Federal Minimum & Subminimum Wages: Dynamics & Importance of the Two Tiered System

A Hearing on HR 1010
Richmond, California
March 31, 2014

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The tip credit as a percent of the minimum wage

Federal subminimum wage: $2.13 since 1991

Federal minimum wage: $7.25

Tip credit $5.12 or 71%

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50%

40%

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Tip credit $5.12 or 71%
Myth and reality

- Teens, 12.5%
- Age 20 to 29, 36.5%
- Age 30 to 39, 16.6%
- Age 40 to 54, 20.8%
- Age 55+, 13.7%

Source: David Cooper, Economic Policy Institute
The importance of HR1010

- Establishes a more meaningful wage floor
- Reconnects the TW to the MW
- Prevents erosion of the wage floors
- Reduces the ranks of the working poor
- Mitigates inequality
- Lessens the gender pay gap
- It is FAIR

And, it will not cause job loss
Three TW & two MW scenarios
Tip Credit = MW - TW

Federal: $7.25
Massachusetts: $8.00
Maryland: $7.25
Hawaii: $7.25
Washington State: $9.32

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Employment growth

Source: BLS QCEW data.
Booming industry

Source: QCEW 1990q1 to 2011q4.

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Gender matters

Source: Allegretto & Filion, EPI 2011. BLS CPS data.
Poverty rates

- Full Tip Credit
- Partial Tip Credit
- No Tip Credit

Source: Allegretto & Filion, EPI 2011. BLS March CPS data.
Access to Benefits

- **Health care**: 71%
- **Paid sick days**: 62%
- **Retirement**: 65%

Source: BLS NCS data.

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