

SB0803 Minimum Wage - Tipped Employees.pdf

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Testimony to the Senate Finance Committee

SB0803 Labor and Employment - Payment of Minimum Wage - Tipped Employees

Bill Sponsor: Senator Ellis

Committee: Finance

Organization Submitting: Maryland Legislative Coalition

Person Submitting: Aileen Alex, Executive Committee

Position: FAVORABLE

I am submitting this testimony in favor of SB0803 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district of the state. We are unpaid citizen lobbyists, and our Coalition supports well over 30,000 members.

Currently, tipped workers rely on the vicissitudes of customers' generosity to supplement their \$3.63 per hour wage paid by their Maryland employers. Tipping, a hold-over from slavery, perpetuates racism and sexism. Disadvantaged workers disproportionately work at lower-cost sit-down restaurants. In addition, tipped employees endure more harassment due to the unequal dynamic between these workers and their customers. A single minimum wage for all workers would not only rectify these injustices but reduce the poverty rate.

The Maryland Legislative Coalition believes servers and others who receive tips should receive the same minimum wage as everyone else, and with a law to require it, businesses will not be forced into unfair competition. We ask that the Committee issue a favorable report on SB0803.

Alexus Snovitch.pdf

Uploaded by: Alexis Snovitch

Position: FAV

Name: Alexis Snovitch

Labor and Employment - Payment of Minimum Wage - Tipped Employees

Greetings to the chair and members of the committee and thank you for taking the time to hear from me today.

My name is Alexis Snovitch, I am a Maryland resident and I am representing the owner Mera's Kitchen Collective in Baltimore and I am here today to urge this committee to move forward SB 803 so workers finally receive the full minimum wage with tips on top in HB 549.

While the state minimum wage increased to \$13.25 on January 1, 2023, the subminimum wage for tipped workers has stayed at an abysmal \$3.63 since 2014.¹ Paying tipped workers less than minimum wage in the United States is a direct legacy of slavery and continues to perpetuate wage gaps in our industry by race and gender.

Are any of us truly surprised that the subminimum wage continues to be legal for Maryland's tipped workforce which is 65 percent women and 38 percent people of color?² By forcing workers to rely on customers' tips to make up their income because of such a low base pay, the subminimum wage system is designed to hurt marginalized workers – and tipped workers know it.

As an employer, I see this in the labor shortage facing our industry. One Fair Wage researchers found that 18,000 workers left the industry in Maryland and haven't returned since the pandemic.³ Why are they leaving? They need a real wage. This isn't a labor shortage it is a wage shortage.

When One Fair Wage surveyed workers, 53 percent of those who remain in the restaurant industry reported that they are considering leaving. Of those considering leaving, 78 percent say the only thing that will make them stay or return to working in restaurants is a full livable wage with tips on top.⁴

Too often, we hear claims the industry can't handle and doesn't need to actually pay its workers a full wage with tips on top. Yet, 7 states already require employers to pay a full minimum wage with tips on top - Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington and they will soon be joined by our neighbors in the District of Columbia.⁵

¹ Minimum Wages For Tipped Employees. (Jan 2022). U.S. Department of Labor. <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

² One Fair Wage, Ending a Legacy of Slavery and Addressing Maryland's Restaurant Staffing Crisis (Jan 2023). https://onefairwage.site/wp-content/uploads/2023/01/OFW_EndingLegacySlavery_MD-1.pdf

³ One Fair Wage. (December 2021) Closed Due To Low Wage. https://onefairwage.site/wp-content/uploads/2021/12/OFW_Closed.pdf

⁴ One Fair Wage. (May 2021). It's a Wage Shortage, Not a Worker Shortage: Why Restaurant Workers, Particularly Mothers, are Leaving the Industry, and What Would Make Them Stay. https://onefairwage.site/wp-content/uploads/2021/05/OFW_WageShortage_F.pdf

⁵ US Department of Labor. (2020). Minimum Wages for Tipped Employees. <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

These seven states have had the same or higher restaurant sales, employment growth rates, small business growth rates, and tipping averages than Maryland and the 42 other states with a subminimum wage for tipped workers.⁶ Workers in these seven states also report half the rate of sexual harassment as workers in Maryland and the dozens of states with a subminimum wage for tipped workers.⁷

As a business owner, I know our industry and the problems in it. We need to compete with our neighbors by raising wages to compete. It is time to end the subminimum wage and pay a full fair wage with tips on top.

Thank you.

⁶ ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the US Restaurant Industry. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-GreatService-Divide2.pdf.

⁷ Ibid.

Allie Smith Testimony.pdf

Uploaded by: Allie Smith

Position: FAV



Name: Allie Smith

Labor and Employment - Payment of Minimum Wage - Tipped Employees

Greetings to the chair and members of the committee and thank you for taking the time to hear from me today.

My name is Allie Smith, I am a Maryland resident and I am the owner of Bramble Baking in Baltimore and I am here today to urge this committee to move forward SB 803 so workers finally receive the full minimum wage with tips on top in HB 549.

I'm not a professionally trained baker. I studied art history and arts education at Boston University and then went on to Harvard's Graduate School of Education, so my training was focused on empowering people to live creatively fulfilled lives.

When my evening hobby turned into a cake studio and pop-up bakery in Baltimore that I couldn't keep up with, I knew I needed to find colleagues that could bring the kitchen experience I lacked. I chose to invest as much as possible in their well-being. Today, our young brick-and-mortar bakeshop has won multiple Best of Baltimore awards and served thousands, and I know I can credit our success to a wage that respects the contributions my team of six makes.

While the state minimum wage increased to \$13.25 on January 1, 2023, the subminimum wage for tipped workers has stayed at an abysmal \$3.63 since 2014.¹ Paying tipped workers less than minimum wage in the United States is a direct legacy of slavery and continues to perpetuate wage gaps in our industry by race and gender.

Are any of us truly surprised that the subminimum wage continues to be legal for Maryland's tipped workforce which is 65 percent women and 38 percent people of color?² By forcing workers to rely on customers' tips to make up their income because of such a low base pay, the subminimum wage system is designed to hurt marginalized workers – and tipped workers know it.

As an employer, I see this in the labor shortage facing our industry. One Fair Wage researchers found that 18,000 workers left the industry in Maryland and haven't returned since the pandemic.³ Why are they leaving? They need a real wage. This isn't a labor shortage it is a wage shortage.

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<https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

² One Fair Wage, Ending a Legacy of Slavery and Addressing Maryland's Restaurant Staffing Crisis (Jan 2023).
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³ One Fair Wage. (December 2021) Closed Due To Low Wage.
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When One Fair Wage surveyed workers, 53 percent of those who remain in the restaurant industry reported that they are considering leaving. Of those considering leaving, 78 percent say the only thing that will make them stay or return to working in restaurants is a full livable wage with tips on top.⁴

Too often, we hear claims the industry can't handle and doesn't need to actually pay its workers a full wage with tips on top. Yet, 7 states already require employers to pay a full minimum wage with tips on top - Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington and they will soon be joined by our neighbors in the District of Columbia.⁵

These seven states have had the same or higher restaurant sales, employment growth rates, small business growth rates, and tipping averages than Maryland and the 42 other states with a subminimum wage for tipped workers.⁶ Workers in these seven states also report half the rate of sexual harassment as workers in Maryland and the dozens of states with a subminimum wage for tipped workers.⁷

As a business owner, I know our industry and the problems in it. We need to compete with our neighbors by raising wages to compete. It is time to end the subminimum wage and pay a full fair wage with tips on top.

Thank you.

Kiersten Acty

⁴ One Fair Wage. (May 2021). It's a Wage Shortage, Not a Worker Shortage: Why Restaurant Workers, Particularly Mothers, are Leaving the Industry, and What Would Make Them Stay. https://onefairwage.site/wp-content/uploads/2021/05/OFW_WageShortage_F.pdf

⁵ US Department of Labor. (2020). Minimum Wages for Tipped Employees. <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

⁶ ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the US Restaurant Industry. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-GreatService-Divide2.pdf.

⁷ Ibid.

Barbara Thompson testimony.pdf

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Position: FAV



Dear Chair Griffith and members of the Finance Committee,

I would like to thank you for letting me speak today. My name is Barbara Thompson, I am a tip worker with One Fair Wage. I am here to urge the inclusion of ending the subminimum wage for tipped workers in SB 0803. While the state minimum wage increased to \$13.25 on January 1, 2023, the subminimum wage for tipped workers has stayed at an abysmal \$3.63 since 2014.¹

The subminimum wage is an indefensible direct legacy of slavery. The restaurant industry sought to hire newly freed Black people but without wanting to pay them. This legacy continues in Maryland with a tipped workforce that is 65 percent women and 38 percent people of color.²

We know the subminimum wage continues to perpetuate racism and sexism. When One Fair Wage researched Maryland tipped worker pay, they found that the wage gap between Black women and white men in 'front-of-house', tipped positions was \$6.19 per hour, which is a difference of almost \$13,000 a year for a full-time worker.³

The restaurant industry is still not fully recovered from the pandemic. We know that in Maryland 18,000 workers left the restaurant industry and haven't returned.⁴ Too often restaurants that oppose better wages will claim that this is a result of a "worker shortage."⁵ However, as One Fair Wage published in a recent report, the current restaurant industry isn't facing a worker shortage, it's a wage shortage.⁶

Our industry in Maryland needs to stop basing its business strategy on a wage 150-year-old system that is the direct legacy of slavery and join the modern working world. Already 7 states, Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington, pay the full minimum wage with our neighbors in the District of Columbia joining the club.⁷ Our industry needs to modernize and pay at least the full minimum wage with tips on top.

¹ U.S. Department of Labor. Minimum Wages For Tipped Employees. (Jan 2023).

<https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

² One Fair Wage, Ending a Legacy of Slavery and Addressing Maryland's Restaurant Staffing Crisis (Jan 2023).

