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**Testimony Before the Labor and Public Employees Committee
January 31, 2013**

SB 387 AA Increasing the Minimum Fair Wage

The Connecticut Restaurant Association represents over 500 restaurants and affiliated businesses across the state. Our members range from quick serve to casual to fine dining establishments. The Connecticut hospitality industry employs 145,000 people, making up 9% of the workforce. Restaurants are a driving force in the state’s economy and generate tremendous tax revenue. The restaurant industry operates on extremely thin profit margins, earning roughly 4 cents in profit for every \$1 in sales.

The CRA opposes SB 387, AA Increasing the Minimum Fair Wage. Connecticut’s current minimum wage of \$8.25 is already the 4th highest in the nation. Any mandated increase to costs, in addition to increases in the cost of commodities, will undoubtedly damage an already fragile industry.

While many states have a server wage that is completely separate from the minimum wage, Connecticut allows employers to pay employees who earn gratuities a lesser wage than minimum wage, as long as that wage plus the gratuities received equals or exceeds the minimum wage. This is commonly referred to as the tip credit. Connecticut’s current tip credit for servers is 31% of the minimum wage and 11% of the minimum wage for bartenders. This equates to a \$5.69 per hour wage for servers and a \$7.34 per hour wage for bartenders. The table below shows the current minimum, server and bartender wages, along with the corresponding increases according to SB 387.

| | January 1, 2013 | July 1, 2013 | July 1, 2014 |
|----------------|----------------------------|-----------------------------|----------------------------|
| Minimum Wage | \$8.25 | \$9.00 | \$9.75 |
| Server Wage | \$5.69 Tip Credit – 31% | \$6.21 Tip Credit – 31 % | \$6.73 Tip Credit – 31% |
| Bartender Wage | \$7.34 Tip Credit – 11% | \$8.01 Tip Credit—11% | \$8.68 Tip Credit –11% |

To put Connecticut’s \$5.69 server wage in perspective, there are 34 states with a server wage in the \$2-\$3 range. Connecticut’s servers are already making as much as \$3.54 more than their counterparts in these states. This proposal would mandate a raise is given to employees earning upwards of \$15, \$20, \$25 per hour (with tips.)

Wage mandates are an ineffective way to reduce poverty and cause restaurant operators to make very difficult decisions, including the elimination of jobs, cutting staff hours, or increasing prices. These decisions end up hurting the very employees that wage increases are meant to help. SB 387 will undoubtedly have a negative effect on hundreds of small businesses and employees in Connecticut. We urge you to reject this proposal.