



October 20, 2014

Tip Credit Wage Board Hearing

On behalf of our 5 Boro Chamber of Commerce restaurant members (over 1,000 restaurant owners), we would like to submit the following testimony regarding "tip credit."

While we appreciate the goals of making sure workers earn a fair wage, we are greatly concerned about the discussion regarding either eliminating the tip credit or increasing it.

Currently state law allows employers to take a "tip credit" against the minimum wage. Restaurants currently pay tipped workers a base wage of \$5 an hour and an employee's tips are then added to the base wage to calculate their hourly wage. *If that sum is less than the minimum wage, the law requires the employer to pay the difference so that no worker is making less than minimum wage.* And many are making well over the minimum wage allotment.

The elimination of the tip credit could result in cutting the incomes of thousands of tipped restaurant employees as a result of a reduction in the workforce at good-paying restaurants in New York City. Labor costs to employ restaurant servers would then nearly double putting at risk the health of both new and existing restaurants and thus, local jobs.

And if the minimum wage in NYC increases to \$13 an hour and tip credits are eliminated, that means a 160% increase in labor costs. And coupled with other recent increases – paid sick leave and health insurance - what business can survive that type of cost increase? How many restaurants would be forced to close? How many jobs will be eliminated?

Restaurateurs don't believe they can increase menu prices to offset these high costs and many are either considering cutting their workforce or even eliminating tipping overall to save jobs and their restaurants should adjustments or elimination of tip credit occurs.

This would mean that in lieu of customers leaving a voluntary gratuity, restaurant checks would include an automatic 15 percent to 22 percent "administrative fee" — about what most customers now leave as tips. This fee would cover the cost of the employer's loss of the tip credit — but it would fund an hourly wage rate less than what many employees now earn in tips plus base wages. As noted by the NYC Hospitality Alliance, "The result: Thousands of hard-working New Yorkers would keep their jobs, but with considerably lower incomes."

And here in NYC, tipped jobs at our thousands of sit down restaurants are highly sought after positions because they are NOT minimum wage jobs, but good middle class income jobs. These will be the very people hurt by this here in NYC.

We urge the Governor and Labor Commissioner not to modify or eliminate the tip credit in order to support our restaurants and sustain jobs in NYC.

Sincerely,

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Staten Island

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