

IT'S TIME TO END THE SUBMINIMUM WAGE



ILLINOIS BRIEF ON THE TIPPED MINIMUM WAGE AS A GENDER EQUITY ISSUE

The One Fair Wage campaign calls to raise the subminimum wage for tipped workers, currently just \$6.60 an hour in Illinois, to the full minimum wage.

THIS IS AN EQUALITY ISSUE

There are over 200,000 tipped workers in Illinois. Over two-thirds of these workers are women, 36 percent of whom are mothers.^{1,2} Because tipped restaurant workers are 66% women and non-tipped restaurant workers are 43% women, the subminimum wage for tipped workers creates legislated gender pay inequity in the restaurant industry, perpetuating the gender pay gap and leading to disproportionately higher rates of poverty for women.

- ▶ **In Illinois, the average female restaurant server earns 83 percent of what their male counterpart earns.** This disparity costs women \$163,000 over a lifetime.^{3,4} The average female tipped restaurant worker earns 85 percent of their male counterparts, costing a woman \$120,200 over a lifetime.
- ▶ **In Illinois, female restaurant workers are 1.4 times more likely to live in poverty as male restaurant workers.** In general, tipped workers are 2.5 times more likely to live in poverty than the overall workforce. Among tipped workers, female tipped workers have a 44% higher poverty rate than male tipped workers.⁵ Female tipped workers are also 1.2 times more likely to rely on food stamps and 1.8 times more likely to rely on medicaid compared to male tipped workers.
- ▶ **Women are concentrated in the restaurant industry's lowest paying occupations, even including tips.** Nine of the Illinois' fifteen lowest paying jobs are tipped occupations and women are the majority in over half of them.⁶ Because tipped workers are predominantly female, this poverty burden falls disproportionately on women.

TABLE 2
POVERTY AND PUBLIC ASSISTANCE USE AMONG WORKERS

	Women	Men	Women in Poverty	Men in Poverty	Women on Food Stamps	Men on Food Stamps	Women on Medicaid	Men on Medicaid
All Tipped Workers	68.4%	31.6%	15.7%	10.9%	16.4%	13.3%	22.2%	12.6%
Tipped Restaurant Workers	66.2%	33.8%	18%	11.7%	18.3%	13.2%	23.7%	13.1%
All Restaurant Workers	51.5%	48.5%	16.9%	11.8%	20.8%	17%	25.5%	15.7%
Total Workforce	47.7%	52.3%	7%	4.6%	11.1%	8.5%	11.3%	6.9%

Source: Steven Ruggles, Sarah Flood, Sophia Foster, Ronald Goeken, Jose Pacas, Megan Schouweiler and Matthew Sobek. IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>

TABLE 3
PARENTAL STATUS AMONG WORKERS

	Parents	Mothers	Fathers	Single Mother	% All Women
All Tipped Workers	30.8%	36%	19.7%	18.7%	51.9%
Tipped Restaurant Workers	26.6%	31.2%	17.6%	18.1%	58.2%
All Restaurant Workers	30.7%	35.1%	25.9%	19%	54.2%
Total Workforce	42.3%	44.7%	40.2%	16.4%	36.8%

Source: Steven Ruggles, Sarah Flood, Sophia Foster, Ronald Goeken, Jose Pacas, Megan Schouweiler and Matthew Sobek. IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>



IN ONE FAIR WAGE STATES, WOMEN FARE BETTER

- States that require employers to pay the full minimum wage to tipped workers with tips on top have higher average full-service restaurant employment growth rate and higher small business restaurant employment growth rates than the states like Illinois with subminimum wages. Full-service restaurant employment (FSRE) in One Fair Wage states grew by 6.71% between 2016-19, compared to a FSRE increase of only 3.94% in Illinois. Small business employment in One Fair Wage states grew by 8.37%, while employment in small business in Illinois grew by only 5.65% between 2016-2019. Small business establishments also grew much faster; the number of small business establishments in One Fair Wage states grew by 6.96%, while the number of small business establishments in Illinois with a subminimum wage only grew by a fraction of a percent (0.25%).⁷
- The gender wage gap for all restaurant workers in One Fair Wage states is one quarter (25%) less than the gender wage gap for restaurant workers in states that follow the federal subminimum wage for tipped workers. The gender wage gap for tipped restaurant workers in One Fair Wage states is nearly one third (31%) less than the gender wage gap in states that follow the federal subminimum wage for tipped workers.⁸

- The differential poverty rates between men and women tipped restaurant workers is less in the seven states that have raised the tipped minimum wage to the full minimum wage. The poverty rate among women tipped restaurant workers in the seven states that require a full minimum wage with tips on top is 29% lower than in Illinois (14 percent compared to 18 percent).** The reduction in poverty is most significant for women of color — 19.8 percent of women tipped restaurant workers of color in states that follow the federal subminimum wage live in poverty, compared to 14 percent in states without a subminimum wage.⁹



THE TWO-TIERED WAGE SYSTEM FACILITATES SEXUAL HARASSMENT AND RACIAL DISCRIMINATION

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.¹⁰ Because they depend on tips as a portion of their base wage, women tipped workers in subminimum wage states must tolerate inappropriate behavior from customers and managers.

