



**Testimony of Julie Vogtman  
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**Submitted to the  
New Jersey Assembly Labor Committee**

**May 19, 2016**

Thank you for the opportunity to submit this testimony on behalf of the National Women's Law Center, a non-profit organization that has been working since 1972 to secure and defend women's legal rights, and to help women and their families achieve economic security. The National Women's Law Center supports Assembly Bill No. 15 (A. 15), which represents an important step toward equal pay for women and people of color in New Jersey—but we urge the Assembly to take the additional step of gradually raising the minimum cash wage for tipped workers until it matches the regular minimum wage, so that *all* workers are entitled to the same fair minimum wage, regardless of tips.

***Women and people of color are more likely to be paid low wages.*** Women represent about six in ten workers struggling to get by on the minimum wage in New Jersey,<sup>1</sup> and people of color are also overrepresented among the state's low wage workforce.<sup>2</sup> These workers provide valuable services in our communities—providing care for children and elders, cleaning homes and offices, waiting tables—but a woman working full time, year round at the current minimum wage of \$8.38 per hour will earn just \$16,760 annually.<sup>3</sup> That's more than \$2,300 below the federal poverty line for a mother with two children,<sup>4</sup> in a state with one of the highest costs of living in the nation.

***Raising the minimum wage would lift incomes for working women and people of color in New Jersey and help close the wage gap.*** Increasing New Jersey's minimum wage to \$15.00 per hour by 2021, as proposed by A. 15,<sup>5</sup> would boost a minimum wage worker's annual full-time earnings to \$30,000—and the bill would ensure that these gains are not erased as the cost of living rises by indexing the minimum wage to keep pace with inflation beginning in 2022. An income of \$30,000 in 2021 would enable many New Jersey workers to lift their families out of poverty,<sup>6</sup> though it represents a very modest increase relative to the state's cost of living; based on the United Way's "Household Survival Budget," even a single adult working full time in New Jersey will need \$16 an hour in 2021 just to get by.<sup>7</sup>

New Jersey Policy Perspective estimates that if New Jersey's minimum wage reaches \$15.00 per hour by 2021, about one in four workers in the state—975,000—will get a raise.<sup>8</sup> The vast majority of these workers are adults, and more than a quarter (277,000) are parents, including 81,000 single parents—representing over one-third of all working parents in New Jersey who are supporting children on their own.<sup>9</sup>

The majority (53 percent) of workers who would benefit from A. 15 are women, though they remain a minority of New Jersey's workforce (47 percent).<sup>10</sup> Workers of color, who are 41 percent of all workers in the state, are 51 percent of the workers who would get a raise.<sup>11</sup> By concentrating income gains among women and workers of color, raising the minimum wage to \$15.00 per hour could help close the persistent wage gap that women—especially women of color—face in New Jersey.<sup>12</sup> New Jersey women

working full time, year round typically are paid only 80 cents for every dollar paid to their male counterparts, and women of color in particular experience wider wage gaps than almost anywhere else in the country: African American women typically make 58 cents, and Latinas just 43 cents, for every dollar white men make.<sup>13</sup>

**A. 15 should be strengthened to ensure that New Jersey's tipped workers will fully benefit from the proposed wage increase.** Unfortunately, A.15 lacks a key provision that could do still more to boost women's economic security and help close the wage gap: it does not address the minimum cash wage for tipped workers. New Jersey is one of 18 states that allows employers to pay their tipped workers just \$2.13 an hour—the lowest wage permitted under federal law, and one that has not gone up in 25 years. Although employers are obligated to ensure that their tipped employees receive at least the regular minimum wage—making up the difference when tips fall short—many fail to do so.<sup>14</sup>

Women are 63 percent of tipped workers in New Jersey.<sup>15</sup> These workers often must struggle to make ends meet on unpredictable tips with virtually no dependable income from a paycheck. Close to 12 percent of New Jersey's female tipped workers live in poverty, more than double the rate for working women overall, and poverty rates among female restaurant servers and bartenders are even higher (14 percent).<sup>16</sup>

In addition, workers relying on variable tips at the whim of customers—rather than set wages from their employer—for the bulk of their income may also be more vulnerable to sexual harassment. A recent study from Restaurant Opportunities Centers United found that women tipped workers in states with a \$2.13 tipped minimum wage, including New Jersey, are *twice* as likely to experience sexual harassment as their counterparts in states where employers are required to pay the regular minimum wage before tips.<sup>17</sup>

In eight states, tipped workers are entitled to the full minimum wage before tips, including California and the entire West Coast.<sup>18</sup> In these eight states, the average poverty rate for women tipped workers is 33 percent lower—and the average gender wage gap is 14 percent smaller—than in states like New Jersey with a \$2.13 tipped minimum cash wage.<sup>19</sup> And these gains have not come at the expense of business; the states with one minimum wage for all workers have experienced higher restaurant sales per capita and greater growth in restaurant industry jobs than the states with lower minimum wages for tipped workers.<sup>20</sup> New Jersey would do well to join their ranks. In addition, to ensure that tipped workers and others who are especially vulnerable to wage theft receive the full pay to which they are entitled, New Jersey should follow the lead of California and New York which, along with phasing in a \$15.00 minimum wage, have recently strengthened their wage and hour laws to more effectively combat wage theft.

