

TESTIMONY

OF

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PROFESSOR

THE MURPHY INSTITUTE/CUNY

BEFORE THE

THE NEW YORK STATE DEPARTMENT OF LABOR WAGE BOARD

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Good morning. My name is Stephanie Luce and I am a professor of labor studies at the Murphy Institute, City University of New York. I have been studying low wage work and wage standards for over 20 years, including when I previously worked as an economist at the U.S. Department of Labor.

I am here to speak in favor of New York State raising its tipped minimum wage to the full minimum wage. In other words, the State should eliminate the sub-minimum rate for tipped workers.

As you know, the current minimum wage for restaurant workers in the state is \$5 per hour. Even with full-time, year-round hours, which are difficult to get in the industry, a tipped worker is only guaranteed to receive \$10,400 gross pay per year – far below what it considered necessary for self-sufficiency in New York.<sup>1</sup>

While the base minimum wage will increase over the next several years, the tipped sub-minimum wage will increase only for some workers. For the largest groups of tipped workers – restaurant and hospitality – the wage rate will remain frozen at \$5 per hour.

Even those workers who will get an increase will only go to \$6.80 per hour by 2015 – still far below the self-sufficiency wage for most workers, particularly those who cannot obtain full-time hours of work. A single worker in New York State would need to earn \$11.50 per hour, at full-time year-round work, in order to make a living wage to cover basic needs. Workers with children would obviously need even more. Nationwide, about 40 percent of restaurant workers live in poverty or near-poverty.<sup>2</sup> This is obviously a problem for workers and their families. But it is also a problem for the state, for at least two reasons.

First, research shows that low-wage workers must depend on public programs to make ends meet, including food stamps, subsidized housing and health care. Allowing employers to pay poverty wages is in one sense a subsidy from the state to these employers. For example, one study found that fast food workers use over \$7 billion in federal programs each year, to cover their basic needs that they cannot meet with a minimum wage salary. Tipped workers earning a sub-minimum wage would require even more.<sup>3</sup>

Second, higher wages results in more economic activity for the state. Workers spend their extra earnings on items such as groceries, household goods and transportation – all of which puts money into the local economy.<sup>4</sup>

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<sup>1</sup> MIT. Living Wage Calculator for New York State. 2014. <http://livingwage.mit.edu/>

<sup>2</sup> Saru Jayaraman. 2013. *Behind the Kitchen Door*. Ithaca, NY: Cornell University Press.

<sup>3</sup> Sylvia Allegretto, Marc Doussard, Dave Graham-Squire, Ken Jacobs, Dan Thompson and Jeremy Thomspson. 2013. “Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry.” Berkeley, CA: UC Berkeley Labor Center.

<sup>4</sup> Robert Pollin, Mark Brenner, Jeannette Wicks-Lim and Stephanie Luce. 2008. *A Measure of Fairness*. Ithaca, NY: Cornell University Press; National Employment Law Project. 2014. “An Order of Fair Pay: How a “Wage Order” Eliminating New York’s Sub-Minimum Wage for

The state should raise its tipped minimum wage to the same rate as the basic minimum wage. This is the direction that other states have gone. Currently seven states require employers to pay the full minimum wage to tipped workers.<sup>5</sup>

One compelling reason that the tipped wage should be increased is that the current tip credit rules are complex and hard to enforce. I have done extensive research on wage enforcement, particularly in the area of living wages, but have found that it is difficult for cities and states to enforce wage standards, particularly for low-wage workers, which tends to be a vulnerable and high-turnover population.<sup>6</sup> A report by the White House National Economic Council found that rules for tipped workers is often complicated and confusing, creating a common problem with full payment of wages.<sup>7</sup>

It is difficult enough to enforce minimum wages, but the tip credit is even more challenging. One way to improve this would be to raise the base wage that employers must pay directly to workers. This would provide a more reliable and stable wage, and therefore income, for tipped workers.

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Tipped Workers Will Deliver Fair Pay for Workers, Women, and the State's Economy." New York: National Employment Law Project.

<sup>5</sup> National Employment Law Project. 2014. "An Order of Fair Pay: How a "Wage Order" Eliminating New York's Sub-Minimum Wage for Tipped Workers Will Deliver Fair Pay for Workers, Women, and the State's Economy." New York: National Employment Law Project.

<sup>6</sup> Stephanie Luce. 2004. *Fighting for a Living Wage*. Ithaca, NY: Cornell University Press.

<sup>7</sup> "The Impact of Raising the Minimum Wage on Women and the Importance of Ensuring a Robust Tipped Minimum Wage," The White House, March 2014,