

ESSENTIAL WAGES

An Analysis of the Impact of Raising the
Minimum Wage on Tipped Workers in New
Hampshire

April 2022

*Ending the tipped minimum wage and raising the minimum wage to \$15 per hour would
double income for New Hampshire women in occupations where they are overrepresented
and underpaid*

93

%

Executive Summary

New Hampshire is one of 43 states and the District of Columbia in which tipped restaurant and hospitality workers are paid a subminimum cash wage, leaving them financially dependent on tips from customers for a large portion of their income. Seven states currently legislate an equal minimum wage for all, with no subminimum wages for tipped, disabled, or young workers.¹

Many New Hampshire tipped workers struggle to make ends meet. Only 15% earn on par or above the state median income.² As is the case with so many minimum wage jobs, women make up the overwhelming majority of tipped New Hampshire workers.³ The annual median income for these women is 60% below the state median income.⁴

Currently, New Hampshire’s tipped minimum wage is \$3.26 per hour. Increases in the tipped minimum have been pegged to increases in the regular minimum. But Governor Chris Sununu signed a bill that would freeze the tipped minimum wage, should the federal minimum wage increase. The new measure in effect will prevent any raise in cash wages for tipped workers.⁵

In response to a nationwide movement to raise the minimum wage, many states have increased their minimum wages above the federal minimum. Advocates, workers, and policymakers have called for an end to all subminimum wages and an increase of the minimum wage to \$15 per hour.

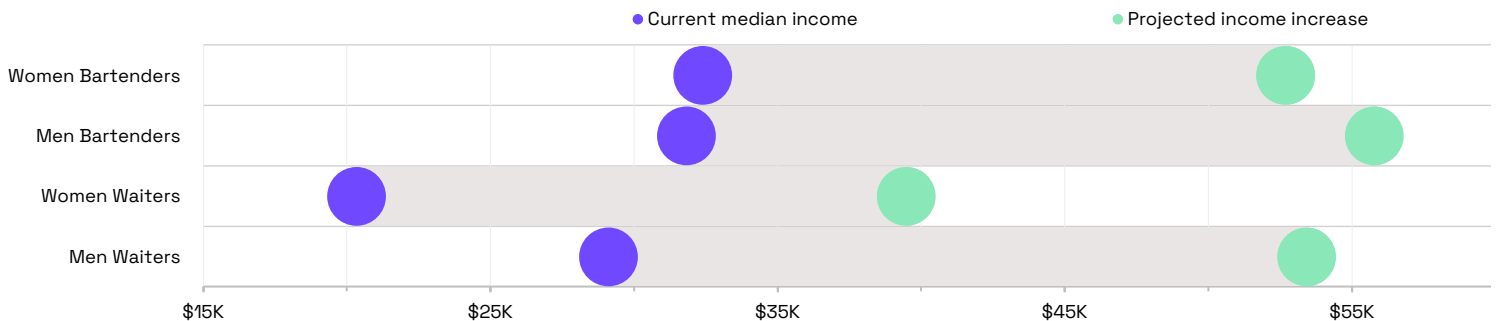
[The Gender Equity Policy Institute](#) analyzed current wages and income for tipped employees working in New Hampshire to estimate the effects of a \$15 per hour minimum wage coupled with the elimination of the tipped wage. The Institute’s analysis demonstrates that these changes would have profound positive benefits for tipped workers, particularly for women.

Key Facts and Findings:

- 73% of all tipped workers in New Hampshire are women.⁶
- Three-quarters of tipped workers in New Hampshire are waiters and bartenders; women make up 81% of waiters and 58% of bartenders.⁷
- 22% of women waiters and bartenders working year-round have earnings below 150% of the federal poverty line.⁸
- Income from wages will double for the majority of women waiters and bartenders.⁹
- Full-time tipped workers will see gains of \$21,367 or more per year.
- The typical woman waiter or bartender will get a raise of \$19,535.¹⁰
- The typical man waiter or bartender will get a raise of \$24,108.¹¹

Tipped Workers in New Hampshire Would See Their Income from Wages Doubled by a \$15 per hour Minimum Wage

PROJECTED INCOME GAINS FOR WOMEN BARTENDERS & WAITERS



Note: Medians and projected incomes are estimated for year-round workers and presented in 2019 dollars. Source: Gender Equity Policy Institute estimates compiled from ACS (2015-2019).

