

# Employment Policies

I N S T I T U T E

October 6, 2023

Employment Policies Institute  
1655 Fort Myer Drive, Suite 600  
Arlington, VA 22209

Honorable Councilmember Will Jawando  
Stella Werner Council Office Building  
100 Maryland Avenue, 6th Floor  
Rockville, MD 20850

Dear Councilmember Jawando:

A recent article published by *DCist* about your bill to eliminate the Montgomery County tip credit notes that your office “estimates over 60 restaurants pay their servers at least \$15 per hour.” Because of this claim – which is based on research provided by the labor group One Fair Wage – the article states that you believe Montgomery County restaurants should be able to afford eliminating their tip credit.<sup>1</sup>

We have received the list of Maryland restaurants compiled by One Fair Wage which they allege pay their servers a base wage of \$15 per hour or more. This list has been circulated by your staff and is cited by One Fair Wage. **After contacting each of these listed restaurants directly, we have strong concerns with the validity of One Fair Wage’s findings and the accuracy of claims made by your office.**

The list contains 21 operators that are based in Montgomery County. We contacted all of them and inquired about starting wages for tipped workers.

- One restaurant on the list has permanently shut down, bringing the total of open Montgomery County restaurants to 20.
- Of the 19 that we obtained confirmation from (either through direct responses or active job postings), 14 of the managers and staff we spoke to said they **DO NOT** pay a base wage of \$15 an hour or more. **In fact, a majority of these report paying the Montgomery County tipped wage of \$4 an hour.**
- Of the five restaurants on the list that confirmed they pay a base of at or near \$15 an hour, two have either eliminated tipping or introduced service charges.

This fatal flaw in One Fair Wage’s analysis demonstrates the **strength** of the tipped status quo. One Fair Wage compiled its list of restaurant hourly wages based on Indeed.com job listings. Many of these job postings list the *combined* hourly rate for servers, based on how much they can expect to earn when tips are added to the Montgomery County base minimum wage.

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<sup>1</sup> “Montgomery County Introduces Bill To Phase Out Tipped Minimum Wage,” *DCist*, September 19, 2023.  
<https://dcist.com/story/23/09/19/montgomery-county-introduces-bill-to-phase-out-tipped-minimum-wage/>

*Put differently: One Fair Wage’s analysis confirms that servers in Montgomery County regularly earn more than minimum wage under the current system.*

Our findings regarding the handful of restaurants that do pay servers a higher flat minimum wage were also informative. Two of these restaurants have already taken measures to adjust to a flat hourly wage system – either eliminating tipping or introducing service charges for guests.

We wanted to alert you to these findings as soon as possible, so that you can avoid misleading your colleagues, the public, or the press about the feasibility of tip credit elimination. Maryland tipped workers have rallied several times, including earlier this year, to oppose tip credit elimination at the state level. The experience in neighboring D.C., where tipped wage elimination has led to a proliferation of service charges and lower worker earnings<sup>2</sup>, gives them reason for concern. And just this fall, one of the country’s most-prestigious academic journals released an analysis of two decades of data on the topic of tipped wage elimination. It concluded that tipped workers lose out on net from these so-called “raises,” with the sharp decrease in jobs failing to be offset by any increase in pay.<sup>3</sup>

We would be happy to answer any additional questions about the flawed and inaccurate research put forth by One Fair Wage.

Sincerely,

Michael Saltsman  
*Executive Director, Employment Policies Institute*

Rebekah Paxton  
*Research Director, Employment Policies Institute*

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<sup>2</sup> “Restaurant surcharges skyrocket in DC as some owners now charge 20% – and that’s not including tip,” *WUSA-TV*, <https://www.wusa9.com/article/news/investigations/initiative-82-resturant-surcharges-fees-employment-policies-institute-brasserie-liberte-chef-geoff-kenyan-muduffie/65-1147724c-d59c-49f6-9c82-67e21ca6822b>

<sup>3</sup> Neumark, David and Maysen Yen, “The employment and redistributive effects of reducing or eliminating minimum wage tip credits,” *Journal of Policy Analysis and Management*, <https://onlinelibrary.wiley.com/doi/10.1002/pam.22450>