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THE FINAL WORD

THE MINIMUM WAGE

Wage hike would hurt waiters

By F. Vincent Vernuccio

The most radical provision in a ballot proposal to increase the minimum wage is an almost 300 percent increase in personnel costs to Michigan restaurants. The measure would mandate that the cost per tipped employee skyrocket from \$2.65 per hour (before tips) to \$10.10 per hour.

Notice that is the cost for the employer and not the employee's wage. Like their name suggests, most of tipped workers' pay comes from ... tips. Under both state and federal law, if tips do not make up the difference between the tipped base wage and the regular minimum wage, the employer must pay the rest.

In other words, it is already illegal for tipped employees to make less than the regular minimum wage. This refutes a misleading insinuation being peddled by supporters of the proposed ballot measure that tipped workers make only \$2.65 an hour.

While an almost 300 percent base pay hike may sound like a good deal for wait staff and bartenders, it could have a detrimental impact on their actual income. Many, if not most, tipped workers make significantly more than the regular minimum. According to a recent study by the National Restaurant Association, with tips these workers nationwide earn a median income of between \$16 and \$22 dollars an hour.

Those amounts could come down in Michigan if the proposed ballot initiative is adopted by voters in November.

This is because higher prices are a very real possibility if the measure passes. According to one restaurant owner, Tim Barr of Art's Tavern in Glen Arbor, "The only way to counter [the] wage increase will be to increase the price of menu items."

And those price hikes could rebound against tipped workers. An April 9 Mitchell Research poll of likely voters commissioned by the [Mackinac Center](#) found that a majority of respondents would probably tip less if the tipped base wage increase resulted in higher restaurant prices. Some 30 percent said they would tip much less.

Johnny Brann Jr., owner of Brann's Steakhouse and Kitchen 67 in Grand Rapids, says that under the proposed increase "many people will not tip; (my employees) will make less money." He reports that his tipped employees are currently making around \$20 an hour, and close to \$30 on weekends.

Another potential outcome for tipped workers is layoffs and reduced hours. Ed Klimek, owner of Italia Gardens in Oxford,



(Brandy Baker / The Detroit News)

Some say that servers would lose out in any minimum wage hike.

says, "As a small, family-owned restaurant owner barely making it in a struggling economy, I will have only one option: Cut shifts and eliminate job positions."

Scott Parkhurst, an operating partner in a firm that runs 17 restaurants in northern Michigan, predicts that some tipped positions may be changed or simply eliminated. "Restaurants would be more likely to change their business model by becoming buffets or adapting in ways that require less staff."

Add it up, and the extreme increase in the cost of employing tipped workers probably means some combination of higher menu prices, smaller tips, staff reductions or tipped jobs converting to lower-opportunity non-tipped positions.

All this would make Michigan's tipped workers collateral damage in a larger political battleground.

According to a New York Times report late last year, state minimum wage activism is being orchestrated by political operatives in Washington, D.C., who believe stirring this pot will benefit them politically. This despite an estimate from the nonpartisan Congressional Budget Office in February that said increasing the national minimum would most likely cost 500,000 jobs, and possibly as many as 1 million.

Back in Michigan, if the proposed ballot initiative becomes law, it's likely that tipped employees will take the largest hit. For many hardworking Michigan wait staff and bartenders, a minimum wage "hike" may very well result in an actual pay cut, or worse.

F. Vincent Vernuccio is director of labor policy at the [Mackinac Center for Public Policy](#).