

IT'S TIME TO END THE SUBMINIMUM WAGE



MASSACHUSETTS BRIEF ON THE TIPPED MINIMUM WAGE AS A GENDER EQUITY ISSUE

The One Fair Wage campaign calls to raise the subminimum wage for tipped workers, currently just \$5.55 an hour in Massachusetts, to the full minimum wage.

THIS IS AN EQUALITY ISSUE

There are over 130,000 tipped workers in Massachusetts. Over two-thirds of Massachusetts tipped workers are women, 33 percent of whom are mothers.^{1,2} Because tipped restaurant workers are 67% women and non-tipped restaurant workers are 40% women, the subminimum wage for tipped workers amounts to legislated gender pay inequity in the restaurant industry, perpetuating the gender pay gap and leading to higher rates of poverty.

- ▶ **In Massachusetts, the average female restaurant server earns 87 percent of what their male counterpart earns, costing women \$136,000 over a lifetime.**³ The pay gap results from the dependence on tips, since research shows women are segregated into more casual restaurants, where tips are less, and customers tip women less.⁴
- ▶ **In Massachusetts, female restaurant workers are 1.4 times more likely to live in poverty as male restaurant workers.** In general, tipped workers are 2.4 times more likely to live in poverty than the overall workforce. Among tipped workers, female tipped workers have a 31% higher poverty rate than male tipped workers.⁵ Female tipped workers are also 1.4 times more likely to rely on food stamps and 1.8 times more likely to rely on Medicaid compared to male tipped workers.
- ▶ **Women are concentrated in the restaurant industry's lowest paying occupations, even including tips.** Five of Massachusetts' ten lowest paying jobs are tipped occupations and women are the majority in half of them.⁶ Because tipped workers are predominantly female, this poverty burden falls disproportionately on women.

TABLE 1
POVERTY AND PUBLIC ASSISTANCE USE AMONG WORKERS IN MASSACHUSETTS

	Women	Men	Women in Poverty	Men in Poverty	Women on Food Stamps	Men on Food Stamps	Women on Medicaid	Men on Medicaid
All Tipped Workers	68.5%	31.5%	10.9%	8.3%	12.2%	8.7%	32.6%	27.5%
Tipped Restaurant Workers	67.2%	32.8%	12.6%	8.4%	13.4%	8.3%	33.1%	26.6%
Restaurant Workers	50.6%	49.4%	12.3%	8.5%	14.9%	12.8%	36.4%	31.8%
Total Workforce	49.2%	50.8%	5%	3.3%	7.8%	5.9%	15.3%	12.3%

Source: Steven Ruggles, Sarah Flood, Sophia Foster, Ronald Goeken, Jose Pacas, Megan Schouweiler and Matthew Sobek. IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>

TABLE 2
PARENTAL STATUS AMONG WORKERS IN MASSACHUSETTS

	Parents	Mothers	Fathers	Single Mothers % All Women	Mothers Who Are Single
All Tipped Workers	28%	33.4%	16.3%	16.7%	50%
Tipped Restaurant Workers	22.8%	28.3%	11.5%	15.9%	56.2%
Restaurant Workers	28.7%	33.6%	23.6%	17.6%	52.5%
Total Workforce	40.2%	42.1%	38.4%	14.1%	33.4%

Source: Steven Ruggles, Sarah Flood, Sophia Foster, Ronald Goeken, Jose Pacas, Megan Schouweiler and Matthew Sobek. IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>



