

# Government Operations and Fiscal Policy Committee on 2023-10-12 1:30 PM - (In-Person)

Meeting Time: 10-12-23 13:30

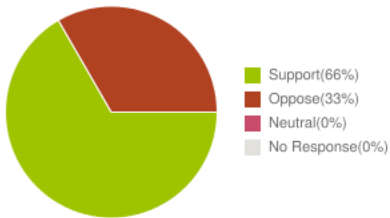
## eComments Report

Meetings	Meeting Time	Agenda Items	Comments	Support	Oppose	Neutral
Government Operations and Fiscal Policy Committee on 2023-10-12 1:30 PM - (In-Person)	10-12-23 13:30	16	3	2	1	0

### Sentiments for All Meetings

The following graphs display sentiments for comments that have location data. Only locations of users who have commented will be shown.

#### Overall Sentiment



# Government Operations and Fiscal Policy Committee on 2023-10-12 1:30 PM - (In-Person)

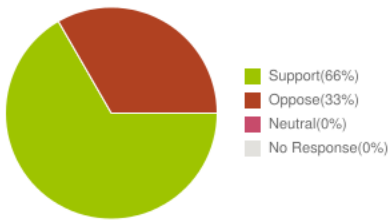
10-12-23 13:30

Agenda Name	Comments	Support	Oppose	Neutral
CB-098-2023 AN ACT CONCERNING LABOR - MINIMUM WAGE FOR TIPPED EMPLOYEES for the purpose of modifying the amount of the tip credit an employer can use to calculate the minimum wage for a tipped employee working the County; require an employer to submit quarterly wage reports; and generally, amend the law governing the minimum wage for a tipped employee working in the County.	3	2	1	0

## Sentiments for All Agenda Items

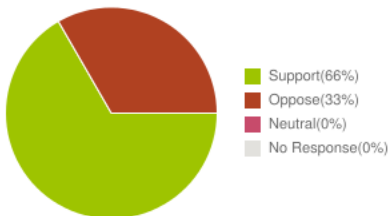
The following graphs display sentiments for comments that have location data. Only locations of users who have commented will be shown.

### Overall Sentiment



Agenda Item: eComments for CB-098-2023 AN ACT CONCERNING LABOR - MINIMUM WAGE FOR TIPPED EMPLOYEES for the purpose of modifying the amount of the tip credit an employer can use to calculate the minimum wage for a tipped employee working the County; require an employer to submit quarterly wage reports; and generally, amend the law governing the minimum wage for a tipped employee working in the County.

### Overall Sentiment



### Diana Ramirez

Location:

Submitted At: 1:50pm 10-11-23

The National Women’s Law Center (NWLC) submits the attached testimony in strong support of CB-098-2023, the Prince George’s County One Fair Wage bill. This bill is essential to address the pervasive and longstanding pay disparities that women, and especially women of color, face in Prince George’s County and beyond—disparities that were only exacerbated by the COVID-19 pandemic. We respectfully request that the Committee vote in favor of this critical legislation. Please see full comments attached.

### Christopher Meyer

Location:

Submitted At: 12:51pm 10-11-23

Please see attachment for full written testimony.

Most Marylanders agree that working hard should leave you and your family with enough to afford the basics. However, the tipped subminimum wage – a relic of racist New Deal-era compromises – forces thousands of workers in Prince George’s County to make do with wages that cannot support a family, let alone appropriately compensate for the hard work their jobs require. The Maryland Center on Economic Policy supports CB-098-2023 because it would put tipped workers on a path toward full minimum wage protection and boost earnings by tens of millions of dollars each year.

CB-098-2023 would raise wages for about 7,500 workers beginning in July 2024, increasing to 7,900 by 2028. These workers would see an aggregate earnings increase of \$31.6 million per year right away, increasing to a \$78.5 million annual pay boost once the law is fully phased in.

**Melvin Thompson**

Location:

Submitted At: 4:51pm 10-10-23

See attached Restaurant Association of Maryland written testimony OPPOSING CB 98-2023.

