



# NOTICE

Coronavirus  
quarantine

emergency measures

# CLOSED

LOCKED OUT BY LOW WAGES:

**MICHIGAN  
SERVICE WORKERS’  
CHALLENGES  
WITH ACCESSING  
UNEMPLOYMENT  
INSURANCE DURING  
COVID-19**

MAY 2020

One Fair Wage

The UC Berkeley Food Labor Research Center

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The COVID-19 pandemic is the largest public health and economic crisis in modern history. In Michigan state the physical and material devastation for residents is vivid. For those in the restaurant, hospitality, and personal services sectors we are witnessing acute and unprecedented rates of unemployment, hunger and housing insecurity. This crisis has amplified the fact that the service sector has long been plagued by poverty wages and unsustainable working conditions.

Before the pandemic, nearly 400,000 Michigan restaurant workers and over 160,000 tipped service workers were disproportionately likely to live in poverty and rely on public assistance.<sup>1,2</sup> These workers make up what we define as the 'service sector', including restaurant, nail salon, car wash, airport valets, parking attendants, tipped gig workers and others. Although restaurant workers comprise the largest share of both tipped workers and the overall service sector, precarious wages, working conditions and access to emergency aid have revealed dire similarities across this diverse workforce.

For most tipped workers, their low wages can be traced back to the subminimum wage for tipped workers, still only \$2.13 at the federal level. Forty-three states, including Michigan, continue to allow a tipped subminimum wage, forcing a largely female, and disproportionately people of color population to rely almost entirely on tips. These unconscionably low wages, which already impoverished millions, are now having an impact on people's ability to access federal and state emergency resources like unemployment insurance. The lack of One Fair Wage, representing a full minimum wage with tips on top, has left millions of service professionals across the country, and particularly in Michigan, unable to cover their families' most basic needs. The COVID-19 crisis has revealed, more than ever before, that the slave-era wage practices of the service sector must change.

## THE STATE OF SERVICE WORK BEFORE COVID-19

Before the COVID-19 crisis, tipped service professionals were among the lowest paid workers in the country. Restaurant workers, in particular, make up one of the largest and fastest growing industries—and yet the lowest paid.<sup>3</sup> Eight of the fifteen lowest paid occupations are restaurant jobs, seven of which are tipped.<sup>4</sup> In 43 states, including states hardest hit by COVID-19 (Michigan, New York, New Jersey, Massachusetts, and Pennsylvania), tipped workers are subject to a subminimum wage<sup>5</sup> meaning they make below each state's set hourly minimum, forcing them to make up their remaining wages based on tips. Due to decades of lobbying by the National Restaurant Association, the federal subminimum wage is trapped at only \$2.13 an hour for tipped workers. Although Michigan instituted a subminimum wage above the federal minimum of \$2.13, workers' cash wages are only a third of what other workers make throughout the state. In Michigan the cash wage for people in the service industry stands at only \$3.67.<sup>6</sup>

As a result of low wages and the instability of tips, tipped workers in Michigan are over twice as likely to live in poverty and rely on Medicaid compared to the rest of the state workforce.<sup>7</sup> Nearly sixteen percent of tipped workers live on food stamps, almost twice the rate of other workers.<sup>8</sup> On top of low wages, restaurant workers report some of the lowest access to paid sick days of any industry. A national survey by Restaurant Opportunities Center United found nearly 90% of restaurant workers in the sample reported not receiving paid sick days.<sup>9</sup> These challenging conditions of economic insecurity existed prior to the pandemic.

## A NEW ECONOMIC CLIFF

Understanding the full extent of the physical, psychological and economic toll of COVID-19 is near impossible. Unemployment numbers from the Bureau of Labor Statistics (BLS) alone continue to lag weeks behind the exponential growth of layoffs. To date, there are more than 2.2 million people who have filed for Unemployment Insurance (UI) claims in Michigan state since the outbreak began.<sup>10</sup> That number does not include the thousands of people who are barred from receiving unemployment benefits because they are undocumented, have recently switched employers, did not work enough hours at a single employer, or, perhaps most outrageously, did not earn enough income to qualify.