Low Wages and Gender Gaps in New Hampshire Tipped Work

New Hampshire's tipped minimum wage applies to employees in restaurants and accommodations, such as hotels and inns, who regularly receive tips from customers. It is currently \$3.26 per hour, \$3.99 per hour lower than the state minimum wage of \$7.25. The law requires employers to pay tipped workers a cash wage equal to the minimum wage if tips, on average, do not reach the statutory minimum wage. However, the provision is difficult to enforce and widely violated.¹²

Three quarters of tipped workers employed in New Hampshire are waiters and bartenders.¹³ Approximately 12% of bartenders and waiters are people of color and 88% are non-Latino White men and women.¹⁴

Women make up 76% of waiters and bartenders.¹⁵ The median income from wages and tips for women waiters is \$14,902, according to the Institute's analysis of U.S. Census American Community Survey data.¹⁶ Women bartenders do better, with a median income of \$26,803, as do women waiters who work year-round.¹⁷ Among year-round women waiters, part-time workers have a median income of \$15,383 and full-time workers have a median income of \$26,634.¹⁸ Nonetheless, all of these women earn well below the national and state median income, respectively, \$41,537 and \$39,614.¹⁹

Approximately 22% of women waiters and bartenders working in New Hampshire are living on earnings below 150% of the federal poverty line.²⁰ At least 28% of single mothers in these occupations earn below 150% of the federal poverty line.²¹ To put this in perspective, childcare for one 4-year-old costs \$10,348 a year in the state.²²

The gender pay gap among New Hampshire waiters is large and wider than the national gender wage gap. Among those working year-round, women waiters and bartenders earn 70 cents for each dollar their male counterparts earn.²³

Contrary to claims made by opponents of raising the tipped minimum wage, tipped restaurant work is not a casual side-hustle. In New Hampshire, eight out of ten women waiters and bartenders work at least 20 hours

a week. Five out of ten work at least 30.²⁴

Similarly, critics' assertions that tips more than make up the difference between the regular and lower tipped cash minimum wage are not supported by the data on wages and income. Only 15% of year-round tipped workers earn more than the median income for the state of New Hampshire.²⁵ The data also strongly indicates that the higher income workers are more likely to be bartenders and men.²⁶ Likewise, among the tipped workers with the lowest earnings, women are overrepresented.

In sum, for all but a small fraction of tipped workers, the tipped subminimum wage is insufficient for economic security.

The Tipped Minimum Cash Wage: A Relic of Racial and Gender Discrimination

The economic insecurity and disparities experienced by tipped workers are not simply the unfortunate result of impersonal market forces. They are the predictable legacy of race and gender discrimination written into law when the minimum wage was first enacted nine decades ago.

The minimum wage was one of the landmark reforms of the New Deal of the 1930s. But Southern segregationists in Congress leveraged their disproportionate power to deprive Black women and men of the new rights and benefits created by the law.²⁷ Likewise, the law reflected pervasive bias against women—attitudes by no means limited to the South.²⁸

The 1938 Fair Labor Standards Act (FLSA), which established the minimum wage, exempted restaurants and hotels from its provisions. These industries employed large numbers of Black people and women, as did many other exempted industries, such as agriculture, domestic work, and nursing homes. Nearly one-third of all Black workers worked in industries excluded from FLSA protection and regulation.²⁹

In 1966, the Johnson administration secured legislation to extend the minimum wage to all industries and raise the minimum wage. The revision to the FLSA had powerful positive effects on the incomes of low-wage workers. A recent study by the economists Ellora

than 20% of the decline in the racial earnings gap between 1965 and 1980.³⁰

Yet even as the FLSA reform mandated a minimum wage for tipped workers for the first time, it established a lower cash wage for tipped workers—at 50% of the minimum wage. Through subsequent raises of the minimum wage, the formula was maintained for three decades. But in 1996, the restaurant industry lobbied successfully to decouple the tipped minimum rate from the regular minimum wage. The new federal tipped minimum was permanently frozen at its 1991 level of \$2.13 per hour, where it remains today.

