

# ONE FAIR WAGE FACT SHEET



Since the creation of the minimum wage almost a century ago, federal law has allowed employers to pay tipped workers less than everyone else. Since then only seven states have done away with the unequal wage system.

**That's wrong and it's time we fix it.**

The tipped minimum wage is an economic justice issue and given that most of the workers in America paid just \$2.13 an hour are women, and disproportionately women of color, it's clearly a gender and racial injustice too. The problem isn't tipping, the problem is forcing workers to rely on tips to survive. Tips are meant to be a bonus, not the basis of a worker's wage. There are seven states that have raised the tipped minimum wage to the full minimum wage, establishing one minimum wage for everyone. In those states poverty is lower, restaurant receipts are higher, AND tipping is the same, if not better, than everywhere else. One Fair Wage is a win-win for everyone.

**MYTH:** Raising the minimum wage, and especially the tipped minimum wage, will force employers to shut down or lay people off, especially tipped workers.

- ▶ **The seven states without a subminimum wage maintain thriving restaurant industries and strong employment.**<sup>1</sup>
- ▶ **Restaurant sales growth is higher in states that require employers to pay the full minimum wage to tipped workers.** Restaurant sales in One Fair Wage states grew by 17 percent, according to 2017-2018 restaurant trade lobby estimates, compared to 15.6 percent in subminimum wage states. California, a One Fair Wage state, had the highest restaurant sales, topping over \$97 million, reflecting an annual restaurant sales increase of 18 percent.<sup>2</sup>
- ▶ **Restaurant sales per capita are higher in states that require employers to pay the full minimum wage to tipped workers.** Restaurants in One Fair Wage states saw 2018 average sales of \$1.11 million per eating and drinking establishment, and \$64,000 per employee, compared to sales of \$1.06 million per establishment and \$57,000 per employee in subminimum wage states.<sup>3</sup>
- ▶ **Full service restaurant employment (FSRE) growth rates are higher in states that require employers to pay the full minimum wage to tipped workers.** FSRE in One Fair Wage states grew by 14.4 percent between 2012-17, compared to a FSRE increase of 11.7 percent in subminimum wage states.<sup>4</sup> Tipped workers in California and Nevada earn a minimum wage of \$12 and \$8.25 an hour before tips, respectively, and those two states have the fastest and third fastest rates of restaurant employment growth in the country.<sup>5,6</sup>
- ▶ **Full service restaurant (FSR) growth rates are higher in states that require employers to pay the full minimum wage to tipped workers.** From 2012 to 2017, the number of FSRs in One Fair Wage states grew by 7.8 percent, compared to a FSR increase of 6.5 percent in subminimum wage states.<sup>7</sup>

**MYTH:** Raising the minimum wage, and especially the tipped minimum wage, will force employers to raise menu prices.

- ▶ Food costs would only go up by 25¢ a day for the average American household if the tipped minimum wage was raised to a full regular minimum wage of \$15.00 and all of the costs were passed along to the consumer,<sup>8</sup> or as little as a dime for every \$5.00 in sales.<sup>9</sup>

**MYTH:** Tipped workers are doing just fine and earning high wages, and those that aren't are just young workers who need training more than money.

- ▶ Unfortunately, most tipped workers are not as fortunate as the workers in upscale or casual fine-dining establishments.
- ▶ According to official government data from the Bureau of Labor Statistics, drawn from surveys of employers, the median wage for a server is \$10.01. The highest earning servers, those at the top 10 percent of all earners, earn \$19.33 an hour including tips. Among the seven states with no tipped minimum wage, Washington state employers report the highest median wage for servers at \$12.46, and California employers report a median wage of \$12.07, including tips.<sup>10</sup>
- ▶ Restaurants such as IHOP, Applebee's, and Darden are prominent in the full service industry, and are responsible for the lowest wages. Darden reports it pays 20% of its workforce only \$2.13 per hour.<sup>11</sup>
- ▶ Sixty-nine percent of servers are women, and many of these women work at restaurants like the IHOP and Applebee's. Women's prominence in the industry means they carry a high poverty burden. Tipped workers live in poverty at more than twice the rate of the overall workforce, and tipped restaurant workers at two-and-a-half times the rate.<sup>12</sup>
- ▶ Servers also rely on food stamps at more than one-and-a-half times the rate of the general working population.<sup>13</sup>
- ▶ More than 65 percent of tipped workers are above age 24; the median age is 30.<sup>14</sup>
- ▶ More than 30 percent of tipped workers are parents; more than 36 percent of tipped women workers are mothers and nearly half of those mothers are single moms.<sup>15</sup>

**EMPLOYER CONCERN:** The law says employers have to make sure tips bring tipped workers up to the full minimum wage. Why not just enforce the law?

