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SURVEY OF TIPPED RESTAURANT EMPLOYEES IN NEW JERSEY

IMPACT OF ELIMINATING THE TIP CREDIT ON INCOME AND JOB SECURITY

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Executive Summary

New Jersey lawmakers have proposed legislation to eliminate the state's tip credit. Eliminating the tip credit means that restaurant's would be responsible for paying tipped employees at least the full minimum wage (currently $15.49 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 $5.62 per hour plus tips. New Jersey state law requires employers to pay the difference if the base wage and tips don't equal the full minimum.

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. The D.C. City Council subsequently voted to pause future changes in the tipped wage, and the mayor has called for returning to the traditional tipping system.

To better understand the potential impact of eliminating the tip credit for New Jersey's full-service restaurants' tipped employees, a survey of 394 servers, bartenders and other tipped staff was conducted in June and July 2025.

Key Findings

- A strong majority of tipped employees (79%) agree that the current tipping system works well for them and does not need to be changed (somewhat agree, 22%; strongly agree, 57%).
- Many say the current tipping system allows them to maximize tips through excellent customer service (78%), earn more than minimum wage (72%), make more money than a job in other sectors (67%) and have schedule flexibility (56%).
- A strong majority (83%) of tipped employees are earning a combined tip and base wage of $20.00 or more an hour.
- If tipped wages are eliminated, most believe that tipped employees will earn less (82%).
- A majority believe that customers are unlikely (79%) to continue tipping on top of any mandatory service charge (somewhat unlikely, 17%; very unlikely, 62%).
- A majority (88%) say they want the current system with a lower base wage and tips that provide the ability to earn more than the minimum wage, while 12 percent want a different system with a higher base wage, but a less certain outcome on tipped income for the server.

A Survey of New Jersey Tipped Employees

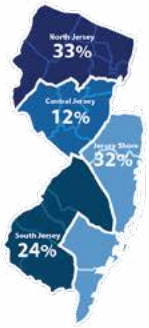
An online survey of 394 tipped employees currently working at full-service restaurants in New Jersey was conducted in June and July 2025.

Participating restaurants, who are members of the New Jersey Restaurant & Hospitality Association, distributed the survey to their tipped employees. 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 42 percent being employed ten years or more. Others have been employed for 3-5 years (25%), 6-9 years (17%) or 2 years or less (17%). Most (76%) are employed in a casual dining/restaurant or bar. More are women (70%) than men (28%). Most (49%) are 18-29 years old or 30-44 years old (27%). Most are white (79%). Many live in various parts of the state with 33 percent living in North Jersey while others live in Jersey Shore (32%), South Jersey (24%) and Central Jersey (12%).

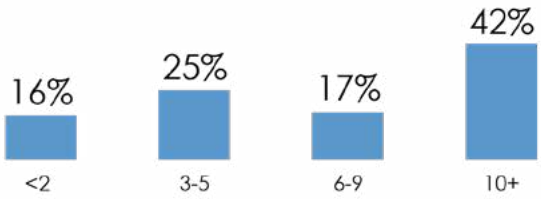
[1]Nicole Bruno, Hannah McCollum and Sabrina Amann-Ross of CorCom, Inc. assisted with this study. CorCom, Inc. is a research and consulting firm headquartered in Pittsburgh, PA. It was founded by Dr. Lloyd Corder, who holds faculty appointments at Carnegie Mellon University and the University of Pittsburgh.

Table 1
Tipped Employees Profile

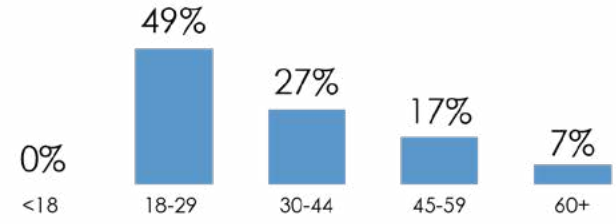


- **North Jersey**
  Bergen, Essex, Hudson, Morris, Passaic, Sussex, and Warren Counties
- **Central Jersey**
  Hunterdon, Mercer, Middlesex, Somerset, and Union Counties
- **South Jersey**
  Burlington, Camden, Cumberland, Gloucester, and Salem Counties
- **Jersey Shore**
  Atlantic, Cape May, Monmouth, and Ocean Counties

