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

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A fair minimum wage helps ensure that working people can thrive, no matter who they are or what job they hold. But the federal minimum wage has remained at \$7.25 per hour since 2009—and for tipped workers like restaurant servers and bartenders, wages can be even lower. For more than three decades, federal law has allowed employers to pay tipped workers a “tipped minimum cash wage” of just \$2.13 per hour, before tips.¹ Although employers are obligated to ensure that their tipped employees receive at least the regular minimum wage by making up the difference when tips fall short, this requirement is difficult to enforce and many employers fail to comply.² Nationwide, the poverty rate for tipped workers—10.3%—is more than double the rate for workers overall.³

Women make up nearly seven in 10 of the more than 4.9 million tipped workers,⁴ and they are hit particularly hard by poverty-level wages, especially in light of the rising cost of food,⁵ child care,⁶ and housing.⁷ Alongside low wages, tipped occupations frequently have unstable hours⁸ and lack benefits like paid sick days, paid family and medical leave, or health insurance.⁹ Women who have to rely on tips for most of their income also face a heightened risk of sexual harassment, since they may feel compelled to tolerate inappropriate behavior from customers just to make ends meet.¹⁰ And the concentration of women in tipped occupations and other low-paid jobs contributes to persistent gender and racial wage gaps: Overall, women working full time, year-round are typically paid just 84 cents for every dollar paid to men,¹¹ and this gap widens for Black women, Native women, Latinas, and many subgroups of Asian American, Native Hawaiian, and Pacific Islander (AANHPI) women compared to their white, non-Hispanic male counterparts.¹²

However, minimum wage rates for tipped workers—and tipped workers’ incomes—vary considerably by state. Seven “One Fair Wage” states—Alaska, California, Minnesota, Montana, Nevada, Oregon, and

Washington—require employers to pay tipped workers the regular state minimum wage, before tips, and a number of “in-between” states have set minimum wages for tipped workers above the federal level of \$2.13 per hour but below the state’s regular minimum wage.¹³ Compared to both states with a \$2.13 tipped minimum wage and in-between states, women in One Fair Wage states experience lower poverty rates for tipped workers, higher median annual earnings for tipped workers, and a smaller gender wage gap for all workers.

Raising minimum wages for all working people has outsized benefits for women and their families, reducing poverty for all and helping to close the gender wage gap.¹⁴ Ensuring that tipped workers can count on receiving a full and fair minimum wage, before tips, is a crucial step toward equality, dignity, and safety for women at work.

KEY FINDINGS

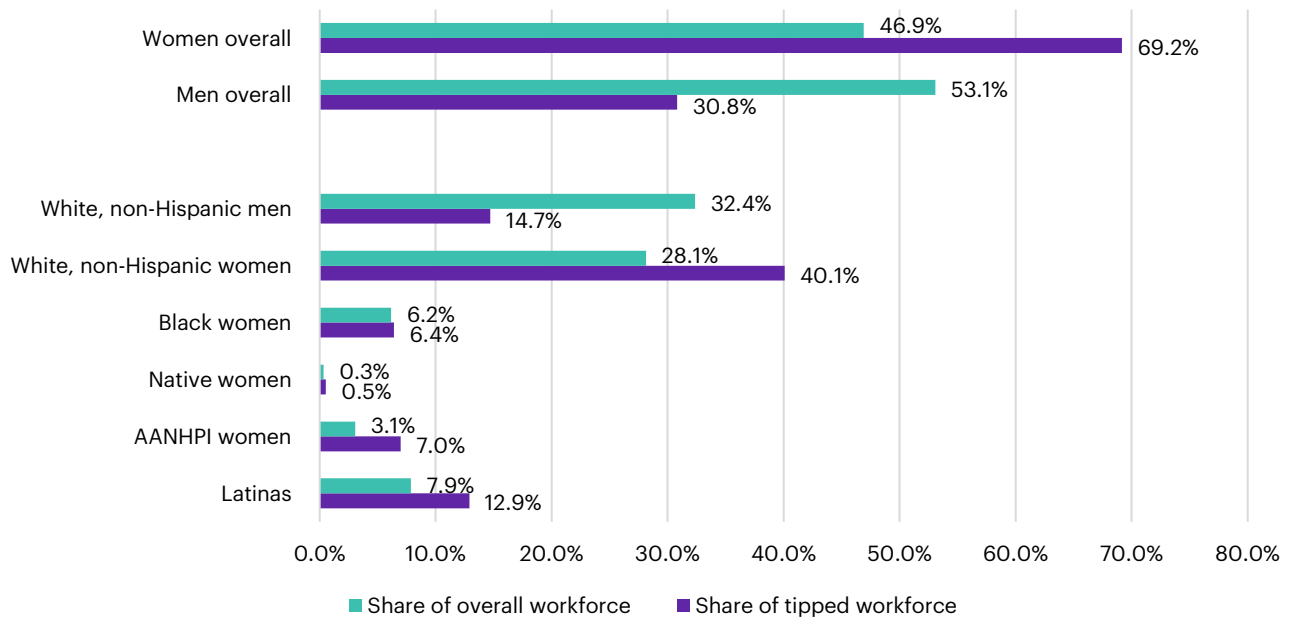
- Nearly seven in 10 tipped workers are women, and close to three in 10 are women of color.¹⁵
- In One Fair Wage states, compared to states with a tipped minimum cash wage of \$2.13 per hour:
 - Median earnings for tipped workers are more than \$7,000 higher.
 - Poverty rates for tipped workers overall and for women tipped workers are more than 30% lower; among tipped workers who are parents,¹⁶ poverty rates are over 35% lower.
 - The gender wage gap for all women working full time, year-round is nearly 30% smaller.

