



The Daily Dish

Oceanaire Customers Discover the Price of \$15

BEN GITIS | AUGUST 25, 2017

Eakinomics: Oceanaire Customers Discover the Price of \$15

Last week, Washington, DC locals [discovered](#) that the Oceanaire restaurant introduced a 3-percent surcharge to every bill because of the District's rising minimum wage. Fury ensued, and Oceanaire removed the charge.

This chain of events is becoming increasingly familiar. Earlier this year, public anger was directed at the W Hotel in [Seattle](#) for imposing a 6.5-percent minimum wage surcharge on room service. In San Diego, customers became frustrated when [several restaurants](#) introduced an average minimum wage surcharge of 3 percent. And back in 2014, [Oasis Cafe](#), a small restaurant in Stillwater, Minnesota became the center of national attention for introducing its own fee to help offset the state's minimum wage hike.

Instead of chastising these businesses, customers' outrage would be better directed at the reason for these surcharges: laws mandating large increases in the minimum wage. Increasing prices is one of the many well-documented levers employers pull to help offset the additional costs they incur from a mandatory wage hike. For instance, [one study](#) found that a 10-percent increase in the minimum wage causes restaurant prices to increase by 0.7 percent. While that may not seem like much, when considering the magnitude of the minimum wage increases currently being implemented, the price increases add up. In Washington, DC, for example, the minimum wage (currently \$12.50 per hour) is rising to \$15 per hour, representing an 81.8-percent wage hike from the initial level of \$8.25 per hour in 2013. That translates to a 5.7-percent increase in prices. Suddenly, Oceanaire's 3-percent surcharge does not seem all that out of line.

Unfortunately, research also shows that these price increases disproportionately burden the low-income families that minimum wage increases are intended to help. That's partly because prices tend to rise most in fast food restaurants, which frequently serve low-income customers. Stanford University's Thomas MaCurdy [found](#) that the price increases facing families in poverty eat up a larger portion of annual earnings than do the price increases facing higher income families.

Simply criticizing businesses for behaving rationally will not solve this problem. Just because Oceanaire has removed its surcharge does not mean that its Washington, DC customers will not pay a higher price due to the minimum wage increase. Rather, restaurants and other businesses that tend to rely on minimum wage workers will likely act more discreetly and simply raise prices. As state and local minimum wage increases continue to be implemented, prices will continue to increase, as will the other means employers use to offset wage hikes, including [cutting employment](#), [reducing hiring](#), and [replacing](#) low-skilled workers with more productive workers. In each instance, the very families minimum wage hikes are intended to help are the ones who bear the brunt of these consequences.