

February 26, 2026

Maryland House Government, Labor, and Elections Committee
Re: House Bill 1229

Thank you Delegates for your time today.

My name is Rebekah Paxton, I am an economist and the director of research at a think tank called the Employment Policies Institute, which has studied proposals like this across the country for decades.

The proposal in House Bill 1229 would enshrine a policy harmful for workers, local businesses, and residents in the state Constitution. Such drastic wage hikes have caused hundreds of thousands of lost jobs, shuttered local businesses, and massive price increases across the country and in Maryland's back yard. At a time when affordability is slipping farther out of reach for many, this policy would make the cost of living and a historically tough job market even worse.

I'd like to highlight the government data showing how these policies time and time again have backfired on businesses and their workers alike in places that have already tried them.

First, the drastic increase to the minimum wage.

Economists have studied the impacts of wage hikes for decades, and the evidence is clear:

- The vast majority of economic studies spanning three decades on the issue confirm minimum wage hikes cause job losses.¹
- Other research shows wage hikes force employers to make other cuts to make the numbers work, including limiting overtime and shift pick up opportunities², cutting benefits³, and reducing scheduled hours⁴ for existing employees.
- Take California's recent \$20 wage law for fast food workers: After it went into effect in April 2024, the state lost nearly 20,000 fast food jobs.⁵ For workers who remained employed, Census Bureau data shows they lost 7 weeks of work annually on average.⁶
- Economists have found wage hikes this high cause significantly *worse* inflation. In fact, studies find every \$1 wage hike contributes to up to 5.5% price increases, and even higher increases in rent and childcare. In California, fast food prices rose over 14% in just a year under the \$20 wage law.⁷

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These well-established economic impacts are why a vast majority of economists oppose minimum wage hikes this high.⁸ A \$25 wage in Maryland means a 66% increase for many local businesses in just a few years. Such an unprecedented mandate would supersize the negative impacts felt by California in the last several years.

If those consequences aren't enough, the second provision to eliminate Maryland's tip credit would be a final blow for many local restaurants.

Doing so would result in near-600% increase in the hourly minimum wage for tipped restaurant employees, forcing employers to change their business model. This could result in higher menu prices, but there is only so high they can go before customers stop dining out.

- Economists have found most commonly, restaurant operators are forced to downsize staff hours or positions as a direct result of steep tipped wage hikes, which negatively impacts workers' earnings. A UC-Irvine study found every \$1 wage hike results in a 6% drop in tipped restaurant employment, and a 5.6% drop in tipped workers' earnings.
- As restaurants downsize and raise prices to accommodate rising labor costs, customer foot traffic falls as a result of lower capacity and higher costs. As a result, tipping declines when hourly wages drastically increase, negatively impacting workers' take-home pay.
 - A Cornell researcher also found that as the tipped wage rises, the percentage left as a tip on customer checks falls.⁹
 - Newly-released Toast payroll platform data shows in fact, states that have fully-eliminated tip credits like California and Washington have the lowest average state tipping percentages in the country.¹⁰

DC tried eliminating its tip credit under Initiative 82, and while proponents of the law called it a "success," the federal data told an entirely different story: restaurant workers lost millions in earnings, thousands of jobs, and restaurants closed at an unprecedented pace.

- Bureau of Labor Statistics quarterly data shows D.C. lost more than 5% of its restaurant and bar industry employment.¹¹
- Even under higher hourly base wages, tipped servers and bartenders who remained employed saw lower tips and lower overall earnings. Census Bureau data shows the median DC tipped employee saw earnings decline by 5% after the tip credit elimination law went into place, and the loss was nearly double for the lowest-earning 25% of workers.

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- Overall, Bureau of Labor Statistics quarterly data shows DC restaurant and bar workers lost nearly \$12 million in earnings under the city's tip credit elimination law.¹²
- D.C. saw its highest number of restaurant closures under the tip credit elimination law since the pandemic.¹³

The fallout was so bad in DC, hundreds of workers testified before the City Council, which led to the Council voting to undo full tip credit elimination in the District.¹⁴ One comment from these hearings sticks out the most: "I can go to Maryland and make at least \$200, over \$300 or more, for five hours of work, or work double those hours and only make \$150 in DC."