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³ Ibid

⁴ One Fair Wage. (December 2021) Closed Due To Low Wage.

https://onefairwage.site/wp-content/uploads/2021/12/OFW_Closed.pdf

⁵ The Guardian. Saru Jayaraman and Mark Bittman (May 2021), The US restaurant industry is lacking in wages, not workers

<https://www.theguardian.com/environment/2021/may/09/the-us-restaurant-industry-is-lacking-in-wages-not-workers>

⁶ One Fair Wage, Ending a Legacy of Slavery and Addressing Maryland's Restaurant Staffing Crisis (Jan 2023).

https://onefairwage.site/wp-content/uploads/2023/01/OFW_EndingLegacySlavery_MD-1.pdf

⁷ US Department of Labor. Minimum Wages for Tipped Employees. (Feb 2023) <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.



States that pay tipped workers the full minimum wage with tips on top report higher restaurant sales, employment growth rates, and tipping averages than Maryland and the other states that still cling to the antiquated subminimum wage system.⁸ It is time to raise the wage and ensure Maryland's restaurant industry doesn't get left behind.

Tipped workers are tired of being left behind. They deserve to be paid at the very least, the full minimum wage with tips on top. Its time for SB 803 to move forward and become law.

Thank you again for taking the time to hear from me today.

⁸ ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the US Restaurant Industry. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-GreatService-Divide2.pdf.

SB803_Maryland Center on Economic Policy_FAV.pdf

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Position: FAV

Maryland's Minimum Wage Should Not Leave Tipped Workers Behind

Position Statement in Support of Senate Bill 803

Given before the Senate Finance 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 too many workers 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 Senate Bill 803** because it would put tipped workers on a path toward full minimum wage protection.

When Congress established the federal minimum wage in 1938, lawmakers specifically denied protections to workers in restaurants, hotels, and certain other service industries as a compromise to secure the support of racist southern Democrats.ⁱ Congress extended partial wage protections to these workers in 1966, but also created the tip credit, a carveout that allows employers to pay tipped workers less than the full minimum wage. The subminimum wage for tipped workers was unjust in 1966, and federal as well as state lawmakers have chosen to expand both its reach and its harm in the decades since:

- Congress originally imposed the tip credit on workers who regularly earn at least \$20 per month in tips, equivalent to more than \$180 today. Lawmakers raised this threshold to \$30 in 1978, equivalent to \$133 today. Lawmakers' failure to adjust this threshold in the last 45 years has effectively extended the tipped subminimum wage to a larger pool of workers who take home only nominal tips.ⁱⁱ
- Lawmakers originally set the tipped subminimum wage equal to half the standard wage floor. This brought the tipped wage to \$2.13 per hour in 1991, equivalent to \$4.71 today. However, Congress froze the federal tipped wage at this level in 1996 and has not updated it since.
- Maryland legislators have changed the formula for our tipped subminimum wage several times. It reached \$3.63 per hour in 2009 – half of the standard federal wage floor – and lawmakers froze it at this value in 2014. Our tipped wage has lost more than a quarter of its value since it was last updated.

The tipped subminimum wage most directly hurts workers by forcing them to live on deeply inadequate incomes.ⁱⁱⁱ

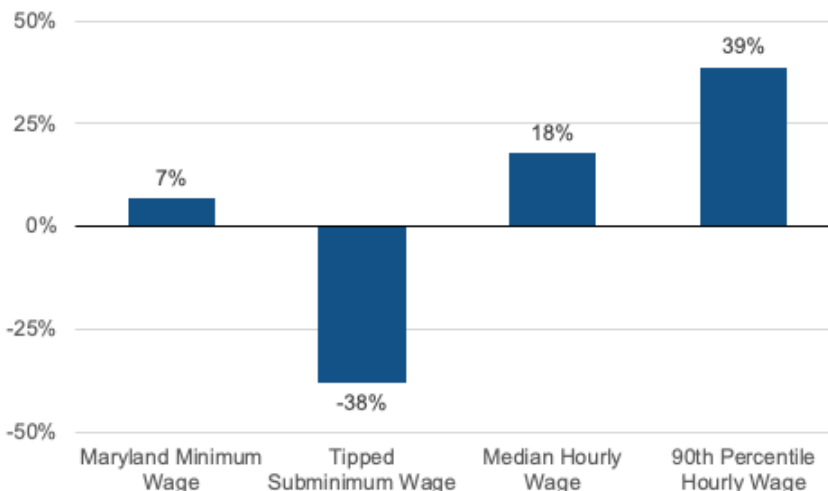
- 48,000 Maryland workers are harmed by the tip credit, costing them nearly \$440 million in lost wages per year altogether (\$9,200 on average).
- 19% of these workers are parents, and they together care for nearly 28,000 children.
- More than 80% of tipped workers are at least 20 years old and nearly half work full time.
- One-third of tipped workers have family income less than double the federal poverty line, and 42% have family income under \$50,000 per year.

- Between housing, food, clothing, and other essentials, there is nowhere in Maryland where even a single adult, working full time and not caring for children, can afford a basic living standard on less than \$15 per hour.^{iv}

The tip credit also entrenches inequity in our economy:

- 20% of tipped workers are Black and 15% are Latinx. Altogether, 47% of tipped workers are people of color. Research has found that diners systematically leave smaller tips for Black restaurant servers than white servers.^v
- 60% of tipped workers are women. 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.^{vi}

Labor Law Is Leaving Tipped Workers Further and Further Behind
 % change in inflation-adjusted wages since 1979
 Source: MDCEP analysis of historical minimum wage and inflation data, Economic Policy Institute analysis of Current Population Survey–Outgoing Rot



Senate Bill 803 would put tipped workers on a path toward full minimum wage protection, eliminating the tip credit by July 1, 2027. This gradual approach prevents sharp cost increases for restaurants and other employers that take advantage of the tip credit. As an illustration of the magnitude of harm done by the tip credit, **extending full wage protection to tipped workers beginning this October would nearly quadruple the dollar impact of Gov. Moore’s Fair Wage Act.**

The bill also creates the High Road Kitchen Program, which provides recognition to restaurants that pay all workers at least the full minimum wage. This program provides reliable information to customers who prefer to support high road employers as well as job seekers. During the bill’s phase-in period, the program potentially offers a sales boost and a recruiting tool to restaurants that pay a decent wage.

“Backfilling” Requirement Provides Inadequate Protection

Proponents of the tip credit 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:^{vii}

- 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 (nearly half of all tipped workers), the first \$673 in tips for each pay period simply reduce the employer's pay responsibilities. Customers wind up unknowingly tipping the boss.

Long-Lasting Benefits

Ending the tipped subminimum wage would benefit Maryland 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:^{viii}

- 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 Maryland's 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.^{ix} Family-supporting wages make Maryland 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.^x 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. 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." The verdict is in: Raising the minimum wage works.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Finance Committee make a favorable report on Senate Bill 803.

Equity Impact Analysis: Senate Bill 803

Bill summary

Senate Bill 803 gradually reduces Maryland's tip credit, increasing the effective minimum wage for tipped workers. Tipped workers would receive full minimum wage protection beginning in July 2027.

The bill also creates the High Road Kitchen Program, which provides recognition to restaurants that pay all workers at least the full minimum wage.

Background

Chapters 10 and 11 of 2019 put Maryland on a path toward a \$15 minimum wage for most workers by 2025, with the wage floor for small employers reaching \$15 in 2026.

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.

- 48,000 Maryland workers are harmed by the tip credit, costing them nearly \$440 million in lost wages per year altogether (\$9,200 on average).
- 20% of tipped workers are Black and 15% are Latinx. Altogether, 47% of tipped workers are people of color. Research has found that diners systematically leave smaller tips for Black restaurant servers than white servers.
- 60% of tipped workers are women. 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.^{xi}
- 19% of tipped workers are parents, and they together care for nearly 28,000 children.
- One-third of tipped workers have family income less than double the federal poverty line, and 42% have family income under \$50,000 per year.
- Between housing, food, clothing, and other essentials, there is nowhere in Maryland where even a single adult, working full time and not caring for children, can afford a basic living standard on less than \$15 per hour.^{xiii}

Impact

Senate Bill 803 would likely **improve racial, gender, and economic equity** in Maryland.

ⁱ Wendy Pollack, "The Racist History behind America's Tipping Culture," Shriver Center on Poverty Law, 2019, <https://theshriverbrief.org/the-racist-history-behind-americas-tipping-culture-b5edcbo8fcb6>

ⁱⁱ Sylvia Allegretto and David Cooper, "Twenty-Three Years and Still Waiting for Change: Why it's Time to Give Tipped Workers the Regular Minimum Wage," Economic Policy Institute, 2014, <https://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/>
All inflation adjustment in this document is based on CPI-U, all items.

ⁱⁱⁱ Based on Economic Policy Institute Minimum Wage Simulation Model, with calculations by MDCEP. See Technical Methodology by Dave Cooper, Zane Mokhiber, and Ben Zipperer, <https://www.epi.org/publication/minimum-wage-simulation-model-technical-methodology/>

^{iv} Based on the Economic Policy Institute Family Budget Calculator, adjusted for inflation by MDCEP.

^v Michael Lynn, Michael Sturman, Christie Ganley, Elizabeth Adams, Mathew Douglas, and Jessica McNeil, "Consumer Racial Discrimination in Tipping: A Replication and Extension," *Journal of Applied Social Psychology* 38(4), 2008, <https://onlinelibrary.wiley.com/doi/full/10.1111/j.1559-1816.2008.00338.x>

^{vi} 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/>

^{vii} Allegretto and Cooper, 2014.

^{viii} 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.

^{ix} Arindrajit Dube, T. William Lester, and Michael Reich, “Minimum Wage Shocks, Employment Flows and Labor Frictions,” IRLE Working Paper #140-13, 2014, <http://irle.berkeley.edu/files/2013/Minimum-Wage-Shocks-Employment-Flows-and-Labor-Market-Frictions.pdf>.

^x David Cooper, “Raising the Federal Minimum Wage to \$15 by 2024 Would Lift Pay for Nearly 40 Million Workers,” Economic Policy Institute, 2019, <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>

^{xi} 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/>

^{xii} Based on the Economic Policy Institute Family Budget Calculator, adjusted for inflation by MDCEP.

