A PERSISTENT LEGACY OF SLAVERY

Ending the Subminimum Wage for Tipped Workers in Massachusetts as a Racial Equity Measure

AUGUST 2020

One Fair Wage
The UC Berkeley Food Labor Research Center
IN 2020, both the COVID-19 pandemic and the uprisings for racial justice catalyzed by the police murder of George Floyd illuminated the repression, precarity, and exclusion facing people of color, particularly Black people, throughout U.S. society. This year has brought to the forefront three major sources of violence and harm to Black communities and communities of color more generally: police violence, health inequities and economic precarity. The nexus of these three forces is acutely felt by one of the largest workforces in the country — tipped service workers.

Women and people of color disproportionately comprise the tipped service sector, the largest share of which comes from the restaurant industry. The restaurant industry is one of the largest and fastest growing industries and also the lowest paid. Indeed, eight of the 15 lowest-paid occupations are restaurant jobs, seven of which are tipped. As COVID-19 forced the closure of thousands of restaurants in Massachusetts and nationwide, as well as other tipped personal service occupations such as nail salon, car wash, airport and parking attendants, and tipped gig workers, this workforce plummeted even deeper into poverty and financial insecurity.

These workers’ low pay is a result of the subminimum wage for tipped workers, a legacy of slavery that emerged during the era following Emancipation to exploit recently freed people, particularly Black women. This legacy continues today. In Massachusetts, tipped workers, still subject to a subminimum wage by law, are more than three times as likely to live in poverty and more than two times as likely to rely on Medicaid compared to the rest of the state workforce. More than 10 percent of tipped workers live on food stamps, almost double the rate of other Massachusetts workers. These statistics are worse for tipped workers of color and women. The percentage of Massachusetts tipped workers of color living in poverty is nearly 70% higher compared to white workers; while the percentage of tipped women workers in poverty is nearly 53% greater than men.

Focusing particularly on the restaurant industry, government data shows that 36% of Massachusetts restaurant workers are people of color and the majority are women, largely
employed in casual restaurants where wages, and more importantly, tips, are limited. To
further illustrate this point, additional national research shows that only 22% of people of
color and 43% of women are employed in the highest paying front of house positions in fine
dining. It is this overconcentration of workers of color and women in casual restaurants and
under concentration in high paid fine dining positions that is leading to a large race and
gender wage gap, particularly between Black women and white men.

This report, based both on government data and recent surveys and interviews with Massachu-
setts restaurant workers during the COVID-19 pandemic, indicates that:

1 Trailing only Alabama, Massachusetts is tied with New York for the second highest race and gender
wage gap in the country between white men and Black women in restaurant dining floors. This
everseous pay gap is $7.79 per hour, which is 60% worse than the nationwide pay gap for these
same groups, and has been exacerbated by the subminimum wage for tipped workers. This existing
disparity is now being felt profoundly when these workers are being asked to return to work for a
subminimum wage and far less in tips.

2 The subminimum wage for tipped workers and this race and gender pay gap have resulted in a
horrific experience for Black tipped workers during the COVID-19 pandemic. Sixty-seven percent
of Black tipped service workers in Massachusetts reported experiencing barriers with regard to
accessing unemployment insurance, 93% of Black tipped service workers reported being unable
or unsure whether they could afford their rent or mortgage, and 82% percent of Black workers
reported only being able to afford groceries for 2 weeks or less — all at much higher rates than
their white counterparts.

3 Workers being asked to return are facing both grave health risks and a subminimum wage for
tipped workers when the majority of tipped workers surveyed report that their tips are down at
least 50%. This impact will be felt most by workers of color, who because of customer bias earn
less in tips to begin with.

