

The Employment Effects of Eliminating the Tip Credit in New York.

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If the tip credit in New York is eliminated for food service workers, the tipped minimum wage would rise from \$5.00 per hour to \$9.00 per hour by 2016. In an earlier study of the impact of tip-credits on employment in the full-service restaurant industry, we found that a 10 percent increase in the tipped minimum wage causes employment in the full-service restaurant industry to fall by 0.3 to 0.8 percent.¹

To estimate the effect of raising the tipped minimum from \$5.00 to \$9.00, we use data from the Quarterly Census of Employment and Wages (QCEW) for New York to estimate the number of workers employed at full-service restaurants between January 2013 and December 2013.² The QCEW estimates of employment are based on workers covered by either state or federal unemployment insurance. The estimates of employment are monthly and are available by 6-digit NAICS industry at the state and county level. During the time period considered, we estimate there was an average of 307,025 workers employed in New York's full-service restaurant industry. An increase in the tipped minimum wage from \$5.00 to \$9.00 represents an 80% increase in the tipped minimum. Using our range of elasticities, this implies that employment in the full service restaurant industry would fall by 2.4 to 6.4 percent. This translates into a loss of between 7,369 and 19,650 jobs in the New York full service restaurant industry. The evidence in our earlier study also suggests that the bulk of this job loss will be borne by the tipped workers in the industry – i.e., servers, bartenders, and attendants.

Other industries with tipped workers may be affected as well, though we have no evidence on the size of the impact in those industries.

¹ Even, William E., and David A. Macpherson. "The Effect of the Tipped Minimum Wage on Employees in the U.S. Restaurant Industry." *Southern Economic Journal* 80, no. 3 (2014): 633-655.

² The QCEW is available at <http://www.bls.gov/cew/>. We used the most recent data available at the time of our analysis and used 12 months of data to remove seasonal effects on employment.