

ONE FAIR WAGE MYTHS & FACTS

Since the creation of the minimum wage almost a century ago, federal law has allowed employers to pay tipped workers less than the minimum wage. Since then, only seven states have done away with the unequal wage system.

IT'S TIME TO END THE RACIST, SEXIST SUBMINIMUM WAGE FOR TIPPED WORKERS.



The subminimum wage for tipped workers is an economic, racial and gender justice issue. A legacy of slavery, the federal subminimum wage for tipped workers is just \$2.13 an hour today, forcing a workforce – that is over two thirds women and disproportionately people of color – to struggle with three times the poverty rate of the rest of the US workforce and the highest rates of sexual harassment of any industry because they must tolerate inappropriate customer behavior to feed their families in tips.^{1,2} Tips are meant to be a bonus, not the basis of a worker's wage. There are seven states that require all employers to pay the full minimum wage with tips on top. In those states poverty is lower, restaurant job growth rates and small business restaurant growth rates are higher, AND tipping is the same or higher than everywhere else.³ One Fair Wage is a win-win for everyone.

MYTH #1
TIPPED WORKERS
DON'T WANT
ONE FAIR WAGE.

FACT #1: Tipped workers overwhelming want and need One Fair Wage – \$15 with tips on top.

- ✓ **The vast majority of restaurant workers polled in subminimum wage states including New Hampshire, Maine, Delaware Massachusetts, Mississippi and Pennsylvania support One Fair Wage – a full minimum wage for tipped workers – because it will lead to a better life, better wages, and promote justice for the women and people of color most impacted.** A 2019 poll of restaurant workers in MA, MS, and PA found that the most convincing reason restaurant workers in these states support increasing the subminimum wage is that they believe people who work for a living ought to earn a living wage.⁴
- ✓ **Over 140,000 workers nationwide signed the One Fair Wage petition calling for an end to the subminimum wage for tipped workers.** In March 2020, One Fair Wage launched an Emergency Fund with over 240,000 applicants nationwide. In spring 2020, nearly 60 percent of all applicants signed on to the petition calling for Congress to raise the minimum wage for all workers including tipped workers.⁵ **Support for One Fair Wage grew during the pandemic, when nearly 70% of workers reported that tips declined 50-75% and over 40% reported that health risks increased. By December 2020, 70% of workers in the One Fair Wage National Public Health Survey report they want a full minimum wage for all workers with tips on top.**⁶

TABLE 1: Most Convincing Reasons for Supporting Raising Tipped Minimum Wage

	Massachusetts	Mississippi	Pennsylvania
Better Life	72%	76%	78%
Better Wages	74%	75%	73%
Justice	69%	69%	67%
Completeness	72%	75%	74%

Source: Lake Research Partners Baseline Survey, Data collected from 7/11/19 - 7/26/19.

TABLE 2: Workers Signing On to One Fair Wage Petition

Workers Signing On to Petition	
Arizona	2,046
New Hampshire	359
Maine	340
West Virginia	476
Delaware	306

Source: One Fair Wage Emergency Fund Applicant Data collected 10/20-1/21



MYTH #2
TIPPING CULTURE
WILL GO AWAY.

- ✓ **A majority of people nationwide support the Raise the Wage Act, which would raise the federal minimum wage and require tipped workers to be paid a full minimum wage with tips on top.** A poll by Reuters found that over two-thirds of all Americans support the idea of increasing the federal minimum wage to \$15 per hour despite the contentious debate on the issue from Congressmembers.⁷ Workers in the same states with Senators opposed to increasing the Raise the Wage Act report high support for the bill. For example, according to a recent telephone poll conducted by GBAO, 66 percent of all people in West Virginia, including 52 percent of Republicans, support a full minimum wage for tipped workers with tips on top.⁸ That support goes up to 70 percent once West Virginians find out that tipped workers are mostly women who use food stamps at double the rate of other workers to feed their families.

FACT #2: Tips are the same or higher in states with One Fair Wage.

