REALIZING THE DREAM:
How the Minimum Wage Impacts Racial Equity in the Restaurant Industry and in America

BY THE RESTAURANT OPPORTUNITIES CENTERS UNITED

AND
Applied Research Center (ARC)
Asian Pacific American Labor Alliance (APALA)
Center for New Community (CNC)
Color of Change
The Greenlining Institute
Jobs With Justice (JWJ)
National Association for the Advancement of Colored People (NAACP)
National Council of La Raza (NCLR)
Praxis Project
United Workers Congress

JUNE 19, 2013

Research Support Provided By: The Center for Social Inclusion

Design by Design Action Collective

Restaurant Opportunities Centers United
350 7th Avenue, Suite 1504
New York, NY 10001
Tel: (212) 243-6900
info@rocunited.org
http://www.rocunited.org/
Introduction

2013 marks the 50th anniversary of the March on Washington for Jobs and Freedom.

A half-century ago hundreds of thousands of brave civil rights activists joined the Reverend Martin Luther King Jr., the venerable John Lewis, and others to demand dignity and justice for all. One of the demands of that march was for a minimum wage high enough to secure a healthy and vibrant nation of workers who could provide for their families and participate in the nation’s prosperity.

Despite this historic effort, income inequality retards many of the gains of the civil rights movement. The federal minimum wage for all workers has stagnated at $7.25 per hour, and the sub-minimum wage for tipped workers in particular has remained frozen at $2.13 per hour for over two decades. As a result, millions of Americans find themselves struggling in poverty even while working a full-time job. Though many work 40 hours or more each week, their wages are low enough that they must rely on food stamps and other public benefits to sustain themselves and their families. The minimum wage, at its current level, economically excludes and marginalizes millions of people who could instead be generators of growth throughout the economy. This burden falls disproportionately on people of color, since they represent 42% of minimum wage earners yet only make up 32% of the total workforce.¹,²

As the marchers of 50 years ago realized, low wages have a grave impact on our society. People of color are both the fastest growing population and a disproportionate number of minimum wage earners, and this leaves the economic health and viability of our nation in doubt. By 2042, people of color will be the majority in our nation. Today, people of color are already critical drivers of our economy and essential tax providers of public programs that help maintain our middle class like Social Security and Medicare. Yet, as the population grows and continues to earn less income, our economy suffers and our critical programs will suffer.

However, we have an opportunity to make historic change and move a step towards a better economic future for everyone. While raising the minimum wage can benefit all workers across all industries, the food industry makes up 10% of our GDP and one-sixth of our workforce. The restaurant industry, in particular, employs a growing number of people of color, particularly women, who are most likely to be minimum wage earners. But raising the minimum wage and tipped subminimum wage of every worker in our nation will ensure that they not only meet their needs and the needs of their families, but also help secure a more prosperous and secure American family that can take steps towards the Dream that Dr. King spoke about a half-decade ago.

The subminimum wage for tipped workers

The federal subminimum wage for tipped workers allows employers to pay as little as $2.13 per hour to all employees that receive more than $30 in tips per month. The law states that employers must ensure that tips make up the difference between $2.13 and $7.25. However, survey and interview data gathered by ROC-United indicate that employers frequently ignore this requirement, allowing tipped workers to earn less than $7.25 total per hour. Among tipped workers, 13.2 percent reported having their tips misappropriated by employers. For example, tips may be inappropriately shared with managers or owners or other non-tipped workers, and inappropriately withheld for illegal deductions.³
### A Dream Deferred: People of Color as Minimum Wage Earners and Restaurant Industry Employees

Restaurants pay the lowest wages, and employ the most people of color

The restaurant industry employs over 10 million workers in one of the largest and fastest growing sectors of the United States economy. It was one of the few job-creating industries during the Great Recession, and continues to be a leading job-creator among people of color and women. Unfortunately, it is also the lowest-paying sector. Seven of the 10 lowest paid occupations in America are in the restaurant industry. The restaurant industry is also the single largest low-wage employer, accounting for 39% of all workers earning at or below the minimum wage.

