

CONNECTICUT
Restaurant
ASSOCIATION

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Testimony Before the Labor and Public Employees Committee
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SB 32 AAC Working Families' Wages

The Connecticut Restaurant Association represents over 600 restaurants and affiliated businesses across the state. Our members range from quick serve to casual to fine dining establishments. The Connecticut hospitality industry employs an estimated 145,000 people, making up 9% of our states' workforce. Restaurants are a driving force in the state's economy and generate tremendous tax revenue. The restaurant industry operates thin profit margins, earning roughly 4 cents in profit for every \$1 in sales.

The CRA opposes SB 32, AAC Working Families' Wages. Connecticut's current minimum wage, which was increased on January 1, 2014 to \$8.70 and is scheduled to increase again on January 1, 2015 to \$9.00, is already one of the highest in the nation. We suggest the state not consider any additional increases in the minimum wage until the impact of Public Act No. 13-117 is fully realized. Another mandated increase to costs, in addition to increases in the cost of commodities, will undoubtedly damage a still fragile industry.

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 34.6% of the minimum wage and 15.6% 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. This bill does not increase the tip credit, therefore server and bartender wages would increase to \$6.38 and \$8.23, respectively.

To put Connecticut's current \$5.69 server wage in perspective, there are 33 states with a server wage in the \$2.13-\$3.98 range. This proposal would mandate a wage increase is given to employees earning upwards of \$15, \$20, \$25 per hour (with tips.)

Attached is a wage map of the United States which provides both the minimum and tipped wages for each state. (In New York, servers are classified as food service workers and are paid \$5.00 per hour as long as their wage plus their tips exceeds the minimum wage.) Note Connecticut's minimum and tipped wage compared to most other states. This map does not take into account the increase that will take place on January 1, 2015.

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 32 will have a negative effect on small businesses and employees in Connecticut. We urge you to reject this proposal.
