POSITION: The Minnesota Restaurant Association supports legislation to remove the inflation factor from the minimum wage. This is particularly important for tipped employees, who see their tips increase as menu prices increase, and would effectively receive two raises. As long as the tipped employee earns $12 or more per hour with their wage and tips, their minimum wage rate would remain static.

BACKGROUND: Leaving a tip for servers and bartenders is part of American culture and has been for a very long time. This cultural fact leads to inequities in compensation between workers in the front of the house (the dining room and bar) and those in the back of the house (the kitchen).

Restaurants operate on very slim profit margins with labor accounting for more than one third of overall expenses. Tipped employees earn minimum wage with the understanding that they have a large opportunity to make much more than that when factoring the tips they receive.

SUPPORTING STATEMENTS:

• Tipped employees are by far the highest paid hourly employees in table service restaurants, earning at least $18 per hour with their wage and tips, and in many cases averaging more than $25 per hour.

• Tipped employees earn more money every time there is an increase in menu prices because most guests tip as a percentage of their bill. If tipped employees get an automatic increase in their minimum wage each year, they are “double dipping” because of the increase they see in their tips. This doubling effect increases the disparity and the inequity between wages in the kitchen and the total earnings in the front of the house.

• Although many kitchen employees earn more than the minimum wage, average pay in the kitchen is still lower than what tipped employees earn with their wage and tips combined.

• A mandated increase in wages for minimum wage employees who earn tips, the highest earning employees in the restaurant, leaves a very small pot of money with which to raise the pay for other workers.

• It is unrealistic to ask owners to pay kitchen staff at the same total level as tipped employees. Full service restaurants compete for guests with fast casual and quick service restaurants where tips either aren’t expected or are much lower than in full service.

• Minnesota is one of only seven states that does not have a tipped employee level to their minimum wage, something provided for in the Federal Fair Labor Standards Act.