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MAY 2019 | FACT SHEET

One Fair Wage: Women Fare Better in States with Equal Treatment for Tipped Workers

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A fair minimum wage ensures that working people can support themselves and their families, no matter who they are or what job they hold. But today, the federal minimum wage is just \$7.25 per hour—and for tipped workers, the federal minimum cash wage has been frozen at \$2.13 per hour for nearly three decades.¹ Women, who represent over two-thirds of tipped workers nationally,² are hit especially hard by this poverty-level wage. Nationwide, the poverty rate for women tipped workers is over 2.5 times the rate for workers overall.³ And 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.⁴ This wage gap varies by race and is even wider for Black women, Latinas, Native women, and many subgroups of Asian American and Pacific Islander women compared to their white, non-Hispanic male counterparts.⁵

KEY FACTS

In One Fair Wage 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 31 percent smaller.
- The poverty rate for employed women is 14 percent lower—and for women working in tipped occupations, the poverty rate is 28 percent lower.
- The poverty rate for women of color in tipped occupations is 31 percent lower.
- The poverty rate is 35 percent lower for Black women in tipped occupations.
- The poverty rate is 31 percent lower for Latina women in tipped occupations.

A number of states, however, have set minimum cash wages for tipped workers above the federal level, and seven states require employers to pay tipped employees the regular minimum wage regardless of tips.⁶ Compared with states that have a \$2.13 hourly tipped minimum cash wage, women in these “One Fair Wage” states—where tipped workers must be paid the regular minimum wage before tips—face a smaller gender wage gap and a lower poverty rate. Women in tipped occupations in One Fair Wage states experience poverty at a rate more than one-quarter lower than their counterparts in states that follow the federal standard.

Raising wages for all working people—tipped and non-tipped alike—has outside benefits for women and their families, reducing poverty and helping to close the gender wage gap.⁷ Ensuring that tipped workers can count on receiving the full minimum wage, before tips, is a crucial step toward equity, dignity, and safety for women at work.⁸

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

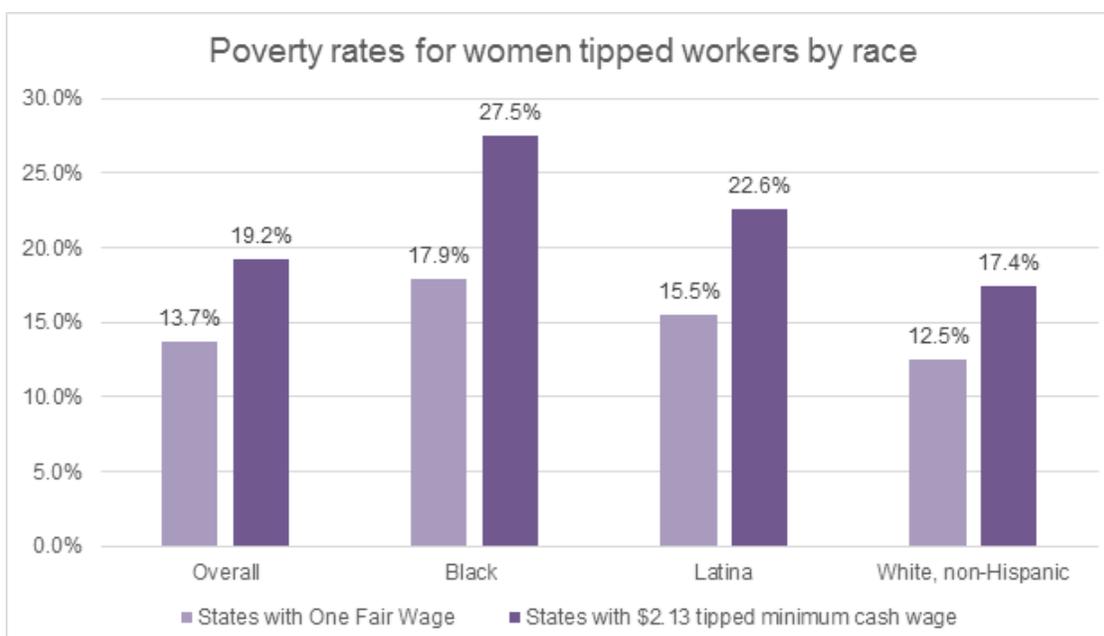
- As of 2017, 18 states follow the federal standard and require employers to pay their tipped workers a minimum cash wage of only \$2.13 per hour.⁹ Overall, women working full time, year round are typically paid 77 cents for every dollar paid to their male counterparts in these states—a wage gap of 23 cents.¹⁰

- One Fair Wage states require employers to pay their tipped workers at least the regular minimum wage, regardless of how much the workers receive in tips. Overall, women working full time, year round are typically paid 84 cents for every dollar paid to their male counterparts in these states—a wage gap of 16 cents,¹¹ which is 31 percent smaller than the 23-cent gap in states that follow the federal standard.

In One Fair Wage states, the gender wage gap is 31 percent smaller than in states with a \$2.13 tipped minimum wage.

Women’s poverty rates are lower in One Fair Wage states than in states with a tipped minimum cash wage of \$2.13 per hour—especially for women of color in tipped jobs.

- Not surprisingly, a higher minimum wage helps lift women out of poverty. The poverty rate for women working in One Fair Wage states (7.7 percent) is 14 percent lower than in states with a \$2.13 tipped minimum cash wage (8.9 percent), and the poverty rate among women of color working in One Fair Wage states is nearly 24 percent lower.¹²



Source: NWLC calculations based on 2013-2017 American Community Survey 5-year averages using IPUMS. Figures are for full-time, year round workers.