We estimate that between 45%-70% of restaurant workers have lost their jobs, based on a national survey of 5,000 restaurant owners and operators.<sup>11</sup> In the survey, 44% of restaurant employers reported having closed their business, and 70% of restaurant employers in the sample were forced to lay off employees and/or cut the number of hours worked. If we apply the percentage of business closures to the number of industry employees that equates to between 175,000 and 275,000 restaurant professionals out of work. We estimate a similar impact on non-restaurant service industries, as nearly all have been deemed non-essential and/or close-contact occupations.

### MICHIGAN APPLICANTS TO THE ONE FAIR WAGE EMERGENCY FUND<sup>17</sup>

#### TOTAL APPLICANTS

**4,000** and growing daily

**75%** Women

**69%** Care for dependents

**26%** People of Color

**13%** Black

**91%** Unable or unsure whether  
they can afford their rent or  
mortgage payment

**40%** Do not have enough to eat  
or unsure if they have enough  
to eat

**80%** Can afford groceries for up  
to two weeks or less

**60%** Do not qualify or unsure if  
they qualify for unemployment  
insurance

Meanwhile small business and independent restaurant operators are struggling to survive. According to a national survey of small business owners, the economic impact of the COVID-19 outbreak and associated policy responses has negatively impacted 90% of small business owners.<sup>12</sup> Almost three-quarters of small business owners have applied for the federal government's Paycheck Protection Program (PPP) loan for small businesses, yet 80% have not been approved. Of the businesses which have applied for the Economic Injury Disaster Loan, nearly all applicants (99%) have yet to receive it.

These numbers do not do justice to the fear, pain and isolation workers feel as they realize they will not be able to pay rent or feed their children. On March 16th, One Fair Wage opened the One Fair Wage Emergency Fund for service workers in order to provide emergency cash relief and resources to service workers nationwide. In one month, we have received nearly 150,000 applications, more than 4,000 of which come from Michigan state. With nearly 1,000 volunteers calling workers every day, we have heard from countless people struggling to make ends meet. We have spoken to people whose entire family worked in the service industry and have been laid off, decimating their household income. Workers have reported being unable to feed their families, pay rent, or pay telephone or car payments, the most basic necessities for survival in a pandemic.

Of the thousands of Michigan service workers who have reached out for emergency funds, 91% are either unable or unsure whether they can afford to make their rent or mortgage payment.<sup>13</sup> Within our sample of surveyed applicants, 40% reported that they either did not have enough to eat or were unsure if they had enough to eat at this time. Eighty percent of service workers in our sample reported only being able to afford groceries for up to two weeks or less. Although not from a validated questionnaire, such responses seem to indicate much higher rates of food insecurity in this pool of applicants than that observed in the overall US population, and in high-risk groups. This is quite concerning given the link between food insecurity and several chronic diseases.<sup>14,15,16</sup> This reality is primarily affecting women and families and disproportionately hurting people of color. More than 75% of surveyed applicants are women, and 69% reported caring for dependents. Twenty-six percent of surveyed applicants are people of color.

## BARRIERS TO PUBLIC EMERGENCY SUPPORT

Despite the extreme precarity facing workers, many service professionals are locked out of the unemployment benefits promised within the \$2 trillion federal stimulus relief package. Eligibility requirements for state-funded unemployment insurance, which is required to fast track the \$600 weekly benefit in federal Pandemic Unemployment Compensation, often excludes tipped service workers. Eligibility criteria is established by the U.S. Department of Labor and individualized by states. In Michigan there are three requirements that disadvantage service workers: 1) requirement of a social security number,<sup>18</sup> 2) requirement of a minimum earnings threshold over a base period (roughly one year) and 3) requirement that the wage threshold be based upon four quarters of employment.<sup>19</sup>



Sixty percent of surveyed One Fair Wage Emergency Fund applicants in Michigan were either unable to obtain unemployment insurance or uncertain if they qualified for unemployment insurance. While this sample cannot be extended to the general population, BLS survey data reveals that the service industry claims the lowest rate of unemployment benefits usage out of any industry, even in the best of times. Occupations within the service industry applied for unemployment at a rate of only 15%.<sup>20</sup> Fifty-six percent of BLS survey participants reported “eligibility” as the main reason why employees did not apply for unemployment benefits.