**Raising the minimum wage would strengthen New Jersey's economy.** Increasing the wages paid to low-wage workers results in lower turnover and higher productivity, benefiting employers.<sup>21</sup> And raising the minimum wage would likely boost New Jersey's economy, because most minimum wage workers need all of their income to make ends meet and spend it quickly in their communities: indeed, research indicates that for every \$1 added to the minimum wage, low-wage worker households spent an additional \$2,800 the following year.<sup>22</sup> Moreover, evidence from the jurisdictions that have begun to phase in a \$15.00 minimum wage suggests a positive impact on employment. For example, in San Jose and San Francisco, jobs in the restaurant industry grew faster after the minimum wage was increased than they did in surrounding cities and counties that did not raise wages, while the Seattle region's unemployment rate hit an eight-year low of 3.6 percent in

August 2015, several months after the first increase under city's minimum wage ordinance took effect.<sup>23</sup>

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Raising New Jersey's minimum wage to \$15.00 per hour for all workers—tipped and non-tipped alike—would benefit hundreds of thousands of working women and their families, as well as the state's economy. We urge the Committee to pass A. 15 with amendments to ensure that tipped workers finally and fully benefit from a fair minimum wage.

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<sup>1</sup> NWLC calculations based on unpublished U.S. Dep't of Labor, Bureau of Labor Statistics (BLS) data for all wage and salary workers. Figures are annual averages for 2014. Available data do not permit a precise calculation of the percentage of women making the state minimum wage in New Jersey due to the increments by which wages are reported; estimate is based on the share of workers who are women at or below the reported wage levels immediately above and below the state's minimum wage. "Minimum wage workers" refers to workers making the minimum wage or less.

<sup>2</sup> See Jon Whiten, New Jersey Policy Perspective (NJPP), Raising New Jersey's Minimum Wage to \$15 an Hour Would Boost a Large and Diverse Group of Working Men and Women, at 6 (March 2016), *available at* <http://www.njpp.org/assets/reports/NJPPMinWageMarch2016.pdf>. NJPP estimates that workers of color represent 41 percent of New Jersey's workforce, but 51 percent of workers who currently make less than \$13.16 per hour (equivalent to \$15 per hour in 2021).

<sup>3</sup> Calculations of annual earnings in this document assume 40 hours per week, 50 weeks per year at the specified wage rate.

<sup>4</sup> U.S. Census Bureau, Poverty Thresholds for 2015, <https://www.census.gov/hhes/www/poverty/data/threshld/index.html> (last visited May 11, 2016).

<sup>5</sup> As amended, A. 15 would increase New Jersey's minimum wage to \$10.10 per hour on January 1, 2017, followed by an increase of \$1.25 per hour or \$1.00 per hour plus any increase in the CPI-W (whichever is greater) each year from 2018 through 2021, thereby reaching a minimum wage of approximately \$15 per hour by January 1, 2021.

<sup>6</sup> For example, for a family with one adult and two children, \$30,000 is above both today's poverty line (\$19,096) as well as the estimated poverty line for 2021, based on the Congressional Budget Office's predictions regarding the CPI-U (the inflation measure used to increase the Census Bureau's poverty thresholds annually) for 2015 through 2021.

<sup>7</sup> Nat'l Employment Law Project (NELP) & NJPP, Proposal to Raise New Jersey's Minimum Wage to \$15 an Hour Is Strong; Here's How to Make It Stronger (Feb. 2016), *available at* <http://www.antipovertynetwork.org/resources/Documents/MinWage2PagerNewBox.pdf>.

<sup>8</sup> Whiten, *supra* note 2, at 1.

<sup>9</sup> *Id.* at 2,4, and NWLC calculations based on unpublished NJPP estimates.

<sup>10</sup> *Id.* at 5.

<sup>11</sup> *Id.* at 6.

