



WORKPLACE JUSTICE

## RAISE THE WAGE: WOMEN FARE BETTER IN STATES WITH EQUAL TREATMENT FOR TIPPED WORKERS

The federal minimum cash wage for tipped workers has been frozen at \$2.13 per hour for 25 years, and now represents less than a third of the federal minimum wage (\$7.25 per hour)—its lowest share ever.<sup>1</sup> Given this, it is unsurprising that poverty rates for tipped workers are more than twice as high as rates for workers overall.<sup>2</sup> Women, who represent two-thirds of tipped workers nationally, are hit especially hard by this poverty level wage.<sup>3</sup> In fact, women's concentration in tipped occupations and other low-wage jobs is an important factor contributing to the persistent gender wage gap: women working full time, year round typically are paid just 80 percent of what their male counterparts are paid—and the wage gap is even wider for women of color.<sup>4</sup>

A number of states, however, have set minimum cash wages for tipped workers above the federal level, and some states require employers to pay their tipped employees the regular minimum wage regardless of tips. Compared with states that have a \$2.13 hourly tipped minimum cash wage, women in these “equal treatment” states—where tipped workers must be paid the regular minimum wage before tips—experience a smaller gender wage gap and women, especially those in tipped occupations, experience a lower poverty rate.

Increasing wages for the predominately female workers at the bottom of the pay scale can reduce poverty and help close the gender wage gap both within tipped occupations and overall.<sup>5</sup> Raising the minimum wage for tipped workers to the level of the regular minimum wage is a crucial step toward equal pay for women and economic security for their families.<sup>6</sup>

### Key Facts

In equal treatment states, compared to states with a tipped minimum cash wage of \$2.13 per hour:

- The wage gap for women overall working full time, year round is 19 percent smaller.
- The wage gap for women in tipped occupations is 33 percent smaller.
- The poverty rate for women overall is 13 percent lower.
- The poverty rate for African American women is 8 percent lower.
- The poverty rate for Latina women is 13 percent lower.
- The poverty rate for women in tipped occupations is 27 percent lower.
- The poverty rate for women of color in tipped occupations is 31 percent lower.

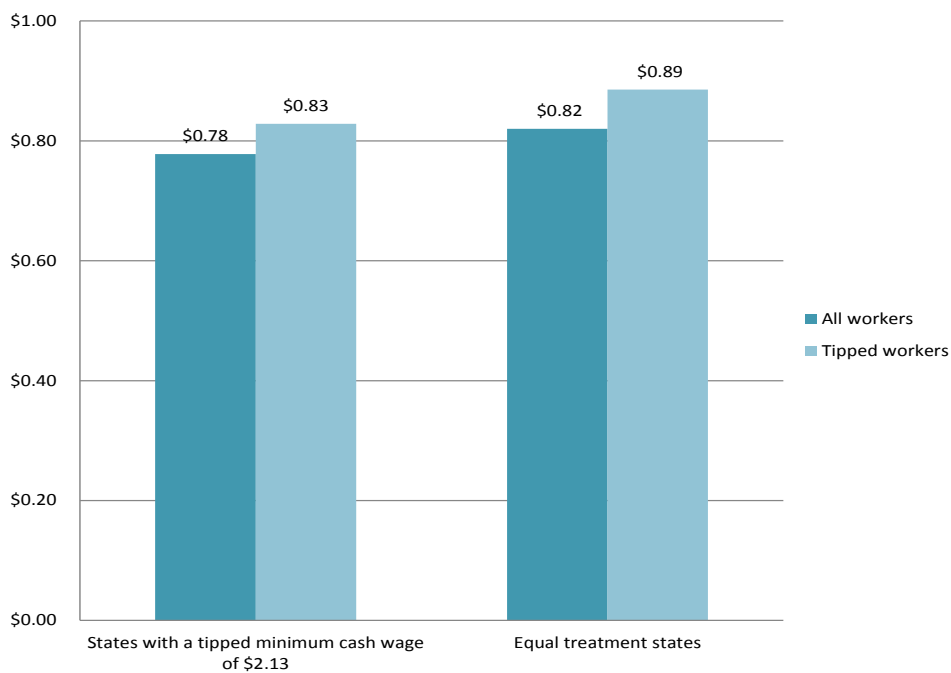
### The wage gap for women overall working full time, year round in equal treatment states is smaller than in states with a tipped minimum cash wage of \$2.13 per hour.

