

Job Growth Unrelated to States' Tipped Minimum Wage

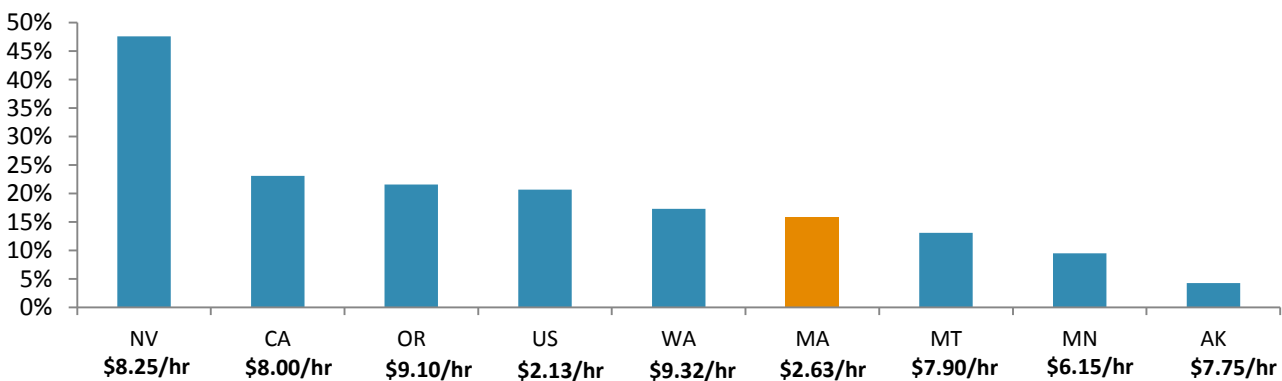
In Massachusetts, roughly 100,000 workers depend on tips as part of their weekly pay.¹ Nationally, the poverty rate among tipped workers has been shown to be more than double the rate for workers overall.² Looking at waitresses/waiters specifically – a group that makes up over 60 percent of all tipped workers³ – the poverty rate is higher still.⁴ (For a more detailed discussion see Massbudget's Facts At A Glance, "[The Declining Value of The Tipped Minimum Wage](#)"). Recent research concludes that tipped workers – who, notably, are overwhelmingly women and above 20 years in age – see direct earnings benefits from increases in their state's tipped minimum wage.⁵ Not surprisingly, poverty rates for tipped workers in general (and particularly for waitresses/waiters) are significantly lower in states with higher tipped minimum wages.⁶

Currently, the Massachusetts tipped minimum wage stands at \$2.63/hour, well below the state's regular minimum wage of \$8.00/hour.⁷ Opponents of raising the tipped minimum wage argue that a higher tipped minimum will stifle job growth in the relevant industries.⁸ A review of employment data for the restaurant industry, however, shows little connection between a state's tipped minimum wage level and its rate of job growth: High tipped minimum wage levels do not produce slow job growth in the relevant industry.

Over the last decade, among the seven states that required their tipped minimum wage to match their regular minimum wage (during the entire period), restaurant employment growth showed substantial variation. Massachusetts, with its low tipped minimum, has underperformed relative to some of these states with higher tipped minimum wages, but it has outperformed several others. While many variables influence state job growth over such a long stretch of time, there is no evidence that tipped minimum wage rates are the driving factor. Current, state-of-the-art analysis confirms this, concluding that increases in state tipped minimum wages have not negatively affected employment in these states' relevant job sectors.⁹

Massachusetts Has Underperformed Some States with High Tipped Minimum Wages and Outperformed Others, 2003-2013

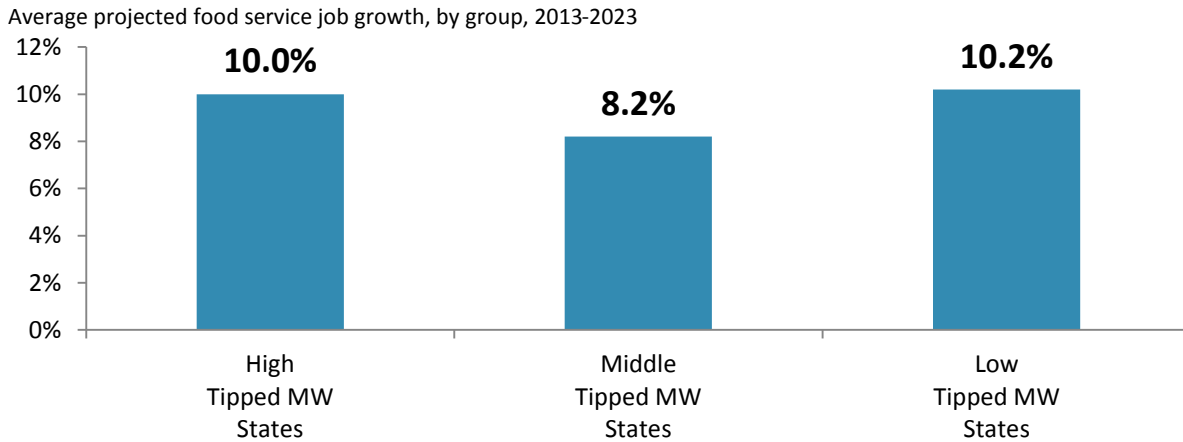
Restaurant industry job growth, 2003-2013