# Tipped Workers in Prince George's County Deserve Full Wage Rights

## Position Statement in Support of CB-098-2023

*Given before the Government Operations and Fiscal Policy Committee*

Most Marylanders agree that working hard should leave you and your family with enough to afford the basics. However, the tipped subminimum wage – a relic of racist New Deal-era compromises – forces thousands of workers in Prince George's County to make do with wages that cannot support a family, let alone appropriately compensate for the hard work their jobs require. **The Maryland Center on Economic Policy supports CB-098-2023** because it would put tipped workers on a path toward full minimum wage protection and boost earnings by tens of millions of dollars each year.

**CB-098-2023 would raise wages for about 7,500 workers beginning in July 2024**, increasing to 7,900 by 2028.<sup>i</sup> These workers would see an aggregate earnings increase of \$31.6 million per year right away, increasing to a **\$78.5 million annual pay boost once the law is fully phased in**.

Prince George's County workers in tipped occupations<sup>ii</sup> are primarily women and overwhelmingly workers of color:

- 64% of workers in tipped occupations in Prince George's County are women, compared to only 45% of workers in other occupations.<sup>iii</sup>
- 52% of Prince George's County workers in tipped occupations are Black, compared to 47% of workers in other occupations.
- Altogether, 85% of workers in tipped occupations are people of color, compared to 73% of those in other occupations. This includes 14% who are Latinx (9% in other occupations) and 11% who are Asian/Pacific Islander (6% in other occupations).
- 55% of workers in tipped occupations are women of color. Together, women and workers of color account for 93% of the county's workforce that works in occupations that generally rely on tips.

Workers in tipped occupations in Prince George's County come from all walks of life and all stages of life:

- 90% are at least 20 years old. Half are at least 30 years old.
- 18% have a college degree and another 29% have at least some college education.
- 26% are caring for children under 18.
- 34% were born outside the United States, including 13% who are naturalized U.S. citizens.
- 73% of tipped-occupation workers in Prince George's County also live there, and 90% live in Maryland.

The subminimum wage – \$3.63 per hour, with tips filling the hole – is not nearly enough to get by in Prince George’s County:

- Even a single adult working full-time and not caring for children would need to take home \$24.46 per hour to maintain a basic standard of living in Prince George’s County, according to the Economic Policy Institute.<sup>iv</sup>
- Tipped-occupations workers in Prince George’s County are three times as likely as those in other occupations to have family income below the federal poverty line (\$30,000 for a family of four in 2023) and twice as likely to have income less than double the poverty line.
- 26% of tipped-occupations workers devote more than 30% of their income to housing (the maximum amount considered affordable by the U.S. Department of Housing and Urban Development), compared to only 17% of workers in other occupations. One in seven tipped-occupations workers put more than half their income toward housing.

CB-098-2023 is a long-overdue step to repair a deep-seated local and national legacy of codified racism.<sup>v</sup> When Congress established the federal minimum wage in 1938, lawmakers specifically denied protections to workers in restaurants, hotels, and certain other service industries – one of many compromises to blunt corporate opposition and secure the support of racist southern Democrats. Congress extended partial wage protections to these workers in 1966, but still allowed employers to pay tipped workers less than the full minimum wage. The subminimum wage for tipped workers is as unjust today as it was in 1966.

CB-098-2023 would also advance gender equity in Prince George’s County. Not only does the current two-tiered system hold down earnings for thousands of women, it exposes workers in tipped industries to a greater risk of sexual harassment. Because tipped workers cannot rely on a stable, decent wage, they are often at the mercy of customers for adequate pay – meaning that reporting or pushing back against mistreatment could take a bite out of a worker’s paycheck. This unjust power dynamic contributes to high rates of sexual harassment in the tip-heavy accommodation and food services industry.<sup>vi</sup>

## Long-Lasting Benefits

Ending the tipped subminimum wage would benefit Prince George’s County families and children for decades to come. A large body of research shows that when families earn enough to afford the basics, the benefits ripple out to nearly every part of their lives. A 2013 systematic review of academic literature linked higher family incomes to:<sup>vii</sup>

- Fewer families struggling to put food on the table
- Fewer underweight births and lower infant mortality
- Increased spending on children’s clothing, reading materials, and toys
- Fewer behavioral problems, less physical aggression, and less anxiety among children
- Improved academic and cognitive test results, and more years of schooling completed

Guaranteeing a consistent wage floor is the right choice for the local economy. Increased pay for low-wage workers who live paycheck to paycheck translates almost immediately into higher spending, which means stronger sales at local businesses. Evidence also shows that higher wages reduce employee turnover, which means more experienced workers and lower hiring costs. Family-supporting wages make Prince George’s County a more attractive place to live and work, which means a deeper talent pool for employers to draw from.