We document how these inequities for people of color, and women
of color in particular, are caused by both the subminimum wage for
tipped workers and race and gender segregation in the service sector. As the economy re-opens and workers are forced to resume potentially
dangerous occupations or lose their unemployment insurance, many
will see deeply reduced incomes. Limited restaurant capacity, plum-
meting tipping rates and customers who refuse to comply with health
protocols leave many tipped service workers’ lives and livelihoods at
grave risk. With so many futures on the line, it is clearer than ever that
we must eradicate the subminimum wage for tipped workers and pass
One Fair Wage legislation. This legislative change as well as government
programs that incentive new corporate policies and practices to end
racial and gender discrimination create the clearest pathway to ensure
the lives of Black workers, women and all workers are truly valued and
protected in the state of Massachusetts.
The subminimum wage allows employers in Massachusetts and 43 other states to pay workers below the state’s set hourly minimum wage, forcing employees to make up their remaining wages based on tips. This policy is a direct legacy of slavery. At the time of Emancipation, restaurant industry leaders sought to hire newly-freed slaves, mostly Black women, for little to no pay, instead forcing people to rely on tips. The original concept of tipping, which originated from Europe, always required tips as a bonus on top of a wage, never as a replacement. The restaurant industry nevertheless seized upon this mutation and incorporated the tipped wage into the nation’s first minimum wage laws, thus allowing workers to be paid primarily through customer tips. Due to decades of continued lobbying by the National Restaurant Association, the federal subminimum wage remains trapped at only $2.13 an hour for tipped workers. Although Massachusetts has instituted a subminimum wage above the federal minimum of $2.13, tipped workers’ median wages are still 40% less than that of other workers throughout the state.

The subminimum wage for tipped workers both nationwide and in Massachusetts disproportionately impacts workers of color and women. Today, nearly 30% of all tipped workers are people of color. Women are also overrepresented in the Massachusetts tipped sector, where over 70% of tipped workers are women and 36% are mothers. Race and gender inequities are rampant throughout the tipped service sector, particularly in restaurants, which claim the largest share of tipped workers. According to analysis of government data in all US states with sufficient populations of Black restaurant workers to make statistically significant comparisons, Massachusetts trailed only Alabama in claiming the highest race and gender wage gaps in the country between white men and Black women working on restaurant floors. With a wage gap of $7.79, this means that Black women in the industry are earning just 60% of what white men earn. In fact, Massachusetts’ race and gender wage gap is 60% worse than the nationwide race and gender wage gap.
These race and gender pay inequities are a direct result of three factors. The first is that women and Black and brown people of color, particularly women of color, are overrepresented in lower paid sectors of the industry, such as casual dining establishments like Denny’s and Applebee’s, instead of fine dining restaurants in which tips are significantly higher. The second is that the few workers of color who gain entry into fine dining restaurants experience greater levels of occupational segregation between higher and lower paid positions in the ‘front of the house’ (dining room and supervising staff), which we call Tier I and Tier II positions respectively. Lastly, research shows that people of color, specifically Black workers, receive less in tips than their equally qualified white counterparts regardless of position or restaurant. Both the subminimum wage and racial discrimination in the industry result in a huge wage gap for people of color and women, with Black women feeling the ultimate brunt of structurally racist policies and practices.

The fact that people of color and women are overrepresented in tipped front of house restaurant positions, yet experience a nearly $8 wage gap between Black and Latina women tipped workers and white men tipped workers is partly a consequence of being concentrated in the lowest-tipping segment of the full service restaurant industry — casual dining. Although we do see some underrepresentation of people of color in Tier I positions when looking across all segments (casual to fine dining), and this disparity is particularly strong in fine dining establishments, the wage gap cannot be fully explained by this disparity. Evidence shows that people of color are disproportionately excluded from fine dining establishments, particularly Tier I positions, where tips produce larger incomes. For the few people of color that are hired into fine dining restaurants, heightened occupational segregation in those establishments further exacerbates the wage gap.

A research study observing the racial makeup of fine-dining, front-of-house workers cities across the country found that 81% of observed management positions were held by white staff. In this same study, researchers found that white workers held 78% of other observed Tier I front of house service positions, while workers of color held only 22%. Furthermore, for the relatively few Tier II positions held by white workers, 77% were in host positions. As primarily customer facing, hosts tend to experience greater career advancement into other Tier I customer service positions such as servers and bartenders.