CVH SB803 Favorable Testimony.pdf

Uploaded by: Cora Van Hall

Position: FAV



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Testimony on Maryland Senate Bill 803 Labor and Employment - Payment of Minimum Wage - Tipped Employees

TO: Senator Arthur Ellis, and members of the Senate Finance Committee

FROM: Cora Van Hall, Social Media Coordinator of Progressive Maryland

DATE: March 1, 2023

POSITION: Favorable

Thank you for the opportunity to offer testimony in support of SB 803. Progressive Maryland is a grassroots nonprofit organization with regional chapters from Frederick to the Lower Shore and more than 100,000 members and supporters who live in nearly every legislative district in the state. In addition, there are dozens of affiliated community, faith, and labor organizations across the state that stand behind our work. Our mission is to improve the lives of working families in Maryland. Please note our **strong support for SB 803**.

I support the passage of SB0803 to phase out the tipped minimum wage in Maryland. This bill is essential for ensuring economic equity for all workers, particularly low-income and women workers who traditionally rely heavily on tips to make a living wage. Gratuities should be a bonus for a good service, not a customer subsidy to employers for their wage bills.

I was raised by a single mother who dedicated over two decades of her life to waitressing at a Waffle House. Despite working tirelessly in excess of 50 hours per week, my mother struggled to provide me with basic necessities such as clothes, food, and a stable home. She could not afford childcare, so I spent most of my young life sitting in a restaurant booth, doing my homework on the linoleum tables while my mother worked to provide for us. The physical demands of the job caused her medical issues, including herniated discs in her spine, but she had no choice but to continue working.

The worst part? This isn't just our story. The financial insecurity that plagues tipped workers affects the entire community around them. It reinforces a harmful culture that values physical appearance over job performance and leaves families like mine struggling to make ends meet.

Our progress should not come at the expense of our community members. We need to come together to create a world where every hardworking individual can live with dignity and financial security. For these reasons, **I respectfully urge a favorable report on SB 803**.

Sincerely,
Cora Van Hall

NWLC testimony - FAV SB555 and SB803 (3.2.23).pdf

Uploaded by: Diana Ramirez

Position: FAV



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SB 555: Fair Wage Act of 2023

SB 803: Labor and Employment - Payment of Minimum Wage - Tipped Employees

Senate Finance Committee | March 2, 2023

Position: SUPPORT

The National Women's Law Center (NWLC) submits this testimony in strong support of SB 555, the Fair Wage Act, and SB 803 (the "One Fair Wage" bill). SB 555 will accelerate Maryland's minimum wage increase to reach \$15 an hour by October 2023 and tie future increases to the consumer price index—giving approximately 217,000 workers in Maryland a raise, disproportionately women and people of color.¹ The Fair Wage Act will boost pay for roughly one in eight Black and Latinx workers in Maryland; among all workers who will get a raise, nearly six in 10 (58%) are women.² SB 803 will include tipped workers in this increase by July 2027. Both bills are essential to address the pervasive and longstanding pay disparities that women, and especially women of color, face in Maryland—disparities that were only exacerbated by the COVID-19 pandemic.³

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 Maryland 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.⁴ This wage gap varies by race and is larger for many women of color.⁵ One driver of these wage gaps is women's overrepresentation in low-paid jobs.⁶ In Maryland, roughly six in ten workers in the state's lowest-paying jobs are women,⁷ as are more than two-thirds (69%) of tipped workers; more than one-third (35%) of tipped workers in Maryland are women of color.⁸ Especially in states like Maryland where employers can pay just a few dollars an hour before tips, tipped workers experience poverty at far higher rates than the workforce overall⁹—and they also experienced job loss, reduced tips, and great risks to their health and safety during the height of the pandemic.¹⁰

Today, while Maryland law continues to allow employers to pay tipped workers a base wage of just \$3.63 an hour, many question whether they should stay in a profession that leaves them vulnerable to harassment and scrambling to pay their bills¹¹—and many who have already left question whether they should return.¹² Meanwhile, the neighboring District of Columbia will begin raising its tipped minimum wage from \$5.05 per hour to \$16.10 per hour by 2027, after voters overwhelmingly approved Initiative 82 on the November 2022 ballot.¹³ If Maryland does not offer competitive wages for tipped workers, employers in neighboring counties will continue to see an exodus of workers from Maryland's restaurant industry to more attractive pay in the District of Columbia.¹⁴

Raising wages now for Maryland's lowest paid workers, including tipped workers, will also benefit children, families, and the state's economy. Especially in light of recent inflation, many families are struggling to afford the basics; today, one in 10 children in Maryland has a parent making less than \$15

per hour.¹⁵ SB 555 would give these families a much-needed income boost—which research shows can also benefit children’s health and well-being.¹⁶

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.¹⁷ Similarly, in the seven states that adopted One Fair Wage prior to the pandemic, 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 wage¹⁸—and while the pandemic hit the industry hard, the leisure and hospitality sector has not fared worse in recent years in One Fair Wage states than in states with lower wages for tipped workers.¹⁹ Indeed, because underpaid workers spend much of their extra earnings in their communities, increasing the minimum wage—including the wage for tipped workers—will help ensure a strong, shared recovery in the wake of the COVID-19 pandemic.²⁰ And higher wages can further benefit employers by reducing turnover and increasing productivity.²¹

The Fair Wage Act of 2023 and the One Fair Wage bill will lift up working families during this period of high inflation and, because women are the majority of workers who will see their pay go up, wage gaps will likely narrow as well.²² **Enacted together, these bills will work to diminish historic inequities—but enacting the Fair Wage Act without the One Fair Wage bill would once again leave many women and people of color behind.**

The Fair Wage Act of 2023 and the One Fair Wage bill are two critical and complementary tools to ensure that women can work with equality, safety, and dignity—starting with equal and adequate pay. We respectfully request a favorable report of both SB 555 and SB 803.

* * *

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

¹ *Accelerating the Minimum Wage in Maryland: Good for Workers, Good for the Economy*, MD FIGHT FOR \$15 (Feb. 2023), <http://ff15maryland.org/wp-content/uploads/2023/02/minimum-wage-v3.pdf>.

² *Id.*

³ 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>.

⁴ *Wage Gap Overall State Rankings:2021*, NWLC (Sept. 2022), <https://nwlc.org/wp-content/uploads/2021/03/Overall-Wage-Gap-State-By-State-2022v2.pdf>.

⁵ See, e.g., 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>.

⁶ See generally, e.g., Jasmine Tucker & Julie Vogtman, *When Hard Work Is Not Enough: Women in Low-Paid Jobs*, NWLC (April 2020), <https://nwlc.org/resource/when-hard-work-is-not-enough-women-in-low-paid-jobs/>.

⁷ See *id.*

⁸ 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.

⁹ 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/>.

¹⁰ 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>.

¹¹ See *One Fair Wage: Ending a Legacy of Slavery and Addressing Maryland’s Restaurant Staffing Crisis*, ONE FAIR WAGE (Feb. 2023), https://onefairwage.site/wp-content/uploads/2023/01/OFW_EndingLegacySlavery_MD-1.pdf

¹² Abha Bhatarai & 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/>

¹³ 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)).

¹⁴ See *One Fair Wage: Ending a Legacy of Slavery and Addressing Maryland’s Restaurant Staffing Crisis*, *supra* note 11.

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- ¹⁵ *Accelerating the Minimum Wage in Maryland: Good for Workers, Good for the Economy*, *supra* note 1.
- ¹⁶ 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>.
- ¹⁷ 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>.
- ¹⁸ *Why the U.S. Needs a \$15 Minimum Wage*, ECON. POLICY INST. (Jan. 26, 2021), <https://www.epi.org/publication/why-america-needs-a-15-minimum-wage/>.
- ¹⁹ *Decline in Open Hospitality Businesses During COVID-19: A State-by-State Analysis* (Feb. 2021), https://onefairwage.site/wp-content/uploads/2021/02/OFW_DeclineHospBus_3.pdf.
- ²⁰ 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/>; Holly Sklar & Alissa Barron-Menza, *Raising the Minimum Wage to \$15 Helps Small Business*, BUSINESS FOR A FAIR MINIMUM WAGE (Feb. 24, 2021), <https://www.businessforafairminimumwage.org/news/001645/raising-minimum-wage-15-helps-small-business>.
- ²¹ See, e.g., 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/>.
- ²² A higher minimum wage generally would narrow the wage distribution, effectively narrowing the wage gap. Nicole M. Fortin & Thomas Lemieux, *Institutional Changes and Rising Wage Inequality: Is There a Linkage?*, J. Econ. Perspectives Vol. 11, No. 2, 75-96, at 78 (Spring 1997), <http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.11.2.75>. See also Francine D. Blau & Lawrence M. Kahn, *Swimming Upstream: Trends in the Gender Wage Differential in the 1980s*, J. LABOR ECON., Vol. 15, No. 1, 1-42, at 28 (Jan. 1997), https://www.jstor.org/stable/2535313?seq=1#page_scan_tab_contents; *Minimum Wages*, Ch. 7.3: *Effects on Gender Pay-Gaps*, INT'L LABOR ORG., https://www.ilo.org/global/%20topics/wages/minimum-wages/monitoring/WCMS_473657/lang--en/index.htm (accessed Feb. 23, 2023).

SB803_EricaPayne_FAV

Uploaded by: Erica Payne

Position: FAV

Senate Finance Chair Griffith and Committee Members
Maryland State House
Annapolis, MD

Dear Chair Griffith and members of the Senate Finance Committee,

I would like to submit the thoughts I was unable to give during the hearing for SB0803 due to a technical error prematurely ending the hearing.

My name is Erica Payne, I am a Chevy Chase resident, an employer, and a graduate of the MBA program at the Wharton School at UPenn. I spent more than a decade in the restaurant business. I am the president and founder of the Patriotic Millionaires, a national group of business leaders and investors with thousands of employees in Maryland. Our members are deeply concerned about the destabilizing level of economic and political inequality in the country, the root cause of our current social unrest. Inequality in America is at the highest level it has been in 100 years. The pandemic and inflation made a bad situation worse. But the real drivers of inequality are government policies around wages and taxes.

I am writing today on behalf of the Patriotic Millionaires to emphasize our support for two policies currently being considered by the Maryland legislature. The first is SB0555 Fair Wage Act of 2023. The second is SB0803, the elimination of the subminimum-tipped wage.