- Prior to the pandemic, workers in states that pay One Fair Wage — a full minimum wage with tips on top — reported one half the rate of sexual harassment as workers in states that pay the federal subminimum wage for tipped workers.**¹¹ Before the public health crisis, the restaurant industry was 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.¹² In a 2014 study of restaurant workers nationwide, workers reported that the greater their dependence on tips as a portion of their base wage, the more vulnerable they were to having to tolerate inappropriate customer behavior to earn their income.¹³ In the seven states that require One Fair Wage for tipped workers, women restaurant workers are not as dependent on customer tips and thus reported experiencing one half the rate of sexual harassment.¹⁴
- Since the pandemic, 42% of all service workers, and 43% of women service workers, report a noticeable change in overall levels of unwanted sexualized comments from customers since the pandemic.**¹⁵ Hundreds of women in across the nation reported that male customers have asked them to take off their masks so they can judge their looks and their tips on that basis, making the sexual harassment already prevalent among tipped workers now life-threatening.¹⁶
- The subminimum wage for tipped workers disproportionately impacts women of color. Today in Illinois, 39% of all tipped workers are people of color.** Women are also over-represented in the tipped worker sector, where 68% of tipped workers are women and 36% are mothers.¹⁷ Race and gender inequities are rampant throughout the tipped service sector, particularly in restaurants, which claim the largest share of tipped workers.¹⁸ Race

and gender pay inequities are a direct result of three factors. The first is that women and 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.¹⁹ 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).²⁰ Research also shows that people of color, specifically Black workers, receive less in tips than their equally qualified white counterparts regardless of position or restaurant.²¹ The subminimum wage for tipped workers exacerbates gender and racial discrimination in the industry, which results in a state gap of \$3.55 between Black women tipped workers and their white male counterparts, or \$360,000 over a lifetime.²²



THE PANDEMIC HAS MADE THE SUBMINIMUM WAGE LIFE-THREATENING FOR WOMEN

Since COVID-19, women tipped workers face the compounding effects of a public health crisis and a subminimum wage system.

- ▶ **In the wake of the pandemic, women tipped workers experienced higher rates of challenge when applying for unemployment insurance due to their subminimum wage than their male counterparts, and also higher rates of home and food insecurity.** A disproportionate share of tipped workers were unable to access unemployment insurance because their wages were too low to qualify for benefits, and this was worse for women applicants.²³ Over 60% of women applicants to the One Fair Wage Fund reported they were either unsure or did not qualify for unemployment benefits, compared to 58% of male applicants. 94% of all women reported they were unsure or unable to pay for their rent or mortgage and 78% of women could only afford groceries for 2 weeks or less, compared to 92% and 79% of men, respectively.²⁴
- ▶ **In Illinois, 43% of all workers report customer hostility, sexual harassment and health risks increased during the pandemic, and report that their tips went down.** The vast majority of workers (84%) report their tips have declined since the pandemic, and over 60% said they felt reluctant to enforce critical health and safety protocols because they would receive less in tips. Not only are these workers facing diminishing tips, they are also forced to become de facto public health marshals to a hostile customer base that often responds with economic retaliation. Nearly 80% of workers experienced or witnessed hostile behavior from customers in response to staff enforcing COVID-19 safety protocols and nearly half report this occurring weekly.²⁵

Until One Fair Wage legislation is passed, tipped workers in Illinois will continue to be burdened by the effects of a subminimum wage system that disincentivizes public health measure enforcement, jeopardizes workers' financial stability, and perpetuates sexual harassment.

TABLE 4
IMPACT OF COVID-19 CRISIS ON TIPPED SERVICE WORKERS

	National Applicants	Illinois Applicants	Women Applicants	Men Applicants
Do not qualify or are unsure if they qualify for unemployment insurance	61%	62%	63%	58%
Unable or are unsure whether they can pay their rent or mortgage	92%	93%	94%	92%
Can only afford groceries for 2 weeks or less	79%	78%	78%	79%

Source: One Fair Wage Tipped Worker Survey Data collected 10/20-1/21

TABLE 5
CUSTOMER HARASSMENT AND IMPACT ON TIPPING

	National	Illinois
Report that tips have decreased since COVID-19	84%	84%
Report that tips have decreased since COVID-19 by at least 50% or more	67%	69%
Experienced or witnessed hostile behavior from customers in response to staff enforcing COVID-19 safety protocols	79%	79%
Experienced or witnessed hostile behavior on a weekly basis from customers in response to staff enforcing COVID-19 safety protocols	45%	46%
Felt reluctant to enforce COVID-19 safety protocols upon customers out of concern that customer would tip less	57%	62%
Has received a decreased tip from a customer in response to enforcing COVID-19 safety protocols	66%	68%
Has experienced or witnessed a noticeable change in overall levels of unwanted sexualized comments from customers	42%	43%

Source: One Fair Wage Worker Public Health Survey Data collected 10/20-3/21



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. Congress is currently considering the Raise the Wage Act, which would increase the minimum wage to \$15 for all workers in the United States and entirely phase out the subminimum wage for tipped workers.

