

Let Service Workers Keep What They Earn: Do Not Increase the Tip Credit!

What is a “tip credit”?

A tip credit is the amount below minimum wage that an employer is allowed to pay employees who work in jobs that customarily receive tips. Tips rightfully belong to the employee performing their service. They may be customary, but they are **voluntary**: employers should not be permitted to take more of that hard-earned money so they can pay employees less of their business’s profits. The credit shifts part of the responsibility onto the **customer to pay a worker’s wages**. Many of Hawai’i’s visitors come from countries where tipping is not customary or even appropriate.

Raising the minimum wage does *not* hurt jobs.¹

The minimum wage has been raised **4 times since 2002**, and the number of jobs in **Accommodations & Food Service** has **increased** by an average of **2.2%** over the **next twelve months** after the minimum wage increase.

In the 12 months after these minimum wage increases, the Accommodations & Food Service saw an additional:

- **2,900 jobs** following the minimum wage increase from \$4.75 to \$5.75 on 1/1/2002.
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An average of **2,012 more jobs** or **3.8% more** were added in **Food Services & Drinking Places** within **6 months** the last **4 times** the minimum wage increased.

What’s the problem with a tip credit?

The minimum wage is supposed to be the floor, not a way to get around paying the minimum wage. Holding a minimum wage increase for the **poorest workers hostage** to a tip credit increase to boost profits and pitting minimum wage and other low wage workers against each other is **wrong**. Earnings for “back of the house” workers should not depend on what is paid (or not paid) to “front of the house” workers.

The **average tipped worker earns just \$9.88 per hour**, and tipped workers are **more likely to live under the federal poverty guidelines**.² As a result, 7 states allow **no tip credit at all**.

Waiters and servers earn an average of **\$26,280** a year (\$12.64/hour) in Hawai’i while cooks average **\$29,200** (\$14.04/hour).³ The **average annual wage** for all workers in Hawai’i is **\$39,613** (\$19.04/hr).

Employees who are categorized as “tipped” have reported being given **more hours** working on **non-tipped tasks**, such as cleaning or busing rather than serving.

Who Are Tipped Workers?³

2 in 3 are women

1 in 3 are parents

Half are 30 years old or older

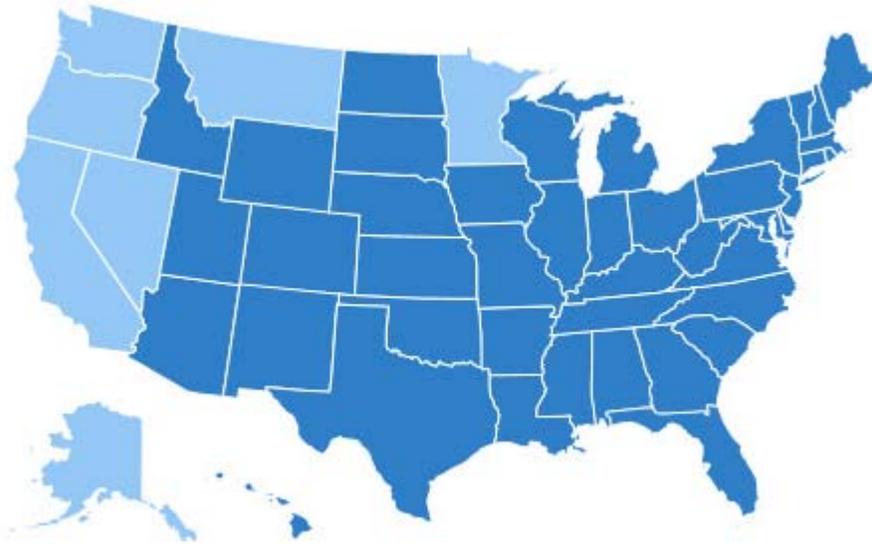
1 in 6 rely on free lunches to feed their children

1 in 7 rely on SNAP (food stamps)

1 in 4 people of color working for tips lives in poverty

For more information: www.hawaiineedsaraise.com

Seven states have NO tip credit.



- Alaska
- California
- District of Columbia
- Minnesota
- Montana
- Nevada
- Oregon
- Washington

Yet all have a lower cost of living than Hawai'i.

Sources:

¹ Research & Statistics Office, Department of Labor and Industrial Relations.

² Ave tipped worker: Source: U.S. Census Bureau, Current Population Survey, 2006-2012, calculations by Restaurant Opportunities Center.

³ Waiters and servers: U.S. Census Bureau, Current Population Survey, 2012 data.