As I said during my testimony in support of SB0555, the economic philosophy behind raising the minimum wage and indexing it to inflation is simple. When working people clock out they become customers. When business owners keep wages too low, they destroy the state's customer base. If business is the engine of American prosperity, consumer demand is the gas, and an adequate minimum wage does two things - it connects business prosperity to the prosperity of individual people, stabilizing the whole society - and it ensures businesses a stable level of aggregate demand.

I am also urging you to look past the smoke screen that was thrown up around SB0803 by the National Restaurant Association (NRA) using restaurant owners, business interest groups, and some tipped employees, mostly from more expensive or high-traffic restaurants, including several from the Silver Diner chain, around the tipped minimum wage. "[Underhanded and unscrupulous](#)" were the words Sen. Elizabeth Warren recently used to describe "the other NRA." In the last month, multiple lawmakers, including House Minority Leader Hakeem Jeffries, have returned NRA political contributions after revelations of their dishonesty were splattered across the [front page of the New York Times](#).

During the hearing, they trotted out workers who distracted from the broader realities of the restaurant industry by telling you how they personally usually made well above \$15 an hour per

shift and how they had employers who took care of them. They also featured restaurant owners who raised fears about “service charges” killing tipping culture in the US.

“Anecdota,” like the testimony you heard from those service workers, is fine, but real data is better. No one has ever disputed that many people working in tipped industries can make a good wage. Restaurants that have lots of traffic with quick table turnover, high-end restaurants where bills are high, restaurants that serve alcohol which drives up bill totals and tipping, etc., can all be great places to earn a living on tips. But the real data tells us that not all restaurant jobs are equal, and not all demographics are treated equally in the industry.

The tipped-minimum wage is a legacy of slavery that is continuing to harm people of color, and we must eradicate it from our state laws. Black women in front-of-house jobs make, on average, \$12,875 less per year in tips than their white male counterparts partially due to individual racial biases in tipping and partially due to hiring bias that pushes them towards more casual restaurants where tips are lower. While it is true that, technically speaking, the law says restaurants are supposed to ensure that the full minimum wage is met if tips do not cover it, that does not work in practice. Restaurant workers are [twice as likely](#) to live in poverty and rely on food stamps as their non-tipped peers because more than [1 in 10 tipped workers](#) report wages below the minimum, and a Department of Labor survey found that [84% of restaurants surveyed](#) were engaged in wage theft. What is an employee in an at-will employment state like Maryland able to do? It is easy, thanks to the subminimum wage, for restaurant workers to hide wage theft, and complaining will only get you fired or ensure that your Saturday dinner shift gets swapped for a Wednesday lunch.

Eliminating the tipped-minimum wage might not be good for the National Restaurant Association, but it is good for restaurants. The seven states that have implemented one fair wage have seen [faster average restaurant industry growth, higher restaurant sales per capita, faster full-service restaurant employment growth, and equal average levels of tipping to states with a sub-minimum wage](#) which results in overall better take-home pay for workers.

Just ask Denny’s CEO, who [told shareholders](#), “As they’ve increased their minimum wage...California has outperformed the system. They had six consecutive years of positive guest traffic—not just positive sales, but positive guest traffic—as the minimum wage was going up.”

That’s because more money for workers means more customers for restaurants with more money to spend. Leaving the tipped workforce earning less than the minimum wage significantly weakens the policy’s positive economic impact.

We should also think about why restaurant owners are threatening service charges. When food costs go up, alcohol becomes more expensive, gas for the delivery trucks gets pricier, or any other expenses increase, restaurants do not create line item charges. Instead, they just raise menu prices accordingly. “Service charges” are nothing more than a tool to try and turn public



opinion against workers for having the audacity to ask for a living wage, and the legislature should not cave to these bullying tactics. If we want to protect tipped workers in our state, who are disproportionately women and people of color, and jumpstart our economy, the only way to do it is to eliminate the sub-minimum wage for tipped workers.

The tipped minimum wage is racist and it is sexist. Refusing to change it is an endorsement of sexism and racism. Refusing to change it when Maryland has just elected its first Black governor on the promise of leaving no one behind - is frankly appalling.

With what is left of this session, we hope you will act quickly to pass both of these bills or combine them into one bill that lifts up all workers.

Sincerely,

Erica Payne
President & Founder, Patriotic Millionaires

End Subminimum Tipped Wage Testimony.pdf

Uploaded by: Harold Ginsberg

Position: FAV



As a Kensington, Maryland resident and on behalf of Our Revolution Maryland's over eight thousand activists, I submit this testimony in support of Senator Arthur Ellis's bill to End Tipped Wages in Maryland and urge the Senate Finance Committee to issue a favorable report

On New Year's Day, most Maryland minimum wage workers received an hourly pay increase for 2023 from \$12.50 to \$13.25. But "tipped" workers - primarily servers in restaurants and bartenders - saw no change from the measly \$3.63 per hour that they've been "enjoying" for the past 14 years.

For non-tipped workers, additional minimum wage increases are scheduled to take effect in 2024 with a rise to \$15 in 2025. Moreover, Governor Wes Moore is calling for further hikes to the minimum wage hikes and to index it to inflation. But his proposal exempts tipped workers.

Senator Ellis's bill prohibits restaurants and bars from paying servers less than the minimum wage. This will end an injustice that falls heaviest on women and people of color who form a disproportionate share of the workforce at lower priced sit-down restaurants.

Ending the practice of counting tips as part of a server's compensation for minimum wage purposes benefits both servers and the restaurant industry as a whole:

- 1) Servers will have more available for their and their families' needs.
- 2) Servers will have more money to spend at local establishments.
- 3) Restaurants will avoid the significant bookkeeping expenses associated with the payment of different wages for different employees.

Indeed studies show that restaurants as a whole are doing better in states like California that have eliminated the tipped wage than in Maryland which has not.

We ask the Senate Finance Committee to issue a favorable report on SB 0803.

Our Revolution Maryland

By Hal Ginsberg

Herman D. Bonner Testimony.pdf

Uploaded by: Herman Bonner

Position: FAV



Dear Chair Sen. Griffith and members of the Senate Finance Committee,

My name is Herman Bonner, I'm a Maryland resident and a tipper worker in the restaurant industry since 2012. I am here to urge the inclusion of ending the subminimum wage for tipped workers in SB 803.

Too often, we hear claims the industry can't handle and doesn't need to actually pay its workers a full wage with tips on top. Yet, 7 states already require employers to pay a full minimum wage with tips on top - Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington and they will soon be joined by our neighbors in the District of Columbia.¹

These seven states have had the same or higher restaurant sales, employment growth rates, small business growth rates, and tipping averages than Maryland and the 42 other states with a subminimum wage for tipped workers.² Workers in these seven states also report half the rate of sexual harassment as workers in Maryland and the dozens of states with a subminimum wage for tipped workers.³

Don't leave tipped workers behind. Don't let Maryland accept just the subminimum. Bring Maryland into the club of fair wage states.

Thank you

Herman D. Bonne.

¹ US Department of Labor. (2020). Minimum Wages for Tipped Employees. <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

² ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the US Restaurant Industry. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-GreatService-Divide2.pdf.

³ Ibid.

Untitled document.pdf

Uploaded by: Juan Romero

Position: FAV

I'm here to testify **in strong support of Senate Bill 803**, to end the subminimum wage for tipped workers in Maryland. We already passed this in Washington, DC . It was a struggle, but in the end, it was the right thing to do. And as a customer of restaurants across the region, it's important for me that the standards are the same across the company - in both DC and MD. So I'd like to see MD follow DC's lead. In addition, we are going through the worst staffing crisis in the history of the restaurant and hospitality industry, and it's tough to find staff in MD. With DC raising tipped workers' wages to \$16 plus tips, I'm very concerned we're going to lose even more staff if we don't raise wages in MD soon. We need a policy that will create a level playing field so no one is at a competitive disadvantage. And we need policy that will signal to thousands of workers that it's worth coming back to work in restaurants

Marjorie McGuire testimony.pdf

Uploaded by: Marjorie Mcguire

Position: FAV



Dear Chair Griffith and members of the Finance Committee,

I would like to thank you for letting me speak today. My name is Marjorie McGuire, I am a tip worker with One Fair Wage. I am here to urge the inclusion of ending the subminimum wage for tipped workers in SB 0803. While the state minimum wage increased to \$13.25 on January 1, 2023, the subminimum wage for tipped workers has stayed at an abysmal \$3.63 since 2014.¹

The subminimum wage is an indefensible direct legacy of slavery. The restaurant industry sought to hire newly freed Black people but without wanting to pay them. This legacy continues in Maryland with a tipped workforce that is 65 percent women and 38 percent people of color.²

We know the subminimum wage continues to perpetuate racism and sexism. When One Fair Wage researched Maryland tipped worker pay, they found that the wage gap between Black women and white men in 'front-of-house', tipped positions was \$6.19 per hour, which is a difference of almost \$13,000 a year for a full-time worker.³

The restaurant industry is still not fully recovered from the pandemic. We know that in Maryland 18,000 workers left the restaurant industry and haven't returned.⁴ Too often restaurants that oppose better wages will claim that this is a result of a "worker shortage."⁵ However, as One Fair Wage published in a recent report, the current restaurant industry isn't facing a worker shortage, it's a wage shortage.⁶

Our industry in Maryland needs to stop basing its business strategy on a wage 150-year-old system that is the direct legacy of slavery and join the modern working world. Already 7 states, Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington, pay the full minimum wage with our neighbors in the District of Columbia joining the club.⁷ Our industry needs to modernize and pay at least the full minimum wage with tips on top.

¹ U.S. Department of Labor. Minimum Wages For Tipped Employees. (Jan 2023).

<https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

² One Fair Wage, Ending a Legacy of Slavery and Addressing Maryland's Restaurant Staffing Crisis (Jan 2023).

https://onefairwage.site/wp-content/uploads/2023/01/OFW_EndingLegacySlavery_MD-1.pdf

³ Ibid

⁴ One Fair Wage. (December 2021) Closed Due To Low Wage.

https://onefairwage.site/wp-content/uploads/2021/12/OFW_Closed.pdf

⁵ The Guardian. Saru Jayaraman and Mark Bittman (May 2021), The US restaurant industry is lacking in wages, not workers

<https://www.theguardian.com/environment/2021/may/09/the-us-restaurant-industry-is-lacking-in-wages-not-workers>

⁶ One Fair Wage, Ending a Legacy of Slavery and Addressing Maryland's Restaurant Staffing Crisis (Jan 2023).

https://onefairwage.site/wp-content/uploads/2023/01/OFW_EndingLegacySlavery_MD-1.pdf

⁷ US Department of Labor. Minimum Wages for Tipped Employees. (Feb 2023) <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.



