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LOW WAGES AND FEW BENEFITS MEAN MANY RESTAURANT WORKERS CAN'T MAKE ENDS MEET

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The restaurant industry is a large and fast-growing sector of the U.S. economy. It currently employs 5.5 million women (accounting for 9.9 percent of all private-sector employment among women) and 5.1 million men (accounting for 8.4 percent of private-sector employment among men). The restaurant industry includes a wide range of establishments, from fast-food to full-service restaurants, from food trucks to caterers, from coffee shops to bars. While there are certainly employers in the restaurant industry who provide high-quality jobs, by and large the industry consists of very low-wage jobs with few benefits, and many restaurant workers live in poverty or near-poverty.

This paper examines the restaurant industry and the workers who hold restaurant jobs, including how much they earn, what jobs they do, whether they receive benefits, and whether they and their families are able to make ends meet. Key findings include:

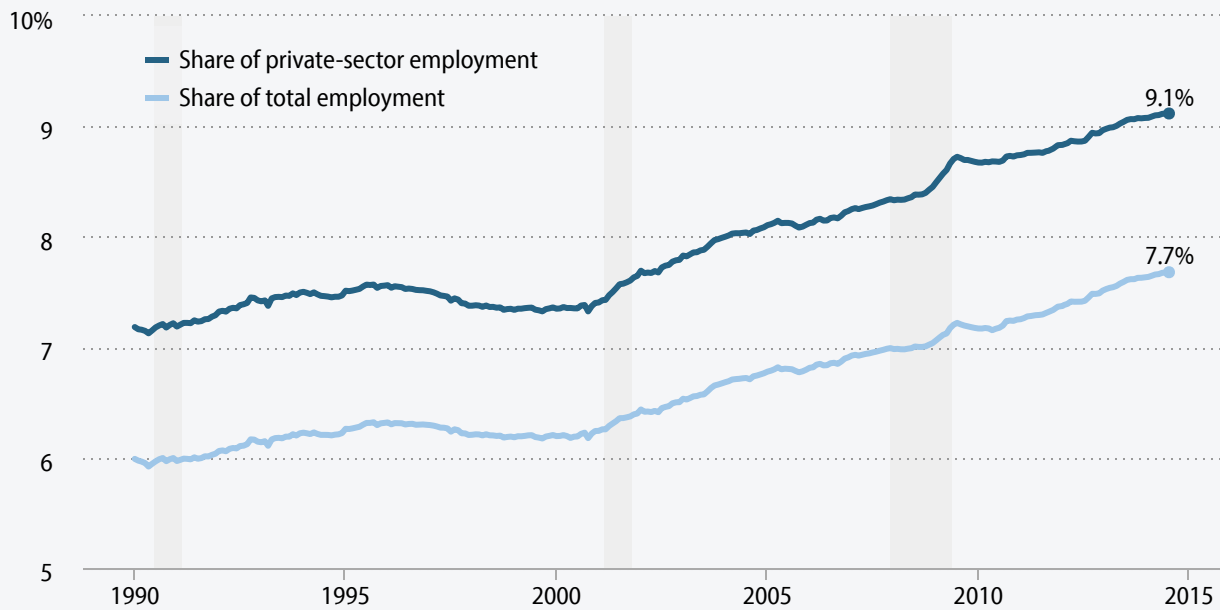
- Restaurant workers receive very low pay.
 - The median hourly wage in the restaurant industry, including tips, is \$10.00, compared with \$18.00 outside of the restaurant industry. After accounting for demographic differences between restaurant workers and other workers, restaurant workers have hourly wages that are 17.2 percent lower than those of similar workers outside the restaurant industry. This is the “wage penalty” of restaurant work.
 - The largest restaurant industry occupation is waiter/waitress, which makes up nearly a quarter (23.3 percent) of all restaurant jobs, and has a typical wage, including tips, of \$10.15 an hour. The lowest-paid occupation is cashiers/counter attendants, at \$8.23 an hour, while the highest paid are managers, at a typical wage of \$15.42 per hour—which is still lower than the overall median wage outside the restaurant industry.
 - Unionization rates are extremely low in the restaurant industry, but unionized restaurant workers receive wages that are substantially higher than those of non-union restaurant workers.
- Occupations within the restaurant industry are highly gendered and have strong racial and ethnic concentrations.
 - Women are much more likely than men to be cashiers/counter attendants, hosts, and wait staff, and much less likely to be dishwashers, cooks, or chefs/head cooks.
 - Blacks are disproportionately likely to be cashiers/counter attendants, the lowest-paid occupation in the industry. Hispanics are disproportionately likely to be dishwashers, dining room attendants, or cooks, also relatively low-paid occupations. White non-Hispanics are disproportionately likely to be hosts/hostesses, wait staff, bartenders, or managers, which are among the industry’s more highly paid occupations.
- Restaurant workers are much more likely than other workers to be poor or near-poor.
 - One in six restaurant workers, or 16.7 percent, live below the official poverty line. The poverty rate for workers outside the restaurant industry is more than 10 percentage points lower, at 6.3 percent.
 - Twice the official poverty threshold is commonly used by researchers as a measure of what it takes for a family to make ends meet. More than two in five restaurant workers, or 43.1 percent, live below twice the poverty line—more than twice the 19.9 percent share outside the restaurant industry.
 - By race/ethnicity and gender, poverty rates in the restaurant industry are highest for women, blacks, and Hispanics. Among workers in the restaurant industry, poverty rates are much lower for workers in a union.

- Restaurant workers rarely receive fringe benefits.
 - Just 14.4 percent of restaurant workers receive health insurance from their employer, compared with roughly half (48.7 percent) of other workers. Of unionized restaurant workers, 41.9 percent receive health insurance at work, substantially higher than the share among nonunionized restaurant workers.
 - Only 8.4 percent of restaurant workers are included in a pension plan at their job, one-fifth the rate of pension coverage outside the restaurant industry, 41.8 percent. Of unionized restaurant workers, 31.6 percent are covered by a pension plan, substantially higher than the share among nonunionized restaurant workers.
- The quality of restaurant jobs can be improved by reforming or enacting policies to give restaurant workers more bargaining power and raise their wages, such as:
 - Increasing the minimum wage and eliminating the tipped minimum wage (a “subminimum wage” for workers who customarily and regularly receive tips), so that tipped workers—who are disproportionately women—receive the full minimum wage.
 - Increasing the salary threshold below which workers are automatically covered by the overtime protections in the Fair Labor Standards Act to \$984 per week (which is simply the 1975 threshold adjusted for inflation). This will ensure that low-paid managers and supervisors in the restaurant industry receive “time-and-a-half” pay for each hour of work per week beyond 40 hours.
 - Passing comprehensive immigration reform with a path to citizenship for undocumented workers, which will make undocumented workers in the restaurant industry less vulnerable to exploitation.
 - Passing legislation requiring all employers to provide paid sick days to their employees.
 - Combating “just-in-time” scheduling, an enormously harmful trend where employers give workers little advance notice of their schedules, call workers into work during nonscheduled times to meet unexpected customer demand, and send workers home early when business is slow.
 - Updating labor law and protecting workers’ right to organize.
 - Cracking down on wage theft (which is when employers do not pay workers for the work they have done).
 - The Federal Reserve keeping interest rates at their current low levels until real wages are growing at the same pace as productivity. This will help ensure that monetary policy continues to support the labor market, which in turn will benefit the job prospects and wage growth of workers—particularly low-wage workers, such as those employed in restaurants.

