

# IT'S TIME TO END THE SUBMINIMUM WAGE



NEW YORK 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 \$8.35 an hour in New York state, to the full minimum wage.

## THIS IS AN EQUALITY ISSUE

There are 350,840 tipped workers in New York state. Over half of New York tipped workers are women, 35 percent of whom are mothers.<sup>1,2</sup> Because tipped restaurant workers are 57% women and non-tipped restaurant workers are 38% women, the subminimum wage for tipped workers amounts to legislated gender pay inequity in the restaurant industry, perpetuating the gender pay gap and leading to higher rates of poverty.

- ▶ **In New York, the average female restaurant server earns 71 percent of their male counterparts, costing a woman over \$400,000 over a lifetime.**<sup>3,4</sup> The pay gap results from the dependence on tips, since research shows women are segregated into more casual restaurants, where tips are less, and customers tip women less.
- ▶ **In New York, tipped workers are 2.1 times more likely to live in poverty than the overall workforce.** Among tipped workers, female tipped workers have a 53% higher poverty rate than male tipped workers.<sup>5</sup> Female tipped workers are also 1.4 times more likely to rely on Medicaid compared to male tipped workers. In general, all female restaurant workers are 1.2 times more likely to live in poverty and rely on Medicaid as male restaurant workers.
- ▶ **Women are concentrated in the restaurant industry's lowest paying occupations, even including tips.** Three of New York's five lowest paying jobs are tipped occupations and women are the majority in most of them.<sup>6</sup> Because tipped workers are predominantly female, this poverty burden falls disproportionately on women.

**TABLE 2**  
**POVERTY AND PUBLIC ASSISTANCE USE AMONG WORKERS IN NEW YORK STATE**

	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	56.6%	43.4%	14.4%	9.4%	13.8%	13.5%	29.1%	21.5%
Tipped Restaurant Workers	56.5%	43.5%	15.3%	10.7%	13.3%	13.1%	28.6%	21.7%
All Restaurant Workers	43.2%	56.8%	14.7%	11.9%	16.1%	17.2%	32%	26.7%
Total Workforce	48.5%	51.5%	6.7%	5%	10.5%	8.8%	15.4%	12.6%

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 IN NEW YORK STATE**

	Parents	Mothers	Fathers	Single Mother	% All Women
All Tipped Workers	30.7%	34.9%	25.2%	17%	48.6%
Tipped Restaurant Workers	25.3%	29%	20.6%	15.4%	53.2%
All Restaurant Workers	32.2%	33.9%	30.9%	17.8%	52.5%
Total Workforce	41.3%	43.5%	39.1%	16.8%	38.7%

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

- ▶ **The 7 states that require employers to pay the full minimum wage to tipped workers with tips on top (CA, OR, WA, NV, MN, MT, AK) have a higher average full-service restaurant employment growth rate than the states like New York 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 3.9% in the state of New York.<sup>7</sup>
- ▶ **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.** 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.<sup>8</sup>
- ▶ **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 9% lower than in New York (14 percent compared to 15.3 percent). The reduction in poverty is most significant for women of color — 19.7 percent of women tipped restaurant workers of color in New York live in poverty, compared to 14 percent in states without a subminimum wage.<sup>9</sup>



## 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.<sup>10</sup> 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.

- ▼ **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.**<sup>11</sup> 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.<sup>12</sup> 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.<sup>13</sup> 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.<sup>14</sup>
- ▼ **Since the pandemic, 41% of all New York workers, and 48% of women in New York report a noticeable change in overall levels of unwanted sexualized comments from customers since the pandemic.**<sup>15</sup> Hundreds of women in New York and across the country 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.<sup>16</sup>
- ▼ **The subminimum wage for tipped workers disproportionately impacts women of color. Today, half of all New York tipped workers are people of color.** Women are also overrepresented in the tipped worker sector, where 56% of tipped workers are women and 35% are mothers.<sup>17</sup> Race and gender inequities are rampant throughout the tipped service sector, particularly in restaurants, which claim the largest share of tipped workers.<sup>18</sup> 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.<sup>19</sup> 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).<sup>20</sup> 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.<sup>21</sup> The subminimum wage for tipped workers exacerbates gender and racial discrimination in the industry, which results in New York having a wage gap of \$7.74 between Black women tipped workers and their white male counterparts, a race gender wage gap that is nearly 60% higher than the nationwide race gender wage gap and is among the highest race gender wage gaps of any state in the country.<sup>22</sup>



