



PREPARED BY CORCOM, INC.
Gateway Towers
320 Ft. Duquesne Blvd
Pittsburgh, PA 15222

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A SURVEY OF TIPPED RESTAURANT EMPLOYEES IN OHIO

THE IMPACT OF ELIMINATING THE TIP CREDIT ON INCOME AND JOB SECURITY

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Executive Summary

This fall (November 5, 2024), Ohio voters may decide on a ballot initiative that would eliminate the tip credit. Eliminating the tip credit means that restaurant employers would be responsible for paying tipped employees at least the full minimum wage (currently \$10.45 per hour) as a base wage, instead of using the current tip credit which allows tipped employees to be paid a base wage of at least \$5.25 per hour plus tips (while still guaranteeing the \$10.45 minimum if there were no tips).

Proponents of tip credit elimination have been critical of the tipping system and prefer a compensation arrangement where the hourly rate is higher, but tips are likely to be smaller as restaurants and bars would be forced to raise menu prices or impose a service charge, which would drive inflation for consumers. Opponents of tip credit elimination point out that tipped employees already earn more than the minimum wage when tips are included—and that changing the system could mean lower overall income for servers and bartenders.

After Washington, D.C. began phasing out the tip credit, hundreds of restaurant owners were forced to impose a mandatory service charge on customer checks to account for rising costs. Under federal law, mandatory service charges are part of the restaurant's sales and are different from direct tips to servers and bartenders.

To better understand the potential impact of eliminating the tip credit for Ohio's full-service restaurants' tipped employees, a survey of 990 servers, bartenders and other tipped staff was conducted in April 2024.

Key Findings

- A strong majority of tipped employees (91%) agree that the current tipping system works well for them and does not need to be changed (strongly agree, 75%; somewhat agree, 16%).
- Many agree they can maximize tips through excellent customer service (85%), earn more than minimum wage (77%), can make more money than a job in other sectors (69%) and have schedule flexibility (64%).
- Many (83%) tipped employees say they are earning \$20.00 per hour or more.
- If tipped wages are eliminated, most believe that tipped employees will earn less (91%) while fewer say they will earn more (5%) or earn the same (5%).
- A majority believe that customers are unlikely (85%) to continue tipping on top of any mandatory service charge (somewhat unlikely, 13%; very unlikely, 72%).
- A majority (93%) say they want the current system with a lower base wage and tips that provide the ability to earn more than the minimum wage, while 7% want a different system with a higher base wage, but a less certain outcome on tipped income for the server.

A Survey of Ohio Tipped Employees

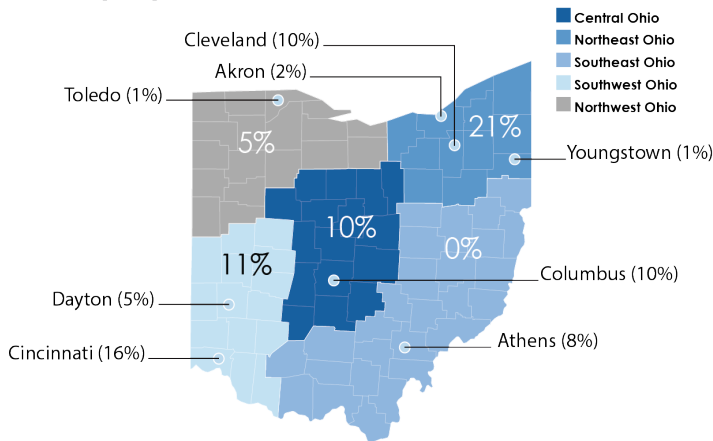
An online survey of 990 tipped employees currently working at full-service restaurants in Ohio was conducted in April 2024.¹

Participating restaurants, most of which members of the restaurant trade group coalition, distributed the survey to their tipped employees. This survey has a margin of error of three percent.