Despite dire predictions from minimum wage opponents, a robust body of credible research shows no significant link between the minimum wage and the number of jobs available. For example, a 2019 study described as “the most important work on the minimum wage in 25 years” examined 138 state minimum wage changes between 1979 and 2014.<sup>viii</sup> The study found no evidence of any reduction in the total number of jobs for low-wage workers and no evidence of reductions affecting subsets of the workforce such as workers without a college degree, workers of color, and young workers. Similarly, a 2016 meta-analysis of 37 studies on the minimum wage published since 2000 found “no support for the proposition that the minimum wage has had an important effect on U.S. employment.”<sup>ix</sup> The verdict is in: Strong, consistent wage protections work.

### **“Backfilling” Requirement Provides Inadequate Protection**

Proponents of the tipped subminimum wage are quick to point to the requirement that employers make up for any deficit between a tipped worker’s total pay after tips and the minimum wage, claiming that this nullifies the harm caused by the subminimum wage. This argument does not hold water:

- Enforcement of this “backfilling” provision requires workers to add their wages and tips, divide by hours worked, and proactively request reimbursement from the employer if there is a deficit. This process is complicated and cumbersome, especially for the large number of tipped workers whose hours are far from stable.
- Moreover, workers must contend with pressure from their boss – actual or suspected – to let underpayment slide. It is easy for a boss to reduce hours, deny advancement opportunities, or retaliate in other ways against a worker who insists on appropriate payment. As managers in tipped workplaces already exercise significant discretion in scheduling and other decisions, such retaliation is difficult to prove.
- The subminimum wage twists the intended purpose of tipping, often without customers’ knowledge. While customers typically leave a tip to compensate a worker for their labor or to reward a job well done, a portion of tips effectively subsidizes the employer’s choice to pay less than the standard minimum wage.  
**For a full-time worker, the first \$910 in tips for each pay period simply reduce the employer’s pay responsibilities. Customers wind up unknowingly tipping the boss.**

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Government Operations and Fiscal Policy Committee make a favorable report on CB-098-2023.**

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## **Equity Impact Analysis: CB-098-2023**

### *Bill summary*

CB-098-2023 gradually phases out the subminimum wage for tipped workers in Prince George’s County. Tipped workers would receive full minimum wage protection beginning in July 2028.

### *Background*

Wage and hour law in Prince George’s County is governed by state law, as the state minimum wage exceeds the local minimum wage. Under the Fair Wage Act of 2023, Maryland’s minimum wage for non-tipped workers will reach \$15 in January 2024.

Maryland’s minimum wage law is modeled after federal wage and hour law. When Congress enacted the federal employment law framework in the 1930s, New Deal proponents made concessions to win the votes of Southern Democrats, generally denying protections to workers in disproportionately Black industries including restaurants and hotels. Congress extended partial minimum wage protection to these workers in 1966, allowed employers to pay tipped workers only half the standard minimum wage. Congress broke this 50% linkage in 1996, freezing the federal tipped subminimum wage at \$2.13 per hour. The Maryland General Assembly did the same in 2014, freezing our tipped wage at \$3.63.

### *Equity Implications*

Structural barriers built into our economy through policy have disproportionately kept Black workers, other workers of color, women, and workers in other marginalized groups out of high-paying jobs. As a result, guaranteeing a consistent minimum wage would deliver particularly important benefits to workers in these groups.

