

CB-98-2023 - Testimony to Committee Hearing for Elimination of Tip Credit

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📎 1 attachments (101 KB)

Tip Wage_Price Increase & Labor Impact_DC compared to Prince Georges Co.pdf;

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Dear Council Members,

I am writing to submit my testimony to the committee hearing on the elimination of Tip Credit.

As the founder & CEO of Silver Diner restaurants, I have restaurants in VA MD & DC and have 1st hand experience of the negative impact of eliminating the Tip Credit.

Background:

- In our downtown restaurant Server Wage increased ~\$10k a month.
 - Given that our DC restaurants were breakeven for the year, we had to allocate that cost somewhere to avoid losing money.
- We evaluated the option of adding Service Charges, which is what the majority of the restaurants in our marketplace did.
- After surveying DC restaurants that added service charges, we learned that guests reduced the tip by the majority of the service charge, if they normally tipped 18.5%, they reduced their tip by as much as 3.5% (avg. service charge in DC), **negatively impacting servers**, even when the service charge was clearly labeled that it goes to restaurants rather than servers.
- To avoid this direct negative impact on our Servers we chose a nominal price increase instead of adding a service charge after the July implementation of tip credit elimination.

Impact:

- DC Sales dropped 20% because of customer resistance to the price increase in today's inflationary economic times (versus seasonal drop of 9% in our other restaurants). Please see attached graph.
- Labor hours dropped 20% & remain decreased. Please see the attached graph.
- This results in a combination of lower earnings per hour, less hours for each Server and less jobs for all – ultimately by the same 20%.

Hurting Those Who You are Purporting to Help:

- Servers are earning less per hour.
- We have cut staff back in hours: less Server hours and
 - Support staff hours have been reduced.
 - Tipped employees lose out with the sharp decrease in hours as well as a decrease in pay failing to be offset by the increase in pay.

- **All our Associates end up losers.**

Customers & Growth:

- Customers are up in arms over service charges & prices and are unwilling to pay.
- We cannot do business, opening restaurants in a climate where we are losing our customer's patronage, and our people are being hurt.

OUR BUSINESS moved from breakeven to a LOSS of \$7k a month and this is only 1/3 portion of the tip elimination. When fully implemented it's \$30k a month, we and many others would be out of business.

Wherever this is implemented, we could no longer afford to open restaurants as it would create an unfavorable climate to our Associates and Guests.

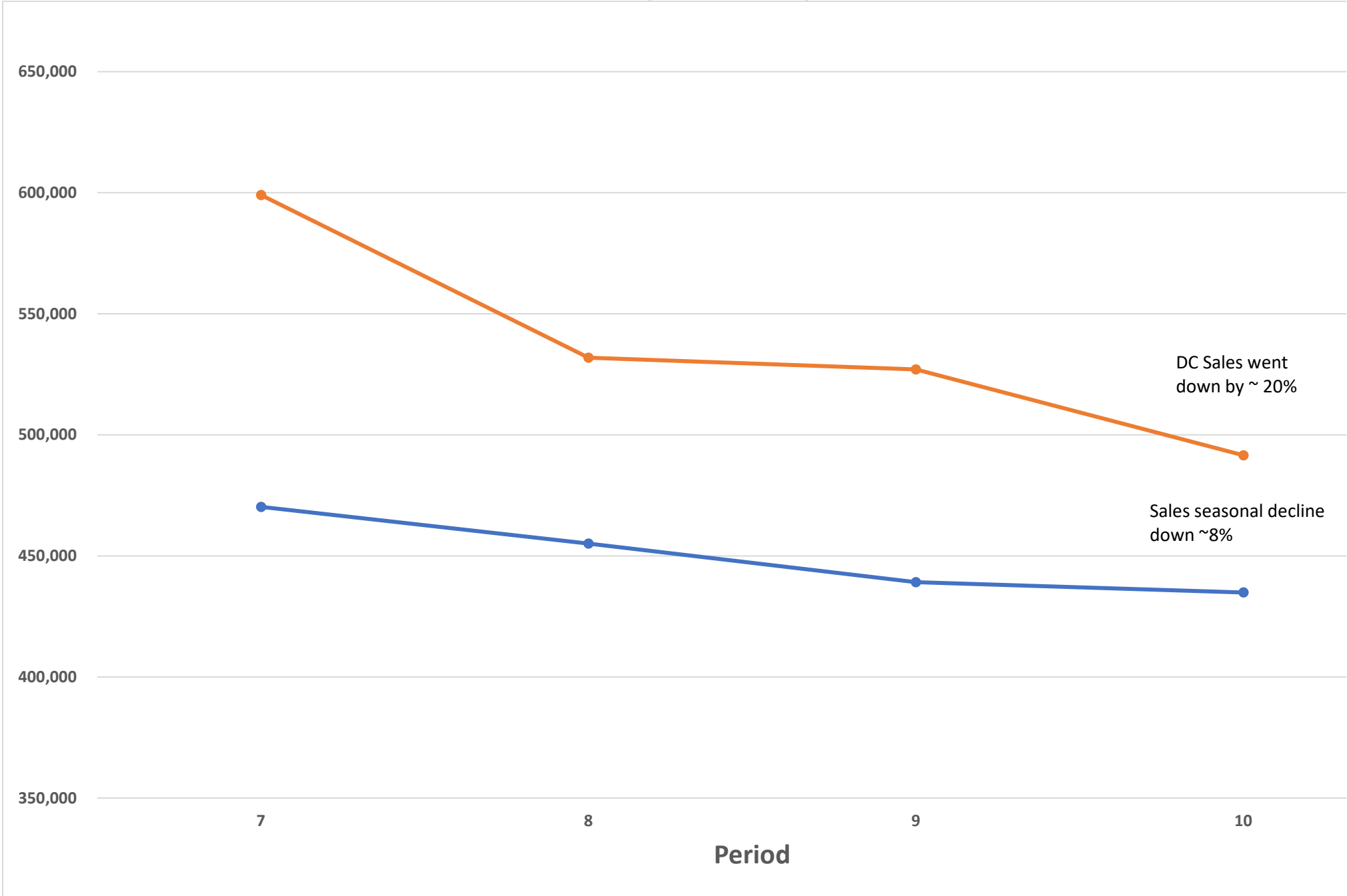
Regards,

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~Please forgive my typos, sent from my mobile device. ~

Tip Wage Price Increase Impact DC vs PG (Woodmore) Sales



Tip Wage Labor Impact DC vs PG(Woodmore) Labor Hours

