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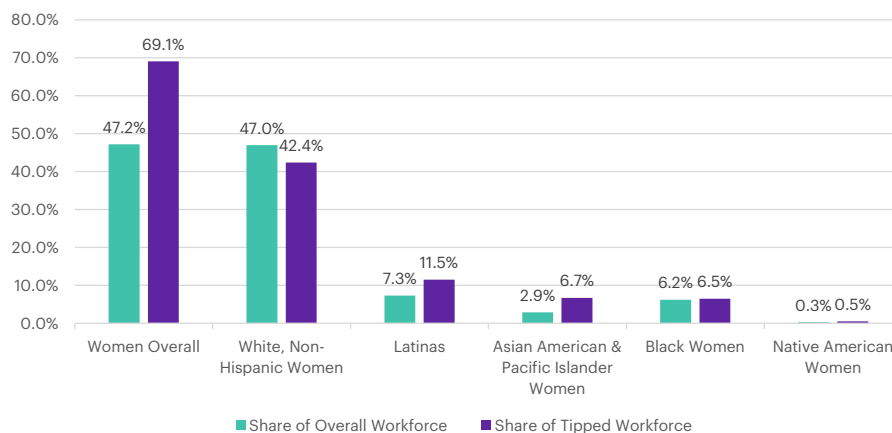
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One Fair Wage: Women Fare Better in States with Equal Treatment for Tipped Workers

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 three decades.¹ Women, who represent over two-thirds of tipped workers nationally,² are hit especially hard by this poverty-level wage, which leaves them vulnerable to both economic insecurity and sexual harassment.³ Even before the COVID-19 pandemic and its impacts on the leisure and hospitality industry—including job loss, reduced hours, and lower tips⁴—the poverty rate for women tipped workers was nearly 2.5 times the rate for workers overall.⁵ And women's concentration in tipped occupations and other low-paid jobs is an important factor contributing to the persistent gender wage gap: women working full-time, year-round are typically paid just 82 cents for every dollar men are paid.⁶ This wage gap varies by race and is even wider for Black women, Latinas, Native American women, and many subgroups of Asian American and Pacific Islander women compared to their white, non-Hispanic male counterparts.⁷

Figure 1. Women in the Overall and Tipped Workforces by Race/Ethnicity



Source: NWLC calculations based on 2014-2018 American Community Survey 5-year averages using IPUMS. Respondents self-identify their sex as either male or female. Asian American & Pacific Islander women self-identified as Asian American or Other Pacific Islander. Black women self-identified as Black or African American. Native American women self-identified as American Indian or Alaskan Native. Latinas are those who self-identified that they are of Hispanic, Latino, or Spanish origin and may be of any race. White, non-Hispanic women self-identified as white but who indicated they are not of Hispanic, Latino, or Spanish origin.

Today, as a result of the pandemic, many women who struggled to get by as restaurant servers, bartenders, salon workers, and in other tipped occupations have lost their jobs⁸—and those who received just \$2.13 an hour from their employers have been especially likely to find that their low and sporadic earnings qualify them for minimal, or no, unemployment benefits.⁹ Those who are still working are now facing far greater risk—given that workplaces such as restaurants where tipped workers tend to be concentrated appear to be a significant driver of COVID-19 outbreaks¹⁰—in exchange for far fewer tips, as social distancing requirements limit restaurant capacity and customers stay away out of health concerns.¹¹ Restaurant servers and other tipped workers also face the challenge of enforcing compliance with mask requirements and other public health measures from the same customers on whom they rely for tips, and often feel compelled to ignore violations to avoid jeopardizing their income.¹² Recent surveys indicate that Black tipped workers are particularly likely to face reduced tips and customer hostility for attempting to enforce public health protocols.¹³

A number of states 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.¹⁴ 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. Prior to the pandemic, women in tipped occupations in One Fair Wage states experienced poverty at a rate nearly one-third lower than their counterparts in states that follow the federal standard. (We do not yet have data from the pandemic period.)

Raising wages for all working people—tipped and non-tipped alike—has outsized benefits for women and their families, reducing poverty and helping to close the gender wage gap.¹⁵ Ensuring that tipped workers can count on receiving the full minimum wage, before tips, is a crucial step toward equality, dignity, and safety for women at work.¹⁶

KEY FINDINGS:

Nationwide, close to 7 in 10 tipped workers are women.

