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POLICY BRIEF

RAISE THE WAGE ACT

THE RAISE THE WAGE ACT WOULD:

- ✓ Hurt small and independent businesses
- ✓ Lead to dramatic job cuts
- ✓ Trigger higher consumer costs
- ✓ Hit an industry still reeling from COVID-19
- ✓ End tipping preferred by consumers and servers

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POLICY OVERVIEW

The National Restaurant Association opposes the Raise the Wage Act of 2021 because it would raise the federal minimum wage from the current \$7.25 to \$15 per hour over five years and eliminate the tip credit for tipped employees.

The restaurant industry needs time to recover, but at the same time, the National Restaurant Association and its members are ready to have a conversation about a balanced way to address wage levels in the foodservice industry and the unique impact any change would have on the economic recovery of its workers and restaurant operators.

THE BILL HURTS RESTAURANTS, COMMUNITIES, AND CONSUMERS

Small businesses cannot easily absorb a dramatic labor cost increase and higher wages would lead to employers cutting back on worker hours and/or eliminating positions. When labor costs climb, employers in labor-intensive industries like restaurants are forced to raise prices to maintain profitability, thereby driving up consumer costs.

The bill poses an impossible challenge for small and family-owned businesses that already operate on slim profit margins of 3-5%.

RESTAURANTS ARE ALREADY SUFFERING

These economic consequences would slam restaurants at a time when the industry is already facing unprecedented revenue and job losses because of the COVID-19 pandemic. Currently:

- More than 2.5 million restaurant jobs have been lost
- More than 110,000 restaurants are closed permanently or long-term
- Industry generated \$240 billion less 2020 revenue than projected pre-COVID.

ENDING TIP CREDIT HURTS WORKERS

The Raise the Wage Act also eliminates the tip credit which tipped workers have been fighting to maintain.

RAISE THE WAGE ACT

No server can ever legally earn less than the minimum wage, period. In every state and city in the United States, servers must earn the minimum wage—and 29 states and 55 municipalities have a higher level than the federal minimum wage.

Federal and most state laws allow for employers to apply a portion of employee tips to their combined wage. For tipped workers, if the combination of base wage plus tips does not total the minimum hourly wage, the employer must pay the employee to make up the difference.

If the tip credit is removed, many restaurants will eliminate tipping and move to an hourly wage system. Tipped employees would likely earn far less than they currently do, and restaurants would be forced to reduce employee hours or operate with fewer employees.

High quality tipped guest services is a hallmark of the U.S. restaurant industry.

Recent attempts to eliminate the tip credit in Chicago, Maryland, D.C., Michigan, Virginia, New Mexico and Maine were soundly defeated after many tipped workers spoke out about why they prefer the tip credit.

DIG DEEPER: WHAT ECONOMISTS SAY

When a similar bill was introduced last year, the nonpartisan [Congressional Budget Office](#) determined that the bill could trigger loss of as many as 3.7 million jobs.

A January 2021 study by economists at the [University of California, Irvine](#), reviewed published studies on the topic and reported that “young adults and the less-educated are negatively affected by a high minimum wage.” Their analysis also “shows clearly that most of the evidence indicates that higher minimum wages reduce low-skilled employment.”

