



## **Minimum Wage Hike is a Recipe for Unemployment**

*By Brian DeBano, Michigan Restaurant Association President & CEO*

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For Michigan's restaurant owners and employees, 2014 is getting more ominous by the day. Just when new costs of business couldn't get any higher thanks to the Affordable Care Act and other new government regulations, the "Raise Michigan" coalition is pushing restaurants further to the brink with its statewide initiative to spike Michigan's minimum wage from \$7.40 to \$10.10 and completely eliminate the tip credit. This will not only increase menu prices and cost Michigan jobs – it will put many restaurants out of business.

While hearts may appear to be in the right place, heads unfortunately are not. A \$10.10 minimum wage in Michigan—a 36 percent hike—would lead to thousands of job losses across a state that is still recovering from the last recession.

The economics of minimum wage hikes are pretty fundamental. The jobs that pay the minimum wage are overwhelmingly in service industries, which include many of Michigan's local restaurants. Many of these are family-owned establishments where you've been celebrating birthdays and anniversaries for years.

The proposal by Raise Michigan also includes the elimination of the tip credit. Most states, including Michigan, allow for a lower minimum wage for those employees directly and regularly receiving tips. What many people don't understand is that if a tipped employee ever receives less than the full minimum wage after tips are tallied, the employer is required to provide the difference themselves. Any restaurateur who employs tipped workers can tell you how important the tip credit is to keeping them in business. In Michigan, the median wage for tipped employees is \$16 per-hour. If the tipped minimum wage was eliminated in Michigan, it would make us the only state east of the Mississippi River not to have one.

Restaurants are low-margin and low-profit, generally making only a few cents for each sales dollar. They also devote a third of their budget to wages and benefits. Given these day-in, day-out business realities, a dramatic 36 percent increase in the cost of labor would force these small business owners to make some hard choices.

One obvious "solution" might be to raise menu prices – but that can cause more problems than it solves, especially with consumers being increasingly more cost-conscious. In these economic times, people often choose to stop eating out when prices increase. That's why price hikes often lead to fewer overall sales or even a loss of revenue at restaurants. The other option is to scale back on the number of employees and the hours worked, both undesirable options.

According to a report released this week by the nonpartisan Congressional Budget Office, the national push to raise the minimum wage to \$10.10 per hour would cost 500,000 jobs in 2016.

When restaurants do well, they help boost Michigan's economy. The National Restaurant Association estimates that every \$1 million spent in Michigan's restaurants creates just under 30 jobs elsewhere in the state. Every \$1 you spend in restaurants generates another 99 cents in sales elsewhere in the state. And overall, restaurants clock over \$13 billion in sales every year.

A minimum wage hike will jeopardize the well-being of a large portion of Michigan's economy. It will also prevent the state's restaurants from creating the 24,000 jobs that are expected over the next decade.

That's why, on behalf of Michigan's restaurants, I hope that Michiganders fight to protect the state's employees and save the state's job creators from a minimum wage hike. We only want what's best for employees—and a minimum wage hike doesn't fit the bill.