- ✓ **Tipped workers in all of the 7 states that require One Fair Wage (a full minimum wage with tips on top) enjoy the same or higher tipping averages as tipped workers in the 43 states with a subminimum wage. Customers leave on average around 16 percent in tips in both One Fair Wage and subminimum wage regions.**⁹ As a result, the Economic Policy Institute reports that total earnings, including both tips and wages, for tipped workers in One Fair Wage States are 15 percent higher than they are in states with \$2.13 subminimum wage. Workers in all four quartiles, from the highest tip earners in fine dining restaurants, to the lowest tip earners in casual restaurants and diners, earn more than their peers in subminimum wage states.¹⁰
- ✓ **Tipping amounts reported by workers do not statistically vary between One Fair Wage and subminimum wage regions.** However, higher tip earners, who are largely fine dining restaurant servers, report higher wages and higher tips than their counterpart higher tip earners in states with a subminimum wage for tipped workers.¹¹

MYTH #3
IT'S BAD TIMING
— RESTAURANTS
HAVE BEEN HIT
HARD FROM
THE PANDEMIC,
ESPECIALLY SMALL
BUSINESSES.
RAISING THE
MINIMUM WAGE,
AND ESPECIALLY
THE TIPPED
MINIMUM WAGE,
WILL FORCE EVEN
MORE EMPLOYERS
TO SHUT DOWN OR
LAY PEOPLE OFF.

FACT #3: Full service restaurants grow faster in states with One Fair Wage — this is exactly the right time to raise the wage to \$15 with tips on top.

- ✓ **The 7 states that require employers to pay the full minimum wage to tipped workers with tips on top have maintained thriving restaurant industries with higher restaurant sales than states with a subminimum wage.** Restaurant sales growth is higher in states that require employers to pay the full minimum wage to tipped workers. Restaurant sales in One Fair Wage states grew by 17 percent, according to 2017-2018 restaurant trade lobby estimates, compared to 15.6 percent in subminimum wage states. California, a One Fair Wage state, had the highest restaurant sales, topping over \$97 billion, reflecting an annual restaurant sales increase of 18 percent.¹²
- ✓ **States that require employers to pay the full minimum wage to tipped workers with tips on top have higher average full-service restaurant employment growth rate and higher small business restaurant employment growth rates than the states with subminimum wages.** Full-service restaurant employment (FSRE) in One Fair Wage states grew by 6.71 percent between 2016-19, compared to a FSRE increase of only 4.9 percent in states that have a subminimum wage. Small business employment in One Fair Wage states grew by 8.37 percent, while employment in small business in states with a subminimum wage grew by only 5.95 percent between 2016-2019.¹³
- ✓ **Full-service restaurant establishment growth is higher in One Fair Wage than states with a subminimum wage.** From 2016 to 2019, the number of FSRs in One Fair Wage states grew by 10 percent, compared to a FSR increase of 5.97 percent in subminimum wage states.
- ✓ **During the pandemic, the seven states that have fully eliminated the subminimum wage for tipped workers (CA, OR, WA, NV, MT, MN, AK) have had, on average, almost exactly the same rate of decline in open hospitality businesses as states with a subminimum wage.** The mean rate



of decline in open businesses between January 2020 and January 2021 for the seven states that require a full minimum wage for tipped workers with tips on top (CA, OR, WA, NV, MT, MN, AK) is 49.9 percent, and the mean rate of decline in open hospitality businesses for the other 43 states that allow a subminimum wage for tipped workers is 49.4 percent — almost exactly the same. Some of these seven states have had the greatest COVID restrictions of almost any state, but still have not experienced greater decline in open hospitality business rates than other states.¹⁴

- ✔ **Hundreds of independent restaurants believe now is exactly the right time to raise the minimum wage — in order to be able to recruit and maintain workers, and in order to ensure that restaurant consumption remains constant during the pandemic.** Over 200 restaurant owners signed on to a letter calling on Congress to pass the Raise the Wage Act in February 2021.