- CB-098-2023 would raise wages for 7,500 Prince George’s County workers in July 2024, with the aggregate pay increase totaling \$31.6 million over 12 months (\$4,200 on average for a full-time worker).
- Once fully phased in, CB-098-2023 would raise wages for 7,900 workers by a total of \$78.5 million per year (\$10,000 on average for a full-time worker).
- 64% of workers in tipped occupations in Prince George’s County are women, compared to only 45% of workers in other occupations.<sup>x</sup> While sexual harassment occurs across all industries, it is more prevalent in the accommodation and food services industry, where women represent a majority of workers.<sup>xi</sup>
- 52% of Prince George’s County workers in tipped occupations are Black, compared to 47% of workers in other occupations. Altogether, 85% of workers in tipped occupations are people of color, compared to 73% of those in other occupations.
- Even a single adult working full-time and not caring for children would need to take home \$24.46 per hour to maintain a basic standard of living in Prince George’s County, according to the Economic Policy Institute.
- Tipped-occupations workers in Prince George’s County are three times as likely as those in other occupations to have family income below the federal poverty line (\$30,000 for a family of four in 2023) and twice as likely to have income less than double the poverty line.
- 26% of tipped-occupations workers devote more than 30% of their income to housing (the maximum amount considered affordable by the U.S. Department of Housing and Urban Development), compared to only 17% of workers in other occupations. One in seven tipped-occupations workers put more than half their income toward housing.

### *Impact*

CB-098-2023 would likely **improve racial, gender, and economic equity** in Prince George’s County.

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<sup>i</sup> Economic Policy Institute Minimum Wage Simulation Model; 2015-2019 5-year ACS data pinned to 2022 CPS wage distribution. Employment scaled to match 2022 CPS labor force size. For more details see Technical Methodology by Dave Cooper, Zane Mokhiber, and Ben Zipperer, 2019, <https://www.epi.org/publication/minimum-wage-simulation-model-technical-methodology/>

<sup>ii</sup> Estimates in this section are based on MDCEP analysis of 2017–2021 IPUMS American Community Survey microdata. “Tipped occupations” are identified using a modified version of the definition presented in Cooper, Mokhiber, and Zipperer (2019). Because the occupation code 4060 (counter attendants, cafeteria, food concession, and coffee shop) is not available in 2017–2021 data, code 4055 was used instead. This code includes fast food workers, who typically are not paid the tipped subminimum wage. For this reason, demographic estimates in this section do not precisely match the population covered by the EPI impact estimates.

<sup>iii</sup> American Community Survey data code all respondents as male or female, preventing analysis of more detailed gender groups.

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- <sup>iv</sup> Economic Policy Institute 2022 Family Budget Calculator, <http://www.epi.org/resources/budget/>
- <sup>v</sup> “Ending a Legacy of Slavery: How Biden’s COVID Relief Plan Cures the Racist Subminimum Wage,” One Fair Wage, 2021, [https://onefairwage.site/wp-content/uploads/2021/02/OFW\\_EndingLegacyOfSlavery-2.pdf](https://onefairwage.site/wp-content/uploads/2021/02/OFW_EndingLegacyOfSlavery-2.pdf)
- <sup>vi</sup> Jocelyn Frye, “Not Just the Rich and Famous: The Pervasiveness of Sexual Harassment across Industries Affects All Workers,” Center for American Progress, November 2017, <https://www.americanprogress.org/issues/women/news/2017/11/20/443139/not-just-rich-famous/>  
Catherine MacKinnon and Louise Fitzgerald, “The Tipping Point: How the Subminimum Wage Keeps Incomes Low and Harassment High,” One Fair Wage, 2021, [https://onefairwage.site/wp-content/uploads/2021/03/OFW\\_TheTippingPoint\\_3-1.pdf](https://onefairwage.site/wp-content/uploads/2021/03/OFW_TheTippingPoint_3-1.pdf)
- <sup>vii</sup> Kerris Cooper and Kitty Stewart, “Does Money Affect Children’s Outcomes? A Systematic Review,” Joseph Rowntree Foundation, October 2013, <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/money-children-outcomes-full.pdf>  
The systematic review methodology involves defining in advance how researchers will identify relevant studies, as well as quality control measures to ensure that only studies with credible methodologies are included. This methodology protects against researchers cherry-picking studies that support their viewpoint.
- <sup>viii</sup> Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer, “The Effect of Minimum Wages on Low-Wage Jobs,” *The Quarterly Journal of Economics* 134(3), 2019, <https://academic.oup.com/qje/article/134/3/1405/5484905>
- <sup>ix</sup> Paul Wolfson and Dale Belman, “15 Years of Research on US Employment and the Minimum Wage,” *Labour* 33(4), 2019, <https://onlinelibrary.wiley.com/doi/abs/10.1111/labr.12162>
- <sup>x</sup> American Community Survey data code all respondents as male or female, preventing analysis of more detailed gender groups.
- <sup>xi</sup> Jocelyn Frye, “Not Just the Rich and Famous: The Pervasiveness of Sexual Harassment across Industries Affects All Workers,” Center for American Progress, November 2017, <https://www.americanprogress.org/issues/women/news/2017/11/20/443139/not-just-rich-famous/>





