

Policy Brief: Who are Seattle's Tipped Workers?

Puget Sound Sage

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Summary

The \$15-an-hour minimum wage in Seattle has been focused on a debate over tipped workers, who according to our analysis, comprise of less than 10% of workers who earn below \$15 an hour.¹

In this policy brief, we shine a spotlight on all tipped workers in Seattle, so that city elected officials can focus on practical solutions for raising the minimum wage, instead of relying on speculation about who tipped workers are and what incomes they earn. To inform our research, we combined an analysis of government data with interviews of workers in various tipped professions. Our analysis demonstrates that the average tipped worker in Seattle is roughly 32 years old, has at least some level of college education, and earns less than \$15 an hour – even if you include tips in their hourly earnings.

Highlights:

- Tipped employees are more likely to earn low wages: the average annual pay for waiters and waitresses in the City of Seattle is \$22,620 per year. Waiters and Waitresses make up 61% of Seattle's tipped workers.
- Tipped workers are disproportionately women: 59% of tipped workers are women, even though women comprise of only 46% of Seattle's workforce.
- Tip credit encourages wage theft: Nationwide, full-service restaurants were found non-compliant in 84% of Department of Labor Wage and Hour Investigations.

Tipped Employees Are More Likely to Earn Low Wages

Tipped workers generally earn below \$15 an hour, including tips. Although there has been much attention paid to a few high-earning, tipped restaurant workers, this group is not representative of the tipped workforce in general. In this policy brief, we define tipped workers as workers in one of the following occupations that receive tips: Massage Therapists, Counter Attendants/Coffee Shop Baristas, Bartenders, Bellhops and Concierges, and Waiters and Waitresses.² Of these occupations, Waiters and Waitresses represent roughly 61% of Seattle's tipped workers.

Below you will find an analysis of hourly wages for tipped occupations in the Seattle Metropolitan region. As this data derives from state payroll surveys, the wage figures include tips paid by credit card, but not cash tips. Some occupations, particularly those in full service restaurants, receive 85% - 98% of tips through credit card transactions, according to industry sources, and therefore the median wages shown in Table 1 are likely representative of the full wages received by waiters and waitresses.³ Other occupations, such as bellhops or doormen, are more likely to receive marginal amounts of tips in relation to their hourly wage, which would not greatly increase the State's estimates below.

Table 1. Wages for Tipped Workers in the Seattle Metropolitan Region

Occupation	Median Hourly Wage
Massage Therapists	\$29.38
Bartenders	\$12.58
Counter Attendants, Concession, Coffee Shop	\$10.10
Waiters & Waitresses	\$12.15
Hairdressers, Hairstylists, & Cosmetologists	\$14.48
Manicurists & Pedicurists	\$10.89
Baggage Porters & Bellhops	\$9.46

Occupational Wage Data King and Snohomish Counties, 2013, Washington State Employment Security Department

In addition to receiving low wages, many workers work less than full time, with an average of 30 hours worked per week. Below we estimate the average annual income for tipped occupations in the city of Seattle. Part-time hours contribute to the low annual wages we found in our analysis, particularly for counter attendants and coffee shop workers.⁴ We estimated average annual income using American Community Survey 2011 PUMS data for people who work in the City of Seattle.⁵

Table 2. Average Annual Incomes for Tipped Workers in Seattle

Occupation	Average Income
Massage Therapists	\$28,138
Bartenders	\$27,878
Counter Attendants/Coffee Shop	\$9,296
Waiters and Waitresses	\$22,620
Bellhops and Concierges	\$21,061

Author’s calculations of tipped workers in the city of Seattle - ACS 2006- 2011 Census Public Use Microdata Series

Tipped Occupation: Bellman

“I have been working as a bellman for 30 years, and make less than \$15 an hour - most days I can count on my fingers how much money I get in tips. On the day of the Mayor’s Income Inequality Symposium, I went to the reception after work with just \$11 in my pockets. That was all I made in tips for the whole day. It’s just cruel and ridiculous that a policy would reduce my hourly wage over \$11 in tips. Workers like me need every extra dollar we get.”