The legacy of gender and race discrimination remains embedded in U.S. federal and state minimum wage laws. Enacting an equal minimum wage for all occupations and sectors would eliminate the structural source of economic inequality in the food and hospitality industries. It would level the playing field, enabling women and people of color who work in tipped occupations to stand on an equal footing with all other workers going forward.

Tipped New Hampshire Workers Would See Massive Income Boosts from a \$15 per Hour Minimum Wage

Eliminating the tipped minimum wage and increasing the minimum wage to \$15 per hour would lead to substantial and meaningful increases in the earnings of all tipped workers.

Past research on minimum wage policy suggests that tipping remains consistent under a higher minimum cash wage paid by employers.³¹ Therefore, the Institute projects that tipped workers will earn \$11.74 more per hour in wages compared to the current hourly wage (\$3.26), upon full implementation of a \$15 per hour and equal minimum wage policy.³²

The Institute projects that the majority of tipped workers will receive a \$19,535 raise from cash wages annually.³³ Women tend to work fewer hours and earn less than men, but their gains will still be sizable. The typical woman waiter who works year-round will see her income nearly doubled from \$20,321 to \$39,444.

Current and Projected Incomes: New Hampshire Waiters and Bartenders

	Current Median Income	Projected Income
Women, Full Time	\$29,791	\$53,741
Women, Part Time	\$15,980	\$30,680
Men, Full Time	\$31,923	\$56,532

Note: Estimates represent current and projected income for year-round waiters and bartenders. Sample size insufficient to estimate incomes for men part time workers.

Source: Gender Equity Policy Institute estimates compiled from ACS (2015-2019).

Those working full-time will see their annual income boosted to \$51,017.³⁴

Increasing income for low-wage workers has many indirect benefits. While an analysis of these impacts is beyond the scope of this report, research shows that increases in income are consistent with improvements in health, security, education, and well-being for workers and their families.³⁵

Although critics charge that a number of negative impacts ensue from raising minimum wages,³⁶ a substantial body of research concludes that the impact to levels of employment and business success from raising the minimum wage are small.³⁷ In states with an equal minimum wage for all workers, there has been no significant loss of jobs and tipped workers earn higher incomes than in those in states with subminimum tipped cash wages.³⁸

The substantial hourly wage increase that will result from eliminating the tipped subminimum wage will provide food service and hospitality workers with higher and more stable incomes for the same amount of work.

By stabilizing incomes through adequate cash wages paid by employers, eliminating the subminimum tipped wage is likely to reduce workers' vulnerability to gender and race discrimination and harassment by customers—a persistent workplace problem that is beyond the reach of labor law to remedy. By freeing waiters and bartenders from the whims of customers, ending the tipped minimum wage will enhance workplace rights.

The Institute’s findings on the positive economic impacts of raising the tipped minimum wage accord with the prevailing research on the minimum wage, including that by the Congressional Budget Office.³⁹ Raising the minimum wage benefits low-income workers, particularly women and people of color. It has the potential to lift millions out of poverty nationally. For many other workers whose incomes are above the federal poverty line but remain low, raising the tipped minimum wage will also have substantial benefits.⁴⁰

economic disruption of the covid pandemic, while at the same time advancing broader systemic change in the area of economic inequality.

