



# City of Chicago



O2018-6121

Office of the City Clerk

## Document Tracking Sheet

**Meeting Date:** 7/25/2018

**Sponsor(s):** Burke (14)  
Laurino (39)

**Type:** Ordinance

**Title:** Amendment of Municipal Code Section 1-24-030 by  
modifying minimum hourly wage for occupations receiving  
gratuities

**Committee(s) Assignment:** Committee on Workforce Development and Audit

ORDINANCE

WHEREAS, the City of Chicago is a home rule unit of government pursuant to the 1970 Illinois Constitution, Article VII, Section 6(a); and

WHEREAS, pursuant to its home rule power, the City of Chicago may exercise any power and perform any function relating to its government and affairs including the power to regulate for the protection of the public health, safety, morals, and welfare; and

WHEREAS, the federal minimum wage for regular non-tipped employees has remained stagnant for over two decades at \$7.25 an hour and \$2.13 an hour for tipped employees; and

WHEREAS, state governments throughout the country have been discussing possible legislative actions to bring parity to the wages for tipped and non-tipped employees; and

WHEREAS, for example, seven (7) states, Alaska, California, Minnesota, Nevada, Oregon, Washington and Wisconsin, mandate that tipped workers be paid at least the same minimum wage as non-tipped employees; and

WHEREAS, New York appears to be the next state to join this trend, Governor Cuomo recently announced that he will hold hearings to explore implementing a single statewide minimum wage for all workers; and

WHEREAS, a study conducted by Michael Paarlberg and Teofilo Reyes, between the New York and Pennsylvania workforces along the state's border found that on aggregate, in the year following the tipped-minimum hike, those New York border counties saw workers' take-home pay go up an average of 7.4 percent and employment go up 1.3 percent, compared with Pennsylvania border counties, which saw a pay increase of 2.2 percent and a decline in employment of 0.2 percent; and

WHEREAS, the Chicago City council cannot bring into effect a statewide minimum wage, but can effectively ensure that tipped employees within the corporate limits of the City are paid fair wages; and

WHEREAS, almost 13 percent of tipped workers are in poverty, compared with approximately 6 percent of non-tipped employees, according to a 2014 joint report by the Economic Policy Institute and the Center on Wage and Employment Dynamics at the University of California, Berkeley; and

WHEREAS, the so-called "two-tiered" wage system exposes tipped workers to disproportionate levels of poverty and financial uncertainty; and

WHEREAS, according to the Bureau of Labor Statistics, there are an estimated 2 million people working as restaurant servers in the United States, and roughly 70 percent of them are women; and

WHEREAS, Restaurant Opportunities Centers United, an advocacy group, reports it has found that service employees in the states that require the same minimum wage for everyone all workers, reported lower levels of harassment than states that did not; and

WHEREAS, a Chicago Tribune article from March 2018 stated that wait staff said “that if they were less reliant on tips, it might change a workplace culture that is conducive to abuse, and not just from customers;” and

WHEREAS, a wage structure that leaves workers dependent on tips often forces them to put up with harassment and abusive behavior from their customers in fear of not being paid; and

WHEREAS, the City of Chicago has remained at the forefront of the #MeToo movement and passed a “Hands Off, Pants On” ordinance to provide panic buttons and ensure hotel staff was safe from sexual harassment at work; and

WHEREAS, fair wages and less dependency on tips may similarly help workers from other service industries feel empowered to discontinue service if they feel uncomfortable or threatened by a customer’s actions; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. The above recitals are expressly incorporated herein and made part hereof as though fully set forth herein.

SECTION 2. Chapter 1-24 of the Municipal Code of Chicago is hereby amended by amending section 1-24-030 as follows:

1-24-030 Minimum hourly wage in occupations receiving gratuities.

(a) Every Employer of a Covered Employee engaged in an Occupation in which Gratuities have customarily and usually constituted part of the remuneration shall pay no less than the following Wages to each Covered Employee for each hour of work performed for that Employer while physically present within the geographic boundaries of the City:

- (1) Beginning on July 1, 2015, the greater of: (A) the minimum hourly Wage set by the Fair Labor Standards Act for Tipped Employees, plus an additional \$0.50 per hour; or (B) the minimum hourly Wage set by the Minimum Wage Law for workers who receive Gratuities, plus an additional \$0.50 per hour.
- (2) Beginning on July 1, 2016, the greater of: (A) the minimum hourly Wage set by the Fair Labor Standards Act for Tipped Employees, plus an additional \$1.00 per hour; or (B) the minimum hourly Wage set by the Minimum Wage Law for workers who receive Gratuities, plus an additional \$1.00 per hour.
- ~~(3) Beginning on July 1, 2017, and on every July 1 thereafter, the greater of (A) the minimum hourly Wage set by the Fair Labor Standards Act for tipped workers; (B) the minimum hourly Wage set by the Minimum Wage Law for workers who receive~~

~~Gratuities; or (C) the City's minimum hourly Wage from the previous year for workers who receive Gratuities, increased in proportion to the increase, if any, in the CPI, provided, however, that if the CPI increases by more than 2.5 percent in any year, the City minimum Wage increase for workers who receive Gratuities shall be capped at 2.5 percent, and that there shall be no City minimum Wage increase for workers who receive Gratuities in any year when the unemployment rate in Chicago for the preceding year, as calculated by the Illinois Department of Employment Security, was equal to or greater than 8.5 percent. Any increase pursuant to subsection 1-24-030(a)(3)(C) shall be rounded up to the nearest multiple of \$0.05. Any increase pursuant to subsection 1-24-030(a)(3) shall remain in effect until any subsequent adjustment is made. On or before June 1, 2017, and on or before every June 1 thereafter, the commissioner shall make available to Employers a bulletin announcing the City's minimum hourly Wage for the upcoming year for workers who receive Gratuities.~~

(3) Beginning on July 1, 2019, the equivalent of seventy percent (70%) of the Minimum Hourly Wage listed in Section 1-24-020 of the Municipal Code of Chicago.

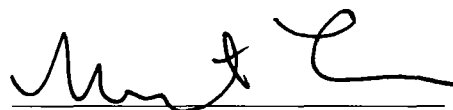
(b) Each Employer that pays a Covered Employee the Wage described in subsection 1-24-030(a) shall transmit to the commissioner, in a manner provided by regulation, substantial evidence establishing: (1) the amount the Covered Employee received as Gratuities during the relevant pay period; and (2) that no part of that amount was returned to the Employer. If an Employer is required by the Minimum Wage Law to provide substantially similar data to the Illinois Department of Labor, the commissioner may allow the Employer to comply with this subsection 1-24-030(b) by filing a copy of the state documentation.

SECTION 3. The provisions of this ordinance are declared to be separate and severable. The invalidity of any provision of this ordinance, or the invalidity of the application thereof to any person or circumstance, shall not affect the validity of the remainder of this ordinance, or the validity of its application to other persons or circumstances.

SECTION 4. This ordinance shall be in full force and effect 30 days after its passage.



Edward M. Burke  
Alderman, 14<sup>th</sup> Ward



Margaret Laurino  
Alderman, 39<sup>th</sup> Ward

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