- As of 2016, 18 states follow the federal standard and require employers to pay their tipped workers a minimum cash wage of only \$2.13 per hour.<sup>7</sup> In these states, women comprise 70 percent of tipped workers—a higher concentration of women in tipped occupations than in states where employers must pay tipped workers the regular minimum wage.<sup>8</sup> Overall, women working full time, year round are typically paid 78 cents for every dollar paid to their male counterparts in these states—a wage gap of 22 cents.<sup>9</sup>



- The equal treatment states require employers to pay their tipped workers at least the regular minimum wage, regardless of how much the workers earn in tips.<sup>10</sup> In these states, the share of tipped workers who are women is 64 percent. Overall, women working full time, year round are typically paid 82 cents for every dollar paid to their male counterparts in these states—a wage gap of 18 cents, which is 19 percent smaller than the 22-cent gap in states that follow the federal standard.
- In the 18 states with a minimum cash wage of \$2.13 per hour, women working full time, year round in tipped occupations are typically paid 83 cents for every dollar paid of their male counterparts in tipped occupations – a wage gap of 17 cents. In equal treatment states, women working full time, year round in tipped occupations are typically paid 89 cents for every dollar paid to men working in tipped occupations – a wage gap of 11 cents.

### What women make for every dollar men make, by state tipped minimum wage level



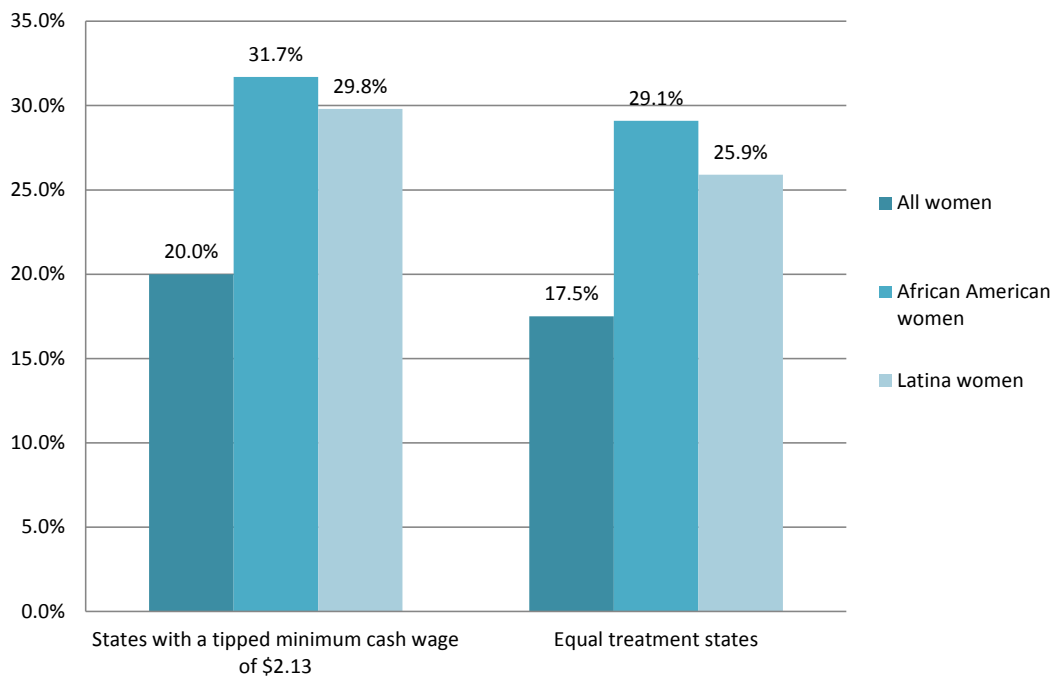
Source: NWLC calculations based on 2010-2014 American Community Survey 5-year averages using IPUMS. Figures are averages of female:male earnings ratios. State earnings ratios compare median earnings for female and male full time, year round workers. Earnings are in 2014 dollars.

### Women's poverty rates are lower in equal treatment states than in states with a tipped minimum cash wage of \$2.13 per hour.

- Not surprisingly, a higher minimum wage helps lift women out of poverty. The poverty rate for all women living in equal treatment states (17.5 percent) is 13 percent lower than in states with a \$2.13 tipped minimum cash wage (20.0 percent).
- Similarly, African American and Latina women in equal treatment states have lower poverty rates (29.1 percent and 25.9 percent, respectively) than in states with a \$2.13 tipped minimum cash wage (31.7 percent and 29.8 percent, respectively).