The restaurant industry is growing fast

Figure A shows the share of private-sector employment, along with the share of total employment, that is accounted for by the restaurant industry. In 1990, the restaurant industry made up 7.2 percent of private-sector employment, but that share has since risen to 9.1 percent. As the labor market strengthens in the current recovery, it is likely that the pace of growth of restaurant industry employment will slow somewhat. The labor market is still weak and job seekers continue to vastly outnumber job openings, which means many workers have no choice but to take low-quality jobs—like many of those in the restaurant industry—that they would not take if they had other options. When the labor market

Restaurant industry share of employment, 1990–2014



Note: Shaded areas denote recessions.

Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics public data series

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strengthens and job opportunities improve, fewer workers will have to make that choice. Even so, the restaurant industry—a major generator of low-wage jobs—will continue to be a significant source of job growth.

Jobs in the restaurant industry

Table 1 shows the 11 largest occupations within the restaurant industry.¹ Together, these occupations comprise 91.4 percent of total restaurant industry employment. The table shows the share of restaurant industry employment by occupation, along with the median, or typical, hourly wage in the occupation. Wages are discussed in depth later in the paper. It should be noted that throughout this paper, hourly wages include wages earned from tips.² It should also be noted that salaried workers are included in all hourly wage measures (their average hourly wages are calculated based on hours worked, if necessary).

The most prevalent restaurant industry job is waiters and waitresses, accounting for nearly a quarter (23.3 percent) of all restaurant jobs, and with a typical wage, including tips, of \$10.15 an hour. The lowest-paid occupation is cashiers/counter attendants, at \$8.23 an hour, while the highest-paid are managers, at a typical wage of \$15.42 per hour. In between, occupations run the gamut from dishwashers to bartenders.

TABLE 1

Most common restaurant industry occupations, 2014

Occupation	Share of restaurant industry employment	Median wage
<i>Cashiers and counter attendants</i>	11.5%	\$8.23
<i>Dishwashers</i>	2.6%	\$8.62
<i>Food preparation workers</i>	9.3%	\$8.95
<i>Hosts and hostesses</i>	3.2%	\$9.00
<i>Dining room and cafeteria attendants and bartender helpers (e.g., bussers)</i>	2.6%	\$9.13
<i>Cooks</i>	16.8%	\$9.38
<i>Waiters and waitresses</i>	23.3%	\$10.15
<i>First-line supervisors of food preparation and serving workers</i>	4.7%	\$11.49
<i>Chefs and head cooks</i>	3.0%	\$12.34
<i>Bartenders</i>	3.9%	\$12.68
<i>Managers</i>	10.3%	\$15.42

Note: The occupations in this table comprise 91.4 percent of total restaurant industry employment. To ensure sufficient sample sizes, this table draws from pooled 2011Q3–2014Q2 microdata. Wage data include tips.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

Who works in restaurants?

Table 2 compares the demographic characteristics of restaurant workers and other workers. Slightly over half (52.3 percent) of restaurant workers are women. In addition, restaurant workers are mostly white non-Hispanic (55.9 percent), but restaurant workers are much more likely to be Hispanic than workers in other industries; nearly one-quarter (24.8 percent) of restaurant workers are Hispanic, compared with 15.2 percent in other industries.

The data used here (drawn from the Current Population Survey, or CPS) allow us to determine what share of workers are U.S. born, what share are immigrants who are naturalized U.S. citizens, and what share are non-naturalized immigrants. There are many kinds of non-naturalized immigrants, including permanent residents, temporary visa holders, refugees, individuals granted asylum, and undocumented workers, but it is impossible to distinguish among these groups of non-naturalized immigrants with our data; thus, we group them together. It should be noted that the CPS likely undercounts undocumented immigrants to some extent, meaning that the shares of non-naturalized immigrants are likely understated. The data show that the vast majority (78.4 percent) of restaurant workers are U.S. born. However, restaurant workers are much more likely to be non-naturalized immigrants than workers in other industries; roughly one in six restaurant workers (15.7 percent) are non-naturalized immigrants, nearly double the share outside the restaurant industry.

TABLE 2

Demographic characteristics of restaurant and non-restaurant workers, 2014

	In restaurant industry	Not in restaurant industry
Gender		
<i>Female</i>	52.3%	48.0%
<i>Male</i>	47.7%	52.0%
Nativity		
<i>U.S. born</i>	78.4%	84.3%
<i>Naturalized U.S. citizen</i>	5.9%	7.5%
<i>Non-naturalized immigrant</i>	15.7%	8.2%
Race/ethnicity		
<i>White, non-Hispanic</i>	55.9%	66.3%
<i>Black, non-Hispanic</i>	10.9%	11.1%
<i>Hispanic, any race</i>	24.8%	15.2%
<i>Asian</i>	6.1%	5.6%
<i>Other</i>	2.3%	1.8%
Education		
<i>Not a high school graduate</i>	22.8%	8.1%
<i>High school graduate</i>	34.4%	26.7%
<i>Some college</i>	32.8%	29.7%
<i>Bachelor's degree</i>	8.9%	23.1%
<i>Advanced degree</i>	1.1%	12.5%
Age		
<i>16–24</i>	42.7%	11.6%
<i>25–54</i>	50.3%	67.7%
<i>55+</i>	7.0%	20.7%
Union coverage		
<i>Union</i>	1.8%	13.3%
<i>Non-union</i>	98.2%	86.7%

Note: To ensure sufficient sample sizes, this table draws from pooled 2011Q3–2014Q2 microdata.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

More than two in five restaurant workers (42.8 percent) have at least some college education, and the vast majority (77.2 percent) of restaurant workers have at least a high school degree. However, restaurant workers are less likely to have a high school degree than workers in other industries; slightly over one in five restaurant workers (22.8 percent) do not have a high school degree, compared with 8.1 percent of workers in other industries. Most restaurant workers (57.3 percent) are at least 25 years old; however, this is a lower share than in other industries, where 88.4 percent are at

least 25. Finally, union coverage is very minimal in the restaurant industry, with only 1.8 percent of workers covered by a union contract, compared with 13.3 percent of workers outside the restaurant industry.³

