



TESTIMONY
OF
NATIONAL EMPLOYMENT LAW PROJECT

ON
GOVERNOR'S BILL NO. 32

AN ACT CONCERNING WORKING FAMILIES' WAGES

FEBRUARY 18, 2014

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Good afternoon and thank you for the opportunity to testify today.

The National Employment Law Project is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country, and we partner with federal, state and local lawmakers on a wide range of workforce issues.

Across the country, our staff are recognized as policy experts in areas such as unemployment insurance, wage and hour enforcement, and, as is relevant for today's hearing, minimum wages. We have worked with dozens of state legislatures across the country and with the U.S. Congress on measures to restore a strong minimum wage.

NELP testifies today in support of Governor's Bill No. 32, which would raise Connecticut's minimum wage to \$9.60 an hour effective January 1, 2016, and to \$10.10 an hour effective January 1, 2017.

NELP also testifies in support of strengthening Connecticut's tipped minimum wage. When the Legislature last spring approved a modest increase in the state's minimum wage from \$8.25 to \$9.00 an hour, it expanded the size of the state's tip credit from the then-current 31 percent to 36.85 percent. In other words, the Legislature lowered the base cash wage that must be paid to a tipped worker from 69 percent of the full minimum wage to 63 percent of the full minimum wage, thereby freezing the minimum wage for tipped restaurant and hotel workers at its current level. As a result, this struggling workforce did not receive a raise in their base cash wage when this minimum wage increase law went into effect.

Governor's Bill No. 32 keeps this expanded tip credit of 36.85 percent, meaning that the tipped minimum wage, under this bill, will continue to be about 63 percent of the full minimum wage. We urge the Legislature to strengthen Connecticut's tipped minimum wage by increasing the percentage of the full minimum wage that must be paid to tipped workers.

Raising the State's Minimum Wage to \$10.10 an Hour

Raising Connecticut's Minimum Wage to \$10.10 an Hour Brings the State's Minimum Wage Closer to Its Historic Value

- Even when Connecticut's most recent increase to \$9.00 an hour by 2015 is phased in, the state's minimum wage will still be significantly below what it would have been – almost \$11.00 an hour – had it simply kept pace with inflation over the last 45 years.¹ Thus, raising the state's minimum wage to \$10.10 an hour brings it closer to its historic level, addressing the fact that the real value of the state's minimum wage has eroded as costs of living have risen.

Raising Connecticut's Minimum Wage to \$10.10 an Hour is Consistent with Parallel Efforts in other States and on the Federal Level

- This bill is also consistent with parallel efforts on the state and federal level. California recently passed a bill raising that state's minimum wage to \$10 an hour by 2016. Washington D.C., whose minimum wage is already \$8.25, approved a bill last month to raise D.C.'s minimum wage to \$11.50 per hour, with parallel measures raising the minimum wage to \$11.50 per hour also approved in neighboring Montgomery and Prince George's Counties.
- A growing list of states and cities are expected to approve minimum wage increases over the next year. Massachusetts, with a current minimum wages of \$8.00, is proposing legislation this year that would raise that state's minimum wage to over \$10 per hour. Legislators have introduced proposals in New Hampshire, Delaware, Minnesota, Maryland and Hawaii, while efforts to place minimum wage increases on the November 2014 ballot are underway in South Dakota, New Mexico, Michigan, Alaska and Arkansas.² California voters will likely decide in November on whether or not to raise that state's minimum wage even further to \$12 an hour.³
- On the federal level, President Obama and Congressional Democrats have proposed raising the federal minimum wage to \$10.10 per hour, raising the tipped minimum wage to 70 percent of the full minimum wage, and indexing the minimum wage to inflation. This legislation, known as the Fair Minimum Wage Act of 2013, is supported by Senators Blumenthal and Murphy, and four of Connecticut's five U.S. Representatives—Reps. DeLauro, Esty, Courtney and Larson.¹

Increasing the Minimum Wage Boosts Worker Pay without Causing Job Loss.

The most rigorous economic research on the effects of minimum wage increases over the past twenty years has found that increased minimum wages boosts worker pay without causing job losses – even in regions where the economy is weak or unemployment is higher:

- Two leading “meta-studies” survey and pool the data from over four decades of studies of the impact of raising the minimum wage. As summarized by the Center for Economic and Policy Research in a recent review, these leading meta-studies show that the substantial majority of rigorous studies have found “little or no significant impact of minimum wage increases on employment.” Such meta-studies represent the most accurate and sophisticated approach to studying the employment impact of raising the minimum wage, as they aggregate data from dozens of studies containing thousands of different estimates of the employment impact of minimum wage increases.⁴

