IMPACT OF ELIMINATING THE TIP CREDIT ON INCOME AND JOB SECURITY FOR MASSACHUSETTS WORKERS

SURVEY OF TIPPED RESTAURANT EMPLOYEES
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Executive Summary

This fall, Massachusetts voters may consider a ballot initiative that would eliminate the tip credit. Eliminating the tip credit means that restaurant employers would be responsible for paying tipped employees at least the full minimum wage (currently $15 per hour) as a base wage, instead of using the current tip credit which allows tipped employees to be paid a base wage of at least $6.75 per hour plus tips.

The ballot measure would also permit employers to require employees to participate in a tip pool, where tips could be distributed to non-service staff.

Proponents of tip credit elimination have been critical of the tipping system and prefer a compensation arrangement where the hourly rate is higher, but tips may be smaller. Opponents of tip credit elimination point out that tipped employees already earn more than the minimum wage when tips are included—and that changing the system could mean lower overall earnings.

After Washington, D.C. began phasing out the tip credit, hundreds of restaurant owners were forced to impose a mandatory service charge on customer checks to account for rising costs. Under federal law, mandatory service charges are part of the restaurant’s sales and are not the same as tips.

To better understand the potential impact of eliminating the tip credit for Massachusetts’ full-service restaurants’ tipped employees, a survey of 351 servers, bartenders and other tipped staff was conducted in February 2024.

Key Findings

• A strong majority of tipped employees (86%) agree that the current tipping system works well for them and does not need to be changed (somewhat agree, 24%; strongly agree, 62%).

• Many agree that they can maximize tips through excellent customer service (75%), earn more than minimum wage (71%), make more money than a job in other sectors (59%) and have schedule flexibility (51%).

• A majority (89%) of tipped employees say they are earning $20.00 or more per hour, with 56% saying they earn $30.00 or more per hour.

• If tipped wages are eliminated, most believe that tipped employees will earn less (90%).

• A majority believe that customers are unlikely (78%) to continue tipping on top of any mandatory service charge (somewhat unlikely, 19%; very unlikely, 59%).
• Many oppose (88%) a mandatory tip pool where tips are shared with the kitchen and other non-service staff (somewhat oppose, 11%; strongly oppose, 77%).

• A majority (91%) say they prefer the current system with a lower base wage and tips that provide the ability to earn more than the minimum wage, while nine percent want a different system with a higher base wage, but a less certain outcome on tipped income for the server.
A Survey of Massachusetts Tipped Employees

An online survey of 351 tipped employees currently working at full-service restaurants in Massachusetts was conducted in February 2024.¹

Participating restaurants, who are members of the restaurant trade group coalition, distributed the survey to their tipped employees. Respondents were offered a $5 Amazon gift card for participating. This survey has a margin of error of five percent.

Table 1 provides a summary of the participants. Respondents have been employed for a variety of years, with 41 percent being employed 10 years or more. Others have been employed 3-5 years (24%), 6-9 years (20%) or two years or less (14%). Most (71%) are employed in a casual dining restaurant or bar. More are women (67%) than men (28%). Most (53%) are 18-29 years old. A majority are white (69%). Respondents live in various parts of the state, with 21 percent living in South Shore. Others live in the City of Boston (19%), North Shore (15%), Worcester (15%) or Greater Boston (13%).

¹Nicole Bruno, Hannah McCollum and Sabrina Amann-Ross conducted this study.
### Table 1
Employee Profile

<table>
<thead>
<tr>
<th>What part of the state do you live in?</th>
<th>Casual dining/restaurant and bar</th>
<th>Fine dining</th>
<th>Diner, café, family restaurant</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>71%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In what type of dining establishment are you employed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casual dining/restaurant and bar</td>
</tr>
<tr>
<td>Fine dining</td>
</tr>
<tr>
<td>Diner, café, family restaurant</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>53%</td>
</tr>
<tr>
<td>33%</td>
</tr>
<tr>
<td>11%</td>
</tr>
<tr>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How many years have you been employed in the restaurant industry?</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;2 years</td>
</tr>
<tr>
<td>3-5 years</td>
</tr>
<tr>
<td>6-9 years</td>
</tr>
<tr>
<td>10+ years</td>
</tr>
<tr>
<td>67%</td>
</tr>
<tr>
<td>28%</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>5%</td>
</tr>
</tbody>
</table>

### What is your age?
- 18-29: 53%
- 30-44: 33%
- 45-59: 11%
- 60+: 2%

### What is your gender?
- Woman: 67%
- Man: 28%
- Non-binary: 0%
- Prefer to self-describe: 0%
- Prefer not to say: 5%

### What is your ethnicity?
- White: 69%
- Hispanic/Latino/a/fx: 18%
- Black/African American: 5%
- Asian: 3%
- American Indian or Alaskan Native: 1%
- Prefer to self-describe: 1%
- Other: 0%
- Prefer not to say: 8%
Support for the Current Tipping System

A strong majority of tipped employees (86%) agree that the current tipping system works well for them and does not need to be changed (somewhat agree, 24%; strongly agree, 62%) (Table 2). Fewer disagree (11%), with four percent “somewhat” disagreeing and seven percent “strongly” disagreeing.