Table 3 provides demographic breakdowns within the restaurant occupations identified in Table 1. One thing that immediately becomes apparent is that occupations within the restaurant industry are extremely gendered. Women are much more likely than men to be cashiers/counter attendants, hosts, and wait staff, and much less likely to be dishwashers, cooks, and chefs/head cooks. There are also very strong racial and ethnic concentrations within the industry. Blacks are disproportionately likely to be cashiers/counter attendants, the lowest-paid occupation. Hispanics are disproportionately likely to be dishwashers, dining room attendants, and cooks, also relatively low-paid occupations. Asians are disproportionately likely to be chefs/head cooks. White non-Hispanics are disproportionately likely to be hosts/hostesses, wait staff, bartenders, and managers, which tend to be more highly paid occupations within the industry. See Bendick et al. (2010), Jayaraman (2013), and Restaurant Opportunities Centers United (2012) for more on race and gender inequity in the restaurant industry.

TABLE 3

Demographic characteristics of restaurant industry workers, by occupation, 2014

	Cashiers and counter attendants	Dishwashers	Food preparation workers	Hosts and hostesses	Dining room and cafeteria attendants and bartender helpers (e.g., bussers)	Cooks	Waiters and waitresses	First-line supervisors of food preparation and serving workers	Chefs and head cooks	Bartenders	Managers
Gender											
<i>Female</i>	75.1%	15.1%	53.4%	84.9%	29.3%	27.5%	70.8%	57.2%	14.3%	59.4%	46.7%
<i>Male</i>	24.9%	84.9%	46.6%	15.1%	70.7%	72.5%	29.2%	42.8%	85.7%	40.6%	53.3%
Nativity											
<i>U.S. born</i>	83.4%	62.0%	75.5%	92.2%	68.6%	63.4%	83.6%	86.5%	66.0%	92.3%	84.3%
<i>Naturalized U.S. citizen</i>	5.0%	5.1%	4.4%	3.9%	5.7%	6.8%	5.5%	5.6%	13.8%	2.9%	7.8%
<i>Non-naturalized immigrant</i>	11.6%	33.0%	20.1%	3.8%	25.8%	29.9%	10.9%	7.9%	20.2%	4.8%	7.8%
Race/ethnicity											
<i>White, non-Hispanic</i>	44.6%	39.6%	51.4%	67.5%	52.9%	40.7%	65.1%	62.0%	51.3%	77.5%	66.7%
<i>Black, non-Hispanic</i>	20.0%	12.3%	11.1%	10.0%	3.7%	13.7%	6.8%	12.6%	9.4%	3.3%	9.0%
<i>Hispanic, any race</i>	26.5%	42.3%	28.7%	14.7%	36.6%	37.7%	18.8%	19.7%	20.3%	12.4%	16.9%
<i>Asian</i>	6.2%	3.5%	6.0%	4.6%	4.4%	6.0%	6.8%	3.9%	17.7%	3.0%	5.8%
<i>Other</i>	2.6%	2.3%	2.8%	3.2%	2.4%	1.9%	2.5%	1.8%	1.3%	3.7%	1.6%
Education											
<i>Not a high school graduate</i>	33.9%	52.5%	29.7%	27.1%	37.7%	34.3%	15.1%	11.2%	16.9%	5.6%	6.0%
<i>High school graduate</i>	33.7%	32.7%	35.8%	27.8%	31.7%	41.0%	30.9%	36.7%	36.2%	32.5%	32.9%
<i>Some college</i>	28.2%	12.7%	28.6%	37.7%	26.1%	20.5%	43.0%	37.4%	33.1%	43.1%	38.6%
<i>Bachelor's degree</i>	3.6%	1.8%	5.5%	7.2%	3.9%	3.7%	10.4%	13.2%	12.5%	17.0%	19.1%
<i>Advanced degree</i>	0.6%	0.3%	0.4%	0.2%	0.6%	0.5%	0.7%	1.5%	1.3%	1.8%	3.4%

TABLE 3 (CONTINUED)

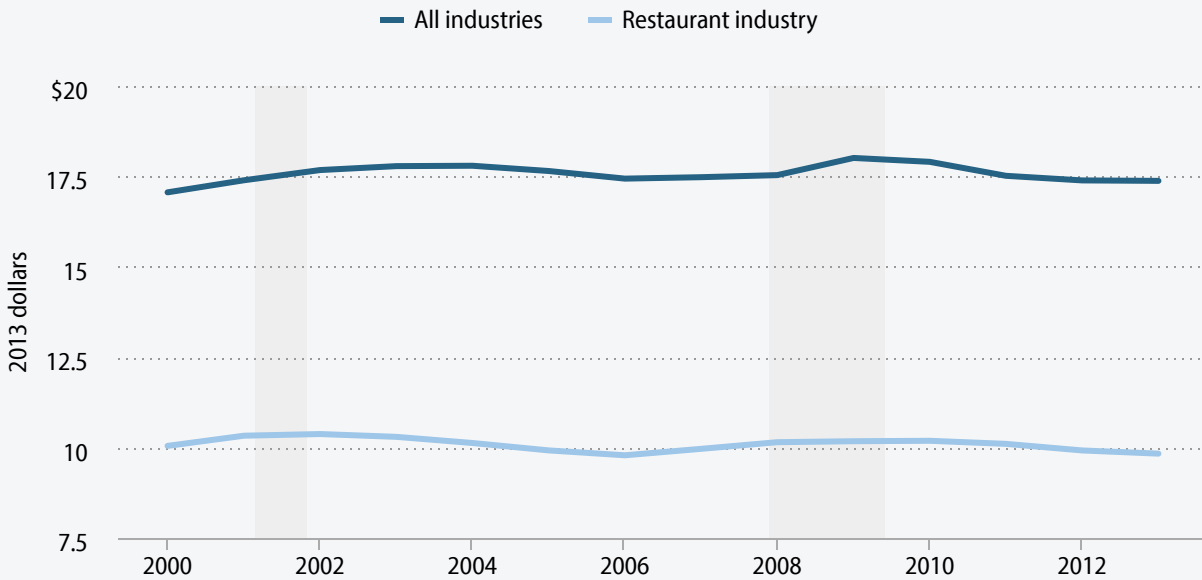
	Cashiers and counter attendants	Dishwashers	Food preparation workers	Hosts and hostesses	Dining room and cafeteria attendants and bartender helpers (e.g., bussers)	Cooks	Waiters and waitresses	First-line supervisors of food preparation and serving workers	Chefs and head cooks	Bartenders	Managers
Age											
16–24	68.9%	46.5%	51.7%	76.7%	60.8%	34.3%	48.3%	30.4%	16.0%	21.0%	16.9%
25–54	27.5%	44.0%	42.6%	17.6%	32.9%	58.2%	46.5%	61.0%	75.1%	71.1%	73.4%
55+	3.6%	9.5%	5.7%	5.8%	6.3%	7.4%	5.2%	8.6%	8.9%	7.9%	9.7%
Union coverage											
Union	1.6%	1.9%	1.9%	1.1%	1.4%	1.6%	1.5%	2.3%	2.2%	2.0%	1.6%
Non-union	98.4%	98.1%	98.1%	98.9%	98.6%	98.4%	98.5%	97.7%	97.8%	98.0%	98.4%

