

# IT'S TIME TO END THE SUBMINIMUM WAGE



The One Fair Wage campaign calls to raise the subminimum wage for tipped workers, currently just \$2.13 an hour at the federal level, to the full minimum wage.

## THIS IS AN EQUALITY ISSUE

Over two thirds of the nation's six million tipped workers are women, 36 percent of whom are mothers.<sup>1</sup> The tipped subminimum wage amounts to legislated pay inequity, perpetuating the gender pay gap and leading to higher rates of poverty.

- ▶ **The average female server earns 76 percent of what their male counterpart earns.** The disparity costs women more than \$300,000 over a lifetime.<sup>2</sup>
- ▶ **Servers are 2.6 times more likely to live in poverty than the overall workforce.** Poverty rates are even more alarming for women; 18 percent of female servers live in poverty, compared to 11 percent of male servers, and 5 percent of male workers overall.<sup>3</sup>

## THIS IS AN ECONOMIC ISSUE

Seven of the country's fifteen lowest paying jobs are tipped occupations.<sup>4</sup> As a result, tipped workers in states with a subminimum wage are more than twice as likely to live in poverty and rely on Medicaid as the rest of the workforce.<sup>5</sup> Because tipped workers are predominantly female, this poverty burden falls disproportionately on women.

- ▶ **In the seven states that have raised the tipped minimum wage to the full minimum wage, the poverty rate among tipped restaurant workers is more than a third lower, 10 percent compared to 14 percent.** The reduction in poverty is most significant for women of color — more than 18 percent of women tipped restaurant workers of color in states with a subminimum wage live in poverty, compared to 11 percent in states without a subminimum wage.<sup>6</sup>
- ▶ **The restaurant industry is one of the largest growing industries in the nation, employing nearly 1 in 10 Americans.**<sup>7</sup> It is also the second largest employer of minimum wage workers, employing 25 percent of all minimum wage earners, and 65 percent of all workers earning below the minimum wage.<sup>8</sup> Putting more money into the pockets of low-income tipped workers has multiplier effects: workers will spend their additional earnings at local businesses, contribute additional dollars to local governments through taxes, and create direct and indirect jobs. Boosting consumer spending drives our nation's economy.

## THE TWO-TIERED WAGE SYSTEM FACILITATES SEXUAL HARASSMENT

The restaurant industry is the single largest source of sexual harassment claims in the U.S. Women's dependence on tips for the majority of their income makes them vulnerable to experiencing sexual harassment at work by guests and employers. Tipped restaurant workers' employment experiences, from income level and scheduling, to hiring and firing, are dependent upon their interactions with guests. As a result, women must tolerate inappropriate behavior from customers and managers.

- ▶ **The restaurant industry is the single-largest source of sexual-harassment charges filed by women with the Equal Employment Opportunity Commission (EEOC), at a rate twice that of the general workforce.** While 7 percent of working American women are in the restaurant industry, more than 14 percent of all sexual harassment claims to the EEOC come from the restaurant industry.<sup>9</sup>





- ▶ A 2014 survey of 688 restaurant workers by ROC United and Forward Together showed that women working in states where they must depend on customers' tips for the bulk of their income are twice as likely to experience sexual harassment as workers in states that do not have a lower tipped minimum wage.<sup>10</sup>
- ▶ More than 90 percent of restaurant workers surveyed in the District of Columbia, and more than 80 percent in New York report experiencing unwanted sexual harassment at work.<sup>11,12</sup>

## THIS IS AN ISSUE WE CAN FIX

Seven One Fair Wage states, including the entire West Coast, have already raised the subminimum wage to the full minimum wage account for more than one million tipped workers, and boast flourishing restaurant industries.<sup>13</sup>

- ▶ **States that require employers to pay the full minimum wage to tipped workers have higher restaurant sales.** According to restaurant trade lobby data, average 2018 estimated restaurant sales were higher both per eating and drinking establishment and per employee in One Fair Wage states (\$1.1 million per establishment and \$64,000 per employee), compared to subminimum wage states (\$1.06 million per establishment and \$57,000 per employee).<sup>14</sup>
- ▶ **States that require employers to pay the full minimum wage to tipped workers have higher average employment growth for tipped workers.** Full service restaurant employment (FSRE) in One Fair Wage states grew by 14.4 percent between 2012-17, compared to a FSRE increase of only 11.7 percent in subminimum wage states.<sup>15</sup>
- ▶ **States that require employers to pay the full minimum wage to tipped workers have higher average restaurant establishment growth.** From 2012 to 2017 the number of Full service restaurants (FSR) in One Fair Wage states grew by 7.8 percent, compared to a FSR increase of 6.5 percent in subminimum wage states.<sup>16</sup>
- ▶ **States that require employers to pay the full minimum wage to tipped workers are projected to have both greater short-term (2 years) and long-term (10 years) growth in the number of servers than states with a subminimum wage for tipped workers.**<sup>17</sup> Servers are the single largest tipped occupation and account for over a third of all tipped workers.<sup>18</sup>

