



Testimony in Support of Bill Relating to Minimum Wage: S2143 (section on the cash wage, or tipped minimum wage)

Senate Labor Committee

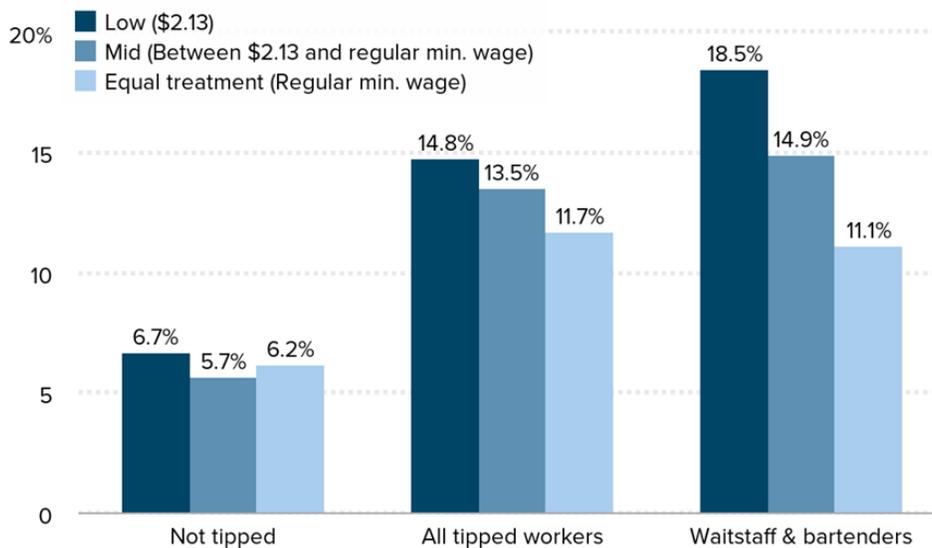
March 11, 2020

The Economic Progress Institute supports Senator Quezada’s bill S2143 which would raise and phase out the tipped minimum wage, as well as put Rhode Island on a path to a \$15/hour minimum wage. Rhode Island’s current sub-minimum tipped wage or “cash” wage is \$3.89/hour and was last increased in 2017.

Tipped workers do better in equal treatment states, those with a single minimum wage

Although some tipped workers at high-end restaurants make a good living, most tipped workers do not. Tipped workers are more likely than other workers to live in poverty. And tipped workers in states with a sub-minimum tipped wage are more likely to live in poverty than tipped workers in the 8 equal treatment states without a separate tipped wage, as shown in *Figure 1*.

Poverty rates of tipped workers, non-tipped workers, and waitstaff/bartenders by state tipped minimum wage level



Source: EPI analysis of Current Population Survey Annual Social and Economic Supplement microdata, 2013-2015

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Figure 1

In addition, tipped workers in the equal treatment states earn just above \$12/hour before tips, compared with wages between \$10 and \$11/hour in the 42 other states and the District of Columbia (see *Figure 2*).¹

Median hourly pay of tipped workers, non-tipped workers, and waitstaff/bartenders by state tipped minimum wage level (2016 dollars)

	Nationwide	State tipped-minimum-wage level		
		Low (\$2.13 tipped min. wage)	Medium (between \$2.13 and regular min. wage)	Equal treatment (Regular min. wage before tips)
<i>Non-tipped workers</i>	\$17.54	\$16.80	\$17.85	\$18.38
<i>Relative to equal treatment states</i>		-8.6%	-2.9%	
<i>All tipped workers</i>	\$11.00	\$10.19	\$10.99	\$12.04
<i>Relative to equal treatment states</i>		-15.3%	-8.7%	
<i>Waitstaff & bartenders</i>	\$10.67	\$10.05	\$10.76	\$12.09
<i>Relative to equal treatment states</i>		-16.9%	-11.0%	

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata, 2014-2016

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Figure 2

Tipped workers in sub-minimum wage states depend upon tips for their livelihood, and often face instability in income flow and therefore difficulties in budgeting.

The lower tipped minimum wage disproportionately harms workers of color and women of all races and ethnicities

Who are tipped wage workers?²

- 2/3 are women
- 1/2 are ages 30+, 2/3 are ages 24+
- 29% are married
- 32% are parents
- 19% are Latino/Latina, >10% are African American



Increasing the tipped minimum wage would disproportionately help women and workers of color, men and women, and help reverse wage disparities. Studies indicate that, among tipped restaurant workers, white workers are tipped at a higher rate than workers of color for similar levels of service. Indeed, there are many questions about how closely related tipping and service quality really are. And in many service occupations there is no tipping at all and yet workers provide excellent service.

