

## **STATEMENT OF CARL SOBOCINSKI**

**“Should Taxpayers Subsidize Poverty Wages at Large Profitable Corporations?”**

### **HEARING BEFORE THE SENATE BUDGET COMMITTEE**

**February 25, 2021**

Mr. Chairman, Ranking Member Graham, and Committee Members:

Thank you for the invitation to testify. I am the founder and president of Table 301 Restaurant Group, in Greenville, South Carolina, where I have worked tirelessly, for over 20 years, to build and develop our company. I have nine signature restaurants across the city and employ 310 team members. On May 1<sup>st</sup> we will open our 10<sup>th</sup> restaurant and employ an additional 60 employees. Our goal is to provide guests with an exceptional dining experience that exceeds their expectations.

I am passionate about the restaurant industry and its people. As a Clemson University student, pursuing an architecture degree in the late 1980's, I started working part-time bussing tables at a local restaurant. My hard worked allowed me to work my way up to manager and then I took a stint in the kitchen rising from dishwasher to sous chef in 18 months. In the early-90s, I put my architecture degree aside, incurred substantial debt, and on a shoestring budget took a leap of faith in opening my first restaurant, called The 858. Four years later, I opened Soby's New South Cuisine in a renovated mid-nineteenth-century building in downtown Greenville, and the rest is history.

Restaurants are often the cornerstones of their communities. Greenville is no exception. I am fortunate to live in an area where people care about each other and value community service and giving back. That is why my exit strategy from the industry includes a plan for “paying it forward” for the next generation of restaurateurs.

That plan has, and will continue to allow Table 301 associates to become independent business owners. As of today, I have sold three restaurants to three of our mangers and chefs, who have worked incredibly hard over the years. These dedicated team members share my passion for good food and hospitality and are deserving of the American dream to run their own business. For example, Jorge Barrales started as a dish washer with us, and worked his way up to Prep Cook, Line Cook, and Kitchen Manager. Jorge is now the proud owner of Papi's Tacos in Greenville. I hope to leave behind a series of successful restaurant operators like Jorge, who will set the table for the next generation of chefs and entrepreneurs.

I want my work to remain impactful and meaningful. Our company has donated more than \$2 million to the community. Over the years, I have received several philanthropic awards, most recently, a Visionary Leadership Award recognizing lifelong service to others, and The Order of the Palmetto, the highest civilian honor granted by the State of South Carolina.

Ironically, I received these awards last year, during the COVID-19 pandemic that has ravaged our industry. Restaurants were the first to shut down and will sadly be among the last to recover. During the course of the pandemic, I had to furlough 85% of our employees, lost 90% in sales during the stay at home order, and finished 2020 with gross sales down 35% for our group. When our Governor re-opened restaurants for outdoor dining on May 11, 2020, we reduced our sales losses from 90% to 60% and gradually worked our way back by year-end to a 30% shortfall in the month December. We were very fortunate in South Carolina to have a moderate climate allowing for outdoor dining up to late November. This allowed many South Carolina restaurants to weather this Pandemic better than many of my counterparts around the country.

According to recent National Restaurant Association data, between March 2020 and January 2021, restaurant sales were down \$255 billion from expected levels. Seventeen percent of restaurants – about 110,000 – are closed permanently or long-term. Alarming, the industry is still down 2.5 million jobs from the pre-coronavirus level.

Mr. Chairman, despite the devastating impacts of the pandemic, I remain optimistic and enthusiastic for our industry's recovery, but it will be a long and complicated road. That is why I cannot understand how Congress would consider the "Raise the Wage Act," in the middle of a pandemic. The legislation calls for a 100% increase in the federal minimum wage, over 5 short years, and a 600% increase in the federal tip wage. I encourage Senators to rethink the effort to fast track this proposal in a bill targeted at keeping businesses open and people in jobs, rather than spurring closures and layoffs.

That said, I do not oppose a common-sense increase in the federal minimum wage. One that recognizes that economic realities differ across the country – \$15 in New York City is not the same as in my hometown of Greenville. Minimum Wage is not a "one size fits all" issue. Moreover, when my entry level worker – for instance, a teenager on their first day – gets \$15 per hour versus our current starting wage of \$10 per hour, it will inflate the wages for all my workers, who will rightfully expect to be paid more. Entry level wages going from \$10 per hour to \$15 per hour is a 33% increase. Taking every hourly associate up 33% raises our payroll expense \$33,000 on every \$100,000 in current payroll. It also costs another \$4,000 in employer taxes, Workers Compensation insurance, directly tied to payroll reports will increase, as will the cost of benefits offered such as 401k.

What is the most alarming to me is that the "Raise the Wage Act" would eliminate a separate tip wage, destroying the very business model that restaurants across the nation rely upon. Restauranters, customers, and servers themselves overwhelmingly support this system. Tipped employees want to preserve the tip credit because the commissioned based work allows them to vastly increase their earning potential and provides flexibility. My tipped workers earn, on an average \$22.25 per hour. And that is not out of the norm. Nationally the median hourly earnings of servers is between \$19 and \$25 per hour, depending on their level of experience and salesmanship. That is why in states and localities across our country, when there were attempts to eliminate the tip credit, employees aggressively fought back. You don't have to look far for an example. How

about right outside your window, in DC, where servers and others successfully fought to preserve the existing tip credit system. This has happened over-and-over again across the nation, and yet you disregard the very people who this would affect.

While every market is different and unique, through my conversations with colleagues across the country, I know how most in our industry would have to react if the “Raise the Wage Act” is enacted. We would have to increase menu prices, reduce employment, cut benefits, limit hours, potentially eliminate entry level jobs such as bussers and food runners and automate as much as possible, just to survive. Additionally, restaurants may add a service charge to checks, in lieu of tipping. I can assure you that is not what servers want.

Restaurants are struggling to survive, dealing not only with the pandemic, but reduced capacity that is testing their ability to remain solvent. Please, don't add to these overwhelming challenges. Restaurant jobs will be critical to our nation's recovery. I know what it is like to have to shut down restaurants. Despite my best efforts, I've had to permanently close one of mine in 2009, and another in 2013, when we just couldn't make the numbers work. I can assure you that there are few things more difficult in life than telling your teammates and customers that, regrettably, you have to shut the doors forever.

Bottom line, the “Raise the Wage Act” is predicted to result in 1.4 million job losses – with a one-in-three chance of that number rising to 2.7 million job losses. These aren't just statistics on a piece of paper. These are real people who may lose their jobs. Individuals whose livelihoods could be taken away – those the “Raise the Wage Act” is purported to help.

I urge you to abandon this reckless fast-tracked approach and instead have a real and honest conversation with us and small business owners on devising a responsible wage increase that will provide opportunities for workers without eliminating jobs for far more than would be helped. You can do better than this. You must do better than this.

Mr. Chairman, thank you again for the opportunity to testify. I would be happy to answer any questions you or other members of the Committee may have.