<sup>12</sup> A higher minimum wage generally would narrow the wage distribution, effectively narrowing the wage gap. Nicole M. Fortin & Thomas Lemieux, Institutional Changes and Rising Inequality, *Journal of Economic Perspectives*, Spring 1997, 75-96, at 78, *available at* <http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.11.2.75>. See also Francine D. Blau & Lawrence M. Kahn, Swimming Upstream, *Journal of Labor Economics*, Jan. 1997, 1-42, at 28, *available at* [http://econ2.econ.iastate.edu/classes/econ321/orazem/blau\\_wages.pdf](http://econ2.econ.iastate.edu/classes/econ321/orazem/blau_wages.pdf).

<sup>13</sup> See NWLC, The Wage Gap, State by State, <http://nwlc.org/resources/wage-gap-state-state/> (last visited May 13, 2016).

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<sup>14</sup> See, e.g., Sylvia A. Allegretto & David Cooper, Econ. Policy Inst. (EPI) & Ctr. on Wage & Employment Dynamics, Univ. of Ca., Berkeley, Twenty-Three Years and Still Waiting for Change, at 17-18 (2014), available at <http://s2.epi.org/files/2014/EPI-CWED-BP379.pdf>.

<sup>15</sup> NWLC calculations based on American Community Survey (ACS) 2010-2014 five-year averages using Steven Ruggles et al., Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2010. Figures are for employed workers. NWLC defines tipped workers as all workers in a set of predominately tipped occupations identified in Allegretto & Cooper, *supra* note 14, at 20, 23.

<sup>16</sup> *Id.* The poverty rate for working women in New Jersey is 5.4 percent.

<sup>17</sup> Restaurant Opportunities Ctr. United (ROC United) & Forward Together, et al., The Glass Floor: Sexual Harassment in the Restaurant Industry, at 14-16 (Oct. 2014), available at [http://rocunited.org/wp-content/uploads/2014/10/REPORT\\_The-Glass-Floor-Sexual-Harassment-in-the-Restaurant-Industry2.pdf](http://rocunited.org/wp-content/uploads/2014/10/REPORT_The-Glass-Floor-Sexual-Harassment-in-the-Restaurant-Industry2.pdf).

<sup>18</sup> The eight states are Alaska, California, Hawaii, Minnesota, Montana, Nevada, Oregon, and Washington. In 2016, Hawaii does allow employers to pay tipped workers \$0.50 below the state minimum wage of \$8.50 per hour, but only if the total wages an employee receives from her employer plus tips equal at least \$7.00 more per hour than the regular minimum wage. See EPI, Minimum Wage Tracker, [http://www.epi.org/minimum-wage-tracker/#/tip\\_wage/](http://www.epi.org/minimum-wage-tracker/#/tip_wage/) (last visited May 12, 2016).

<sup>19</sup> Katherine Gallagher Robbins et al., NWLC, States with Equal Minimum Wages for Tipped Workers Have Smaller Wage Gaps for Women Overall and Lower Poverty Rates for Tipped Workers (May 2015), available at [http://nwlc.org/wp-content/uploads/2015/08/tipped\\_minimum\\_wage\\_worker\\_wage\\_gap\\_may\\_2015.pdf](http://nwlc.org/wp-content/uploads/2015/08/tipped_minimum_wage_worker_wage_gap_may_2015.pdf).

<sup>20</sup> See ROC United, The Impact of Raising the Subminimum Wage on Restaurant Sales & Employment (March 2014), available at [http://rocunited.org/wp-content/uploads/2014/03/ROC-United\\_FactSheet-on-TMW.pdf](http://rocunited.org/wp-content/uploads/2014/03/ROC-United_FactSheet-on-TMW.pdf).

<sup>21</sup> See, e.g., Justin Wolfers & Jan Zilinsky, Peterson Inst. for Int'l Economics, Higher Wages for Low-Income Workers Lead to Higher Productivity (Jan. 2015), available at <https://piie.com/blogs/realtime-economic-issues-watch/higher-wages-low-income-workers-lead-higher-productivity>..

<sup>22</sup> Daniel Aaronson, Sumit Agarwal & Eric French, Fed. Reserve Bank of Chicago, The Spending and Debt Responses to Minimum Wage Increases, at 10 (Revised Feb. 2011), available at [http://www.chicagofed.org/digital\\_assets/publications/working\\_papers/2007/wp2007\\_23.pdf](http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf).

<sup>23</sup> See NELP & Fiscal Policy Inst., Myth vs. Fact on a \$15 Minimum Wage for New York, at 6 (Feb. 2016), available at <http://nelp.org/content/uploads/NELP-FPI-Myth-vs-Fact-15-Minimum-Wage-New-York.pdf>.