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Tipping is a racist relic and a modern tool of economic oppression in the South

Rooted in Racism and Economic Exploitation: Spotlight

Report • By Nina Mast • June 18, 2024

Summary: This spotlight details the racist history of tipping, federal and state policy governing tipped work, and the experience of tipped workers in the economy—both nationwide and in the South. Across the country, tipped workers are more likely to be people of color, women, women of color, or single parents, and are disproportionately born outside of the United States. Tipped workers earn low wages, experience high rates of poverty, and are vulnerable to exploitation in the workplace—particularly in the form of wage theft and sexual harassment. The South has the largest tipped workforce of any region. Tipped workers in the South are paid the second lowest median wage of any region, and most Southern states allow employers to pay tipped workers as little as $2.13 an hour. Hispanic workers in the South are overrepresented in tipped work, as are women—who account for 70% of the tipped workforce despite making up less than half of all workers in the region.

SECTIONS

The racist origins of tipping and the tipped minimum wage

In most of the country, workers in restaurants, bars, nail salons, barber shops, and various other service jobs are paid differently than workers in virtually all other occupations. For these workers, a large portion (in many cases all) of their take-home pay comes from gratuity or "tips" provided directly from the customer. While employers of workers in nearly all other occupations must pay at least the minimum wage, federal and most states' laws establish a lower "subminimum wage" for tipped workers that effectively passes the responsibility for compensating these workers from their employers to their clientele.

This subminimum wage in the United States is a uniquely American institution that is rooted in the exploitation of formerly enslaved Black workers following emancipation. Tipping in the U.S. originated in the antebellum period.

Wealthy Americans vacationing in Europe got a taste of the aristocratic—including the continent's medieval tradition of giving servants extra money for particularly good service—and brought the practice of tipping back home with them. Though tipping was initially unpopular in the United States and quickly eliminated in Europe, the practice persisted in the U.S. as racial hostility and discrimination allowed employers to codify the practice (Greenspan 2018).

Following the Civil War and the abolition of slavery, formerly enslaved Black workers were often relegated to service jobs (e.g., food service workers and railroad porters). However, instead of paying Black workers any wage at all, employers suggested that guests offer Black workers a small tip for their services. Thus, the use of tipping to pay a worker's base wage, instead of as a bonus on top of employer-paid wages, became an increasingly common practice for service sector employment. In the early 20th century, these employers, who shared a common goal of keeping labor costs down and preventing worker organizing, formed the National Restaurant Association (NRA). Over the past century, the NRA has lobbied Congress to achieve these goals, first by excluding tipped occupations from minimum wage protections entirely, and later by establishing permanent subminimum wages for tipped workers (One Fair Wage 2021).

The 1938 Fair Labor Standards Act (FLSA) and its subsequent amendments further enshrined this discriminatory treatment of tipped workers. Though the FLSA is known for having established fundamental worker protections—including the 40-hour workweek, overtime protection, and a national minimum wage—the law initially excluded protections for hotel, restaurant, and other service workers. Proponents of the FLSA deliberately excluded industries that were the predominant employers of Black Americans as a means of securing needed support of Southern Democrats in Congress (Dixon 2021). These gaping holes in the FLSA's protections persisted for roughly 30 years, until the mid-1960s, when the FLSA was amended to extend coverage to service sector workers.

However, while service workers in restaurants, hotels, bars, and elsewhere would now be covered under the law, the 1966 amendments to the FLSA created a "tip credit." The tip credit allowed employers to count the tips received by their staff against 50% of the minimum wage they were required to pay—effectively establishing a separate "tipped minimum wage" set at half the regular minimum wage. Subsequent amendments to the FLSA adjusted the level of the tipped minimum wage to varying percentages of the regular minimum wage, reaching as high as 60% in the 1980s. In 1996, the FLSA was amended again to raise the federal minimum wage from $4.25 to $5.15. However, the bipartisan deal that was struck in Congress to achieve this increase decoupled the tipped minimum wage from the regular minimum wage. The deal locked the tipped minimum wage statutorily at $2.13 per hour (50% of $4.25), the level at which it had been set in 1991 (Allegretto and Cooper 2014).