- The difference for women in tipped occupations is particularly stark—and for women of color most of all.
- The poverty rate for women tipped workers in One Fair Wage states (13.7 percent) is 28 percent lower than in states with a \$2.13 tipped minimum cash wage (19.2 percent).¹³
- Overall, women of color working in tipped jobs in One Fair Wage states experience a poverty rate of 14.9 percent—nearly one-third lower than the poverty rate for their counterparts in states with a \$2.13 tipped minimum cash wage (21.7 percent).¹⁴
- Black women working in tipped jobs in One Fair Wage states experience a 17.9 percent poverty rate—35 percent lower than the poverty rate for their counterparts in states with a \$2.13 tipped minimum cash wage (27.5 percent).
- Latina women working in tipped jobs in One Fair Wage states face a poverty rate that is 31 percent lower than their counterparts in \$2.13 states (15.5 and 22.6 percent, respectively).

Women, and especially women of color, make up a disproportionate share of workers who have to depend on tips to get by—leaving them and their families at risk of living in poverty and perpetuating racial and gender pay disparities.¹⁵ Raising the minimum wage—and ensuring that tipped workers receive the full minimum wage before tips—can advance equal pay for women and economic security for their families.

- 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), <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” or “tipped minimum 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 based on 2013-2017 American Community Survey (ACS) five-year averages using Steven Ruggles, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, Jose Pacas, & Matthew Sobek, *Integrated Public Use Microdata Series: Version 9.0* [Machine-readable database], Minneapolis: University of Minnesota, 2019 [hereinafter IPUMS]. Figures include employed workers only and define tipped workers as all workers in a set of predominantly tipped occupations identified by the Economic Policy Institute (EPI). See Dave Cooper, Zane Mokhiber, & Ben Zipperer, EPI, *Minimum Wage Simulation Model Technical Methodology* (Feb. 2019), <https://www.epi.org/publication/minimum-wage-simulation-model-technical-methodology/>.
- 3 NWLC calculations based on 2013-2017 ACS five-year averages using IPUMS. Approximately 6.9 percent of workers overall and 17.0 percent of women tipped workers live in poverty.
- 4 See, e.g., NWLC, *The Wage Gap: The Who, How, Why, and What To Do* (Oct. 2018), <https://nwlc-ci49tixgw5l1bab.stackpathdns.com/wp-content/uploads/2018/10/The-Wage-Gap-Who-How-Why-and-What-to-Do-2018.pdf>.
- 5 *Id.*
- 6 The seven “One Fair Wage” states in which no tip credit is permitted under state law are Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. See U.S. Dep’t of Labor, Wage & Hour Div., *Minimum Wages for Tipped Employees*, <https://www.dol.gov/whd/state/tipped.htm> (last visited March 11, 2019).
- 7 A higher minimum wage generally would narrow the wage distribution, effectively narrowing the wage gap. Nicole M. Fortin & Thomas Lemieux, *Institutional Changes and Rising Wage Inequality: Is There a Linkage?*, *Journal of Econ. Perspectives*, Vol. 11, No. 2, 75-96, at 78 (Spring 1997), available at <http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.11.2.75>. See also Francine D. Blau & Lawrence M. Kahn, *Swimming Upstream: Trends in the Gender Wage Differential in the 1980s*, *Journal of Labor Econ.*, Vol. 15, No. 1, 1-42, at 28 (Jan. 1997), available at https://www.jstor.org/stable/2535313?seq=1#page_scan_tab_contents; Int. Labour Org., *Minimum Wages*, Ch. 7.3: *Effects on Gender Pay-Gaps*, https://www.ilo.org/global/topics/wages/minimum-wages/monitoring/WCMS_473657/lang-en/index.htm (last visited Feb. 7, 2019); NWLC, *The Raise the Wage Act: Boosting Women’s Paychecks and Advancing Equal Pay* (Feb. 2019), <https://nwlc-ci49tixgw5l1bab.stackpathdns.com/wp-content/uploads/2019/02/Raise-the-Wage-Act.pdf>.
- 8 The Raise the Wage Act (H.R. 582/S. 150) would raise the federal minimum wage from \$7.25 to \$15 per hour by 2024, index it to the median wage beginning in 2025, and phase out the tipped minimum cash wage by gradually increasing it until it is equal to the regular minimum wage.
- 9 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. 2017 tipped minimum wage levels are used in this analysis because 2017 is the most recent year for which the relevant ACS income data is available in IPUMS.
- 10 *Id.*
- 11 *Id.*
- 12 *Id.* Poverty rates are calculated for all employed workers in states with One Fair Wage compared to all employed workers in states with a tipped minimum cash wage of \$2.13 per hour. Working women of color include all employed women who did not self-identify as white, non-Hispanic women. Women of color working in One Fair Wage states experience a 10.0 percent poverty rate; the poverty rate for their counterparts in states with a \$2.13 tipped minimum cash wage is 13.1 percent.
- 13 *Id.*
- 14 *Id.* Women of color in tipped occupations include all women who did not self-identify as white, non-Hispanic women.
- 15 Note that poverty rates are higher for women tipped workers than for men tipped workers in both One Fair Wage states and states with a tipped minimum cash wage of \$2.13 per hour. In One Fair Wage states, the poverty rate for women tipped workers is 13.7 percent, compared to 11.1 percent for their male counterparts. In states with a \$2.13 tipped minimum cash wage, the poverty rate for women tipped workers is 19.2 percent, compared to 13.7 percent for their male counterparts. NWLC calculations based on 2013-2017 ACS five-year averages using IPUMS.