



A Chicago Success Story

Restaurant Jobs & Tips Increase
As Wages Increase



In October 2023, the City of Chicago took the historic step of passing the One Fair Wage ordinance, ending a legacy of slavery. This brief details the economic impacts of the new law in Chicago and in other locations that are closer to full implementation.

In July 2024, Chicago's minimum wage workers saw their base pay increase to \$16.20 an hour, and tipped workers who have historically received a subminimum wage saw their cash wages from their employer increase to \$11.02 an hour with tips on top. In July 2025, non-tipped workers will see their base pay increase to \$16.60

per hour, tipped workers' wages will increase to \$12.62 per hour.¹ The Chicago subminimum wage for tipped workers will continue to increase by 8 percent each year until it reaches full minimum wage parity in 2028.² These raises are important steps in ensuring the economic security of hundreds of thousands of workers and ensuring that Chicago's economy works for everyone.



This important step was only possible due to the leadership of Mayor Brandon Johnson and the Chicago City Council, who in October 2023 ushered in fair wage legislation to raise tipped worker wages to at least the full minimum wage with tips on top.³ Small business employers in Chicago who felt compelled to raise wages to recruit and retain staff during the pandemic led the fight to win One Fair Wage in the Windy City and played a major role in the ultimate passage of the bill. The national decline in tipping averages post pandemic, combined with the increased cost of living, has compelled many restaurant em-

ployers in Chicago and statewide in Illinois to voluntarily raise pay to recruit and retain staff and generally make it worth working in restaurants.

This brief outlines three major findings:

1 | Chicago restaurant workers see major income growth.

Chicago tipped workers have experienced some of the fastest wage growth and tips in the nation. In fact, ADP Research found Chicago tipped workers had the fastest income growth of all tipped workers nationwide over the last four years, with a 49 percent increase in their income, largely driven by ending the subminimum wage for tipped workers but also due to a steady tip income. Chicago also had the third highest increase in tipped income over the same timeframe, seeing an increase in tipped incomes of 37 percent including both wages and tips.

2 | Chicago restaurants continue to thrive while raising wages.

Research from the City of Chicago found that restaurant businesses continue to grow in the city while raising wages. Not only have the number of businesses renewed their licenses with the City in 2024 at the same rates as 2022 and 2023, since July 1, 2024, but the City has also issued 856 new retail food establishment licenses.

3 | The other major city to recently end the subminimum wage for tipped workers, Washington, D.C., has experienced record-high restaurant employment levels and tipping averages in 2025.

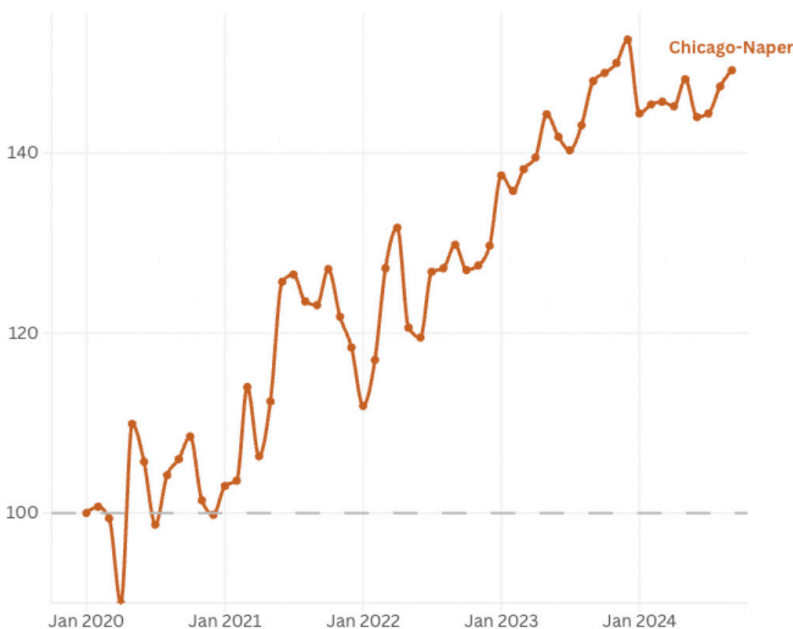
Chicago's sister fair wage sibling, Washington, D.C., is seeing record job numbers in the industry — with the District seeing the highest number of workers in the industry since record-keeping began, and Washington DC topping national lists in terms of restaurant dining and tipping averages.