States that pay tipped workers the full minimum wage with tips on top report higher restaurant sales, employment growth rates, and tipping averages than Maryland and the other states that still cling to the antiquated subminimum wage system.⁸ It is time to raise the wage and ensure Maryland's restaurant industry doesn't get left behind.

Tipped workers are tired of being left behind. They deserve to be paid at the very least, the full minimum wage with tips on top. Its time for SB 803 to move forward and become law.

Thank you again for taking the time to hear from me today.

⁸ ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the US Restaurant Industry. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-GreatService-Divide2.pdf.

Naila MD.pdf

Uploaded by: Naila Rosario

Position: FAV

Dear Chair Griffith and members of the Finance Committee,

I would like to thank you for letting me speak today. My name is Naila Rosario, im a partner at Skal Bk Cafe I am here to urge the inclusion of ending the subminimum wage for tipped workers in SB 0803. While the state minimum wage increased to \$13.25 on January 1, 2023, the subminimum wage for tipped workers has stayed at an abysmal \$3.63 since 2014.¹

We know the subminimum wage continues to perpetuate racism and sexism. When One Fair Wage researched Maryland tipped worker pay, they found that the wage gap between Black women and white men in 'front-of-house', tipped positions was \$6.19 per hour, which is a difference of almost \$13,000 a year for a full-time worker.²

The restaurant industry is still not fully recovered from the pandemic. We know that in Maryland 18,000 workers left the restaurant industry and haven't returned.³ Too often restaurants that oppose better wages will claim that this is a result of a "worker shortage."⁴ However, as One Fair Wage published in a recent report, the current restaurant industry isn't facing a worker shortage, it's a wage shortage.⁵

The industry in Maryland needs to stop basing its business strategy on a wage 150-year-old system that is the direct legacy of slavery and join the modern working world. Already 7 states, Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington, pay the full minimum wage with our neighbors in the District of Columbia joining the club.⁶ Our industry needs to modernize and pay at least the full minimum wage with tips on top.

States that pay tipped workers the full minimum wage with tips on top report higher restaurant sales, employment growth rates, and tipping averages than Maryland and the other states that still cling to the antiquated subminimum wage system.⁷ It is time to raise the wage and ensure Maryland's restaurant industry doesn't get left behind.

Tipped workers are tired of being left behind. They deserve to be paid at the very least, the full minimum wage with tips on top. Its time for SB 803 to move forward and become law.

¹ U.S. Department of Labor. Minimum Wages For Tipped Employees. (Jan 2023). <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

²

³ One Fair Wage. (December 2021) Closed Due To Low Wage. https://onefairwage.site/wp-content/uploads/2021/12/OFW_Closed.pdf

⁴ The Guardian. Saru Jayaraman and Mark Bittman (May 2021), The US restaurant industry is lacking in wages, not workers

<https://www.theguardian.com/environment/2021/may/09/the-us-restaurant-industry-is-lacking-in-wages-not-workers>

⁵ One Fair Wage, Ending a Legacy of Slavery and Addressing Maryland's Restaurant Staffing Crisis (Jan 2023). https://onefairwage.site/wp-content/uploads/2023/01/OFW_EndingLegacySlavery_MD-1.pdf

⁶ US Department of Labor. Minimum Wages for Tipped Employees. (Feb 2023) <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

⁷ ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the US Restaurant Industry. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-GreatService-Divide2.pdf.

Thank you again for taking the time to hear from me today.

Nataki Rhodes Testimony.pdf

Uploaded by: nataki rhodes

Position: FAV



Dear Chair Sen. Griffith and members of the Senate Finance Committee,

My name is Nataki Rhodes, I'm a Maryland resident and a tipper worker in the restaurant industry since 2012. I am here to urge the inclusion of ending the subminimum wage for tipped workers in SB 803.

Too often, we hear claims the industry can't handle and doesn't need to actually pay its workers a full wage with tips on top. Yet, 7 states already require employers to pay a full minimum wage with tips on top - Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington and they will soon be joined by our neighbors in the District of Columbia.¹

These seven states have had the same or higher restaurant sales, employment growth rates, small business growth rates, and tipping averages than Maryland and the 42 other states with a subminimum wage for tipped workers.² Workers in these seven states also report half the rate of sexual harassment as workers in Maryland and the dozens of states with a subminimum wage for tipped workers.³

Don't leave tipped workers behind. Don't let Maryland accept just the subminimum. Bring Maryland into the club of fair wage states.

Thank you

Nataki Rhode.

¹ US Department of Labor. (2020). Minimum Wages for Tipped Employees. <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

² ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the US Restaurant Industry. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-GreatService-Divide2.pdf.

³ Ibid.

Obi Ogun Testimony.pdf

Uploaded by: Obi Ogun

Position: FAV



Dear Chair Sen. Griffith and members of the Senate Finance Committee,

My name is Obi Ogun, I am a Maryland resident and a tipper worker in the restaurant industry since 2012. I am here to urge the inclusion of ending the subminimum wage for tipped workers in SB 803.

Too often, we hear claims the industry can't handle and doesn't need to actually pay its workers a full wage with tips on top. Yet, 7 states already require employers to pay a full minimum wage with tips on top - Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington and they will soon be joined by our neighbors in the District of Columbia.¹

These seven states have had the same or higher restaurant sales, employment growth rates, small business growth rates, and tipping averages than Maryland and the 42 other states with a subminimum wage for tipped workers.² Workers in these seven states also report half the rate of sexual harassment as workers in Maryland and the dozens of states with a subminimum wage for tipped workers.³

Don't leave tipped workers behind. Don't let Maryland accept just the subminimum. Bring Maryland into the club of fair wage states.

Thank you

Obi Ogun.

¹ US Department of Labor. (2020). Minimum Wages for Tipped Employees. <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

² ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the US Restaurant Industry. https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-GreatService-Divide2.pdf.

³ Ibid.

TESTIMONY TO THE MARYLAND STATE LEGISLATURE.pdf

Uploaded by: Peter Nanula

Position: FAV

TESTIMONY TO THE MARYLAND STATE LEGISLATURE
SENATE FINANCE COMMITTEE
Regarding a Bill for One Fair Wage (S 803)
By Peter Nanula, CEO, Concert Golf Partners
March 2, 2023

My name is Peter Nanula, and I am the CEO and founder of Concert Golf Partners. We are a national golf and country club company that owns dozens of properties, including the Country Club at Woodmore in Maryland. On behalf of my company and the thousands of service workers I employ, I thank you for allowing me to testify in strong support of Senate Bill 803, a bill for One Fair Wage in the State of Maryland.

We are going through the worst staffing crisis in the history of the restaurant and hospitality industry, and we can't sustain it unless we raise wages in this industry. With Washington, DC raising tipped workers' wages to \$16 plus tips, I'm very concerned that we are going to lose even more staff if we don't raise wages in Maryland soon.

Many of us employers are raising wages to recruit staff, but we need state policy that will create a level playing field so that none of us is at a competitive disadvantage. Most importantly, we need state policy that will signal to thousands of workers that it is worth coming back to work in restaurants, because we are finding that even when we raise wages, workers think it might be just temporary and are not coming back. They need a guarantee that wages in the service sector are permanently going up, and only policy can offer that guarantee. I urge the Maryland State Legislature to pass Senate Bill 803 so that the service sector, and the Country Club at Woodmore, will be able to hire the staff we need to continue to provide a great country club experience to everyone in Maryland.

SB803 Favorable Testimony.pdf

Uploaded by: Progressive Maryland

Position: FAV



PROGRESSIVE MARYLAND

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Testimony on Maryland Senate Bill 803 Labor and Employment - Payment of Minimum Wage - Tipped Employees

TO: Senator Arthur Ellis, and members of the Senate Finance Committee

FROM: Jennifer Mendes Dwyer, Deputy Executive Director of Progressive Maryland

DATE: March 1, 2023

POSITION: Favorable

Thank you for the opportunity to offer testimony in support of SB 803. Progressive Maryland is a grassroots nonprofit organization with regional chapters from Frederick to the Lower Shore and more than 100,000 members and supporters who live in nearly every legislative district in the state. In addition, there are dozens of affiliated community, faith, and labor organizations across the state that stand behind our work. Our mission is to improve the lives of working families in Maryland. Please note our **strong support for SB 803**.

I support the passage of SB0803 to phase out the tipped minimum wage in Maryland. This bill is essential for ensuring economic equity for all workers, particularly low-income and women workers who traditionally rely heavily on tips to make a living wage. Gratuities should be a bonus for a good service, not a customer subsidy to employers for their wage bills.

Currently, these workers receive a subminimum wage of only \$3.63 per hour, which isn't even enough to buy a single gallon of milk let alone much else, and does not reflect the value of their time. This can leave tipped workers mired in poverty despite full time hours and makes it difficult for them to achieve the financial security all full-time workers deserve. Additionally, this bias can lead to pay disparities between men and women in industries historically dominated by women such as hospitality and food service where tips often determine wages. And because tips make up such a large percentage of their income, women who rely on tips are often forced to put up with mistreatment from customers, including sexual harassment, just to ensure that they get a decent paycheck at the end of their work day.

This legislation is thus critical for creating a fairer economy where no worker ever has to worry about being unable to afford basic necessities again and will make an incredible difference in the lives of thousands across Maryland. For these reasons, **I respectfully urge a favorable report on SB 803**.

Sincerely,
Jennifer Mendes Dwyer

Testimony - SB0803 Labor and Employment - Payment

Uploaded by: Richard KAP Kaplowitz

Position: FAV

My name is Richard Kaplowitz. I am a resident of District 3. I am submitting this testimony in support of SB#/0803, Labor and Employment - Payment of Minimum Wage - Tipped Employees.