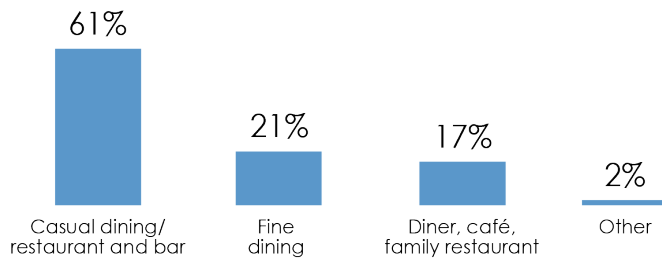
Table 1 provides a summary of the participants. Respondents have been employed for a variety of years, with 51% being employed for ten years or more. Others have been employed for 3-5 years (21%), 6-9 years (20%) or two years or less (8%). Most (61%) are employed in a casual restaurant, cafe or family restaurant. More are women (77%) than men (19%). A majority (79%) are ages 18-29 (44%) or 30-44 (35%). Most are white (86%). Respondents work in various parts of the state, with 21% working in Northeast Ohio. Others work in the city of Cincinnati (16%), Southwest Ohio (11%), Central Ohio (10%), city of Columbus (10%), city of Cleveland (10%), Athens (8%), city of Dayton (5%), Northwest Ohio (5%), city of Akron (2%), city of Youngstown (1%) or city of Toledo (1%).

¹Nicole Bruno, Hannah McCollum and Sabrina Amann-Ross of CorCom, Inc. conducted this study. CorCom, Inc. is a research and consulting firm headquartered in Pittsburgh, PA. It was founded by Dr. Lloyd Corder, who holds faculty appointments at Carnegie Mellon University and the University of Pittsburgh.

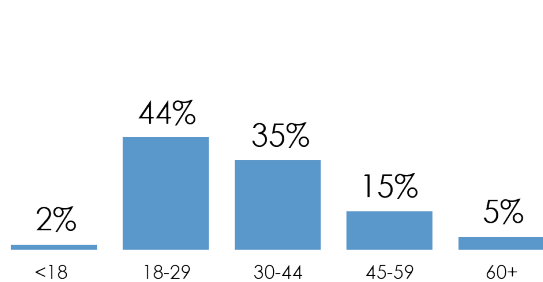
Table 1
Employee Profile



Which part of the state do you work in?



In what type of establishment are you employed?

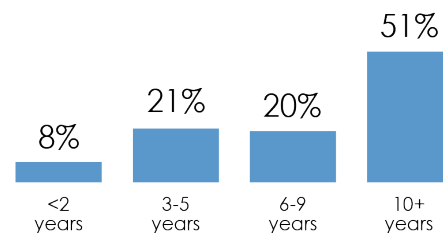


What is your age?



What is your gender?

How many years have you been employed in the restaurant industry?



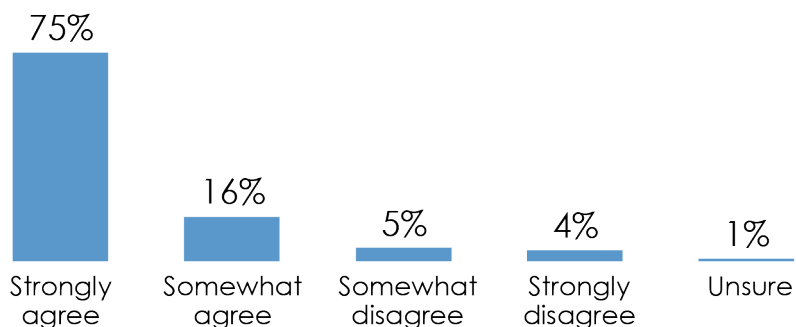
What is your ethnicity?

Support for the Current Tipping System

A strong majority of tipped employees (91%) agree that the current tipping system works well for them and does not need to be changed (somewhat agree, 16%; strongly agree, 75%) (Table 2). Fewer disagree (9%), with 5% “somewhat” disagreeing and 4% “strongly” disagreeing.

Table 2
Support for the Current Tipping System

How much do you agree with this statement, “The current tipping system works well for me and doesn’t need to be changed.”