Note: To ensure sufficient sample sizes, this table draws from pooled 2011Q3–2014Q2 microdata.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

FIGURE B [VIEW INTERACTIVE on epi.org](#)

Median hourly wages of restaurant workers and overall, 2000–2013



Note: Shaded areas denote recessions.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

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Unsurprisingly, younger workers are concentrated in the low-paid occupations; they are more likely to be cashiers/counter attendants and hosts/hostesses, and are less likely to be chefs, bartenders, and managers. Unionization rates are extremely low in all restaurant occupations.

Restaurant workers receive very low pay

Figure B shows median real hourly wages since 2000 for restaurant workers and all workers combined. One of the striking features of **Figure B** is that among both restaurant workers and all workers, wages have been largely stagnant over this entire period. For more on longer-run wage stagnation for most workers, see *Raising America's Pay: Why It's Our Central Economic Policy Challenge* (Bivens et al. 2014). **Figure B** also illustrates the large disparity between the hourly wages of restaurant workers and workers overall. The rest of this section investigates the disparity in wages between restaurant workers and workers in other industries.

Table 4 shows median hourly wages of restaurant workers and other workers, both overall and for various demographic groups. The typical restaurant worker makes \$10.00 an hour, including tips. Outside of the restaurant industry, the typical worker makes \$18.00 an hour. This means that wages are more than 40 percent lower in the restaurant industry than in other industries.

TABLE 4

Median real hourly wages, restaurant industry workers versus other workers, overall and by demographic group, 2014

	In restaurant industry	Not in restaurant industry
Overall median hourly wage	\$10.00	\$18.00
Gender		
<i>Female</i>	\$9.50	\$16.34
<i>Male</i>	\$10.15	\$19.77
Nativity		
<i>U.S. born</i>	\$9.86	\$18.51
<i>Naturalized U.S. citizen</i>	\$11.16	\$19.07
<i>Non-naturalized immigrant</i>	\$9.90	\$13.19
Race/ethnicity		
<i>White, non-Hispanic</i>	\$10.07	\$19.71
<i>Black, non-Hispanic</i>	\$9.14	\$15.00
<i>Hispanic, any race</i>	\$9.67	\$14.00
<i>Asian</i>	\$10.55	\$21.52
<i>Other</i>	\$9.71	\$16.00
Education		
<i>Not a high school graduate</i>	\$8.50	\$10.69
<i>High school graduate</i>	\$9.89	\$15.00
<i>Some college</i>	\$10.25	\$16.16
<i>Bachelor's degree</i>	\$14.71	\$24.66
<i>Advanced degree</i>	\$17.13	\$31.70
Age		
<i>16–24</i>	\$8.67	\$10.15
<i>25–54</i>	\$11.16	\$19.41
<i>55+</i>	\$11.38	\$20.00
Union		
<i>Union</i>	\$12.32	\$22.83
<i>Non-union</i>	\$9.92	\$17.27

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

Looking by demographic, we find that women within the restaurant industry typically earn \$9.50 per hour, compared with \$10.15 for men. Naturalized U.S. citizens make up a very small share of restaurant workers (5.9 percent, as shown in Table 2), but they have the highest median wage in breakdowns of restaurant workers by nativity, at \$11.16. U.S.-born workers and non-naturalized immigrants in the restaurant industry have a median wage of \$9.86 and \$9.90, respectively. Blacks and Hispanics are the racial/ethnic groups typically paid the least among restaurant workers, with

median wages of \$9.14 and \$9.67, respectively. Unsurprisingly, older workers and workers with higher levels of education typically earn higher wages than younger workers and workers with lower levels of education. Within the restaurant industry, workers covered by a union contract make almost 25 percent more than workers not covered by a union contract, \$12.32 versus \$9.92.

Table 5 shows median hourly wages within restaurant occupations, both overall and for various demographic groups. There are large disparities in wages among different restaurant occupations, but even the highest-paid restaurant occupation, managers, still has a typical wage (\$15.42 an hour) that is lower than the typical wage for workers outside the restaurant industry (\$18.00).

TABLE 5

Median real hourly wages of restaurant workers, by occupation and demographic group, 2014

	Cashiers and counter attendants	Dishwashers	Food preparation workers	Hosts and hostesses	Dining room and cafeteria attendants and bartender helpers (e.g., bussers)	Cooks	Waiters and waitresses	First-line supervisors of food preparation and serving workers	Chefs and head cooks	Bartenders	Managers
Overall median hourly wage	\$8.23	\$8.62	\$8.95	\$9.00	\$9.13	\$9.38	\$10.15	\$11.49	\$12.34	\$12.68	\$15.42
Gender											
<i>Female</i>	\$8.21	\$8.37	\$8.64	\$9.00	\$9.13	\$8.97	\$10.03	\$10.91	\$12.00	\$12.17	\$14.09
<i>Male</i>	\$8.25	\$8.62	\$9.13	\$9.13	\$9.09	\$9.77	\$10.50	\$12.34	\$12.53	\$13.88	\$17.00
Nativity											
<i>U.S. born</i>	\$8.12	\$8.48	\$8.62	\$8.91	\$9.06	\$9.13	\$10.15	\$11.37	\$13.27	\$12.70	\$15.38
<i>Naturalized U.S. citizen</i>	\$9.54	**	\$10.15	**	**	\$10.28	\$11.86	\$11.86	\$11.59	**	\$17.31
<i>Non-naturalized immigrant</i>	\$8.74	\$8.88	\$9.77	**	\$9.19	\$9.86	\$10.00	\$12.34	\$11.00	\$11.41	\$14.20
Race/ethnicity											
<i>White, non-Hispanic</i>	\$8.12	\$8.50	\$8.62	\$8.88	\$9.00	\$9.13	\$10.28	\$11.84	\$13.80	\$12.79	\$16.00
<i>Black, non-Hispanic</i>	\$8.00	\$8.88	\$8.38	\$9.50	**	\$9.25	\$9.25	\$10.25	**	**	\$13.95
<i>Hispanic, any race</i>	\$8.47	\$8.74	\$9.19	\$9.19	\$9.09	\$9.64	\$9.89	\$11.33	\$10.85	\$12.99	\$13.43
<i>Asian</i>	\$8.74	**	\$10.24	\$10.14	**	\$10.00	\$11.13	\$11.84	\$11.84	**	\$17.00
<i>Other</i>	\$8.12	**	\$8.52	**	**	\$9.67	\$10.03	**	**	\$11.04	**
Education											
<i>Not a high school graduate</i>	\$7.89	\$8.50	\$8.25	\$8.23	\$8.62	\$8.92	\$8.50	\$10.11	**	\$10.21	\$11.37
<i>High school graduate</i>	\$8.48	\$8.58	\$8.88	\$9.00	\$9.13	\$9.83	\$10.10	\$11.13	\$12.17	\$11.51	\$13.84
<i>Some college</i>	\$8.50	\$8.88	\$9.13	\$9.13	\$9.94	\$9.86	\$10.43	\$11.25	\$13.53	\$13.01	\$15.07