Women, many of whom are supporting families, are disproportionately represented in the tipped workforce.

While women make up 46.9% of the overall workforce in the United States, they represent 69.2% of the tipped workforce. In comparison, men represent 53.1% of the overall workforce, but only 30.8% of the tipped workforce. Latinas, AANHPI women, and white, non-Hispanic women have the largest overrepresentation in the tipped workforce.

Among women tipped workers, nearly three in 10 (27.7%) are parents with a child under the age of 18 in the household. AANHPI women (34.5%), Native women (31.8%), Black women (30.8%) and Latinas (30.8%) who are tipped workers are all more likely to be parents than white, non-Hispanic men (9.3%) and white, non-Hispanic women (25.3%) who are tipped workers.

Share of Workers in the Overall and Tipped Workforce by Selected Demographics (2022)



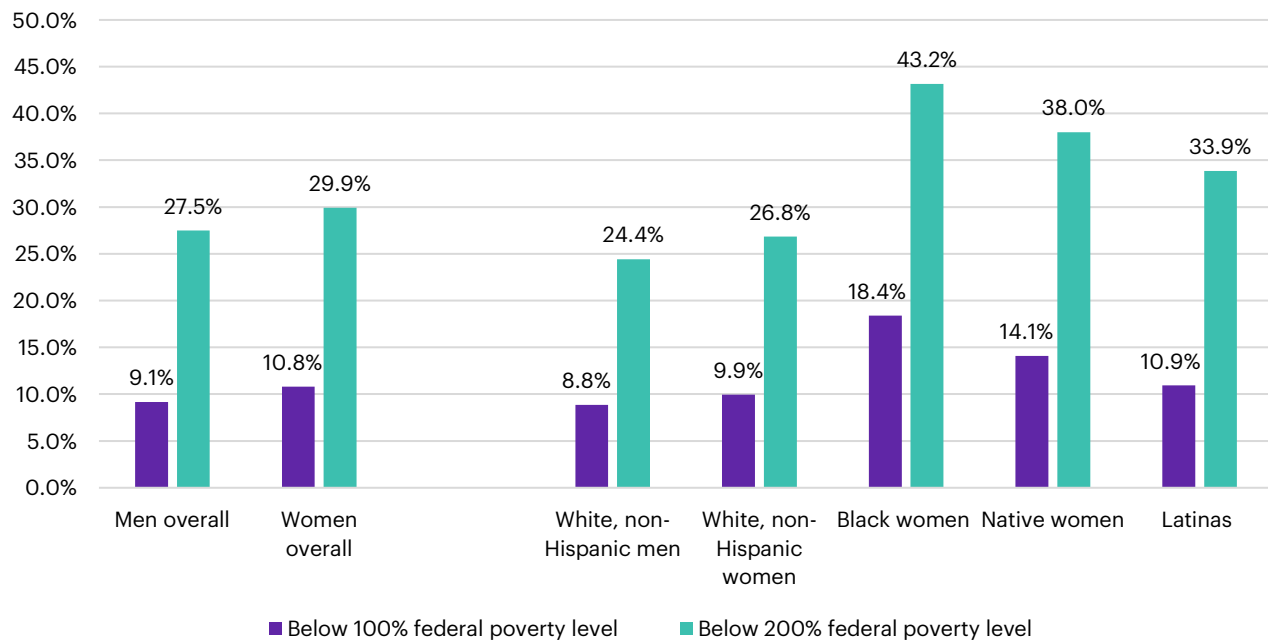
Source: NWLC calculations based on 2018–2022 American Community Survey five-year estimates using IPUMS-USA, available at <https://usa.ipums.org/usa/>. Respondents self-identify their sex as either male or female and self-identify their race and whether they are of Hispanic, Latino, or Spanish origin.