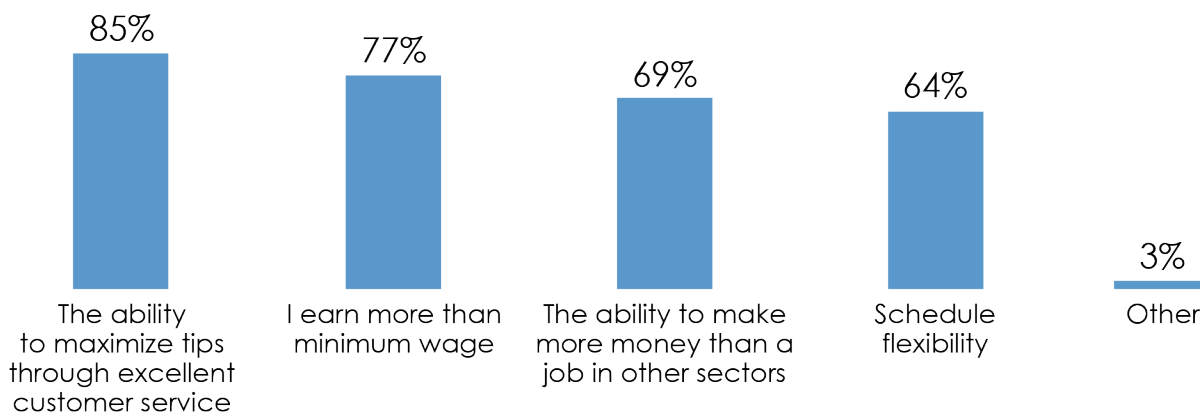


Benefits of the Current Tipping System

Tipped employees describe several benefits of the current tipping system (Table 3). Many agree they can maximize tips through excellent customer service (85%), earn more than minimum wage (77%), can make more money than a job in other sectors (69%) and have schedule flexibility (64%).

Table 3
Benefits of the Current Tipping System

What are the benefits of the current restaurant tipping system?

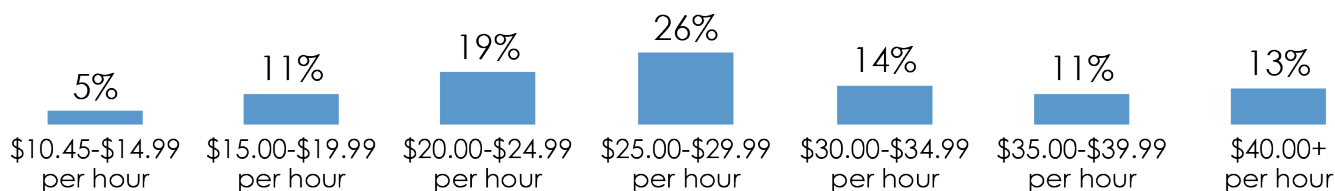


Current Hourly Tipped Income

Table 4 shows the percentage of tipped employees' combined average hourly wage with tips and base wage. Many (83%) tipped employees say they are earning \$20.00 per hour or more.

Table 4
Current Hourly Tipped Income

With tips and your base wage combined, what is your average hourly wage?



Tip Credit Elimination Impact

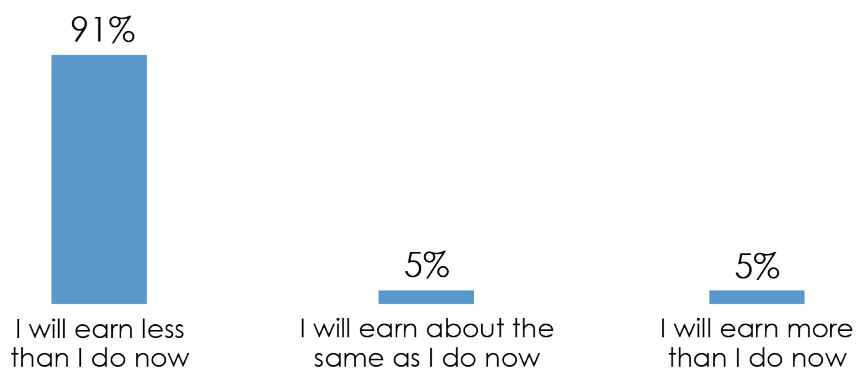
Tipped employees see several impacts from eliminating tipped income (Table 5). Topping the list, most believe that tipped employees will earn less (91%). Fewer say they will earn more (5%) or earn the same (5%).

A majority believe that customers are unlikely (85%) to continue tipping on top of any mandatory service charge (somewhat unlikely, 13%; very unlikely, 72%).