Before retirement in 2018 I worked in restaurants as a server for over 10 years on and off. The dirty secret the restaurants don't share is that we have to report ALL of our credit tips and are asked to declare all of our cash also (though NO ONE really does). Then they add the small wage amount and credit and reported cash and TAX US ON THE TOTAL! So your great credit tip for my excellent service I do not see for two weeks and they take the 18% taxes (plus my benefits) from it! How then is 50% tip credit workable.

And do NOT let the restaurants tell you their employees AVERAGE more than the projected minimum wage increase - what number of sales and customer counts and tips do you think I would have had if this was a brutal winter like much of the country has experienced? The tips, if I could even make it into work, would be way down - but our bills are still the same not adjusting for inflation in food and heating and rent and gas costs! We need to begin the transition away from making customers the arbiters of the worth of tipped workers and towards the full cost being borne by the employer. In my experience, minority employees make less in tips for the same check cost than white males. And female employees should not have to flirt or unbutton their blouses to get a table of businessmen to tip at a higher amount, an action I observed multiple times from my younger female workers.

Minimum wage and tipped workers have seen the real value of their wages decrease because the cost of living keeps rising, while wages have stayed the same. The purchasing power of wages plus tips is not permitting those workers to move out of poverty. 71 percent of low-wage employers are corporations with over 50 employees, not small businesses. Many corporations that rely on the labor of low-wage workers are posting record-breaking profits. Giving low-wage workers a raise through this legislation helps close the wealth gap. Lawmakers in the Maryland General Assembly have a responsibility to raise compensation so that hardworking Marylanders can realize the value of their labor to support themselves and their families.

This bill addresses a commonsense approach to removing families from economic distress and provides increased equity and justice to those struggling in poverty. Stronger families mean a stronger economy and a stronger Maryland. **I respectfully urge this committee to return a favorable report on SB0555.**

Saru Testimony MD Legislature 3-23.docx.pdf

Uploaded by: Saru Jayaraman

Position: FAV



**TESTIMONY TO THE MARYLAND STATE LEGISLATURE
SENATE FINANCE COMMITTEE
Regarding a Bill for One Fair Wage (S 803)
By Saru Jayaraman, President of One Fair Wage
& Director of the University of California Berkeley Food Labor Research Center
March 2, 2023**

My name is Saru Jayaraman, and I am the President of One Fair Wage and the Director of the UC Berkeley Food Labor Research Center. On behalf of the 269,000 service workers and over 2500 'high road' restaurant employers that belong to One Fair Wage, I thank you for allowing me to testify in support of S803, a bill for One Fair Wage in the State of Maryland.

The restaurant industry, and the service economy in general, is undergoing massive upheaval, with hundreds of restaurants in Maryland, and thousands nationwide, raising their wages to at least \$15 an hour plus tips in order to recruit staff at a time when workers are indicating they are unwilling to work for anything less. Senate Bill 803 is essential not only because workers are in crisis, but also because independent restaurateurs agree that they will not be able to fully reopen without policy change to raise wages and end the subminimum wage for tipped workers.

Even prior to the pandemic, the subminimum wage was problematic, as a direct legacy of slavery that disproportionately impacts the lives of women and people of color. At Emancipation, the service industry, namely railroad, hotel and restaurant lobbies, sought to hire recently-freed Black people and not pay them anything, forcing them to live entirely on tips.¹ This legacy continues today in 43 states, including Maryland, where tipped workers in the state can earn as little as \$3.63 an hour from their employers, and are required to make up the rest in tips.² In Maryland, the subminimum wage affects over 105,000 tipped workers of which 65 percent are women.³

Prior to the pandemic, the restaurant industry was the largest and fastest growing industry in the country - all while being the largest employer of tipped workers, who earn some of the lowest wages in the country. Tipped workers, who are more than two thirds majority women who work in casual restaurants earning very little in tips, live in poverty and rely on public assistance at double the rate of the general

¹ Jayaraman, Saru, *Forked: A New Standard for American Dining*, (Oxford University Press, 2016)

² U.S. Department of Labor. (September 2021). Minimum Wages for Tipped Employees. Wage and Hour Division.
<https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>.

³ OFW analysis of American Community Survey data, 2016- 2020 5-Year Sample. Steven Ruggles, Sarah Flood, Ronald Goeken, Megan Schouweiler and Matthew Sobek. IPUMS USA: Version 12.0 [dataset]. Minneapolis, MN: IPUMS, 2022. <https://doi.org/10.18128/D010.V12.0>, U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis. (May, 2022). All Employees: Leisure and Hospitality: Food Services and Drinking Places in Maryland.
<https://fred.stlouisfed.org/series/SMU24000007072200001SA>

workforce.⁴ Tipped workers have struggled with twice the poverty rate of other workers and the highest rates of sexual harassment of any industry because they must tolerate inappropriate customer behavior to feed their families in tips.^{5,6}

Women, in particular, faced the highest rates of sexual harassment when compared to all other industries.⁷ Women tipped workers experience even greater rates of sexual harassment than their non-tipped counterparts in the industry: over three quarters versus over half (76 percent vs. 52 percent).⁸ The pandemic has only made conditions worse for women and people of color in the industry.

Research has also shown that within the industry racial discrimination from employers and customers has yielded a wage gap between Black women and white men in 'front-of-house', tipped positions of \$6.19 per hour.⁹ As long as these workers must rely on tips to feed their families, they are subject to the biases and harassment of customers.

Unlike Maryland, seven states have always required a full minimum wage with tips on top - California, Oregon, Washington, Nevada, Minnesota, Montana and Alaska.¹⁰ These states have had the same or higher restaurant sales per capita, small business restaurant growth rates, restaurant industry job growth rates, and tipping averages as Maryland and the 43 states with a subminimum wage.¹¹ Workers in these 7 states have also reported one half the rate of sexual harassment as the states that allow tipped workers to be paid a subminimum wage as little as \$2.13 an hour.¹² With industry-wide wage increases, there is national momentum for change; in November 2022, 76 percent of Washington, DC voters voted to raise the wage for tipped workers from \$5.35 to the full minimum wage of \$16.10 per hour. With Maryland's subminimum wage for tipped workers frozen at \$3.63 per hour, Maryland restaurants will face an even greater staffing crisis than they have already faced.

Impact of the Pandemic

During the pandemic, service and tipped workers across the country faced significantly higher rates of job losses and economic insecurity, with losses highly

⁴ Allegretto, S. and Cooper, D. (2014) Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage. Economic Policy Institute.
<https://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/>.

⁵ Allegretto, S. et al. (July 2014). Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage. Economic Policy Institute.
<https://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/>.

⁶ One Fair Wage. (March 2021). The Tipping Point: How the Subminimum Wage Keeps Income Low and Harassment High. https://onefairwage.site/wp-content/uploads/2021/03/OFW_TheTippingPoint_3-1.pdf.

⁷ Johnson, S.K. and Madera, J. M. (January 2018). Sexual Harassment Is Pervasive in the Restaurant Industry, Here's What Needs to Change. Harvard Business Review.
<https://hbr.org/2018/01/sexual-harassment-is-pervasive-in-the-restaurant-industry-heres-what-needs-to-change>.

⁸ One Fair Wage. (March 2021). The Tipping Point: How the Subminimum Wage Keeps Income Low and Harassment High. New York, NY: One Fair Wage.
https://onefairwage.site/wp-content/uploads/2021/03/OFW_TheTippingPoint_3-1.pdf.

⁹ One Fair Wage. (September 2022). Intentional Inequality - Black Women's Equal Pay Day.
<https://onefairwage.site/intentional-inequality>

¹⁰ ROC United. (2018). Better Wages, Better Tips: Restaurants Flourish with One Fair Wage. New York, NY: ROC United. https://chapters.rocunited.org/wp-content/uploads/2018/02/OneFairWage_W.pdf.

¹¹ ROC United. (2014). The Great Service Divide: Occupational Segregation & Inequality in the US Restaurant Industry.

https://chapters.rocunited.org/wp-content/uploads/2014/10/REPORT_The-GreatService-Divide2.pdf.

¹² Ibid.

concentrated among women of color¹³. In May of 2020, our survey found that as many as 60 percent of service workers either did not qualify or were unsure if they qualified for unemployment insurance.¹⁴ Many tipped workers returning to work in restaurants experienced sharp declines in tips, increased hostility in response to enforcing COVID-19 safety measures, and increased sexual harassment from customers. By December 2020, 41 percent of workers nationwide reported an increase in sexualized comments from customers.¹⁵ Hundreds of women shared stories of male customers asking them to take their mask down so that they could know how much to tip them.¹⁶

Workers Have Had Enough - Leaving the Industry

These conditions and the persistence of a subminimum have led many tipped and service industry workers in general to leave the industry altogether¹⁷. Restaurants have had to face an unprecedented reckoning in the form of a massive staffing crisis. To date, the U.S. Bureau of Labor Statistics reports that over 1.2 million restaurant workers nationwide and nearly 18,000 restaurant workers in Maryland have left their jobs, representing an all time high since BLS began data collection in 2000.^{18,19} Our survey found that over half (53 percent) of restaurant workers were considering leaving the industry and, unsurprisingly, over three-quarters (76 percent) reported their top reason for leaving was due to low wages and tips. This shift in power among tipped and service workers has spurred some restaurant owners and state governors to blame workers and prematurely cut unemployment benefits, which resulted in little to no effect on employment rates nor workers willingness to return to the industry for subminimum wages^{20,21}.

In response to the massive staffing crisis, thousands of restaurants nationwide, and hundreds in Maryland, have been raising wages in order to recruit enough staff to

¹³ Ewing-Nelson, C. (January 2021). All of the Jobs Lost in December Were Women's Jobs. National Women's Law Center. <https://nwlc.org/wp-content/uploads/2021/01/December-Jobs-Day.pdf>.

¹⁴ One Fair Wage. (May 2020). Locked Out By Low Wages: Service Workers' Challenges With Accessing Unemployment Insurance During COVID-19. New York, NY: One Fair Wage. https://onefairwage.site/wp-content/uploads/2020/11/OFW_LockedOut_UI_COVID-19_FINALUPDATE.pdf.

