

# NEW JERSEY'S WAGE FOR TIPPED WORKERS

## CENTER FOR WOMEN AND WORK FACT SHEET



MARCH 2014

### KEY FACTS

- The tipped wage of \$2.13 has been frozen since 1991. At that time, it was 60% of the federal minimum wage; now it is now only 29% of the current federal minimum wage (\$7.25 an hour),<sup>1</sup> and slightly over 25% of New Jersey's minimum wage (\$8.25 an hour). This gap will continue to grow as the state minimum wage is adjusted annually for inflation.<sup>2</sup>
- The poverty rate among tipped restaurant workers in New Jersey is 12%, nearly three times the poverty rate of the workforce as a whole.<sup>3</sup>
- Women account for 72% of all workers in predominantly tipped occupations – such as restaurant servers, bartenders, and hairstylists.<sup>4</sup>
- In states with a tipped wage above the federal level, small business job growth rates are higher,<sup>5</sup> and tipped workers earn higher median wages.<sup>6</sup> Both contribute to spending that boosts the economy.

### Current Policy

- Since 1991, the tipped minimum wage has been frozen at \$2.13 an hour, while despite several federal and state minimum wage increases.
- New Jersey is the only state in the Northeast with a minimum cash wage for tipped workers of just \$2.13 per hour.
- Thirty-two states set the tipped minimum wage higher than \$2.13, including ten that have set the wage at 60 percent or more of the federal minimum level. Seven states have eliminated the subminimum cash wage for tipped workers altogether and tipped workers must receive the full minimum wage.<sup>7</sup> Many of the states with a higher tipped minimum wage have a lower cost of living than New Jersey, which consistently ranks among the five states with the highest cost of living.<sup>8</sup> This means the tipped minimum wage of \$2.13 per hour is particularly inadequate in New Jersey.
- Tipped wages fluctuate from shift to shift and season to season leaving tipped workers more economically vulnerable.<sup>9</sup> This uncertainty in income is a concern for many reasons. For example, home buyers must demonstrate their ability to pay a mortgage, which is harder when a base wage is set so low. It is of great concern for the children of servers: over a quarter of women in this occupation are mothers and over a tenth, single mothers. A third of restaurant workers with children at home lack health care from any source.<sup>10</sup>
- The Restaurant Opportunities Center and a coalition of twelve organizations focused on women and families have recommended a ratio of 70%, a wage indexed to the federal minimum wage, and an increase in the federal wage.<sup>11</sup>

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## Impact of Higher Tipped Minimum Wages

- A higher tipped minimum wage can positively impact the economic security of workers and New Jersey's economy without harming business.
- There has been rapid job creation in the leisure and hospitality sector, which employs almost 60% of tipped workers. To boost recovery, new jobs should be good jobs.<sup>12</sup>
- 60% of women's job gains between 2009 and 2012 were in the ten largest low-wage occupations, four of which are tipped occupations.<sup>13</sup>
- Even though workers are intended to always receive a minimum wage, where states require a higher minimum for tipped workers their median wages are higher - \$9.88 an hour vs. \$9.31 an hour. Where employers must pay tipped workers the full minimum wage it reaches \$10.80. Among women, servers earn \$8.51 an hour in states with a \$2.13 tipped wage, \$9.14 in states with a tipped wage between \$2.13 and the federal minimum, and \$10.27 in equal treatment states.<sup>14</sup>
- A Fiscal Policy Institute study found that the rate of job growth in small business in states with minimum wages above the federal level between 1998 and 2003, and minimum wages for tipped workers above the federal level of \$2.13 exceeded the rate in other states.<sup>15</sup>
- A bill recently approved by the New Jersey Assembly Labor Committee, A-857, would revise the allowable tip credit so the tipped wage would reach 40% of the minimum hourly wage in 2014 and 69% in 2015.

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<sup>1</sup> Allegretto, S.A. Filion, K. (2011). "Waiting for Change: The \$2.13 Federal Subminimum Wage." Economic Policy Institute and Center on Wage and Employment Dynamics. Briefing paper #297.

<sup>2</sup> New Jersey Department of Labor [http://lwd.dol.state.nj.us/labor/wagehour/wagehour\\_index.html](http://lwd.dol.state.nj.us/labor/wagehour/wagehour_index.html)

<sup>3</sup> Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, 2012. [www.bls.gov/oes/](http://www.bls.gov/oes/) Median annual earnings are \$22,610 for bartenders, \$20,150 for servers and \$22,200 for all Food Prep and Serving, Cross -Industry in New Jersey.

<sup>4</sup> National Economic Council, the Council of Economic Advisers, the Domestic Policy Council, and the Department of Labor. "THE IMPACT OF RAISING THE MINIMUM WAGE ON WOMEN" March, 2014

<sup>5</sup> Fiscal Policy Institute 2006

<sup>6</sup> Allegretto and Filion 2011

<sup>7</sup> U.S. Department of Labor Wage and Hour Division (January 1, 2014). Minimum Wages for Tipped Employees. Retrieved March 11, 2014 from: [www.dol.gov/whd/state/tipped.htm](http://www.dol.gov/whd/state/tipped.htm)

<sup>8</sup> For example, see 2007 data at: <http://mailer.fsu.edu/~wberry/garnet-wberry/a.html>. See also Berry, W., Fording, R., & Hanson, R. (2000). An Annual Cost of Living Index for the American States, 1960-1995. *The Journal of Politics* (62)2, 550-67.

<sup>9</sup> National Employment Law Project, Raise the Minimum Wage, Tipped Workers Fact Sheet: <http://raisetheminimumwage.org/pages/tipped-workers>.

<sup>10</sup> ROC United et al. (2012).

<sup>11</sup> Restaurant Opportunities Centers (ROC) United and other organizations (February 13, 2012). Tipped Over the Edge: gender Inequity in the Restaurant Industry.

<sup>12</sup> U.S. Department of Labor. "Employment Situation Summary." March 7, 2014. Retrieved March 11, 2014.

<http://www.bls.gov/news.release/empsit.nr0.htm/> and <http://www.bls.gov/news.release/pdf/empsit.pdf>

<sup>13</sup> National Women's Law Project (July 2013). *60 Percent of Women's Job Gains in the Recovery Are in the 10 largest Low-Wage Jobs*. Retrieved March 12, 2014 from: [www.nwlc.org/sites/default/files/pdfs/60percentfactsheet.pdf](http://www.nwlc.org/sites/default/files/pdfs/60percentfactsheet.pdf)

<sup>14</sup> Allegretto and Filion (2011).

<sup>15</sup> Fiscal Policy Institute (March 30, 2006). States with Minimum Wages Above the Federal Level Have Had Faster Small Business and Retail Job Growth. [www.fiscalpolicy.org/FPIsmallBusinessMinWage.pdf](http://www.fiscalpolicy.org/FPIsmallBusinessMinWage.pdf) Retrieved March 27, 2014