Enacting One Fair Wage — a full minimum wage with tips on top — is now a COVID emergency, not only for service workers themselves but also for the long-term economic stability of women, their families, and the communities that rely on them.

ENDNOTES

- 1 U.S. Bureau of Labor Statistics. (May 2019). State Occupational Employment and Wage Estimates - Illinois. Occupational Employment Statistics. https://www.bls.gov/oes/current/oes_il.htm. Customarily tipped restaurant occupations: Bartenders; Counter Attendants, Cafeteria, Food Concession, and Coffee Shops 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: Massage Therapists; Gambling Serving Workers; Barbers; Hairdresser, Hairstylists, and Cosmetologists; Manicurists and Pedicurists; Shampoos; and Skin Care Specialists; Baggage Porters, Bellhops, and Concierges; and Parking Lot Attendants. Tipped occupations regularly earning at least \$30 in tips per month are eligible to be paid the federal subminimum wage of \$2.13 per hour.
- 2 One Fair Wage analysis of American Community Survey (2015-2019). Retrieved from IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>.
- 3 *Ibid.* Wage gap calculation assumes the same wage gap for a 50-year career based on 40-hour work week, 52 weeks per year.
- 4 One Fair Wage. (August 2020). A Persistent Legacy of Slavery: Ending the Subminimum Wage for Tipped Workers as a Racial Equity Measure. https://onefairwage.site/wp-content/uploads/2020/11/OFW_LegacyOfSlavery_USA-1.pdf.
- 5 One Fair Wage analysis of American Community Survey (2015-2019). Retrieved from IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>.
- 6 U.S. Bureau of Labor Statistics. (May 2019). State Occupational Employment and Wage Estimates - Illinois. Occupational Employment Statistics. https://www.bls.gov/oes/current/oes_il.htm.
- 7 One Fair Wage analysis of Quarterly Census of Employment and Wages, Bureau of Labor Statistics. 2016-2019 data for NAICS 722511 number of full-service restaurant employees and NAICS 72 Accommodation and food services for quarterly estimate of total establishments. Small businesses defined as establishments employing up to 49 workers.
- 8 One Fair Wage analysis of average wages by gender using Current Population Survey Outgoing Rotation Group microdata U.S. Census Bureau CPS-ORG (2017-2019).
- 9 One Fair Wage analysis of the American Community Survey (2015-2019). One Fair Wage states include: Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. Retrieved from IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>.
- 10 ROC United. (October 2014). The Glass Floor: Sexual Harassment in the Restaurant Industry. New York, NY: ROC United. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-Glass-Floor-Sexual-Harassment-in-the-Restaurant-Industry2.pdf.
- 11 *Ibid.*
- 12 Frye, J. (November 2017). Not Just the Rich and Famous. Center for American Progress.
- 13 ROC United. (October 2014). The Glass Floor: Sexual Harassment in the Restaurant Industry. New York, NY: ROC United. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-Glass-Floor-Sexual-Harassment-in-the-Restaurant-Industry2.pdf.
- 14 *Ibid.*
- 15 Statistics provided are based on a non-representative sample from the One Fair Wage COVID-19 Tipped and Service Workers' Emergency Relief Fund applicant pool of tipped service workers in various states, collected from March 2020 until March 2021. This data is not exhaustive. Data is based on responses to surveys that are administered to applicants. However, for ethical reasons completion of these surveys is not required for applicants to apply.
- 16 Illinois statistics have been updated to include response from up until March 2021. Original source: One Fair Wage. (December 2020) Take your mask off so I know how much to tip you: Illinois Service Workers' Experience of Health & Harassment During COVID-19. https://onefairwage.site/wp-content/uploads/2020/12/OFW_COVID_WorkerExp_IL_4.pdf.
- 17 One Fair Wage analysis of American Community Survey (2015-2019). Retrieved from IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>.
- 18 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 extralegally.
- 19 *Ibid.*
- 20 *Ibid.*
- 21 Lynn et al., (2008). Consumer Racial Discrimination in Tipping: A Replication and Extension. *Journal of Applied Social Psychology*, 38(4), pp.1045-1060.
- 22 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 extralegally. Wage gap calculation assumes the same wage gap for a 50-year career based on 40-hour work week, 52 weeks per year.
- 23 One Fair Wage. (May 2020). Locked Out By Low Wages: Service Workers' Challenges With Accessing Unemployment Insurance During COVID-19. https://onefairwage.site/wp-content/uploads/2020/11/OFW_LockedOut_UI_COVID-19_FINALUPDATE.pdf.
- 24 Statistics provided are based on a non-representative sample from the One Fair Wage COVID-19 Tipped and Service Workers' Emergency Relief Fund applicant pool of tipped service workers in various states, collected from March until March 2021. This data is not exhaustive. Data is based on responses to surveys that are administered to applicants. However, for ethical reasons completion of these surveys is not required for applicants to apply.
- 25 *Ibid.*

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