

Minimum Wage and Tip Credit

BACKGROUND

The Fair Labor Standards Act first set a national minimum wage in 1938. It set out to assure "the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers."

Many states have supported that principle by enacting minimum wage laws of their own which, in some cases, exceed the federal minimum.

The vast majority in the business community opposed establishing the minimum wage and has resisted every proposed increase since. In some states, the restaurant industry has succeeded in passing "tip credit" laws, which allow employers to pay tipped workers less than the minimum wage. Washington has no such law.

In 1988, a labor, church and community coalition put I-518 to a vote of the people. With 84 percent of the vote, I-518 passed and raised our state minimum wage from \$2.30 an hour to \$3.85 in 1989 and to \$4.25 an hour in 1990. HB 1393 raised the minimum wage to \$4.90 an hour in 1993. For the next five years our state minimum wage languished at \$4.90 as the wage in Oregon and California leap frogged beyond us.

But in 1998, the citizens of our state took the matter into their own hands with Initiative 688. I-688 raised our state minimum wage in two steps to \$6.50 in 2000; and automatically adjusts the wage for inflation every year. **The 2001 state minimum wage is \$6.72 an hour.** Using only volunteers, more than 288,000 signatures were collected and the measure passed by a 66-34 margin, the biggest of any 1998 ballot measure.

LABOR'S POSITION

The Washington State Labor Council was proud to play a leading role in the coalition of church, community and labor groups who sponsored and supported the passage of Initiative 688.

Its approval by an overwhelming two-to-one margin, despite the usual dire

predictions and scare tactics of some in the business community, was a clear mandate from the voters: *If you work full time, you shouldn't live in poverty.*

Another mandate came as voters made Washington the first state to index its minimum wage: *We want to take the politics out of this issue, and put the fairness back.*

But it's apparent attempts to politicize the issue will not stop. Since I-688's passage, the restaurant industry has circled the legislative wagons with efforts to create a tip credit to deny annual increases to many of their employees. Now legislators are the ones hearing lobbyists' tired predictions of bankrupt Mom-and-Pop restaurants and runaway inflation that will prevent fixed-income seniors from ever eating out again.

Nevermind that countless studies show raising the minimum wage has neg-

ligible impact on inflation and business failures. Nevermind that the restaurant association's primary funders are national and international franchises that are *really* responsible for putting independent restaurants out of business.

And nevermind that restaurant workers are three times more likely than other workers to earn less than the poverty level, and that half of all restaurant workers lack health care coverage.

Supporters of tip credits want you to believe this issue is about the well-being of businesses. But the minimum wage was created to ensure the "health, efficiency, and general well-being of workers."

Tip credits are a direct grab into the pockets of some of our state's lowest paid workers. It violates the spirit of I-688 and the will of the overwhelming majority of voters who passed it not for *some* minimum wage workers, but for *all* of them. That's why the Washington State Labor Council will aggressively oppose any tip credit proposals.

Is the sky falling?

Supporters of tip credits have made the same dire predictions of job loss and business failure that we hear every time increases in the minimum wage increases are proposed. But here are the facts:

■ The National Restaurant Association's own *2001 Restaurant Industry Forecast* predicts Washington state will experience 1.6 percent employment growth this year, exceeding the 1.3 percent forecast nationally.

■ The Department of Employment Security projects eating and drinking industry employment will jump 24.5 percent between 2000 and 2010, substantially higher than the 17.0 percent increase forecast for total nonfarm employment.

■ Employment Security also lists Waiters and Waitresses on its list of Fastest Growing Occupations in Washington, 1998-2008.

RECENT HISTORY

□ **1988** — HB 1544 proposed increasing the minimum wage from \$2.30 to \$4.25. *Passed House, died in Senate.* Initiative campaign launched for the same increase. *I-518 passed by a 81-19 margin.*

□ **1993** — HB 1393 raised the state minimum wage from \$4.25 to \$4.90. Unfriendly amendments to create a sub-minimum training wage and tip credit were both defeated. *The bill passed and was signed into law.*

□ **1996** — The GOP-controlled Congress passed an increase in the federal minimum wage from \$4.25 to \$5.15 an hour.

□ **1997** — SB 5738 would have frozen tipped workers' wages at \$4.90 an hour indefinitely. *Died in Senate Rules.*

□ **1998** — SB 6577 would have raised the state minimum wage in two steps to \$6.50 and then index it to the inflation rate. *Died in Senate committee.* Identical measure appears on the ballot. *I-688 passes, 66-34.*

□ **1999** — HB 2104 would have allowed employers to pay tipped workers 85 percent of the minimum wage. *It died in the House.*