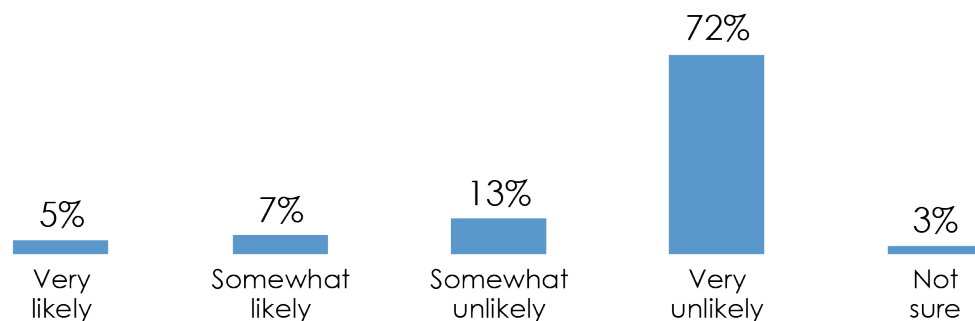
Table 5

Tip Credit Elimination Impact

If the tip credit were eliminated, which of the following do you believe to be true?



If the tip credit were eliminated, and restaurants and bars are forced to raise menu prices or impose service charges, how likely do you think customers are to continue tipping on top of higher prices or any mandatory service charge?

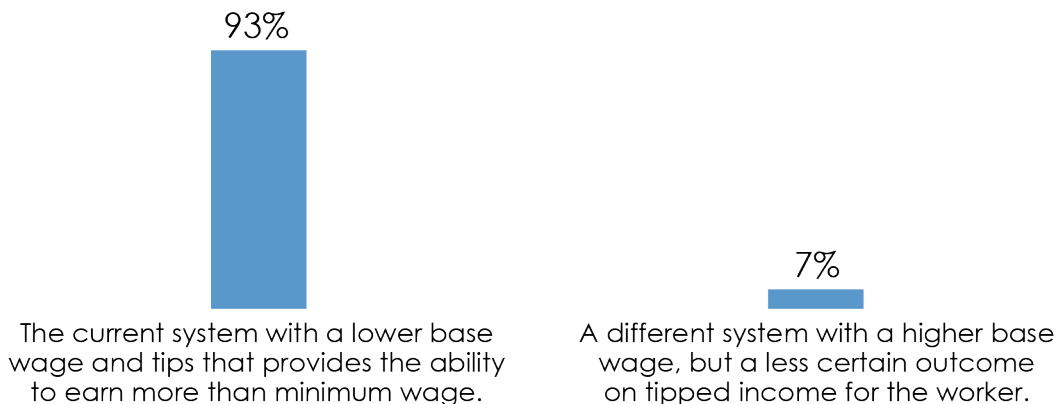


Compensation Preference

Table 6 provides the results of a question that asked tipped employees which compensation system they prefer. A majority (93%) say they want the current system with a lower base wage and tips that provide the ability to earn more than the minimum wage, while 7% want a different system with a higher base wage, but a less certain outcome on tipped income for the server.

Table 6
Compensation Preference

Which compensation system would you prefer?



Ohio Restaurant Tipped Employee Survey

1. Which category best describes your restaurant/hospitality employment during the past 12 months?
 - Server, bartender or another employee whose tips comprise most of their income
 - Non-tipped or occasionally tipped restaurant employee (dishwasher, kitchen, etc.) (terminate)
 - Not currently working at a restaurant, but did within the past 12 months (terminate)
 - Restaurant management (terminate)
 - I have not worked in the restaurant industry in the past 12 months (terminate)
2. Which state is your restaurant located in? [drop down of all 50 states – terminate if not Ohio]
3. Which city or town is your restaurant located in? _____
4. How much do you agree with this statement, “The current tipping system works well for me and doesn’t need to be changed.”
 - Strongly agree
 - Somewhat agree
 - Somewhat disagree
 - Strongly disagree
 - Unsure
5. What are the benefits of the current restaurant tipping system? Select all that apply.
 - I earn more than minimum wage
 - The ability to maximize tips through excellent customer service
 - Schedule flexibility
 - The ability to make more money than a job in other sectors
 - Other: _____
6. With tips and your base wage combined, what is your average hourly wage?
 - \$10.45-\$14.99/hour
 - \$15.00-\$19.99/hour
 - \$20.00-\$24.99/hour
 - \$25.00-\$29.99/hour
 - \$30.00-\$34.99/hour
 - \$35.00-\$39.99/hour
 - \$40.00/hour or more

Impact of the Elimination of Tip Credit

This fall, Ohio voters may decide on a ballot initiative that would eliminate the tip credit. Eliminating the tip credit means that your employer would be responsible for paying tipped employees at least the full minimum wage (currently \$10.45 per hour) as a base wage, instead of using the current tip credit which allows tipped employees to be paid a base wage of at least \$5.25 per hour plus tips (while still guaranteeing the \$10.45 minimum if there were no tips).

