Minimum Wage Talking Points

- Restaurants are a key economic driver in the City of Chicago. The restaurant and food service industry is the largest private sector employer in the State of Illinois with over 517,000 employees, 300,000 of which are in the City of Chicago.
- An increase in the minimum wage, combined with the increased employer costs of the Affordable Care Act, record high commodity costs, and possible property tax increases will threaten the vitality of the industry and result in restaurants closing and unemployment.
- Furthermore, when restaurants pay a higher wage, unemployment insurance and workers comp insurance also increase. If restaurants compensate by raising prices, gross sales will increase, leading many restaurants to pay higher rent.
- Restaurants are labor-intensive businesses that already devote about a third of their sales to wages and benefits. Restaurants have exceptionally low profits per employee and have a difficult time absorbing higher labor costs.
- On average, a restaurant's profit margin is 3-5%, leaving few funds behind for increased employee salaries. This will lead to layoffs and fewer hours.
- Many workers in the restaurant industry are young or first-time employees entering the workforce who gain valuable skills in these jobs. In fact, the majority of those who serve in management started in these hourly jobs: 9 out of 10 restaurant managers began as hourly workers.
- The restaurant industry is a gateway to the Middle Class. Many enter the restaurant industry at the entry level and work their way into positions of management or ownership without college degrees. Many are immigrants.
- For Chicago to be a world class tourist destination and achieve 55 million visitors, tourists will have to be pushed to the neighborhoods. An increase in the minimum wage will be particularly detrimental in these areas.
- Cities such as Oak Lawn, Evanston, Cicero, and Calumet City will have a substantial competitive advantage when it comes to opening restaurants and

attracting customers. Restaurants located in Chicago, but on the border, will have a hard time staying open.

- Eliminating or lowering the tip credit would force restaurants to pay more to servers, who are often the highest paid employees in a restaurant. There would lead to less money available for raises for back of the house employees. This is regressive.
- A cost of living adjustment is equally devastating. High inflation, like that of the 1970s, would hurt employers. It is also unclear what happens during deflation.
- In summary, rather than benefiting hard-working restaurant employees, an increased minimum wage will instead lead to increased layoffs and unemployment during these hard economic times.

Support the Tip Credit

Background

- Federal and state law guarantees that all employees, including tipped employees, receive at least minimum wage.
- Federal and State law allows employers to apply a portion of tip earnings toward the minimum wage, recognizing that tip earnings often bring tipped employees' total earnings far above the minimum wage.
- If an employee's tips plus their cash wages do not add up to at least the minimum wage, their employer is responsible for paying any additional cash wages needed to bring the employee to the required minimum.
- In Illinois, the credit cannot exceed 40% of the wages. Minimum wage in Illinois is currently $8.25 per hour, so tipped employees earn a cash wage of $4.95 per hour plus tips. Importantly, they never receive less than the present minimum wage of $8.25.
- Federally, the tip credit was frozen at $2.13 per hour in 1991. Nineteen states continue to have a minimum wage for tipped employees of $2.13 per hour.
- 43 states provide a tip credit because the industry cannot operate without it.

Tip Credit is Necessary for the Hospitality Industry

- Restaurants are labor-intensive and devote about a third of their sales to wages and benefits. Restaurants have exceptionally low profits per employee and have a difficult time absorbing higher labor costs.
- The profit margin of the average restaurateur is between 3-5%.
- Without a strong tip credit restaurants would be forced to limit hiring, increase prices, cut employee hours, or implement a combination of all three to pay for the wage increase.
- New technology is allowing restaurants to replace employees with devises like IPADs.
- Forcing employers to pay tipped employees more – who earn anywhere from $12 per hour, to as much sometimes as $40-$50 per hour – limits the employer's ability to increase wages on non-tipped employees, such as dishwashers or cooks.

Neighboring States Current Minimum Wage and Tip Credit		
State	Minimum Wage	Minimum Wage w/ Tip
Illinois	$8.25	$4.95
Indiana	$7.25	$2.13
Iowa	$7.25	$4.35
Kentucky	$7.25	$2.13
Michigan*	$7.40	$2.65
Missouri	$7.50	$3.75
Wisconsin	$7.25	$2.33

State Law Allows Tip Credit in 43 States		
State	**Cash & Tip Min.**	**Tip Credit Wage**
Alabama	$7.25	$2.13
Arizona	$7.90	$4.90
Arkansas	$6.25	$2.63
Colorado	$8.00	$4.98
Connecticut*	$8.70	$5.69
Delaware*	$7.75	$2.23
District of Columbia*	$9.50	$2.77
Florida	$7.93	$4.91
Georgia	$7.25	$2.13
Hawaii*	$7.25	$7.00
Idaho	$7.25	$3.35
Illinois	$8.25	$4.95
Indiana	$7.25	$2.13
Iowa	$7.25	$4.35
Kansas	$7.25	$2.13
Kentucky	$7.25	$2.13
Louisiana	$7.25	$2.13
Maine	$7.50	$3.75
Maryland*	$7.25	$3.63
Massachusetts*	$8.00	$2.63
Michigan*	$7.40	$2.65
Mississippi	$7.25	$2.13
Missouri	$7.50	$3.75
Nebraska	$7.25	$2.13
New Hampshire	$7.25	$3.26
New Jersey	$8.25	$2.13
New Mexico	$7.50	$2.13
New York*	$8.00	$5.00
North Carolina	$7.25	$2.13
North Dakota	$7.25	$4.86
Ohio	$7.95	$3.98
Oklahoma	$7.25	$2.13
Pennsylvania	$7.25	$2.83
Rhode Island	$8.00	$2.89
South Carolina	$7.25	$2.13
South Dakota	$7.25	$2.13
Tennessee	$7.25	$2.13
Texas	$7.25	$2.13
Utah	$7.25	$2.13
Vermont*	$8.73	$4.23
Virginia	$7.25	$2.13
Virgin Islands	$7.25	$2.13
West Virginia*	$7.25	$5.80
Wisconsin	$7.25	$2.33
Wyoming	$5.15	$2.13

***indicates pending changes**