- ▶ Unfortunately, that law is regularly violated. The restaurant industry is the largest employer of workers who earn less than the minimum wage.<sup>16</sup> An investigation by the Department of Labor found that nearly 84% of investigated restaurants had some sort of wage and hour violation.<sup>17</sup>
- ▶ Major chains such as Darden routinely settle cases of wage theft for millions of dollars. In a recent case, TGI Friday's agreed to settle a wage lawsuit for \$19.1 million dollars.<sup>18</sup>





**MYTH: Raising the minimum wage for tipped workers would be unfair to back-of-house employees, who make a lot less (and who tend to be immigrants and minorities).**

- ▶ Unfortunately, most tipped workers are not as fortunate as the workers in fine dining restaurants; the national median wage for servers, including tips, is 33 cents lower than the national median wage for dishwashers.<sup>19</sup>
- ▶ In most markets, back-of-the-house employees earn more than the minimum wage. In Washington and California, employers report that short-order cooks earn a median wage of \$12.25 and \$12.32, respectively; dishwashers earn a median of \$11.99 and \$11.20 in those states, respectively. Nationally, short-order cooks earn a median wage of \$10.93, and dishwashers earn \$10.34 per hour.<sup>20</sup>
- ▶ Most servers do not make high incomes, despite their tips (i.e. most servers are not fine dining servers). Per the Bureau of Labor Statistics, employers report the median wage for servers is 33 cents lower than it is for dishwashers. Across the country, in 42 states the median wage for restaurant workers, including back-of-the-house workers, is higher than the median wage for servers.<sup>21</sup>

**MYTH: Employees will no longer have the readily available funds that come from tips.**

- ▶ Tipped workers in all of the One Fair Wage states continue to earn significant income in tips. Customers leave on average around 16 percent in tips in both One Fair Wage and subminimum wage regions.<sup>22</sup>
- ▶ An analysis of tens of millions of transactions by the credit card service, Square, found that tips vary, on average, from a low of 14.9 percent in Washington, D.C. to a high of 17.1 percent in Alaska, which has one wage for all workers.<sup>23</sup>
- ▶ Tipping amounts reported by workers do not statistically vary between One Fair Wage 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. Servers earn the highest tips in San Francisco, higher than in other major metropolitan areas.<sup>24</sup>

**MYTH: Customer service will be worse when workers are not motivated by tips.**

- ▶ Cornell University, which has the foremost School of Hospitality Management in the country, has found the opposite to be true: in a study of 1,100 restaurant employers, Cornell found that employers can cut their employee turnover almost in half with higher wages and better benefits. They also found that workers in 'high road' restaurants had higher employee morale, investment, and productivity, and were thus able to provide better service.<sup>25</sup>

**MYTH: Raising the minimum wage increases likelihood of automation and job loss in restaurants.**

- ▶ Automation is a challenge to many service industries, but it is being driven and implemented primarily on the basis of various technology platforms getting cheaper, more flexible, and more widely available. The implementation of self-ordering systems in restaurants does not correlate to regional minimum wage rises.<sup>26</sup>
- ▶ According to Technomic, a research group focused on the restaurant industry, labor savings are at the bottom of the list of reasons restaurants are implementing self-service systems. The primary utility of these systems is to increase check sizes and offer an opportunity to collect customer feedback — efficiencies that could result in greater employment.<sup>27</sup>
- ▶ By way of example, the introduction of ATMs was predicted to reduce the number of bank teller jobs but instead ATMs made it cheaper for banks to open branches, resulting in an increase in the number of teller jobs to match the increase in banking transactions and the continued need for quality customer service.<sup>28</sup> A similar effect appears to be taking place at Panera Bread, where self-order kiosks resulted in new-hires to respond to an increase in demand.<sup>29</sup>
- ▶ The most robust research on the restaurant employment effects of minimum wage increases find no loss of employment as a result of wage increases and suggests that minimum wage increases are largely absorbed by small price increases, as well as by turnover cost savings.<sup>30</sup>