Undocumented professionals make up 1 in 10 people in the restaurant and food services industry, and are the vast majority of workers in other tipped sectors, including nail salon and car wash workers in most urban areas nationwide.<sup>21</sup> Undocumented immigrants’ representation in these service sector industries is more than twice the representation of unauthorized workers compared to the overall workforce. Yet, workers who are the backbone of the service sector and pay into the tax system are completely excluded from receiving either state or federal unemployment assistance during this crisis because they do not possess a Social Security Number. California Governor Gavin Newsom recognized this disparity and recently announced the first statewide policy to provide \$125 million in disaster relief assistance for all working Californians impacted by COVID-19, including undocumented workers.<sup>22</sup> Ensuring that all working families receive the emergency assistance they need should not be based on geography.

In order to qualify for state unemployment insurance Michigan requires a minimum amount of wages earned over a specified “base period,” a time frame equal to roughly one year. For service workers who receive subminimum wages and experience higher than average part-time employment or job turnover, qualifying for unemployment can present serious hurdles. By law, unemployment insurance eligibility should be based on a worker’s full wage. For service workers, this includes tips; however, high rates of wage theft and under-reported cash tips within the service sector means that many workers receive far below their fair wage replacement. This is not necessarily due to workers under-reporting tips to evade taxes—cash tips are very hard to record during a server’s busy shift—and, quite often, employers are the ones under-reporting. According to an audit by the Treasury Inspector General for Tax Administration, 30% of employers that operate under tip compliance agreements under-report tips.<sup>23</sup> For states such as Michigan that allow a subminimum wage for tipped workers, this illicit act can mean that many workers receive a fraction of their actual salary or miss the threshold entirely—**resulting in denial of unemployment insurance simply because they were paid too little by their employers.**

On top of these challenges, many in the service industry juggle multiple part-time jobs, further complicating their ability to easily apply for unemployment insurance. According to the Economic Policy Institute, between 2007 and 2015, the retail and hospitality industries accounted for 54.3% of the growth of involuntary part-time employment.<sup>24</sup> Workers hoping to navigate these challenges are met with overwhelmed unemployment offices. Many workers we have spoken to reported having to spend days on hold, and are still unable to get through.

Although federal Pandemic Unemployment Assistance (PUA) extends \$600 a week to workers who historically don’t qualify for unemployment benefits, many state unemployment



## Chi Walker

Chi Walker is a tipped service professional whose sub-minimum wage as a part-time hostess and server barely qualified her for unemployment. Although she established a part-time bakery business with her family in Detroit, Pinky’s Sugar Shack, it provided no additional security for Chi and her staff in the face of COVID as she has temporarily been forced to shut down. Now her business is at risk, in addition to her own ability to support herself as a tipped worker. Were she not able to live with her parents, her situation would be impossible. Chi is a strong believer in One Fair Wage, both as an employee and employer, as a key path towards addressing the structural inequality inherent in the tipped subminimum wage.

offices have just begun to set up the CARES Act program. Meaning those who have been without work for over a month, and have run out of food and rent money are just beginning their application journey through a backlogged system. We have communicated with thousands of workers who have not received any kind of government financial support despite losing their job in mid-March. Workers who automatically qualify for state unemployment insurance because they work sufficient hours and receive the full minimum wage are among the first to receive benefits of any kind as the system scrambles to catch up. During this time, workers forced to individually advocate within a strapped and antiquated system could receive help too late.

## Pete

Pete is no stranger to hard work. Drawn to the restaurant industry for its diversity of work and focus on service, Pete has worked most restaurant positions in both the front and back of the house. Over the years he has worked his way to becoming a bartender, something he has discovered as both a passion and an art form. Providing a venue for community events and gatherings at the bar has offered Pete even greater opportunities to serve and support.

With the loss of his job due to the COVID-19 restrictions, however, Pete is left without a safety net. Despite having paid taxes for years, he does not qualify for any public emergency support, including unemployment or a stimulus check, due to his immigration status. On top of this Pete is unable to secure health insurance because he is undocumented. As someone who has survived advanced stage cancer and had to take a year off of work for 3 surgeries and 2 rounds of chemo provided through a charity hospital, he is acutely aware of the health risks posed by COVID-19. Due to his compromised immune system returning to work is now his biggest threat.