## 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 service workers and tipped workers in particular experienced the high rates of economic insecurity and faced a unique challenge in applying for unemployment insurance due to their subminimum wage.** A disproportionate share of tipped workers were unable to access unemployment insurance because their wages were too low to qualify for benefits.<sup>23</sup> In New York, half of all applicants to the One Fair Wage Fund reported they were either unsure or did not qualify for unemployment benefits. Over 90% (91%) of all women reported they were unsure or unable to pay for their rent or mortgage and 77% of women could only afford groceries for 2 weeks or less, compared to 90% and 75% of men, respectively.<sup>24</sup>
- ▼ **Women were much more likely to report customer hostility, sexual harassment and health risks increased during the pandemic, and much more likely to report that their tips went down, than their male counterparts.** Over 80% (84%) of women workers report their tips have declined since the pandemic, and over half said they felt reluctant to enforce critical health and safety protocols because they would receive less in tips, compared to only 70% and 51% of men. 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. Over 80% of women workers experienced or witnessed hostile behavior from customers in response to staff enforcing COVID-19 safety protocols and half report this occurring weekly, compared to 71% and 39% of men.<sup>25</sup>

Until One Fair Wage legislation is passed, tipped workers in New York 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	New York Applicants	NY Women Applicants	NY Men Applicants
Do not qualify or are unsure if they qualify for unemployment insurance	61%	50%	51%	50%
Unable or are unsure whether they can pay their rent or mortgage	92%	91%	91%	90%
Can only afford groceries for 2 weeks or less	79%	76%	77%	75%

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

**TABLE 5**  
**CUSTOMER HARASSMENT AND IMPACT ON TIPPING**

	National	New York	Women	Men
Report that tips have decreased since COVID-19	84%	80%	84%	70%
Report that tips have decreased since COVID-19 by at least 50% or more	67%	59%	63%	54%
Experienced or witnessed hostile behavior from customers in response to staff enforcing COVID-19 safety protocols	79%	78%	83%	71%
Experienced or witnessed hostile behavior on a weekly basis from customers in response to staff enforcing COVID-19 safety protocols	45%	46%	50%	39%
Felt reluctant to enforce COVID-19 safety protocols upon customers out of concern that customer would tip less	57%	56%	56%	51%
Has received a decreased tip from a customer in response to enforcing COVID-19 safety protocols	66%	66%	68%	60%
Has experienced or witnessed a noticeable change in overall levels of unwanted sexualized comments from customers	42%	41%	48%	25%

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 — now is 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 New York State Department of Labor. (May 2019). Occupational Wages for New York State. <https://statistics.labor.ny.gov/lswage2.asp>.
- 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](https://onefairwage.site/wp-content/uploads/2020/11/OFW_LegacyOfSlavery_USA-1.pdf).
- 5 *Ibid.*
- 6 New York State Department of Labor. (May 2019). Occupational Wages for New York State. <https://statistics.labor.ny.gov/lswage2.asp>.
- 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.
- 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](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](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 February 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 New York statistics have been updated to include response from up until February 2021. Original source: One Fair Wage. (December 2020). Upstate New York Service Workers' Experience of Health & Harassment During COVID-19. [https://onefairwage.site/wp-content/uploads/2020/12/OFW\\_COVID\\_WorkerExp\\_UNY.pdf](https://onefairwage.site/wp-content/uploads/2020/12/OFW_COVID_WorkerExp_UNY.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. (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](https://onefairwage.site/wp-content/uploads/2020/11/OFW_LegacyOfSlavery_USA-1.pdf).
- 19 *Ibid.*
- 20 *Ibid.*
- 21 ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the U.S. Restaurant Industry. New York, NY: ROC United.
- 22 See note 19.
- 23 One Fair Wage. (June 2020). Locked Out By Low Wages: New York Service Workers' Challenges With Accessing Unemployment Insurance During COVID-19. [https://onefairwage.site/wp-content/uploads/2020/11/OFW\\_LockedOut\\_NY\\_2.pdf](https://onefairwage.site/wp-content/uploads/2020/11/OFW_LockedOut_NY_2.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.*

onefairwage.com  
#1FAIRWAGE

