MINUTES

Citizens League
Saint Paul Minimum Wage Study Committee
Thursday, June 21, 2018, 8:30am-10:30am
University of St. Thomas, 100 McNeely Hall
2060 Summit Ave, St. Paul, MN 55105

Committee Members Present: Co-Chair B Kyle, Co-Chair Rick Varco, Mr. Bob Brick, Mr. Paris Dunning, Mr. Barry Gisser, Mr. Matt Gray, Mr. Jon Grebner, Mr. Matt Halley, Mr. Doug Hennes, Ms. Mary Hicks, Ms. Sarah Kopp-Reddy, Mr. Andrew Kopplin, Ms. Rebecca Lucero, Mr. Tim Mahoney, Mr. Oscar Murcia, Mr. Sam Peterson.

Members Not Present: Mr. Samuel Callahan, Mr. Dillon Donnelly, Ms. Veronica Mendez Moore, Ms. Kera Peterson, Ms. Pang Vang.

Staff & Staff Support Present: Pahoua Hoffman, Angelica Klebsch, Snowden Stieber, Alexis Solheid.

Observers Present: LyLy Vang-Yang, Yufeng Cai, Natalia Madryga, Celeste Robinson, Yao Yang, Jeff Peterson, Colleen Nocerini, Daniel Yang, Ben Gleekel.

Proposed outcomes for this meeting

- Review study committee charge and proposed goals
- Receive follow up on research questions posed last week
- Hear perspectives from members of the restaurant industry favoring a tip credit.
- Discuss information received and confirm additional information needed
- Agree on next steps

WELCOME

Co-Chair Kyle opened the seventh meeting at 8:32 a.m. She welcomed committee members and guests to the meeting. She reminded everyone to silence their phones and avoid the use of social media while the meeting is in progress.

She reviewed the proposed outcomes for the meeting (see above), and reviewed the Study Committee's charge.

DEBRIEFING

Co-Chair Kyle opened the floor to allow committee members to share their thoughts on last week's values exercise. Co-Chair Kyle began by stating that she, through talks with another committee member, had been convinced that some of her own rhetoric had been unintentionally divisive, and had reinforced the idea that there were two sides to the issue, when in fact there was a lot of complexity surrounding the minimum wage. Co-Chair Kyle thanked the committee member for the constructive comment, and she stated that she was grateful for the generous attitudes people brought to the table.

A committee member said they thought the exercise was a great demonstration of the shared values among committee members. The committee member thanked the Citizens League for arranging the exercise.

Another committee member said that they enjoyed the opportunity to meet with several members last week, and that they looked forward to the chance to meet other members at a later time.

Co-Chair Kyle encouraged the committee members to reach out, and if they so chose, meet with each other outside of the committees. She said that one-on-one meetings might be more comfortable for members, and a great way to learn more about each other.

A committee member said they enjoyed the exercise, and they wanted to further discuss with members about how they felt about all the information the committee members had been exposed to. They were unsure about when, in the process, there would be more time to further discuss the issues. The member also said that last week's meeting made them feel like the City of Saint Paul was not prepared for implementation. The member said that the Minneapolis attorneys told the committee that they had wished for more staff and resources for the implementation of their ordinance, but the staff from the City of Saint Paul did not seem aware that differences in staffing would be necessary for their own ordinance. The member wondered if other committee members felt similarly.

A committee member agreed, and said they thought the City had more work to do on getting ready for implementing the ordinance. The committee member felt that the complexity of enforcement was so great, that it might muddle the work of this committee in coming up with recommendations. The member wondered if this committee should focus on recommendations and then emphasize to the City of Saint Paul that implementation would be very important. The committee member also said that implementation might require a separate committee to address the issue.

A committee member said that the talks with Minneapolis attorneys had shown that they needed more staff and financial support for implementation than the City had anticipated. The member said that the same issue had arisen in Seattle, and that the City of Saint Paul should consider the financial consequences of a wage ordinance.

Another committee member said they felt frustrated that the Study Committee had focused on what the problems were, instead of what solutions are available. The committee member said they looked forward to the group shifting towards solutions, and that the member had a number of recommendations they hoped the committee would come together to support, in particular around issues of funding, staffing, outreach, technical assistance, and implementation. The member said they hoped the committee would take these matters up.