The tipped minimum wage today and its impacts on workers

The federal minimum wage has been stuck at $7.25 since 2009, while the tipped minimum wage remains $2.13 per hour. As a result, employers of tipped workers can rely on customers to pay $5.12 per hour—roughly 70%—of the business' wage obligation to tipped staff. Even as most states have now enacted minimum wages above the federal $7.25 per hour, many still maintain exceptionally low tipped minimum wages. For instance, in Delaware, Nebraska, and Rhode Island, the regular state minimum wage is scheduled to reach $15 per hour in the coming years, yet the tipped minimum wage in each of these states remains less than $4 per hour.

Many states have established slightly higher minimum wages for tipped workers, and seven states have eliminated the tip credit system altogether; in these states, tipped workers receive the full minimum wage plus tips. In 2022, voters in the District of Columbia approved a ballot measure to gradually raise the tipped minimum wage until it is equal to the regular minimum wage. The tipped minimum wage will be fully eliminated in D.C. by 2027. However, most Southern states—excluding Arkansas, Delaware, Florida, Maryland, West Virginia, and D.C.—employ the maximum allowable tip credit, meaning employers are expected to pay only about a third of workers' wage obligation ($2.13 per hour) and expect them to make up the rest of their income in tips (EPI 2023).

Relying on customers to pay the bulk of tipped workers' wages exposes workers to tremendous instability of income, as pay can vary dramatically day-to-day and week-to-week. Employers are legally required to ensure that on a weekly basis, tipped workers' tips (the "tip credit") cover the gap between the tipped minimum wage and the regular minimum wage for the total hours worked that week. If they do not, employers are responsible for making up the difference. In practice, this requirement is exceptionally difficult to enforce, as it is largely left to workers themselves to track their hours and tips, make the relevant calculations, and then confront their employer if something seems amiss. As a result, tipped workers—who are already paid low wages—are particularly vulnerable to wage theft (Cooper and Kroeger 2017).

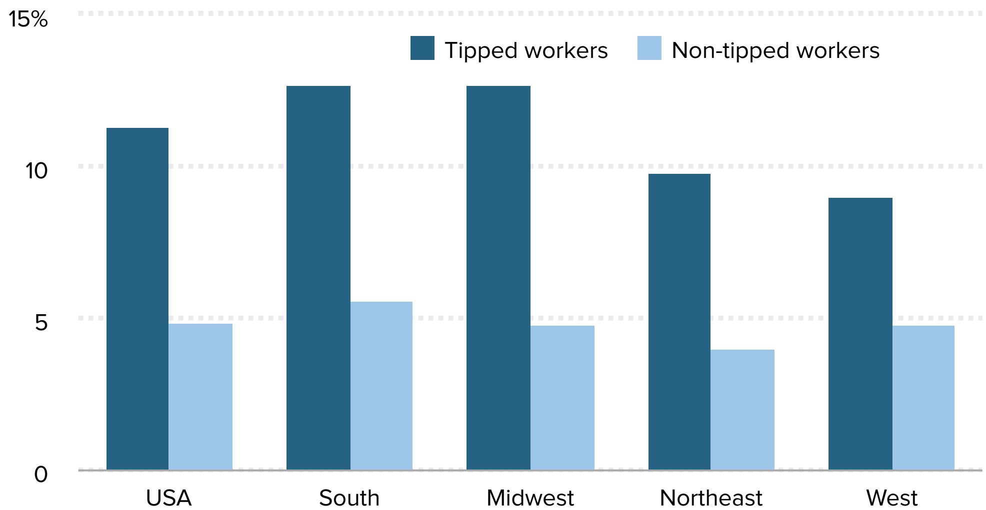
Tipped workers are more likely to live in poverty than non-tipped workers