Restaurants are the single largest employer of people of color, and the second largest employer of immigrants. However, workers of color and immigrants are disproportionately concentrated in the industry’s lowest paying positions. Over 23% of all tipped workers are immigrants (and an additional 8% are the children of immigrants), a disproportionate number compared to the 16% of immigrants in the total workforce. Two of the lowest-paying jobs, dishwashers and fast food prep and cooks, are 59% and 35% people of color, and earn a median wage of $8.78 and $8.85, respectively.

People of color are overrepresented in this large and growing sector, comprising over 40% of both the overall restaurant workforce and of all tipped occupations, and are overwhelmingly segregated in the lowest paid occupations, afforded the least opportunities for advancement.

Restaurant wages have pushed people of color into poverty

Restaurant workers’ wages have not kept pace with the industry’s economic growth, and this burden has been carried most severely by communities of color. The fact that the federal tipped minimum wage has remained at $2.13 for over 22 years has led to greater poverty among all workers, but a comparison by race shows a particularly severe effect on certain groups: over 20% of Latino and African American, and 19% of Native American, tipped workers live in poverty, compared to less than 14% of White workers.

Over 40% of all workers earning at or below the federal minimum wage of $7.25 are workers of color, and this applies to both tipped occupations and all restaurant occupations. However, the reality is much worse when examining workers with incomes below the poverty line. Overall, 58% of workers with incomes below the poverty line are people of color, and over 50% of tipped workers and restaurant workers with incomes below the poverty line are people of color.

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**Figure 1.** The Restaurant industry is home to seven of the ten lowest paid occupations in the US, disproportionately employing people of color.
Nearly six million workers would be lifted out of poverty if the minimum wage were raised to $10.10 as has been proposed in Congress, of which 60%, or over three and a half million would be people of color. Over 500,000 of these would be restaurant workers, and nearly 300,000 of these would be workers of color. Nearly 50% of tipped workers lifted out of poverty would be workers of color. Examining all tipped workers and their families, over 400,000 individuals of color would be lifted out of poverty, and 150,000 of these would be children. Among restaurant workers and their families, over 700,000 people of color would be lifted out of poverty, and over 250,000 would be children.

Gender inequity and the tipped subminimum wage

Women and their families are particularly affected by the perennially low tipped minimum wage, and women of color are affected most of all. Women make up over 60% of all tipped occupations, and 70% of servers within the restaurant industry. Across the economy, women make up more than half of workers that earn at or below the minimum wage, 57%, and live in poverty, 55%. They also stand the most to benefit by an increase in the minimum wage: 54% of all workers lifted out of poverty by an increase to $10.10 would be women. This is overwhelmingly true in both all restaurant, and all tipped occupations (see Fig. 3). These numbers only grow in tipped restaurant occupations. 74% of tipped restaurant workers earning at or below the minimum wage are women; 78% of tipped restaurant workers living in poverty are women; and 82% of tipped restaurant workers that would be lifted out of poverty with an increase to the minimum wage would be women. These numbers help explain the industry’s significant pay gap between men and women.

The typical full-time, year-round female server is paid just 68 percent of what her male counterpart is paid ($17,000 vs. $25,000 annually). The gender pay gap is even larger for women of color. Black female servers, for example, are paid only 60 percent of what all male servers are paid. The gender pay gap costs women, and women of color in particular, an enormous economic deficit over their lifetime. All female servers lose more than $320,000 in wages over a lifetime, and black female servers lose more than $400,000.

Overall, both white workers and workers of color find themselves struggling in restaurant jobs where they earn at or below the minimum wage in nearly equal proportions, however workers of color find themselves living in poverty in great disproportion to their actual numbers in the workforce, and would most stand to benefit by an increase in the minimum wage. 42% of restaurant workers earning at or below the minimum wage are people of color, compared to 58% of white workers, comparable to their numbers in the industry, but over 50% of restaurant workers of color find themselves living in poverty, and 53% of restaurant workers of color would be lifted out of poverty with an increase in the minimum wage (see Fig. 4).