The tipped minimum wage is linked to greater sexual harassment

Although tipped workers make up only 7% of the working population, they file 14% of sexual harassment complaints with the Equal Employment Opportunity Commission. According to Restaurant Opportunities Centers United, restaurant workers in states with the federal \$2.13 subminimum wage experience sexual harassment at double the rate of restaurant workers in an equal treatment states.³

Furthermore, one survey “found that management requires women in tipped occupations to wear suggestive or sexually revealing uniforms, in particular in states where women depend primarily on tips for their income. Tipped women workers in \$2.13 states report that they are three times more likely to be told by management to alter their appearance and to wear ‘sexier,’ more revealing clothing than women in equal treatment states.”⁴

Increasing the tipped minimum wage will decrease sexual harassment and will allow tipped workers, especially women, to worry less about wearing revealing clothing to help make ends meet.

Evidence indicates that increasing or eliminating the tipped minimum wage does not decrease tipping levels or restaurant sales

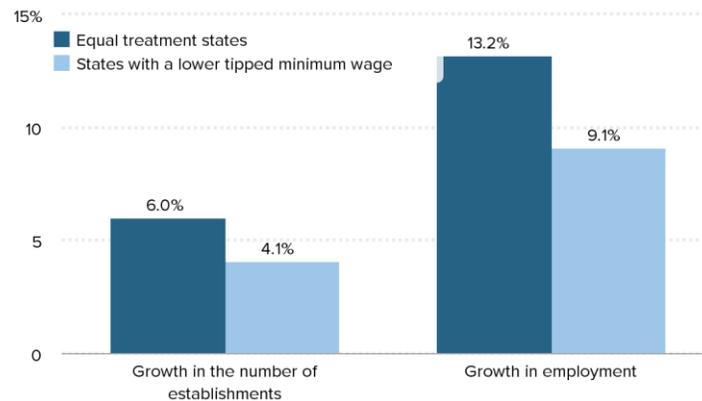
Critics of minimum wage increases will tell you that raising the minimum wage will result in job loss. Numerous academic studies and reviews have failed to identify the feared disaster of increases in the minimum wage. One recent and path-breaking study, from the Centre for Economic Performance and the National Bureau of Economic Research, examined 138 cases of minimum wage increases in the United States between 1979 and 2016, looking at the before and after in each situation and focusing on jobs paying around the minimum wage. The study compared “the number of excess jobs paying at or slightly above the new minimum wage to the missing jobs paying below it” and concluded that there was “no evidence of disemployment when we consider higher levels of minimum wages.”⁵

John Schmitt, now with the Center for Equitable Growth, undertook a meta-analysis that looked at dozens of academic papers considering this question. The title of his paper speaks volumes: [*Why Does the Minimum Wage Have No Discernible Effect on Employment?*](#)⁶ In short, he demonstrates that although there are some outlier studies showing either modest job gain or modest job loss, the vast preponderance of research clusters around zero, showing essentially no aggregate impact on employment levels.



Such results hold not just for minimum wage in general, but for the tipped minimum wage as well. *Figure 3* makes this clear.

Growth in the number of full-service restaurant establishments and employment by type of tipped wage, 2011–2014



Note: Equal treatment states are states that have the same minimum wage for all workers. Equal treatment states include Alaska, California, Hawaii, Minnesota, Montana, Nevada, Oregon, and Washington.

Source: Quarterly Census of Employment and Wages (2011-2014)

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Figure 3

Finally, a recent review of six cities increasing their minimum wage levels above \$10/hour showed no employment effects, while also revealing stronger growth in the private sector than comparison locations.⁷ New York City raised its minimum wage to \$15/hour in 2019, with food service workers now receiving \$10/hour before tips, and according to a headline last year in *Business Insider*, “NYC’s \$15 minimum wage hasn’t brought the restaurant apocalypse — it’s helped them thrive.”

¹ Another analysis shows that tipped workers in 7 Fair Wage states earn a median wage (including tips) of \$11.44/hour compared with \$9.57/hour for those in the sub-minimum wage states. This Fair Wage state median wage is almost 20% higher than the median in other states. See Restaurant Opportunities Center United, *Better Wages, Better Tips: Restaurants Flourish With One Fair Wage*, February 2018, https://chapters.rocunited.org/wp-content/uploads/2018/02/OneFairWage_W.pdf.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Doruk Cengiz, Arindrajit Dube, Attilio Lindner, and Ben Zipperer, 2018. *The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator*, Centre for Economic Performance Discussion Paper No 1531.

⁶ John Schmitt, 2013. *Why Does the Minimum Wage Have No Discernible Effect on Employment?*, Center for Economic and Policy Research; see: <http://cepr.net/documents/publications/min-wage-2013-02.pdf>.

⁷ Sylvia A. Allegretto and others, “The New Wave of Local Minimum Wage Policies: Evidence from Six Cities” (Berkeley, CA: Institute for Research on Labor and Employment, 2018), <https://irle.berkeley.edu/the-newwave-of-local-minimum-wage-policies-evidence-from-six-cities/>.