Across the U.S., poverty rates for tipped workers are 2.3 times as high as poverty rates for non-tipped workers (11.3% vs. 4.9%) (EPI analysis of Ruggles et al. 2024). The South has the highest regional share of tipped workers living in poverty (12.7%), tied with the Midwest (see **Figure A** and **Appendix Table 2**). According to a 2021 analysis of poverty rates across states with different tipped minimum wages, states that pay the lowest tipped minimum wage allowed by law ($2.13 per hour) have the highest poverty rates among *all* workers, but especially among tipped workers. Schweitzer (2021) finds that, in states where the tipped minimum wage is $2.13 per hour, 13.8% of workers in key tipped industries are in

Figure A

The South has the highest rates of poverty for both tipped and non-tipped workers

Poverty rates for tipped and non-tipped workers in the U.S. and Census Regions, 2017–2019 and 2021–2022



Note: The South is tied with the Midwest for the tipped worker poverty rate. Analysis includes only employed workers.

Source: Economic Policy Institute analysis of U.S. Census American Community Survey data for the years 2017 through 2019 and 2021–2022. The year 2020 was excluded due to concerns about data quality in the 2020 American Community Survey amid the COVID-19 pandemic.

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poverty, compared with 10.2% in states where tipped workers are paid the full minimum wage. For tipped workers, specifically, poverty rates are 14.8% in $2.13 per hour tipped minimum wage states, compared with 11% in states that have eliminated the tipped minimum wage (Schweitzer 2021).

Of the 16 states and D.C. that comprise the South, 11 have a $2.13 per hour tipped minimum wage, the most of any region. Consequently, the inequity and disparate treatment inherent in the two-tiered tipped minimum wage system is particularly acute in the South—and most Southern tipped workers are operating under the lowest possible tipped standards. The workforce in these 11 states accounts for almost three-quarters (72.6%) of the overall Southern workforce and two-thirds (66.5%) of tipped workers in the South.

Tipped workers have lower wages than non-tipped workers

Tipped workers in the South earn a median wage of $15.13. The median hourly wage for tipped workers is $8.50 less than the typical worker's wage ($23.64) in the South in 2023 (BLS 2023). Tipped workers are also less likely to have access to benefits such as paid sick leave, health care, short-term disability, life insurance, and paid vacation. Given their low wages, lack of benefits, and high poverty rates, it is not surprising that tipped workers rely on public assistance programs at higher rates than the overall workforce (Allegretto and Cooper 2014).

Demographics of the tipped workforce

Compared with their share of the overall workforce in the U.S., Hispanic, Asian-American and Pacific Islander (AAPI), foreign-born, and women workers are overrepresented in the tipped workforce, while white workers and men are underrepresented (see **Table 1**). The tipped workforce nationwide is nearly two-thirds women, and disproportionately composed of women of color. Tipped workers are also more likely to be single parents—especially women workers.

The highest concentration of tipped workers is in the restaurant industry (Allegretto and Cooper 2014). Women restaurant workers are subject to the highest rates of sexual harassment of any industry—nearly three-quarters (71%) of women reported having been sexually harassed at some point during their time in the restaurant industry, and the rate of sexual harassment is much higher among tipped women workers (76%) compared with non-tipped women workers (52%). Tipped workers are more likely to experience sexual harassment in states that pay a subminimum wage; the more dependent workers are on customers to pay their wages, the more they are forced to tolerate abusive behavior from customers (Mackinnon and Fitzgerald 2021).