Those most likely to agree that the current tipping system already works well includes those who have worked in the industry for 10 or more years (93%) and employees who are 45-59 years old (100%).

Table 2
Support for the Current Tipping System

How much do you agree with this statement, “The current tipping system works well for me and doesn't need to be changed.”

- Strongly agree: 62%
- Somewhat agree: 24%
- Somewhat disagree: 7%
- Strongly disagree: 4%
- Unsure: 4%
Benefits of the Current Tipping System

Tipped employees describe several benefits of the current tipping system (Table 3). Many agree that they can maximize tips through excellent customer service (75%), earn more than minimum wage (71%), make more money than a job in other sectors (59%) and have schedule flexibility (51%).

Those who have worked in the industry longer are more likely to agree that the current tipping system benefit is the ability to maximize tips through excellent customer service (6-9 years, 85%). Those who earn $30.00-$39.00 per hour (85%) are also more likely to agree that the current restaurant tipping system gives them the ability to earn more than minimum wage.

Table 3
Benefits of the Current Tipping System

What are the benefits of the current restaurant tipping system?

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to maximize tips through excellent customer service</td>
<td>75%</td>
</tr>
<tr>
<td>Earn more than minimum wage</td>
<td>71%</td>
</tr>
<tr>
<td>Ability to make more money than a job in other sectors</td>
<td>59%</td>
</tr>
<tr>
<td>Schedule flexibility</td>
<td>51%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>
Current Hourly Tipped Income

Table 4 shows the percentage of tipped employees’ combined average hourly wage with tips and base wage. A majority (89%) of tipped employees say they are earning $20.00 or more per hour. Many are earning $20.00-$29.99 (33%), $30.00-$39.99 (32%) or $40.00 or more per hour (24%).

Table 4
Current Hourly Tipped Income

With tips and your base wage combined, what is your average hourly wage?

- 12% $15-$19.99 per hour
- 33% $20-$29.99 per hour
- 32% $30-$39.99 per hour
- 24% $40+ per hour

Tip Credit Elimination Impact

Tipped employees see several negative impacts from eliminating the tip credit system (Table 5). Topping the list, most believe that tipped employees will earn less (90%). Fewer say they will earn the same (6%) or earn more (5%).

A majority believe that customers are unlikely (78%) to continue tipping on top of any mandatory service charge (somewhat unlikely, 19%; very unlikely, 59%).

Many oppose (88%) a mandatory tip pool where tips are shared with the kitchen and other non-service staff (somewhat oppose, 11%; strongly oppose, 77%). Of those ages 45-59, 100% oppose with three percent “somewhat” opposing and 97 percent “strongly” opposing.
Table 5
Tip Credit Elimination Impact

If the tip credit were eliminated, which of the following do you believe to be true?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I will earn less than I do now</td>
<td>90%</td>
</tr>
<tr>
<td>I will earn about the same as I do now</td>
<td>6%</td>
</tr>
<tr>
<td>I will earn more than I do now</td>
<td>5%</td>
</tr>
</tbody>
</table>

If the tip credit were eliminated, how likely do you think customers are to continue tipping on top of any mandatory service charge?

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very likely</td>
<td>2%</td>
</tr>
<tr>
<td>Somewhat likely</td>
<td>10%</td>
</tr>
<tr>
<td>Somewhat unlikely</td>
<td>19%</td>
</tr>
<tr>
<td>Very unlikely</td>
<td>59%</td>
</tr>
<tr>
<td>Not sure</td>
<td>9%</td>
</tr>
</tbody>
</table>

If implemented, this ballot measure would permit the creation of a mandatory tip pool, where your tips are shared with the kitchen and other non-service staff. Do you support mandatory tip pooling?

<table>
<thead>
<tr>
<th>Support</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly support</td>
<td>1%</td>
</tr>
<tr>
<td>Somewhat support</td>
<td>6%</td>
</tr>
<tr>
<td>Somewhat oppose</td>
<td>11%</td>
</tr>
<tr>
<td>Strongly oppose</td>
<td>77%</td>
</tr>
<tr>
<td>Not sure</td>
<td>5%</td>
</tr>
</tbody>
</table>
## Compensation Preference

Table 6 provides the results of a question that asked tipped employees which compensation system they prefer. A majority (91%) say they prefer the current system with a lower base wage and tips that provide the ability to earn more than the minimum wage, while nine percent want a different system with a higher base wage, but a less certain outcome on tipped income for the server.