Women tipped workers in One Fair Wage states are less likely to experience poverty than in states with lower minimum wages for tipped workers.

Many tipped workers—particularly women of color—live below or near the poverty line. In 2023, the poverty line for a family of two adults was just above \$20,000; for a family of four, including two children, it was just over \$30,000.¹⁷ And the poverty line remains far below a livable income for most families. Amid the rising costs of goods and housing, even those with incomes of up to twice the poverty line (i.e., \$40,808 for a family of two adults and \$61,800 for a family of four with two kids) are living “near poverty,” where a medical emergency, a few cut shifts, or another unexpected expense can mean that families won’t have enough to pay for basics, like food, rent, utilities, or child care.

- Nationwide, about three in 10 women tipped workers (29.9%) live in or near poverty, with 10.8% living below the poverty line. The poverty rate for women tipped workers is more than double that of all women workers (5.0%). Women who are tipped workers are more likely than their counterparts who are men to be in poverty.
- Among tipped workers, Black women, Native women, and Latinas are all more likely than white, non-Hispanic men and white, non-Hispanic women to be living in or near poverty.
- Among tipped workers who are parents, 37.7% live in or near poverty, including 13.5% live below the poverty line. Women tipped workers who are parents are more likely to live in poverty (13.9%) than men tipped workers who are parents (11.9%).
- Among tipped workers, Black women (43.2%), Native women (38.0%), and Latinas (33.9%) are all more likely than white, non-Hispanic men (24.4%) and white, non-Hispanic women (26.8%) to be living in or near poverty.

Share of Tipped Workers Living in or Near Poverty by Selected Demographics (2022)



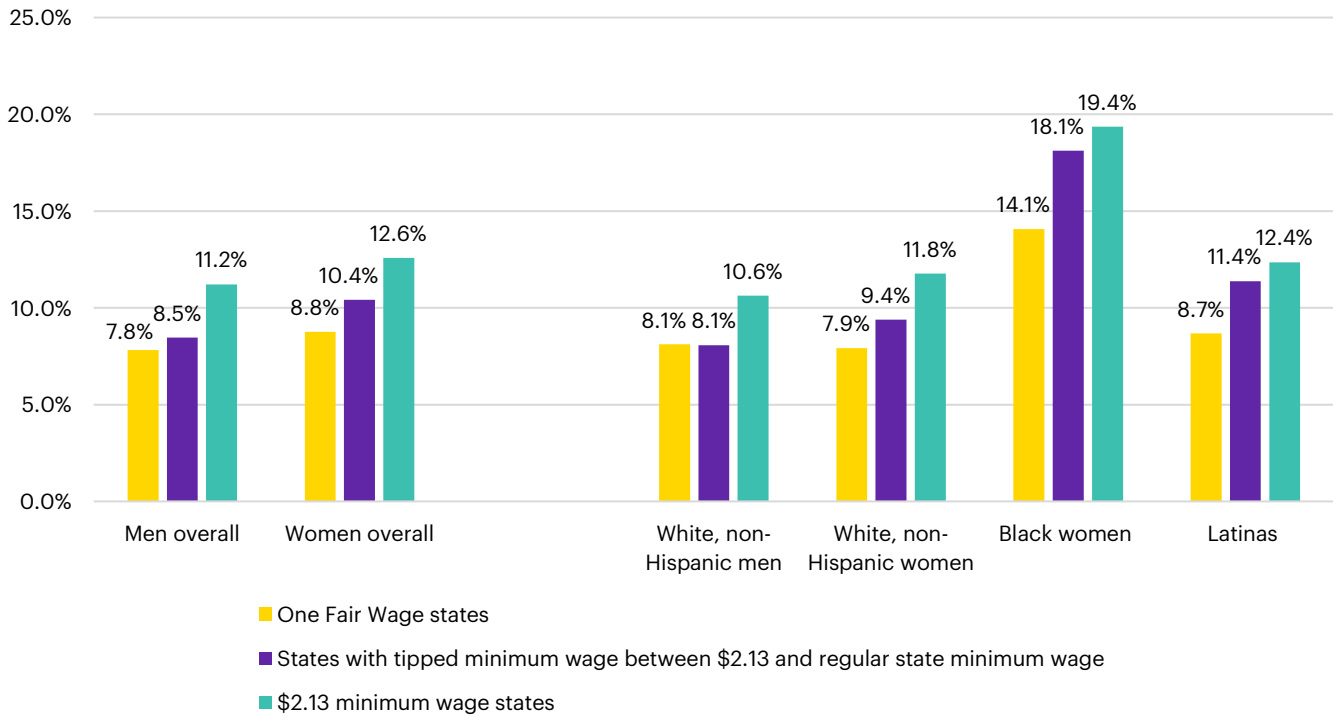
Source: NWLC calculations based on 2018–2022 American Community Survey five-year estimates using IPUMS-USA, available at <https://usa.ipums.org/usa/>. Respondents self-identify their sex as either male or female and self-identify their race and whether they are of Hispanic, Latino, or Spanish origin. “Below 200% federal poverty level” indicates those with incomes at or below double the poverty line, also referred to as those living “near poverty.”