In conclusion, people of color are locked out of the highest paid fine-dining positions, Tier I positions. Without state law mandating a full minimum wage at all establishments, women and people of color will never be able to close the wage gap that is a result of their exclusion from fine dining. In addition to One Fair Wage legislation, in order to fully close the wage gap government must incentivize businesses to invest in equitable race and gender hiring and promotion policies in order to counter rampant segregation.
Our research focuses on front-of-house tipped service positions within the restaurant industry.

One of the most influential factors in a worker’s wage within the restaurant industry is the segment of the industry in which they work — fast food/quick service, casual dining, or fine dining restaurants. Fast food or quick service provides only limited table service and make up some of the lowest paying jobs in the industry. These establishments often operate without tips or very low tips. Casual dining offers more family style and informal environments for full service dining with tips. This includes both corporate chains like Denny’s, Olive Garden and Applebees as well as independently-operated casual dining establishments. These two types of casual restaurants account for the majority of jobs held by people of color. Finally, fine dining is characterized by upwards of a $40.00 per guest price point. This type of restaurant allows for the greatest income, especially through tips.

Although there is serious wage inequity and segregation by race and gender between the “Back of House” (kitchen) and the “Front of House” (dining floor), this report focuses on disparities even within the front of house. Front-of-house positions include Managers and Supervisors, Hosts, Maître D’s, Bussers, Food Runners, Servers, Captains, Bartenders and Barbacks.

We additionally distinguish higher paid “Tier I” positions and lower paid “Tier II” positions within the tipped restaurant section. Tier I positions include the Managers and Supervisors, Maître D, Servers, Captains and Bartenders, while Tier II positions include Food Runners, Hosts, Barbacks, and Bussers.
Average Wages for Massachusetts Front-of-House Tipped Restaurant Workers by Gender and White, Black and Latinx Racial Groups

<table>
<thead>
<tr>
<th>Gender</th>
<th>Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>White men</td>
<td>$19.46</td>
</tr>
<tr>
<td>Black and Latino men</td>
<td>$13.28</td>
</tr>
<tr>
<td>White women</td>
<td>$15.14</td>
</tr>
<tr>
<td>Black and Latina women</td>
<td>$11.36</td>
</tr>
<tr>
<td>Black women</td>
<td>$11.67</td>
</tr>
</tbody>
</table>

Wage gap between white men and Black women: $7.79

Average Wages for National Front-of-House Tipped Restaurant Workers by Gender and White, Black and Latinx Racial Groups

<table>
<thead>
<tr>
<th>Gender</th>
<th>Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>White men</td>
<td>$16.48</td>
</tr>
<tr>
<td>Black and Latino men</td>
<td>$14.33</td>
</tr>
<tr>
<td>White women</td>
<td>$12.00</td>
</tr>
<tr>
<td>Black and Latina women</td>
<td>$12.09</td>
</tr>
<tr>
<td>Black women</td>
<td>$11.69</td>
</tr>
</tbody>
</table>

Wage gap between white men and Black women: $4.79

Racial Segregation by Tier of Front-of-House Tipped Restaurant Workers in Massachusetts

<table>
<thead>
<tr>
<th>Tier</th>
<th>People of color</th>
<th>White</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier I</td>
<td>67%</td>
<td>33%</td>
<td>62%</td>
</tr>
<tr>
<td>Tier II</td>
<td>58%</td>
<td>42%</td>
<td>38%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>


Gender and racial representation for data by tier for front-of-house workers are also calculated using the CPS-ORG (2017-2019).