Chicago also has begun eliminating its tip credit, and the signs of decline are already beginning to show: the latest Bureau of Labor Statistics quarterly data shows after a year under the law, full-service restaurants and bars have lost jobs since before it went into place.¹⁵

For these reasons along with the testimonies you are hearing today, that's why 90% of tipped workers nationwide oppose changes to the current tip credit system.¹⁶ Instead of One Fair Wage's false promises of "tips on top" and worker equity, restaurants and their employees have already experienced thousands of jobs lost, restaurants have downsized operations or closed, and restaurants have increased use of service charges in lieu of traditional tips.

Maryland doesn't need to experiment with these proposals – they've been tried elsewhere and are wreaking havoc on restaurants across the country.

¹ David Neumark and Peter Shirley, National Bureau of Economic Research: <https://www.nber.org/papers/w28388>

² Employment Policies Institute: <https://minimumwage.com/2024/07/new-survey-89-of-ca-fast-food-restaurants-have-slashed-employee-hours/>

³ University of Chicago: <https://www.journals.uchicago.edu/doi/10.1086/716198>

⁴ Ekaterina Jardim, Mark C. Long, Robert Plotnick, Emma van Inwegen, Jacob Vigdor & Hilary Wething, National Bureau of Economic Research: <https://www.nber.org/papers/w23532>

⁵ Bureau of Labor Statistics, Employment Policies Institute analysis: <https://minimumwage.com/2025/09/california-nears-20k-job-losses-after-20-fast-food-wage/>

⁶ Census Bureau, Employment Policies Institute analysis: <https://minimumwage.com/2025/05/new-data-ca-restaurant-workers-lost-nearly-2-months-of-work-annually-after-ab-1228/>

⁷ Employment Policies Institute: https://epionline.org/wp-content/uploads/2026/02/260202_EPI_Minimum-Wage-Hikes-Will-Worsen-Affordability-Crisis.pdf

⁸ Employment Policies Institute: <https://epionline.org/app/uploads/2022/04/2022-04-EPI-Economist-Survey.pdf>

⁹ Michael Lynn, Sage Journals: <https://journals.sagepub.com/doi/abs/10.1177/0886368720908959>

¹⁰ Employment Policies Institute: <https://minimumwage.com/2025/01/new-data-shows-tips-are-lowest-and-declining-in-one-flat-wage-states/>

¹¹ U.S. Bureau of Labor Statistics and the Federal Reserve Bank of St. Louis, Employment Policies Institute analysis: <https://minimumwage.com/2025/04/initiative-82-is-a-horror-story-not-a-success/>

¹² Bureau of Labor Statistics and Census Bureau, Employment Policies Institute analysis: <https://minimumwage.com/2025/05/new-data-initiative-82-slashed-at-least-11-8-million-in-worker-earnings/>

¹³ WJLA: <https://wjla.com/news/instagram/dc-restaurants-closures-washington-dining-mom-and-pop-shops-local-businesses-economy-industry-small-business-struggle-rising-costs-labor-shortage-layoffs-dining-food-scene-trends-impact-ramw-affordable>

¹⁴ D.C. City Council Committee on Executive Administration and Labor Roundtable on Tipped Wages in the District of Columbia: <https://lims.dccouncil.gov/Hearings/hearings/631>

¹⁵ Bureau of Labor Statistics: Full-Service Restaurants https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=17&from=2020&to=2025&qtr=1&own=5&ind=722511&area=17031&supp=1, Drinking Places: https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=17&from=2020&to=2025&qtr=1&own=5&ind=722410&area=17031&supp=1

¹⁶ Employment Policies Institute: <https://minimumwage.com/2024/07/survey-tipped-employees-nationwide-prefer-keeping-the-tip-credit/>