TABLE 5 (CONTINUED)

	Cashiers and counter attendants	Dishwashers	Food preparation workers	Hosts and hostesses	Dining room and cafeteria attendants and bartender helpers (e.g., bussers)	Cooks	Waiters and waitresses	First-line supervisors of food preparation and serving workers	Chefs and head cooks	Bartenders	Managers
<i>Bachelor's degree</i>	\$10.85	**	\$10.82	\$11.84	**	\$10.80	\$13.03	\$17.30	\$15.20	\$16.23	\$20.87
<i>Advanced degree</i>	**	**	**	**	**	**	\$12.42	**	**	**	\$24.72
Age											
<i>16–24</i>	\$8.12	\$8.31	\$8.25	\$8.74	\$8.78	\$8.50	\$9.40	\$9.59	**	\$11.41	\$10.85
<i>25–54</i>	\$9.00	\$9.00	\$9.75	\$10.00	\$10.00	\$10.00	\$11.22	\$12.50	\$13.24	\$13.64	\$16.39
<i>55+</i>	\$9.35	\$8.88	\$9.79	**	**	\$10.15	\$10.92	\$13.84	**	\$11.11	\$19.99
Union coverage											
<i>Union</i>	\$8.50	**	\$10.15	**	**	\$12.17	\$11.86	**	**	**	\$18.32
<i>Non-union</i>	\$8.23	\$8.62	\$8.88	\$9.00	\$9.11	\$9.37	\$10.15	\$11.41	\$12.34	\$12.68	\$15.38

** Indicates limited sample size

Note: To ensure sufficient sample sizes, this table draws from pooled 2011Q3–2014Q2 microdata. Wage data include tips.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

Women make less than men in every restaurant occupation except for dining room attendants/bartender helpers, where they make roughly the same. What this shows is that women's lower wages within the restaurant industry are not just due to the fact that they are in different occupations than men, as they make less *within* occupations. We see similar dynamics when looking by race/ethnicity, education, and age. Hispanics tend to make similar or slightly higher wages than white non-Hispanics in the lowest-wage occupations (occupations where the median wage is less than \$10), but white non-Hispanics make more than Hispanics in most higher-wage occupations, including wait staff, first-line supervisors, head cooks, and managers. White non-Hispanics make more than blacks within the higher-wage occupations, i.e., among waitstaff, first-line supervisors, and managers. With few exceptions, within each occupation workers with higher levels of education make more than workers with lower levels of education, and older workers make more than younger workers. And within occupations, unionized workers typically make substantially more than nonunionized workers. For example, unionized food prep workers make 14.3 percent more than non-unionized food prep workers, unionized cooks make 29.9 percent more than non-unionized cooks, and unionized wait staff make 16.9 percent more than non-unionized waitstaff.

The wage penalty of restaurant work

Figure B and Table 4 show that restaurant workers have substantially lower hourly wages than workers in other industries. However, Table 2 shows that restaurant workers are more likely to fall into demographic groups that have lower wages on average (e.g., women, non-naturalized immigrants, those with a high school degree or less, racial and ethnic minorities, and young workers). In order to ascertain the true “penalty” of holding a restaurant job—the difference between the wages a restaurant worker receives and what she would get if she worked in another industry—it is important to account for the fact that restaurant workers have a different demographic profile than workers in other jobs. We thus turn to an analysis that controls for differences in demographics between restaurant workers and other workers.⁴ In particular, this analysis controls for gender, nativity, citizenship, race and ethnicity, educational attainment, age, marital status, urbanicity, and region of the country. The results of this analysis provide not the raw difference in hourly wages between restaurant workers and other workers, *but the difference between the hourly wages earned by a restaurant worker and those earned by a demographically similar worker in another industry*. This is the “wage penalty” of restaurant work.

Table 6 presents the results. As noted previously, the typical restaurant worker makes \$10.00 an hour, which is 44.5 percent less than the \$18.00 an hour typical workers make outside of the restaurant industry. However, workers outside of the restaurant industry *who are demographically similar to restaurant workers* earn \$12.07 per hour. That latter figure provides a better measure of what restaurant workers would earn if they worked outside the restaurant industry—namely, over \$2 per hour more than what restaurant workers actually earn. That is the “wage penalty” of working within the restaurant industry. Percentage-wise, it is 17.2 percent.

All groups face extreme wage penalties for restaurant work, with the smallest penalty being for workers without a high school degree, who “only” make 10.9 percent less in restaurant work than similar workers earn in other industries. The wage penalty for restaurant work is higher for men than women, for whites than for racial and ethnic minorities, for older workers than younger workers, and for workers with higher levels of education than workers with lower levels of education. This is due to the fact that these workers (men, white non-Hispanics, older workers, and workers with higher levels of education) are more likely to be able to secure higher wages in other industries. Thus, despite having higher