Tipped positions include: food service managers, first line supervisors, bartenders, counter attendants, waiters and waitresses, food servers, non-restaurant, Bussers and Barbacks, and Hosts and hostess. We include front of house supervisors, managers and hosts because in many restaurants these positions do receive tips, even if extralegally.
There is clear evidence of racial discrimination and implicit bias on the part of employers throughout the U.S. These actions drive the race and gender based segregation we see both across segments and positions in the restaurant industry. While the government of Massachusetts must institute One Fair Wage policy as a means to swiftly close the race and gender wage gap, incentives that pressure employers to adopt active racial equity policies and practices are critical in countering racial discrimination and occupational segregation. A national Restaurant Opportunities Centers United research study used match pairs audit testing in order to determine the prevalence of race and ethnic-based discrimination in hiring at fine dining establishments. Conducting 273 tests using equally matched pairs of white testers and testers of color who were trained to apply for server positions, the study tested whether discriminatory attitudes and actions played a role in racial segregation within the industry. Findings revealed that testers of color were only 73% as likely as equally or less qualified white testers to get a job offer. White applicants were more than twice as likely to receive favorable treatment in the interview process compared to equally or more qualified applicants of color for a fine dining service position. The two discriminatory effects of experiencing a lower likelihood of receiving a job interview or of receiving a job offer resulted in an overall 22% net rate of discrimination for testers of color.
The importance of training and incentives to pressure employers to enact racially equitable hiring and promotion policies in their restaurants cannot be overstated. Racially focused implicit bias has been found to be a significant feature of the unconscious actions of restaurant owners and managers throughout the US. As defined by the Kirwan Institute for the Study of Race and Ethnicity, implicit bias is the “attitudes or stereotypes that affect our understanding, actions, and decisions in an unconscious manner. These biases, which encompass both favorable and unfavorable assessments, are activated involuntarily and without an individual’s awareness or intentional control.” In the fast-paced, subjective and often informal decision making environment that restaurant owners and managers operate within, implicit bias can have huge impacts on hiring and promotion decisions that unfairly impact workers of color and women.

Using Implicit Association Tests (IAT) that measure in milliseconds our implicit bias reactions, researchers conducting tests in cities around the U.S. found that nearly 40% of white managers and nearly half of managers between 35 and 44 years of age demonstrated a preference for white people compared to much smaller percentages for other race and age groups. This study also tested restaurant consumers for levels of race-based implicit bias. Relevant to previous research that shows a significant disparity in higher rates of tipping for White servers over equally qualified Black servers, the IAT results reveal that more than 40% of white consumers showed an unconscious preference for white people.

The race and gender wage gap as well as findings around the mechanisms of discrimination and segregation were all present before 2020, the onslaught of the COVID-19 crisis has only worsened the safety and well-being of tipped workers of color. Since the pandemic, the restaurant and service industries have been decimated with unprecedented financial and physical precarity facing workers.
KEY FINDINGS:

› Over 62% of surveyed tipped workers in Massachusetts were either unable to obtain unemployment insurance or uncertain if they qualified for unemployment insurance. However, 67% of Black workers reported these same barriers to accessing unemployment insurance.27

› A staggering 93% of Black tipped service workers reported being unable or unsure whether they could afford their rent or mortgage. Eighty-two percent of Black workers reported only being able to afford groceries for 2 weeks or less.28

On March 16, 2020 One Fair Wage launched the One Fair Wage Emergency Fund for service workers in order to provide emergency cash relief and resources to service workers across the country. Since then we have received nearly 200,000 applications and heard countless stories of absolute dire circumstances for workers and their families. Given unemployment claim delays or outright denials, many workers have forgone months of rent, run out of food and are even turning to free school lunches to feed their families. For a disease that is supposedly color blind, we are seeing the impacts of structural racism as workers of color experience higher rates of unemployment, and housing and food insecurity.