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## Prince George's County Council

### CB-098-2023 AN ACT CONCERNING LABOR - MINIMUM WAGE FOR TIPPED EMPLOYEES

Government Operations and Financial Policy Committee | October 12, 2023

#### Position: SUPPORT

The National Women's Law Center (NWLC) submits this testimony in strong support of CB-098-2023, the Prince George's County One Fair Wage bill, which will require employers to pay tipped employees no less than the full minimum wage, before tips, by 2028. This bill is essential to address the pervasive and longstanding pay disparities that women, and especially women of color, face in Prince George's County and beyond—disparities that were only exacerbated by the COVID-19 pandemic.<sup>1</sup>

Since 1972, NWLC has fought for gender justice—in the courts, in public policy, and in our society—working across the issues that are central to the lives of women and girls. NWLC advocates for improvement and enforcement of our nation's employment and civil rights laws, with a particular focus on the needs of LGBTQI+ people, women of color, and women with low incomes and their families. Ensuring that *all* workers in Prince George's County are entitled to the same fair minimum wage, regardless of tips, is a critical way to boost women's paychecks, combating poverty and persistent racial and gender pay gaps.

Women working full time, year-round in Maryland typically make only 86 percent of what their male counterparts make, leaving a wage gap of 14 cents on the dollar.<sup>2</sup> This wage gap varies by race and is far larger for Black women, Latinas, and many other women of color.<sup>3</sup> One driver of these wage gaps is women's overrepresentation in low-paid jobs.<sup>4</sup> In Maryland, nearly two in three workers in the state's lowest-paying jobs are women,<sup>5</sup> as are more than two-thirds (68.9%) of tipped workers; roughly one-third (34.8%) of tipped workers in Maryland are women of color.<sup>6</sup> Especially in states like Maryland where employers can pay less than the minimum wage before tips, tipped workers experience poverty at far higher rates than the workforce overall<sup>7</sup>—and they also experienced job loss, reduced tips, and great risks to their health and safety during the height of the pandemic.<sup>8</sup>

Women who rely on tips rather than wages for the bulk of their income also often feel compelled to tolerate inappropriate behavior from customers, and women's lack of economic power in these workplaces perpetuates the already pervasive culture of sexual harassment in industries that employ large numbers of tipped workers.<sup>9</sup> Today, while Prince George's County continues to allow employers to pay tipped workers a base wage of just \$3.63 per hour, many question whether they should stay in a profession that leaves them vulnerable to harassment and scrambling to pay their bills—and many who have already left question whether they should return.<sup>10</sup> Meanwhile, in Washington, D.C., the tipped minimum wage is \$8.00 and on the rise; since three-quarters of D.C. voters approved Initiative 82 on the November 2022 ballot,<sup>11</sup> the tipped wage will go up each year until it matches D.C.'s full minimum wage in 2027. If Prince George's County does not offer competitive wages for tipped workers, employers here and in neighboring counties will see an exodus of workers from Maryland's restaurant industry to more attractive pay in the District of Columbia.

Raising wages now for Prince George's County's tipped workers will also benefit children, families, and the county's economy. Especially in light of recent inflation, families across the county are struggling to afford the basics. The One Fair Wage bill would give many of these families a much-needed income boost—which research shows can also benefit children's health and well-being.<sup>12</sup> Decades of research

studying the impact of state and local minimum wage increases also show that these measures consistently improve incomes for workers and their families without costing jobs.<sup>13</sup>

Likewise, in the jurisdictions that have already adopted One Fair Wage, this policy has not harmed growth in the restaurant industry or tipped jobs. From 2011 to 2019, One Fair Wage states had *stronger* restaurant growth than states that had a lower tipped minimum wage.<sup>14</sup> And while the pandemic hit the leisure and hospitality sector hard, the recovery has been swifter in One Fair Wage states: From January 2021 to May 2023, One Fair Wage states saw 53% growth in the leisure and hospitality industry, compared with just 19% growth in states with lower wages for tipped workers.<sup>15</sup> Indeed, because underpaid workers spend much of their extra earnings in their communities, raising wages for tipped workers can boost local economies and spur small business growth.<sup>16</sup> And higher wages can further benefit employers by reducing turnover and increasing productivity.<sup>17</sup>