“The truth is that the restaurant industry had pre-existing conditions before COVID, and now it’s time we address the inequity of the two-tiered wage system that makes our workforce rely on tips as the bulk of their income,” said MONIQUE CARTER, Owner of MJB Restaurant Group in Chicago. *“This means that our workforce, which is disproportionately women, is more likely to endure inappropriate customer behavior, harassment, and abuse. It also creates deep wage disparity between our front and back of the house team members, which has racial impacts that negatively affect black and brown workers. It’s time to end the subminimum wage, allowing for restaurant owners who want to invest in our employees to compete on a level playing field with low road employers down the street who continue to leverage poverty level wages to subjugate their workers. Thank you to all who are supporting this bill. Let’s build a more just and equitable industry where all of us can thrive.”*

“When our dining rooms were forced closed during the pandemic, we saw it as an opportunity for real change in the restaurant industry,” said KATIE BUTTON, CEO of Curate in Raleigh, North Carolina. *“We decided to eliminate sub minimum wage pay in our restaurants and adopted a model of all employees making above minimum wage with tips shared across all hourly non-management workers, we instantly saw better and more equitable pay across all of our workers. It has literally changed lives.”*

“In Wisconsin, the living wage is \$14.36. How do we expect folks to live on \$7.25/hour? We need to increase the minimum wage now to \$15 including the tipped workers in my restaurant,” said DAN JACOBS, Owner and Executive Chef at DanDan in Milwaukee. *“The pandemic has highlighted how living off of tips alone is not sustainable. We must provide a more stable income for our teams. We need to pass the Raise the Wage Act in its entirety now!”*

“The sub-minimum wage leads to hunger, poverty and racial and gender economic and social inequity. Restaurants themselves, though comfortable with the familiar system, suffer with the impact of the subminimum wage – high rates of sexual harassment, weak commitment to mission and turnover,” said MICHAEL LANDGARTEN, Owner of Lil’s Cafe in Kittery, Maine. *“One Fair Wage presents a tremendous opportunity to make a positive economic and social difference while at the same time lift up restaurants to become more professional workplaces where owners and workers thrive.”*

“I own restaurants in Colorado and Arizona, and I would love to see the minimum wage raised to \$15 per hour, and the elimination of the subminimum wage. When the people making the least get a raise, it increases economic activity, and ensures security for our workforces,” said PETE TURNER, owner of Illegal Pete’s Restaurants in Arizona and Colorado. *“Envisioning a restaurant industry that takes care of all involved is critical to business success and human success. I support the Raise the Wage Act and the American Rescue Plan.”*

“We at Jack’s Pizza support a full minimum wage for all workers with tips on top because it’s the right thing for workers and it creates more equality and sustainability for the industry,” said KATHLEEN MENEGOZZI, Owner of Jack’s Pizza in New Hampshire.

- ✔ **Rates of decline in open hospitality businesses are less in states with a higher minimum wage, because low-wage workers and households on average have more income to spend at local businesses.** Because a higher minimum wage lifts up lower-income households and these households on average spend a larger portion of their income than higher wage households, businesses in One Fair Wage states tend to fare better during economic downturns. Tax breaks, rent subsidies, and other business-oriented relief measures all help businesses during a crisis, but none of them drive additional spending in the same way as a minimum wage increase.¹⁵
- ✔ **A recent survey in New York City, found that over a third of restaurant workers are considering leaving their jobs since the start of the pandemic and over 40 percent say it is due to their low wages.**¹⁶ Two-thirds of these restaurant workers indicated that earning a full, stable, livable wage would make them stay at their job.¹⁷ Considering that even before the pandemic, the national turnover rate among restaurants and the accommodation service sector was 75 percent¹⁸ — it is critical for businesses to adopt a fair wage for their workers if they hope to retain their workforce.

MYTH #4
RAISING THE
MINIMUM WAGE,
AND ESPECIALLY
THE TIPPED
MINIMUM WAGE,
WILL FORCE
EMPLOYERS TO
RAISE MENU PRICES.

FACT #4: Menu prices stay the same or increase minimally with One Fair Wage.

- ✓ Food costs would only go up by 25¢ a day for the average American household if the tipped minimum wage was raised to a full regular minimum wage of \$15.00 and all of the costs were passed along to the consumer,¹⁹ or as little as a dime for every \$5.00 in sales.²⁰
- ✓ A 2017 study by the Federal Reserve Bank of Boston, found that city-level minimum wage increases have a modest effect on restaurant prices, and on local consumer spending growth. Across cities, a 10 percent increase in minimum wage, only led to a 0.3 percentage point rise in costs for customers dining out. The study also found that customers on average increased the quantity of food they consumed away from home in response to a rise in minimum wage by 0.5 percentage points.²¹

MYTH #5
TIPPED WORKERS
EARN A LOT OF
MONEY IN TIPS
AND DON'T NEED
HIGHER WAGES.
THEY ARE MOSTLY
TEENAGERS AND
YOUTH WHO ARE
EARNING EXTRA
POCKET CHANGE
UNTIL THEY MOVE
ON TO SOMETHING
BETTER.