A Citizens League staff member said that they heard the committee members' wishes for more time to discuss issues with each other. They said the challenge was to pack all the administrative matters, the updates, and the expert panels into the two hours for each meeting. Staff said they were having internal talks about how to incorporate five to ten more minutes of discussions in future meetings. They said that one of the upcoming meetings in July was being completely set aside to allow committee members to talk about what they had learned over the information sessions, and that meeting would be a good opportunity to start talking about solutions. Staff also said that they would begin to track points where there was agreement among members, and that the staff would publish those common ground points to guide the committee members as they craft their recommendations.

The staff member reminded the committee that there were differences between how Minneapolis and Saint Paul approached the business community. Minneapolis has more oversight, while Saint Paul is more centered on education and outreach. The staff member acknowledged that some committee members had concerns about complaint-based enforcement mechanisms.

A committee member asked the staff for a project plan to help members who are on their first Study Committee understand when the members would begin to converge on solutions. They appreciated that the Citizens League gave the members an opportunity to learn before beginning the recommendations, but that knowing when the discussions around solutions were scheduled would help people during the learning phase.

Ms. Hoffman offered to explain the arc of the process at next week's meeting. She said that, since it is hard to learn and defend at the same time, the discovery phase was all about gathering information. She said that the development phase was coming up quickly, which was when discussions, debates, and votes would occur.

Co-Chair Varco said that he thought there were less questions about the arc of the process, and more questions about what structures and procedures would be used on points of disagreement.

Ms. Hoffman said that she could use an example of a past project from the Citizens League to show what the development phase would look like, and show what tools and exercises the committee would use to create their recommendations.

A committee member reminded the committee that if a consensus was not reached, the committee could publish a majority report and a minority report to ensure all voices are represented.

Co-Chair Kyle encouraged each committee member to start putting together their own data and information related to their expertise and experiences, so that when the development phase begins, members will be prepared to share what they have been thinking. She asked if there were any proposed amendments to the minutes. A committee member offered an amendment on page 7. They had remembered that staff from the City of Saint Paul had said that exceptions and complex enforcement required upfront resources, not ongoing resources. Motion was made to approve the amended minutes, and seconded. Minutes approved.

PANEL

Co-Chair Kyle welcomed the panel of restaurant industry representatives in favor of a tip credit -- Jeff Crandall, bartender at Eagle Street Grille; Robert Crew, director of food and beverage at Commonwealth Properties; Torrance Beavers, executive chef at Brunson's Pub; Jamie Robinson, owner and president of Northbound Smokehouse and Pub; and Jennifer Schellenberg, server at Northbound.

Ms. Schellenberg opened by saying that her normal presentation was usually about 2 hours, but she had trimmed it down to about 15 to 20 minutes for the meeting. She pointed out to the committee that she had included a large amount of additional info in the packets.

Ms. Schellenberg is the president of the Restaurant Workers of America. She said that she has been a tipped worker for 17 years, and she has always believed that back of the house workers deserved higher wages than front of the house workers. When Minneapolis's $15 minimum wage movement was taking off, she said she got involved in the mission of RWA to help save the tip credits. The mission of RWA is to preserve and protect the freedom and flexibility of tipped income and jobs in the restaurant community.

Ms. Schellenberg addressed two of the previously mentioned concerns of the committee: reducing disparities, and providing a minimum standard of living without needing public assistance. She said that the purpose of the group assembled for today's meeting was to focus on the full service restaurant community. She asked the committee to consider where disparities were in the full service restaurants, and consider who in that community was not reaching a minimal standard of living. She presented different models of the minimum wage: a prevailing minimum wage without any credits or tiers, a minimum wage with a standard tip credit, and a tip credit with a superwage, or a guaranteed wage. Ms. Schellenberg said that the superwage was an attempt to bring nuance to the tip credit discussion, that there were many workers in non-full service restaurants who were concerned that a tip credit did not work for them.

The superwage would essentially require a tipped worker to earn a certain amount in tips before they qualified for the tip credit. She said the worker would be guaranteed to make X amount in tips before the lower tipped wage would apply to them. Ms. Schellenberg suggested that deciding a superwage based on percentages of the full minimum wage would be the most thoughtful design.

A committee member asked Ms. Schellenberg for an example. She said that a barista that earned $3/hour in tips, when added to a $9.65 state minimum wage, would not meet the $15/hour municipal minimum wage requirement. Therefore the barista would be paid $15/hour, and be allowed to keep the tips.

