RAISE *the* WAGE

FACT SHEET

The Case for One Fair Wage

The Raise the Wage Act ensures tipped workers, youth workers, and workers with disabilities are all paid the full federal minimum wage

In addition to gradually raising the minimum wage to $15 by 2025, the *Raise the Wage Act* ensures that all workers are paid at least the full federal minimum wage. This is accomplished by gradually phasing out the subminimum wage for tipped workers, youth workers, and individuals with disabilities.

Tipped Workers

Under the *Fair Labor Standards Act* (FLSA), an employer may pay a tipped employee a tipped minimum wage of $2.13 per hour and use the employee's tips to meet the employer's obligation to pay the federal minimum wage of $7.25 per hour. But too often, employers, through error or outright wage theft, fail to ensure their workers are making the full minimum wage.

The separate tipped minimum wage is complex and burdensome for employers, which makes compliance and enforcement difficult. In the most recent compliance sweep, the Department of Labor looked at nearly 9,000 restaurants and found **1,170 tip credit infractions**.

The tipped minimum wage – which applies to many employees in restaurants, hotels, and other service industries – consistently results in lower pay and greater uncertainty about whether workers will make enough money to make rent and cover basic expenses. It has remained at $2.13 since 1991.

Gradually phasing out the tipped minimum wage will benefit both workers and restaurants. In the seven states with *one fair wage* policies (Minnesota, Montana, Nevada, California, Alaska, Washington and Oregon) – under which tipped workers make the full minimum wage – workers earn higher wages and the restaurant business thrives.

In *one fair wage* states, **tipped restaurant workers earn, on average, 21 percent more, including tips,** than workers receiving $2.13 as a base wage. From 2011 to 2019, **the full-service restaurant industry grew faster in** *one fair wage* states – both in terms of number of establishments and number of employees – compared to states with a separate, lower minimum wage for tipped workers.

The current tipped minimum wage system is not working for many hardworking people.
Tipped restaurant workers in $2.13 states experience poverty at **a higher rate than their counterparts** in *one fair wage* states. Before the pandemic, the poverty rate for women tipped workers in one fair wage states was **30 percent lower** than their counterparts in $2.13 states. States with no tipped credit have a **33 percent smaller** gender wage gap in tipped occupations.

Restaurants adapt to higher labor costs through modest prices increases, which consumers are willing and able to pay. A 2016 study of 884 restaurants following a 25 percent minimum wage increase found that restaurants absorbed higher labor costs by slightly increasing menu prices—**1.45 percent on average**.

According to a **private poll conducted by the National Restaurant Association**, the overwhelming majority of customers are willing to pay just a little more to support a "fair wage."

Tipped workers making the full minimum wage still collect tips.

A **higher percentage of customers leave a tip in Washington state** (a *one fair wage* state) than in New York (a state with a separate tipped minimum wage). Customers in Alaska (a *one fair wage* state) leave the **highest average tip among all 50 states.**

An overwhelming number of Americans support *one fair wage*.

According to a **2019 poll**, 81 percent of respondents support (48 percent strongly) making sure "people who get tips, like servers, are paid at least the same minimum wage as other workers." This includes 92 percent of Democrats, 79 percent of Independents, and 70 percent of Republicans.

Congress continues to provide substantial relief to small businesses and restaurants.

Since the start of the pandemic, Congress has allocated more than $700 billion to rescue businesses, and President Biden's American Rescue Plan includes an additional **$50 billion in small business support**, including $25 billion for restaurants**.** Congress will continue to provide relief for struggling businesses, but we cannot neglect the workers and families who are working full-time but still can't make a living.

Youth Workers

The subminimum wage for youth workers allows employers to pay employees under 20 years old an hourly wage of $4.25 for the first 90 calendar days of their employment. This provision, while used sparingly, needlessly harms young people who need to work in order to provide for themselves, pay for school, or contribute to their families.

The subminimum wage for teen workers penalizes young people who work to contribute to their families or pay for school.

Eliminating the subminimum wage for teen workers – and raising the minimum wage generally – means teen workers who contribute to their family income from low-income families will not have to work excessive hours. This will increase young workers' school attendance and help them better balance work and school.

Ensuring all workers are paid the full federal minimum wage will help young workers pay for and stay in school.

Roughly **70 percent of 18- and 19-year-olds** who are enrolled in two- or four-year colleges are also employed. Studies show that working **more than 20 hours per week** puts college students at risk of dropping out. Nearly half of U.S. students pursuing a two-year degree, and over 40 percent of students pursuing a four-year degree, **work more than 35 hours per week**.

Special interests exploit the youth minimum wage as a wedge issue to block minimum wage increases across the country.

A leaked memo written by infamous corporate lobbyist Richard Berman advises clients to use the youth minimum wage – and its supposed impact on young workers – as a tool to paint young workers as "victims" of minimum wage increases. In the memo, he argues that proposing a special low youth minimum wage would sidetrack the debate and, as an added benefit, would have a "ripple effect" that would depress wages across the board.

Individuals with Disabilities

Section 14(c) of the *Fair Labor Standards Act* allows employers and organizations to apply for special certificates to pay individuals with disabilities less than the minimum wage and less than the prevailing wage. There is no minimum floor for the hourly wage that an employer can pay an individual with a disability under 14(c) certificates, and the average wage paid is generally unknown, but it is **estimated** to be approximately $2.50. There are 125,000 individuals earning subminimum wages under a 14(c) certificate, according to the Congressional Budget Office.

All people deserve the right to earn the minimum wage.

Individuals with disabilities can be paid a subminimum wage based solely on their disability status. Every working person should be paid the full federal minimum wage. In 2020, the **U.S. Commission on Civil Rights called for the phase out of 14(c)**, finding that it has "limited people with disabilities participating in the program from realizing their full potential while allowing providers and associated businesses to profit from their labor."

States and cities have already demonstrated the value of phasing out the subminimum wage for workers with disabilities.

New Hampshire, Maryland, Alaska and Oregon all have eliminated the use of 14(c) by statute; additionally, Maine, Wyoming and Vermont have no active 14(c) certificates. Several major cities including Seattle, Reno, Chicago, and Denver have stopped allowing the use of 14(c) certificates.

Fully integrating workers with disabilities into the general workforce will increase their productivity.

Experts in the field of disability employment agree that **individuals with disabilities are more productive and effective** when they are integrated into the general workforce and paid a fair wage.

Fully integrating workers with disabilities into the general workforce will support the core goals of the landmark *Americans with Disabilities Act* (ADA).

Paying workers with disabilities the full federal minimum wage supports the core goals of the ADA: Equal opportunity, full participation, independent living, and economic self-sufficiency. When individuals with disabilities transition to competitive employment, they better able to achieve financial independence and are **more likely to spend time engaging in their community**.