- Chuck, Hilton Seattle

Tipped Workers are Disproportionately Women

Women are over-represented in lower-wage tipped occupations. According to Table 3, women comprise of 59% of tipped workers working in the City of Seattle, although women represent only 46% of Seattle’s workforce.⁶ Women represent the majority of counter attendants, massage therapists, and servers in full service restaurants. On the other hand, tipped workers who are men are more likely to be bartenders or bellhops.

Table 3. Gender of Tipped Workers in the City of Seattle

Who are Seattle's Tipped Workers?

Occupation	Men	Women
Massage Therapists	11%	89%
Bartenders	58%	42%
Counter Attendants/Coffee Shop	42%	58%
Waiters/Waitresses	37%	63%
Bellhops and Concierges	81%	19%
All Tipped Occupations	41%	59%

Author's calculations of tipped workers in the city of Seattle – ACS 2006- 2011 Census Public Use Microdata Series

In addition to over representation by women, the average tipped worker is 32 years old and 70% of tipped workers have some level of college education.⁷ Only 6% of tipped workers in Seattle are under 20 years old.⁸

Tipped Occupation: Server

I work as a hostess and server at a locally-owned bar & restaurant on Capitol Hill. I'm 25, and I'm one of the youngest people working there. All of us are trying to support ourselves. It's hard, because the pay is low, and normally I only make about \$20 in tips over a whole day. Tips vary a lot from day to day, so it's really hard to rely on them to pay the rent.

The other day, my boss told me: "You make a good hostess, especially if you're wearing a skirt like that." I don't like the idea that a tip credit would mean my boss has to pay me less if my customers tip more. That means he'd have even more reason to care about what I wear, and that's not ok.

Tips are an add-on, they're not something you can depend on. And whether or not I make a living shouldn't be up to what's basically a gift from customers. That's what my job should be paying me.

– Anna, Restaurant on Capitol Hill

Tip Credit Encourages Wage Theft

Tipped workers, particularly in full service restaurants, also face high levels of wage theft. From 2010-2012, the USDOL Wage and Hour Division conducted nearly 9,000 investigations of full service restaurants, and found an 84% non-compliance rate. The Wage and Hour Division recovered \$56.8 million in back wages for nearly 82,000 workers and assessed \$2.5 million in civil money penalties.⁹

Allowing tips to count towards wages encourages this high-level of wage theft. States that allow tips to be counted towards the hourly minimum wage are known as tip-credit or tip-penalty states. In tip-credit states, many tipped workers are unaware that their tips and hourly wages must add up to at least the minimum wage. Some employers play fair, but many employers are unlikely to ensure that their workers are paid appropriately – and it is up to the employees to know and understand the law, and find the right avenues to report violations.¹⁰

In 1988, Washington State eliminated tip credit – raising tipped workers base hourly wage by 85%.¹¹ Today, Washington State's restaurant industry is thriving. Since the end of the Great Recession in 2009, employment of tipped restaurant workers grew faster in states with a higher tipped minimum wage, restaurant sales per capita are higher than in tip-credit states, and state-by-state examination of restaurant sales over the last three years shows that per-capita sales increases as the tipped minimum wage increases.¹²

Tipped Occupation: Counter Attendant

I get paid \$10.90 an hour for working the counter at a fast-casual grill restaurant. I like to working with all kinds of different customers and co-workers, but I just can't support myself on that paycheck. It's not enough to live on my own, so I'm staying with my parents right now — and I have a Master's Degree!

I keep on hearing about servers who get \$50/hour in tips, but that's not why my job is like. I get about \$7 - \$12 — a day — in cash tips. There used to be a tip line on credit card receipts, but none of us who worked there ever saw the money from these tips. I asked the owner about it, and he got mad. Instead of giving us the tips we were getting, he just took the tip line off the receipts. We never saw all the money customers had intended as tips all those months — the owner just took it for himself.

- Sarah, Casual Grill Restaurant

Recommendations

Employers in Seattle are asking Council and the Mayor to establish a wage system that includes various forms of compensation like tips, healthcare, education credits, commissions and bonuses, based on the earnings of a handful of waiters and waitresses that earn well over \$15 in tips and wages. But implementing a tip credit, or including multiple forms of compensation in the minimum wage, would instead penalize the thousands tipped of workers who, like Anna, Sarah, and Chuck, earn less than \$10 - \$20 *per day* in tips. It would embolden Seattle employers, as it has employers across the country, to pay workers below the minimum wage. And it would exacerbate the gender pay gap by leaving behind the predominately female workforce of tipped workers.