Conclusion

Eliminating the tipped minimum wage and increasing the minimum wage to \$15 per hour would be a major step toward raising incomes for New Hampshire’s struggling tipped workers, especially women. The Gender Equity Policy Institute’s analysis finds that implementing this policy would significantly advance gender equity, earning the policy a score of 93% on the Institute’s Intersectional Gender Equity Scale.

The Institute calls attention, particularly, to the ways in which this policy change would advance women’s economic equality and gender equity in a meaningful way:

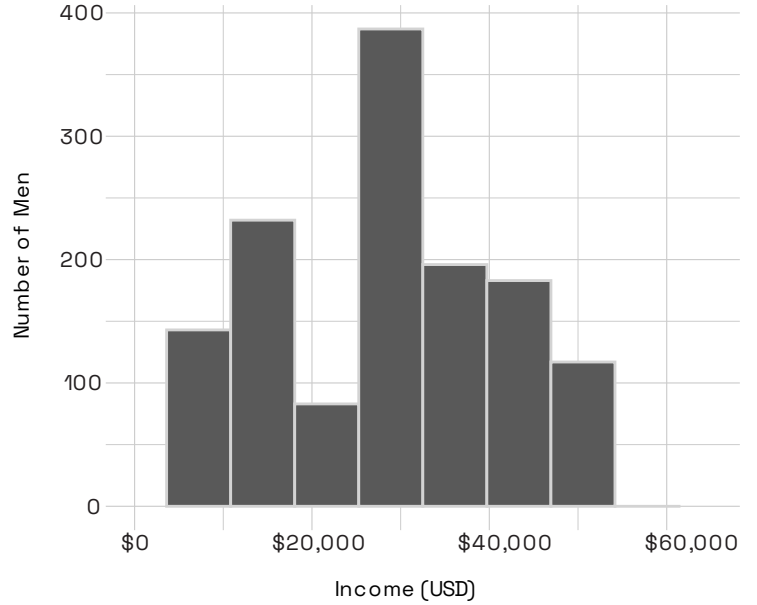
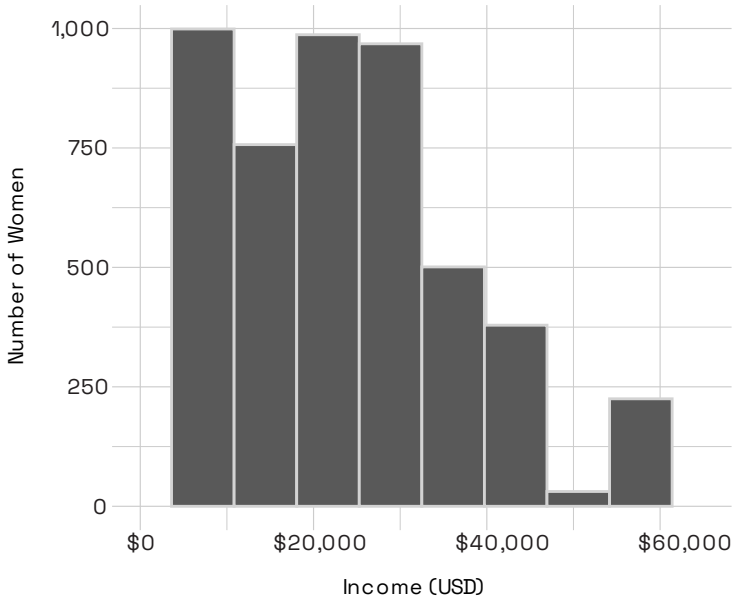
Gender Awareness: Eliminating the tipped minimum wage is responsive to the legacy of legally codified gender and race discrimination embedded in U.S. labor law. It proactively targets current wage inequality and eliminates the systemic foundation of the disparities.

Rebalancing Financial Benefits: Increasing the minimum wage will boost earnings and living standards for all tipped employees working in New Hampshire. In other words, all tipped workers—women and men—would benefit from the wage increase. Nevertheless, even as the policy takes a universal approach, it would substantially raise the incomes of those most disadvantaged by the current discriminatory system of subminimum wages.

