

**Testimony of Dr. Sylvia A. Allegretto
New York State Hearing on the Subminimum Wage
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Thank you Commissioner Reardon and the New York State Department of Labor for allowing me this opportunity to share my thoughts and research concerning Governor Cuomo's proposal to eliminate New York's subminimum wage.

My name is Sylvia Allegretto and I am an economist and chair of the Center on Wage and Employment Dynamics at the University of California, Berkeley. Much of my research has focused on minimum and subminimum wages. I have written extensively and published in peer-reviewed academic journals on these topics. I came to this profession rather late in life, and prior to becoming an economist I worked as a food and cocktail server for seven years—into my 30s. So, while this testimony relies on my research it is also influenced by my experience of working in states with and without subminimum wages.

There is a commonly held misconception that restaurant wait staff and bartenders are generally young, new entrants into the labor force, looking for some extra spending money. The reality in New York is that the average tipped worker is 35 years old, the majority are women, one-third are parents, and they typically earn under \$11 an hour, including tips.

Along with low pay tipped workers have some of the lowest rates of workplace benefits such as paid sick leave, vacation pay, or retirement plans which leaves many workers in difficult circumstances. The lack of benefits actually means that workers must earn *that much more* to be able to afford an unpaid sick day. Further, restaurants and bars are heavy users of "just-in-time" employment practices—adjusting staffing levels on an hourly basis in response to customer flows—which exacerbates highly volatile work hours and pay.

Even as tipped workers are required by law to earn at least the regular minimum wage, there is evidence from regulators, workers, and owners that regular monitoring and enforcement of the two-tiered system is, at best, confusing, difficult, and expensive. At its worst, it simply isn't done. Often the onus is on the workers to monitor their pay and tips, and to approach their boss when money is owed—a very uncomfortable situation for a worker.

Besides low pay, lack of benefits, and issues around monitoring of the subminimum wage, there are other compelling reasons to establish one fair wage. My report released today addresses these issues and more including: inconsistent and unreliable schedules, inadequate enforcement of wage laws, poverty, reliance on public subsidies, sexual harassment issues, and a sizeable pay inequity based on gender.

Can New York eliminate its subminimum wage? This question has been answered in the seven states that currently do not allow for such a policy. In these seven states, the restaurant industry is thriving *and* tipped workers are paid a full minimum wage plus tips. The restaurant industry has experienced rapid growth all across the U.S. including in the seven states that do not allow for a sub-wage. In each of those states—Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington State—

employment growth in the full-service restaurant industry has outpaced overall private-sector growth by an average of five percent.

Furthermore, many chain restaurants have outlets across the U.S.—even within the seven states that do not allow a subminimum wage. Clearly, there are profitable business models in no-, low- and high-subminimum wage scenarios.

It is true that some tipped workers do well, but keep in mind that across New York there are countless more diners, 24-hour truck stops, and low-to-modestly-priced restaurants than there are high-priced eateries where larger tips are the norm.

At the very least, a single-wage policy ensures that a tip serves as the gratuity most consumers intend it to be—and not as a wage subsidy for business owners. It also helps to alleviate the downsides of a two-tiered wage system and assures that workers are paid fairly. The restaurant industry is booming across the U.S.; effective policy would raise not just pay but overall job quality for the tipped workforce.

I believe a thoughtful phase-out of the subminimum wage in New York is feasible.

Thank you for your time and this opportunity.

A handwritten signature in black ink that reads "Sylvia Ann Allegretto". The signature is written in a cursive, flowing style.

Dr. Sylvia Ann Allegretto