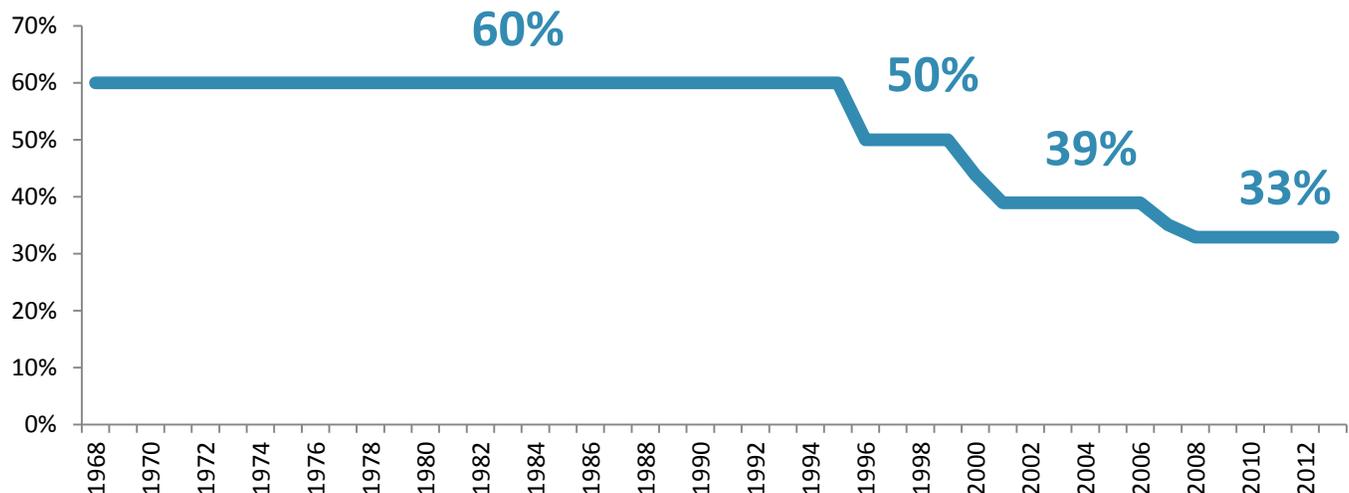


## Employers in Massachusetts Can Pay Tipped Workers Just \$2.63/Hour; Tips Get Them Up to Minimum Wage

By law, employers may pay a lower hourly wage to certain workers who regularly earn tips - as long as those tips bring the tipped workers' pay up to the level of the regular minimum wage (otherwise, the employer must make up any difference). For decades, up through the mid-1990s, employers were required to pay tipped workers 60 percent of the regular minimum wage. In 1996, that fixed percentage was reduced to 50 percent and in 1997 the amount employers are required to pay tipped workers was set at \$2.63 per hour. Despite several increases in the regular minimum wage, the tipped minimum's value has not been increased since. Today, the tipped minimum in Massachusetts has declined to just one third the value of the state's regular minimum wage. (For more details see MassBudget's factsheet [The Declining Value of the Tipped Minimum in Massachusetts](#).)

### MA Tipped Minimum Wage Has Declined as a Share of Regular Minimum Wage



Many tipped workers must make ends meet on very low incomes (in addition to other job-related challenges many tipped workers face, such as unreliable and unpredictable hours).<sup>1</sup> Nationally, poverty rates among tipped workers are more than double the rates for all workers.<sup>2</sup> However, states with the highest tipped minimum wages have much lower poverty rates among their tipped workers than states with the lowest tipped minimums (12.1 percent vs. 16.1 percent, respectively).<sup>3</sup> Notably, tipped workers are overwhelmingly female and above 20 years in age.<sup>4</sup> (For more details about tipped workers, see MassBudget's factsheet [The Minimum Wage for Tipped Workers](#).)

<sup>1</sup> National Employment Law Project, Tipped Workers Factsheet: <http://raisetheminimumwage.org/pages/tipped-workers>

<sup>2</sup> MassBudget, The Declining Value of the Tipped Minimum Wage in Massachusetts, June 2013: [http://www.massbudget.org/report\\_window.php?loc=tipped\\_minimum\\_wage.html](http://www.massbudget.org/report_window.php?loc=tipped_minimum_wage.html)