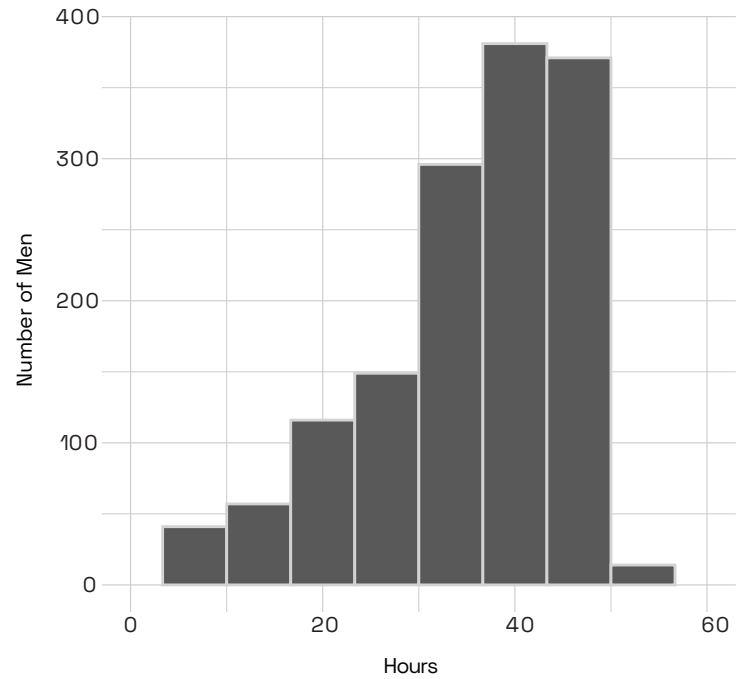
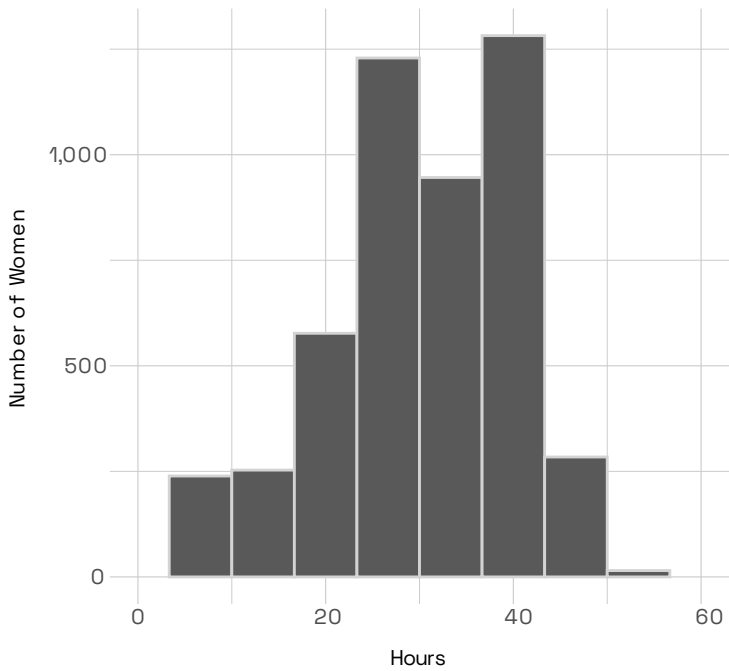
Gender Transformative: The policy provides immediate benefits to workers most negatively impacted by the

Appendix

ANNUAL INCOME, WAITERS AND BARTENDERS, BY GENDER



HOURS WORKED PER WEEK, WAITERS AND BARTENDERS, BY GENDER



NOTE: ESTIMATES REPRESENT WAITERS AND BARTENDERS WORKING YEAR-ROUND. SOURCE: GENDER EQUITY POLICY INSTITUTE ESTIMATES COMPILED FROM ACS (2015-2019).

