



Testimony in Support of Bill Relating to the Cash Minimum Wage: H7348 House Committee on Labor March 15, 2022

The Economic Progress Institute supports Representative Felix's bill H7348 to raise and phase out the tipped minimum wage. Rhode Island's current sub-minimum tipped wage or "cash" wage is \$3.89/hour and was last increased in 2017. Bill H7348 would increase this amount annually until it matches the regular minimum wage in 2028.

The racist history of the tipped minimum wage

Despite how normal the tipped minimum wage may seem to many of us, the truth is that it has a short and specific history. Tips once functioned, in Europe, as a means of rewarding servants with bonuses, not as replacement for wages. **With the end of slavery, tipped wages became a means to avoid paying wages to former slaves. When, in 1938, President Franklin Delano Roosevelt signed into law the first minimum wage, the measure specifically excluded professions where Black Americans and women predominated.**¹ In 2022, the tipped minimum continues to be used in occupations disproportionately employing people of color.

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

Who are tipped wage workers today?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 Black Americans

Increasing the tipped minimum wage would disproportionately *help* women and workers of color, both men and women, and help decrease wage disparities. Black Americans working in the food industry are less likely than white workers to secure the higher-paying and higher-tipped positions in "fine-dining" establishments. Studies indicate that, among tipped restaurant workers, white workers are tipped at a higher rate than workers of color for similar levels of service.³ 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 equal treatment states, those states with no separate minimum wage for tipped workers.**⁴

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 states with the federal \$2.13 subminimum wage 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.”⁵ During the coronavirus pandemic, tipped workers have not only faced cuts in earnings and tips, but have also been subject to increased harassment by customers over mask-wearing and other public health measures.⁶ **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.

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

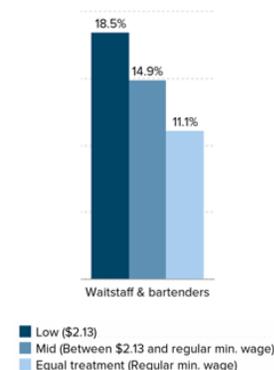
Although some tipped workers at high-end restaurants make a good living, most tipped workers do not.

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*.⁷

In addition, in 2016, tipped workers in the equal treatment states earned just above \$12/hour before tips, compared with wages of between \$10 and \$11/hour for tipped workers in the 42 other states and the District of Columbia.⁸

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

Average Poverty Rates for Waitstaff and Bartenders in States with Federal Tipped Minimum Wage (\$2.13/hr) vs States with Tipped Minimum Above Federal (including RI) vs Equal Treatment States (no separate tipped wage)



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

Figure 1

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

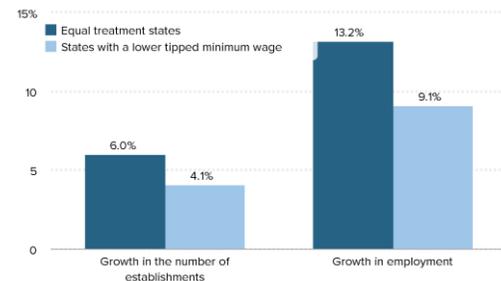
Critics of minimum wage increases will tell you that raising the regular minimum wage will result in job loss. Numerous academic studies and reviews have not shown the feared disaster of increases in the minimum wage. Although not as many studies have focused on the tipped minimum wage, the largest study conducted to date shows no statistically significant impact on employment. The scholars Sylvia A. Allegretto and Carl Nadler examined 23 years of data from the Quarterly Census of Employment and Wages (QCEW), focusing on the full-service restaurant industry and taking the ingenious step of comparing 281 border-county pairs – neighboring counties across state lines and with different regular and/or tipped minimum wage rates. They found that increases in tipped minimum wages increased earnings, while there were “small, statistically insignificant employment effects.”⁹ As *Figure 2* makes clear, **compared**



with states allowing a lower tipped minimum wage, equal treatment states have shown greater growth in both employment and the number of establishments.

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 at comparison locations.¹⁰ 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 2019 headline in *Business Insider*, “NYC’s \$15 minimum wage hasn’t brought the restaurant apocalypse — it’s helped them thrive.”¹¹

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)

Economic Policy Institute

Figure 2

¹ Saru Jayaraman, *Forked: A New Standard for American Dining* (New York: Oxford University Press, 2016), pp. 33-37; Michelle Alexander, “Tipping Is a Legacy of Slavery,” *The New York Times (Opinion)*, February 5, 2021, <https://www.nytimes.com/2021/02/05/opinion/minimum-wage-racism.html>.

² Restaurant Opportunities Center United, *Better Wages, Better Tips: Restaurants Flourish With One Fair Wage*, February 2018, <https://eofnetwork.org/wp-content/uploads/2019/10/Better-Wages-Better-Tips.pdf>.

³ Restaurant Opportunities Centers United, *Ending Jim Crow in America’s Restaurants: Racial and Gender Occupational Segregation in the Restaurant Industry*, 2015, <https://laborcenter.berkeley.edu/pdf/2015/racial-gender-occupational-segregation.pdf>.

⁴ *Better Wages, Better Tips*.

⁵ Ibid.

⁶ Emma Goldberg, “Is This the End of Tipping?” *The New York Times*, February 21, 2021, <https://www.nytimes.com/2021/02/21/business/pandemic-restaurant-tipping.html?searchResultPosition=1>. For more detail, including stories and data, see One Fair Wage’s December 2020 report: “Take off your mask so I know how much to tip you: Service Workers’ Experience of Health & Harassment During COVID-19,” https://onefairwage.site/wp-content/uploads/2020/12/OFW_COVID_WorkerExp-1.pdf.

⁷ Elise Gould and David Cooper, “Seven facts about tipped workers and the tipped minimum wage,” Economic Policy Institute’s Working Economics Blog, May 31, 2018, <https://www.epi.org/blog/seven-facts-about-tipped-workers-and-the-tipped-minimum-wage/>.

⁸ David Cooper, “Valentine’s Day is better on the west coast (at least for restaurant servers),” Economic Policy Institute’s Working Economics Blog, February 9, 2017, <https://www.epi.org/blog/valentines-day-is-better-on-the-west-coast-at-least-for-restaurant-servers/>. Another analysis shows that tipped restaurant workers in the seven 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.

⁹ Sylvia A. Allegretto and Carl Nadler, “Tipped Wage Effects on Earnings and Employment in Full-Service Restaurants,” *Industrial Relations: A Journal of Economy and Society*, 54(4): 622–647. October 2015, <https://irle.berkeley.edu/files/2015/Tipped-Wage-Effects-on-Earnings-and-Employment-in-Full-Service-Restaurants.pdf>.

¹⁰ 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/>.

¹¹ See <https://markets.businessinsider.com/news/stocks/nyc-restaurant-industry-thriving-after-15-dollar-minimum-wage-2019-8>.