## THE ONE FAIR WAGE CAMPAIGN

**One Fair Wage is gaining momentum nationwide.** Tipped workers, high-road employers, women's rights advocates, community leaders and progressive legislators are working to make One Fair Wage a reality at the municipal, state, and federal level. **This year, over fifteen states introduced One Fair Wage legislation**, and the Committee on Education and Labor in the US House of Representatives passed the Raise the Wage Act — which would raise the minimum wage to \$15 and require all employers to pay the full minimum wage plus tips.

The Raise the Wage Act is headed to a floor vote and is likely to pass in April. This will represent the first time in US history that either House of Congress moves to pay tipped workers a full wage since tipping proliferated after the emancipation of slavery.<sup>19</sup> A growing movement supports One Fair Wage and seeks to raise the tipped subminimum wage to the full minimum wage, and your city or state can help lead the way.



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#1FAIRWAGE



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<sup>1</sup> Restaurant Opportunities Centers (ROC) United analysis of American Community Survey (2017). IPUMS USA, University of Minnesota. [www.ipums.org](http://www.ipums.org). Customarily tipped restaurant occupations include bartenders; counter attendants, cafeteria, food concession, and coffee shop workers; waiters and waitresses; food servers, non-restaurant; dining room and cafeteria attendants and bartender helpers; and hosts and hostesses, restaurant, lounge, and coffee shop. Other customarily tipped occupations include: massage therapists; gaming services workers; barbers; hairdressers, hairstylists, and cosmetologists; manicurists and pedicurists; shampooers; and skin care specialists; baggage porters, bellhops, and concierges; and parking lot attendants.

<sup>2</sup> Ibid. Wage gap calculations assume the same wage gap for a 40-year career based on a 40-hour work-week, 52 weeks per year.

<sup>3</sup> Ibid.

<sup>4</sup> Bureau of Labor Statistics, May 2017 National Occupational Employment and Wage Estimates sorted by median wage.

<sup>5</sup> See note 1.

<sup>6</sup> Ibid.

<sup>7</sup> Bureau of Labor Statistics, February 2019. Employment Projections, 2016-2026. See Tables 1.1 and 1.4.

<sup>8</sup> Bureau of Labor Statistics, March 2018. Report 1072: Characteristics of minimum wage workers, 2017.

<sup>9</sup> Frye, J. (2017, November 20). Not Just the Rich and Famous. Center for American Progress. Also see note 1.

<sup>10</sup> ROC United, Forward Together, et al., 2014. The Glass Floor: Sexual Harassment in the Restaurant Industry. New York, NY: ROC United.

<sup>11</sup> ROC United, National Employment Law Project. May 2016. The Case for Eliminating the Tipped Minimum Wage in Washington, D.C. New York, NY: Restaurant Opportunities Centers United.

<sup>12</sup> ROC United, 2018. State of Tipped Restaurant Workers in New York. New York, NY: ROC United.

<sup>13</sup> See note 1.

<sup>14</sup> National Restaurant Association (2019). State Statistics: 2018 Estimated Sales, Eating and Drinking Establishments, and Eating and Drinking Places' Employees by state. Estimated sales weighted by number of eating and drinking establishments and employees.

<sup>15</sup> ROC United analysis of Quarterly Census of Employment and Wages, Bureau of Labor Statistics. 2012-2017 data for 722511 number of full service restaurant employees weighted by 2017 full service restaurant employees.

<sup>16</sup> ROC United analysis of Quarterly Census of Employment and Wages, Bureau of Labor Statistics. 2012-2017 data for 722511 number of full service restaurants weighted by number of full service restaurants in 2017.

<sup>17</sup> ROC United analysis of Long Term Occupational Projections 2016-2026 and Short Term Occupational Projections 2018-2020, Projections Central: State Occupational Projections, Projections Managing Partnership, weighted by Average Annual Openings. Derived from Occupational Employment Projections, Bureau of Labor Statistics.

<sup>18</sup> See note 1.

<sup>19</sup> Reyes, T. (2018). One Fair Wage: Supporting Restaurant Workers and Industry Growth. In T. Andreason, S. Greene & C. E. Prince, H., and Van Horn (Eds.), Investing in Work (Volume 2, pp 27-41). Atlanta, GA: Federal Reserve Bank of Atlanta.