Another committee member asked if the super wage would be difficult for the restaurants to track. Ms. Schellenberg said that the computers and payroll software used in full-service restaurants are were equipped to handle the issue. She said that there might be 1% of restaurants for whom the superwage would be difficult, but that the vast majority of restaurants were capable of implementing the superwage.

Co-Chair Kyle said that committee members should feel free to ask clarifying questions, but that any questions that were more challenging or debate-oriented should be held until the Q & A at the end.

A committee member asked for Ms. Schellenberg to explain again how a superwage works. Ms. Schellenberg said the superwage was designed for tipped workers who did not make as much in tips as others did and who worry that the tip credit would ensure the worker never makes more than $15/hour. The superwage would ensure workers who make lower amounts of tips do not have the tips absorbed into their wage. She said that a worker who earned $10/hour in tips would make more than the superwage, so they would be paid the $9.65 minimum wage and receive a tip credit. A worker who earned $3/hour in tips would not make more than the superwage, and therefore receive the full $15/hour minimum wage and also retain their tips. Therefore a worker is not penalized for making lower tips.

A committee member asked if the superwage was supported by restaurant owners. Ms. Schellenberg said she had not heard any complaints from restaurant owners about the superwage, and had not heard any concerns about complexity.

Another committee member asked Ms. Schellenberg how someone who was paid $9.65/hour and made $25/hour in tips would be treated. The member also asked how the superwage would treat cash tips that were not registered in the computer system. She said the worker making $25/hour in tips would qualify for the tiered wage, and she said that unreported cash tips are a violation of the law and would not be counted, which is a problem under any wage system.

A committee member asked how the tip credits would be calculated, whether it would be by the hour or another unit of time. Ms. Schellenberg said that the tip credit is usually calculated per hour over a pay period, but that other methods of calculation could be used.

A committee member asked if Ms. Schellenberg had read any studies on disparities among tipped workers based on gender or race. She said that she had read studies on both sides of the issue, that some reported people of color and women made less in a tipped model, and other reports suggesting that women make more in a tipped system. In her personal experience, Ms. Schellenberg had not seen vast disparities among tipped workers, but she had seen vast disparities between back of the house and front of the house workers.

Ms. Schellenberg heavily emphasized that a tip credit guarantees all workers receive the minimum wage at all times. She said the tip credit therefore answered the committee's aforementioned concern that disparities between workers be addressed. She then briefly presented slides about the federal Fair Labor Standards Act, and pointed out that tipped workers do not get a tip credit when they are performing jobs that are not eligible for tips.

Ms. Schellenberg then highlighted that there are differences between service fees and tips. By law, a service charge does not belong to a worker, but must first go to the owner. She then mentioned worker protections, but said that there was more information about the matter in the included materials in the members' packets.

Ms. Schellenberg reviewed the different ways that people think about the tip. She emphasized that the discussion today was around full-service tip workers, and that it was important to distinguish between full service, counter/quick service, and fast food restaurants. A full service restaurant involves a server who comes to the customer, takes their order, and delivers the food, and then the customer pays before leaving. A quick service restaurant is one where the customer goes to a counter to order the food, and pays before receiving the meal.

A committee member pointed out that counter service models generally require less staffing than a full service model. Ms. Schellenberg agreed, and said that full service models offer more jobs and more money, while quick service jobs offer less jobs which pay less.

She said that a common misconception about tips is that, for full-service workers, tips are only a part of their income. She said, for full service workers, tips are their income, and that many times her own actual paychecks are zero dollars. Ms. Schellenberg said that there is a symbiotic relationship between low menu prices, low wages, and tip culture, where each depends on the other. If one part of the trifecta is thrown off, like mandating higher wages, the other two will be affected as well.

Ms. Schellenberg explained that her paychecks are often zero dollars because the taxes on her reported income are taken out of her hourly wage, which enables her to retain all of her tips at the end of each night.

A committee member pointed out that the employer also pays taxes on the tips that the employee receives.

Ms. Schellenberg highlighted unintended consequences of a flat wage, including restaurants moving to no-tip and service fee models. The service fee is redistributed to the servers based on a predetermined arrangement, which has led to some servers seeing their income be cut in half. She said that when tipping is taken out of the equation, the most lucrative part of a front of house worker's earnings is removed.