Table 1

Shares of tipped workers in each region and the U.S. that are of various demographic categories, 2019–2023

Demographics of tipped workers and all workers, 2019-2023

	Race/Ethnicity										Nativity		Gender			
	White		Black		Hispanic		AAPI		Multiracial		Foreign-born		Men		Women	
	Tipped	All	Tipped	All	Tipped	All	Tipped	All	Tipped	All	Tipped	All	Tipped	All	Tipped	All
North east	58.5%	66.8%	9.5%	11.0%	20.2%	13.5%	11.3%	8.3%	0.4%	0.4%	26.8%	21.0%	31.4%	52.2%	68.6%	47.8%
Mid west	70.5%	77.0%	9.0%	9.7%	11.2%	8.2%	8.1%	4.2%	1.2%	0.9%	12.9%	9.8%	25.1%	52.7%	74.9%	47.3%
South	48.2%	56.0%	17.3%	19.0%	22.7%	19.1%	10.6%	4.8%	1.1%	1.1%	21.5%	17.1%	29.4%	53.0%	70.6%	47.0%
West	42.7%	51.4%	4.4%	5.0%	31.9%	28.8%	19.2%	13.2%	1.7%	1.7%	25.9%	23.2%	34.5%	54.2%	65.5%	45.8%
United States	53.1%	61.3%	11.3%	12.3%	22.2%	18.1%	12.3%	7.3%	1.2%	1.1%	21.7%	17.7%	30.1%	53.1%	69.9%	46.9%

Note: Analysis includes employed workers only. Foreign-born includes both foreign-naturalized citizens and foreign-born non-U.S. citizens.

Source: Economic Policy Institute analysis of Bureau of Labor Statistics Current Population Survey Basic monthly data for the years 2019–2023.

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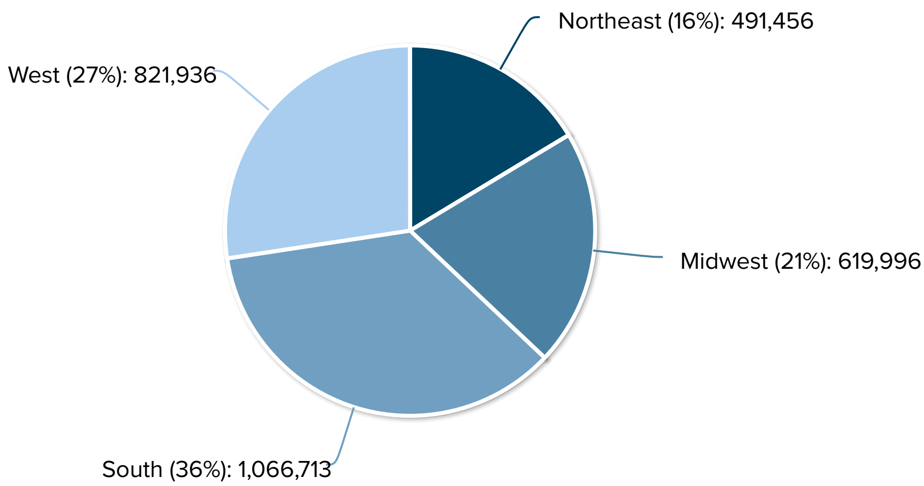
In the South, the tipped workforce is 70.6% women, 22.7% Hispanic, and 17.3% Black—the highest share of Black tipped workers of any region (see **Table 1**). The South also has the highest share of Black workers generally, and the largest population of tipped workers of any region—over one million workers (see **Appendix Table 1**). The South is home to four out of every 11 (36%) tipped workers nationwide (see **Figure B**). Given that the South is home to the largest tipped workforce and the largest Black population of any region, the subminimum wage has a disparate impact on Black workers in the South, even if Black workers are slightly underrepresented in tipped work based on their population share of the South (19%).

Figure B

The South is home to four out of every 11 tipped workers

Regional shares and counts of tipped workers, 2019–2023



Note: Analysis includes only tipped workers who are employed.

Source: Economic Policy Institute analysis of Bureau of Labor Statistics Current Population Survey data for the years 2019–2023.

