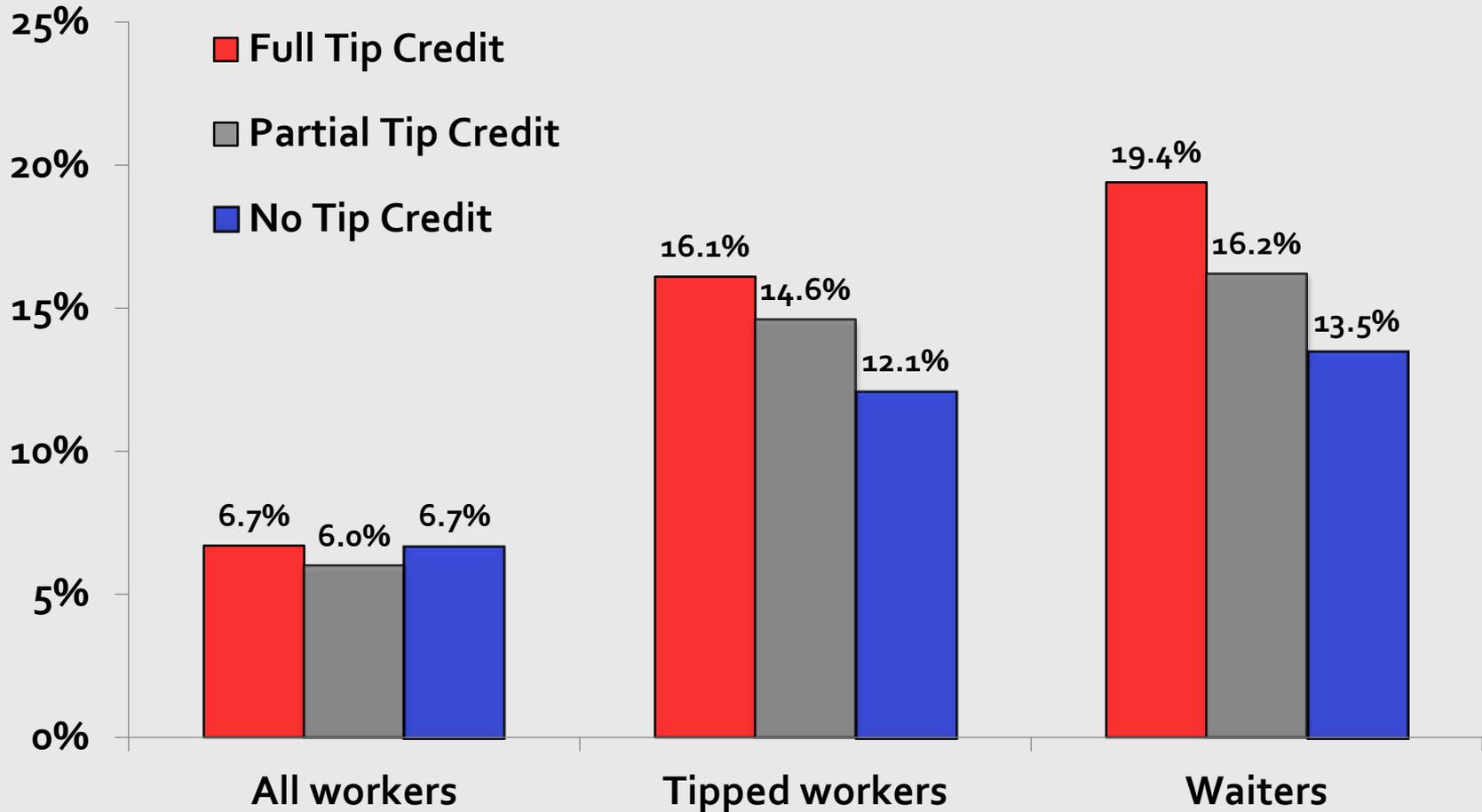


Source: Allegretto & Filion : EPI brief 2011. BLS CPS data.

Access to benefits



Poverty rates



Source: Allegretto & Filion, EPI 2011. BLS March CPS data.

Extending recent MW research

- Scant empirics on the effects of TWs
 - Even & Macpherson. *IZA DP* No. 7092, 2012
- Look to recent studies on MWs
 - Allegretto, Dube, Reich. *Industrial Relations*, 2011
 - Dube, Lester, Reich. *ReStat*, 2010
- QCEW data
 - Separate LS and FS restaurants
 - Near census—covers 98% of workers
 - Allows border discontinuity analyses from state level down to boarder county-pairs

Credible research designs

Spec. 1

$$\ln y_{it} = \alpha + \beta_1 \ln(MW_{st}) + \beta_2 \ln(TW_{st}) + \gamma \ln(Pri_{st}) \\ + \theta \ln(Pop_{st}) + \phi_s + \tau_t + \varepsilon_{st}$$

Spec. 2

$$\ln y_{it} = \alpha + \dots + \phi_s + \tau_{dt}$$

Spec. 3

$$\ln y_{it} = \alpha + \dots + \phi_s + \psi_s \cdot t + \tau_t$$

Spec. 4

$$\ln y_{it} = \alpha + \dots + \phi_s + \psi_s \cdot t + \tau_{dt}$$

MW & TW effects: FSR

Specification		(1)	(2)	(3)	(4)
Earnings					
lnTW	η	0.044**	0.037*	0.055***	0.045**
	se	(0.018)	(0.021)	(0.014)	(0.017)
lnMW	η	0.152***	0.136***	0.136***	0.127***
	se	(0.029)	(0.042)	(0.030)	(0.026)
Employment					
lnTW	η	-0.094**	-0.013	-0.008	-0.012
	se	(0.040)	(0.042)	(0.038)	(0.046)
lnMW	η	-0.114**	-0.027	-0.073**	-0.026
	se	(0.055)	(0.066)	(0.034)	(0.058)
Division-specific time controls			Y		Y
State-specific time trends				Y	Y

Source: Aggregated QCEW data 1990q1-2010q4. Note: Significance *** p<0.01, ** p<0.05, * p<0.1
 Other controls: U Rates, POP, EPOP, % College Degree, personal income

Allegretto 2013

MW & TW effects: FSR

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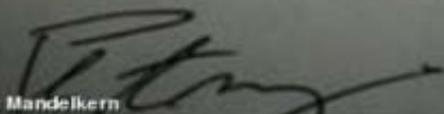
Moving from \$2.13

Status: Approved

Card Type: Master Card
Card Number: XXXXXXXXXXXXXXX2395
Server Name: Jon
Card Swiped by: Jon
Check Number: 3388
Tab Number: 31
Card Owner: manning/peyton

SUBTOTAL 739.58
18% GRATUITY INCLUDED 200.00
TOTAL 939.58
Approval: 09545Z

I AGREE TO COMPLY WITH
THE CARDHOLDER AGREEMENT



Wrap up

- Minimum wages matter
 - Industries that utilize low wage workers are growing.
 - Low wages often come with no benefits.
 - Intersection with poverty, inequality and the larger economy.
- Policy areas
 - Reconnect TW to MW as in H-M Bill (70%).
 - Benefits of higher wages should be considered.
 - Job quality: paid leave & other benefits, JIT, back of the house workers.