Breaking down poverty rates by state affirms that higher base wages can help lift women who hold tipped jobs and their families out of poverty.

- A smaller share of women tipped workers in One Fair Wage states (8.8%) are living below the poverty line compared to women tipped workers in states with a \$2.13 tipped minimum wage (12.6%) and in-between states (10.4%).
- The poverty rate among women tipped workers in One Fair Wage states is 30.4% lower than in states with a \$2.13 tipped minimum wage, and 15.9% lower than in in-between states.
- Black women, Latinas, and white, non-Hispanic women who are tipped workers all experience similar reductions in poverty rates in One Fair Wage states relative to states with lower minimum wages for tipped workers.
- Additionally, among tipped workers who are parents, poverty rates in One Fair Wage states (10.0%) are 35.4% lower compared to poverty rates in \$2.13 minimum wage states (15.5%), and 25.6% lower than in in-between states (13.5%).
- These trends hold true in comparing near poverty rates as well: For example, 26.2% of women tipped workers in One Fair Wage states have household incomes below twice the poverty line, compared to 33.8% of women tipped workers in \$2.13 states and 28.8% in in-between states.

Poverty is over 30% lower among women who are tipped workers in One Fair Wage states compared to states with a \$2.13 tipped minimum wage.

Share of Tipped Workers Living Below the Federal Poverty Level by State Tipped Minimum Wage Level and Selected Demographics (2022)



Source: NWLC calculations based on 2018–2022 American Community Survey five-year estimates using IPUMS-USA, available at <https://usa.ipums.org/usa/>. Respondents self-identify their sex as either male or female and self-identify their race and whether they are of Hispanic, Latino, or Spanish origin. Shares for Native women living below poverty by state grouping could not be calculated due to insufficient sample sizes. AANHPI women experience lower rates of poverty in \$2.13 tipped minimum wage states compared to One Fair Wage states.

Earnings for tipped workers are higher in One Fair Wage states than in states with a \$2.13 tipped minimum wage.

Earnings data includes wages and tips.

Tipped workers who work full time, year-round in \$2.13 minimum wage states typically make \$26,969 annually, while their counterparts in One Fair Wage states typically make \$33,994—meaning tipped workers in One Fair Wage state typically make over \$7,000 more each year than tipped workers in \$2.13 states. Among a family of four (two adults and two kids), an increase of \$7,000 annually could pay for two months of rent, two months of child care, and two months of family groceries; for a two-adult household, the earnings increase could pay for four months of rent and three months of groceries.¹⁸

In states with tipped minimum wages higher than \$2.13 but lower than the state’s regular minimum wage, full-time, year-round tipped workers typically make \$30,000—about \$3,000 more than tipped workers in \$2.13 states, but still about \$4,000 less than tipped workers in One Fair Wage states.