Impact of Minimum Wage on Working Families

This picture becomes much more striking if we examine workers and their families. White workers and their families are proportionately affected by working in jobs earning at or below the minimum wage, but when we examine workers and their families living below poverty and who would most benefit from an increase to the minimum wage, people of color, and in particular women of color suffer not only disproportionately but also in absolutely greater numerical terms. While 46% of people in families with restaurant workers earning at or below the minimum wage are families of people of color, they represent 62% of people in families that would be lifted out of poverty with an increase to the
minimum wage (see Fig. 5). The same holds true for children. While only 23% of children in families with a worker earning at or below the minimum wage are in families of a restaurant worker of color, the number increases to 63% of children in families that would be lifted out of poverty by an increase to the minimum wage (see Fig. 6). White women are the single largest group earning at or below minimum wage, but it is women of color, closely followed by men of color, that are the single largest group living in poverty and that would be lifted out of poverty by an increase in the minimum wage to $10.10.

As a result, restaurant workers face higher food insecurity rates than the general workforce, meaning that their wages do not allow them to afford enough food to feed themselves and their families. In particular, servers, with a federal sub-minimum wage of $2.13, use food stamps at double the rate of the rest of the U.S. workforce. Restaurant workers serve the nation’s food, yet many find themselves unable to serve nutritious food to their own families.
The minimum wage has a direct impact on poverty rates. States with a minimum wage higher than the federal level are more likely to have lower poverty rates compared to states that only follow the federal minimum wage (see Fig. 7). Only Michigan, Arizona, and New Mexico have both higher wages and higher poverty rates. However, most states that have wages above the federal minimum are states where the population of color remains below the national average of 36%, while some states with the highest poverty and lowest wages are states with comparatively larger populations of color (TX, MS, LA).

Of the 16 states with a population of color above 36%, only 6 states have minimum wages higher than the federal minimum (New York will become the 7th in 2014). Meanwhile, in the Deep South, most states do not have a minimum wage standard and rely on federal wage rates to determine how workers are paid. This includes 4 of the states with a large population of people of color (LA, MS, GA, SC, see Fig. 8).

Food insecurity is highest in the South and Southwest, particularly in states without strong minimum wage laws and in states with large populations of color. Georgia, Mississippi and Texas have some of the highest rates of food insecurity, large populations of color compared to the national average, and low average wages for workers (see Fig. 9).

Poverty in the States
Figure 7. The Minimum wage, race, and poverty rates in the United States.

Figure 8. Minimum wage rankings and race in the United States.

Figure 9. The minimum wage, household food insecurity, and race in the United States.
WHO’S RESPONSIBLE?
The Influence of Darden and the National Restaurant Association

Despite the clear benefits to women, family economic security, and national prosperity, lawmakers have failed to index the minimum wage and have only raised it intermittently, and at the behest of the National Restaurant Association have delinked the tipped minimum wage keeping it at an artificially low rate of $2.13 since 1991 (see Fig. 10).

The National Restaurant Association (NRA) is a trade association largely comprised of and led by the nation’s largest Fortune 500 restaurant corporations. Most restaurants in America do not belong to the Restaurant Association, but the NRA claims to be the “leading voice and advocate for restaurants and restaurateurs across the United States.” Numerous restaurant owners, particularly many small businesses, provide livable wages to their employees. However, the NRA purports to speak for the entire industry in advocating against any increases to the minimum wage.16,17,18

In 1996 Herman Cain served as head of the National Restaurant Association (NRA), and successfully lobbied Congress to delink the sub-minimum wage for tipped workers from the federal minimum wage, thus ensuring that tipped workers’ wages would remain frozen even as the regular minimum wage continued to rise. The NRA has been actively lobbying to stagnate or depress wages ever since. This year alone, they reported taking a leading role in stopping minimum wage increases in Minnesota and New Mexico, and are actively opposing legislation in a dozen other states. In New York and Connecticut they successfully negotiated to exclude tipped workers from increases to the minimum wage.19 In 2005, public disclosure forms show that the NRA spent 1 million dollars in lobbying against the 2005 Fair Minimum Wage Act.20 The NRA spent 2.7 million in lobbying efforts in 2012, although there were no specific disclosures around lobbying specifically on the minimum wage act in 2012.