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7. If the tip credit were eliminated, which of the following do you believe to be true?

- I will earn less than I do now
- I will earn more than I do now
- I will earn about the same as I do now

8. If the tip credit were eliminated, and restaurants and bars are forced to raise menu prices or impose service charges, how likely do you think customers are to continue tipping on top of higher prices or any mandatory service charge?

- Very likely
- Somewhat likely
- Somewhat unlikely
- Very unlikely
- Not sure

9. Which compensation system would you prefer?

- The current system with a lower base wage and tips that provides the ability to earn more than minimum wage.
- A different system with a higher base wage, but a less certain outcome on tipped income for the server.

10. How many years have you been employed in the restaurant industry?

- 2 years or less
- 3-5 years
- 6-9 years
- 10+ years

11. In what type of dining establishment are you employed?

- Casual dining/restaurant and bar
- Diner, café, family restaurant
- Fine dining
- Other: _____

12. What is your gender?

- Woman
- Man
- Non-binary
- Prefer to self-describe
- Prefer not to say

13. What is your age?

- Younger than 18
- 18-29
- 30-44
- 45-59
- 60 or older

14. What is your ethnicity? Select all that apply.

- American Indian or Alaskan Native
- Asian
- Black/African American
- Hispanic/Latino/a/x
- White
- Prefer to self-describe
- Other: _____
- Prefer not to say

15. What part of the state do you work in?

- City of Columbus
- Central Ohio – counties: Hardin, Union, Madison, Fayette, Wyandot, Marion, Delaware, Franklin, Pickaway, Crawford, Morrow, Richland, Knox, Licking, Fairfield, Ashland
- City of Cleveland
- City of Akron
- City of Youngstown
- Northeast Ohio – counties: Ashtabula, Trumbull, Mahoning, Lake, Geauga, Portage, Stark, Cuyahoga, Summit, Lorain, Medina, Wayne
- Athens
- Southeast Ohio – counties: Highland, Adams, Ross, Pike, Scioto, Hocking, Vinton, Jackson, Lawrence, Perry, Gallia, Holmes, Coshocton, Muskingum, Morgan, Athens, Meigs, Tuscarawas, Guernsey, Noble, Washington, Carroll, Harrison, Belmont, Monroe, Columbiana, Jefferson
- City of Cincinnati
- City of Dayton
- Southwest Ohio – counties: Darke, Preble, Butler, Hamilton, Shelby, Miami, Montgomery, Warren, Clermont, Logan, Champaign, Clark, Greene, Clinton, Brown
- City of Toledo
- Northwest Ohio – counties: Williams, Defiance, Paulding, Van Wert, Mercer, Fulton, Henry, Putnam, Allen, Auglaize, Lucas, Wood, Hancock, Ottawa, Sandusky, Seneca, Erie, Huron

16. Do you want to be contacted for opportunities to speak up about the tipped wage?

- Yes
- No

17. Please provide your first and last name, phone number, email and your residential and work Zip Code to be contacted.

About the Author

Dr. Corder is the founder and CEO of the strategic marketing research firm CorCom, Inc., where he has conducted 3,000+ full scale research projects for many leading international, national and regional companies. He teaches at Carnegie Mellon University and the University of Pittsburgh.

Prior to starting his own company, he was vice president at Ketchum Public Relations, one of the top-three world-wide PR firms. He is a frequent keynote, convention and motivational speaker and has appeared on business-oriented radio and television programs.

Dr. Corder's studies have been published in more than 500 magazines and newspapers. He has trained 10,000+ professionals and senior managers, frequently working with several hundred leaders from the same organization to train all of them on how to design and deliver better sales and technical presentations.

He has a B.A. from the University of Kansas and an M.A. and Ph.D. from the University of Pittsburgh.

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