A committee member asked Ms. Schellenberg if the service charge redistribution was a choice made by employers or if it was required by law. Ms. Schellenberg said that the owners had to figure out how to spread the increased cost between menu prices and wages, and putting the cost of the increase on the customer's end would lead to fewer visits to the restaurant. The committee member said that it sounds like the service fee is a choice, that it is not mandated by the law. Ms. Schellenberg said the law will never mandate taking away tips, but that she was focused on the cultural and structural changes that occur when labor costs are forced to increase. She said that not every restaurant will respond in the same way, but that they would all be forced to change, and that none of the changes would positively impact the worker.

Ms. Schellenberg then discussed other trends, including restaurant closings and automation. She said that, because of a higher wage, several Minneapolis full service restaurants are closing and quick service restaurants are taking their place. She said that the quick service restaurants both pay less and use less employees on a store-by-store comparison. Ms. Schellenberg said that automation was definitely coming to the restaurant industry as a response to higher wages, but the higher required wage is an incentive for employers to more quickly move to automation.

She said that tipped workers enjoy greater accessibility to high wage jobs. In other industries, workers have to wait for management to evaluate their work and give the workers raises, while full-service restaurant workers can immediately be rewarded for their hard work. Ms. Schellenberg said that, if there is a flat hourly wage, tipped workers will be at the mercy of their bosses to receive increases in their income. She cited a study showing 97% of surveyed workers in full-service restaurants said that they preferred tips to a flat wage.

A committee member asked how the question had been phrased in the survey. Ms. Schellenberg said the survey was included in the informational packet. A Citizens League staff member clarified to the committee members that much of the data Jennifer was referencing in her presentation was included in the members' packets, along with additional resources.

Ms. Schellenberg discussed ways to ensure that tipped workers weren't left behind as the minimum wage rose, and then focused on the claim of sexual harassment being more prevalent among tipped employees. She said that it originated with an activist from the Restaurant Opportunities Center who used a skewed survey method to claim that workers in states without tip credits experience 50% less sexual harassment. Ms. Schellenberg said that the sampling method of that survey was biased and questionable and it did not accurately represent the industry. She referenced EEOC data which showed that, over the past 20 years, the restaurant industry was responsible for 5.9% of all sexual harassment claims. Ms. Schellenberg said it was irresponsible for someone to suggest that changing how she got paid would affect how people interacted with her. She said that she experienced sexual harassment everywhere she went, but at work she had recourse. She pointed out additional EEOC data that showed tipped workers in New York (a state with a tip credit) reported half the sexual harassment of workers in California (a state without a tip credit).

Ms. Schellenberg then addressed the concern that a tip credit could create more opportunities for wage theft. She said it was a valid concern, that she had been a victim of wage theft, and that the best way to address the matter would be through improved enforcement.

Ms. Schellenberg suggested that the City of Saint Paul consider an opt-in model for tip credits, where restaurants would apply for the opportunity to use a tip credit. She said that such an arrangement would let the City take away the tip credit from noncompliant restaurant owners or from owners that were skimming wages. Such an opt-in model could also create an opportunity for the city to gain revenue through the application process.

In regards to the claim that restaurant owners can afford to take a pay cut, Ms. Schellenberg said that full service restaurants ran on a model of 2-6% profit margins, which means that they could not handle a 55% increase in labor costs. She included a performance sheet from a successful local restaurant in the committee members' packets, which showed that it had earned ~2% profit margins last year.

Co-Chair Kyle told the panel that the committee was looking forward to hearing from the other panel members, who were other tipped workers in the restaurant industry. Panel member who had not yet spoken said they were prepared for a question-and-answer session, but that they were happy to let Ms. Schellenberg finish her presentation.

Ms. Schellenberg then addressed the claim that Minnesota's one wage had not hurt the local restaurant community over the past 34 years. She stated there was already a functional tiered system, including wages for youth workers and workers in training. She also pointed out that Minnesota had fewer restaurants per capita than any of the surrounding states. Ms. Schellenberg said that if the City of Saint Paul allowed for a tip credit, its tipped workers would have the highest tipped wage in the country, which would make it a progressive example to other cities.

A committee member said they were not sure that the City of Saint Paul would be able to create a tip-tiered system, given state law. Ms. Schellenberg said that a tipped worker in Saint Paul could still remain in compliance with the rising state minimum wage while allowing for a tip credit for the remaining part of the wage.