Even before the COVID-19 pandemic, the poverty rate for women tipped workers was nearly 2.5 times the rate for workers overall.

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 33 percent smaller.
- The poverty rate for women tipped workers is 30 percent lower.
- The poverty rate for Black women in tipped jobs is 34 percent lower.

Figures are NWLC calculations based on 2014-2018 American Community Survey (ACS) five-year averages using IPUMS, the most recent data available at the time of publication, and reflect conditions prior to the COVID-19 pandemic.

The wage gap for women 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 2018—the most recent year for which the data necessary for this analysis is available—18 states followed the federal standard and required employers to pay their tipped workers a minimum cash wage of only \$2.13 per hour.¹⁷ 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.¹⁸
- 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 85 cents for every dollar paid to their male counterparts in these states—a wage gap of 15 cents,¹⁹ which is 33 percent smaller than the 22-cent gap in states that follow the federal standard.

Women working in tipped jobs—especially Black women tipped workers—are less likely to experience poverty in One Fair Wage states than in states with a tipped minimum cash wage of \$2.13 per hour, and poverty rates for working women overall are lower as well.

- Not surprisingly, a higher minimum wage helps lift women out of poverty. Based on the most recent available data, which reflect conditions prior to the COVID-19 pandemic, the poverty rate for women tipped workers in One Fair Wage states was 30 percent lower than in states with a \$2.13 tipped minimum cash wage.²⁰ See **Figure 2**.
- Black women working in tipped jobs face a particularly high risk of economic insecurity, and that risk is highest in states with a \$2.13 tipped minimum cash wage; in those states, more than one in four Black women tipped workers lived in poverty prior to the pandemic. In One Fair Wage states, the poverty rate for Black women tipped workers was 34 percent lower than the rate for their counterparts in \$2.13 states.
- For Latinas working in tipped jobs in One Fair Wage states, the pre-pandemic poverty rate was 31 percent lower than their counterparts in \$2.13 states.
- Among white women working in tipped jobs, the poverty rate before the pandemic was 29 percent lower in One Fair Wage states than in \$2.13 states.
- Overall, prior to the pandemic, the poverty rate for women working in One Fair Wage states (7.3 percent) was 15 percent lower than in states with a \$2.13 tipped minimum cash wage (8.5 percent), and the poverty rate among women of color working in One Fair Wage states was 25 percent lower.²¹

Figure 2. Poverty Rates for Women Tipped Workers by Race/Ethnicity



Source: NWLC calculations based on 2014-2018 American Community Survey 5-year averages using IPUMS. Respondents self-identify their sex as either male or female. Black women self-identified as Black or African American. Latinas are those who self-identified that they are of Hispanic, Latino, or Spanish origin and may be of any race. White, non-Hispanic women self-identified as white but indicated they are not of Hispanic, Latino, or Spanish origin.