An active member of the NRA, Darden is the world’s largest full-service restaurant corporation and the owner of Olive Garden, Red Lobster, Capital Grille Steakhouse, Long Horn Steakhouse, and about 8 other restaurant brands. Darden has actively lobbied against raising the minimum wage and its CEO Clarence Otis has written editorials citing how government mandates would be detrimental to the industry.21 In 2012 an investigative journalist found Darden to be among the top ten lobbying groups against a minimum wage increase in NY State, and the only company lobby to appear on the list outside of its trade association, since the NY State Restaurant Association was listed separately.22 Shortly after Otis became CEO, Darden’s lobbying efforts quadrupled. Darden spent over $1.2 million in lobbying in 2012 alone, and was the fourth largest food and beverage contributor to federal candidates after the NRA, OSI Restaurant Partners, and Coca-Cola. OSI, also known as Bloomin’ Brands, owner of Outback Steakhouse, and founded by Bain Capital, led an effort in 2012 to lower the tipped minimum wage in Florida, and directed the majority of its political funds to its political action committee (PAC).23

Contributions:

The NRA, in its efforts to expand its direct lobbying and media efforts, contributed $1.1 million to political campaigns in 2012, $834,781 of which was spent at the federal level. 84% of all federal election contributions from the NRA went to Republicans. Darden separately spent over $848,000 through a PAC, and $573,500 went to Federal candidates, 65% Republicans. OSI spent over 1.3 million through its PAC, $670,000 went to Federal candidates, 96% Republican.24
Spending dollars in the restaurant industry

The restaurant industry profits from those most affected by the minimum wage.

People of color spend significant and growing amounts supporting the restaurant industry. However, as described above, by lobbying against increases to the minimum wage and the subminimum wage for tipped workers, the NRA disproportionately hurts these very communities.

According to the Bureau of Labor Statistics, overall, households spend an average of 40% of their food dollars on food outside of the home ($2,620 out of $6,458 spent on food).

Whites dedicate 41% of their food expenditures to eating out ($2,773 of $6,743), while Latinos dedicate 40% of their food expenditures eating out ($2,524 of $6,373). Black households spend slightly less – 37% of their expenditures eating out ($1,746, $4,714).

Growing Potential for Expenditures:

Black Households: $1.1 trillion in buying power by 2015

Blacks will have $1.1 trillion in buying power by 2015. And the restaurant industry is not shying away from advertising to Black communities. In 2010, quick serve restaurants were the 2nd largest advertiser and traditional restaurants, the 9th largest advertiser to Black communities. Together, the industry spent 102 million dollars targeting Black consumers (84 million by quick service restaurants and $28 million by traditional restaurants).

A similar pattern holds for Asian and Latino households. Asian Households currently have $781 billion in buying power and are set to have $1 trillion in buying power by 2017.

Latino Households currently have $1 trillion in buying power and are set to have $1.5 trillion in buying power by 2015.

Corporations benefit tremendously from the spending patterns of communities of color, and yet actively pursue policy objectives that maintain those communities in poverty. A more productive and far-sighted approach would be to strive for economic vibrancy and self-sufficiency that would benefit all stakeholders involved.
Taking the High Road

