

From: Jed Davis [mailto:jd0407@gmail.com]
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Subject: Testimony Draft

Many in the restaurant industry have been meeting regularly to discuss the minimum wage law changes being contemplated by this committee. This has been a very positive and productive discussion process that includes well-intentioned small business owners around the state. There is no us versus them mentality in these discussions – in fact most of us worked ourselves as dishwashers, waiters, cooks and the like in our early days. This is not a Walton family versus low wage earners debate. Rather it is a collection of small business owners who rely on their employees, and employees who rely on their employers to make a living.

I own four restaurants and a catering company with about 175 total employees all in Chittenden County. Most of our employees are full time and receive benefits such as paid vacation and access to our company sponsored health insurance plan. I feel proud that I can offer competitive wages and important benefits to my employees. Generally speaking I am a supporter of minimum wage increases in Vermont and on a national level. On a national level in particular, minimum wage has been held tragically low for decades and change should occur. Though I should point out that I am probably an outlier in the industry with this opinion, and I greatly respect the opinions of my contemporaries. However I am concerned about continuing to have the tipped minimum wage determined as 50% of the State minimum. The tipped minimum wage could potentially increase sharply to \$7.50 in a very short period of time. This increase may not sound like much, but this is actually a very steep increase that would greatly affect the health of Vermont's restaurant and tourism industry.

There are a few factors unique to the tipped minimum wage that I hope are considered by the committee:

- Tourism industry employers are required to ensure that all tipped employees achieve the state minimum for all hours worked. If an employee's tips fall short of achieving the State minimum, the employer must make up the difference. Tipped employees will continue to have this minimum wage safe guard regardless of whether the tipped minimum is \$5.25 or \$7.50, and regardless of whether the State minimum is \$10.50 or \$15.00;

- Second, a typical tipped employees total income (wage plus tips) already exceed State minimum wage. Tipped employees can achieve 1.5x to 4x the current minimum of \$10.50. Increasing the tipped minimum from \$5.25 to \$7.50 would be giving a raise to employees who already exceed – or in some cases well exceed - the State minimum wage, and at a significant cost to tourism industry employers;

- Lastly, The majority of a restaurant's hours logged are at the tipped minimum wage. Successful restaurants should be able to handle the minimum wage increase of \$10.50 up to \$15.00 for our cooks, dishwasher, and back of house employees over the next several years. In fact these wages are already trending well above \$10.50 due to employee shortages throughout the state. However an increase of the tipped minimum wage from \$5.25 to \$7.50 would change the profitability of restaurants significantly. And these pay increases would go to a set of employees who are already exceeding the State minimum.

I hope the committee will consider decoupling the tipped minimum wage from the State minimum wage. Tie the tipped minimum wage to an inflationary increase or some other modest measure. This will allow the restaurant and tourism industry to better accept other changing expenses such as upward wage trends, rising raw materials expenses, cost of health care, and employee shortages issues.

Allowing the tipped minimum wage to increase to 7.50, in the face of other cost increases that the restaurant industry faces, will truly jeopardize continued operations for many Vermont restaurants. And these pay increases would be going to a set of employees who already exceed the State minimum wage. This seems counterproductive.

I hope the committee will consider decoupling the tipped minimum wage from the State minimum wage.

Thank you

Jed Davis, Owner

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