“I want to change the narrative for workers like us. Not just in the pandemic but beyond. I want work where you can earn a living and cover basic necessities, not \$3.67/hour. Benefits, like unemployment, that my taxes support. I want to know who to trust for help when in need, to own things under my name, go to college, earn a living that covers basic necessities. I want access to healthcare.”



## Stella Johnson

Stella is a licensed hairdresser from Oakland County who has worked in a wide variety of salons and positions over the last few decades. Now a mother to five grown children, Stella and her deceased husband used to work together in the business, she as a hairdresser and he as a barber. Like many hairdressers before the shut

down, Stella became an independent contractor because she felt there was no way to make a living as a subminimum wage worker. However, with the onslaught of COVID-19, working for herself has left Stella thoroughly unprotected.

As an independent contractor, Stella does not qualify for state unemployment insurance. While she does ostensibly qualify for PUA coverage under the CARES act, Stella knew nothing about the extended federal coverage for 1099 workers. “As hairdressers and salon workers, we’re all unemployed and most of us earn 1099 income as independent contractors. I didn’t know about the PUA and that hairdressers could apply for unemployment until talking with One Fair Wage. Most of us have no idea.” After more than a month without work, Stella is just now facing the multiple week process involved in filing for federal emergency coverage.

A patchwork of restrictions and exemptions throughout Michigan further complicates the health and safety of workers like Stella. She feels threatened by the state’s decision to allow unlicensed hairdressers to perform work with a client’s permission, undermining the skill and safety she brings. “While we are waiting for salons to open back up, many of us are worried that people are just too close together at work to stay safe. To survive, some are doing a few people’s hair at home, putting themselves at greater risk. I won’t do it. But how can we make ends meet with no work and weeks or months before collecting anything through the PUA?” If Stella had received One Fair Wage - a full minimum wage with tips on top - she and others like her would not be in this situation. They would have received full unemployment insurance as well as sustainable wages for their lives beyond the crisis.



## Sarah May

Sarah May is a bartender at a small, nondescript pub in White Lake, Michigan. She started cutting back on spending in order to save as much of her tips as she could in January of this year. Being a mother to a child with severe disabilities, Sarah was worried

about the virus as soon as reports reached the U.S. Saving, however, proved difficult because her daughter, Gabbie, had been severely ill for most of January with hard to treat pneumonia. Gabbie ended up on 4 different antibiotics, strong steroids and near constant breathing treatments before she was finally able to beat it. Sarah missed a number of shifts in order to bring her daughter to the hospital. These extra costs had a large impact for someone who relies on an employer guaranteed wage of \$3.67, the minimum wage for tipped workers in Michigan.

Sarah's last shift was Saturday night, March 14th. Michigan Governor Gretchen Whitmer decided to shut down all bars and restaurants in the afternoon of March 16th. Sarah was supposed to work the night shift that day. At 3:00 pm she called her boss because she still hadn't received word on whether she should come in to clean or help deal with all of the supplies they had bought for the upcoming holiday. It was Sarah's birthday and close to Saint Patrick's Day, and she was hoping to bring home a little extra money in tips from her regulars who would come in to celebrate. Her employer said that wasn't possible and could offer no support.

Sarah started her unemployment adventure on the same night she lost her job. It took 4 days of attempts, day and night to finally create an account and submit a claim on the 20th of March. Once completed the system immediately flashed "denied" on the computer screen. She called the unemployment office to try to rectify her application because she had heard reports from the Governor that the Federal government had expanded and extended unemployment insurance, especially for tipped earners. After 6 hours she received a call back from the unemployment office, and heard an exasperated representative say, "your case is why I'm so frustrated right now." Sarah did not meet the wage threshold for unemployment insurance; she made too little.

Although the CARES Act extends unemployment benefits and expands the eligibility criteria to include various COVID-19 related reasons for loss of work, it does not lower the wage requirement threshold. In fact, the threshold in Michigan had

risen earlier in the year based on an increase in the full minimum wage, not the minimum wage for tipped workers. When all was said and done, Sarah May fell \$171.25 short of qualifying for unemployment benefits.