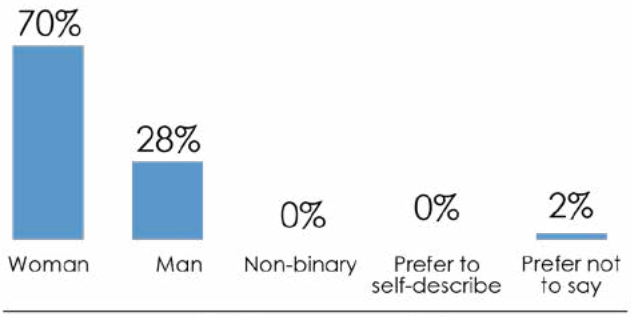
What part of the state do you live in?



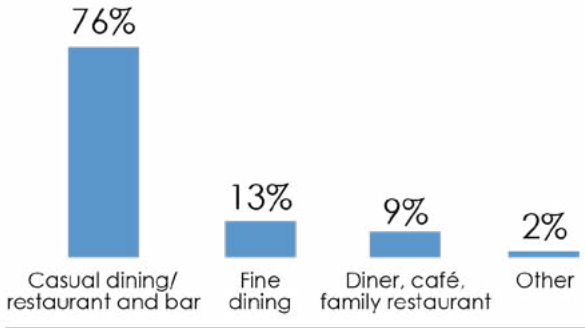
How many years have you been employed in the restaurant industry?



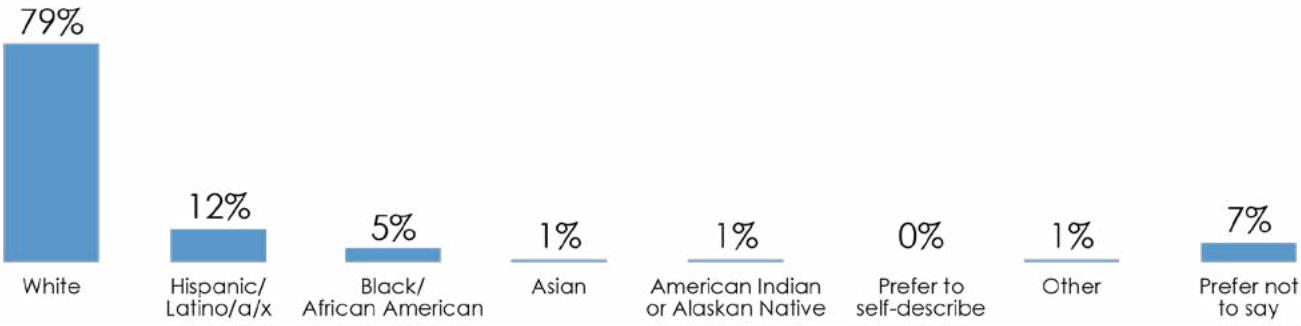
What is your age?



What is your gender?



In what type of dining establishment are you employed?



What is your ethnicity?

Support for the Current Tipping System

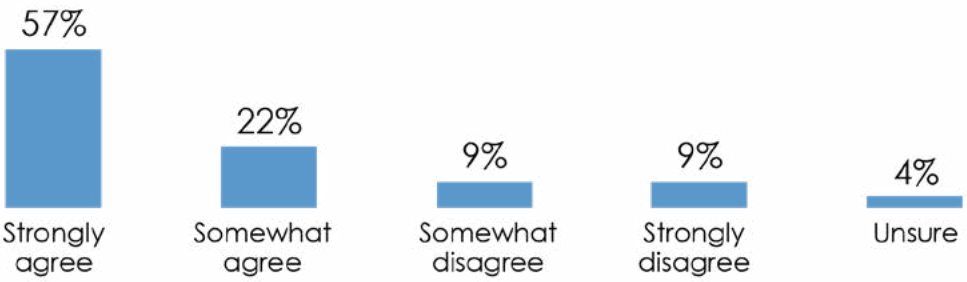
A strong majority of tipped employees (79%) agree that the current tipping system works well for them and does not need to be changed (somewhat agree, 22%; strongly agree, 57%) (Table 2). Fewer disagree (18%), with nine percent "somewhat" disagreeing and nine percent "strongly" disagreeing.