The increased earnings made by tipped workers in One Fair Wage states could pay for two months of rent, two months of child care, and two months of groceries for a family of four.

All working women in One Fair Wage states fare better than those in \$2.13 tipped minimum wage states—and employers can benefit, too.

In addition to increasing economic security for tipped workers, all workers in One Fair Wage states typically fare better than workers in states with a \$2.13 tipped minimum wage. In part, this is because One Fair Wage states pair higher tipped minimum wages with higher overall minimum wages: The median regular minimum wage in One Fair Wage states is \$11.73 per hour—61.8% higher than the \$7.25 minimum wage that nearly all \$2.13 states share.¹⁹

Among all women workers, poverty rates are over 25% lower in One Fair Wage states compared to \$2.13 minimum wage states, and about 7% lower than in-between states.²⁰ In addition, the gender wage gap that all women working full time, year-round in One Fair Wage states face is nearly 30% smaller than the gap in \$2.13 states, and 18% smaller than the gender wage gap in the in-between states.²¹

These gains for workers do not come at the expense of employers. Decades of research studying the impact of state and local minimum wage increases show that these measures improve incomes for workers and their families without costing jobs,²² and in the jurisdictions that have already adopted One Fair Wage, this policy has not harmed growth in the restaurant industry or tipped jobs. From 2011 to 2019, One Fair Wage states had stronger restaurant growth than states with a lower tipped minimum wage.²³ And while the pandemic hit the leisure and hospitality sector hard, the recovery has been swifter in One Fair Wage states: From January 2021 to May 2023, One Fair Wage states saw 53% growth in the leisure and hospitality industry, compared to just 19% growth in states with lower wages for tipped workers.²⁴ Some service sector employers have struggled to attract and retain workers in the wake of the pandemic,²⁵ but higher wages can help reduce turnover and increase productivity.²⁶

One Fair Wage is crucial for women tipped workers to gain economic security, reduce poverty, and narrow the gender wage gap.

Women, especially women of color, make up a disproportionate share of workers who have to rely on tips to make a living—leaving them and their families at risk of poverty and perpetuating racial and gender pay disparities.²⁷ Amid rising costs of living, tipped workers need and deserve a fair wage to thrive. Raising the overall minimum wage and ensuring that tipped workers receive it, before tips, is a key step toward financial security for women and families and helps advance equal pay for women.

