



Testimony Presented to the House Committee on Michigan Competitiveness

Senate Bill 1171 – Minimum Wage and Tipped Wage Increases

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Good morning, Chairman Chatfield and members of the House Committee on Michigan Competitiveness. Thank you for the opportunity to testify today. I am Peter Ruark, senior policy analyst with the Michigan League for Public Policy, a nonpartisan policy institute dedicated to economic opportunity for all. The Michigan League for Public Policy asks this committee to vote “no” on Senate Bill 1171.

In September, the Michigan Legislature approved voter-initiated legislation, backed by over 400,000 Michigan voters, to raise the state’s minimum wage gradually to \$12 by 2022. The Improved Workforce Opportunity Act also gradually increases wages for tipped employees, who currently can be paid as low as \$3.52 an hour. The new law protects tipped workers against the instability of relying largely on tips for their livelihood by gradually raising the tipped wage until it matches the full minimum wage by 2024.

Under the new law, when the separate tipped minimum wage is phased out in 2024, approximately 111,000 Michigan tipped workers such as waitresses and waiters, pizza delivery drivers, and car wash and nail salon workers will have received raises totaling \$1.1 billion a year. The new wage law provides for gradual, staggered annual increases for tipped workers across Michigan. These increases are small enough that businesses can absorb the modest increase in labor costs, including Michigan’s \$16 billion restaurant industry, which expects sales to grow 4.5% in 2018.

Seven states—Minnesota, Montana, Nevada, Alaska, Washington State, Oregon and California—have already phased out their separate minimum wages for tipped workers. These and other states’ experiences from across the country show that it is economically realistic for the restaurant industry and other employers to pay workers the full minimum wage—making customer tips a supplement to payment of the basic minimum wage rather than a substitute for it.

Senate Bill 1171, on the other hand, would raise the minimum wage to \$12 by 2030 instead of 2022 and provide no increase for inflation after that. It would also raise the tipped wage to only \$4 by 2030 rather than phase it out completely by 2024. This strikes at the heart of the minimum wage bill that would have been approved by voters had it gone to the ballot. The Michigan League for Public Policy asks that this committee preserve the Improved Workforce Opportunity Act as it stands right now, and reject Senate Bill 1171.

Thank you.