1 | Chicago Workers Continue to See Strong Tips and Steady Employment With Rising Wages

Previous research has found that all workers at restaurants see higher wages in fair wage states compared to subminimum-wage states.⁴ However, recent research published by Toast and the payroll company ADP shows that tipped workers in particular in cities that are phasing in a full minimum wage with tips on top are seeing real increases in their overall income, including wages and tips.

CHART 1

ADP Chart of Indexed Median Wages for the Chicago Metro Area



Source: ADP Research⁹

Toast specifically examined national tipping data from September 2023 to September 2024 and compared it to the tipping rates of the fair wage state of California, along with Chicago and Washington, D.C. two places that have begun to phase in fair wages for tipped workers.⁵ Toast found that “Despite being paid the highest hourly wage, tips per hour in California increased the most. Servers made a median of \$24.10 in tips per hour in September 2024, a 5.8% increase from a year prior.”⁶ Toast also found that Chicago workers made even more in tips than those in California.⁷

In a recent report issued in December 2024, ADP examined tipped worker income, including both wages and tips, over the last four years in 10 metro areas, in-

cluding the Washington, D.C., and Chicago Metro areas. While parts of these metro areas include places not implementing fair wage laws, ADP still found positive results: “Chicago workers had the fastest four-year pay growth, at 49 percent, driven by an increase in median base pay of more than 100 percent, from \$5.21 to \$11.02 an hour. Median tipped wages increased 37 percent during the same window, the third-highest growth.”⁸ ADP also found that places with higher median base pay, including two metro areas in Florida that have increased tipped worker pay for the last three years, have maintained similar hourly amounts of tips as places with much lower median base pay.⁹

The recent ADP data matches government data showing that restaurant workers in fair-wage states in 2021 made on average \$2,419 in wages and tips more than workers in subminimum wage states.¹¹ This difference increased by over \$766 by 2023 to an annual wage

gap of \$3,184.92, with the average annual income of a restaurant worker in a subminimum wage state being \$25,113.23 while in fair wage states the average annual income was \$28,298.14.¹²



Research comparing fair-wage states to subminimum-wage states shows that fair-wage states have maintained strong growth rates in the number of restaurant establishments and workers. California, for example, has experienced a 12.9 percent increase in small business restaurants compared to a 5.4 percent increase in small business restaurants in Illinois from January 2020 to February 2022.¹³

U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages data of food services and drinking places show that from 2021 to 2023, the number of restaurant establishments in the 50 states and the District of Columbia increased by

38,637 or 5.8 percent from 665,743 to 704,380. The number of restaurant establishments in subminimum wage states grew from 537,130 to 567,975 or an increase of 5.74 percent, while fair wage states grew at a faster rate at 6.05 percent from 128,613 to 136,405.¹⁴

From 2021 to 2023, employment in fair wage states outpaced subminimum-wage states by 4 percentage points.¹⁵ Subminimum wage states saw employment in these establishments increase by 13 percent (8,709,708 workers in 2021 to 9,813,752 in 2023), employment increased by 17 percent in fair wage states (1,949,942 workers in 2021 to 2,272,162 in 2023).¹⁶

Chicago has also seen steady employment. Economists examine longitudinal studies covering several years of data to understand how changes to the minimum wage may or may not change employment. For example, researchers at Cornell University looked at wage increases over a 20-year period and found “the results of this study confirm previous findings, namely, that the relatively modest mandated increases in employees’ regular and tipped minimum wages in the past twenty years have not had large or reliable effects on the number of restaurant establishments or restaurant industry employment levels, although those increases have raised restaurant industry wages overall.”¹⁷ Similarly, although not enough time has passed to draw conclusions, Chicago restaurant employment has remained constant even after the passage of the One Fair Wage legislation in October 2023.¹⁸

2 | Chicago Restaurants Continue to Thrive While Raising Wages

The City of Chicago's Department of Business Affairs and Consumer Protection shared data with One Fair Wage on retail food establishment licenses. The city reported The number of retail food establishment cancellations had been cut in half in 2024 compared to 2023 and 81 percent of licenses were renewed.

FROM THE CITY OF CHICAGO'S DEPARTMENT OF BUSINESS AFFAIRS AND CONSUMER PROTECTION

One Fair Wage Ordinance went into effect on July 1, 2024. The implementation of the Ordinance has not affected the status quo of Chicago's restaurant industry.