IN ONE FAIR WAGE STATES, WOMEN FARE BETTER

- The 7 states that require employers to pay the full minimum wage to tipped workers with tips on top (CA, OR, WA, NV, MN, MT, AK) have higher average full-service restaurant employment growth rate and higher small business restaurant employment growth rates than the states like Illinois with subminimum wages.** Full-service restaurant employment (FSRE) in One Fair Wage states grew by 6.71% between 2016-19, compared to a FSRE increase of only 3.13% in Massachusetts. Small business employment in One Fair Wage states grew by 8.37%, while employment in small business in Massachusetts grew by only 7.26% between 2016-2019. Small business establishments also grew much faster; the number of small business establishments in One Fair Wage states grew by 6.96%, while the number of small business establishments in Massachusetts with a subminimum wage only grew by 2.14%.
- The gender wage gap for tipped restaurant workers in One Fair Wage states is nearly one third (31%) less than the gender wage gap in states that follow the federal subminimum wage for tipped workers.** The gender wage gap for all restaurant workers in One Fair Wage states is one quarter (25%) less than the gender wage gap for restaurant workers in states that follow the federal subminimum wage for tipped workers.⁸

- The differential poverty rates between men and women tipped restaurant workers is less in the seven states that have raised the tipped minimum wage to the full minimum wage. The poverty rate among women tipped restaurant workers in the seven states that require a full minimum wage with tips on top is 50% lower than in the states with a \$2.13 subminimum wage for tipped workers (14 percent compared to 21 percent).** The reduction in poverty is most significant for women of color — 23 percent of women tipped restaurant workers of color in states with a subminimum wage of \$2.13 an hour live in poverty, compared to 14 percent in states without a subminimum wage.⁹



THE TWO-TIERED WAGE SYSTEM FACILITATES SEXUAL HARASSMENT AND RACIAL DISCRIMINATION

The restaurant industry is the single largest source of sexual harassment claims in the U.S. Women's dependence on tips for the majority of their income makes them vulnerable to experiencing sexual harassment at work by guests and employers.¹⁰ Tipped restaurant workers' employment experiences, from income level and scheduling, to hiring and firing, are dependent upon their interactions with guests. As a result, women must tolerate inappropriate behavior from customers and managers.



- Prior to the pandemic, workers in states that pay One Fair Wage — a full minimum wage with tips on top — reported one half the rate of sexual harassment as workers in states that pay the federal subminimum wage for tipped workers.**¹¹ Before the public health crisis, the restaurant industry was the single-largest source of sexual-harassment charges filed by women with the Equal Employment Opportunity Commission (EEOC), at a rate twice that of the general workforce. While 7 percent of working American women are in the restaurant industry, more than 14 percent of all sexual harassment claims to the EEOC come from the restaurant industry.¹² In a 2014 study of restaurant workers nationwide, workers reported that the greater their dependence on tips as a portion of their base wage, the more vulnerable they were to having to tolerate inappropriate customer behavior to earn their income.¹³ In the seven states that require One Fair Wage for tipped workers, women restaurant workers are not as dependent on customer tips and thus reported experiencing one half the rate of sexual harassment.¹⁴
- Since the pandemic, 44% of Massachusetts workers report a noticeable change in overall levels of unwanted sexualized comments from customers since the pandemic.**¹⁵ Hundreds of women in Massachusetts and across the country reported that male customers have asked them to take off their masks so they can judge their looks and their tips on that basis, making the sexual harassment already prevalent among tipped workers now life-threatening.¹⁶
- The subminimum wage for tipped workers disproportionately impacts women of color.** Today, nearly 30% of all Massachusetts tipped workers are people of color. Women are also overrepresented in the tipped worker sector, where 67% of tipped workers are women and 33% are mothers.¹⁷ Race and gender inequities are rampant throughout the

tipped service sector, particularly in restaurants, which claim the largest share of tipped workers.¹⁸ Race and gender pay inequities are a direct result of three factors. The first is that women and people of color, particularly women of color, are overrepresented in lower paid sectors of the industry, such as casual dining establishments like Denny's and Applebee's, instead of fine dining restaurants in which tips are significantly higher.¹⁹ The second is that the few workers of color who gain entry into fine dining restaurants experience greater levels of occupational segregation between higher and lower paid positions in the 'front of the house' (dining room and supervising staff).²⁰ Research also shows that people of color, specifically Black workers, receive less in tips than their equally qualified white counterparts regardless of position or restaurant.²¹ The subminimum wage for tipped workers exacerbates gender and racial discrimination in the industry, which results in a state gap of \$7.79 between Black women tipped workers and their white male counterparts, or \$800,000 over a lifetime.²²



THE PANDEMIC HAS MADE THE SUBMINIMUM WAGE LIFE-THREATENING FOR WOMEN

Since COVID-19, women tipped workers face the compounding effects of a public health crisis and a subminimum wage system.

