

Senate Finance Committee
 March 14, 2018
 Testimony by Douglas Hall

Increase or Eliminate the Tipped Minimum Wage

The Economic Progress Institute supports **Senate Bill 2476** to increase the tipped minimum wage from \$3.89/hour to \$9.00/hour on January 1, 2022 (and eliminate it entirely starting January 1, 2023) and the provisions in **Senate Bill 2244** increasing the minimum wage for tipped workers from \$3.89/hour to \$15.00/hour on January 1, 2026).

While the basic case for raising the tipped minimum wage is essentially the same as for the normal minimum wage, there are some important distinctions to highlight. Lower wage workers are best able to contribute to a vibrant Ocean State economy if their wages are sufficient to allow them to spend their income on goods and services, supporting local businesses in every Rhode Island community.

The tipped minimum in Rhode Island today is \$3.89/hour. While employers are required by law to pay the difference between the tipped minimum and the regular minimum wage if the tips received aren't adequate to close that gap, in practice, we know that enforcement of that requirement is difficult and inadequate. As a result, tipped workers are often shortchanged. The Economic Policy Institute's research shows that each year, 2.4 million workers are shortchanged \$8 billion, an average of \$3,300 per worker, through minimum wage violations each year.¹

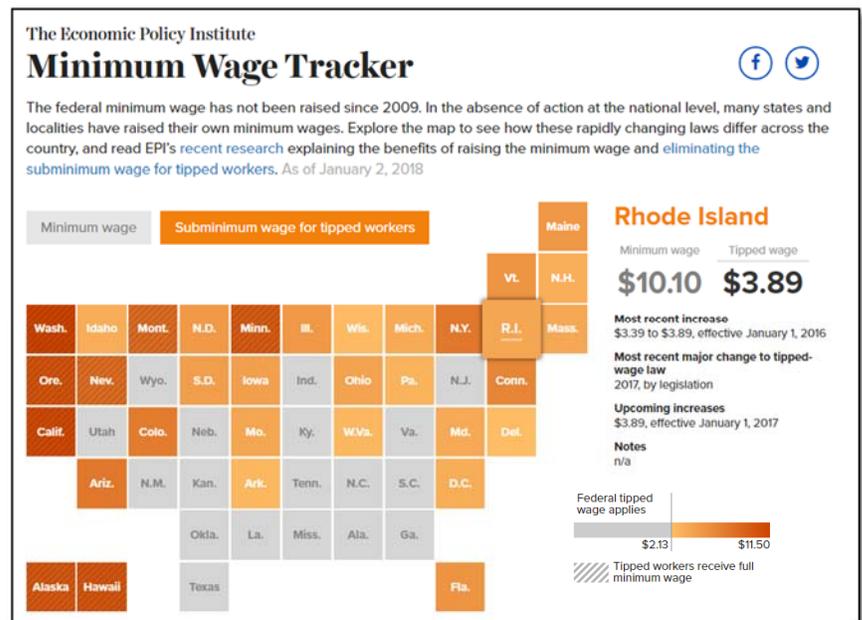


Figure 1

Moreover, we know that tipped workers are vulnerable to other workplace risks. A March 12, 2018 New York Times editorial notes that “This discrepancy [in guaranteed pay for tipped minimum workers] hurts workers by putting them at greater risk of wage theft, sexual harassment, and other

¹ David Cooper and Teresa Kroeger, 2017. *Employers steal billions from workers' paychecks each year* (Economic Policy Institute). <https://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year-survey-data-show-millions-of-workers-are-paid-less-than-the-minimum-wage-at-significant-cost-to-taxpayers-and-state-economies/>

workplace exploitation.”² The #MeToo movement that has empowered women to share their stories of sexual harassment in the workplace has highlighted the particular risk facing workers whose economic well-being depends on the generosity of their customers.

Workers in states with low tipped minimum wages are more likely to live in poverty. Figure 2 compares poverty rates for waiters and bartenders in states in three groupings: 18 states using the federal tipped minimum wage of \$2.13/hour; 24 states (including Rhode Island) with a tipped minimum wage between the federal rate and the regular minimum wage for the state; and 8 states in which there is no tipped minimum, and the regular minimum wage applies to all workers. Waitstaff and bartenders in states where tipped workers are guaranteed the regular minimum wage have poverty rates that are

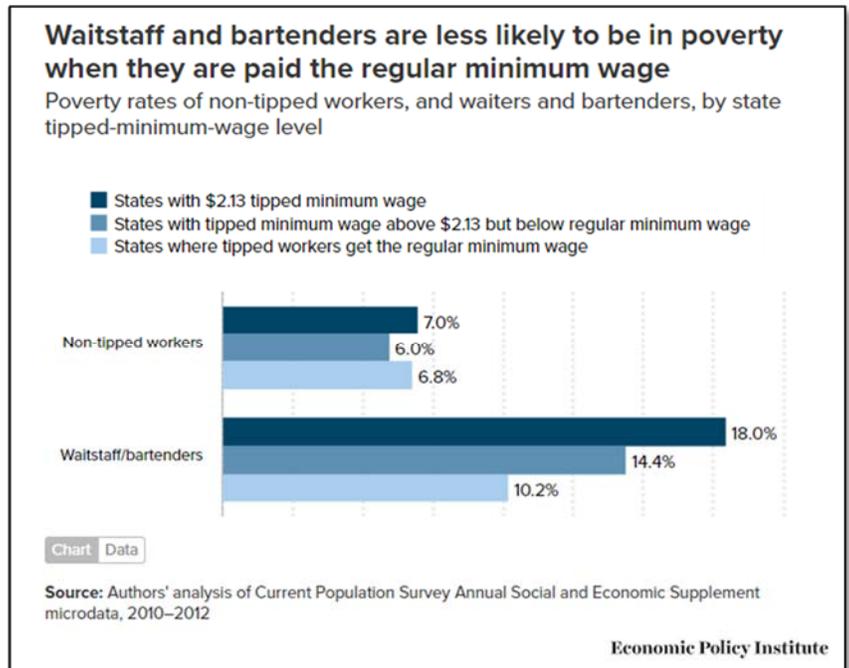


Figure 2

significantly lower than the poverty rates of their counterparts in states with separate, lower tipped minimum wages (10.2 percent vs 14.4 percent in states like Rhode Island with tipped minimum wages higher than the federal, but lower than the regular minimum wage, and 18.0 percent in states that rely on the federal tipped minimum wage).

We urge this committee to support an increase in Rhode Island’s tipped minimum wage on behalf of Rhode Island workers currently reliant on tips for their economic security.

² New York Times Editorial Board, March 12, 2018. “Wage Theft in Restaurants”, *The New York Times*. <https://www.nytimes.com/2018/03/12/opinion/tipping-restaurants-servers-cuomo-new-york.html>