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TIPPED WORKERS AND THE MINIMUM WAGE

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This is no time for American workers to depend on the kindness of strangers to earn a day's pay. For millions, however, that's their only shot at making a living. They rely on tips to supplement a small base wage, holding down tough jobs in restaurants and hotels, hair salons and car washes.

And Congress hasn't given them a raise since 1991.

While Congress has been slow off the mark with the minimum wage for a couple of decades, the minimum wage will finally increase to \$7.25 an hour this week. But tipped workers won't see a bigger paycheck. They will get the same minimum wage that they got 18 years ago -- just \$2.13 an hour.

It's time to help millions of workers out of poverty. This week, we are releasing a report analyzing tipped workers' wages, drawing a grim picture: the median pay for tipped workers, combining wage plus tips, was just \$8.23 an hour in 2007 dollars -- which is below even the poverty level for a family of four. Waitresses and waiters in particular are three times more likely to live in poverty than the workforce as a whole. Other food-service workers, and tipped employees in other businesses, make even less.

It wasn't always this way. Congress enacted the first minimum wage for tipped workers in 1966, setting it at a fixed percentage of the overall minimum wage. For 30 years the two rates climbed in tandem. But in 1996, after fierce lobbying by the restaurant industry, Congress cut the link and froze the tipped worker minimum wage at \$2.13.

It's a gap that gets bigger every year. Since 1991, the real value of the tipped-worker minimum has eroded by 36 percent, leaving it at an all-time low. Without raises from their employers, America's struggling tipped workers will fall farther behind.

"After taxes are taken out, I barely get any paycheck at all," a waitress at a New Jersey diner told us. "At this job, I'm living just on tips, which is hard for me and my daughters."

And if an 18-year freeze in pay wasn't bad enough, the recession is cutting into tip income. "Every day is bad," one restaurant worker said. "I walk out of a full day's shift with \$40."

True, if tipped workers' total earnings fall below the full minimum wage, their employers are supposed to make up the difference. But the law was originally intended to guarantee a steady base income and bring tipped workers above the minimum wage. That guarantee has been lost, and a bad week for tips can become a disastrous week for paying the bills.

Where Congress has failed, some states have stepped in. Seven states -- Washington, Oregon, Nevada, California, Montana, Alaska and Minnesota -- guarantee the full state minimum wage to tipped workers. Others have raised the minimum wage for tipped workers to a substantial portion of the full minimum wage. But tipped workers in 18 states, including some high-cost states like New Jersey and Virginia, are stuck at \$2.13.

One lesson from the states is that raising the minimum wage does not, as industry lobbyists contend, hurt business or cost jobs. Several studies have showed steady growth in those states, in the service sector as well as in other industries. If a tourism-rich state like Nevada can mandate the full minimum wage for tipped employees, why can't other states?

And why can't Congress? There is some movement, led by Rep. Donna F. Edwards (D-Md.), to raise the tipped worker minimum wage to 70 percent of the general minimum wage in a series of steps. That's not much to ask.

It is only asking Congress to recognize, as it did in 1966, the same principle that Henry Ford vindicated almost a century ago: Workers who are paid decently will become consumers. They bought cars from Henry Ford. Today, they might go out to dinner, too.