

ONE FAIR WAGE


Ending a Legacy of Slavery and Addressing Maryland's Restaurant Staffing Crisis



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The subminimum wage for tipped workers is still just \$3.63 an hour in the state of Maryland.¹ While the state minimum wage increased to \$13.25 on January 1, 2023, the subminimum wage for tipped workers has stayed at an abysmal \$3.63 since 2014. A direct legacy of slavery, the subminimum wage affects a state workforce of over 105,000 tipped workers that is 65 percent women and 52 percent people of color.

With the pandemic, tens of thousands of these workers are refusing to work for subminimum wages,² and hundreds of Maryland restaurants are raising wages to recruit staff,³ but many Maryland restaurateurs are finding that these workers will not return without policy guaranteeing a full minimum wage with tips on top. With industry-wide wage increases, there is national momentum for change; in November 2022, 76 percent of Washington, DC voters voted to raise the wage for tipped workers from \$5.35 to the full minimum wage of \$16.10 per hour. With Maryland's subminimum wage for tipped workers frozen at \$3.63 per hour, Maryland restaurants will face an even greater staffing crisis than they have already faced.



Advancing policy to support these restaurant workers and owners by ending the subminimum wage for tipped workers would positively impact an overall restaurant industry of over 185,000 workers in Maryland.^{4,5}

Background: The Pandemic's Impacts on Tipped Workers

After Emancipation, the restaurant industry sought to hire newly freed Black people without paying them, forcing them to live on tips.⁶ This concept was made law, excluding a workforce of mostly Black women from the full minimum wage, even when other workers received the federal minimum wage as part of the New Deal in

1938.⁷ Today, Maryland remains one of 43 states that permits this business model built on slavery, and has allowed a workforce that is overwhelmingly women and disproportionately women of color to continue to receive a subminimum wage 150 years since Emancipation.⁸

The subminimum wage for tipped workers was a problem long before the pandemic for a workforce of several hundred thousand tipped workers in Maryland who are

overwhelmingly women (65 percent) and disproportionately people of color (38 percent).⁹ These workers have struggled with twice the poverty rate of other workers and the highest rates of sexual harassment of any industry because they must tolerate inappropriate customer behavior to feed their families in tips.^{10,11} Research has also shown that within the industry racial discrimination from employers and customers has yielded a wage gap between Black women and white men in ‘front-of-house’, tipped positions of \$6.19 per hour.¹² As long as these workers must rely on tips to feed their families, they are subject to the biases and harassment of customers.

TABLE 1

Demographics of Maryland
Tipped and Restaurant Workers

	Percentage of Tipped Workers		Percentage of Tipped Workers
GENDER		RACE/ETHNICITY	
Men	35.10%	White	61.59%
Women	64.90%	Black	21.18%
		American Indian or Alaska Native	0.33%
AGE		Chinese	1.75%
Age 19 or Younger	17.66%	Japanese	0.07%
Age 20 or Older	82.34%	Other Asian or Pacific Islander	5.89%
Age 16-24	39.64%	Other Race	5.22%
Age 25-39	28.62%	Two Major Races	3.55%
Age 40-54	17.23%	Three or more Major Races	0.43%
Age 55 or Older	14.51%	Hispanic Latino	10.30%
		Not Hispanic Latino	89.70%
		Person of Color	38.41%
		Women of Color	23.75%

SOURCE: OFW analysis of American Community Survey data, 2016- 2020
5-Year Sample

Meanwhile, 7 states have required all employers to pay a full minimum wage with tips on top – AK, CA, MN, MT, NV, OR and WA.¹³ These seven states have had the same or higher restaurant sales, employment growth rates, small business growth rates, and tipping averages than Maryland and the 42 other states with a

subminimum wage for tipped workers.¹⁴ Workers in these states also report one half the rate of sexual harassment as workers in Maryland and the dozens of states with a subminimum wage for tipped workers, since women in the seven states receive tips – often at higher rates than in the states with subminimum wages – but are not as dependent on tips to feed their families to survive.¹⁵

With the COVID-19 pandemic and the initial economic shutdown in the spring of 2020, over 6 million workers lost their jobs. By the end of 2021, over 1 million workers still had not returned to the industry.¹⁶ Through the pandemic, a majority of tipped workers reported that they had difficulty accessing unemployment benefits; many reported that they were told that their subminimum wages were too low to qualify for benefits.¹⁷