- This body of research was recently summarized in a statement endorsed by over 600 economists, including seven Nobel Laureates and eight past presidents of the American Economic Association. The statement explained that, “In recent years there have been important developments in the academic literature on the effect of increases in the minimum wage on employment, with the weight of evidence now showing that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labor market.”⁵
- As Bloomberg News summarized, “[this] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.”⁶
- Among the most sophisticated and widely-praised of the recent studies is a 2010 study on the effects of increases in the minimum wage on job growth in the United States. Taking advantage of the fact that a record number of states raised their minimum wages during the 1990s and 2000s – creating scores of differing minimum wage rates across the country – the study compares employment levels among every pair of neighboring U.S. counties that had differing minimum wage levels at any time between 1990 and 2006 and finds that higher minimum wages did not reduce employment.⁷ This is also a particularly important finding regarding the impact of higher minimum wage requirements at a local level—this study looked at 500 pairs of neighboring counties and found that a higher minimum wage in one of each pair of counties did not have an adverse employment effect in the county with the higher minimum wage.
- A companion piece, published in 2011 focused on the impact of minimum wage increases on teens – a very small segment of the low-wage workforce but one where any job loss impacts caused by higher wages might be expected to appear first. The study examined every minimum wage increase in the United States over the past two decades—including increases that took place during protracted periods of high unemployment—and found that raising the wage floor boosted incomes without reducing employment or slowing job creation.⁸
- And as Crain’s New York Business recently explained, a higher minimum wage does not put one state at a competitive disadvantage compared with neighboring states because “Businesses employing many minimum-wage workers tend to be in the service sector and must set up shop near their customers.”⁹

Strengthening Connecticut's Minimum Wage for Tipped Workers

Tipped Workers in Connecticut Receive Low Wages and Tipped Workers Are More than Twice as Likely to Live in Poverty than the Workforce as a Whole

- Tipped workers make up a significant portion of our low-wage workforce. While some tipped workers may earn enough in tips to bring their hourly earnings well above the minimum wage, the vast majority of tipped workers earn low wages just above the minimum wage. For example, in Connecticut, the median hourly wage for restaurant servers is just \$9.15 per hour.¹⁰
- Across the country, tipped workers are more than twice as likely to fall under the federal poverty line, and nearly three times as likely to rely on food stamps, as the average worker.¹¹

Tipped Workers Are Mainly Adults and Disproportionately Women.

- The vast majority of tipped workers are adults: 88% of all tipped workers – and 82% of waiters and waitresses, are over the age of 20.¹²
- Tipped workers are disproportionately female: 72% of all tipped workers, and 72.4% of waiters and waitresses, are women.¹³

Raising the Base Wage for Tipped Workers Boosts Income and Reduces Poverty

- Seven states (Alaska, California, Minnesota, Montana, Nevada, Oregon and Washington) have set the base wage for tipped workers equal to 100 percent of the full minimum wage, ensuring that tipped workers are paid the full minimum wage directly by their employers for each hour of work,¹⁴ with any tips received being in addition to, not instead of, the minimum wage. These includes states like Washington and Oregon, that not only have minimum wages higher than Connecticut's – at \$9.32 and \$9.10 respectively – but also index their minimum wages to increase each year with inflation. In other words, a waitress in Washington currently receives a base cash wage of at least \$9.32 per hour before tips, and can expect an increase next year.
- This model policy has proven effective in reducing poverty among tipped workers: in these seven states, tipped workers are 25 percent less likely to fall under the federal poverty line compared to states with lower tipped minimum wages.¹⁵
- A 2013 study from the University of California-Berkeley examines each instance of an increase in the tipped minimum wage on the state level since 1990, and finds that each 10 percent increase boosts earnings for tipped workers by 0.45 percent.¹⁶

Restaurants Can Afford to Pay a Higher Tipped Minimum Wage

- A 2013 analysis from the University of California-Berkeley examines every increase in the tipped minimum wage on the state level since 1990 and concludes that “the evidence...does not indicate that there are significant negative effects of tipped wages or regular minimum wages at the levels experienced in the U.S. since 1990 in full-service establishments.”¹⁷
- Indeed, official estimates from the restaurant industry itself support this finding that there are no statistically significant negative employment effects of raising the tipped minimum wage in the full-service restaurant industry:
 - While restaurant employers will often claim that raising the tipped minimum wage will place one state at a disadvantage with respect to neighboring states with lower tipped wages, the restaurant industry’s official projections of employment growth in bordering states show that differing tipped wage rates do not actually affect expectations of employment growth.
 - For example, the tipped minimum wage in Oregon is \$9.10 per hour, and the restaurant industry projects that restaurant employment will grow by 12 percent in Oregon by 2023 – by comparison, neighboring Idaho has a tipped minimum wage of only \$3.35 per hour, yet its restaurant employment growth is not expected to be any higher than Oregon (indeed, it is expected to be slightly lower).
 - In another example, the state of Nevada has a tipped minimum wage of \$8.25 per hour, while the projected industry employment growth is 14.8 percent by 2023 – by comparison, the neighboring state of Utah has a tipped minimum wage of only \$2.13 per hour, while restaurant industry employment growth is projected to be still lower than Nevada, despite its lower tipped minimum wage.
- Thus, states that have maintained low tipped minimum wages are not expected to enjoy faster rates of restaurant industry employment growth, even according to the restaurant industry’s own estimates. This underscores that state-level employment trends in the restaurant industry are affected by a range of factors including broader economic growth trends and population growth rather than narrowly a factor of wages.

