MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

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Position Statement in Support of Senate Bill 659

Given before the Senate Finance Committee

Providing Equal Wages for Tipped Workers Is Vital to Reducing Poverty

Eliminating the subminimum wage for tipped workers would promote income equality for women and increase Maryland's tax revenue (aiding the state in providing essential services to residents such as K-12 education, roads and transit, and human resources), while reducing what the state spends to provide public benefits for nearly half of all tipped workers. For these reasons, the Maryland Center on Economic Policy supports Senate Bill 659.

Tipped employees are among the most likely to struggle to make ends meet in Maryland; they are twice as likely to be poor than other workers. When Maryland's minimum wage hits $10.10 an hour in July 2018, employers of tipped workers will only have to pay them 36 percent of the minimum wage, down from 50 percent now. The workers will have to rely on customers – who are unpredictable in their tipping habits -- to make up the other 64 percent.

Legally, employers are supposed to make up whatever difference there is between the sub-minimum wage earned by tipped workers and the minimum wage for workers who are not routinely tipped. But the law is hard to enforce, and if employers ignore it or customers don't become more generous, the workers will be out of luck.

Contrary to how we normally think of tips, they are not just a way for customers to reward workers for a job well-done. Rather, tips provide a means for customers to subsidize the restaurants, pizza parlors, barbers, and other employers of tipped workers.

Currently, Marylanders not only subsidize tipped workers' wages as customers, but as taxpayers as well. Because tipped workers are more likely to have lower incomes than other workers and live in poverty, they are also more likely to need public assistance to make ends meet. Nearly half, 46 percent, of tipped workers and their families rely on public benefits such as Medicaid and nutrition assistance, compared to 35.5 percent of workers who do not rely on tips.

Furthermore, these low wages are not just going to high school or college students looking to make a little extra money. A majority of tipped workers are over the age of 25, and women -- many of them heading single-income households -- account for approximately two-thirds of all tipped workers.

Seven states do not have a separate subminimum wage for tipped workers. In these states, paying tipped workers the regular minimum wage has not held down job growth in the leisure and hospitality industries. In addition, poverty rates have fallen among tipped workers in these states.

Maryland's residents should not have to subsidize the employers of tipped workers, as customers or as taxpayers. Tipped workers deserve an equal opportunity to thrive in Maryland's economy. **For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Finance Committee report favorably on Senate Bill 659.**