# KEY FACTS

## 1. IT'S THE RIGHT THING FOR EMPLOYERS.

- ▶ States with one wage for all have higher restaurant sales, as well as full service restaurant establishment and employment growth.<sup>31</sup> Restaurants that pay higher wages have lower turnover, better morale, and greater productivity.<sup>32</sup>
- ▶ A One Wage system is less burdensome, imposing less liability.<sup>33</sup>

## 2. IT'S THE RIGHT THING FOR WOMEN.

- ▶ Sixty-nine percent of tipped workers are women; female servers in America suffer from three times the poverty rate of the rest of the U.S. workforce and use food stamps at 1.8 times the rate.<sup>34</sup>
- ▶ Relying on the largesse of customers for their income not only provides women with a precarious and unstable income but also subjects them to however a customer might treat them or touch them. Workers in states with a \$2.13 subminimum wage experience twice the rate of sexual harassment as workers in One Fair Wage states.<sup>35</sup>

Raising the tipped minimum wage to the full minimum wage has reduced poverty rates among women working as tipped restaurant workers, reducing it from 18.3 percent in states with a subminimum wage to 12.3 percent in the states with one wage.<sup>36</sup>

- ▶ Raising the tipped minimum wage to the full minimum wage has reduced poverty rates among tipped restaurant workers of color, 16.7 percent in subminimum wage states compared to 11.2 percent in states with one wage.<sup>37</sup>

## 3. IT'S THE RIGHT THING FOR AMERICA.

- ▶ The restaurant industry is the only industry that has convinced America that it need not pay its workers' wages because customers do. This is not tolerated in any other profession.



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1 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.

2 National Restaurant Association (2019). State Statistics: 2017 and 2018 Estimated Sales, Eating and Drinking Establishments, and Eating and Drinking Places' Employees by state. Estimated sales weighted by 2018 number of eating and drinking establishment employees.

3 Ibid

4 Restaurant Opportunities Centers (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 number of full service restaurant employees in 2017.

5 Department of Labor, 2019. Minimum Wages for Tipped Employees. Wage and Hour Division.

6 ROC United analysis of Quarterly Census of Employment and Wages, Bureau of Labor Statistics. 2012-2017 data for 722 food services and drinking places.

7 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.

8 Calculations by Benner, C. based on Benner, C. and Jayaraman, S. (October 24, 2012). A Dime A Day: The Impact of the Miller/Harkin Minimum Wage Proposal on the Price of Food. The Food Labor Research Center, University of California, Berkeley.

9 See ROC United, 2014. Darden: At the Drop of a Dime. New York: NY, ROC United.

10 Bureau of Labor Statistics, May 2017 National Occupational Employment and Wage Estimates and State Occupational Employment and Wage Estimates.

11 Jennings, L. (September 25, 2013). Darden defends pay practices. *Nation's Restaurant News*.

12 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.

13 Ibid.

14 Ibid.

15 Ibid.

16 Bureau of Labor Statistics, March 2018. Report 1072: Characteristics of minimum wage workers, 2017.

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18 Fickenscher, L. (September 21, 2017). TGI Friday's agrees to settle wage suit for more than \$19M. *New York Post*.

19 See note 10.

20 Ibid.

21 Ibid.

22 ROC United, 2018. Better Wages, Better Tips: Restaurants Flourish with One Fair Wage. New York, NY: ROC United.

23 Ibid.

24 Ibid.

25 Batt, R., Lee, J.E., Lakhani, T. (2014, January) A National Study of Human Resource Practices, Turnover, and Customer Service in the Restaurant Industry. New York, NY: ROC United.

26 Thibodeau, P. (2014, October). Automation arrives at restaurants (but don't blame rising minimum wages). *Computer World*.

27 Toast, 2017. Industry Report: Restaurant Technology in 2017.

28 Jacoby, T. (2015, May). Technology Isn't a Job Killer. *The Wall Street Journal*.

29 Forrest, C. (2017, April). Panera Bread increases automation, leads to hiring 10,000 workers. TechRepublic.

30 Allegretto, S., and Reich, M. (2015, December). Are Local Minimum Wages Absorbed by Price Increases? Estimates from Internet-based Restaurant Menus. Institute for Research on Labor and Employment, University of California, Berkeley.

31 See notes 4 and 7.

32 See note 25.

33 ROC United, 2014. Tipped Over: Employer Liability in a Two-Tiered Wage State. New York, NY: ROC United.

34 See note 12.

35 ROC United, Forward Together, et al., 2014. *The Glass Floor: Sexual Harassment in the Restaurant Industry*. New York, NY: ROC United.

36 See note 12.

37 Ibid.