TABLE 6

Wage penalty of restaurant work, overall and by demographic group, 2014

	Median hourly wage outside of restaurant industry	Median hourly wage in restaurant industry	Raw difference	Median hourly wage outside of restaurant industry for workers similar to restaurant workers*	Wage penalty of restaurant work
Overall	\$18.00	\$10.00	-44.5%	\$12.07	-17.2%
Gender					
<i>Female</i>	\$16.34	\$9.50	-41.9%	\$11.31	-16.0%
<i>Male</i>	\$19.77	\$10.15	-48.7%	\$12.82	-20.9%
Nativity					
<i>U.S. born</i>	\$18.51	\$9.86	-46.7%	\$12.17	-19.0%
<i>Naturalized U.S. citizen</i>	\$19.07	\$11.16	-41.5%	\$14.20	-21.4%
<i>Non-naturalized immigrant</i>	\$13.19	\$9.90	-24.9%	\$11.25	-12.0%
Race/ethnicity					
<i>White, non-Hispanic</i>	\$19.71	\$10.07	-48.9%	\$12.77	-21.1%
<i>Black, non-Hispanic</i>	\$15.00	\$9.14	-39.1%	\$11.05	-17.3%
<i>Hispanic, any race</i>	\$14.00	\$9.67	-31.0%	\$11.16	-13.4%
<i>Asian</i>	\$21.52	\$10.55	-51.0%	\$12.82	-17.7%
<i>Other</i>	\$16.00	\$9.71	-39.3%	\$11.11	-12.6%
Education					
<i>Not a high school graduate</i>	\$10.69	\$8.50	-20.5%	\$9.54	-10.9%
<i>High school graduate</i>	\$15.00	\$9.89	-34.1%	\$12.33	-19.8%
<i>Some college</i>	\$16.16	\$10.25	-36.6%	\$12.33	-16.9%
<i>Bachelor's degree</i>	\$24.66	\$14.71	-40.3%	\$22.50	-34.6%
<i>Advanced degree</i>	\$31.70	\$17.13	-46.0%	\$30.44	-43.7%
Age					
<i>16–24</i>	\$10.15	\$8.67	-14.6%	\$9.77	-11.3%
<i>25–54</i>	\$19.41	\$11.16	-42.5%	\$15.22	-26.7%
<i>55+</i>	\$20.00	\$11.38	-43.1%	\$15.61	-27.1%

Note: The wage penalty is the difference between the hourly wages earned by a restaurant industry worker and those earned by a demographically similar worker in another industry. To ensure sufficient sample sizes, this table draws from pooled 2011Q3–2014Q2 microdata. Hourly wages include tips.

* See endnote four for methodology.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

wages than other workers *within* the restaurant industry, they face the largest discrepancy between what they make in the restaurant industry and what they could likely make outside the industry.

Many restaurant workers do not have incomes high enough to make ends meet

The very low wages typically received in restaurants means restaurant workers are much more likely to live in poverty or near-poverty than workers in other industries. When looking at these measures, it is important to note that poverty researchers generally do not consider the poverty threshold to be a good measure of what it takes to make ends meet, in part because the poverty threshold was set in the 1960s and has not evolved to reflect changing shares of spending on various necessities by low-income families. Due to such limitations, the “twice-poverty” rate—the share of people whose income is below twice the official poverty line—is often used as a more meaningful metric for determining what share of workers do not earn enough to make ends meet. For reference, in 2013, the poverty threshold for a family of four was \$23,836, and the twice-poverty threshold was \$47,672.

Table 7 shows poverty and twice-poverty rates for restaurant workers and other workers, both overall and for various demographic groups. One in six restaurant workers, or 16.7 percent, live below the official poverty line. The poverty rate for workers outside the restaurant industry is more than 10 percentage points lower, at 6.3 percent. More than two in five restaurant workers (43.1 percent) live below twice the poverty line, more than twice the 19.9 percent share outside the restaurant industry.

Looking by demographic group, more than 45 percent (45.9 percent) of women who work in restaurants live below twice the poverty line, compared with 40.0 percent of men. Among all the demographic groups in **Table 7**, non-naturalized immigrants in the restaurant industry are the most likely to be poor or near-poor, with 59.3 percent living below twice the poverty line. Blacks and Hispanics within the restaurant industry are also very likely to be poor or near-poor, with 55.6 percent and 56.5 percent living below twice the poverty line, respectively. Workers with higher levels of education are less likely to be poor or near-poor. Younger workers (under age 25) and “prime-age” workers (age 25–54) in the restaurant industry are both highly likely to be poor or near-poor, with 41.1 percent and 46.5 percent, respectively, living below twice the poverty line. Among restaurant workers, poverty rates are significantly lower among workers in unions. While 43.1 percent of non-unionized restaurant workers live below twice the poverty line, the share drops to 30.3 percent for unionized restaurant workers.

Table 8 shows poverty and twice-poverty rates for restaurant occupations. There are large disparities, but even workers in the most highly compensated jobs in the restaurant industry still have high poverty and twice-poverty rates. Managers in the restaurant industry are the least likely to be poor or near-poor, with 22.2 percent living below twice the poverty line, which is still higher than the 19.9 percent twice-poverty rate outside the restaurant industry. More than 50 percent of dishwashers, food preparation workers, and cooks live below twice the poverty line. Cashiers/counter attendants are also very likely to be poor or near-poor, as are workers in the largest restaurant industry occupation, waiters and waitresses. Nearly one in five waiters and waitresses (18.4 percent) live below the official poverty line, and nearly half (46.2 percent) live below twice the poverty line. For a more in-depth discussion of poverty rates of tipped workers, see Allegretto and Cooper (2014).

TABLE 7

Poverty rates of restaurant workers versus other workers, overall and by demographic group, 2014

	Poverty rate of restaurant workers	Poverty rate of workers outside restaurant industry	Twice-poverty rate of restaurant workers	Twice-poverty rate of workers outside restaurant industry
Overall	16.7%	6.3%	43.1%	19.9%
Gender				
<i>Female</i>	19.9%	7.0%	45.9%	21.0%
<i>Male</i>	13.3%	5.7%	40.0%	18.9%
Nativity				
<i>U.S. born</i>	16.0%	5.4%	40.0%	17.5%
<i>Naturalized U.S. citizen</i>	13.7%	5.8%	41.0%	21.2%
<i>Non-naturalized immigrant</i>	21.5%	15.6%	59.3%	43.8%
Race/ethnicity				
<i>White, non-Hispanic</i>	13.9%	4.2%	36.0%	14.2%
<i>Black, non-Hispanic</i>	27.1%	11.0%	55.6%	31.2%
<i>Hispanic, any race</i>	19.9%	12.9%	56.5%	38.8%
<i>Asian</i>	12.0%	4.7%	35.5%	17.2%
<i>Other</i>	20.6%	8.9%	48.3%	26.1%
Education				
<i>Not a high school graduate</i>	21.4%	19.1%	52.1%	49.3%
<i>High school graduate</i>	19.1%	8.0%	48.2%	26.4%
<i>Some college</i>	13.9%	5.9%	37.1%	20.0%
<i>Bachelor's degree</i>	8.4%	2.4%	26.4%	9.0%
<i>Advanced degree</i>	6.6%	1.4%	23.8%	4.7%
Age				
<i>16–24</i>	17.3%	12.7%	41.1%	33.3%
<i>25–54</i>	17.5%	6.4%	46.5%	20.5%
<i>55+</i>	9.1%	3.0%	31.5%	11.6%
Union coverage				
<i>Union</i>	9.1%	1.7%	30.3%	9.1%
<i>Non-union</i>	16.8%	6.4%	43.1%	20.1%