We recommend:

- That the same \$15 per hour minimum wage be applied to all workers, without any penalties or credits for tipped workers
- That a strong enforcement mechanism is included in the minimum wage policy that focuses on worker-led prevention, education, and monitoring. The City should take this opportunity to reduce wage theft, not implement a tip penalty that encourages wage theft.
- That in lieu of a tip penalty, the City should help small businesses adjust to a \$15 per hour minimum wage through a phase-in period.

Endnotes

¹ For our analysis, we used Public Use Microdata for the 2006-2011 American Community Survey. Public Use Microdata consists of 1% of raw census data for public analysis. We narrowed our sample size to workers in tipped occupations who self-reported as working in the City of Seattle. Given the narrow sample size, the Census Bureau provides weights, which allow us to make a more representative assessment of Seattle's tipped workforce. Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

² We chose to exclude certain occupations, like hairdressers and housekeepers, from our analysis. Census and Employment Security Department Data folds some of these occupations with occupations that are either 1) independent contractors or 2) non-tipped employees. Due to this level of irregularity, we excluded this category from our definition of tipped workers.

³ Conversation with Anthony Anton, Washington State Restaurant Association, 4/7/2014. Testimony from Andrea Stowell, Ethan Stowell Restaurants to Seattle City Council, 4/7/2014.

⁴ Census data folded hairstylists and manicure and pedicurists into larger occupational categories which may include non-tipped professions. Therefore, we excluded them from our Census analysis of tipped workers.

⁵ For our analysis, we used Public Use Microdata for the 2006-2011 American Community Survey. Public Use Microdata consists of 1% of raw census data for public analysis. We narrowed our sample size to workers in tipped occupations who self-reported as working in the City of Seattle. Given the narrow sample size, the Census Bureau provides weights, which allow us to make a more representative assessment of Seattle's tipped workforce. Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

⁶ Vallesterio-Keenan, Nicole and Howard Greenwich, *Economic and Equity Outcomes of a \$15 Minimum Wage in Seattle*, (April 2014), Puget Sound Sage. Available at: [http://www.pugetsoundsage.org/downloads/Economic%20and%20Equity%20Outcomes%20of%20a%20\\$15%20Minimum%20Wage%20in%20Seattle_1.pdf](http://www.pugetsoundsage.org/downloads/Economic%20and%20Equity%20Outcomes%20of%20a%20$15%20Minimum%20Wage%20in%20Seattle_1.pdf), Accessed on April 17, 2014.

⁷ See endnote 5. Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

⁸ Ibid.

⁹ *Recipe for Success: Abolish the Subminimum Wage to Strengthen the Restaurant Industry*, (March 2014) The Restaurant Opportunities Center United. Available at: http://rocunited.org/wp-content/uploads/2014/03/ROCUnted_Recipe-for-Success.pdf, Accessed on April 16, 2014.

¹⁰ Allegretto, S. & Fillion, K. (2011). *Waiting for Change: The \$2.13 Federal Subminimum Wage*. Economic Policy Institute and the Center on Wage and Employment Dynamics. Available at: <http://s1.epi.org/files/page/-/BriefingPaper297.pdf>, Accessed on April 17, 2014.

¹¹ Washington Minimum Wage Increase, Initiative 518. Available at: <http://digitalarchives.wa.gov/WA.Media/do/5E25EF10E19B77B35F2DF3196AF61693.pdf>, Accessed on April 16, 2014.

¹² See Endnote 8.

ABOUT SAGE

Puget Sound Sage works to promote good jobs, quality employment opportunities, a cleaner environment and affordable housing for low/moderate income families in the Seattle metropolitan area. Our mission is to ensure that all families benefit from economic growth, and that local and regional policy decisions meet the social and environmental needs of our communities. Sage provides timely, critical research on issues of the regional economy, jobs, housing and the environment. Find more information at our website, www.pugetsoundsage.org, and our blog, soundprogress.wordpress.com.

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