

BETTER WAGES, BETTER TIPS: Restaurants Flourish with One Fair Wage



THERE ARE SIX MILLION TIPPED WORKERS ACROSS THE NATION, the vast majority women and disproportionately workers of color.¹ Under federal law these workers can be paid as little as \$2.13 an hour, with the remainder of their income derived solely from tips. As a result, tipped workers live in poverty and depend on food stamps at rates twice that of the general population.² Since 1996, when the tipped subminimum wage was frozen at \$2.13, workers have been abandoned by federal wage policy.

Seven states have adopted equal treatment for tipped workers ensuring all workers one fair wage, independent of tips. In those seven states:

- **Sexual harassment is lower than in the subminimum wage states that maintain an unequal treatment regime.** Tipped women workers who earn a guaranteed wage report half the rate of sexual harassment as women in states with a \$2.13 minimum wage since they do not have to accept inappropriate behavior from customers to guarantee an income (Figure A). 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.³
- **Wages including tips are unambiguously higher than in the 43 states that maintain an unequal treatment regime.** The median wage for tipped restaurant workers in one fair wage (OFW) states is \$11.44, surpassing the median wage of \$9.57 in states with a tipped subminimum wage, both including tips. The \$9.57 median wage for restaurant tipped workers in subminimum wage states is even lower than the wage of the lowest 10 percent of earners in OFW states at \$9.66 (Figure B). The median wage for bartenders and servers, restaurant tipped workers providing direct service in New York is \$10.98 in New York and \$9.22 in Michigan, compared to \$12.40 in California (Figure C).
- **Restaurant tipping rates remain constant across the country, but servers earn the highest tips in San Francisco, higher than in New York City or Washington, D.C.** Tipping rates vary around the country, ranging from a low of 14.9 percent in Washington, D.C. to a high of 17.1 percent in Alaska, but remain constant by OFW and \$2.13 regions at 16 percent. Rates in New York and Michigan are 15.7 percent and 16.6 percent, respectively. Tipping amounts reported by workers do not statistically vary between OFW and subminimum wage regions. However, among higher earners, servers in equal treatment cities report higher wages and higher tips than their counterparts in unequal treatment states (Figure D).
- **Restaurant sales are higher.** Sales were expected to grow by 5.1% in OFW states in 2017, compared to 4.2% in \$2.13 states. Restaurant sales in New York were projected to grow by 3.6 percent, a rate lower than the individual rates of six of the seven equal treatment, or OFW states.⁴ OFW states also have the highest restaurant sales weighted by population, over double the rate of sales in \$2.13 states and 13 percent higher than in New York.⁵ OFW states also outperform the rate of sales per full service employee in \$2.13 states by eight percent.⁶

FIGURE A
INCIDENCE OF SEXUAL HARASSMENT
BY WAGE REGION ($\pm 2*SE$)

Workers in equal treatment (OFW) states experience half the rate of total sexual harassment, compared to workers in unequal treatment (subminimum wage) states.

Source: ROC United, 2014.



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- **Restaurant employment rates are equal or higher.** From 2011-2016, full service restaurant employment (FSRE), where tipping is concentrated, grew by 20.4 percent in OFW states. States with a \$2.13 subminimum wage did not fare as well; FSRE grew by 16.37 percent during the same time period. FSRE grew by 20.13 percent in New York and 13 percent in Michigan.⁷
- **Restaurant establishment growth is equal or higher.** The number of full service restaurants (FSR) has steadily increased over the last five years. From 2011-2016, FSRs in OFW states grew by 9.44 percent, compared to 8.8 percent in \$2.13 states, 4.88% in New York, 8.7 percent in Michigan, and 13 percent in D.C.⁸
- **Poverty rates, especially for workers of color, are much lower than in subminimum wage states.** In OFW states workers of color experience poverty levels 27 percent lower than in \$2.13 states, 17 percent lower than other states with a subminimum wage, and 10 percent lower than New York.¹⁰



Tipping practices are not associated with the underlying wage. Equal treatment states have more robust wages, sales, establishment, and employment growth than their counterparts in unequal treatment states. **IT IS TIME FOR THE RESTAURANT INDUSTRY TO ADOPT ONE FAIR WAGE.**

FIGURE B
TIPPED RESTAURANT WORKER WAGES BY REGION AND DECILE

Tipped restaurant workers in equal treatment (OFW) states earn higher wages at every income decile than workers in unequal treatment (subminimum wage) states.