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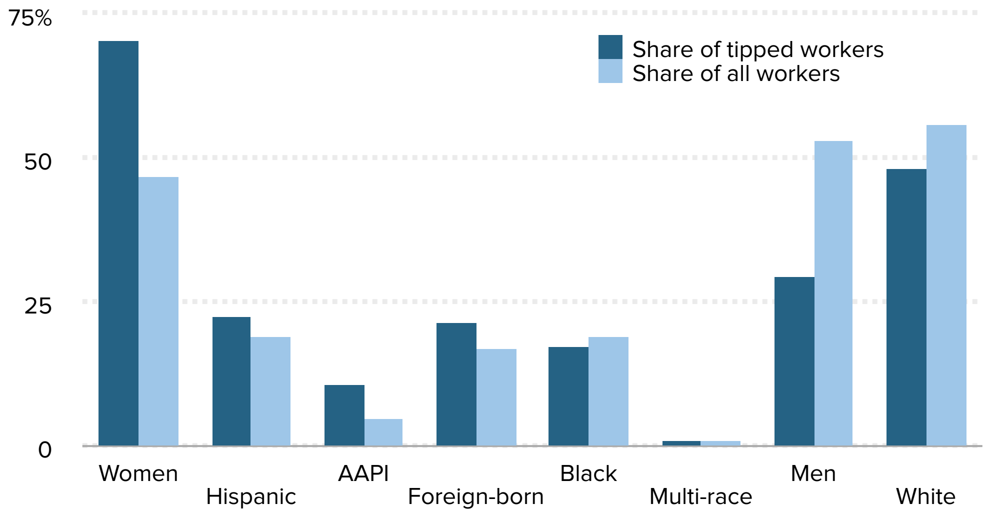
Figure C

Women, AAPI, foreign-born, and Hispanic workers are overrepresented in tipped work in the South, 2019–2023



Note: Analysis includes employed workers only. "AAPI" is Asian-American and Pacific Islander.

Source: Economic Policy Institute analysis of Bureau of Labor Statistics Current Population Survey Basic monthly data for the years 2019–2023.

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Meanwhile, AAPI workers are overrepresented in tipped work in the South (10.6% of tipped workers vs. 4.8% of all workers in the region), alongside Hispanic workers (22.7% vs. 19.1%), foreign-born workers (21.5% vs. 17.1%), and women (69.9% vs. 47.0%). Over one–fifth of tipped workers in the South (21.5%) were born outside the United States, and the South has the second highest share of women working for tips. White workers and men are underrepresented in tipped work in the South (see **Figure C**). Nationwide, AAPI, Hispanic, and multiracial workers are overrepresented in tipped work, though AAPI workers are overrepresented at the highest rates of any race/ethnicity group.

The disproportionate harm of this separate and unequal treatment of tipped workers—rooted in anti-Black racism—persists across the country, and while it may have originated as a means of subjugating Black workers in particular, its harms are now falling disproportionately on workers of color more broadly.