Ms. Schellenberg cautioned the committee to be wary of data that comes from activists at the Restaurant Opportunities Center, One Fair Wage, or the UC Berkeley Food & Labor Research Department. She provided quotes from activists, included in the committee members' packets. She said that the activists' goal was to get rid of tipping altogether. Ms. Schellenberg also said that the Bureau of Labor Statistics did not have accurate information as it relates to servers or bartenders, given a flaw in the sampling model.

Ms. Schellenberg closed by highlighting that the issue of tip credits enjoys bipartisan support across the country. She closed with the phrase, "First, we should do no harm." She said she believed that it was possible to raise the wages of those who need it in the back of the house, but to do so with nuance.

Mr. Robinson introduced himself. He emphasized the greater nuance that is provided for by tipping, that it is an alternative compensation model that is more lucrative than a base wage model. He clarified the idea of a super wage: in order for an employer to take advantage of a tip credit, the worker must already be earning a predetermined amount of tips.

A committee member said they were still confused, and that the description made it sound like the wage was being simultaneously controlled by both the worker and the owner. Ms. Schellenberg said that the worker still controlled the money, it just allowed the owner to take a credit. Mr. Robinson said that a tip credit allowed for owners to count the worker's tips toward the obligation to provide a minimum wage.

Mr. Crandall said that he had worked as a bartender for his whole life, and that he fully supported a lower wage for tipped workers. He said the last time the minimum wage was increased, he said "I don't need this raise," that he gets paid far more than anyone in the house because of his tips. He said he is willing to take less money from his employer if it means the doors stay open and he will have a job.

Mr. Crandall said that it would take more than 3 counter-service restaurants to replace the jobs lost from one full-service restaurant.

Several committee members expressed continuing confusion over the discussion of a super-wage. Co-Chair Varco suggested, in the interest of time, that other topics be discussed. Ms. Hoffman said the Citizens League would work with Ms. Schellenberg to create some documents to clarify the issue for committee members.

Mr. Crandall said that 86% of the US already has a tip credit, and that the concerns about implementation and complexity were misplaced. He said that restaurant owners were willing to take on that burden if they were given the opportunity.

Mr. Robinson outlined the ways that his restaurant had responded to the last state-wide minimum wage increase. He said that the only workers in his restaurant who earned the minimum wage were servers, who already earned an average of $21/hour in tips. The state increase in the minimum wage required his restaurant to raise menu prices by 33% over a period of three years. He said that for every 1% increase in price, he loses 2.3% in volume of purchases, which resulted in a $15,000 decrease in net profits, which he mitigated by getting rid of a staff party and a few other amenities.

Mr. Robinson said that in 2014, his cooks were averaging around $11/hour, while servers were averaging $24/hour including tips. When the state minimum wage was implemented, cooks then earned $12.65/hour, while workers have gone up to $30.72/hour.

A committee member said they would like to hear from the chef, Mr. Beavers. He said that there had always been a disparity between the back of the house and the front of the house. He said, since there was only a limited amount of revenue, the tip credits would allow the back of the house to receive raises. He said if the minimum wage went up, he would be forced cut labor and work more hours himself, and that restaurants across the board would do the same.

Mr. Crandall said he has been in the restaurant industry for 20 years, in a number of positions. He observed that the full-service tipped employees were a unique voice in the minimum wage conversation, since they were the only ones asking to *not* have their wages raised. He said that forcing his wage to be raised would take money away from people who don't work for tips. Mr. Crandall said that he preferred the tipped income because it gave him the flexibility to pursue other endeavors, like a music career and education. He said that tip culture created a closeness between him and his co-workers, and that the tips were a big part of what drew them altogether.

Mr. Crew said that in the full-service restaurant model, profit margins are extremely thin, averaging between 2-8%. This slim margin, he said, was why many restaurants end up failing. He gave an overview of a restaurant's budget—it is divided between cost of goods, operating expenses, and labor costs. He said that restaurant owners have always wanted a tip credit, because tipped employees are not minimum wage employees. Mr. Crew said from a labor management perspective, tipped employees have historically not been a big concern, since their wages were such a small percent of the labor budget. He said that no one in his restaurant earned a minimum wage except for the tipped employees.

