

Testimony of Yannet Lathrop

National Employment Law Project

In Support for *One Fair Wage* In Massachusetts (H. 4254)

Hearing before the Massachusetts Special Joint Committee on Initiative Petitions

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Yannet Lathrop
Senior Researcher and Policy Analyst

National Employment Law Project
1350 Connecticut Avenue NW
Suite 1050
Washington, DC 20036

ylathrop@nelp.org

Thank you, Sen. Cindy Friedman, Rep. Alice Peisch, and members of the Special Joint Committee on Initiative Petitions for the opportunity to submit written testimony. My name is Yannet Lathrop, and I am a senior researcher and policy analyst for the National Employment Law Project (NELP). NELP is a national nonprofit advocacy organization that for more than 50 years has sought to build a just and inclusive economy where all workers have expansive rights and thrive in good jobs. We partner with federal, state, and local lawmakers and local community-based groups on a wide range of workforce issues, including the minimum wage and the tipped wage.

NELP testifies today in strong support of H. 4254, An Act to Require the Full Minimum Wage for Tipped Workers with Tips on Top. This measure would gradually eliminate the subminimum tipped wage in Massachusetts and ensure that workers in all occupations—including tipped occupations—earn at least the full minimum wage as their base wage.

The Elimination of the Subminimum Tipped Wage Would Put Massachusetts on a Path to Greater Racial and Gender Justice

In 2023, Massachusetts increased its minimum wage to \$15 per hour—the last step of a legislative measure that was approved in 2018. However, the state’s mandated tipped cash wage was only approved to increase to \$6.75 by 2023.¹

Although the 2018 legislation mandated gradual increases in both the standard and tipped minimum wages, the nominal gap between these two wage floors has increased from \$7.65 in 2019 to \$8.25 in 2023 (Table 1). As Massachusetts considers raising the minimum wage again,² tipped workers will fall further behind their non-tipped peers—leading them to rely on tips for a greater portion of their earnings—unless the state also approves a One Fair Wage measure.

Year	Full Minimum Wage	Tipped Wage	Gap
2019	\$12.00	\$4.35	\$7.65
2020	\$12.75	\$4.95	\$7.80
2021	\$13.50	\$5.55	\$7.95
2022	\$14.25	\$6.15	\$8.10
2023	\$15.00	\$6.75	\$8.25

Source: NELP analysis of Massachusetts St. 2018, c. 121, § 17-21.

Eliminating the tipped wage is not only a matter of wage parity between occupations, but also a matter of gender and racial justice. The Massachusetts restaurant tipped workforce is largely comprised of women and workers of color. There are 66,000 restaurant servers and bartenders in Massachusetts today, and of these, the majority are women (65 percent), and nearly 1 in 3 are people of color (29 percent).³ As Table 1 shows, the tipped subminimum wage puts tipped workers in a situation where they must depend on customer tips for a disproportionate share of their pay, which results in widely fluctuating incomes⁴ and is one of the main reasons that tipped workers face double the poverty rate of other workers.⁵

Seven States Have Already Phased Out the Subminimum Tipped Wage, and a Growing Number of Local Jurisdictions are Doing the Same; Massachusetts Should Join Them

Seven “one fair wage” states already prohibit a lower cash wage for tipped workers: Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. The District of Columbia; Michigan;⁶ Chicago, Illinois; and Flagstaff, Arizona will soon join them, as in recent years these jurisdictions also adopted a gradual elimination of the tipped subminimum wage.

In three of these one fair wage states (California, Oregon, and Washington) and in Washington D.C., Chicago, and Flagstaff the minimum wage has already reached or exceeded a \$15 minimum wage; and in Minnesota’s two largest cities (Minneapolis and Saint Paul), the minimum wage has reached \$15 for some employers, and will reach this same wage rate for all others in the coming years. None of these state or local economies have been negatively impacted by their wage increases, and in fact, analysis by the advocacy organization One Fair Wage suggests that states without a lower tipped wage have thriving restaurant industries and healthy tipping rates.⁷ **The experience of these state and local jurisdictions demonstrates that it is feasible—and indeed desirable—to both lift the standard wage floor to robust levels, and phase out the lower tipped wage.**

The movement to eliminate the tipped wage is growing. In addition to recent victories in Washington D.C., Chicago, and Flagstaff, advocates are advancing bills and ballot initiatives in Arizona, Maryland, New York, Ohio, and Rhode Island. With H. 4254, Massachusetts legislators have an opportunity to take a place among leaders in the movement for fair wages and wage parity for all workers.