Source: Bureau of Labor Statistics, Occupational Employment Statistics, 2016.

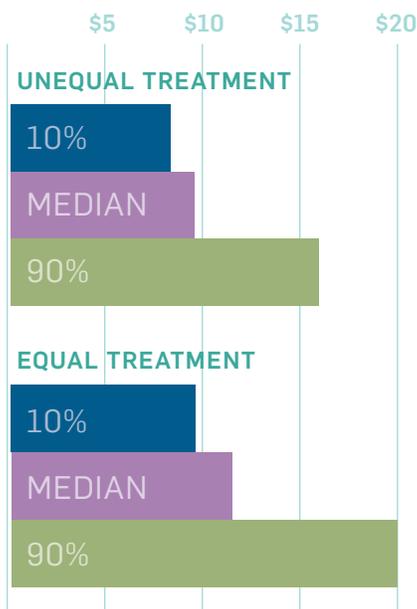


FIGURE C
MEDIAN WAGE FOR DIRECT SERVICE WORKERS IN MI, NY, AND CA

Median hourly wage including tips for bartenders and servers in Michigan, New York, and California.

Source: Bureau of Labor Statistics, Occupational Employment Statistics, 2016.



FIGURE D
MEDIAN HOURLY WAGE AND TIPS FOR FINE DINING SERVERS ARE HIGHER IN EQUAL TREATMENT (OFW) CITIES.

Median hourly wage and tips for fine dining servers are higher in equal treatment (OFW) cities.

Source: PayScale, 2015.



¹ May 2016 State Occupational Employment and Wage Estimates. https://www.bls.gov/oes/current/oes_nat.htm. Customarily tipped occupations: Massage Therapists; Bartenders; Counter Attendants, Cafeteria, Food Concession, and Coffee Shop workers; Waiters and Waitresses; Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop; Food servers, Non-restaurant; Dining Room and Cafeteria Attendants and Bartender Helpers; Gaming Services Workers; Barbers; Hairdressers, Hairstylists, and Cosmetologists; Manicurists and Pedicurists; Shampooers; and Skin Care Specialists; Baggage Porters, Bellhops, and Concierges; Taxi Drivers and Chauffeurs; and Parking Lot Attendants.

² American Community Survey (ACS), 2012-2015. Calculations by the Restaurant Opportunities Centers United (ROC-United) of civilian employed tipped and general population demographics based on Ruggles et al., Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database], Minneapolis: Minnesota Population Center, 2010.

³ Restaurant Opportunities Centers United, Forward Together, (Oct. 2014). *The Glass Floor: Sexual Harassment in the Restaurant Industry*. New York.

⁴ National Restaurant Association (2017). *2017 National Restaurant Association Restaurant Industry Outlook* [Online]. Available at: https://www.restaurant.org/Downloads/PDFs/News-Research/2017_Restaurant_outlook_summary-FINAL.pdf. Accessed 2/5/2018.

⁵ Cross-tabulating the projected sales from endnote 4 with the civilian population data from the United States Census

Bureau <https://www.census.gov> to received sales weighted by population, or with the number of full service restaurant workers (sales per FTE), 722511, in 2016 from the Quarterly Census of Employment and Wages; Bureau of Labor Statistics Quarterly Census of Employment and Wages.

⁶ See endnote 4.

⁷ 2011-2016 data for 722511 number of workers in Michigan, New York, \$2.13 states (hereby referred to as \$2.13 states)- Alabama, Georgia, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Nebraska, New Jersey, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Utah, Virginia, Wyoming, and one fair wage states (hereby referred to as OFW States) Montana, Minnesota, Alaska, California, Washington, Oregon, Nevada. Bureau of Labor Statistics. Quarterly Census of Employment and Wages. Available at: <https://data.bls.gov/cgi-bin/srgate> (accessed 2/5/2018).

⁸ 2011-2016 data for 722511 number of establishments in Michigan, New York, \$2.13 states, and OFW states. Bureau of Labor Statistics. Quarterly Census of Employment and Wages. Available at: <https://data.bls.gov/cgi-bin/srgate> (accessed 2/5/2018).

⁹ Bureau of Labor Statistics. May 2016 State Occupational Employment and Wage Estimates. Analysis by the Restaurant Opportunities Centers United of wages for tipped workers in New York, Michigan, D.C., OFW and \$2.13 states. Available at https://www.bls.gov/oes/current/oes_nat.htm. (Accessed 2/5/2018).

¹⁰ See endnote 2.



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