With nearly 7,000 applicants from the state of Massachusetts, surveys of this workforce are helping to reveal the bleak circumstances for tipped workers in general and tipped workers of color in particular. Nearly half of surveyed applicants are people of color.29 Sixty-four percent are women and 72% take care of dependents. Of surveyed Massachusetts applicants, 82% report being unable or unsure whether they can pay their rent or mortgage. For Black applicants this number rises to 93%. Seventy-seven percent of surveyed applicants can only afford groceries for 2 weeks or less; while 82% of Black applicants reported this situation.30

By June 2020, we saw a nearly 66% percent decline in the number of food service jobs in Massachusetts, totaling nearly 160,000 jobs lost, more than any other industry.31 Given the fact that workers of color, and Black workers in particular, are overrepresented in the service sector, and the fact that the service sector overall experienced higher levels of dislocation than other sectors, it therefore follows that workers of color, and Black workers in particular, also have experienced higher levels of unemployment in general. According to national data from the Bureau of Labor Statistics the unemployment rate for all Black workers is 16.7%,
compared to 14.2% for white workers. When we consider this reality for Black women, the unemployment rate rises to 16.9% compared to 12.8% for white men. Nearly one in five Latina women are experiencing unemployment.

Despite the large number of unemployment insurance claims from tipped workers, we have found that a disproportionate percent of service workers were excluded from unemployment insurance coverage. This is due to two Massachusetts state requirements that disadvantage service workers:

1) requirement of a social security number and

2) requirement of a minimum earnings threshold over a base period.

Unemployment insurance must be based on a worker’s full wage including tips, however, notoriously high levels of underreporting by employers means lower unemployment coverage for employees. In the U.S. Department of Labor investigation of over 9,000 restaurants, officials found that 84% of investigated restaurants had violated wage and hour laws, including nearly 1,200 violations of wage laws that require tipped workers to earn the minimum wage. In Massachusetts, where subminimum wages are ubiquitous, this pattern can lead to either underpaid unemployment insurance claims or denied claims since many low wage workers are already near the minimum earnings threshold. In short, when employers exploit subminimum wages during an economic crisis, workers can lose access to unemployment because they simply make too little.

Surveys with service workers across the state reveal how many are ineligible for unemployment compensation. Over 62% of surveyed One Fair Wage Emergency Fund applicants in Massachusetts were either unable to obtain unemployment insurance or uncertain if they qualified for unemployment insurance. Even worse, 67% of Black workers reported these same barriers to accessing unemployment insurance. While this sample cannot be extended to the general population, BLS survey data reveals that the service industry claims the lowest rate of unemployment benefits usage out of any industry, even during economic highs.
KEY FINDINGS:

› Sixty percent of service workers are reporting that tips have halved since returning to work, and nearly a third have lost more than 70% in tips.  

› More than 40% of service workers who have returned to work since being laid off are working 10 hours or less a week.

› The number one concern raised in interviews with Massachusetts service workers is health and safety, including a lack of workplace protocols and non-compliant customers.

As the economy re-opens without the arrival of a vaccine, guaranteed health coverage or a basic social safety net, many restaurant workers will be faced with unimaginable choices between their life or their livelihood, and in many cases they may risk both. Surveys and interviews with 244 workers in key states across the U.S. including Massachusetts, reveal an emerging set of fears as restaurants re-open. Of surveyed respondents, 34% have recently returned to work, with more than 40% working 10 hours or less. Sixty percent of workers are reporting that tips have halved since returning to work, and 33% have lost more than 70% in tips. Worker interviews reveal three leading concerns with returning to work:

1) lack of health and safety protocols, including non-compliant or hostile customers;

2) being forced to return for a subminimum wage when there are not enough tips; and

3) not being provided enough hours to make ends meet.

With restaurants operating at limited capacity, greater numbers of customers eating at home, and decreased tipping rates for takeout service many restaurant workers are taking home drastically reduced paychecks. Even though the vast majority of restaurant workers do not have health insurance, and people of color face greater risk of death due to COVID-19, workers cannot refuse to return to work without the threat of losing their unemployment. In the current circumstances, workers will be forced to return to potentially unsafe working conditions for vastly less pay.
SERVICE WORKERS NEED ONE FAIR WAGE NOW

Eliminating the subminimum wage for tipped workers and passing One Fair Wage legislation in Massachusetts is the most direct and impactful path to closing a $7.79 race and gender wage gap in the restaurant sector and addressing the needs of workers struggling to survive due to the COVID-19 epidemic. Raising the subminimum wage in casual and limited service establishments, locations that disproportionately employ workers of color and women of color, will ensure there is a dignified floor for all workers regardless of tips. It is also clear that One Fair Wage legislation provides greater stability for service workers during times of crisis and economic downturn given the fact that a sizable portion of tips are underreported which distorts tipped workers reliance on the unemployment insurance safety net.

