Protect Tips in Ohio

Frequently Asked Questions (FAQ)

Outside special interest groups are gathering signatures to pass a constitutional amendment in November 2024 that would raise the minimum wage for tipped and non-tipped employees and eliminate the tipped wage that is so important to restaurant servers and tipped workers, Ohio's restaurant and hospitality industry, Ohio Restaurant & Hospitality Alliance members, the dining public, Ohio communities and Ohio's economic vitality.

HOW DOES THE TIP CREDIT WORK?

In Ohio, an employer can pay regularly and customarily tipped employees half the starting wage, which is called a "tipped wage." Tipped employees are legally guaranteed to earn the full minimum wage, and most earn much more due to tipping. According to National Restaurant Association data, tipped employees earn between $19 to $41 per hour with the average being $27 per hour, or approximately $56,000 per year.

> *People that get into the restaurant business do so because they enjoy being around people and providing an excellent dining experience. As a tipped employee, I currently make an average of $25 to $30 per hour. If the tipped wage is eliminated, I anticipate I'll make a lot less money due to fewer tips, which would be devastating and would make it much harder for me to make ends meet.*
>
> **PAT LAVECCHIA, a server at Hail Mary's in Cleveland**

WOULD RAISING THE MINIMUM WAGE HURT OR HELP TIPPED EMPLOYEES?

The earning potential of a tipped wage is why many individuals choose the restaurant industry as a first job, a side job for extra income and as a career. The current tipping system provides substantial earning opportunities for workers across many industries, especially restaurant servers and bartenders, well beyond the current minimum wage and the proposed $15 minimum wage. Currently, the median income for tipped servers is $27 an hour, far above the proposed changes, so eliminating the tipped wage would negatively impact servers and their earning potential.

HOW WOULD THIS MEASURE IMPACT RESTAURANT BUSINESSES?

With historic inflation over the past few years, in addition to soaring food costs and wage rates, rising credit card fees and supply chain issues, many restaurants are already struggling to survive. This measure would further cripple the restaurant industry, which already operates on thin margins.

If passed, this measure will nearly triple the amount employers pay tipped employees (tips withstanding). Additionally, it could force restaurant operators to reduce or cut employee benefits and insurance, decrease their workforce, raise prices charged to guests or close their doors altogether. Eliminating the tipped wage would be especially harmful to small and independent Ohio restaurant operators, their employees, and to those in Ohio's smaller cities and towns.

WHAT ARE THE IMPACTS ON THE DINING PUBLIC?

The current hospitality tipping system is beneficial across the board – guests can reward excellent hospitality, restaurant owners manage more economic security and servers make more money. If the tip credit is eliminated, it will further harm restaurant workers' earning potential and would force restaurant operators to make difficult decisions, such as reducing their workforce, implementing mandatory service fees, and/or passing along increased costs to guests in the form of significantly higher menu prices.

HOW WOULD THIS MEASURE IMPACT LOCAL COMMUNITIES?

The Ohio restaurant industry is the state's second largest private sector employer employing more than 500,000 people. A strong hospitality community attracts visitors, businesses and future residents into the region. If this measure passes, Ohio would be at a competitive disadvantage to nearby states that continue to allow tipped wages.

HAS A SIMILAR MEASURE BEEN PASSED IN OTHER CITIES OR STATES?

Similar measures have passed in seven states and territories, including California, Guam, Minnesota, Montana, Nevada, Oregon and Washington, and larger cities such as Chicago and Washington D.C. The negative impacts are already being felt by both restaurant operators and employees.

An April 2023 survey published by the Employment Policies Institute of more than 100 local restaurants in D.C. found that because of the elimination of the tip credit, most restaurant operators planned to lay off workers, half planned to expand into lower-cost states such as Maryland or Virginia, and nearly 1 in 3 planned to close locations. Further, a National Restaurant Association poll of nearly 1,000 D.C.-area adults found more than half are dining out less because of higher prices and when they do, are more reluctant to leave an additional tip for their server due to higher prices or mandatory surcharges.

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