Sources

- ¹ Dept. of Labor (DOL), Consolidated Minimum Wage Table, Effective Date Aug. 1, 2021, <https://www.dol.gov/agencies/whd/mw-consolidated>.
- ² The New Hampshire median income for individuals is \$39,614. (GEPI Analysis of ACS (2015 - 2019), IPUMS USA.)
- ³ The tipped minimum wage law in New Hampshire applies to restaurant and accommodation workers who customarily earn tips directly from customers. Three quarters of these workers are waiters and bartenders (76%). In total, 13,357 tipped workers—8,134 waiters, 2,020 bartenders, and 3,203 other tipped workers—work in the state and are paid cash wages according to New Hampshire’s tipped wage rates. Several thousand additional tipped workers live in New Hampshire but work in neighboring states and were not included in our analysis. Gender Equity Policy Institute analysis of American Community Survey (2015 - 2019), Steven Ruggles, Sarah Flood, Sophia Foster, Ronald Goeken, Jose Pacas, Megan Schouweiler and Matthew Sobek. IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. <https://doi.org/10.18128/DO10.V11.0>. (Hereafter, GEPI Analysis of ACS (2015-2019), IPUMS USA). Standard errors and confidence intervals for the Institute’s financial estimates and population proportions are available upon request.
- ⁴ The annual median income for women bartenders and waiters working any number of hours and weeks a year is \$15,980. (GEPI Analysis of ACS (2015-2019), IPUMS USA.)
- ⁵ “New Law ‘Uncouples’ N.H.’s Tipped Workers From Changes to Federal Minimum Wage,” New Hampshire Public Radio, July 29, 2021. <https://www.nhpr.org/nh-news/2021-07-29/new-law-uncouples-n-h-s-tipped-workers-from-changes-to-federal-minimum-wage>.
- ⁶ GEPI Analysis of ACS (2015 - 2019), IPUMS USA.
- ⁷ GEPI Analysis of ACS (2015 - 2019), IPUMS USA.
- ⁸ Calculated for those working part and full time. (GEPI Analysis of ACS (2015-2019), IPUMS USA.)
- ⁹ Fifty-five percent of women waiters and bartenders will see wage gains of at least \$18,314. Income gain is calculated for full implementation of a raise in cash wages to \$15 per hour compared to the current cash wage rate of \$3.26 per hour. The differential is \$11.74 per hour. (GEPI Analysis of ACS (2015-2019), IPUMS USA.) For women bartenders working 35 or more hours a week and 50 or more weeks a year, the median projected new income is \$59,417 +/- \$8,709. For women waiters working 35 or more hours a week and 50 or more weeks a year, the median projected new income is \$51,017 +/- \$4,889. Margin of error represents 95% confidence intervals. (GEPI Analysis of ACS (2015-2019), IPUMS USA.)
- ¹⁰ Calculated for those working year-round at part or full time, who make up 65% of women waiters and bartenders. (GEPI Analysis of

ACS (2015-2019), IPUMS USA.)