As the restaurant industry re-emerges from the ashes over the coming months and years, it is likely there will be an ongoing depression in sales and tipping rates, a direct burden upon already low wage workers. One Fair Wage legislation will guarantee a minimum income, supplanting a regressive system that penalizes the lowest paid workers during a recession. For centuries, tipped service professionals have been forced to rely on customer whims for the majority of their income. Amid calls for massive restructuring of our most racist institutions, we must consider the end to the subminimum wage for tipped workers as part of this current evolution.
SUPPORT RACIAL EQUITY INCENTIVES FOR EMPLOYERS

Racial Equity initiatives that train and motivate employers to counter implicit bias and discrimination in hiring, promotion and pay will help close the wage gap resulting from occupational segregation. A number of innovative city and state level programs in New York City, Detroit and California are leading the way in a just re-opening that centers the health and financial security of low wage service workers. We need this kind of support at the state as well as city level in order to make sure workers who live outside the city are not left behind.

High Road Kitchens, initiated by One Fair Wage in partnership with mayors and governors in New York City, Detroit and California, advances One Fair Wage policy and racial equity and community relief programs while also providing financial backing for employers. High Road Kitchens is a national program leveraging private as well as state and local governments to provide wage subsidies and initial investments to restaurants that commit to paying a full minimum wage with tips on top as well as participating in the One Fair Wage Racial Equity Training Program. As part of High Road Kitchens, restaurants will also convert their kitchens to provide meals on a sliding scale to low-wage workers, health care workers and first responders during this crisis. This program works to support a sustainable path forward for both restaurant workers and responsible restaurant owners. The State of Massachusetts should consider providing public support to restaurant owners and workers through innovative programming that provides financial stability as well incentives to implement racially equitable wage and operations models.

Together, One Fair Wage and statewide racial equity programs can move the Massachusetts restaurant industry out of a legacy of systemic racial inequity and into a just and prosperous future.
END NOTES


4 Ibid.

5 Ibid.

6 Ibid.


8 One Fair Wage analysis of the Current Population Survey Outgoing Rotation Group microdata U.S. Census Bureau CPS-ORG, (2017-2019). Analysis was done using Stata IC statistical software. Dataset was downloaded from the Center for Economic Policy Research center. Tipped positions include: food service managers, first line supervisors, bartenders, counter attendants, waiters and waitresses, food servers, non-restaurant, bussers and barbacks, and hosts and hostess. We include front of house supervisors, managers and hosts because in many restaurants these positions do receive tips, even if extra-legally.


10 See endnote 3.

11 Ibid.

12 See endnote 8.


14 See endnote 8.

15 See endnotes 6 and 7.

16 See endnote 7.

17 Ibid.

18 Ibid.


21 Ibid.

22 See endnote 7.

23 Ibid.

24 See endnote 20.

25 See endnote 13.

26 See endnote 20.

27 Statistics provided are based on a non-representative sample from the One Fair Wage Fund applicant pool of tipped workers in Massachusetts. This data is not exhaustive. Data is based on responses to surveys that are administered to applicants. However, for ethical reasons completion of these our applicant survey is not required in order to apply.

28 Ibid.

29 Ibid.

30 Ibid.


33 Ibid.


36 See endnote 27.

37 Ibid.


39 To determine the change in tipping percentages since the emergence of COVID-19, we conducted 244 surveys with service workers throughout the states of Massachusetts, Illinois, New York and also DC from July 31, 2020 –August 9, 2020. Additional data points in the survey included information about unemployment insurance and fears about returning to work.

40 Ibid.

41 Ibid.

42 Ibid.

43 Ibid.
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