TIP CREDIT PREFERRED BY OPERATORS & SERVERS!

The tip credit is the preferred system by owners, operators, bartenders and servers alike – and a method that is used in 43 other states. The tip credit is important as it helps businesses in hospitality industries that often operate on thin profit margines to manage labor costs while ensuring employees have the potential to earn an income that, on average, far exceeds the minimum wage. The tip credit enables businesses to remain competitive, keep menu prices affordable, and potentially create more job opportunities and is preferred by most servers.

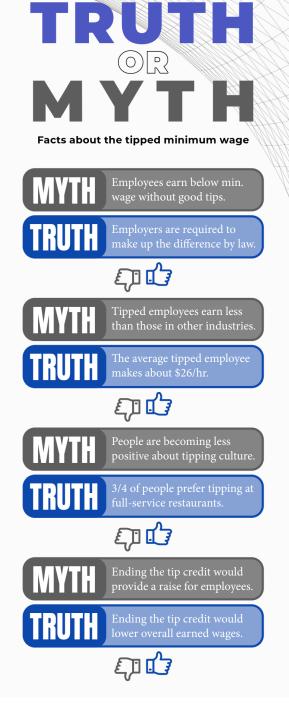
• Flexibility for Employees: Tipped workers often have flexibility in their schedules and may have the opportunity to earn more than they would with a traditional hourly wage. This flexibility can be especially valuable for individuals balancing multiple jobs, education, or family responsibilities.

• Job Opportunities: A lower base wage may encourage employers to hire more staff, potentially creating more job opportunities within the industry. This can be especially beneficial in sectors with high turnover rates or during periods of economic downturn when job creation is critical.

• **Incentive for Better Service:** Tipping can serve as an incentive for workers to provide better service since their income is directly tied to customer satisfaction. This can lead to improved customer experiences and potentially higher earnings for employees who excel in their roles.

• **Competitive Wages:** In industries where tipping is prevalent, such as restaurants and hospitality, the tipped minimum wage allows employers to remain competitive by keeping menu prices lower while still providing an opportunity for employees to earn a decent income through tips.

• **Cost Savings for Employers:** Employers in industries where tipping is common may benefit from a lower base wage since they can offset labor costs by paying employees less and relying on tips to make up the difference. This can be particularly advantageous for businesses operating on thin profit margins.



Employee Protections:

If a tipped employee's earnings, including both their base wage and tips, fall below the local minimum wage for any given hour worked, the employer is required to compensate for the shortfall. It's important to clarify that the idea that tipped employees ever earn less than minimum wage is incorrect. Removing the tip credit would not equate to a raise in wages for the vast majority of tipped workers.

The Fair Labor Standards Act (FLSA) offers robust safeguards to ensure that tipped employees always receive at least the local minimum wage. Employers who fail to pay tipped employees appropriately face financial penalties.

Average Wage of a Server in Michigan

Less than \$12/hr.	
	(1.6%)
\$12-15/hr.	
	(7.0%)
\$15-20/hr.	
	(15.6%)
\$20-25/hr.	
	(30.5%)
\$25-30/hr.	
	(28.1%)
More than \$30/hr.	
	(17.2%)

Insights:

wage of \$10.33 per hour. If the tipped minimum wage is abolished, more than 65% of lay off staff, 38% would consider reducing the amount of hours their business is open, 52% would add a service charge to offset added expenses, and 94% would raise their menu prices.

How the Industry is Reacting:

"We operate on the border of Indiana. We will lose all of our servers."

> "Our servers are upset with the change and concerned for their future. They're worried they won't be able to pay their bills."

"The new minimum wage won't make up for lost tips."

"We work hard and put up with so much from customers. If our tips are reduced, it won't be

• 22% of bars/restaurants will lay off 10% of staff

- 18% of bars/restaurants will lay off 20% of staff
- 15% of bars/restaurants will lay off 30% of staff
- 9% of bars/restaurants will lay off 50%+ of staff

We estimate 50,000+ Michiganders will lose their jobs. 1 in 5 full-service restaurants could close permanently.



MAY 19-25 2024

Experience **GRAND RAPIDS**

Sauli