



Date: February 12, 2025

To: Chair Moss and Members of the Senate Regulatory Affairs Committee

From: Monique Stanton, President and CEO of the Michigan League for Public Policy

Subject: Opposition to Senate Bill 8 — Retention of the Tipped Wage

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The Michigan League for Public Policy opposes Senate Bill 8, sponsored by Sen. Kevin Hertel, which will retain the tipped wage in Michigan. While a significant improvement over other legislative proposals, retention of the tipped wage is unnecessary, as research from other states shows, and leaves tipped workers dependent on unpredictable and unstable tips to earn a living wage.

For those of you who are not yet familiar, the League is a nonpartisan research and advocacy organization that promotes economic opportunity for all and analyzes the impact of public policy and budget decisions on the lives of Michiganders who have been historically and systemically left out of opportunities to advance prosperity. The League is also the state's Kids Count organization, working as a part of a national effort to measure the well-being of children at the state and local levels and to shape efforts that improve the lives of Michigan children.

In recent years, Michigan has taken significant steps toward creating a fairer and more equitable economy for its workers. Two key policies set to take effect this month — a new minimum wage increase and expanded access to paid sick time — are crucial measures that will benefit not just workers, but also businesses and communities across the state. We oppose any bills that seek to weaken those protections.

Senate Bill 8, despite its benefits for many minimum wage earners in our state, undermines tipped workers by locking them into lower wages for the next decade. While the bill accelerates the general minimum wage to \$15 by 2027, which is a welcome change, it simultaneously delays progress for tipped workers, capping their wages at just 60% of the minimum wage. This is a step backward from the current schedule, which would eliminate the tipped minimum wage entirely by 2030. When the standard minimum wage reaches \$15 in 2027, tipped workers will still be making just \$6.30 per hour, which is unacceptable when they have no control over how much business they may see in a day or whether or not a patron utilizes tipping etiquette.

The continuation of a tipped minimum wage is fundamentally flawed and harmful to workers. Business and industry lobbying groups argue that eliminating the tipped minimum wage would

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harm businesses, particularly in restaurants, or that it would end the practice of tipping entirely. However, neither of these claims hold up to scrutiny. Research on minimum wage increases from the Economic Policy Institute consistently shows that raising wages has no meaningful negative impact on employment or business growth — including in the restaurant industry. Furthermore, tipping remains commonplace in states that have already eliminated the tipped minimum wage, such as Minnesota and Nevada. The difference in those states is that workers aren't relying on customer generosity to secure cash to make ends meet — their wage itself provides them with greater financial stability and reduces vulnerability to wage theft and employer exploitation.

Instead of undermining the economic security of tipped workers, Michigan should follow through on the plan to phase out the tipped minimum wage entirely. Additionally, enforcement efforts against wage theft must be strengthened — an issue that disproportionately affects tipped workers. In 2022, Michigan's Attorney General and Department of Labor recovered more than \$2.6 million in wage violations, but this is likely only a small fraction of the total amount of stolen wages.

The 2018 ballot initiative demonstrated clear public support for increasing the economic security of workers who earn low wages, particularly tipped employees. Despite resistance from business lobbying groups and conservative lawmakers, Michigan should stay on the court-ordered path to eliminating the tipped minimum wage and the exploitation it perpetuates. Instead of prolonging the outdated and unjust system of tipped wages, we ask that you prioritize policies that provide all workers with a fair and stable income.

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