

## **Testimony of Yannet Lathrop**

National Employment Law Project

# **In Support for *One Fair Wage* (SB 160)**

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## **Hearing before the Maryland Senate Finance Committee**

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Thank you, Chair Beidle, Vice Chair Klausmeier, and members of the Senate Finance Committee, for the opportunity to testify today. My Name is Yannet Lathrop, and I am a senior researcher and policy analyst for the National Employment Law Project (NELP). NELP is a national nonprofit advocacy organization that for more than 50 years has sought to build a just and inclusive economy where all workers have expansive rights and thrive in good jobs. We partner with federal, state, and local lawmakers and local community-based groups on a wide range of workforce issues, including the minimum wage and the tipped wage.

NELP testifies today in strong support of One Fair Wage (SB 160), which would gradually eliminate the subminimum tipped wage in Maryland and ensure that workers in all occupations—including tipped occupations—earn at least the full minimum wage as their base wage.

## The Elimination of the Subminimum Tipped Wage Would Put Maryland on a Path to Greater Racial and Gender Justice

Along with 14 other states, Maryland has either reached, exceeded, or is on a path to a minimum wage of \$15 per hour. However, Maryland’s tipped cash wage has been frozen at pitiful \$3.63 since 2009 when it was equivalent to 50 percent of the state minimum wage.<sup>1</sup>

Today, the tipped cash wage is equivalent to just 24 percent of the current full minimum wage. (See Table 1). This means that in the 15 years since the tipped wage was last increased, tipped workers have been forced to rely on tips for an increasing share of their total hourly pay.

Year	Full Minimum Wage	Tipped Wage	Gap (\$)	Gap (%)
2009	\$7.25	\$3.63	\$3.62	50%
2023	\$13.25	\$3.63	\$9.62	73%
2024	\$15.00	\$3.63	\$11.37	76%

*Source: NELP analysis of Maryland’s minimum and tipped wages.*

**Eliminating the tipped wage is not only a matter of wage parity between occupations, but also a matter of gender and racial justice.** Maryland’s restaurant tipped workers are largely women and persons of color. There are 53,000 restaurant servers and bartenders in Maryland. Of these, the majority are women (64 percent), and a substantial share are people of color (44 percent).<sup>2</sup> As Table 1 shows, the tipped subminimum wage puts tipped workers in a situation where they must depend on customer tips for a disproportionate share of their pay, which results in widely fluctuating incomes<sup>3</sup> and is one of the main reasons that tipped workers face double the poverty rate of other workers.<sup>4</sup>

## Seven States Have Already Phased Out the Subminimum Tipped Wage, and a Growing Number of Local Jurisdictions are Doing the Same; Maryland Should Join Them

Seven “one fair wage” states already prohibit a lower cash wage for tipped workers: Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. The District of Columbia; Michigan;<sup>5</sup> Chicago, Illinois; and Flagstaff, Arizona will soon join them—in recent years, these jurisdictions adopted a gradual elimination of the tipped subminimum wage.

In three of these one fair wage states (California, Oregon, and Washington) and in Washington D.C., Chicago, and Flagstaff the minimum wage has already reached or exceeded a \$15 minimum wage; and in Minnesota’s two largest cities (Minneapolis and Saint Paul), the minimum wage has reached \$15 for some employers, and will reach this same wage rate for all others in the coming years. None of these state or local economies have been negatively impacted, and in fact, analysis by the advocacy organization One Fair Wage suggests that states without a lower tipped wage have thriving restaurant industries and healthy tipping rates.<sup>6</sup> **The experience of these state and local jurisdictions demonstrates that it is feasible—and indeed desirable—to both lift the standard wage floor to robust levels, and phase out the lower tipped wage.**

The movement to eliminate the tipped wage is growing. In addition to recent victories in Washington D.C., Chicago, and Flagstaff, advocates are advancing bills and ballot initiatives in Arizona, Illinois, Massachusetts, New York, Ohio, and Rhode Island. With SB 160, Maryland has an opportunity to take a place among leaders in the movement for wage parity.

## **Decades of Research on the Minimum Wage Demonstrates that Higher Wage Floors Boost Workers’ Incomes Without Adverse Employment Effects**

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Decades of economic research have found that higher minimum wages raise the earnings of underpaid workers without affecting their employment. This is true of the restaurant sector as it is of the wider economy. For example, a 2022 study by University of California economists analyzed the impact of statewide and local policies increasing the minimum wage to \$15 or more in California, with a focus on restaurant workers and teens—two groups most affected by minimum wage policies. The study found that these policies had “substantial and ongoing pay increases throughout the treatment period and (...) no significant disemployment effects, even in relatively low-wage counties.”<sup>7</sup> California, as discussed above, is one of the seven states without a lower tipped wage.

The pandemic has not called this near consensus into question. In fact, during the beginning of the pandemic, we witnessed jobs numbers drop to record lows as governments imposed lockdowns to contain the spread of the virus. And as economies began to open back up in mid-2020, we saw employers attempting to rebuild their workforces by raising wages—showing in real time that higher pay does not automatically lead to disemployment effects, and that in fact, wage increases can be a boon to workers and employers alike. Again, this is true of the restaurant sector as it is of the wider economy.

## **Recommendations**

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For the reasons discussed above, NELP urges a favorable report on SB 160.

## **Endnotes**

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1. “Minimum Wages for Tipped Employees - Historical Tables,” U.S. Department of Labor, Wage and Hour Division, <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped/History>.
2. NELP analysis of American Community Survey 1-Year Estimates, Public Use Microdata Sample (2022). For the purpose of this analysis, “white” is defined as non-Hispanic or non-Latino white, and workers of color as all others.
3. Leo Gertner, “Initiative 77 is a Vital Measure for D.C.’S Almost 30,000 Tipped Workers,” National Employment Law Project, June 8, 2018, <http://stage.nelp.org/news-releases/initiative-77-vital-measure-d-c-s-almost-30000-tipped-workers/>.
4. Sylvia A. 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 and UC Berkeley Center on Wage and Employment Dynamics, July 10, 2014, <https://files.epi.org/2014/EPI-CWED-BP379.pdf>.
5. In 2018 in Michigan, a minimum wage ballot initiative—which included a provision phasing out the lower tipped wage—was adopted and gutted by the state legislature. Advocates sued, won in the lower court, and expect to prevail in the Michigan Supreme Court, which will soon hear the case.

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Additionally, a ballot initiative that would raise the state's minimum wage to \$15 and gradually eliminate the tipped wage may appear on the November 2024 ballot. For more, see <https://onefairwage.site/michigan> and <https://www.yahoo.com/now/ruling-michigan-tipped-wages-could-015651031.html>.

6. "One Fair Wage: The Key to Saving the Restaurant Industry Post-Covid 19," One Fair Wage, accessed March 7, 2023, [https://onefairwage.site/wp-content/uploads/2022/05/OFW\\_FactSheet\\_USA.pdf](https://onefairwage.site/wp-content/uploads/2022/05/OFW_FactSheet_USA.pdf).
7. Carl McPherson, Michael Reich and Justin C. Wiltshire, "Are \$15 Minimum Wages Too High?" Institute for Research on Labor and Employment, updated December 25, 2022, <https://irl.berkeley.edu/publications/working-papers/are-15-minimum-wages-too-high/>.