



National Consumers League Supports the Legislation to End The Tipped Wage in Montgomery County, MD

October 17, 2023

Dear Members of the Montgomery County Council:

My name is Sally Greenberg and I serve as CEO of the National Consumers League, a 124-year-old consumer and worker advocacy organization.

The National Consumers League is pleased to have the opportunity to support Councilmember Will Jawando’s legislation before the Montgomery County Council to raise the minimum wage for tipped workers. This legislation could raise wages for nearly 15,000 tipped workers in the county. NCL has experienced the impact of such legislation because of the decision by the voters of the District of Columbia to support Initiative 82 in 2022 through a ballot measure in neighboring DC. That initiative passed overwhelmingly and is now lifting tipped workers from the subminimum wage to a full minimum wage, to be phased in over the next five years.

After Initiative 82 was passed and during its implementation period, DC restaurants attempted to switch to service charges, and take that money to use in part for customer tips. This created confusion among DC consumers. That led finally to an agreement between the DC Attorney General and the Restaurant Association of Metropolitan Washington (RAMW) in which RAMW agreed to language that every restaurant is required to post on their menu explaining how they are using the service charge. This enables consumers with the information they need to decide whether to tip on top of the service charge. We are now using that same language from the DC AG’s office in this parallel bill to clarify service charges. We believe that Montgomery County is taking the proper steps to avoid the problems that occurred in the District, which appear now to be resolved.

Here in Montgomery County, the tipped minimum wage is \$4 an hour, so many servers rely on customers tipping them well. The minimum wage for non-tipped employees, however, is \$16.70 for businesses with 51 or more employees, \$15.00 with 50 or fewer employees and \$14.50 with 10 or fewer employees. As with all states and counties with a tipped wage, employers are required to make up the difference to get to the full Montgomery County minimum wage, but as Councilmember Jawando has noted, that doesn't always happen. And as one of the members of the DC Council noted last year when considering phasing out the tipped wage, the current law "is an invitation [for employers] to cheat."

According to surveys here in the county, more than a third of workers say their tips did not bring their wages up to the minimum wage. In fact, in Montgomery County, restaurant workers are twice as likely to live in poverty. CM Jawando's bill will end the tipped minimum wage gradually over the next several years.

This is an issue near and dear to the hearts of NCL. The founders of the National Consumers League, a progressive-era American reformist organization founded in 1899, wrote the first minimum wage laws in the United States at the turn of the 20th century. NCL is also part of the One Fair Wage (OFW) movement, whose goal is to highlight the negative consequences on hourly workers of the subminimum tipped wage across America. Indeed, the subminimum wage is a relic of post-slavery emancipation in the U.S, a time when African Americans were expected to work for free and received a tip only upon the discretion of the customer

Our NCL CEO often notes her own experience as a server in different restaurants: sometimes you get good tips, sometimes you don't get any tip at all. All workers deserve a stable and reliable wage - their livelihoods cannot be left up to the whims of restaurant patrons. Moreover, no other industry is allowed to rely on customers to pay the wages of its workers. The restaurant and other tipped wage employers have gotten away with this decades, not having to pay the full minimum wage.

If Montgomery County adopts this legislation, we believe it will be a big win for consumers as well. Workers who make better wages stay in jobs longer and provide better customer service.

As a former waitress, I can attest that relying on customers to tip you so that you make minimum wage is unsustainable. As a result, tipped workers – many of whom are women and people of color – end up with poverty

wages, are subject to some of the highest rates of sexual harassment, and are unable to feed their families under the current system. We urge Montgomery County, one of the most prosperous counties in the nation, to adopt this commonsense legislation for the benefit of the community, the customer and those who currently rely on tips for their livelihood.

###

About the National Consumers League (NCL)

The National Consumers League, founded in 1899, is America's pioneer consumer organization. Our mission is to protect and promote social and economic justice for consumers and workers in the United States and abroad. For more information, visit <https://nclnet.org>.