The Prince George's County One Fair Wage bill will lift up working families and, because women and people of color are the majority of tipped workers who will see their pay go up, gender and racial wage gaps will likely narrow as well.<sup>18</sup> This bill is a critical tool to ensure that women can work with equality, safety, and dignity—starting with equal and adequate pay. We respectfully request that the Committee vote in favor of this critical legislation.

\* \* \*

Please do not hesitate to contact Diana Ramirez at [dramirez@nwlc.org](mailto:dramirez@nwlc.org) if you have questions or require additional information. Thank you for your consideration.

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<sup>1</sup> See generally, e.g., *Resilient But Not Recovered: After Two Years of the COVID-19 Crisis, Women Are Still Struggling*, NWLC (March 2022), <https://nwlc.org/resource/resilient-but-not-recovered>.

<sup>2</sup> *The Wage Gap by State for Women Overall*, NWLC (March 2023), [https://nwlc.org/wp-content/uploads/2022/09/wage\\_gap\\_women\\_overall.pdf](https://nwlc.org/wp-content/uploads/2022/09/wage_gap_women_overall.pdf).

<sup>3</sup> Among full time, year-round workers in Maryland, Black women are paid just 67 cents, and Latinas just 49 cents, for every dollar paid to their white, non-Hispanic male counterparts. *The Wage Gap by State for Black Women*, NWLC (March 2023), [https://nwlc.org/wp-content/uploads/2022/09/wage\\_gap\\_black\\_women.pdf](https://nwlc.org/wp-content/uploads/2022/09/wage_gap_black_women.pdf), and *The Wage Gap by State for Latinas*, NWLC (March 2023), [https://nwlc.org/wp-content/uploads/2022/09/wage\\_gap\\_latinas.pdf](https://nwlc.org/wp-content/uploads/2022/09/wage_gap_latinas.pdf). See also Brooke LePage and Jasmine Tucker, *A Window Into the Wage Gap: What's Behind It and How to Close It*, NWLC (Jan. 2023), <https://nwlc.org/wp-content/uploads/2023/01/2022-Wage-Gap-Factsheet-1.10.23.pdf>.

<sup>4</sup> See generally, e.g., Jasmine Tucker & Julie Vogtman, *Hard Work Is Not Enough: Women in Low-Paid Jobs*, NWLC (July 2023), <https://nwlc.org/resource/when-hard-work-is-not-enough-women-in-low-paid-jobs/>.

<sup>5</sup> See *id.*

<sup>6</sup> NWLC calculations based on 2021 American Community Survey one-year estimates using IPUMS. Women of color includes all women who did not self-identify as white, non-Hispanic women.

<sup>7</sup> See generally *One Fair Wage: Women Fare Better in States with Equal Treatment for Tipped Workers*, NWLC (Feb. 2021), <https://nwlc.org/resource/one-fair-wage/>.

<sup>8</sup> See, e.g., *Unlivable: Increased Sexual Harassment and Wage Theft Continue to Drive Women, Women of Color, and Single Mothers Out of the Service Sector*, ONE FAIR WAGE (April 2022), <https://onefairwage.site/unlivable>.

<sup>9</sup> See, e.g., Catrin Einhorn & Rachel Abrams, *The Tipping Equation*, N.Y. TIMES (March 12, 2018), <https://www.nytimes.com/interactive/2018/03/11/business/tippingsexual-harassment.html>; Amanda Rossie, Jasmine Tucker & Kayla Patrick, *Out of the Shadows: An Analysis of Sexual Harassment Charges Filed by Working Women*, NWLC 16-17 (Aug. 2018), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/08/SexualHarassmentReport.pdf>; Stefanie K. Johnson & Juan M. Madera, *Sexual Harassment Is Pervasive in the Restaurant Industry. Here's What Needs to Change*, HARV. BUS. REV. (Jan. 18, 2018), <https://hbr.org/2018/01/sexual-harassment-is-pervasive-in-the-restaurant-industry-heres-what-needs-to-change>.

