February 1, 2021

To: Members of the Business and Labor Committee

From: Aubrey Mancuso, Executive Director

Re: **Support for LB 122 to eliminate the separate minimum wage for tipped workers**

Nebraska is a state that values hard work. Working parents deserve the dignity of being able to meet their children’s basic needs. Voices for Children in Nebraska supports LB 122 because it is a step toward ensuring more working parents can provide for their family.



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The policy of paying tipped workers a separate minimum wage was originally enacted in 1966 and at the time, the tipped minimum wage was 50% of the regular minimum wage. 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 of $2.13 per hour.[[1]](#endnote-1) We know that even the full state minimum wage of $9.00 is inadequate when compared with monthly expenses.

The lack of federal action on this issue has left the tipped minimum wage woefully inadequate. It is overly reliant on consumers, while protections for workers who do not earn the full minimum wage after tips are limited. Due to the lack of federal action, 32 states and the District of Columbia, including our neighbors in Colorado, Iowa, Missouri, and South Dakota, have raised their tipped minimum wage. Eight states require that regular minimum wage be paid to tipped workers, like the policy contained in LB 122.[[2]](#endnote-2)

When compared to the overall workforce, tipped workers are more likely to be single parents. Contrary to a perception that food and beverage workers are often teenagers, the national median age for workers in the industry was 29.8 in 2018 and over 62% were 25 or older.[[3]](#endnote-3) The volatile nature of tipped wages leaves many Nebraska families at the mercy of lucky shift assignments or the generosity of customers. This makes it very challenging to ensure monthly expenses are met.

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.[[4]](#endnote-4) In order to supplement low wages and irregular income, tipped workers are also more likely to receive public assistance and utilize more benefits when compared to non-tipped workers.[[5]](#endnote-5)

LB 122 provides greater income stability for tipped workers, many of whom are working parents, and ensures that they are more fairly compensated for their work. We respectfully urge the committee to advance the bill. Thank you.

1. 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/>. [↑](#endnote-ref-1)
2. 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/#](https://www.epi.org/minimum-wage-tracker/). [↑](#endnote-ref-2)
3. “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>. [↑](#endnote-ref-3)
4. 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/>. [↑](#endnote-ref-4)
5. 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.” [↑](#endnote-ref-5)