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Massachusetts Minimum Wage Changes For Tipped Employees

By Dave Robinson, Esq. on January 18, 2019



Starting January 1, 2019, the “Grand Bargain” Law, in addition to increasing the minimum wage from \$11 to \$12 per hour, changed both the tip credit employees receive and how tip credit is calculated. The changes in calculation could have a significant impact on restaurant’s payroll practices in the short term.

The tip credit allows employers to pay tipped employees at a reduced hourly rate (which effective January 1, 2019 has increased from \$3.75 to \$4.35 per hour), provided that the tips an employee receives average out to be at least equivalent to the state minimum wage. Under the old law, employers were permitted to calculate the average hourly rate based on the entire pay period. However, under the “Grand Bargain” Law, employers are now required to calculate the rate for each shift that an employee works. In other words, an employer cannot use a busy (i.e. high tip) shift to offset the slow days during the pay period. Rather, they must calculate the average rate for each shift.

Restaurants should alter their payroll practices immediately to ensure that an employee receives the minimum wage for each shift. Payroll and software providers may not be able to accommodate this change immediately, so employers should handle the calculations each shift manually (and retain the documentation of the calculations) to ensure that tipped employees are receiving at least the minimum wage under the new law.

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