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In the wake of the pandemic, service workers and tipped workers in particular experienced the high rates of economic insecurity and faced a unique challenge in applying for unemployment insurance due to their subminimum wage. A disproportionate share of tipped workers were unable to access unemployment insurance because their wages were too low to qualify for benefits.²³ In Massachusetts, nearly half (49%) of applicants to the One Fair Wage Fund reported they were either unsure or did not qualify for unemployment benefits. Nearly 90% of all workers also reported they were unsure or unable to pay for their rent or mortgage, and only 75% could only afford groceries for 2 weeks or less.
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Nearly 90% of all workers in Massachusetts report their tips have declined since the pandemic, and nearly 58% said they felt reluctant to enforce critical health and safety protocols because they would receive less in tips. Not only are these workers facing diminishing tips, they are also forced to become de facto public health marshals to a hostile customer base that often responds with economic retaliation. In Massachusetts, 80% of workers experienced or witnessed hostile behavior from customers in response to staff enforcing COVID-19 safety protocols and over half of those workers report this occurring weekly.²⁴

Until One Fair Wage legislation is passed, tipped workers in Massachusetts will continue to be burdened by the effects of a subminimum wage system that disincentivizes public health measure enforcement, jeopardizes workers' financial stability, and perpetuates sexual harassment.

TABLE 3
IMPACT OF COVID-19 CRISIS ON TIPPED SERVICE WORKERS

	National Applicants	MA Applicants	MA Women Applicants	MA Men Applicants
Do not qualify or are unsure if they qualify for unemployment insurance	61%	49%	47%	52%
Unable or are unsure whether they can pay their rent or mortgage	92%	89%	89%	89%
Can only afford groceries for 2 weeks or less	79%	75%	74%	76%

Source: One Fair Wage Tipped Worker Survey Data collected 10/20-1/21

TABLE 4
CUSTOMER HARASSMENT AND IMPACT ON TIPPING

	National	Massachusetts
Report that tips have decreased since COVID-19	84%	87%
Report that tips have decreased since COVID-19 by at least 50% or more	67%	69%
Experienced or witnessed hostile behavior from customers in response to staff enforcing COVID-19 safety protocols	79%	80%
Experienced or witnessed hostile behavior on a weekly basis from customers in response to staff enforcing COVID-19 safety protocols	45%	46%
Felt reluctant to enforce COVID-19 safety protocols upon customers out of concern that customer would tip less	57%	58%
Has received a decreased tip from a customer in response to enforcing COVID-19 safety protocols	66%	65%
Has experienced or witnessed a noticeable change in overall levels of unwanted sexualized comments from customers	42%	44%

Source: One Fair Wage Worker Public Health Survey Data collected 10/20-3/21



ONE FAIR WAGE IS GAINING MOMENTUM NATIONWIDE

Tipped workers, high-road employers, women's rights advocates, community leaders and progressive legislators are working to make One Fair Wage a reality at the municipal, state, and federal level. Congress is currently considering the Raise the Wage Act, which would increase the minimum wage to \$15 for all workers in the United States and entirely phase out the subminimum wage for tipped workers.

Enacting One Fair Wage - a full minimum wage with tips on top - now is a COVID emergency, not only for service workers themselves but also for the long-term economic stability of women, their families and the communities that rely on them.

