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February 11, 2019

To: Chair Hansen and Members of the Business & Labor Committee
From: Julia Tse, Policy Coordinator for Economic Stability and Health
RE: Support for LB 400 – Change the minimum wage for persons compensated by way of gratuities

Nebraska is a state that values family and hard work. Working parents deserve the dignity of knowing that their paychecks will be enough to meet their children's basic needs. Voices for Children in Nebraska supports LB 400 because it would ensure that more Nebraska children have what they need to be happy and healthy.

The policy of paying tipped workers a separate minimum wage was originally enacted in 1966 and at the time, the tipped minimum wage was 50% of the regular minimum wage, which is what LB 400 seeks to restore. When the federal minimum wage was raised in 1996, the tipped minimum wage was decoupled from the full minimum wage and frozen at the 1991 level, at \$2.13 per hour.ⁱ

Our current tipped minimum wage is overly reliant on consumers, while protections for workers who do not earn the full minimum wage after tips are limited. Without federal action on this issue since 1991, 32 states and the District of Columbia, including our neighbors in Colorado, Iowa, Missouri, and South Dakota, have raised their tipped minimum wage, including 8 states require that regular minimum wage be paid to tipped workers.ⁱⁱ

When compared to the overall workforce, tipped workers are more likely to be single parents. Contrary to the perception that food and beverage workers are teenagers, the national median age for workers in the industry was 29.8 in 2018 and over 62% were 25 or older.ⁱⁱⁱ The volatile nature of tipped wages leaves many Nebraska families at the mercy of lucky shift assignments and the generosity of customers, leaving little room for budgeting or investments in a child's future.

In states that have not raised the tipped minimum wage, 18% of tipped workers are living in poverty, while only 11% of tipped workers are living in poverty in states where tipped workers are paid the regular minimum wage before tips.^{iv} In order to supplement low wages and irregular income, tipped workers are also more likely to receive public assistance and to utilize more benefits when compared to non-tipped workers.^v

LB 311 provides more income stability for working parents in Nebraska. We thank Senator Hunt for her leadership on this issue and this committee for their time and consideration. We respectfully urge the committee to advance the bill.

ⁱ Sylvia Allegretto and David Cooper, "Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage," Economic Policy Institute, July 10, 2014, <https://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/>.

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- ⁱⁱ States that have raised their tipped minimum wage above the federal wage are: Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Hampshire, New York, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington, Washington D.C., West Virginia, and Wisconsin. Alaska, California, Hawaii, Minnesota, Montana, Nevada, Oregon, and Washington require tipped workers to be paid the regular minimum wage. “Minimum Wage Tracker,” Economic Policy Institute, January 8, 2019, <https://www.epi.org/minimum-wage-tracker/#>.
- ⁱⁱⁱ “11b. Employed Persons by Detailed Occupation and Age,” Labor Force Statistics from the Current Population Survey, U.S. Bureau of Labor Statistics, January 2019, <https://www.bls.gov/cps/cpsaat11b.htm>.
- ^{iv} Elise Gould and David Cooper, “Seven Facts About Tipped Workers and the Tipped Minimum Wage,” Economic Policy Institute, May 31, 2018, <https://www.epi.org/blog/seven-facts-about-tipped-workers-and-the-tipped-minimum-wage/>.
- ^v Sylvia Allegretto and David Cooper, “Twenty-Three Years and Still Waiting for Change: Why It’s Time to Give Tipped Workers the Regular Minimum Wage.”