<sup>10</sup> See, e.g., Abha Bhatara & Maggie Penman, *Restaurants Can't Find Workers Because They've Found Better Jobs*, WASH. POST (Feb. 3, 2023), <https://www.washingtonpost.com/business/2023/02/03/worker-shortage-restaurants-hotels-economy/>

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- <sup>11</sup> See *Washington, D.C., Initiative 82, Increase Minimum Wage for Tipped Employees Measure (2022)*, BALLOTEDIA, [https://ballotpedia.org/Washington, D.C., Initiative 82, Increase Minimum Wage for Tipped Employees Measure \(2022\)](https://ballotpedia.org/Washington,_D.C.,_Initiative_82,_Increase_Minimum_Wage_for_Tipped_Employees_Measure_(2022))).
- <sup>12</sup> See generally, e.g., *Set Up for Success: Supporting Parents in Low-Wage Jobs and Their Children*, NWLC (June 2016), <https://nwlc.org/resource/set-up-for-success-supporting-parents-in-low-wage-jobs-and-their-children/>; George Wehby et al., *Effects of the Minimum Wage on Child Health*, 8 AM. J. HEALTH ECON. 412 (2022), <https://doi.org/10.1086/719364>.
- <sup>13</sup> See, e.g., Arindrajit Dube, *Impacts of Minimum Wages: Review of the International Evidence* (Nov. 2019), <https://www.gov.uk/government/publications/impacts-of-minimum-wages-review-of-the-international-evidence>; Doruk Cengiz et al., *The Effect of Minimum Wages on Low-Wage Jobs*, 134 Q. J. ECON. 1405-54 (Aug. 2019), <https://academic.oup.com/qje/article/134/3/1405/5484905> (examining 138 state minimum wage changes in the U.S. between 1979 and 2016 and finding that both the typical minimum wage increases and also the highest state-level minimum wage increase significantly raised wages without reducing the employment of low-wage workers).
- <sup>14</sup> Ben Zipperer, *The Impact of the Raise the Wage Act of 2023*, ECON. POLICY INST. (July 2023), <https://files.epi.org/uploads/270622.pdf>.
- <sup>15</sup> Jessica Vela, *Higher State-Level Minimum Wages Aid in Faster Jobs Recovery*, CTR. FOR AM. PROGRESS (July 2023), <https://www.americanprogress.org/article/higher-state-level-minimum-wages-aid-in-faster-jobs-recovery/>.
- <sup>16</sup> See, e.g., Zoe Willingham, *Small Businesses Get a Boost from a \$15 Minimum Wage*, CTR. FOR AM. PROGRESS (Feb. 25, 2021), <https://www.americanprogress.org/issues/economy/reports/2021/02/25/496355/small-businesses-get-boost-15-minimum-wage/>; William M. Rodgers III & Amanda Novello, *Making the Economic Case for a \$15 Minimum Wage*, CENT. FOUND. (Jan. 2019), <https://tcf.org/content/commentary/making-economic-case-15-minimum-wage/>.
- <sup>17</sup> See, e.g., Holly Sklar, *Business and Minimum Wage Research Summary*, BUS. FOR A FAIR MIN. WAGE (April 2023), <https://www.businessforafairminimumwage.org/sites/default/files/BFMW%20Business%20and%20Minimum%20Wage%20Research%20Summary%20April%202023.pdf>; Kate Bahn & Carmen Sanchez Cumming, *Improving U.S. Labor Standards and the Quality of Jobs to Reduce the Costs of Employee Turnover to U.S. Companies*, WASH. CTR. FOR EQUITABLE GROWTH (Dec. 2020), <https://equitablegrowth.org/improving-u-s-labor-standards-and-the-quality-of-jobs-to-reduce-the-costs-of-employee-turnover-to-u-s-companies/>.
- <sup>18</sup> See, e.g., Jesse Wursten & Michael Reich, *Racial Inequality and Minimum Wages in Frictional Labor Markets*, IRLE Working Paper no. 101-21 (Feb. 2021), <http://irle.berkeley.edu/files/2021/02/Racial-Inequality-and-Minimum-Wages> (finding that minimum wage increases between 1990 and 2019 reduced Black–white wage gaps by 12% overall, and by 60% for workers with a high school diploma or less; while wage increases boosted earnings for men and women of all races, Black workers, and particularly Black women, experienced the greatest gains).

