

Protect the Economic Security of Thousands of Alaska's Tipped Workers

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Thousands of hard-working waiters and waitresses are counting on Alaska lawmakers to protect their economic security in the current minimum wage debate. Tipped workers like the waitress at your local diner are already struggling to get by, and a disproportionate number live in poverty. And this hard-working group of workers (overwhelmingly women) is currently seeing its pay drop as economically squeezed customers leave smaller tips. Moreover, economic studies show that, contrary to the restaurant industry's claims, guaranteeing a strong minimum wage for tipped workers is simply not a major factor, one way or the other, in the economic health of the industries that employ these workers.

1. More than 5,900 working Alaskans already struggle to get by on the minimum wage and tips.

- Alaska has thousands of tipped workers – including at least 4,200 waiters and waitresses and 1,700 bartenders alone, according to the U.S. Bureau of Labor Statistics (BLS).¹ These workers represent nearly 2% of the state's workforce – more than the number of the state's elementary and middle school teachers combined.² And the total number of Alaskans who rely on tips to get by is likely higher, since this number does not include tipped workers in other occupations.
- But the BLS employer survey reports that as of 2007 Alaska's waiters and waitresses earned just \$9.67 an hour even after tips – about \$2.50 more than the minimum wage at the time, but less than half of the average hourly wage in the state (\$22.00).³
- Over the course of a year, the average waiter or waitress earns \$20,114 – just below the federal poverty line for a family of three in Alaska.⁴ In reality, even a single adult Alaskan can have trouble making ends meet on less than \$10 per hour, and more realistic calculations find that a one-parent, one-child family needs to earn closer to \$38,000 annually (about \$18.28 per hour) to get by in Anchorage – and closer to \$44,000 in rural Alaska.⁵

2. Tipped workers need a strong minimum wage because they can't count on tips.

- Tips are notoriously erratic – varying based on broader economic trends, and from season-to-season or even shift-to-shift. This is especially true now, as national reports show that economically struggling customers are leaving smaller tips.
- Workers who rely on tips are open to sudden pay drops that prevent them from paying their bills and caring for their families.
- States that, unlike Alaska, allow employers to pay tipped workers less than the minimum wage under complicated “tip credit” systems have found that they are vulnerable to abuse that results in many tipped workers being paid very low wages and not receiving all of their tips.
- Rejecting this approach, Alaska has followed the approach of other western states including California, Minnesota, Montana, Nevada, Oregon, and Washington by requiring employers to pay tipped workers the full minimum wage in order to ensure workers like the waitress at the local diner receive a dependable base income that cushions them against economic hardship.

3. Across the country, tipped workers are overwhelmingly working women, and a disproportionate share live in poverty.

- NELP's analysis of the Current Population Survey shows that 62% of tipped workers overall and 72% of waiters and waitresses are women. More than two-thirds of tipped workers are adults 21 and older, and 86% of waiters and waitresses are over 19.
- Tipped workers like waiters and waitresses face triple the poverty rate of the workforce as a whole, with one in seven living in poverty (14.9%).

4. Studies of states and cities that have high tipped worker minimum wages consistently show that the tipped worker minimum wage – like the minimum wage in general – is simply not a major factor, one way or the other, in the economic health of the industries that employ these workers.

- For example, a 2006 study the Fiscal Policy Institute found that the 10 states that had raised their minimum wages (and tipped worker minimum wages) between 1998 and 2003 had *faster* job growth in their small businesses than the 40 other states.⁶
- In a 2006 study, Dartmouth economist Paul Wolfson found no evidence of job loss in the restaurant industries of 17 states and the District of Columbia that had raised their minimum wages and tipped worker minimum wages (the latter in 16 of those 18 jurisdictions).⁷
- A University of California study of San Francisco's restaurant industry found no restaurant closures, job loss, or substantial price increases after the city raised the minimum wage for all workers – including tipped workers – by \$1.75 an hour in 2004.⁸
- Even the National Restaurant Association's own analysis of industry trends projects that Alaska will be one of the top five states in terms of restaurant job growth over the next decade —joining Nevada, another state that requires tipped workers be paid the full minimum wage (\$6.85).⁹

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¹ See Bureau of Labor Statistics, May 2007 Occupational Employment and Wage Estimates Alaska (2007), http://www.bls.gov/oes/2007/may/oes_ak.htm.

² According to the BLS, Alaska has 4,840 elementary and middle school teachers combined, not including special education and vocational education teachers. *Id.*

³ *Id.*

⁴ *Id.*; United States Department of Health and Human Services, 2008 Federal Poverty Guidelines, <http://aspe.hhs.gov/poverty/08Poverty.shtml> (\$22,000 for a family of three in Alaska).

⁵ See Economic Policy Institute, Basic Family Budget Calculator, http://www.epi.org/content/budget_calculator/?family_type=IPIC&state=AK&area_name=Anchorage%2C+AK+HUD+Metro+FM+R+Area (Anchorage); http://www.epi.org/content/budget_calculator/?family_type=IPIC&state=AK&area_name=Rural (rural Alaska). Economists have created this measure based on realistic basic family budgets tailored to a variety of metropolitan statistical areas around the country. See Sylvia Allegretto, Basic Family Budgets (2005), <http://www.epi.org/publications/entry/bp165/>.

⁶ Fiscal Policy Institute, States with Minimum Wages Above the Federal Level Have Had Faster Small Business and Retail Job Growth (Mar. 30, 2006), <http://fiscalspolicy.org/FPISmallBusinessMinWage.pdf>.

⁷ Paul Wolfson, State Minimum Wage: A Policy That Works (2006), <http://www.epi.org/content.cfm/bp176>.

⁸ Arindrajit Dube, et al, The Economic Impact of a Citywide Minimum Wage (3d Rev. 2007), <http://repositories.cdlib.org/iir/iirwps/iirwps-111-05>.

⁹ National Restaurant Association, "Restaurant Industry in All 50 States to Grow Sales, Add Jobs in 2008 and Beyond," Dec. 12, 2007, at <http://www.restaurant.org/pressroom/pressrelease.cfm?ID=1536>. See also Press Release, *Darden Sees Little Impact from Minimum Wage Hike*, Dec. 20, 2006 (on file with NELP).