There are many restaurant employers who are proactively taking the high road and enacting wage standards, policies and practices that will help reduce racial and gender inequities and improve the standards for all workers, regardless of color. For these employers, paying higher wages has resulted in lower turnover costs, happier, more productive employees, and more satisfied customers. Restaurants Advancing Industry Standards in Employment (RAISE) is a group of employers from across the country who have gathered to support an increase to the minimum wage, and promote the expansion of basic benefits such as earned sick days, access to health insurance, and opportunities for growth such as a formalized career ladder. One of the founding members of RAISE is Chef Furad Tate, the owner and chef of Inspire BBQ in Washington, DC and a third-generation Washingtonian. His passion is working to inspire and train young people to excel in the food service industry now, through his back of the house training program for youth in DC. He knows that he can operate his restaurant in such an “effective manner that inspires individuals that work with [him]... not for [him]... so that they all work to deliver a great product.” He, together with dozens of other small restaurant owners, believes that the restaurant industry can change the way it has done business in the past.
A PATH FORWARD TO RACIAL EQUITY: RAISING THE MINIMUM WAGE

Both the minimum wage and the tipped sub-minimum wage are indispensable components of the critically important struggle to ensure that everyone in our nation is able to meet their basic needs and strive for the American Dream—regardless of their race, ethnicity, national origin or gender. The current, sub-standard minimum wage and the impossibly low sub-minimum wage for tipped workers, which has sat unchanged for over two decades, disproportionately impact people of color and women. To ensure an equitable impact, any legislative effort to revitalize the minimum wage must ground itself in such questions as:

- What does this proposal seek to accomplish?
- Which racial/ethnic groups are currently disadvantaged by the status quo?
- What positive impacts on equality and inclusion, if any, could result from this proposal? Will it reduce disparities or discrimination?
- Who will be disproportionately affected if we exclude tipped workers from our proposal?
- Are there ways to maximize equitable opportunities and impacts so the most marginalized groups are not left out?33

Most people agree that no one should be struggling in poverty in our country. And it is particularly shocking for some to discover that millions of workers who contribute full-time hours of their labor to both our communities and the broader society, nevertheless toil in poverty due to minimum and sub-minimum wages that are currently permitted by law. To ensure that these workers and families are able to lift themselves out of poverty, it is important for legislators to examine the causes of the inequitable status quo on wages in our country. Policymakers examine the corporate and lobbyist causes of current wage policies, and in particular look at the track record of those policies.

The focus on these inequitable impacts and trends is not meant to impugn the intentional motives of specific wealthy actors or corporations in our economy, but rather, to call attention to the fact that, intentionally or not, current policies and practices consistently create and perpetuate racial and gender inequities in our society. Reducing these disparities would benefit all workers, and the entire economy.

Six million workers would be lifted out of poverty if the minimum wage were raised to $10.10, and sixty percent would be workers of color. Among restaurant workers and their families, over 700,000 people of color would be lifted out of poverty, and over 250,000 would be children.

On all counts, an increase to the minimum and tipped minimum wage is a sensible solution. It would raise millions out of poverty, including hundreds of thousands of children and their families. It would benefit all, but in particular communities that have been marginalized and denied the opportunity to escape poverty. Similarly, any effort to block certain groups, such as tipped workers, from receiving the benefits of an increase to the tipped minimum wage would mean hundreds of thousands of children and their families would continue to suffer a dream denied.

Instead of a race to the bottom, a virtuous cycle of growth and opportunity would ensure the more equitable participation of people of color, the fastest growing demographic, in the life of the nation. This group represents a growing and indispensable share of the nation’s taxpayers; they are family, neighbors, customers, and friends. Their success will ensure the nation’s broader success.
Endnotes


2. Bureau of Labor Statistics (BLS), Employed persons by detailed industry, sex, race, and Hispanic or Latino Ethnicity (Table 11), 2012.


7. Ibid.


9. BLS, Employed persons by detailed industry, sex, race, and Hispanic or Latino Ethnicity (Table 11), 2012.


12. BLS, Employed persons by detailed industry, sex, race, and Hispanic or Latino Ethnicity (Table 11), 2012. Food preparation and serving related occupations.

13. IWPR analysis of 2012 CPS-ASES.

14. Ibid.


26. Ibid.


28. Ibid.


31. Taking the High Road, 2012.