Decades of Research on the Minimum Wage Demonstrate that Higher Wage Floors Boost Workers’ Incomes Without Adverse Employment Effects

Decades of economic research have found that higher minimum wages raise the earnings of underpaid workers without affecting their employment. This is true of the restaurant sector as it is of the wider economy. For example, a 2022 study by University of California economists analyzed the impact of statewide and local policies increasing the minimum wage to \$15 or more in California, with a focus on restaurant workers and teens—the two groups most affected by minimum wage policies. The study found that these policies had “substantial and ongoing pay increases throughout the treatment period and (...) no significant disemployment effects, even in relatively low-wage counties.”⁸ California, as discussed above, is one of the seven states without a lower tipped wage.

The COVID-19 pandemic has not called this near consensus into question. In fact, during the beginning of the pandemic, we witnessed jobs numbers drop to record lows as governments imposed lockdowns to contain the spread of the virus. And as economies began to open back up in mid-2020, we saw employers (including those in the Massachusetts restaurant sector) attempting to rebuild their workforces by raising wages⁹—showing in real time that higher pay does not automatically lead to disemployment effects, and that in fact, wage increases can be a boon to workers and employers alike.

Recommendations

For the reasons discussed above, NELP urges a favorable report on H. 4254. We look forward to seeing Massachusetts on a path to greater racial and gender justice when the state joins with the seven states that have already phased out the subminimum tipped wage.

Endnotes

1. An Act Relative to Minimum Wage, Paid Family Medical Leave and the Sales Tax Holiday, 2018 Mass. Acts 121, <https://malegislature.gov/Laws/SessionLaws/Acts/2018/Chapter121>.
2. An Act relative to the minimum wage, H. 1925, 193rd General Court of the Commonwealth of Massachusetts, <https://malegislature.gov/Bills/193/HD3965>.
3. NELP analysis of American Community Survey 1-Year Estimates, Public Use Microdata Sample (2022). For the purpose of this analysis, “white” is defined as non-Hispanic or non-Latino white, and workers of color as all others.
4. National Employment Law Project and Restaurant Opportunities Centers United, *The Raise the Wage Act: The Gradual Elimination of the Unfair Subminimum Wage for Tipped Workers*, April 2017, <https://www.nelp.org/wp-content/uploads/Raise-the-Wage-Act-Gradual-Elimination-Subminimum-Wage-Tipped-Workers.pdf>.
5. Sylvia A. Allegretto and David Cooper, “Twenty-Three Years and Still Waiting for Change: Why It’s Time to Give Tipped Workers the Regular Minimum Wage,” Economic Policy Institute and UC Berkeley Center on Wage and Employment Dynamics, July 10, 2014, <https://files.epi.org/2014/EPI-CWED-BP379.pdf>.
6. In 2018 in Michigan, a minimum wage ballot initiative—which included a provision phasing out the lower tipped wage—was adopted and gutted by the state legislature. Advocates sued, won in the lower court, and expect to prevail in the Michigan Supreme Court, which will soon hear the case. Additionally, a ballot initiative that would raise the state’s minimum wage to \$15 and gradually eliminate the tipped wage may appear on the November 2024 ballot. For more, see <https://onefairwage.site/michigan> and <https://www.yahoo.com/now/ruling-michigan-tipped-wages-could-015651031.html>.
7. “One Fair Wage: The Key to Saving the Restaurant Industry Post-Covid 19,” One Fair Wage, accessed March 7, 2023, https://onefairwage.site/wp-content/uploads/2022/05/OFW_FactSheet_USA.pdf.
8. Carl McPherson, Michael Reich and Justin C. Wiltshire, “Are \$15 Minimum Wages Too High?” Institute for Research on Labor and Employment, updated December 25, 2022, <https://irle.berkeley.edu/publications/working-papers/are-15-minimum-wages-too-high/>.
9. One Fair Wage, *One Fair Wage: The Key to Saving the Massachusetts Restaurant Industry Post-Covid 19*, accessed March 11, 2024, https://static1.squarespace.com/static/6374f6bf33b7675afa750d48/t/6571e9ad6a1fdb0e74416580/1701964205701/OFW_FactSheet_MA_new.pdf.