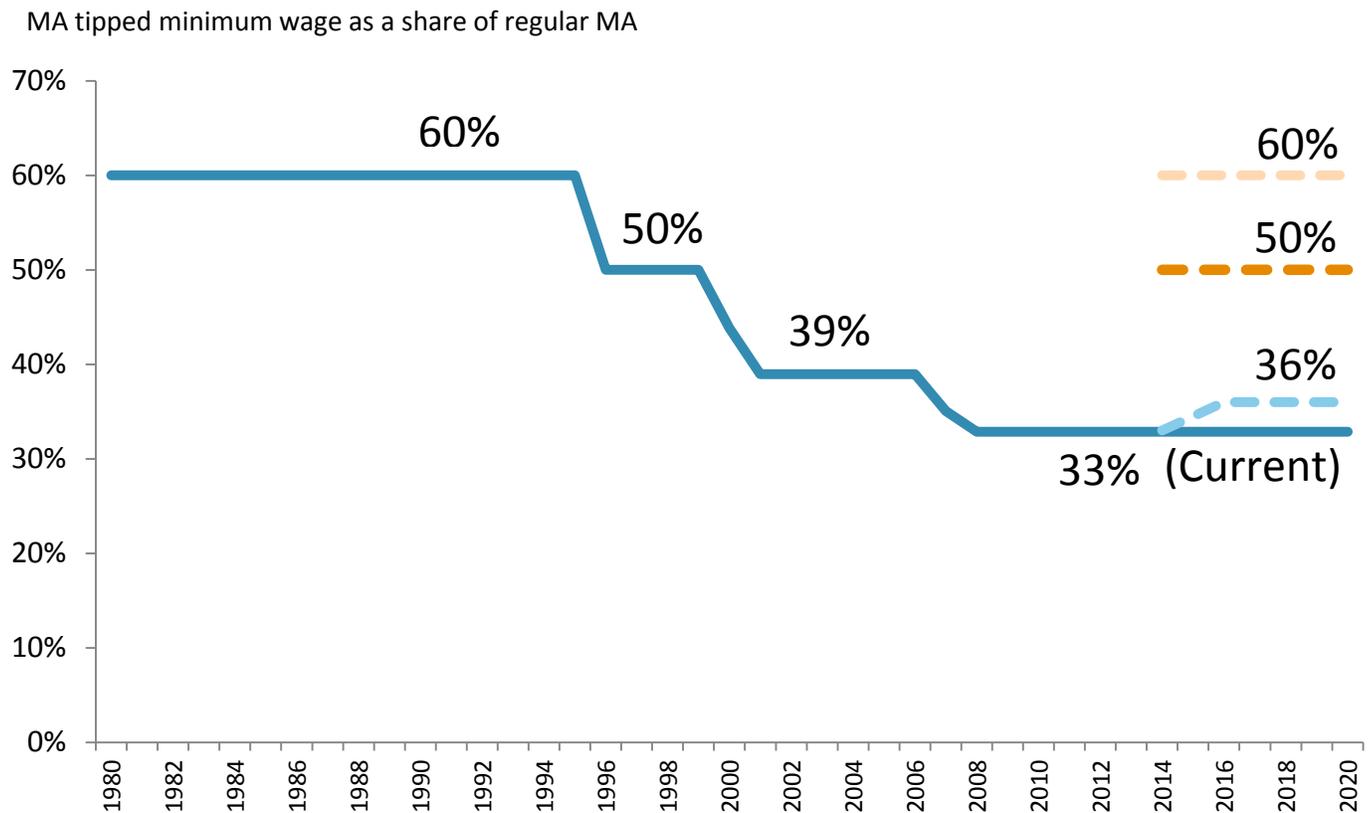
<sup>3</sup> MassBudget, The Minimum Wage for Tipped Workers, Nov. 2013:

[http://www.massbudget.org/report\\_window.php?loc=tipped\\_one\\_pager.html](http://www.massbudget.org/report_window.php?loc=tipped_one_pager.html)

<sup>4</sup> Ibid

Currently, eight states require employers to pay tipped workers the full minimum wage amount.<sup>5</sup> In Massachusetts – with the lowest tipped minimum wage of any state in New England<sup>6</sup> – Legislators now are considering three proposals for increasing the state's minimum wage, including the tipped minimum wage. None of the proposals suggests requiring employers to pay tipped workers the full minimum wage, but one would require that they pay half the minimum wage amount and another would restore the requirement that they pay 60% of the full minimum (before counting tips - see chart, below). These reforms could result in meaningful income gains for many of the roughly 100,000 tipped workers in the Commonwealth.

### Proposals Differ Markedly in Level at which Each Would Set the Tipped Minimum



Notably, careful studies by leading economists (of both long-run and current data) show that higher tipped and higher regular minimum wages have little or no effect on employment in the relevant job sectors.<sup>7</sup> Similarly, the National Restaurant Association itself projects little difference in food service job growth among states with high, medium and low tipped minimums over the coming decade.<sup>8</sup> (For more discussion of the effect of the tipped minimum on employment, see MassBudget's factsheet [Job Growth Unrelated to States' Tipped Minimum Wage](#).)

<sup>5</sup> MassBudget, The Declining Value of the Tipped Minimum Wage in Massachusetts, June 2013 (Hawaii, the eighth state, enacted such legislation in April, 2014): [http://www.massbudget.org/report\\_window.php?loc=tipped\\_minimum\\_wage.html](http://www.massbudget.org/report_window.php?loc=tipped_minimum_wage.html)

<sup>6</sup> MassBudget, The Declining Value of the Tipped Minimum Wage in Massachusetts, June 2013: [http://www.massbudget.org/report\\_window.php?loc=tipped\\_minimum\\_wage.html](http://www.massbudget.org/report_window.php?loc=tipped_minimum_wage.html)

<sup>7</sup> For example, see Allegretto, Sylvia, University of California, Berkeley, Institute for Research on Labor and Employment, Working Paper Series, "Waiting for Change", December 2013: <http://irle.berkeley.edu/workingpapers/155-13.pdf>

<sup>8</sup> MassBudget, Job Growth Unrelated to States' Tipped Minimum Wage, Feb. 2104: [http://www.massbudget.org/report\\_window.php?loc=tipped\\_minimum\\_jobs.html](http://www.massbudget.org/report_window.php?loc=tipped_minimum_jobs.html)