When they returned to work in summer 2020, tipped workers reported that their tips decreased and harassment increased, with thousands of women reporting that they were regularly asked to remove their masks so customers could judge their looks and their tips on that basis.¹⁸ Roughly 40 percent of workers reported that they were experiencing an increase in sexual harassment since the start of the pandemic.¹⁹ Decreased tips, increased harassment, and being asked to enforce COVID protocols on the same customers from who they had to get tips to survive drove 1.2 million workers to leave the industry nationwide, and 18,000 workers to leave the industry in Maryland.²⁰

In a recent survey, 53 percent of those who remain in the restaurant industry reported that they are considering leaving; 78 percent say the only thing that will make them stay or return to working in restaurants is a full livable wage with tips on top – at least 40 percentage points higher than any other factor.²¹ Employ-

ment within the restaurant industry still has not returned to pre-pandemic levels and restaurants have claimed that this is a result of a “worker shortage.”²² However, government data as laid out in the next section, shows that the current restaurant industry’s labor market is simply one that favors workers and allows workers to demand better working conditions.²³



KEY FINDING #1

The Restaurant Industry Is in the Middle of a Staffing Crises

Across the economy, there are more job openings per job seeker than any time in the last 10 years.²⁴ At the height of the COVID-19 pandemic when millions of workers were laid off, the ratio of job openings per job seeker fell to 0.24;

roughly four workers were competing for one given job. Compared to the last major recession in 2008 - 2009, there were even more job seekers per job opening (0.15) and the labor market recovered slowly.²⁵ However, in the wake of the COVID-19 pandemic, there are significantly more job openings per job seeker. As of July 2022, across all industries, there are 2.45 job openings per job seeker.

The rate of job openings in the restaurant industry per job seeker is the highest of almost any industry.²⁶ Among restaurant workers this increases to 2.72, i.e. almost 3 jobs available for every one worker. This means workers have a greater ability to choose between jobs, seeking the best option, and demand better conditions and higher pay.²⁷

The restaurant industry has seen many workers return since the start of the pandemic, but even with many returning to work, the industry still employs 450,000 workers less than it did pre-pandemic. In addition, the staffing crisis has been compounded by ongoing growth in the industry and the need for even more workers, as seen by the fact that the number of job postings in the industry is over 500,000 more than before the pandemic.²⁸ Finally, on top of all of this, the monthly quit rate for workers in the industry remains nearly 30 percent higher than before the pandemic.²⁹



KEY FINDING #2

Hundreds of Maryland Restaurants Have Raised Wages to Recruit Staff, but Statewide Wages Have Stagnated

One Fair Wage has tracked through Indeed job postings, nearly 5000 restaurants nationwide and 52 in Maryland that are now paying a full minimum wage with tips on top. According to data from 2021, over one third of businesses in the restaurant industry reported that they raised wages - up from 10 percent in 2020. Establishments within the food and accommodation industry raised wages more than in any other industry.³⁰ Even with these significant wage increases, the industry continues to suffer from the worst staffing crisis in recent history. One Fair Wage's association of restaurant employers supportive of raising wages has grown from 800 restaurants pre-pandemic to 2,500 restaurants today, as

many more employers have become supportive of policy that will signal to workers who have not yet returned that wage increases will be guaranteed by law and it is worth returning to work in restaurants.

TABLE 2

Maryland Restaurants Providing Wages
Above the Subminimum Wage, January 2023

RESTAURANT	CITY/LOCALITY	POSITION	STARTING WAGE <i>Hourly unless stated otherwise</i>
Medium Rare	Bethesda	Server	\$18.00
Triple Star Restaurant Corp	Bowie	Server	\$13.00
Two Story Chimney Ciderworks	Damascus	Server/Bartender	\$15.00
Fratelli's Italian Food	Hampstead	Server	\$15.00
Blue Sunday Bar and Grill	Bowie	Server	\$11.50
The Green Turtle Franchising Company	Urbana	Server	\$16.00
Chevy Chase Club	Chevy Chase	Server	\$15.00
Blueridge Restaurant Group	Silver Spring	Server	\$12.00
PeopleReady	Westminster	Server	\$15.00
Mexicue	Bethesda	Server	\$15.00
Mikey and Mel's Famous Deli	Fulton	Server	\$11.00
Mammaroma	Odenton	Server	\$16.00
Ledo Pizza	Bethesda	Server	\$13.25
The Melting Pot	Annapolis	Server	\$12.00
Seasons Pizza	Towson	Server/Bartender	\$12.00
The Brass Tap	Towson	Server/Bartender	\$15.00
Outback Steakhouse	Oxon Hill	Server	\$11.75
Brightview Senior Living	Crofton	Server	\$12.00
Gibson Island Club	Pasadena	Server	\$16.00
Live! Casino & Hotel	Hanover	Server	\$25.00
Señor Tequilas of Germantown	Germantown	Bartender	\$20.00
Copper Canyon Grill	Glenarden	Server	\$12.00
Stanford Grill Columbia	Columbia	Server	\$12.00
Planta	Bethesda	Server	\$15.00
World Of Beer	Rockville	Server	\$20.00
The Point	Towson	Bartender	\$10.00
Sol Oaxaca Cocina Mexicana	Nottingham	Bartender	\$9.00
Minato Sushi Bar	Baltimore	Server	\$12.00
Sushijin	Silver Spring	Server	\$14.00
Hook n Reel Cajun Seafood Restaurant & Bar	Greenbelt	Lead Server	\$11.00