¹⁵ One Fair Wage. (December 2020). Take off your mask so I know how much to tip you: Service Workers' Experience of Health & Harassment During COVID-19. New York, NY: One Fair Wage. https://onefairwage.site/wp-content/uploads/2020/12/OFW_COVID_WorkerExp_MA_4.pdf.

¹⁶ Ibid.

¹⁷ Selyukh, A. (July 20, 2021). Low Pay, No Benefits, Rude Customers: Restaurant Workers Quit At Record Rate. NPR. <https://www.npr.org/2021/07/20/1016081936/low-pay-no-benefits-rude-customers-restaurant-workers-quit-at-record-rate>.

¹⁸ Cheng, M. (October 13, 2021). US restaurant workers are quitting in record numbers. Quartz. <https://qz.com/2073439/us-restaurants-workers-are-quitting-their-jobs-in-record-numbers/>.

¹⁹ Bureau of Labor Statistics, U.S. Department of Labor, (2020). Private, NAICS 722 Food services and drinking places, Illinois Quarterly data 2019 - 2022 , All establishment sizes. Quarterly Census of Employment and Wages. https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=17&from=2019&to=2022&qtr=1&wn=5&ind=722&area=17000&supp=1.

²⁰ Chaney-Cambon, S. and Dougherty, D. (September 2021). States That Cut Unemployment Benefits Saw Limited Impact on Job Growth. Wall Street Journal. <https://www.wsj.com/articles/states-that-cut-unemployment-benefits-saw-limited-impact-on-job-growth-11630488601>.

²¹ One Fair Wage. (July 2021). The Impact (or Lack Thereof) of Ending Unemployment Insurance on Restaurant Workers' Willingness to Work for Subminimum Wages. New York, NY: One Fair Wage. https://onefairwage.site/wp-content/uploads/2021/07/OFW_HelpWanted.pdf.

fully reopen²². Since September 2021, we have found more than 5,000 restaurants paying an average wage of \$13.50 plus tips²³. In Maryland, we have identified over 100 restaurants, providing at least the full minimum wage plus tips on top to servers, bartenders, and other front-of-house workers. Many of these restaurant owners have told us that they cannot do it alone; they need policy that will end the subminimum wage for tipped workers for two reasons: 1) to create a level playing field, in which all employers have to raise wages; and 2) they need policy that will signal to thousands of workers that there will be permanent policy change to raise wages that will make it worth returning to work in restaurants.

National Momentum and Support to Pass One Fair Wage

As a result of the massive upheaval in the restaurant industry, states across the country have been ending the subminimum wage for tipped workers.

President Biden has been a champion of raising the minimum wage to \$15 an hour and ending the subminimum wage for tipped workers, including this policy in his federal Raise the Wage Act that was part of his initial \$1.9 trillion COVID-19 relief package²⁴. In 2021, while addressing restaurant owners concerns regarding the labor shortage, President Biden urged employers to pay higher wages to workers, and specifically called out the need to pay tipped workers a \$15 minimum wage plus tips²⁵. By passing One Fair Wage, Maryland legislators can both align with President Biden's agenda and allow independent restaurant owners across the states to fully reopen, and their workforce to fully recover.

²²Black, J. (September 2021). How yo Make an Unloved Job More Attractive? Restaurants Ticker With Wages. New York Times. <https://www.nytimes.com/2021/09/20/dining/restaurant-wages.html>.

²³One Fair Wage. (September 2021). Raising Wages to Reopen: Restaurants Nationwide Raising Wages to Save Their Businesses After COVID-19. New York, NY: One Fair Wage. https://onefairwage.site/wp-content/uploads/2021/09/OFW_RasingWagesToReopen_3.pdf.

²⁴ Jacobson, L. (January 2021). What's in Joe Biden's \$1.9 trillion American Rescue Plan?. PolitiFact. <https://www.politifact.com/article/2021/jan/15/whats-joe-bidens-19-trillion-american-rescue-plan/>.

²⁵Brest, M. (July 2021). Biden tells restaurateurs to pay workers more amid labor shortage. Washington Examiner. <https://www.washingtonexaminer.com/news/biden-restaurant-increase-wages-labor>.

SB803_NAACP.pdf

Uploaded by: Willie Flowers

Position: FAV



TESTIMONY IN SUPPORT OF SENATE 803

Labor and Employment – Payment of Minimum Wage – Tipped Employees

Before Senate Finance Committee

By Willie Flowers, President, NAACP Maryland State Conference

March 2, 2023

CHAIRMAN GRIFFITH AND COMMITTEE IT IS A PLEASURE TO TESTIFY BEFORE THE COMMITTEE ON AN IMPORTANT PIECE OF LEGISLATION THAT WILL ENHANCE THE LIVES OF MANY PEOPLE IN THE STATE OF MARYLAND.

AS YOU KNOW, THE PRICE OF EVERYTHING HAS RISEN IN THE LAST SEVERAL YEARS. WE KNOW ABOUT THE EXPECTED RAISE GIVEN TO HOURLY WORKERS BUT THE TIP WORKERS HAVE BEEN LEFT OFF OF THE BILL.

TIP WORKERS SHOULD BE INCLUDED SO THAT WORKERS CAN BE GIVEN AN OPPORTUNITY AT AN ECONOMIC INCREASE LIKE ALL OTHER WORKERS.

A FACTOR THAT WEIGHS HEAVILY ON THE NEED OF INCREASING THE WAGE IS THE MAJOR IMPACT THAT TECHNOLOGY HAS HAD ON THE WORKFORCE. SPECIFICALLY TALKING ABOUT SERVICE JOBS AND FRONTLINE STAFFS AT PLACES OF EMPLOYMENT LIKE BARS, HOTELS RESTAURANTS TECHNOLOGY HAS ALLOWED EMPLOYERS TO CHANGE OVERALL BUDGETS BECAUSE SOME OF THE JOBS LIKE THE SELF-CHECK AT THE GROCERY STORES HAVE ALLOWED THE PRIVATE SECTOR TO REPLACE SOME JOBS WITH DEVICES AND INNOVATIONS THAT HAVE AUTOMATED WORKFORCES. WHILE THIS CAN BE VIEWED ANY WAY YOU LIKE IT WHAT IS DOES MORE THAN ANYTHING IS IT ALLOWS EMPLOYERS TO SAVE MONEY AND THIS SHOULD GIVE THEM THE OPPORTUNITY TO EMBRACE AN INCREASE IN WAGES TO \$15.

FINALLY, THIS BILL WILL BE A TRUE INCENTIVE FOR YOUNG PEOPLE TO JOIN THE WORKFORCE AS SOON AS POSSIBLE SO THAT THEIR TAKE HOME PAY IS ENOUGH TO BE PROUD OF.

THE NAACP MARYLAND STATE CONFERENCE SUPPORTS THIS INCREASE FOR THE WORKING PEOPLE OF MARYLAND.

SB 803 - Unfavorable - MHLA.pdf

Uploaded by: Amy Rohrer

Position: UNF

MHILA
Maryland Hotel
Lodging Association

SB 803 – Labor and Employment - Payment of Minimum Wage - Tipped Employees
Senate Finance Committee
February 27, 2023
Position: Oppose

Dear Chair Griffith and Members of the Committee:

As the sole statewide trade association dedicated to advocacy for Maryland’s lodging industry, with more than 25,000 employees at 750 hotels, we urge an unfavorable report on SB 803.

Per the fiscal note for SB 803, this bill reduces the tip credit for tipped employees in increments from its current level beginning January 1, 2024, before prohibiting the tip credit entirely beginning July 1, 2027, and instead requiring an employer to directly pay an employee at least the State minimum wage.

Certain hotel employees, such as banquet servers, waitstaff, bartenders, doormen and bellman, may benefit from the existing tip credit. While they are guaranteed to make at least minimum wage, employees in a tipped position typically bring home significantly more. If this legislation passes, by July 1, 2027, all waitstaff will have to be paid minimum wage of \$15 per hour, and we believe the era of tips will disappear—making it much more difficult to find adequate staff and much more difficult to make a career out of a tipped position, which many individuals do today.

The existing tip credit is of benefit both to both employees and employers, and the guests who benefit from excellent customer service provided by tipped employees.

The Maryland Hotel Lodging Association respectfully requests an Unfavorable Report on SB 803.

SB 803_MDCC_Labor and Employment-Payment of Minimu

Uploaded by: Andrew Griffin

Position: UNF



LEGISLATIVE POSITION:

Unfavorable

Senate Bill 803

Labor and Employment – Payment of Minimum Wage – Tipped Employees

Senate Finance Committee

Thursday, March 2, 2023

Dear Chairwoman Griffith and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 6,400 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

Senate Bill 803 would reduce and ultimately eliminate the tip credit for tipped employees effective July 1, 2027.

The tip credit was established under the federal Fair Labor Standards Act in 1966 and is allowed under many state and local minimum wage laws. Maryland law allows employers to pay tipped employees a tip wage (cash wage) of at least \$3.63 per hour but under federal, state and local minimum wage laws, employers are required to make up any differences if a tipped employee does not make enough in combined tip wages plus tips to make at least the full applicable minimum wage per hour for the workweek. **Like all Maryland workers, tipped employees must earn at least the full applicable minimum wage per hour.**

As a result of the tip credit and being allowed to collect tips to subsidize their cash wage, 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 fine-dining restaurants can earn \$40 or more per hour including tips. If Maryland's tip credit was eliminated, as SB 803 would require, **Maryland's full-service restaurants would incur significant increases in labor costs and tipped employees would earn less in wages.**

Further, to make up for the added costs, full-service restaurant employers would impose a 20 to 22 percent service charge on customer checks and would likely pay servers a flat hourly rate.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report** on **SB 803**.

2023 GBCC SB 803 Oppose.pdf

Uploaded by: Ashlie Bagwell

Position: UNF



Testimony on behalf of the Greater Bethesda Chamber of Commerce

*In Opposition to
Senate Bill 803—Labor and Employment—Payment of Minimum Wage—Tipped Employees
March 2, 2023
Senate Finance Committee*

The Greater Bethesda Chamber of Commerce (GBCC) was founded in 1926. Since then, the organization has grown to more than 550 businesses located throughout the Greater Bethesda area and beyond. On behalf of these members, we appreciate the opportunity to provide written comments in opposition to Senate Bill 803—Labor and Employment-Payment of Minimum Wage-Tipped Employees.

