



The District's Dime

Going Beyond the Budget Book

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A Few Tips On the Tipped Minimum Wage

By Elissa Silverman

A week from today, on October 28, the DC Council will hold an important hearing on various bills to increase the city's minimum wage, including the minimum wage for tipped workers. You can sign up to testify [here](#). The minimum wage has been the subject of many research studies, with the overwhelming bulk of research showing that raising the minimum wage boosts workers' pay with little or no effect on jobs. Yet as we saw with the city's recent debate over a living wage for large retailers, the findings can often be [misinterpreted](#) or cherry picked to bolster a certain point of view. We saw that in a local op-ed in yesterday's *Washington Post*, which mischaracterized the academic research on the minimum wage.

One of the bills under consideration by the Council would not only raise DC's base minimum wage of \$8.25 but also the wage for tipped workers, which is currently \$2.77 an hour in DC. Tipped workers in DC and most states — including restaurant servers, bartenders, nail salon technicians, and even car wash employees — by law may receive a lower wage because some of their income comes from tips. These workers qualify for a “tipped credit,” meaning that wages plus tips must equal the full minimum wage. If employees do not average at least the full minimum wage over the work week, counting both wages and tips, their employer is required to pay the difference. This is rarely enforced, however.

It's important to understand the history of the tipped minimum. Initially, the federal tipped wage was tied to the full minimum wage; it was set at half of the minimum wage. In 1980, Congress raised it to 60 percent of the minimum. In today's terms, that would mean the tipped wage in DC would be \$4.95. In 1996, however, the federal tipped minimum was set at \$2.13 and has remained frozen ever since, despite increases to the broader minimum wage.

At least [27 states](#) have a higher tipped minimum wage than DC, including at least 7 which make no distinction between a tipped worker and any other worker. These states include California, Minnesota, and Oregon.

Raising the minimum wage for tipped workers, along with other workers, is important for several reasons. Some servers work in low-price establishments where tips can be very low. Restaurant business can vary from week to week or shift to shift, so that a worker relying mainly on tips could face very uneven income despite having the same bills to pay every month. And freezing the tipped worker minimum wage for a long period of time means that the balance of who pays servers changes over time from owners to patrons. Most of us who eat at restaurants would like to think that tips are adding to our server's wages, not filling in for low and stagnant pay.

Yesterday's op-ed, written by a researcher closely tied to the restaurant industry, made the argument that raising the tipped minimum would have negative impacts on DC's thriving hospitality industry

and its workers. But research actually shows a different story. A [2006 study](#) by DCFPI's affiliate in New York found that states with a higher local minimum had faster job growth. And a [study](#) specially focused on tipped workers by Paul Wolfson at Dartmouth's Tuck School of Business looked at 12 states and the District who have higher tipped minimums than the federal level and found the increase had not adversely impacted jobs.

Much of the attention is on the restaurant industry because national studies have shown that the majority of tipped workers are servers and bartenders. Many of these workers are adult women who are supporting families.

DCFPI looks forward to a fair and thoughtful examination of the research. As the debate moves forward, there are certain principles that we will advocate for:

- Making the tipped minimum a percentage of the base minimum wage so it increases with any increase to the minimum wage.
- Providing annual inflation adjustments to the full minimum wage, which will allow the tipped worker wage to also rise with the cost of living.
- Ensuring the tipped minimum is a living wage for all tipped workers, whether they are in high-end or lower-priced establishments.

The District's Dime will be writing more about the minimum wage later this week.