
TESTIMONY IN SUPPORT OF SENATE BILL 160
Labor and Employment - Payment of Minimum Wage - Tipped Employees
Finance Committee
2/1/2024

Social Work Advocates for Social Change strongly supports SB160, which would guarantee that tipped workers in Maryland are paid the minimum wage. Employers are currently required to pay \$3.63/hour to tipped workers. SB 160 would gradually increase the amount that employers are required to pay, and by 2027 tipped workers would be required to receive the minimum wage. This would prevent tipped workers from earning a sub-minimum wage and from being vulnerable to discrimination. It would also allow the restaurant industry to grow and stay competitive in the labor market.

Many tipped workers are paid less than the minimum wage. While employers are required to make up the difference if workers earn less than the minimum wage after tips, many do not. In 2019, the federal Department of Justice found that 84% of employers investigated violated wage and hours laws.¹ **Overall, the restaurant industry is the largest employer of workers who earn less than the minimum wage.**¹

Requiring workers to depend on generosity to earn the minimum wage is unjust. According to labor historians, the tipped wage system originated after slavery, when businesses avoided paying wages to many Black service workers and required them to live off tips.² The legacy of slavery explains why most American service workers are not guaranteed the minimum wage even though many European countries guarantee service workers a living wage.³ Even for workers whose total income may occasionally exceed the minimum wage, the inconsistency of tips opens them up to financial insecurity, as their bills do not fluctuate as their income does. In addition, tipped workers are more vulnerable to harassment than non-tipped workers because of having to rely on generosity to earn a living. **A study found that 76 percent of tipped workers experienced sexual harassment.**⁴

Requiring a fair wage for tipped workers would allow workers to earn more. Tips in the states that require a fair wage are the same as those in the states that do not, and

¹ US Bureau of Labor Statistics. (2020). Report 1085: Characteristics of minimum wage workers, 2019. <https://www.bls.gov/opub/reports/minimum-wage/2019/pdf/home.pdf>

² Jayaraman, Saru. (2016) Chapter 2: Casual and Family-Style Restaurants. Forked. Oxford University Press.

³ Rodricks, D. (2024, January 25). The problem with Maryland's 'tipped wage' system and why it needs to go Baltimore Sun. <https://www.baltimoresun.com/2024/01/25/dan-rodricks-tipped-wages/>

⁴ One Fair Wage. (2021). One Fair Wage Myths & Facts. https://onefairwage.site/wp-content/uploads/2021/04/OFW_MythsAndFacts_6

tipped workers earn more in fair-wage states overall.⁵ This is true for workers at fine dining establishments with the highest tip earnings and those at casual restaurants with the lowest tip earnings.⁵ Contrary to popular belief, high-tip earners make more on tips in fair-wage states than in sub-minimum wage states.⁶

A fair wage would also benefit restaurants and small business owners. According to the National Restaurant Association, restaurant sales grew by 17 percent in fair-wage states as opposed to sub-minimum wage states from 2016-2019.⁷ In addition, employment at small business restaurants grew by 8.37 in fair wage states as opposed to 5.95 percent for sub-minimum wage states from 2016-2019.⁴ Maintaining the sub-minimum wage makes Maryland restaurants less viable in the labor market, especially given that the labor force participation rate in Maryland is below pre-pandemic levels.³ People who might be interested in working in restaurants may choose to work in other industries. They may also choose to work in Washington, DC, which recently passed fair wage legislation.

Providing tipped workers with a fair wage would provide vital support to low-wage workers. It would also allow Maryland's restaurant industry to grow and be competitive in the labor market. **As a result, Social Work Advocates for Social Change urges a favorable report on SB 160.**

Social Work Advocates for Social Change is a coalition of MSW students at the University of Maryland School of Social Work that seeks to promote equity and justice through public policy, and to engage the communities impacted by public policy in the policymaking process.

⁵ Average tipping rates for all states in 2016 and 2017 using Square data based on millions of observations. See Ferdman, R.A. (March 2014). Which US states tip the most (and least), based on millions of Square transactions. Quartz.; and Johnson, D. (August 2017). Find out which states give the worst tips. Time.

⁶ U.S. Bureau of Labor Statistics. (May 2019). Occupational Employment and Wages - Waiters and Waitresses. Occupational Employment Statistics. <https://www.bls.gov/oes/2019/may/oes353031.htm>

⁷ National Restaurant Association (2019). State Statistics: 2017 and 2018 Estimated Sales, Eating and Drinking Establishments, and Eating and Drinking Places' Employees by state. Estimated sales weighted by 2018 number of eating and drinking establishment employees.