ENDNOTES

- 1 U.S. Bureau of Labor Statistics. (May 2019). State Occupational Employment and Wage Estimates - Massachusetts. Occupational Employment Statistics. https://www.bls.gov/oes/current/oes_ma.htm.
- 2 One Fair Wage analysis of American Community Survey (2015-2019). Retrieved from IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>.
- 3 *Ibid.* Wage gap calculation assumes the same wage gap for a 50-year career based on 40-hour work week, 52 weeks per year.
- 4 One Fair Wage. (August 2020). A Persistent Legacy of Slavery: Ending the Subminimum Wage for Tipped Workers as a Racial Equity Measure. https://onefairwage.site/wp-content/uploads/2020/11/OFW_LegacyOfSlavery_USA-1.pdf
- 5 *Ibid.*
- 6 U.S. Bureau of Labor Statistics. (May 2019). State Occupational Employment and Wage Estimates - Massachusetts. Occupational Employment Statistics. https://www.bls.gov/oes/current/oes_ma.htm.
- 7 One Fair Wage analysis of Quarterly Census of Employment and Wages, Bureau of Labor Statistics. 2016-2019 data for NAICS 722511 number of full-service restaurant employees and NAICS 72 Accommodation and food services for quarterly estimate of total establishments. Small businesses defined as establishments employing up to 49 workers.
- 8 One Fair Wage analysis of average wages by gender using Current Population Survey Outgoing Rotation Group microdata U.S. Census Bureau CPS-ORG (2017-2019).
- 9 One Fair Wage analysis of the American Community Survey (2015-2019). One Fair Wage states include: Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. Retrieved from IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>.
- 10 ROC United. (October 2014). The Glass Floor: Sexual Harassment in the Restaurant Industry. New York, NY: ROC United. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-Glass-Floor-Sexual-Harassment-in-the-Restaurant-Industry2.pdf
- 11 *Ibid.*
- 12 Frye, J. (November 2017). Not Just the Rich and Famous. Center for American Progress
- 13 ROC United. (October 2014). The Glass Floor: Sexual Harassment in the Restaurant Industry. New York, NY: ROC United. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-Glass-Floor-Sexual-Harassment-in-the-Restaurant-Industry2.pdf
- 14 *Ibid.*
- 15 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 February 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.
- 16 Massachusetts statistics have been updated to include response from up until February 2021. Original source: One Fair Wage. (December 2020). Massachusetts Service Workers' Experience of Health & Harassment During COVID-19. https://onefairwage.site/wp-content/uploads/2020/12/OFW_COVID_WorkerExp_MA_4.pdf
- 17 One Fair Wage analysis of American Community Survey (2015-2019). Retrieved from IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/D010.V11.0>.
- 18 One Fair Wage. (August 2020). A Persistent Legacy of Slavery: Ending the Subminimum Wage for Tipped Workers as a Racial Equity Measure. https://onefairwage.site/wp-content/uploads/2020/11/OFW_LegacyOfSlavery_USA-1.pdf
- 19 *Ibid.*
- 20 *Ibid.*
- 21 ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the U.S. Restaurant Industry. New York, NY: ROC United.
- 22 One Fair Wage analysis of the Current Population Survey Outgoing Rotation Group microdata U.S. Census Bureau CPS-ORG, (2017-2019). Analysis was done using Stata IC statistical software. Dataset was downloaded from the Center for Economic Policy Research center. Tipped positions include: food service managers, first line supervisors, bartenders, counter attendants, waiters and waitresses, food servers, non-restaurant, bussers and barbacks, and hosts and hostess. We include front of house supervisors, managers and hosts because in many restaurants these positions do receive tips, even if extralegally. Wage gap calculation assumes the same wage gap for a 50-year career based on 40-hour work week, 52 weeks per year.
- 23 One Fair Wage. (May 2020). Locked Out By Low Wages: Service Workers' Challenges With Accessing Unemployment Insurance During COVID-19. https://onefairwage.site/wp-content/uploads/2020/11/OFW_LockedOut_UI_COVID-19_FINALUPDATE.pdf
- 24 *Ibid.*

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