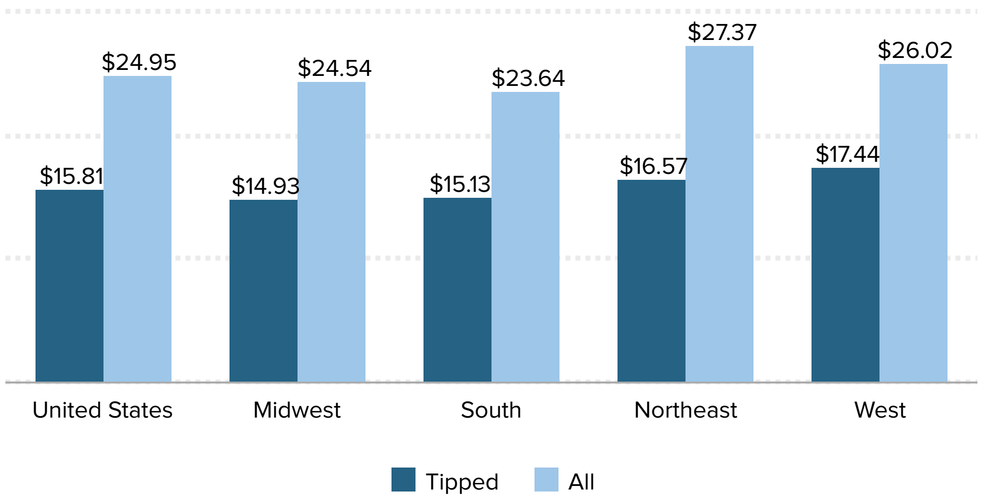
Median wages among tipped workers

The South has the second lowest median wage for tipped workers (after the Midwest)—$15.13 per hour, inclusive of base wages paid by employers and tips. **Figure D** shows that in every region, including in the South, tipped workers are paid at least a third less than the median worker overall—which translates to over $9 less nationwide.

Figure D

Amid already-low median wages in the South, tipped workers are paid over a third less

Fiftieth percentile wages for tipped workers and all workers in the U.S. and each Census Region, 2017–2023



Note: Median wages were calculated from pooled 2017 through 2023 data. Wages include overtime, tips, and commissions. All values are in 2023 dollars.

Source: Economic Policy Institute analysis of Bureau of Labor Statistics Current Population Survey Outgoing Rotation Group (CPS ORG) for the years 2017–2023.

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The tipped minimum wage and efforts to block its elimination are representative of the Southern economic model

Though the subminimum wage for tipped work prevails across the country, and especially in the South, seven non-Southern states have already eliminated the subminimum wage (Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington). In the South, D.C. eliminated the subminimum wage through the ballot initiative process in November 2022. In 2024, legislation to eliminate the tipped minimum wage has been introduced in Connecticut, Illinois, and Maryland, and several other states are considering ballot measures.

In the South, efforts to change tipped wage policy often are stymied by political opposition in state capitals that not only oppose changing state minimum wage policy, but actively subvert local governments' ability to respond themselves. In the mid-2010s, in the absence of state or federal action to raise the minimum wage, several localities in the South—such as Birmingham, AL, an overwhelmingly Black city—attempted to implement their own higher minimum wages. However, these ordinances were subsequently blocked by majority-white state legislatures seeking to maintain the system of economic subjugation that ensures their political power (Blair, Cooper, Wolfe, and Worker 2020).

From emancipation, the racist practice of tipping prevailed in low-wage industries—disproportionately composed of Black workers, workers of color, and women—before subminimum wages were enshrined into law, creating a two-tiered system for wages that has been preserved as a means of racial and economic control. The tipped minimum wage system perfectly encapsulates the Southern economic model, which systematically favors corporate interests at the expense of working people and uses anti-democratic means to entrench white supremacy (Childers 2024). To address the discriminatory treatment of tipped workers in the South and across the country, lawmakers must eliminate the tipped subminimum wage and give tipped workers the same basic protection afforded to other workers in almost all other jobs—a minimum hourly wage, regardless of tips. State lawmakers should also reverse harmful state preemption of local labor ordinances that would allow cities and counties to set higher minimum wages.

Appendix

Appendix Table 1

Number of tipped workers and all workers in the U.S. and Census Regions, 2019–2023

	Tipped workers	All workers
United States	3,000,101	155,448,251
Northeast	491,456	26,910,801
Midwest	619,996	33,188,835
South	1,066,713	58,441,391
West	821,936	36,907,225

Source: Economic Policy Institute analysis of Bureau of Labor Statistics Current Population Survey data for the years 2019–2023.

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Appendix Table 2

Shares of workers in poverty by tipped work status in the U.S. and Census Regions, 2017–2019 and 2021–2022

	Tipped workers in poverty	Non-tipped workers in poverty	All workers in poverty
United States	11.3%	4.9%	5.1%
Midwest	12.7%	4.8%	5.0%
Northeast	9.8%	4.0%	4.1%
South	12.7%	5.6%	5.8%
West	9.0%	4.8%	4.9%

Source: Economic Policy Institute analysis of American Community Survey data for the years 2017–2019 and 2021–2022. The year 2020 was excluded due to concerns about data quality in the 2020 American Community Survey amid the COVID-19 pandemic.

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