- ¹¹ Calculated for those working year-round for at part or full time, who make up 59% of men waiters and bartenders. (GEPI Analysis of ACS (2015-2019), IPUMS USA.)
- ¹² “The Impact of Raising the Minimum Wage on Women and the Importance of Ensuring a Robust Tipped Minimum Wage” (Washington, D.C: White House National Economic Council, Council of Economic Advisors, Domestic Policy Council, and US Dept. of Labor, March 2014), p. 6-7. <https://obamawhitehouse.archives.gov/sites/default/files/docs/20140325minimumwageandwomenreportfinal.pdf>. Sylvia A Allegretto and David Cooper, “Twenty-Three Years and Still Waiting for Change: Why It’s Time to Give Tipped Workers the Regular Minimum Wage” (Washington, D.C: Economic Policy Institute, July 10, 2014).
- ¹³ A total of 10,154 bartenders and waiter work in New Hampshire, according to the Institute’s analysis of the American Community Survey. (GEPI Analysis of ACS (2015 - 2019), IPUMS USA.)
- ¹⁴ Among those working year-round, at part or full time. (GEPI Analysis of ACS (2015-2019), IPUMS USA.)
- ¹⁵ GEPI Analysis of ACS (2015-2019), IPUMS USA.
- ¹⁶ GEPI Analysis of ACS (2015-2019), IPUMS USA.
- ¹⁷ Women bartenders working any number of hours and weeks report a median income of \$26,803 +/- \$6,866. Margin of error represents a 95% confidence interval. The interval is included for bartenders given the small sample size of ACS respondents reporting as tipped workers in New Hampshire. (GEPI Analysis of ACS (2015-2019), IPUMS USA.)
- ¹⁸ GEPI Analysis of ACS (2015-2019), IPUMS USA.
- ¹⁹ Jessica Semega et al., “Income and Poverty in the United States: 2019” (U.S. Census Bureau, September 2020), 9, <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-270.pdf>. GEPI Analysis of ACS (2015 - 2019), IPUMS USA.
- ²⁰ Among those working year-round at either part or full time. (GEPI Analysis of ACS (2015-2019), IPUMS USA.)
- ²¹ Where 28% represents the lower bound of a 95% confidence interval around the estimate of 47.5%, with a margin of error of 19.8%. The large size of the interval is a result of the small number of respondents working in these occupations who reported as single mothers. The Institute reported the lower bound of the estimate as a conservative measure. (GEPI Analysis of ACS (2015 - 2019), IPUMS USA.)
- ²² “Child Care Costs in the United States,” Economic Policy Institute (blog), accessed October 6, 2021, <https://www.epi.org/child-care>.

²³ The national gender wage gap is 82%. The difference in incomes for women and men is statistically significant with a Z-score test at 95% confidence level. (GEPI Analysis of ACS (2015 - 2019), IPUMS USA.)

²⁴ GEPI Analysis of ACS (2015-2019), IPUMS USA.

²⁵ GEPI Analysis of ACS (2015-2019), IPUMS USA.

²⁶ This percentage represents an estimate of 10% of year-round workers earning more than the state median, with margin of error of +/- 5%, which reflects a 95% confidence interval. (GEPI Analysis of ACS (2015-2019), IPUMS USA.)

²⁷ Ira Katznelson, *When Affirmative Action Was White: An Untold History of Racial Inequality in Twentieth-Century America*, Reprint edition (New York London: W. W. Norton & Company, 2006).

²⁸ Suzanne Mettler, *Dividing Citizens: Gender and Federalism in New Deal Public Policy*, 1st edition (Ithaca, N.Y: Cornell University Press, 1998).

²⁹ Ellora Deroncourt and Claire Montialoux, "Minimum Wages and Racial Inequality," *The Quarterly Journal of Economics*, September 14, 2020, <https://doi.org/10.1093/qje/qjaa031>.

³⁰ Deroncourt and Montialoux, "Minimum Wages and Racial Inequality."

³¹ Allegretto and Cooper, "Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage."

³² Based on the current tipped cash wage of \$3.26. The law technically gives employers a "tip credit" and requires them to make up the difference between the tipped minimum wage and the regular minimum wage if employees' tips do not on average equal the regular minimum wage. Workers who currently earn sufficient tips to equal the hourly minimum wage will receive \$11.74 additional per hour in cash wages paid by the employer, as well as keep their tips. The same formula applies for workers whose wage plus tip income typically exceeds the minimum. There is some uncertainty for the final group of workers: those whose tips consistently fall below the regular minimum wage. For these workers, additional earnings from cash wages will be guaranteed, regardless of their week-to-week tips. But for those in this group whose employers were fully compliant with the law to make up for insufficient tips, the hourly gain could be anywhere from \$7.75-11.24 per hour. It is worth noting, however, that the industry lobby argues that the subminimum rate is justified because tips more than make up the difference between the tipped and regular minimum wages.