The Greater Bethesda Chamber is opposed to legislation like Senate Bill 803 that would eliminate the tipped wage, even if that change is phased in over time. Such a policy shift would have a detrimental effect on restaurants, who already operate with razor-thin margins. In addition, Maryland's restaurants continue to struggle as they recover from the COVID pandemic. Many would be forced to increase menu prices and reduce staff.

We strongly believe the current tipping model in restaurants provides an opportunity for workers to earn far beyond minimum wage while never making less than minimum wage. For this reason, we strongly oppose Senate Bill 803 and urge a favorable vote.

SB0803_OCChamber_Thompson_UNF.pdf

Uploaded by: DENNIS RASMUSSEN

Position: UNF



Ocean City, Maryland Chamber of Commerce

410-213-0144 info@oceancity.org
oceancity.org 12320 Ocean Gateway, Ocean City, MD 21842

TESTIMONY OFFERED ON BEHALF OF THE GREATER OCEAN CITY CHAMBER OF COMMERCE

IN OPPOSITION OF:

SB0803 – Labor and Employment – Payment of Minimum Wage – Tipped Employees

Before:

Senate Finance Committee

Hearing: 3/2/23 at 1:00 PM

The Greater Ocean City Chamber of Commerce, representing more than 750 regional businesses and job creators, **OPPOSES** Senate Bill SB0803 – Labor and Employment – Payment of Minimum Wage – Tipped Employees. The current model for tipped employees provides an opportunity for tipped employees to earn higher wages based on their own efforts by providing exceptional service. Existing laws already ensure that tipped employees have a safety net of a combined wage equal to the required hourly minimum wage. In the greater Ocean City area, the hourly range of a tipped employee is \$17 - \$50 per hour. No tipped worker is earning less than the minimum wage with the current system.

If the tip credit is removed, several consequences are probable, none of which are good for the tipped worker:

- Many restaurants will eliminate tipping and move to an hourly wage system. Employees who were traditionally tipped would have far less earning potential.
- Restaurants will be forced to reduce employee hours, raise prices for consumers, and operate with fewer employees to manage the higher wage costs.

The existing tip credit model in Ocean City has allowed single parents to earn a living wage and has enabled women and minority bartenders, servers and other tipped workers to have incomes 3x higher than our county average. Enacting this bill would set these families back.

Due to the seasonal nature of our region, taking away the tip credit will disproportionately and negatively impact those this bill intends to help: during the summer months, these working families will be unable to earn and save the higher income they would have earned through tips which helps to offset the leaner winter months, during which many of our local establishments close during the off season, leading to layoffs of service workers.

There are countless low-to-moderate income families in our region that have purchased homes, cars, and paid for college educations using money earned through tipped wages. Removing the tip credit would set those working families back immeasurably.

Due to the staffing shortages plaguing employers across the state, the hiring practices have become more progressive in our region. Employers in the greater Ocean City area hire service workers from nearly every nation on earth. Come to one of our restaurants and you will see a diverse workforce that is making more money in tips than this proposed elimination of the tip credit could ever make up.

Employment opportunities with earning potential for the young, those with less formal education, and those who require flexible schedules to care for family are limited. This legislation feels like an attack on those most vulnerable, not a help.

The Ocean City Chamber respectfully requests an **UNFAVORABLE REPORT for SB0803**. Please feel free to contact the Chamber directly at 410-213-0144 should you have any questions.

Respectfully,

Amy Thompson
Executive Director
amy@oceancity.org

Salvatore Fasano
Legislative Committee Chair
salvatorefasano1980@gmail.com

SB 803_RestaurantAssoc_Thompson_UNFAVORABLE.pdf

Uploaded by: Melvin Thompson

Position: UNF



SENATE BILL 803

Labor and Employment - Payment of Minimum Wage - Tipped Employees

March 2, 2023

Position: UNFAVORABLE

Madame Chair and Members of the Senate Finance Committee:

The Restaurant Association of Maryland strongly opposes Senate Bill 803, which would phase out Maryland's tip credit. We urge you to reject any legislation or amendments to other bills that would eliminate or reduce Maryland's tip credit.

Like all Maryland workers, restaurant tipped employees must earn at least the full applicable minimum wage per hour. There is no subminimum wage for restaurant tipped employees. Maryland law allows employers to pay tipped employees a tip wage (a.k.a. cash wage) of at least \$3.63 per hour.

The "tip credit" is the difference between the minimum tip wage (or cash 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, and it is critical to the full-service restaurant business model.

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 tip wages (or cash wages) plus tips to make at least the full applicable minimum wage per hour for the workweek. Therefore, tipped employees are guaranteed by law to make at least the applicable minimum wage. The tip credit was initially established under the federal *Fair Labor Standards Act* in 1966 and is also allowed under most state and local minimum wage laws.

The earnings potential of restaurant servers would significantly decrease if the tip credit was eliminated because most full-service restaurant employers would be forced to impose a service charge on customer checks to cover the increased labor costs, and would pay servers a flat hourly rate instead. Menu price increases could not cover the additional labor costs and would result in decreased customer traffic. 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.

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 many restaurants can earn \$40 or more per hour including tips. If Maryland's tip credit was eliminated, the consequences would be devastating for Maryland's full-service restaurants and their tipped employees.

(more)

Without the tip credit, full-service restaurants would be required to pay tipped employees at least the applicable minimum wage rate per hour without the ability to apply any tips towards the employer's obligation. This would significantly increase labor costs for the full-service restaurant industry, and could destroy restaurants locked into long-term leases for their business model that utilizes the tip credit.

Without the tip credit, 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 impossible to pass on to customers through price increases. And customers at these restaurants with lower check averages would reject service charges they perceive to be too high for the level of service provided.

For these and other reasons, we strongly oppose eliminating or reducing Maryland's tip credit, and request an unfavorable report on this legislation.

Sincerely,

A handwritten signature in cursive script, reading "Melvin R. Thompson", followed by a long horizontal flourish line extending to the right.

Melvin R. Thompson
Senior Vice President
Government Affairs and Public Policy

SB0803_UNF_MSLBA_Labor & Employment - Payment of M

Uploaded by: Steve Wise

Position: UNF



**MARYLAND STATE
LICENSED BEVERAGE ASSOCIATION**

150 E Main Street, Suite 104, Westminster, MD 21157

TO: The Honorable Melony Griffith, Chair
Members, Senate Finance Committee
The Honorable Arthur Ellis

FROM: J. Steven Wise
Pamela Metz Kasemeyer
Danna L. Kauffman
Andrew G. Vetter
410-244-7000

DATE: March 2, 2023

RE: **OPPOSE** – Senate Bill 803 – *Labor and Employment – Payment of Minimum Wage – Tipped Workers*

The Maryland State Licensed Beverage Association (MSLBA), which consists of approximately 800 Maryland businesses holding alcoholic beverage licenses (restaurants, bars, taverns and package stores), **opposes** Senate Bill 803.

Senate Bill 803 would eliminate in 2027 the so-called “tip credit” that allows tips to be included in the calculation of an employee’s wages. Currently, an employer must still pay an hourly wage of at least \$3.63 per hour but is also allowed to factor in tips that the employee receives when computing total wages. The total of the two must still equate to the minimum wage or higher.

MSLBA does not believe that eliminating the tip credit is appropriate or in the best interests of employees who are paid in this manner. Such a change would ultimately have the effect of converting these employees to strict hourly wage earners with greatly reduced ability to earn more than the minimum wage, as many do currently. Why? Because employers would face higher wage costs, and to meet those costs would raise menu prices. Consumers, faced with those higher fixed costs for dining out, would trim or eliminate their tipping practices. The effect is that any upside to an employee who provides excellent customer service will go unrewarded by the consumer.

Further, our members do not hear from their tipped employees asking for this change to be made. We, therefore, do not think the legislation is needed.

For these reasons, MSLBA kindly asks that the Committee give this legislation an unfavorable report.

2023 Opposition to SB803 Minimum Wage Tipped Emplo

Uploaded by: Susan Jones

Position: UNF



HOTEL • MOTEL • RESTAURANT • ASSOCIATION • INC.

TESTIMONY OFFERED ON BEHALF OF
THE OCEAN CITY HOTEL-MOTEL-RESTAURANT ASSOCIATION
Opposition of SB803 – Payment of Minimum Wage – Tipped Employees
Before the Senate Finance Committee March 2

On behalf of the Ocean City Hotel-Motel-Restaurant Association, I am writing in opposition to SB803 Payment of Minimum Wage Tipped Employees. Restaurant operators pay tipped employees a base hourly wage to which the tip amount the employee receives is added. If this combined wage is not equal to the required hourly minimum wage, the restaurant operator is required by law to make up the difference. Recent law required restaurant operators who include tip credit as part of wage to provide a written/electronic wage statement for each pay period that shows the effective hourly tip rate derived from employer-paid cash wages, plus all reported tips for tip credit hours worked each workweek of the pay period.

Tipped positions *reward hard work* and good service providing employees the ability to earn higher wages, while offering the safety net of minimum wage, controlling one's own destiny. Examples of tipped restaurant employees in Ocean City include food runners, bussers, servers, bartenders and with tips, their hourly range is from \$17-\$50/hour; no tipped employee ever makes less than the required minimum wage. If the tip credit is removed, many restaurants will eliminate tipping and move to an hourly wage system. Employees who were traditionally tipped would have far less earning potential, restaurants will be forced to reduce employee hours, raise prices and operate with fewer employees to manage the higher hourly wage costs.

Eliminating the tip credit and paying everyone the same rate also means that the experienced employee would make the exact same as the trainee one hour into their new job. In essence, this is a participation trophy wage, and such practices create a less than motivated workforce. Disruptions to the standard restaurant model have already begun to eliminate entry level positions. Many restaurants have been forced to implement equipment and technology to deal with the increased legislation, in turn pushing increased prices onto consumers. Couple that with fancy disposables, pre-cut produce and pre-made entrees and you are eliminating many entry positions, reducing employment opportunities for the young, less educated and those seeking flexible schedules. We respectfully ask for **opposition to SB 803**. Thank you for your consideration.

Sincerely,

Susan L. Jones, Executive Director