FACT #5: The majority of tipped workers are adult women, many with children, who earn poverty-level wages including tips, and tips have gone down with the pandemic.

- ✓ Sixty-eight percent of tipped workers are women and forty-one percent are people of color, who largely work in casual restaurants earning very little in tips. The predominance of women in the industry means they carry the highest burden of poverty. Tipped workers live in poverty at more than twice the rate of the overall workforce, and tipped restaurant workers at two-and-a-half times the rate.²²
- ✓ Tips, which were already minimal for the majority of workers, declined significantly during the pandemic. Since the pandemic, a majority of workers (84 percent) report that their tips have declined significantly and over two-thirds (67 percent) report that their tips have declined by half or more.²³
- ✓ Servers also rely on food stamps at more than one-and-a-half times the rate of the general working population.²⁴ According to official government data from the Bureau of Labor Statistics, drawn from surveys of employers, the median wage for a server is \$11 an hour including tips.²⁵
- ✓ More than 60 percent of tipped workers are above age 24; the median age is 34.²⁶ Nearly 30 percent of tipped workers are parents; over 30 percent of tipped women workers are mothers and over half of those mothers are single moms.²⁷ The vast majority of these adults take great pride in their work as hospitality professionals.

MYTH #6
THE LAW SAYS
EMPLOYERS HAVE
TO MAKE SURE
TIPS BRING TIPPED
WORKERS UP TO
THE FULL MINIMUM
WAGE. WHY NOT
JUST ENFORCE
THE LAW?

FACT #6: Most employers don't comply with the laws regarding the subminimum wage, and even if they did, the subminimum wage would still result in the restaurant industry having the highest levels of sexual harassment in any industry.

- ✓ Unfortunately, that law is regularly violated. The restaurant industry is the largest employer of workers who earn less than the minimum wage.²⁸ An investigation by the Department of Labor found that nearly 84 percent of investigated restaurants had some sort of wage and hour violation.²⁹ Major chains such as Darden routinely settle cases of wage theft for millions of dollars. In a recent case, TGI Friday's agreed to settle a wage lawsuit for \$19.1 million dollars.³⁰
- ✓ Even if the law were enforced, the subminimum wage would still force a workforce that is over two thirds majority women to face the highest rates of sexual harassment of any industry because they must tolerate inappropriate customer behavior to feed their families in tips. A recent One Fair Wage study found that over-three quarters (76 percent) of tipped workers experienced sexual harassment compared to 52 percent of their non-tipped counterparts. When these workers reported sexual harassment, tipped workers were less likely to say that the citation was corrected than their non-tipped counterparts (61 percent compared to 73 percent).³¹

MYTH #7
RAISING THE
MINIMUM WAGE
FOR TIPPED
WORKERS WOULD
BE UNFAIR TO
BACK-OF-HOUSE
EMPLOYEES, WHO
MAKE A LOT LESS
(AND WHO TEND
TO BE IMMIGRANTS
AND PEOPLE
OF COLOR).

FACT #7: Restaurants that pay One Fair Wage are allowed to share tips with back-of-house employees, increasing racial and occupational equity.

- ✓ **One Fair Wage led the passage of a Congressional budget rider in 2018 that allows any restaurant that pays a full minimum wage with tips on top to share tips with back-of-house employees.** Even with tip sharing with back-of-house workers, however, all tipped workers, including the highest tip earners, in One Fair Wage states earn more in wages and tips than their counterparts in states with a subminimum wage for tipped workers.³²
- ✓ **While great disparities exist between front-of-house (dining room staff) and back-of-house (kitchen staff) in fine dining restaurants, most tipped workers work in casual restaurants like IHOP and Denny's, where tips are much less and the disparity from front-of-house and back-of-house workers is little to none.** The national median wage for servers, including tips, is 53 cents lower than the national median wage for dishwashers.³³
- ✓ **In most markets, back-of-the-house employees earn more than the minimum wage.** In Washington and California, employers report that short-order cooks earn a median wage of \$16.02 and \$13.85, respectively; dishwashers earn a median of \$13.36 and \$12.41 in those states, respectively.^{34,35} Nationally, short-order cooks earn a median wage of \$12.09, and dishwashers earn \$11.53 per hour.³⁶

MYTH #8
CUSTOMER SERVICE
WILL BE WORSE
WHEN WORKERS ARE
LESS DEPENDENT
ON TIPS.