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FOOTNOTES

- 1 Sylvia A. Allegretto & David Cooper, “Twenty-Three Years and Still Waiting for Change,” Economic Policy Institute (EPI) & UCLA Center on Wage & Employment Dynamics, July 2014, at 3 <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 See, e.g., David Cooper & Teresa Kroeger, “Employers Steal Billions from Workers’ Paychecks Each Year,” EPI, May 2017, at 7-8, <https://www.epi.org/files/pdf/125116.pdf>.
- 3 Approximately 4.3% of workers overall and 10.3% of tipped workers live in poverty. National Women’s Law Center (NWLC) calculations based on 2018–2022 American Community Survey (ACS) five-year average using IPUMS.
- 4 Women are 69.2% of the tipped workforce. NWLC calculations based on 2018–2022 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. See Dave Cooper, Zane Mokhiber & Ben Zipperer, “Minimum Wage Simulation Model Technical Methodology,” EPI, February 2019, <https://www.epi.org/publication/minimum-wage-simulation-model-technical-methodology/>.
- 5 See, e.g., Abha Bhattarai & Jeff Stein, “Inflation has fallen. Why are groceries still so expensive?” *Washington Post*, February 2, 2024, <https://www.washingtonpost.com/business/2024/02/02/grocery-price-inflation-biden/>.
- 6 See, e.g., Adam Grundy, “Rising Cost of Child Care Services a Challenge for Working Parents,” U.S. Census Bureau, January 9, 2024, <https://www.census.gov/library/stories/2024/01/rising-child-care-cost.html>.
- 7 See, e.g., Anna Bahney, “Half of US Tenants Can’t Afford to Pay Their Rent. Here’s What’s Ahead,” *CNN*, January 30, 2024, <https://www.cnn.com/2024/01/30/economy/rent-prices-dropping-2024-apartments/index.html>; Chris Arnold, “Rents Across U.S. Rise Above \$2,000 a Month for the First Time Ever,” *NPR*, June 9, 2022, <https://www.npr.org/2022/06/09/1103919413/rents-across-u-s-rise-above-2-000-a-month-for-the-first-time-ever>; Conor Dougherty, “America’s Affordable Housing Crisis,” *New York Times*, March 27, 2024, <https://www.nytimes.com/2024/03/27/briefing/affordable-housing-crisis.html>.
- 8 See, e.g., “Collateral Damage: Scheduling Challenges for Workers in Low-Paid Jobs and Their Consequences,” NWLC, September 2023, <https://nwlc.org/resource/collateral-damage-scheduling-challenges-workers-low-wage-jobs-and-their-consequences/>.
- 9 See, e.g., “Women’s Jobs Are Being Added Back to the Economy—But Many Need Improving,” NWLC, May 2022, <https://nwlc.org/wp-content/uploads/2022/06/Leisure-and-Hospitality-2022-v2.pdf>.
- 10 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., “Always Essential, Still Waiting for Change,” One Fair Wage & UC Berkeley Food Labor Research Center, March 2024, at 13-15, https://static1.squarespace.com/static/6374f6bf33b7675afa750d48/t/65f877abd40813398592c383/1710782382783/OFW_AlwaysEssential_NY+%281%29.pdf; Catrin Einhorn & Rachel Abrams, “The Tipping Equation,” *New York Times*, March 12, 2018, <https://www.nytimes.com/interactive/2018/03/11/business/tipping-sexual-harassment.html>; “Out of the Shadows: An Analysis of Sexual Harassment Charges Filed by Working Women,” NWLC, August 2018, at 16-17, <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/08/SexualHarassmentReport.pdf>.
- 11 Sarah Javaid, “A Window Into the Wage Gap: What’s Behind It and How to Close It,” NWLC, January 2024, <https://nwlc.org/resource/wage-gap-explainer/>.
- 12 See Sarah Javaid, “A Window Into the Wage Gap: What’s Behind It and How to Close It.”
- 13 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. Sixteen states follow the federal standard and allow employers to pay tipped workers just \$2.13 per hour before tips: Alabama, Georgia, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Nebraska, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Utah, Virginia, and Wyoming. The remaining 27 states and the District of Columbia (the “in-between” states) have a tipped minimum wage between \$2.13 and the regular state minimum wage. See “Minimum Wages for Tipped Employees,” U.S. Department of Labor, January 1, 2024, <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>. Note that in November 2022, voters in Washington, D.C., approved a ballot initiative that will gradually raise the District’s tipped minimum cash wage until it is equal to the regular minimum wage in 2027, and some cities (Chicago and Flagstaff, Arizona) are also in the process of phasing in One Fair Wage. For more information on scheduled minimum wage increases and minimum wages/tipped minimum wages in sub-state localities, see EPI’s Minimum Wage Tracker, <https://www.epi.org/minimum-wage-tracker/>.
- 14 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 Economic Perspectives* 11, no. 2 (Spring 1997): 75-96, at 78, <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 Economics* 15, no. 1 (January 1997): 1-42, at 28, https://www.jstor.org/stable/2535313?seq=1#page_scan_tab_contents; “Minimum Wages, Ch. 7.3: Effects on Gender Pay-Gaps,” International Labour Organization https://www.ilo.org/global/topics/wages/minimum-wages/monitoring/WCMS_473657/lang--en/index.htm (accessed May 14, 2024).
- 15 Women of color refers to any woman who does not self-identify as white, non-Hispanic.
- 16 Parents are defined as those with their own children under 18 years old in the household.
- 17 “Poverty Thresholds,” U.S. Census Bureau, January 23, 2024, <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>. Two adult household includes adults under the age of 65.
- 18 **Groceries** – “Official USDA Food Plans: Cost of Food at Home at Three Levels, U.S. Average, February 2024,” U.S. Department of Agriculture, March 2024, https://fns-prod.azureedge.us/sites/default/files/resource-files/Cost_Of_Food_Low_Moderate_Liberal_Food_Plans_February_2024.pdf. Family calculation is based on the USDA low-cost food plan for a family of four (a man age 19 to 50, a woman age 19 to 50, and children ages 6 to 8 and 9 to 11) estimated at \$1,059.40 per month. Two-person household calculation is based on an adult woman age 19 to 50 and adult man age 19 to 50; costs estimated at \$562.40 per month. **Child Care** – “Demanding Change: Repairing Our Child Care System,” Appendix I, <https://info.childcareaware.org/hubfs/Child%20Care%20Affordability%20Analysis%202021.pdf>. Median costs for child care for an infant in the United States (including the District of Columbia and Puerto Rico) is \$11,992 annually in 2021, or \$999.33 per month. **Rent Payments** – U.S. Census Bureau, 2022 American Community Survey, Table DP04 Median Gross Rent (Dollars), <https://data.census.gov/cedsci/table?q=DP04%3A%20SELECTED%20HOUSING%20CHARACTERISTICS&tid=ACSDP5Y2020.DP04>. Median housing costs for renters was \$1,300 per month in 2022.
- 19 These figures compare the median regular statewide minimum wage between One Fair Wage and \$2.13 states. NWLC calculations based on “State Minimum Wage Laws,” U.S. Department of Labor, January 1, 2024, <https://www.dol.gov/agencies/whd/minimum-wage/state>. Among the 16 states with a \$2.13 tipped minimum wage, only two—Nebraska and Virginia—have minimum wages above \$7.25 per hour.
- 20 The poverty rate for women workers is 4.3% in One Fair Wage states, 5.8% in \$2.13 tipped minimum wage states, and 4.6% in “in-between” states.
- 21 In One Fair Wage states, women are typically paid 85 cents for every dollar paid to men; in \$2.13 tipped minimum wage states, women are typically paid 79 cents for every dollar paid to men; and in “in-between” states, women are typically paid 82 cents for every dollar paid to men.