## Women's poverty rates by state tipped minimum wage level



Source: NWLC calculations based on 2010-2014 American Community Survey 5-year averages using IPUMS. Women of color include all women who did not self-identify as white, non-Hispanic women.

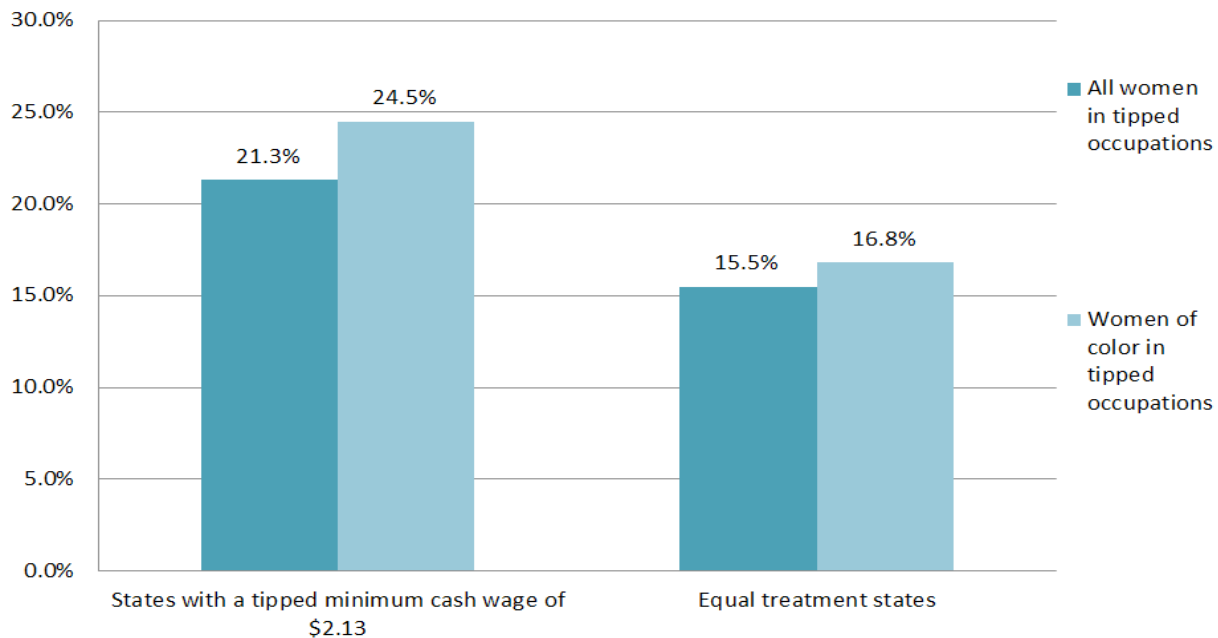
### The poverty rate for women in tipped occupations is lower in equal treatment states than in states with a tipped minimum cash wage of \$2.13 per hour.

- A higher minimum wage also helps lift tipped workers out of poverty. The poverty rate for female tipped workers in equal treatment states (15.5 percent) is 27 percent lower than in states with a \$2.13 tipped minimum cash wage (21.3 percent).<sup>11</sup>
- Increasing the tipped minimum cash wage is especially critical for women's financial security, given that poverty rates are higher for female tipped workers than for male tipped workers in both equal treatment states and states with a tipped minimum cash wage of \$2.13. In equal treatment states, the poverty rate for female tipped workers is 15.5 percent, compared to 12.8 percent for their male counterparts. In states with a \$2.13 tipped minimum cash wage, the poverty rate for female tipped workers is 21.3 percent, compared to 16.0 percent for their male counterparts.

### The poverty rate for women of color in tipped occupations is lower in equal treatment states than in states with a tipped minimum cash wage of \$2.13 per hour.

- Women of color employed in tipped occupations in states with a \$2.13 tipped minimum cash wage experience a poverty rate of 24.5 percent.<sup>12</sup>
- The poverty rate for women of color who work in tipped occupations in equal treatment states is 16.8 percent – 31 percent lower than in states with a \$2.13 tipped minimum cash wage.

## Poverty rates for women and women of color in tipped occupations, by state tipped minimum wage level



Source: NWLC calculations based on 2010-2014 American Community Survey 5-year averages using IPUMS. Women of color include all women who did not self-identify as white, non-Hispanic women.