Mr. Crew reviewed the rise in labor costs in his restaurant. In 2010, total labor cost was 35%, and by 2015 it had risen to 38%. In 2017, the labor cost had risen to 41%. These rises in costs had reduced net profit to 1-2%. He said that a full-service restaurant cannot pay its tipped employees $15/hour, that it would cause such a large rise in menu prices that customers would stop coming. Mr. Crew said that the number of full-service restaurants that had already closed in Saint Paul was a sign of what will happen in the future. He said that the tip credit would enable restaurants to remain open and viable.

A committee member asked the panel if they knew of any full-service restaurants in the Twin Cities that did not adequately pay their tipped workers. Ms. Schellenberg said that the City of Minneapolis had a survey[1] of 100 restaurants that showed the average tipped employee made $28.56/hour, and that there were no restaurants in the survey where a tipped employee made less than $20/hour with tips. Mr. Crew said that at his restaurant, the lowest paid server averages $28/hour. Ms. Schellenberg said that restaurants adjust staffing so that workers take home a decent amount of money. Mr. Robinson reiterated that the tip credit ensured that every employee makes at least the minimum wage.

A committee member expressed concern that the superwage would encourage some people to manipulate the system so that they stay just below the cutoff, which would ensure they get both the tips and the full $15/hour wage without a credit. Ms. Schellenberg said that compliance and enforcement would always be a concern, and that it won't be solved by any wage system. The committee member said that the superwage seemed to have a large amount of potential loopholes, since a server distributes a part of their tips to the support staff in cash. Mr. Crew said that 95% of all transactions at his restaurant are done by credit cards, so cash tips are usually not claimed, but make up a small percentage of the total tips. All credit card tips must be claimed, he said, and the systems that are already in place are capable of tracking tips for employees. He said that there are many more complex burdens for a restaurant owner than tracking tips, and that there were no loopholes or complications about tip credits.

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[1] This survey was discussed at the first Study Committee meeting on May 10, 2018. Discussion on the survey can be found in the meeting minutes, beginning with the last paragraph on page 13.

Mr. Crandall said that more restaurants were distributing tips to employees through their paychecks, which meant that if a person wanted to tip-out other support staff, it had to be done through a computer system that would track all of the money and create a paper trail.

The committee member asked if any other state has implemented a superwage. Ms. Schellenberg said there are none.

Another committee member asked the panel how full-service restaurant workers and patrons would be impacted if a tip credit was not included in a minimum wage ordinance. Mr. Robinson said that for his restaurant in Minneapolis, they were beginning to charge credit card fees to servers in order to process credit card tips. He had also cut 2,000 hours out of the labor schedule for his kitchen. Mr. Robinson said that at a certain point customers would not be willing to pay the higher prices that will be required by a higher minimum wage. He said that he had a plan to prepare for the higher minimum wage: he had paid down some of his debt in order to absorb some of the increases, but in 2021 he was planning on switching to a no-tipping model with a 20% service fee. At that point, Mr. Robinson said, he would pay his servers a flat $18/hour wage, and distribute the rest of the service fee to the back of the house and support staff. He would also include a 50% paid health insurance for employees, which would make the servers' effective compensation be $23/hour, which is a reduction from their current compensation of $31/hour.

A committee member asked the panel to elaborate more on the disparity between back of house and front of house employees. Mr. Beavers said that in general, back of house employees make substantially less than front of house, but management does the best they can to give them a living wage. Ms. Schellenberg said that, while the state of Minnesota does not allow tip pooling, her restaurant and many others have taken on a tip culture that lets the front of house employees share tips with the back of house employees, and that this allows back of house make around $20/hour. The committee member asked if the superwage would apply to back of house employees. Ms. Schellenberg said that front of the house employees are the ones that claim tips, so the superwage would only apply to them. The committee member asked if there was any interest in extending the superwage to back of the house employees to ensure they receive the proposed $19/hour. Mr. Crandall said that front of house employees wanted their support staff to receive as high a wage as could be afforded.

A committee member observed that it was unlikely that women in California are harassed twice as much as women in New York. They said that the statistic showing New York reported half as many sexual harassment claims as California was an issue of reporting harassment, rather than harassment existing in smaller amounts. The committee member said that a New York worker making a subminimum wage would not feel comfortable reporting harassment because they would lose the opportunity to receive a tip, while a California worker would report the harassment because they were assured they would still get paid a wage. They said the fact that New York reports less harassment than California supports the idea that a subminimum wage encourages women to report less harassment.