Those who have been employed in the industry for 10 or more years are more likely to strongly agree (75%) that the current tipping system works well for them and does not need to be changed. In addition, those who are 30 years or older are more likely to strongly agree (68%).

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."

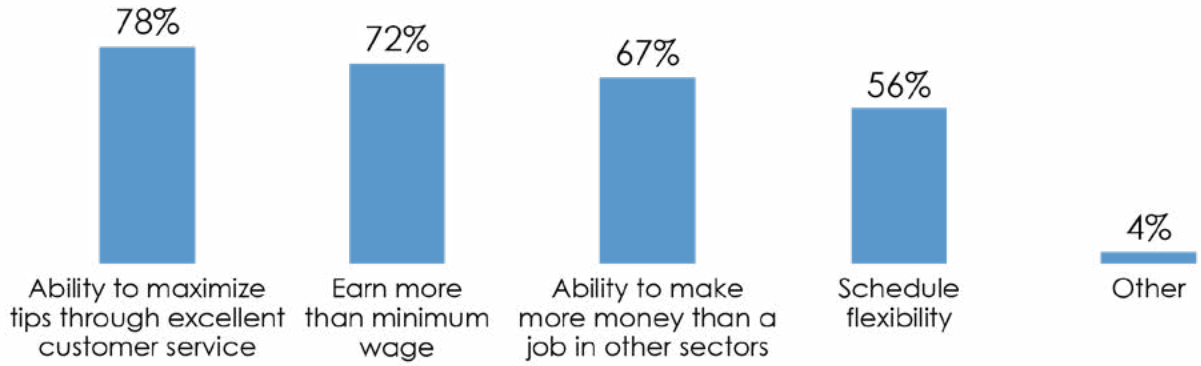


Benefits of the Current Tipping System

Tipped employees describe several benefits of the current tipping system (Table 3). Many say the current tipping system allows them to maximize tips through excellent customer service (78%), earn more than minimum wage (72%), make more money than a job in other sectors (67%) and have schedule flexibility (56%).

Table 3
Benefits of the Current Tipping System

What are the benefits of the current restaurant tipping system?

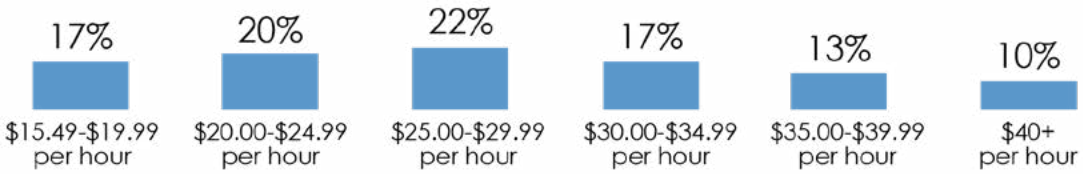


Current Hourly Tipped Income

Table 4 shows the percentage of tipped employees combined average hourly wage with tips and base wage. A strong majority (83%) are earning a combined tip and base wage of $20.00 or more an hour.

Table 4
Current Hourly Tipped Income

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



Tip Credit Elimination Impact

Tipped employees see several negative impacts from eliminating tipped income (Table 5). Topping the list, most believe that tipped employees will earn less (82%). Fewer say they will earn more (10%) or earn the same (7%).

A majority believe that customers are unlikely (79%) to continue tipping on top of any mandatory service charge (somewhat unlikely, 17%; very unlikely, 62%).

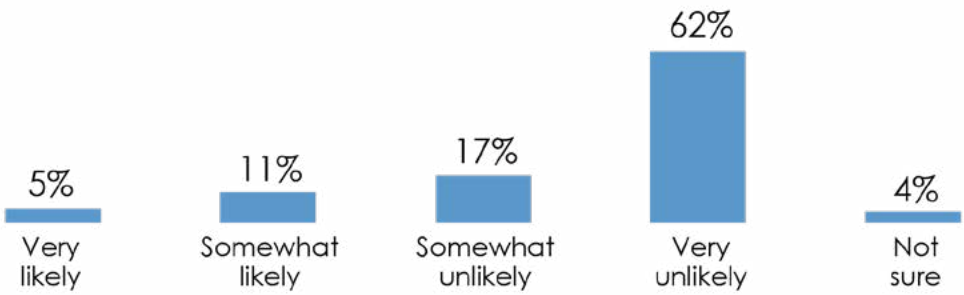
Those working in a diner, café or family restaurant are more likely to believe that customers are very unlikely (81%) to continue tipping on top of any mandatory service charge.