Note: For reference, in 2013 the poverty threshold for a family of four was \$23,836, and the twice-poverty threshold was \$47,672. To ensure sufficient sample sizes, this table draws from pooled 2011Q3–2014Q2 microdata.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

TABLE 8

Poverty rates within restaurant occupations, 2014

Occupations	Poverty rate	Twice-poverty rate
Overall	16.7%	43.1%
<i>Cashiers and counter attendants</i>	23.0%	46.3%
<i>Dishwashers</i>	28.3%	60.7%
<i>Food preparation workers</i>	23.2%	50.2%
<i>Hosts and hostesses</i>	11.8%	30.8%
<i>Dining room and cafeteria attendants and bartender helpers (e.g., bussers)</i>	13.3%	37.7%
<i>Cooks</i>	19.1%	54.1%
<i>Waiters and waitresses</i>	18.4%	46.2%
<i>First-line supervisors of food preparation and serving workers</i>	9.9%	36.4%
<i>Chefs and head cooks</i>	8.1%	31.1%
<i>Bartenders</i>	12.0%	35.2%
<i>Managers</i>	6.1%	22.2%

Note: For reference, in 2013 the poverty threshold for a family of four was \$23,836, and the twice-poverty threshold was \$47,672. To ensure sufficient sample sizes, this table draws from pooled 2011Q3–2014Q2 microdata.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

Very few restaurant workers receive fringe benefits

The preceding analysis shows that the wages of restaurant workers are substantially lower than the wages of workers in other industries, and that many restaurant workers live in poverty or near poverty. We now turn to a comparison of the fringe benefits received by restaurant workers and those received by other workers. **Table 9** shows the share of workers who receive health insurance from their job, along with the share of workers who have a pension plan at their job.⁵ Just 14.4 percent of restaurant workers receive health insurance from their employer, compared with roughly half (48.7 percent) of other workers. And only 8.4 percent of restaurant workers have a pension plan at their job, one-fifth the rate of pension coverage outside the restaurant industry, 41.8 percent.

Within all demographic groups, restaurant workers are significantly less likely to have either type of benefit than workers outside the restaurant industry. Within the restaurant industry, women, non-naturalized immigrants, Hispanics, workers with low levels of education, and workers under age 25 are the groups least likely to have either type of benefit. Among restaurant workers, benefit rates are significantly higher among workers in unions. While 14.3 percent and 8.3 percent of non-union restaurant workers have health insurance and pension coverage from their job, respectively, 41.9 percent and 31.6 percent of unionized restaurant workers have health insurance and pension coverage from their job, respectively.

Table 10 shows that there is significant inequality in benefit coverage within restaurant occupations, but that even the most highly compensated jobs within the restaurant industry still have low levels of benefit coverage. Managers in the restaurant industry have the highest benefit coverage—35.6 percent have employer-provided health insurance and 20.3

TABLE 9

Employer-provided health insurance and pension coverage rates, restaurant workers versus other workers, overall and by demographic group, 2014

	Employer-provided health insurance coverage rate of restaurant workers	Employer-provided health insurance coverage rate of workers outside the restaurant industry	Employer-provided pension coverage rate of restaurant workers	Employer-provided pension coverage rate of workers outside the restaurant industry
Overall	14.4%	48.7%	8.4%	41.8%
Gender				
<i>Female</i>	13.4%	46.2%	8.1%	41.7%
<i>Male</i>	15.6%	50.9%	8.8%	41.9%
Nativity				
<i>U.S. born</i>	15.0%	50.4%	8.7%	44.0%
<i>Naturalized U.S. citizen</i>	19.1%	49.0%	10.1%	39.3%
<i>Non-naturalized immigrant</i>	9.9%	31.4%	6.2%	21.5%
Race/ethnicity				
<i>White, non-Hispanic</i>	15.4%	51.4%	9.0%	45.5%
<i>Black, non-Hispanic</i>	15.8%	48.1%	8.9%	39.6%
<i>Hispanic, any race</i>	11.4%	36.1%	6.8%	26.4%
<i>Asian</i>	15.2%	51.9%	7.8%	41.8%
<i>Other</i>	12.0%	42.6%	8.8%	38.5%
Education				
<i>Not a high school graduate</i>	6.7%	22.5%	3.7%	14.7%
<i>High school graduate</i>	15.6%	43.6%	9.0%	35.1%
<i>Some college</i>	14.7%	46.0%	8.3%	39.8%
<i>Bachelor's degree</i>	26.4%	59.5%	17.0%	52.2%
<i>Advanced degree</i>	31.8%	65.5%	22.4%	61.6%
Age				
<i>16–24</i>	4.4%	16.0%	3.0%	13.6%
<i>25–54</i>	20.9%	52.8%	11.9%	45.4%
<i>55+</i>	24.8%	53.0%	13.8%	45.4%
Union coverage				
<i>Union</i>	41.9%	76.0%	31.6%	74.6%
<i>Non-union</i>	14.3%	48.2%	8.3%	41.1%

Note: To ensure sufficient sample sizes, this table draws from pooled 2011Q3–2014Q2 microdata.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

TABLE 10

Employer-provided health insurance and pension coverage rates within restaurant occupations, 2014

	Employer-provided health insurance coverage rate of restaurant workers	Employer-provided pension coverage rate of restaurant workers
Overall	14.4%	8.4%
<i>Cashiers and counter attendants</i>	5.8%	3.0%
<i>Dishwashers</i>	5.6%	4.4%
<i>Food preparation workers</i>	9.8%	7.2%
<i>Hosts and hostesses</i>	5.5%	3.3%
<i>Dining room and cafeteria attendants and bartender helpers (e.g., bussers)</i>	6.2%	4.2%
<i>Cooks</i>	10.8%	6.4%
<i>Waiters and waitresses</i>	9.7%	4.7%
<i>First-line supervisors of food preparation and serving workers</i>	28.7%	16.1%
<i>Chefs and head cooks</i>	21.8%	13.4%
<i>Bartenders</i>	14.3%	5.8%
<i>Managers</i>	35.6%	20.3%

Note: To ensure sufficient sample sizes, this table draws from pooled 2011Q3–2014Q2 microdata.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

percent have pension coverage—but that is still substantially lower than the benefit coverage outside the restaurant industry, where 48.7 percent have employer-provided health insurance and 41.8 percent have pension coverage. Less than 10 percent of cashiers/counter attendants, dishwashers, food prep workers, hosts/hostesses, dining room attendants, and waitstaff receive employer-provided health insurance, and less than 5 percent of cashiers/counter attendants, dishwashers, hosts/hostesses, dining room attendants, and waitstaff have a pension plan at their work.

