

OPINION

# Scott Weiner: With elimination of the tip credit, Chicago restaurants face an inhospitable climate



A server walks near diners on the Chicago Riverwalk on June 17, 2024. (Brian Cassella/Chicago Tribune)



By **SCOTT WEINER**

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This week marks the first phase of the elimination of the tip credit. With the holiday, the timing is ironic. At a moment when we celebrate the nation's independence, the restaurant industry in Illinois fears for its survival.

As of Monday, restaurants, bars, coffee shops, breweries and other food service businesses in Chicago face one of the most inhospitable business climates in the country.

We warned of the irreparable harm that the elimination of the tip credit would cause to workers' take-home pay. Every tipped employee already makes at least the minimum wage, and several studies have now shown that tipped workers have higher earning potential and earn more in the current system than they would with the tip credit eliminated. Under the current system, businesses pay a portion of the tipped employee's hourly minimum wage, with the rest being made up by tips to equal at least the full mandated minimum wage. The reason waiting tables in restaurants is a popular job is because servers have been earning double the minimum wage. Nationally, tipped servers have been making a median of \$27 per hour, which is close to four times the federal minimum wage.

We urged lawmakers to see that the elimination of the tip credit would result in thousands of workers losing their jobs. During discussions with Chicago legislators regarding the elimination of the tip credit, it became clear that many passionate supporters, while well-versed in political rhetoric, lacked a comprehensive understanding of the existing tip credit law and its practical implications. Since the City Council's vote, new data has surfaced. In May 2023, Washington became the first jurisdiction in the nation in more than 20 years to begin eliminating the tip credit. In a little over a year, more than 1,900 full-service restaurant jobs have been lost in that city alone. In April and May, a time when restaurants usually staff up for the summer, the number of jobs in full-service restaurants actually declined in Chicago, according to the Bureau of Labor Statistics, as restaurants are already battling steep declines in business and preparing for higher wages.

We cautioned about the new costs to consumers — because increasing input costs like this means menu prices have to go up. Those increases are already starting to happen as owners have been planning how to rebalance an 8% wage increase on a 3%-5% margin. It's a struggle to keep up with the pressures of just trying to stay afloat.

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Our warnings fell on deaf ears in Chicago. Instead of humility for the passage of a mistake, there are calls for victory laps around the tip credit implementation.

We have been relieved recently by prudence on the state level. Mayors have voiced sincere objections. Illinois legislators have been hesitant to heap additional labor challenges on neighborhood businesses. Workers throughout Illinois have shared their preferences. These public servants and workers understand that this policy change effectively hurts the heart and soul of what makes hospitality businesses special – the people.

There is one tactic that the out-of-state interests behind One Fair Wage have employed in recent days that is disingenuous. In their zealously for statewide elimination, these groups are now pitting city versus state with an argument that many servers will move from the suburbs to the city in pursuit of more optimal conditions.

Trying to create a wedge misses a critical point.

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The statewide elimination of the tip credit would make the entire state less competitive. If the tip credit is no longer an option, restaurant and hospitality owners will look beyond the state entirely and open businesses where conditions are far friendlier and easier to stay in business. For one of the state's biggest economic drivers and largest employers, this is too important to ignore. At the same time, workers should not have to uproot their families to secure a decent livelihood.

To that point, the interesting thing about independence is that it is foolproof. Where it flows, people follow. Where it disappears, people do too.

*Scott Weiner is the co-owner of the Fifty/50 Restaurant Group.*

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