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Raising the minimum wage would provide 'solid base' for tipped workers

Vinnie Rotondaro | Jul. 17, 2014 NCR Today
Q&As with Vinnie Rotondaro

The last year has seen a good amount of action in the debate over the minimum wage. In the spring, the subject grabbed headlines and spurred commentary, with much talk (and little walk) taking place at the federal level. Meanwhile, activity continues to swirl in states and municipalities across the country. Earlier this week, San Diego became the latest [1] in a string of cities raise its minimum wage.

But along the way, the subject of the "tipped" minimum wage has received comparatively little attention, says the Economic Policy Institute's David Cooper, who recently co-authored the report "Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage [2]." *NCR* spoke with Cooper, who used to work for tips himself, to learn more about the tipped minimum wage, which, having remained at $2.13 since 1991, has hit its lowest point of purchasing power ever.

***NCR*: Paint me a picture of tipped-minimum-wage America. Who are we talking about?**

Cooper: There are about 4.3 million tipped workers in the U.S. today. The majority of them work in food service, and about two-thirds are waiters, waitresses, bartenders. There are other tipped occupations, too: casino workers, nail salon workers, barbers, hairstylists, taxi drivers. Two-thirds of tipped workers are women. They tend to be younger than the workforce at large, but the majority of them are at least 25 years old. The average age is 33. And about one in four tipped workers is a parent. In fact, they're more likely to be single parents than the overall workforce, about 10 percent compared to 8 percent of the overall workforce.

How do their prospects differ from people who make the regular minimum wage or more?

Well, the truth is, if you're making the regular minimum wage, your income is pretty low.

Right, the debate over the regular minimum wage is largely about how badly insufficient it is.

Exactly. It really is insufficient. And for tipped workers, their prospects are even scarier. Tipped workers experience poverty rates at about double the rate of nontipped workers, and if you look at waiters, waitresses and bartenders, who are the bulk of the tipped workers, they have a poverty rate that is more than double. And that's because they have really unstable income. They don't know what they're going to get in income each week, which makes it hard to budget and makes it hard to plan for the future. Their wages, even after you include their tips, tend to be significantly lower than the wages of folks who don't make tips.

In your report, you explain how tips used to be considered expressions of gratitude. That isn't the case anymore. What's wrong with the concept of tips as wages?

I would say that anyone who works for an employer should be able to expect some minimum standard of pay for each hour that they work. In any other occupation that's not tipped, workers can expect to get at least $7.25

an hour, and if they got something else on top of that, like a tip or a bonus, then that's great. But tipped workers -- whose employers are only required to pay them at the federal level $2.13 per hour -- they're relying on the customer to pay the bulk of their paycheck. So that creates a situation where whether the worker is able to make ends meet at the end of each week is reliant upon the generosity of customers. And there's a lot of evidence [3] that tipping, unfortunately, can be discriminatory, with black servers being tipped less than white servers for the same quality of service.

It seems to me that if you do have a basic level understanding of how tipped workers get their income, the etiquette or ethic of tipping can be confusing. How are you supposed to know who makes what? You used to work for tips. What guidelines would you recommend?

Unfortunately, right now, given the way the system is set up, I think that for these workers to make ends meet, the norm of tipping should be around 20 percent. And even if that seems like a lot for customers, in most cases, it only gives these workers barely enough to get by. We know from our research that almost half of them have to rely on some sort of federal assistance. But I think the larger point is that if we raised the base wage for tipped workers or just eliminated the tipped minimum wage so that they were getting the regular minimum wage, then at least they would have some solid footing, and customers coming into a restaurant, for example, could tip at whatever they thought was appropriate for the quality of service. They wouldn't be left wondering how much of the tip is vital to the worker's survival.

What is the argument against raising the tipped minimum wage?

The argument is always that if we raise the tipped minimum wage -- or the regular minimum wage, for that matter -- it would be devastating to the industries that rely on them. Hiring would have to slow down or a business would have to cut workers. Restaurants would suffer. But we know that's not the case, and we know that because there are actually seven states right now where tipped workers get the regular minimum wage, and in those states, the restaurant industry is thriving. In fact, the industry forecasts stronger growth in those seven states than in all the other states where tipped workers are making less than the full minimum wage.

What does that tell us?

Well, there are a lot of factors that could contribute to why employment and restaurants are doing well in those states, but the bottom line is that paying these workers a decent base wage is not destructive to the industry.

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