Conclusion: What should be done to improve restaurant jobs

This paper has documented the very low compensation received by restaurant workers—compensation that leaves many restaurant workers either poor or near-poor. The quality of restaurant jobs can be improved by reforming or enacting policies to give restaurant workers more bargaining power and raise their wages. This is what can be done:

- **Increase the minimum wage and eliminate the tipped minimum wage.** At the national level, the minimum wage should be substantially increased—to at least \$10.10, as proposed by Sen. Tom Harkin (D-Iowa) and Rep. George Miller (D-Calif.). Higher-wage states and localities should further increase their minimum wage. The tipped minimum wage (a “subminimum wage” for workers who customarily and regularly receive tips) should be eliminated everywhere, so that tipped workers receive the same minimum wage as other workers. This is particularly important for women in the restaurant industry, who are disproportionately represented in occupations where tips make up a large share of earnings, namely waitstaff and bartenders. For more on why it’s time to give tipped workers the regular minimum wage, see [Allegretto and Cooper \(2014\)](#).

- **Increase the salary threshold below which workers are automatically covered by the overtime protections in the Fair Labor Standards Act to \$984 per week.** To ensure the basic, family-friendly right to either a limited workweek or to extra pay for overtime, the Fair Labor Standards Act (FLSA) requires that workers covered by FLSA overtime provisions be paid at least “time-and-a-half,” or 1.5 times their regular pay rate, for each hour of work per week beyond 40 hours. The salary threshold above which managerial and professional workers can be *excluded* from the overtime protections of the Fair Labor Standards Act is \$455. This threshold is not indexed to inflation, so its real value erodes each year, and it has been increased only once since 1975. The current threshold translates into annual earnings of \$23,660 for someone who works year-round, which is currently less than the poverty threshold for a family of four. The threshold should be adjusted to \$984 per week, which is simply the 1975 threshold adjusted for inflation. *Half* (50.5 percent) of full-time, salaried managers and first-line supervisors within the restaurant industry earn between \$455 and \$984 per week, which means they aren’t currently automatically eligible for overtime protections but would be automatically covered if the threshold were increased to \$984.
- **Pass comprehensive immigration reform with a path to citizenship for undocumented workers.** According to 2008 data from the Pew Hispanic Center, there is a high concentration of unauthorized immigrants in many occupations in the restaurant industry. For example, they estimate that 28 percent of dishwashers, 20 percent of chefs and head cooks, and 19 percent of cooks are undocumented immigrants (Passel and Cohn 2009). Congress should pass comprehensive immigration reform that includes a path to citizenship for unauthorized immigrant workers. This would raise their wages and working conditions by making them less vulnerable to exploitation. Through positive “spillover” effects, this could also boost the wages of other workers—either authorized immigrant workers or native-born workers—who do the same jobs that unauthorized immigrants do.
- **Pass legislation requiring all employers to provide paid sick days to their employees.** This is especially important in food preparation and serving occupations, where access to paid sick time is low, but the risk of spreading foodborne illnesses (such as salmonella and norovirus) is high (JEC 2010).
- **Combat “just-in-time” scheduling.** Low-wage service workers are increasingly subject to employers’ “just-in-time” scheduling practices, an enormously harmful trend where employers give workers little advance notice of their schedules, call workers into work during nonscheduled times to meet unexpected customer demand, and send workers home early when business is slow. Policymakers should pass laws that require minimum guaranteed hours per pay period and require compensation for a minimum number of hours when workers are called into work or sent home from work unexpectedly.
- **Update labor law and protect workers’ right to organize.** Data in Tables 4, 5, 7, and 9 show the importance of unions to higher wages and benefits. Labor law, however, has not kept pace with dramatically increased employer aggressiveness in fighting unions, which has resulted in a growing wedge between workers’ desire to organize and bargain collectively and their ability to do so. The section of the National Labor Relations Act that authorizes “right-to-work” laws should be repealed, significant penalties should be legislated for unfair labor practice violations, and the National Labor Relations Board should make its election process more efficient by eliminating wasteful waiting periods (Eisenbrey 2014).
- **Crack down on “wage theft.”** Wage theft is when employers do not pay workers for the work they have done, a practice rampant in the low-wage labor market, including the restaurant industry. Employers steal billions of dollars from their employees each year by working them off the clock, failing to pay the minimum wage, and by not paying

the overtime pay they have a right to receive. Survey research shows that well over two-thirds of low-wage workers have been victims of wage theft, but the government resources to help them recover their lost wages are scant and largely ineffective (Bernhardt et al. 2009).

- **The Federal Reserve should not raise interest rates until real wages are growing at the same pace as productivity.** In the aftermath of the Great Recession, the labor market remains depressed, with unemployed workers vastly outnumbering job openings in every major sector. The weak labor market of the last seven years has severely depressed wages (Bivens et al. 2014). Though the labor market is healing, it has a long way to go, and the Federal Reserve Board should not raise interest rates until wages are growing at at least a 3.5 percent rate. This will help ensure that monetary policy continues to support the labor market, which in turn will benefit the job prospects and wage growth of workers—particularly low-wage workers, such as those employed in restaurants.

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About the author

Heidi Shierholz joined the Economic Policy Institute as an economist in 2007. She has researched and spoken widely on the economy and economic policy as it affects middle- and low-income families, especially in regards to employment, unemployment, labor force participation, compensation, income and wealth inequality, young workers, unemployment insurance, and the minimum wage. Shierholz is a coauthor of *The State of Working America, 12th Edition*, is a frequent contributor to broadcast and radio news outlets, is regularly quoted in print and online media outlets, and has repeatedly been called to testify in Congress on labor market issues. Prior to joining EPI, Shierholz worked as an assistant professor of economics at the University of Toronto. She holds a Ph.D. in economics from the University of Michigan at Ann Arbor.

Endnotes

1. Throughout this paper, “food preparation workers” and “combined food preparation and serving workers, including fast food” are combined into one category, “food preparation workers.”
2. In particular, hourly wages are the hourly earnings of wage and salary workers, including any tips, overtime pay, and commissions for both hourly and non-hourly workers. The hourly wage measure was created using the “hybrid” approach described in Schmitt (2003, 9–13).
3. Throughout this paper, union coverage is defined as workers who are either a member of a labor union or association, or are covered by a union contract.
4. We use the reweighting approach developed in Dinardo, Fortin, and Lemieux (1996) to determine median hourly wages outside of the restaurant industry for workers similar to restaurant workers. In particular, we reweight workers who are not in the restaurant industry so that they have, on average, similar characteristics—namely, gender, nativity, citizenship, race and ethnicity, educational attainment, age, marital status, urbanicity, and region of the country—to those in the restaurant industry.
5. Throughout this paper, “employer-provided health insurance coverage” refers to workers who are included in an employer group health plan from their employer, where the employer helps pay for at least some portion of the plan. “Employer-provided

pension coverage” refers to workers who are included in a pension or other type of retirement plan (other than Social Security) from their employer.

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