Why the Patriotic Millionaires Support One Fair Wage (with Tips on Top)

Overview

Members of the Patriotic Millionaires share a profound concern about the destabilizing level of inequality in America, which is currently at 100 year highs. The two primary drivers of this inequality are: 1) a wage floor that is too low and too porous and 2) a tax system that gives significant preference to the wealthy over working people.

The Patriotic Millionaires organization was founded in 2010 when dozens of high net worth Americans came together to demand higher taxes on people like themselves with incomes over $1 million and/or assets of more than $5 million. In 2013, recognizing the increasingly urgent need to reform democratic capitalism more broadly, the members endorsed a ‘living wage’ of $15 per hour and the transition to a One Fair Wage labor model under the campaign theme “Smart Capitalists for American Prosperity.”

In the last decade, the dynamics that sparked the Patriotic Millionaire members’ advocacy - a shrinking middle class, the continued off-shoring of manufacturing jobs, the growing capabilities of AI, and the increasing economic desperation of the working class - have continued to prove the importance of raising and fortifying the wage floor and eliminating the preferential treatment of the wealthy in the tax code.

The Importance of the Wage Floor / the Minimum Wage

The wage floor plays a critical role in our economy, ensuring that the engine of individual prosperity is directly tied to the business engine of the economy. Indeed, **a sufficient wage floor is the *only* way to ensure that American workers receive a fair share of the proceeds of business** and that the fortunes of our businesses and our citizens are deeply and intrinsically connected for every worker in every community across the nation.

One Fair Wage Is a PROVEN Macro-Economic Tool

Roughly 65 million people in the US already live in states that guarantee One Fair Wage with tips on top: **Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington.**

- **These states notably have stronger restaurant industries than states that have not made the transition**, measured in terms of restaurant quantity and employment.
- For restaurant servers and bartenders, **take-home pay in these states is 21% higher,** on average, than in $2.13 states.
- From 2011 to 2019, states that had standardized their minimum wage had stronger restaurant growth than states that had a lower tipped minimum wage—both in the number of full-service

restaurants (17.5% versus 11.1%) and in full-service restaurant employment (23.8% versus 18.7%).

- Research on the effects of minimum wage increases consistently finds a negligible loss of employment as a result of wage increases and suggests that minimum wage increases are largely absorbed by small price increases, as well as by turnover cost savings.

Consumer spending comprises about 70% of the US economy, and a stable economy depends on maintaining a stable level of demand. Time and again, research shows that **when workers are paid more, they spend their earnings more widely in their local economies, which boosts growth.**

More on the "Tip" Credit and Its Effect on Workers

In 42 states, rather than providing a full wage, lawmakers provide a separate rule for tipped workers, which allows restaurants to use a "tip credit" to meet their obligation to pay the minimum wage by counting some or all of the employees' tips as wages.

- In these states, restaurants can pay workers a "tipped" minimum (in Maryland $3.63) as long as the combination of direct wages plus tips averages out to at least the full minimum wage.
- This subminimum wage pushes many of the workers who rely on tips – restaurant servers, bartenders, hairdressers, ride-share drivers, and more – into financial instability and poverty.
- For these workers, the bulk of their paycheck comes directly from tips and is largely up to the discretion of the customer. Research has shown that quality of service often has little to do with what the customer chooses to tip.
- Although the law requires that employers make up the difference so that tipped workers receive at least the minimum wage, this does not always happen in practice.
- Workers earning tipped wages experience twice the poverty rate of non-tipped workers.

Impact on Workers

The tipped-minimum wage makes the service industry workforce particularly vulnerable to wage theft. Employers frequently do not make up the difference between the tipped-credit and the standard minimum wage. Workers who complain are likely to be given less desirable shifts or even face firing.

- In states that use the tipped minimum wage, the poverty rate among servers and bartenders is 13.3%—5.6 percentage points higher than the 7.7% poverty rate among servers and bartenders in states with a standardized wage.
- In the 10 most populous states in the country approximately 2.4 million workers every year, representing 17% of the low-wage workforce and 35% of tipped workers, report being paid less than the required minimum wage in their state. This is wage theft.
    - Wage theft totals an estimated $15 billion per year and a full time worker who is a victim of wage theft is losing an average of $3,300.

- ○ Between 2017 and 2020, approximately $3.24 billion in stolen wages was recovered by the Department of Labor, state agencies, and class action lawsuits.
- ○ Over 4.6 million workers have experienced wage theft in the last year, and approximately 98% of them—over 4.5 million workers—will never file a claim to recover their stolen wages.

- In 2019, more than $9.27 billion owed to workers earning less than $13 an hour was pocketed by employers who forced arbitration on their employees (which effectively prevents workers from ever recovering their stolen wages).
  - ○ More than 17 million workers earning less than $13 per hour were subject to this forced arbitration.

As a final thought, owners of high-end restaurants, busy bars or other establishments where workers make well above the minimum wage after tips, will often fear-monger their staff to make them believe that eliminating the tipped-credit will lower their take home pay. Not only does this ignore the reality that most tipped workers don't work at those places, it couldn't be further from the truth. **In reality, restaurant workers do better with the standard minimum wage *and* tips on top**.

Conclusion

America's workers rightfully feel left behind. While current minimum wages do not cover basic living expenses in many places and should be raised, raising the tipped wage to at least equal the minimum (with tips on top!) **will raise the wage floor for millions of hard working Americans, reduce poverty, clamp down on rampant wage theft, and will have a positive impact on our restaurants and the economy as a whole.**