The Institute considered several methodologies for projecting income gains for tipped workers. A common obstacle in such analyses is that data limitations inhibit disaggregating individual income between wage and tips. In other words, while we can estimate a waiter makes \$10/hr based on their annual income, weeks worked, and hours worked, we cannot discern what proportion of that hourly income is wage or tips. Given the literature that indicates customer tipping levels remain steady

even as cash wages rise, the Institute selected a method that estimates and projects income gains based on the difference between current and projected cash wages. In the case of New Hampshire, the mandated increase in wages would be \$11.74/hour. The Institute focused the analysis on year-round workers, both part and full time. Projected income increases therefore reflect this populations' expected income gains given the distribution of their hours and weeks worked.

³³ Individual income gains will vary based on number of hours worked, but 55% of all waiters and bartenders will see gains of \$19,535 and higher. Because women tend to work slightly fewer hours than men, the projected additional annual income for the majority (55%) of women is \$18,314 or more. For the majority (55%) of men, it is \$21,367 or more. (GEPI Analysis of ACS (2015 - 2019), IPUMS USA.)

³⁴ Compared to the 2019 median income for year-round women waiters working under the current tipped cash wage. Part-time workers are projected to have a new median income of \$30,557. (GEPI Analysis of ACS (2015 - 2019), IPUMS USA.)

³⁵ See, for example, Robert H. DeFina, "The Impact of State Minimum Wages on Child Poverty in Female-Headed Families," *Journal of Poverty* 12, no. 2 (June 5, 2008): 155-74, <https://doi.org/10.1080/10875540801973542>; George Wehby, Dhaval Dave, and Robert Kaestner, "Effects of the Minimum Wage on Infant Health" (National Bureau of Economic Research, June 27, 2016), <https://doi.org/10.3386/w22373>.

³⁶ For a comprehensive discussion of the scholarly research on the effects of minimum wage hikes, see Congressional Budget Office, "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage," Washington, D.C: Congressional Budget Office (CBO), July 2019), <https://www.cbo.gov/publication/55410.39-46>.

³⁷ Paul J. Wolfson and Dale Belman, "15 Years of Research on U.S. Employment and the Minimum Wage," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, December 10, 2016), <https://doi.org/10.2139/ssrn.270549> ; Doruk Cengiz et al., "The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator" (National Bureau of Economic Research, January 14, 2019), <https://doi.org/10.3386/w25434>.

³⁸ Allegretto and Cooper, "Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage."

³⁹ David E Card and Alan B Krueger, *Myth and Measurement: The New Economics of the Minimum Wage*, 1995. Congressional Budget Office, "CBO Federal Minimum Wage Report."

⁴⁰ Of U.S. workers who would benefit from a raise in the federal minimum wage to \$15 per hour, 59% are women and 23% are Black or Latina women. "Why the U.S. Needs a \$15 Minimum Wage: How the Raise the Wage Act Would Benefit U.S. Workers and Their Families," Economic Policy Institute (blog), accessed February 3, 2021, <https://www.epi.org/publication/why-america-needs-a-15-minimum-wage/>.

ABOUT THE GENDER EQUITY POLICY INSTITUTE

The Gender Equity Policy Institute is a nonprofit organization dedicated to advancing opportunity, fairness, and well-being through research and education exposing the gender impacts of the policies, processes, and practices of government and business.

We conduct and publish research on the best practices for advancing gender equity. We analyze and rate public policies and business practices to identify the effects on people of all genders, with particular attention to the impacts on groups, such as women, people of color, and LGBTQ+ people, who have been systematically disadvantaged by discrimination, bias, and structural inequality. By educating policymakers, business leaders, and advocates about the inequities and financial disparities embedded in seemingly neutral economic and political processes, we provide the tools and knowledge that leaders need to rebalance systems, guarantee equal benefits and opportunities, and secure a just and sustainable future for all people.

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