- › Since July 1, 2024, BACP has issued 856 new Retail Food Establishment (RFE) Licenses
- › In 2022 and 2023, 81% of all valid Retail Food Establishment Licenses were renewed; that rate remained the same in 2024.
- › 50% fewer Retail Food Establishment Licenses were canceled in 2024 compared to 2023.
- › 92% of Retail Food Establishment Licenses issued in 2023 were renewed in 2024.

Source: City of Chicago's Department of Business Affairs and Consumer Protection¹⁹

Thus, the rate of license renewal remains relatively constant in 2022, 2023, and 2024. Furthermore, restaurant lobby groups in other areas have reported a similar 80 percent annual success rate. In fact, the Michigan Restaurant and Lodging Association reported in 2022 that with no wage increase, 21 percent of restaurant owners reported being likely to close.²⁰ This number actually dropped to one in five when asked again in 2024, when Michigan began increasing tipped wages.²¹ Both figures show a lower success rate than Chicago businesses two years into a wage increase for tipped workers.

3 | The One Major City Ahead of Chicago in Ending Subminimum Wages, Washington, D.C., is Experiencing Record-High Restaurant Industry Employment Levels and Topping National Lists on Tipping

Chicago is not alone in raising tipped worker pay. On November 8, 2022, voters in the District of Columbia overwhelmingly passed Initiative 82 (I-82) with 74% of the vote to raise the minimum wage for tipped workers from a subminimum wage of just \$5.35 per hour to the full minimum wage plus tips over 5 years, and for it to continue to rise, along with the full minimum wage, with inflation.²² Since then, the nation's Capitol has seen employment in the industry rise to new heights.

The most recently-reported employment for full-service restaurants in the District of Columbia showed that April 2025 was the highest level of employment ever recorded, with over 30,600 workers employed at full-service establishments.

CHART 2

All Employees: Leisure and Hospitality: Full-Service Restaurants in District of Columbia Since Records Began in 1990 To April 2025



Source: U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis, All Employees: Leisure and Hospitality: Full-Service Restaurants in District of Columbia.²³

TABLE 1

Top 10 Months Of Employment In Full-Service Restaurants in the District of Columbia, 1990 To April 2025

RANK	DATE	EMPLOYEES
1	Apr 2025	30,633
2	Mar 2025	30,441
3	Feb 2025	30,215
4	Jan 2020	30,108
5	Feb 2020	30,094
6	Feb 2024	30,064
7	Dec 2024	30,047
8	Feb 2019	30,012
9	Mar 2024	30,009
10	Apr 2019	30,006

Source: U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis, All Employees: Leisure and Hospitality: Full-Service Restaurants in District of Columbia.²⁶

One month is not a trend. The data shows what would be expected for a trend with jobs having been on an upward trajectory in D.C.’s full-service restaurants since August 2024. At the same time, the three highest monthly levels of employment in Washington, D.C.’s full-service restaurants have all been in the last three months of recorded data (February, March, and April 2025). When One Fair Wage analyzed the St. Louis Federal Reserve data, researchers noticed that 6 of the top 10 months of employment happened since wage increases began in 2023.^{24,25}

On June 12, CBS News reported on LendingTree’s findings that Washington, D.C. residents are top spenders on dining out and in spending money on tipping.²⁷ Washington, D.C. residents spent more on dining out per capita than any state in the U.S., spending \$10,291 annually, with the fair wage state of Nevada – a state with no subminimum wage for tipped workers – coming in second. According to CBS News, three of the seven fair wage states made it into the top ten (Nevada, California, and Washington).²⁸

CBS News also reported that Washington, D.C. was in the number 2 top spot for “tippers in the country.” LendingTree found that Washington, D.C. spent 12.7 percent on dining out spending on tips. As LendingTree pointed out, their research

is not on the average percentage people tipped, but the percentage they spent on eating out that was a tip.

As CBS News reported:

“As LendingTree points out, average tipping rates hinge on how much people in each state spend on food outside the home — that includes full-service restaurants as well as fast-food place and even vending machines. In other words, not all food that's consumed outside the home is purchased at establishments where tipping is common.”²⁹

This data indicates that Washington, D.C. residents are strong tippers, and when combined with their per capita spending, that Washington, D.C. residents have a strong eating out at full-service restaurants culture.

Conclusion: Chicago Succeeds With Higher Wages

The subminimum wage for tipped workers is a legacy of slavery, rooted in greed, sexism, and racism that has been a source of race and gender inequity, poverty, and harassment for too long. Chicago’s workers and businesses are succeeding with raising wages for tipped workers – historic policy led by Mayor Brandon Johnson and the Chicago City Council with important implications for the nation as a whole.



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