### Table 6
Compensation Preference

<table>
<thead>
<tr>
<th>Preference</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The current system with a lower base wage and tips that provide the ability to earn more than minimum wage.</td>
<td>91%</td>
</tr>
<tr>
<td>A different system with a higher base wage, but a less certain outcome on tipped income for the server.</td>
<td>9%</td>
</tr>
</tbody>
</table>
Massachusetts Restaurant Tipped Employee Survey

1. Which category best describes your restaurant employment during the past 12 months?
   - Server, bartender or another employee whose tips comprise most of their income
   - Non-tipped or occasionally tipped restaurant employee (dishwasher, kitchen, etc.)
   - Not currently working at a restaurant, but did within the past 12 months
   - Restaurant management
   - I have not worked in the restaurant industry in the past 12 months

2. How much do you agree with this statement, “The current tipping system works well for me and doesn’t need to be changed.”
   - Strongly agree
   - Somewhat agree
   - Somewhat disagree
   - Strongly disagree
   - Unsure

3. What are the benefits of the current restaurant tipping system? Select all that apply.
   - Earn more than minimum wage
   - Ability to maximize tips through excellent customer service
   - Schedule flexibility
   - Ability to make more money than a job in other sectors
   - Other: ________

4. With tips and your base wage combined, what is your average hourly wage?
   - $15.00-$19.99/hour
   - $20.00-$29.99/hour
   - $30.00-$39.99/hour
   - $40.00/hour or more
Impact of the Elimination of Tip Credit

This fall, Massachusetts voters may consider a ballot initiative that would eliminate the tip credit. Eliminating the tip credit means that your employer would be responsible for paying tipped employees at least the full minimum wage (currently $15 per hour) as a base wage, instead of using the current tip credit which allows tipped employees to be paid a base wage of at least $6.75 per hour plus tips.

The ballot measure would also permit employers to require employees to participate in a tip pool, where tips could be distributed to non-service staff.

Proponents of tip credit elimination have been critical of the tipping system and prefer a compensation arrangement where the hourly rate is higher, but tips may be smaller. Opponents of tip credit elimination point out that tipped employees already earn more than the minimum wage when tips are included—and that changing the system could mean lower overall earnings.

After Washington, D.C. began phasing out the tip credit, hundreds of restaurant owners were forced to impose a mandatory service charge on customer checks to account for rising costs. Under federal law, mandatory service charges are part of the restaurant’s sales and are not the same as tips.

5. **If the tip credit were eliminated, which of the following do you believe to be true?**
   - I will earn less than I do now
   - I will earn more than I do now
   - I will earn about the same as I do now

6. **If the tip credit were eliminated, how likely do you think customers are to continue tipping on top of any mandatory service charge?**
   - Very likely
   - Somewhat likely
   - Somewhat unlikely
   - Very unlikely
   - Not sure

7. **If implemented, this ballot measure would permit the creation of a mandatory tip pool, where your tips are shared with the kitchen and other non-service staff. Do you support mandatory tip pooling?**
   - Strongly support
   - Somewhat support
   - Somewhat oppose
   - Strongly oppose
   - Not sure

8. **Which compensation system would you prefer?**
   - The current system with a lower base wage and tips that provides the ability to earn more than minimum wage.
   - A different system with a higher base wage, but a less certain outcome on tipped income for the server.
9. How many years have you been employed in the restaurant industry?
   - 2 years or less
   - 3-5 years
   - 6-9 years
   - 10+ years

10. In what type of dining establishment are you employed?
   - Casual dining/restaurant and bar
   - Diner, café, family restaurant
   - Fine dining
   - Other: __________

11. What is your gender?
   - Woman
   - Man
   - Non-binary
   - Prefer to self-describe
   - Prefer not to say

12. What is your age?
   - Younger than 18
   - 18-29
   - 30-44
   - 45-59
   - 60 or older

13. What is your ethnicity? Select all that apply.
   - American Indian or Alaskan Native
   - Asian
   - Black/African American
   - Hispanic/Latino/a/x
   - White
   - Prefer to self-describe
   - Other
   - Prefer not to say
14. What part of the state do you live in?

- City of Boston
- Greater Boston (Cambridge, Somerville, etc.)
- MetroWest
- North Shore
- South Shore
- Worcester
- Springfield
- Greater Lowell
- Cape Cod and surrounding areas
- Other