

Hello board, my name is Mark Frier. Some of you may recognize me from my testimony last year. I am part owner of The Reservoir Restaurant in Waterbury, The Bench Restaurant in Stowe and as of last fall Tres Amigos/The Rusty Nail Stage in Stowe. My partner and I finished last year employing around 150 people, up from 100 the year previous.

I applaud your efforts and conversations around minimum wage. Affordability in this state is a real challenge and one I hope you continue to focus on. Affordability can be approached from many different angles, for my business much surrounds menu prices and the ability to stay profitable in an ever-changing Vermont landscape.

Today, I am here asking the board to take time to focus on discussing Tipped Minimum Wage and why I truly believe Tipped Minimum Wage should be uncoupled from Minimum Wage and kept flat. Employers are required to get employees to minimum wage if they do not earn it through tips. Even by uncoupling tipped and nontipped wages, no employee should earn less than minimum wage. Let me repeat, keeping Tipped Minimum Wage flat or keeping it coupled no employee should earn less than the current Minimum Wage.

By coupling Tipped Minimum wage to minimum wage it is giving a raise to all wage earners no matter what their final take home pay is. As you can see from the data below, Back of House (kitchen) hourly employees earn significantly less than front of house hourly workers in my businesses. This disparity in earnings is real and uncoupling will help to level the playing field if minimum wage continues to rise.

I support higher minimum wage, but understand that the most likely ramifications will be a cost shift up for Back of House labor (earners at \$15 today will expect to earn more than someone just starting) and I also fully expect my Cost of Goods to increase because we buy a lot of Vermont products (produce, proteins, beer, spirits etc) and use many Vermont companies (distributors, service companies, etc). The easiest response to adjust to these cost increases is to increase menu prices which will most likely increase wages for front of house tipped employees since tips are typically a percentage of price. But remember, since Tipped Wages are coupled in the current/proposed bills, employers would see an AUTOMATIC increase in their front of house labor. Even though my Front of House employees are earning well into the \$20+/hour range these tipped employees would see higher base pays and most likely higher tips.

No other business with non-tipped wages well into the \$20+ range would be asked to spend more on their employees but under this bill, but I would. Last year my restaurants averaged around 16000 hours of tipped wage hours per location. A move from \$5/hour (2017) to \$7.50 (year unknown) would increase my costs by around \$40000 per year per restaurant! This does not include the other increases to Back of House labor and Cost of Goods stated above. Giving a raise to employees that are not asking for it and ultimately making my menu prices even higher.

My first two restaurants operate around 8-10% profitability with about a THIRD of all costs being labor. Large changes in labor costs cut hugely into profits.

My new restaurant was previously a night club is not profitable yet. The previous business had mostly weekend hours and employed only a handful of people. With the use of Tipped Minimum Wage we were able to create a staff of around 50, half of which earn Tipped Wage. Tips are earned whether my restaurant is profitable or not.

Some will say, why should a customer pay for a businesses wages. My response is, what business doesn't do this? Other businesses just build it into price. Service companies, retail stores all set prices based on their estimated labor costs. We would probably have to consider a service charge type model if Tipped Minimum wage continues to rise but then it puts what used to be tipped dollars in the hand of the employer. We would do everything we could to pass that income to the front of the house but there are no other guarantees other businesses would. We would also have to set a front of house wage, which would most likely lower gross take home wages for many of my employees.

Other restaurant models are starting to pop up in other markets and Vermont that move to counter service. These restaurants eliminate servers and the food is served on paper products eliminating back of the house jobs like dish washers.

I now employ over 150 people. I care about their jobs, I care about their wages and I continue to enjoy employing a significant number of people in Vermont. I want to see Vermont an affordable place to dine, for the local and tourist. Both keep us competitive against neighboring states.

Many of my employees have children, some even own homes. I am going to continue to work hard to make sure our legislature understands the impacts of these new laws. In Maine, it took the servers banding together to fight the higher Tipped Wages passed previously. They were able to get the law reversed and actually lowered.

Thank you!

Prepared by Mark Frier

Owner of The Reservoir – Waterbury, The Bench – Stowe & Tres Amigos/Rusty Nail – Stowe

Approx. 150 Employees of which half are Tipped Wage Workers

Minimum Wage Increase – Difference Between Coupled and Un-Coupled Tipped Wage Increase

	Non-tipped Wage Earner (H.40)	Coupled Tipped Wage Earner (H.40)	Un-Coupled (Flat Wage) Tipped Wage Earner (Proposed Change)
Minimum Wage Level Earner	INCREASE	INCREASE	INCREASE
Above Minimum Wage Earner	NO DIRECT INCREASE	INCREASE	NO DIRECT INCREASE

Every wage level earner currently earning TIPPED WAGES would receive an increased wage in H.40. This should not be the intent of any minimum wage bill and **H.40 is increasing wages for all tipped earners regardless of final take home wages.**

Un-Coupling Tipped Wages and keeping this base income flat is the only way to keep impacts the same to business that have wage earners at and above minimum wage. Businesses with Tipped Wage Earners are required to cover any shortfall between Tipped Minimum Wage and their received tips. Regardless of Coupling or Un-coupling Tipped Wages, no earner should receive less than current minimum wage. **Coupling Tipped Wages to Non-Tipped Wages creates an unnecessary financial impact to ALL tipped wage businesses, regardless of wage levels.**

Example Business: High Wage Earning Restaurant – Waterbury, VT

Average Non-Tipped Non-Salary Wage Earner (2017): **\$11.98/hour**

Average Tipped Wage Earner (2017): **\$24.56/hour including base wage**

Tipped Employee Income Per Hour

	Average	Lowest	Highest
Female (21)	\$25.06	\$19.80	\$33.26
Male (7)	\$23.04	\$17.83	\$31.79

Tipped Wage Hours: approx. **16000 hours**

Cost increase at \$15/hr compared to \$10/hr (2017) for ONLY TIPPED WORKER WAGES, does not factor in cost of increase to Back of House Wages and any Cost of Goods Increase:

Coupled Bill (H.40):

$$16000 \text{ hrs} \times (\$7.5 - \$5) = \mathbf{\$40000 \text{ increase to labor costs/year}}$$

Proposed Uncoupled Bill Scenario:

No Increase as long as wages exceed minimum wage!

What other business that has wage earners well over \$15 would expect to see increases in the tens of thousands of dollars with this bill? Only ones that have Tipped Employees.

Expected impacts of just raising minimum wage on Vermont Restaurants (Un-coupling Tipped Wages):

- Front of House labor increase only if employees are not earning minimum wage
- Back of House labor increase (lowest level earners and surrounding wages)
 - Expected cost shift as lower level earners close any gap to next level earners
- Cost Of Goods increase
 - Restaurants are at the end of a long supply chain, many will see increases in labor costs that will most likely raise costs for restaurants
 - Examples:
 - Distributers
 - Beer/Wine/Liquor Manufacturers
 - Farms and Food Manufacturers
 - Linen companies

How will restaurants most likely respond to increase costs:

- Raise Prices
 - In turn most likely increasing wages in Front of House (tips typically are a percentage of price)
- Source Goods from Out of State
- Decrease Portion Size
- Decrease Labor Hours
- Modify model to remove labor hours
 - Counter service
 - Automation
 - Computer ordering
 - Kitchen Automation

Raising prices is the easiest way to respond to minimum wage increases and in turn increases the cost to customers. So even if Tipped Wages are Un-coupled, Front of House employees will most likely see increases in wages due to price increases (tips typically reflect 15-20% of customer cost).

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