Table 5

Tip Credit Elimination Impact

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

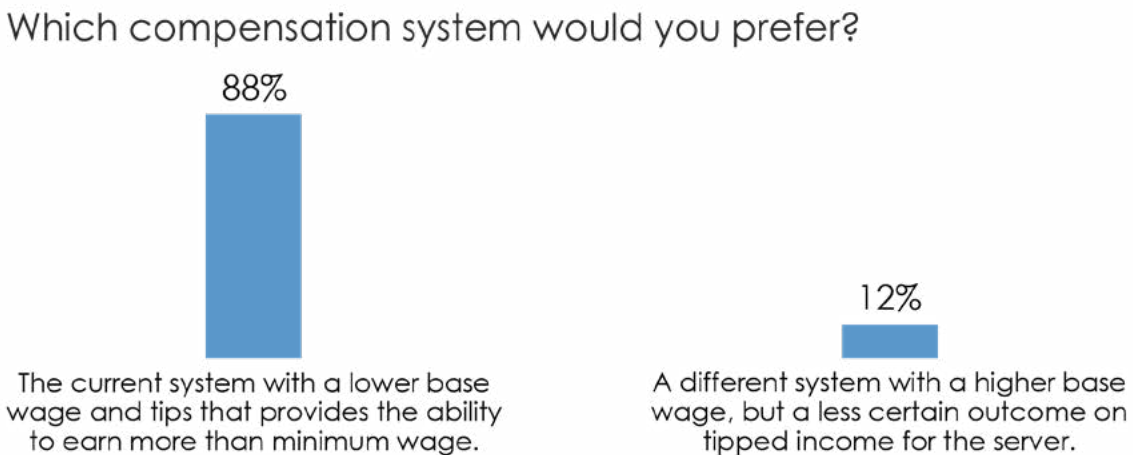
If the tip credit were eliminated, how likely do you think customers are to continue tipping on top of any mandatory service charge?



Compensation Preference

Table 6 provides the results of a question that asked tipped employees which compensation system they prefer. A majority (88%) say they want the current system with a lower base wage and tips that provide the ability to earn more than the minimum wage, while 12 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



New Jersey 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.) *(terminate)*
    - Not currently working at a restaurant, but did within the past 12 months *(terminate)*
    - Restaurant management *(terminate)*
    - I have not worked in the restaurant industry in the past 12 months *(terminate)*

2. **What state is your restaurant located in?**

3. **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

4. **What are the benefits of the current restaurant tipping system?**
    - 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: _____

5. **With tips and your base wage combined, what is your average hourly wage?**
    - $15.49-$19.99/hour
    - $20.00-$24.99/hour
    - $25.00-$29.99/hour
    - $30.00-$34.99/hour
    - $35.00-$39.99/hour
    - $40.00/hour or more

Impact of the Elimination of Tip Credit

New Jersey lawmakers have proposed legislation to eliminate the state's tip credit. Eliminating the tip credit means that your employer would be responsible for paying tipped employees at least the full minimum wage (currently $15.49 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 $5.62 per hour plus tips. New Jersey state law requires employers to pay the difference if the base wage and tips don't equal the full minimum.

- Proponents of tip credit elimination have been critical of the tipping system and prefer an arrangement where the hourly rate is higher, but tips may be smaller.
- Opponents of tip credit elimination say changing the system could mean reduced tips and lower overall earnings for tipped employees.

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. The D.C. City Council subsequently voted to pause future changes in the tipped wage, and the mayor has called for returning to the traditional tipping system.

6. 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

7. 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

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?

- 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?

- North Jersey: Bergen, Essex, Hudson, Morris, Passaic, Sussex, and Warren Counties
- Central Jersey: Hunterdon, Mercer, Middlesex, Somerset, and Union Counties
- South Jersey: Burlington, Camden, Cumberland, Gloucester, and Salem Counties
- Jersey Shore: Atlantic, Cape May, Monmouth, and Ocean Counties

15. What is the name of your restaurant?

16. Do you want to be contacted for opportunities to speak up about the tipped wage?

- Yes
- No