

GUBANC'S, INC. | THE BABICA HEN, LLC | HARVEST HEN, LLC

Joseph M. Buck | President & Managing Member

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OREGON SENATE WORKFORCE COMMITTEE

VIA E-MAIL

RE: SB 1532

Honorable Senators:

I am a business owner with three full-service restaurants and a small inn. Two of my businesses are located in Lake Oswego and two others are located in Dundee. I grew up in the restaurant business and my educational and professional background is in public accounting. I am also a member of the Lake Oswego City Council. I am not an economist and cannot speak to the overall economic effect the Governor's proposed minimum wage package will have, but I can certainly share how the increase will impact my businesses and employees.

Restaurants face an inherent disparity in the earnings of front-of-the-house employees (servers, bartenders, etc.) and back-of-the-house employee (line cooks, prep cooks, dishwashers) due to the laws surrounding the sharing of gratuities. The only employees paid the minimum wage in my businesses are tipped employees. With gratuities, however, my servers earn an average hourly rate of \$27.50. Bussers and hostesses (typically high school students) earn an average hourly rate of \$15. The average back-of-the-house worker starts at around \$12 per hour with the typical worker making \$14 per hour. With the laws surrounding gratuities severely limiting a restaurant's ability to allow for a more equal sharing of gratuities among all staff and a lack of a tip credit in the Governor's package, this proposal gives a significant increase in pay to the workers in my businesses already earning the most money and does little to nothing for the lowest earners. The income disparity is a topic that should be addressed, but this proposal is not the answer. Any solution to the earnings gap specific to restaurants needs to be thoughtfully planned and implemented over time.

Some of my colleagues have taken it upon themselves to equalize pay between the different classifications of restaurant workers by eliminating tipping in favor of higher menu prices. If such a move is to truly close the earning disparity, though, it results in a reduction of earnings for front-of-the-house workers for no front-of-the-house worker will continue to earn the \$27 per hour they currently enjoy with gratuities. With a drastically higher minimum wage and no tip credit, however, restaurants have little choice but to raise prices and eliminate tipping in order to afford the drastic increase in labor cost. In my restaurants certain positions would be cut all together. For instance I would not hire high school students to host and buss tables and would instead give those responsibilities to the adult servers. Many of our tipped employees are part-time workers attending college or a trade school. In order to support themselves they would need to work a more full-time schedule which would preclude their ability to continue with their education. The simple fact that restaurant service work hours follow American dining habits limits the total hours available to work. Over time perhaps restaurant work would attract a different work force than it does now. **Please make no mistake than this drastic a change in the minimum wage as proposal by the Governor would be a complete upset to the structure of my industry.**

Furthermore, the above consequences are a best case scenario reserved for those restaurants able to remain in business. Demand in our industry is highly elastic. The economy supports only a certain price point. Restaurants do not earn profit margins anywhere near large enough to shoulder the increase in personnel costs that would result from the approval of this proposal. A typical high quality restaurant experiences between 25-30% food cost, 44% labor cost and 15% in overhead (percentages of gross revenue). With lower volume labor cost especially can be a much high percentage of revenue. In the most auspicious conditions restaurants are able to make approximately 10% profit for new capital improvements, to provide employee benefits, employee bonuses and for



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return on investment. A large increase in prices is the only way to afford the proposed changes. How the consumer reacts to an increase may only be speculated based on current habits, but this proposal is a serious gamble that puts all of Oregon's restaurants and their employees in peril.

I realize that a drastic increase to the minimum wage appears to some of your constituents as a seemingly obvious solution to an increase in the cost of living, but it is the duty of those of us in public service to educate voters on the real impacts such a decision will have. Jobs will be lost, some forever, and our economy will not be strengthened. As a hospitality entrepreneur I want to ensure the creation of good jobs for a variety of skills, ages and abilities. Let the public, elected leaders and Oregon's business community work together towards solutions that benefit all and that fit the variety of industries and workers present in the State. The legislation before you is not that type of solution.

Sincerely,



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