Appealing her denied application has been a nightmare. The original press release for the CARES act instructed people who had been denied not to reapply as the system would automatically update people's application. By that evening they were instructed to call into the unemployment office to have a representative change the status of their application. Sarah registered with the office to receive a call back—but by day 10 of being on hold, she decided to try other routes.

Out of desperation, she reached out to the Governor's office which put her in touch with an unemployment insurance liaison who told her she would not qualify for any state support, and, while she could qualify for the \$600.00 in Pandemic Unemployment Compensation (PUC), the state was unlikely to have a system in place to approve all those denied for four more weeks. Workers who were never locked out of the unemployment insurance system due to low wages are spared from wading through additional federal relief applications for a yet-to-exist system or wasting time being trapped on hold, unsure if they will ever get relief.

It took until mid-april, a month after losing her job for Sarah to receive an update about her denied application. Sarah logged onto the Michigan Unemployment website to find she had been approved for the Pandemic Emergency Unemployment Compensation (PEUC) that extends workers total benefits to 39 weeks. However, when she looked more closely, the computer system stated that for every one of those 39 weeks she was "ineligible". She was back at square one.

Since then Sarah has been trapped in a black hole of dead end auto messages, multiple hour wait times, and phone services that simply hang up on her. She has received emails from the unemployment office reiterating that she doesn't qualify for state unemployment and may be entitled to PUA, a benefit for which she has already applied, been approved and now denied. She is given no option to refile. Sarah has gone above and beyond to try to get through to this system and right the wrongs against her and her family. "I don't know what to do anymore! I've done everything the way they asked. I've researched, called offices, spoken directly to Senators and Representatives at the federal level, as well as the Governor.... I'm so upset and frustrated... Meanwhile the bills are still piling up, animals and people still need food, and we all still have daily needs to stay clean and healthy, and we have nothing."



The pandemic has revealed the deep inequities, employment challenges, and untenability of the service sector not only to workers and advocates, but also to employers and legislators. Several leading restaurant employers have expressed the need for relief for workers, as well as small and independent operators now. In addition, restaurant leaders are communicating a new openness to more sustainable business models that support both workers and employers in the industry post-crisis. In the spirit of re-imagining a new, more humane, sustainable and prosperous future we move to envision what the future might hold. We are thus bringing high road employers and tens of thousands of service workers together to urge Congress and state legislators to enact the following recommendations.

## RECOMMENDATIONS

### 1. Unemployment Insurance for All, Measured on a \$15 Minimum Wage Plus Tips

Now is the time to update the antiquated state unemployment insurance criteria that disproportionately disadvantages low-wage and part-time employees, and particularly tipped workers. At a time when unemployment departments across the country are unable to process the application appeals of maligned workers, we call on Congress to simplify the system and eradicate barriers such as minimum wage thresholds. Given the high level of wage theft and challenges of tip reporting in the service industry, we also call for the state of Michigan unemployment offices to base wage replacement calculations upon a full \$15 minimum wage plus employee-claimed tips. Furthermore, we believe that all workers, including undocumented workers, deserve emergency support. We call for universal coverage of unemployment insurance for all working people in the United States.

### 2. Repeated Stimulus Checks for All

A one time, \$1,200 stimulus check is not enough to cover the piling debt of service workers who have been without work for nearly a month. As state-wide shelter-in-place orders continue to be extended, people out of work require additional relief that is not dependent on navigating overwhelmed unemployment offices. We ask that unemployed workers, many of whom have yet to receive the PUA or PUC, receive ongoing monthly stimulus checks until the national emergency is lifted.