Source: Employment data, US Bureau of Labor Statistics, November monthly data. Tipped minimum wage data, National Employment Law Project

Looking at future job growth, the restaurant industry’s own analysis comes to the same conclusion. Despite having a low tipped minimum wage in MA, the National Restaurant Association (NRA) projects slow job growth for food service workers in MA (5.8 percent) from 2013 through 2023, while projecting high growth in many states with high tipped minimums.¹⁰ Dividing the states into three evenly-sized groups, we see that there is little difference in average projected job growth among the groups (see chart, below).

National Restaurant Association Does Not Project Much Variation in Job Growth Among States with Differing Tipped Minimum Wages



Sources: State tipped minimum wage data, US DOL. Job growth projections, Nat'l Restaurant Association 2013 Industry Report

Conclusion

Massachusetts has a low tipped minimum wage, particularly relative to many of its neighboring states.¹¹ Tens of thousands of low-income workers in Massachusetts depend on tips for part of their weekly pay. An increase in the state’s tipped minimum would help these workers and their families. Importantly, while helping these workers, the evidence indicates that a higher tipped minimum wage will not result in slowed job growth in the restaurant and related industries.

¹ US Bureau of Labor Statistics data show that there now are over 57,000 people working as waitresses/waiters in Massachusetts. Nationally, waitresses/waiters make up a little over 60 percent of the tipped workforce (see Allegretto and Fillion, “Waiting for Change”, 2011). Combining these figures, Massbudget generates an estimate of about 100,000 total tipped workers in MA.

² Allegretto and Fillion, Economic Policy Institute, “Waiting for Change” (Table 6), February 2011:

http://www.epi.org/publication/waiting_for_change_the_213_federal_subminimum_wage/

³ Allegretto and Fillion, Economic Policy Institute, “Waiting for Change” (Table 1A), February 2011:

http://www.epi.org/publication/waiting_for_change_the_213_federal_subminimum_wage/

⁴ Allegretto and Fillion, Economic Policy Institute, “Waiting for Change” (Table 6), February 2011:

http://www.epi.org/publication/waiting_for_change_the_213_federal_subminimum_wage/

⁵ Allegretto, Sylvia, University of California, Berkeley, Institute for Research on Labor and Employment, Working Paper Series, “Waiting for Change” December 2013: <http://www.irl.berkeley.edu/workingpapers/155-13.pdf>

⁶ Allegretto and Fillion, Economic Policy Institute, “Waiting for Change” (Table 6), February 2011:

http://www.epi.org/publication/waiting_for_change_the_213_federal_subminimum_wage/

⁷ The minimum wage for tipped workers is a subminimum wage that may be paid to workers who earn tips, such as waiters, hairdressers, and some hotel workers. Under the tipped minimum wage rules, the combination of the tipped wage and the tips received by the employee must equal at least the regular minimum wage, with the employer paying the employee for any shortfall between the two wage levels. For a more detailed discussion, see Massbudget’s Facts At A Glance: http://www.massbudget.org/report_window.php?loc=tipped_minimum_wage.html

⁸ See, for example, the Boston Business Journal Newsletter, November 20, 2013: http://www.bizjournals.com/boston/blog/mass_roundup/2013/11/restaurant-owners-to-fight-wage-hike.html?page=all

⁹ Allegretto, Sylvia, University of California, Berkeley, Institute for Research on Labor and Employment, Working Paper Series, “Waiting for Change” December 2013: <http://www.irl.berkeley.edu/workingpapers/155-13.pdf>

¹⁰ National Restaurant Association, 2013 Industry Forecast

¹¹ US Department of Labor, Wage and Hour Division: <http://www.dol.gov/whd/minwage/america.htm>