



MARYLAND STATE & D.C. AFL-CIO

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**SB 160 - Labor and Employment - Payment of Minimum Wage - Tipped Employees
Senate Finance Committee
January 31, 2024**

SUPPORT

**Donna S. Edwards
President
Maryland State and DC AFL-CIO**

Madame Chair and members of the Committee, thank you for the opportunity to provide testimony in support of SB 160 - Labor and Employment - Payment of Minimum Wage - Tipped Employees. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 300,000 union members in the state of Maryland, I offer the following comments.

SB 160 gradually eliminates the tip credit that allows certain employers to pay their workers less than the minimum wage. SB 160 provides formerly tipped workers more stable incomes and increased earnings. Businesses would also save time currently needed to comply with the existing Tip Credit Wage Statement rules.

The tip credit system that exists today dates back to 1966, when it was set to half of the minimum wage. Since then it has remained frozen at \$2.13 per hour at the federal level. Maryland's subminimum wage for tipped employees is only \$3.63 per hour. Following the Civil War, many formerly enslaved workers were hired in the hospitality and restaurant industries. Instead of offering wages for their work, employers forced these workers to rely on tips at the direct discretion of patrons for the money they need to survive. This system was deliberately set up to force workers into subservient positions. This history is echoed today with even the Cato Institute referring to restaurant worker advocates as "tipping abolitionists."¹ The U.S. Department of Labor's Wage and Hour Division surveyed 9,000 restaurants, finding violations at 83.8% of them, including 1,170 violations of the tip credit rules.²

Eliminating the tip credit system will not dramatically change the restaurant industry. The District of Columbia, Minneapolis, Seattle, Los Angeles, San Francisco, and other states and localities all require payment of the full minimum wage while having world-class restaurant industries. Workers there receive both tips and the full minimum wage, leading to higher take home pay.³ SB 160 is an opportunity to correct historical injustices and promote social equity. We urge a favorable vote from this committee.

¹ Richard B. McKenzie. "Should Restaurant Tipping Be Abolished?" Cato Institute. September 2016.

² 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 and Center for Wage and Employment Dynamics at Berkeley.

³ One Fair Wage and the Food Labor Research Center, "Making History: A New Future for DC's Restaurant Industry." October 2022.