### 3. \$15 and One Fair Wage

Like all other workers, service workers deserve a full livable minimum wage from their employer, with tips on top, as soon as they are able to return to work. This is not only more sustainable and humane for workers, it is also healthy for our economy. Seven states have already passed One Fair Wage—a full minimum wage with tips on top—for tipped service workers. These states report higher restaurant sales, the same or higher small business growth in the restaurant industry, and the same or higher tipping rates as subminimum wage states.<sup>25</sup> One Fair Wage states have higher average employment growth for tipped workers, and the number of full-service restaurants has also increased faster than subminimum wage localities.<sup>26</sup>

### 4. Rent and Mortgage Cancellation

In thousands of calls with Relief Fund applicants, service workers have most consistently lifted up their need for relief from rent and mortgage payments. As stated, 91% of surveyed Michigan applicants to our fund reported they are either unable or unsure whether they



can afford to make their rent or mortgage payment. Given the chronically low wages experienced by those in the service sector, and the huge amount of debt workers are incurring, we cannot simply delay these payments, we must cancel them. Asking some of the state's lowest-paid people to bank debt, only to have to pay it all back at once, is irresponsible and immoral. Full rent and mortgage payment cancellation for the duration of the economic shut-down would keep families and workers in their homes—critical not only for their health and well-being, but for the health of the nation as we experience future waves of the pandemic.

## **5. Health Care, Paid Sick Leave and Personal Protective Equipment for All Workers**

This is particularly critical for workers around the country who prepare, serve and deliver our food, touch our nails and hair, and wash and park our cars. However, subminimum wages for tipped employees and lack of paid sick days force many service workers to continue working while sick in order to make ends meet. As stated, nearly 90% of restaurant workers in a national survey by Restaurant Opportunities Centers United reported not receiving paid sick days.<sup>27</sup> In this same survey, more than 63% of all restaurant workers reported cooking and serving food while sick. Sick restaurant workers who feel they cannot stay home have been identified as the number one source for the spread of food borne illness, affecting millions of people across the U.S every year.<sup>28</sup> If we truly want to stem the spread of the highly contagious coronavirus, and other infectious diseases, we must institute both paid sick days and One Fair Wage for all tipped workers. For service workers who are healthy and continue to provide meals and other personal services for our country, we must provide personal protective equipment so that they can continue this critical role without risk to themselves, their families, or their customers.

## **6. Support for Small Businesses Who Commit to Livable Wages When They Re-open**

We know many small businesses, especially restaurants, might not survive the current economic freeze. Although the federal government cannot support every business struggling to stay afloat, we propose a federal rent and tax abatement program, and subsidies to businesses willing to commit to paid sick leave and a \$15 minimum wage for all workers, including tipped employees. The One Fair Wage coalition is ready to provide any business willing to make this commitment with technical assistance training and financial tools in order to understand how to make this transition over the next several months while they remain closed. The federal government could provide property tax, payroll tax and liquor tax abatements that would allow the state's most responsible businesses to survive the crisis and beyond. We are also working with state and city governments to provide wage subsidies to employers who commit to moving to One Fair Wage in 2021 to re-hire workers and re-purpose themselves as community kitchens to provide free meals to those in need during the crisis. We have already partnered with California Governor Gavin Newsom to launch the Restaurants Deliver program, which supports local restaurant workers and owners who have lost business during the pandemic to repurpose to prepare and deliver meals to older Californians who are currently self-isolating at home.<sup>29</sup> We propose that Michigan and the federal government use its limited resources to support the kinds of employers who support workers. We need to make sure that the employers who treat their workers well and pay them well survive this crisis.

By instituting these recommendations, we can be sure not to go back to an untenable service sector that has resulted in destitution for millions in one the nation's largest economic sectors. Instead, we can re-open a new service sector that provides nourishing food, people-centered service and prosperity for all people in Michigan.

## END NOTES

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- 13 Statistics provided are based on a non-representative sample from our overall applicant pool. This data is not exhaustive. Data is based on responses to surveys that are administered to applicants. However, for ethical reasons completion of these our applicant survey is not required in order to apply.
- 14 Seligman HK, Bindman AB, Vittinghoff E, Kanaya AM, Kushel MB. Food Insecurity is Associated with Diabetes Mellitus: Results from the National Health Examination and Nutrition Examination Survey (NHANES) 1999-2002. *Journal of General Internal Medicine* 2007; 22(7):1018-23.
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**MICHIGAN SERVICE WORKERS'**  
**CHALLENGES WITH ACCESSING**  
**UNEMPLOYMENT INSURANCE**  
**DURING COVID-19**



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