

Testimony of Jim Fris—CEO of PJW Restaurant Group

Thank you for taking the time today to hear my testimony. First, I would like to introduce myself and our company, The PJW Restaurant Group. My name is Jim Fris and I am the CEO of the PJW restaurant group. We operate 26 restaurants with 16 of those restaurants in PA. Our main brand is PJ Whelihan's. We also operate the Pour House and The Chophouse Grill.

In the state of Pennsylvania, we employ over 1500 people. Our growth plan over the next 5 years is 5 new restaurants per year with most of those restaurants located in our great state of Pennsylvania. Why in Pennsylvania? Because Pennsylvania is business friendly. Taxes are reasonable, liquor licenses are affordable, there are plenty of opportunities, the labor pool is strong and most importantly wages are fair.

I would like to focus today on a specific part of Governor Wolf's wage proposal and that is the tip wage. The tip wage today in PA is \$2.83 per hour. There are people out there that really believe that employees are paid \$2.83. They do not understand that we always, by law, must make up the difference between the tip wage and the minimum wage. No one ever makes \$2.83. No server can ever legally earn less than the minimum wage, period. In every state and city in the United States, servers must earn the minimum wage, and most earn significantly more. 43 states and the District of Columbia allow restaurants to take what is called a "tip credit" where servers are paid a certain amount as a base wage and then earn money in tips. If the combination of the server's base wage and tips does not meet or exceed the local minimum wage, then the restaurant must make up the difference to guarantee the server makes the minimum wage.

Many servers make much more than the minimum wage and typically earn between \$19-\$25 per hour with some earning significantly more. At our company, tipped employees earn an average of \$25 to \$28 per hour. The tip credit system incentivizes servers to deliver excellent service, enables customers to reward servers for great service, and allows restaurants to keep labor costs in line. I think I can speak for all our tipped employees that they do not want to go backwards. \$15 per hour for tipped employee does not work at any level.

What will the elimination of the tip wage cause? It will force automation and consumer price increases. Restaurant operators will have to cut hours and benefits and reduce hiring. Very simply the elimination of the tip wage will be a job killer. Restaurant operators will have to bring in new technologies such as tabletop ordering in order to survive.

The American tipping system benefits employees, customers, and restaurants. The most important aspect of tipping is that servers support the current tipping system. Tipping provides an incentive for exceptional customer service that creates unlimited potential earning for tipped employees.

There are many myths associated with the tipped wage. 1. Restaurant owner steal tips. 2. Employees are paid a sub minimum wage. 3. Customers subsidize wages. I will elaborate on each of these points during my testimony.

What does an increase in the tipped wage mean to our company? For every \$.50 that the tipped wage increases it will cost our company \$400,000 annually. So, let's do simple math, if we raise the tip wage from \$2.83 to \$15.00 that will cost our company \$8.4M and virtually put us out of business after this devastating pandemic.

We all know there will be a change in the minimum wage. But, since employers must always bring tipped employees up to at least the minimum wage why would we ever change the tipped wage.

In closing, the past year has been devastating to all restaurants in PA. Now is not the time to raise the tip wage.