FACT #8: With One Fair Wage, employee turnover goes down, and employee morale and customer service go up.

- ✓ **Cornell University, which has the foremost School of Hospitality Management in the country, has found the opposite to be true: in a study of 1,100 restaurant employers, Cornell found that employers can cut their employee turnover almost in half with higher wages and better benefits.** They also found that workers in 'high road' restaurants had higher employee morale, investment, and productivity, and were thus able to provide better service.³⁷

MYTH #9
RAISING THE
MINIMUM WAGE
INCREASES THE
LIKELIHOOD OF
AUTOMATION AND
THUS JOB LOSS IN
RESTAURANTS.

FACT #9: Restaurants in One Fair Wage states have higher job growth rates.

- ✓ **Automation is a challenge to many service industries, but it is being driven and implemented primarily on the basis of various technology platforms getting cheaper, more flexible, and more widely available.** The implementation of self-ordering systems in restaurants does not correlate to regional minimum wage rises.³⁸
- ✓ **According to Technomic, a research group focused on the restaurant industry, labor savings are at the bottom of the list of reasons restaurants are implementing self-service systems.** The primary utility of these systems is to increase check sizes and offer an opportunity to collect customer feedback — efficiencies that could result in greater employment.³⁹
- ✓ **By way of example, the introduction of ATMs was predicted to reduce the number of bank teller jobs but instead ATMs made it cheaper for banks to open branches, resulting in an increase in the number of teller jobs to match the increase in banking transactions and the continued need for quality customer service.**⁴⁰ A similar effect appears to be taking place at Panera Bread, where self-order kiosks resulted in new hires to respond to an increase in demand.⁴¹
- ✓ **The most robust research on the restaurant employment effects of minimum wage increases find no loss of employment as a result of wage increases and suggests that minimum wage increases are largely absorbed by small price increases, as well as by turnover cost savings.**⁴²

KEY FACTS

1. It's the right thing for employers.

States with one wage for all have higher restaurant sales, as well as full-service restaurant establishment and employment growth.^{43,44} Restaurants that pay higher wages have lower turnover, better morale, and greater productivity.⁴⁵

A One Wage system is less burdensome, imposing less liability.⁴⁶

2. It's the right thing for women AND ALL WORKERS.

Sixty-eight percent of tipped workers are women; female servers in America suffer from 2.6 times the poverty rate of the rest of the U.S. workforce and use food stamps at 1.6 times the rate.⁴⁷

Relying on the largesse of customers for their income not only provides women with a precarious and unstable income but also subjects them to however a customer might treat them or touch them. Workers in states with a \$2.13 subminimum wage experience twice the rate of sexual harassment as workers in One Fair Wage states.⁴⁸

Raising the tipped minimum wage to the full minimum wage has reduced poverty rates among women working as tipped restaurant workers, reducing it from 21 percent in states with a \$2.13 subminimum wage to 14 percent in the states with one wage.⁴⁹

Raising the tipped minimum wage to the full minimum wage has reduced poverty rates among tipped restaurant workers of color, 23 percent in \$2.13 subminimum wage states compared to 14 percent in states with one wage.⁵⁰

3. It's the right thing for America.

The subminimum wage for tipped workers is a direct legacy of slavery. Over the last 150 years since Emancipation, the restaurant industry is the only industry that has convinced America that it need not pay its workers' wages because customers do. This is not tolerated in any other country.



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- 6 Statistics provided are based on a non-representative sample from the One Fair Wage COVID-19 Tipped and Service Workers' Emergency Relief Fund applicant pool of tipped service workers in various states, collected from March 2020 until March 2021. This data is not exhaustive. Data is based on responses to surveys that are administered to applicants. However, for ethical reasons completion of these surveys is not required for applicants to apply.
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