Women make up a disproportionate share of workers in low wage and tipped occupations – leaving them and their families at risk of living in poverty. Increasing wages for those at the bottom of the pay scale can help reduce poverty and close the gender wage gap in tipped occupations and overall, going a long way to helping women achieve economic security.

- 1 Sylvia A. Allegretto & David Cooper, ECON. POLICY INST. & CTR. ON WAGE & EMPLOYMENT DYNAMICS, Univ. of Ca., Berkeley, TWENTY-THREE YEARS AND STILL WAITING FOR CHANGE, at 3 (July 2014), available at <http://s2.epi.org/files/2014/EPI-CWED-BP379.pdf>. Under federal law, employers may pay tipped workers a cash wage of just \$2.13 per hour (the “tipped minimum cash wage”) and take credit for the tips that customers give the worker toward fulfilling the minimum wage requirement (the “tip credit” for employers).
- 2 NWLC calculations of 2010-2014 American Community Survey (ACS) five-year averages using Steven Ruggles, Katie Genadek, Ronald Goeken, Josiah Grover, and Matthew Sobek. Integrated Public Use Microdata Series: Version 6.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2015. Figures include all employed workers. In their report, Allegretto and Cooper define tipped workers as all workers in a set of predominately tipped occupations (see *id.* at 20, 23 for details). NWLC uses the same set of occupations to determine the population of tipped workers for purposes of this analysis.
- 3 *Id.*
- 4 NAT’L WOMEN’S LAW CTR., THE WAGE GAP IS STAGNANT FOR NEARLY A DECADE (Sept. 2016), available at <http://nwlc.org/resources/wage-gap-stagnant-nearly-decade/>.
- 5 Julie Vogtman & Katherine Gallagher Robbins, NAT’L WOMEN’S LAW CTR., HIGHER STATE MINIMUM WAGES PROMOTE FAIR PAY FOR WOMEN (May 2015), available at [http://www.nwlc.org/sites/default/files/pdfs/higher\\_state\\_minimum\\_wages\\_promote\\_fair\\_pay\\_for\\_women\\_may\\_2015.pdf](http://www.nwlc.org/sites/default/files/pdfs/higher_state_minimum_wages_promote_fair_pay_for_women_may_2015.pdf), and FAIR PAY FOR WOMEN REQUIRES A FAIR MINIMUM WAGE (May 2015), available at [http://www.nwlc.org/sites/default/files/pdfs/fair\\_pay\\_for\\_women\\_requires\\_a\\_fair\\_minimum\\_wage\\_may\\_2015\\_0.pdf](http://www.nwlc.org/sites/default/files/pdfs/fair_pay_for_women_requires_a_fair_minimum_wage_may_2015_0.pdf).
- 6 The Raise the Wage Act (H.R. 2150/S. 1150) would raise the federal minimum wage from \$7.25 to \$12.00 per hour by 2020, index it to the median wage beginning in 2021, and eliminate the tipped minimum cash wage by gradually increasing it until it is equal to the regular minimum wage.
- 7 The 18 states are Alabama, Georgia, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Nebraska, New Jersey, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Utah, Virginia, and Wyoming. 2016 tipped minimum wage levels are used in this analysis.
- 8 The share of workers in tipped occupations who are female by state is based on NWLC calculations of 2010-2014 American Community Survey (ACS) five-year averages using Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 6.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2015. Figures include all employed workers.
- 9 Overall state wage gaps are NWLC calculations of 2010-2014 American Community Survey (ACS) five-year averages using Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 6.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2015. Figures include full time, year round workers.



- 10 There are seven equal treatment states: Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. Hawaii is also included as an “equal treatment” state with no tip credit because as of 2016, it has a maximum tip credit of 75 cents, which is allowed only if the total wages an employee receives from her employer plus tips equal at least \$7.00 more than the regular minimum wage.
- 11 Poverty rates for workers in tipped occupations are based on NWLC calculations of 2010-2014 ACS five-year averages, *supra* note 8.
- 12 Poverty rates for workers in tipped occupations are based on NWLC calculations of 2010-2014 ACS five-year averages, *supra* note 8. Women of color in tipped occupations include all women who did not self-identify as white, non-Hispanic women. Small sample sizes prevented a state-by-state analysis of women in tipped occupations by specific racial or ethnic groups. Public Use Microdata Series: Version 6.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2015. Figures include all employed workers.
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