**Contact:**

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**Position: OPPOSE**

**Council Bill 98-2023  
Prince George's County Tip Credit Legislation**

The Restaurant Association of Maryland strongly opposes legislation that would eliminate the tip credit. We urge the County Council to reject this legislation which would reduce the overall earnings of tipped employees.

In 2014, 2015, 2017, 2019 and 2023, the Maryland General Assembly considered legislation that would have phased out the tip credit statewide, but it failed to pass because of strong opposition from tipped employees and restaurant operators. Servers and bartenders have repeatedly urged lawmakers to reject such proposals because they make significantly more money under the current tipping system.

In 2021, the Howard County Council voted to preserve the tip credit in their new minimum wage law. The Prince George's County Council also preserved the tip credit in a 2013 local minimum wage law adopted before the higher State minimum wage later superseded.

Contrary to what tip credit elimination advocates say, there is no "subminimum wage" for restaurant tipped employees. Maryland and County minimum wage laws allow employers to pay tipped employees a base wage of at least \$3.63 per hour. The "tip credit" is the difference between the minimum base wage and the full applicable minimum wage. The tip credit is lawful acknowledgement that tips contribute to the wages of tipped employees. The law allows employers to apply this portion of tip earnings to the employer's obligation to pay tipped employees the applicable minimum wage.

**Under federal, state and local minimum wage laws, employers are required to make up any deficiencies if a tipped employee does not make enough in combined base wages plus tips to make at least the full applicable minimum wage per hour for the workweek.**

Therefore, tip credit workers are guaranteed by law to earn at least the minimum wage. There is no minimum wage exemption for restaurant tipped employees.

The tip credit was established under the federal Fair Labor Standards Act in 1966 and is also allowed under most state minimum wage laws (43 states allow it).

Tipped employees are among the highest earners in full-service restaurants (earning a median of \$27/hour including tips, according to [National Restaurant Association research](#)). Servers at some restaurants can earn \$40 or more per hour including tips.

Restaurant server earnings would significantly decrease if the tip credit was eliminated because most restaurants would be forced to impose service charges on customer checks to cover the substantially higher labor costs, and servers would earn a flat hourly rate instead. Customers are unlikely to tip on top of service charges. And there would be no incentive for servers to provide the best possible customer service because they would no longer be rewarded with tips.

Menu price increases alone cannot cover the additional labor cost (which would exceed the current profit of most full-service restaurants) because such a large increase in menu prices would result in fewer customers.

If the tip credit was eliminated, casual restaurants that could offer counter service to dine-in customers would likely eliminate server positions altogether because the increased labor costs would be unaffordable and customers at these restaurants would reject service charges they perceive to be too high.

Restaurants in the District of Columbia (D.C.) are starting to increase menu prices and impose service charges after passage of a ballot initiative that phases out the tip credit there, and customer feedback has been negative. Many frequent D.C. diners have changed their dining habits to eat out less or dine outside the city more often.

According to a recent National Restaurant Association survey of 944 frequent D.C. diners, 43% have been eating out less and 32% have been seeking dining options outside the city more often.

The restaurant industry is very labor-intensive and operates on razor-thin profit margins (typically 3-5% pre-tax margin). Customer volume is key. Food and labor costs are the two most significant line items for a restaurant, each accounting for approximately 33 cents of every dollar in sales. All other expenses, including occupancy costs, generally represent about 29% of sales. For the vast majority of restaurants, these three categories increased significantly in recent years. It's important to note that many restaurants had to take on new debt during the pandemic to stay afloat during shutdowns and recovery, and repaying these loans continues to add pressure on their budgets.

Advocates for eliminating the tip credit often say that the restaurant industry continues to grow in the 7 non-tip credit states. But restaurants opening in those states know that the tip credit will not be part of their business models. Therefore, they decide to open in locations that will support their menu prices or service charges. Maryland restaurant owners, however, have made financial commitments and secured mortgages or long-term leases based on a business model that utilizes the tip credit. Eliminating the tip credit would be devastating to these restaurants.

The tip credit maximizes the earnings potential of restaurant tipped employees, is critical to the full-service restaurant business model, and should be preserved for businesses that choose to utilize it.