Ms. Schellenberg said that, in general, reporting sexual harassment was not a common practice, and that the data from the Restaurant Opportunities Center surrounding sexual harassment suggests that the majority of harassment comes from co-workers, not the client. The committee member expressed disbelief at the idea that women in California are harassed more than women in New York. Ms. Schellenberg said that suggestion was very speculative. The committee member said that it wasn't speculative, and that women are harassed everywhere, and harassed a lot. They said if there was a discrepancy in the data, then that suggested the data was likely skewed.

A committee member noted that the Citizens League had provided members with a summary of minimum wage laws in 51 jurisdictions, and the issue of tip credits was split almost evenly between those that include a tip credit and those that did not. They said that the community input the committee had received was also evenly split, with messages both in support and against a tip credit. The committee member asked the panel why there was such a split, given the passion with which the panel members spoke about the issue. Mr. Robinson said that the difference between full-service restaurant and other models was large, and that the voices opposing the tip credit were likely not people in the full-service industry. Ms. Schellenberg encouraged committee members to ask their servers and bartenders about the tip credit when they go out to eat.

Mr. Crandall said that the full-service industry is not divided. He said that the ROC and 15 Now campaigns were being paid to advocate against the tip credit, and that the supporters of a tip credit were people working in the industry. He said that the term "tip penalty" does not exist in any legal documents.

Ms. Schellenberg said there were only 7 states that did not have a tip credit. She said that there was a split between states that had a $2.13/hour tipped wage, and those with higher tipped wages. She said the Restaurant Workers of America were going to push for higher tipped wages in the states with a $2.13/ hour wage.

A Citizens League staff member reminded the committee that next week's panel would consist of workers, and that the following week would be a panel of people who oppose the tip adjustment. They also reminded the members that the committee included people on both sides of the issue, and they encouraged members to review the bio sheets and to reach out to those advocates on both sides if the members wished to learn more about the matter.

A committee member said, as a restaurant owner, they did not want a service fee model. They said that having the money run through the owner first is an opportunity for wage theft for bad owners, and it can prevent a good employee from receiving the wage they deserve. A tipped system gives the money to the employees who deserve the money and who work hard and represent the restaurant to customers. The committee member said they did not think it was right for the tips to be redirected away from the employees who earned them. They said in their own restaurants every week at least one or two employees would ask for a raise, and since there was a restaurant labor shortage, the member was obligated to give the raises. The committee member said that the natural economic forces were driving up the back of the house wages, and a service fee would disrupt this.

Mr. Crandall said that restaurants in Western states without a tip credit were using a service fee as one response to minimum wage ordinances, but other restaurants were moving to iPads and quick-service models. He said all of the ways that restaurants had responded meant less jobs with less hours for employees.

A committee member asked the panel if they thought that the tip model was the best model for restaurants, and if it wasn't, what other models were available.

Mr. Robinson said that in his restaurant, customers do not want to pay him more money, and that they would prefer to directly pay the server themselves. Even if the aggregate price remains the same, he said, the customer would prefer to give the money to the server instead of give it to him so that he can give it to the server. The committee member asked how Mr. Robinson knew this was the case. Mr. Robinson said he had seen less business as he raised his prices.

Ms. Schellenberg said that, without tipping, a full-service restaurant will never be able to pay the servers the amount of money they currently make.

Co-Chair Kyle thanked the panelists for giving the committee their time and their knowledge.

Mr. Stieber clarified the laws around a possible tip credit. He said that the City of Minneapolis explicitly prohibited a tip credit in their minimum wage ordinance, which indicated that it was a legal possibility. He said that he had talked with officials from the City of Saint Paul about the matter, however, and they encouraged the committee to not worry about the legal ramifications, but to focus on their recommendations and their perspectives as citizens.

A Citizens League staff member said that they would send out a survey to committee members in the following week, gauging whether the committee wished to have a future meeting centered on housing issues. The staff member also reminded the members that there will be times when the process is messy, and they encouraged members to be patient.

Co-Chair Kyle closed the meeting at 10:33.

Ratings: 4, 2.5, 2, 4, 4, 2, 3, 4, 3.5, 3.5, 4, 4, 3, 4, 5, 2. Average = 3.4