RESTAURANT	CITY/LOCALITY	POSITION	STARTING WAGE <i>Hourly unless stated otherwise</i>
BarONE	Baltimore	Bartender	\$9.00
Tutto Fresco	Bel Air	Server	\$15.00
Mick's Crab House	Elkton	Server	\$14.00
The Melting Pot of Annapolis	Annapolis	Server	\$13.00
Mixt Food	Brentwood	Bartender	\$16.00
Iron Bridge Wine Company	Columbia	Server	\$20.00
The Black Olive	Baltimore	Server	\$20.00
Barrett's Grill	Cockeysville	Server	\$20.00
Barrett's On the Pike	Bel Air	Server	\$20.00
Lemon N Ginger Asian Grille	Albington	Server	\$15.00
Mogan's Oyster House	Salisbury	Server/Bartender	\$18.00
Iron Age Korean Steakhouse	Catonsville	Server	\$20.00
Terrain Cafe	Bethesda	Server	\$20.00
The Center Club	Baltimore	Server/Bartender	\$17.00
Sal's Italian Kitchen	Cabin John	Server/Bartender	\$20.00
Grace's Mandarin	Oxon Hill	Server	\$15.00
Eastmoon Steakhouse	Salisbury	Server	\$15.00
TPC Potomac	Potomac	Server	\$20.00
Bugeye Grill	Solomons	Server	\$15.00
Charles Street Brasserie	Solomons	Server	\$15.00
Flamant Bistro	Annapolis	Server	\$25.00
Silver Ranch Brewing	Silver Spring	Server	\$16.00
Tokyo Steakhouse	Salisbury	Server	\$20.00

KEY FINDING #3

Neighboring D.C.'s Higher Wages Will Be More Attractive for Tipped Workers

In November 2022, voters in Washington D.C. voted overwhelmingly to end the subminimum wage for tipped workers. 'Initiative 82,' which won with a majority of votes from every ward, will now give over 15000 workers in D.C. a raise from \$5.35/hr to the full minimum wage of \$16.10/hr by 2027 with tips on top, after which it will continue to rise with the cost of living.



Studies show that contiguous states with differential minimum wage policies are likely to have positive outcomes on two labor market indicators – employment and wages.³¹ If a neighboring state raises its wages for a low-wage sector, these studies show that the employment rate in that state largely remain the same. Over time, however, these studies show that employment rates in both contiguous states have increased, with employment rates higher in the state that pays higher wages. Concerns of diminished employment as a result of a rising minimum wage have not borne out; instead, studies show these policies have a positive employment effect.³²

With regard to earnings, studies of contiguous states, one with a higher minimum wage, show that earnings for the state that raises its minimum wage increase substantially over time relative to workers in the neighboring state. These trends suggest that minimum wage increases have had the intended effect of boosting worker pay in low-wage industries and increasing employment at the same time.

In the case of Maryland, tipped workers in neighboring Washington D.C. will start earning considerably more than tipped workers in Maryland over the next several quarters.³³ While the impact of these wage increases will be positive for D.C., it will further worsen the worker exodus from the restaurant industry in Maryland. The only way to avoid this is to listen to the workers, who have consistently reported in thousands of surveys that they will not return without a full minimum wage with tips on top.

Conclusion

Thousands of tipped workers in Maryland have left the restaurant industry and are not willing to return without One Fair Wage. Recent wage increases in Washington, D.C. are likely to be a more attractive option for the already diminished pool of restaurant workers in Maryland. Passing policy to phase out the subminimum wage for tipped workers will end a legacy of slavery, increase wages for workers who are overwhelmingly women and disproportionately people of color, significantly reduce sexual harassment in the restaurant industry, bring thousands of workers back to work in the restaurant industry, allow thousands of restaurants in Maryland to fully reopen, and lead to a stronger restaurant industry overall.

END NOTES

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