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.²² These disparities have likely only worsened in the wake of the COVID-19 pandemic and ensuing recession.²³ As we look to rebuild an economy that works for all of us, not just the wealthy few, we must ensure that tipped workers are not left behind again. Raising the minimum wage to at least \$15 per hour nationwide—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. (EPI) & 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 Women are 69.1% of the tipped workforce. NWLC calculations based on 2014-2018 American Community Survey (ACS) five-year average using 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 David 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 Women who rely on tips rather than wages for the bulk of their income often feel especially compelled to tolerate inappropriate behavior from customers, and women’s lack of economic power in these workplaces perpetuates the already pervasive culture of sexual harassment in industries that employ large numbers of tipped workers. See, e.g., Catrin Einhorn & Rachel Abrams, *The Tipping Equation*, N.Y. Times (March 12, 2018), <https://www.nytimes.com/interactive/2018/03/11/business/tipping-sexual-harassment.html>; NWLC, *Out of the Shadows: An Analysis of Sexual Harassment Charges Filed by Working Women*, at 16-17 (Aug. 2018), <https://nwlc-ciw49tixgw5labb.stackpathdns.com/wp-content/uploads/2018/08/SexualHarassmentReport.pdf>.
- 4 See, e.g., Amanda Fins, NWLC, *Women in Leisure and Hospitality Are Among the Hardest Hit by Job Losses and Most at Risk of Covid-19 Infection* (Nov. 2020), <https://nwlc.org/wp-content/uploads/2020/11/LeisureFS.pdf>.
- 5 NWLC calculations based on 2014-2018 ACS five-year average using IPUMS. Approximately 6.6 percent of workers overall and 16.4 percent of women tipped workers live in poverty.
- 6 See, e.g., NWLC, *The Wage Gap: The Who, How, Why, and What to Do* (Oct. 2020), <https://nwlc.org/wp-content/uploads/2019/09/Wage-Gap-Who-how.pdf>.
- 7 *Id.*
- 8 See, e.g., Fins, *supra* note 4.
- 9 See, e.g., One Fair Wage et al., *Locked Out by Low Wages: Service Workers’ Challenges with Accessing Unemployment Insurance During COVID-19* (May 2020), https://onefairwage.site/wp-content/uploads/2020/11/OFW_LockedOut_UL_COVID-19_FINALUPDATE.pdf.
- 10 See, e.g., Centers for Disease Control and Prevention (CDC), *Community and Close Contact Exposures Associated with COVID-19 Among Symptomatic Adults ≥18 Years in 11 Outpatient Health Care Facilities — United States, July 2020* (Sept. 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6936a5.htm>. This CDC study shows adults with positive COVID-19 test results were approximately twice as likely to have reported dining at a restaurant than were those with negative COVID-19 test results.
- 11 See, e.g., One Fair Wage et al., *Take Your Mask Off So I Know How Much to Tip You: Service Workers’ Experience of Health & Harassment During COVID-19* (Nov. 2020), https://onefairwage.site/wp-content/uploads/2020/11/OFW_COVID_WorkerExp_Emb-1.pdf (finding in a survey of 1,675 food service workers in 5 states and Washington, D.C. that 83% had experienced a decline in tips during the pandemic, with nearly two-thirds of respondents reporting that tips had declined by at least 50%).
- 12 See *id.*
- 13 See One Fair Wage, Food Labor Research Ctr.—U.C. Berkeley, & Nat’l Black Workers’ Center Project, *Ending a Legacy of Slavery: How Biden’s COVID Relief Plan Cures the Racist Subminimum Wage*, at 2-3 (Feb. 2021), https://onefairwage.site/wp-content/uploads/2021/02/OFW_EndingLegacyOfSlavery-2.pdf.
- 14 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* (Jan.1, 2021), <https://www.dol.gov/whd/state/tipped.htm>.
- 15 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), <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), 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 (accessed Feb. 11, 2021).
- 16 The Raise the Wage Act of 2021 would raise the federal minimum wage from \$7.25 to \$15 per hour by 2025, index it to the median wage beginning in 2026, and phase out the tipped minimum cash wage by gradually increasing it until it is equal to the regular minimum wage.
- 17 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. See U.S. Dep’t of Labor, Wage & Hour Div., *Minimum Wages for Tipped Employees—Historical Tables*, <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped/History> (accessed Feb. 11, 2021). 2018 tipped minimum wage levels are used in this analysis because 2018 is the most recent year for which the relevant ACS income data is available in IPUMS. In 2020, the tipped minimum cash wages in New Jersey and New Mexico rose above \$2.13 per hour due to legislative changes enacted in 2019.
- 18 NWLC calculations based on 2014-2018 American Community Survey (ACS) five-year average using IPUMS. Figures include full-time, year-round workers. Wage gap figures in this analysis represent the median wage gaps for women who are employed full time, year round compared to their male counterparts across all of the states in each wage category (i.e., states with One Fair Wage and states with a tipped minimum cash wage of \$2.13 per hour).
- 19 *Id.*
- 20 *Id.*
- 21 *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 based on the federal poverty thresholds established by the Census Bureau. In 2018, the federal poverty threshold for a family of four with two children, for example, was \$25,465. See U.S. Census Bureau *Poverty Thresholds*, <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>. 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 9.3 percent poverty rate; the poverty rate for their counterparts in states with a \$2.13 tipped minimum cash wage is 12.8 percent. NWLC calculations based on 2014-2018 ACS five-year average using IPUMS.
- 22 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 13.0 percent, compared to 11.0 percent for their male counterparts. In states with a \$2.13 tipped minimum cash wage, the poverty rate for women tipped workers is 19.1 percent, compared to 14.0 percent for their male counterparts. NWLC calculations based on 2014-2018 ACS five-year average using IPUMS.
- 23 See, e.g., Fins, *supra* note 4.