- 22 See, e.g., Arindrajit Dube, “Impacts of Minimum Wages: Review of the International Evidence,” November 2019, <https://www.gov.uk/government/publications/impacts-of-minimum-wages-review-of-the-international-evidence>; Doruk Cengiz et al., “The Effect of Minimum Wages on Low-Wage Jobs,” *Quarterly Journal of Economics* 134 (August 2019): 1405-54, <https://academic.oup.com/qje/article/134/3/1405/5484905> (examining 138 state minimum wage changes in the U.S. between 1979 and 2016 and finding that both the typical minimum wage increases and also the highest state-level minimum wage increase significantly raised wages without reducing the employment of low-wage workers).
- 23 Ben Zipperer, “The Impact of the Raise the Wage Act of 2023,” EPI, July 2023, <https://files.epi.org/uploads/270622.pdf>.
- 24 Jessica Vela, “Higher State-Level Minimum Wages Aid in Faster Jobs Recovery,” Center for American Progress, July 2023, <https://www.americanprogress.org/article/higher-state-level-minimum-wages-aid-in-faster-jobs-recovery/>.
- 25 See, e.g., Abha Bhatarai & Maggie Penman, “Restaurants Can’t Find Workers Because They’ve Found Better Jobs,” *Washington Post*, February 3, 2023, <https://www.washingtonpost.com/business/2023/02/03/worker-shortage-restaurants-hotels-economy/>.
- 26 See, e.g., Holly Sklar, “Business and Minimum Wage Research Summary,” Business for a Fair Minimum Wage, April 2023, <https://www.businessforfairminimumwage.org/sites/default/files/BFMW%20Business%20and%20Minimum%20Wage%20Research%20Summary%20April%202023.pdf>; Kate Bahn & Carmen Sanchez Cumming, “Improving U.S. Labor Standards and the Quality of Jobs to Reduce the Costs of Employee Turnover to U.S. Companies,” Washington Center for Equitable Growth, December 2020, <https://equitablegrowth.org/improving-u-s-labor-standards-and-the-quality-of-jobs-to-reduce-the-costs-of-employee-turnover-to-u-s-companies/>.
- 27 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 8.7%, compared to 7.7% for their male counterparts. In states with a \$2.13 tipped minimum cash wage, the poverty rate for women tipped workers is 12.4%, compared to 11.0% for their male counterparts. NWLC calculations based on 2018–2022 ACS five-year estimates using IPUMS.