High Tipped MW			Low Tipped MW		
	TPW Rate	Projected Industry Job Growth (2013-2023)		TPW Rate	Projected Industry Job Growth (2013-2023)
OR	\$9.10	12.0%	ID	\$3.35	10.7%
NV	\$8.25	14.8%	UT	\$2.13	13.9%
CA	\$8.00	9.5%	AZ	\$4.90	15.9%
MN	\$6.15	6.7%	WI	\$2.33	6.1%
WV	\$5.80	5.1%	PA	\$2.83	5.0%
NY	\$5.00	6.7%	NJ	\$2.13	6.2%
IL	\$4.95	6.9%	IN	\$2.13	7.7%

Sources: State tipped minimum wage data, US DOL;
Job growth projections, Nat'l Restaurant Association 2013 Industry Report

Tipped Workers Need Strong Protections to Offset Great Uncertainty

- Working for tips creates great uncertainty for low-wage workers. Not only are tips notoriously erratic by their very nature, they are also susceptible to misappropriation. For this reason, tipped workers need a strong minimum wage paid directly by their employers to cushion them against wide swings in their paychecks.¹⁸
- Tips vary depending on broader economic trends, from season to season, and from shift to shift. Tipped workers are hit especially hard by economic downturns because of fewer customers and smaller tips, and the current economic climate underscores why it is so important to have a decent tipped minimum wage.
- Even in stronger economies, tips can vary significantly from shift to shift and from season to season. Although technically employers must make up the difference if a worker does not receive enough tips to bring him or her up to the full minimum wage, the reality is that this requirement is very difficult to enforce. Tracking tips is complex because tips fluctuate widely, are often paid in cash, and are frequently “pooled” or shared among staff.¹⁹ Under such complex conditions, law-abiding employers can have trouble keeping track. And as numerous recent lawsuits have shown, less ethical employers can take advantage of this system to skim off the top a portion of a worker’s tips.²⁰
- Furthermore, the widespread problems with tipped minimum wage compliance and enforcement are well documented. A NELP study of 4,387 low-wage workers in New York, Chicago and Los Angeles, found that 30 percent of the tipped workers surveyed were not paid the tipped worker minimum wage. In addition, 12 percent experienced tip stealing by their employer or supervisor.²¹

- This reality underscores the importance of a strong tipped minimum wage to guarantee tipped workers a dependable base income that is not subject to fluctuation or vulnerable to cheating.

The Tipped Workforce Is Growing in This Economy, Making A Strong Tipped Minimum Wage More Important Than Ever to Families and the State's Economy

- The tipped workforce has grown steadily over the past 10 years, even over the 2007-2009 recessionary period.²²
- According to the Economic Policy Institute, from 2007-2009, while the economy lost more than 5 million jobs, the number of tipped workers grew by 140,000 and the number of waiters grew by 68,000.²³
- Since 2000, the number of tipped workers has increased 15.5% and the number of waiters increased 7.5% -- increases which far exceeded the 1.8% growth in the overall workforce.²⁴
- The Bureau of Labor Statistics projects that the occupations sector of "Food Preparation and Serving" will add over a million jobs – one of the largest projected occupational increases across occupations – from 2008 to 2018.²⁵
- Additionally, as NELP analysis shows, while the majority of jobs lost during and after the recession were in mid-wage occupations like manufacturing and construction, job growth since the recession has been disproportionately concentrated in low-wage occupations, like food prep, with significant segments of tipped workers.²⁶
- Thus, more workers in Connecticut, and nationally, are spending their careers in low-wage industries, including those with large concentrations of tipped workers.
- This means that a strong tipped minimum wage – and a strong minimum wage in general – will play a bigger role in the state's economy, since it is one of the major factors shaping pay scales in these low-wage jobs.

Thank you so much for the opportunity to testify today. I'd be happy to answer any questions that you may have.

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¹ Connecticut's minimum wage of \$1.60 an hour in 1968, <http://www.ctdol.state.ct.us/wgwkstnd/wage-hour/history.htm>, represents \$10.71 in 2013 dollars: <http://data.bls.gov/cgi-bin/cpicalc.pl?cost1=1.60&year1=1968&year2=2013>

² Amer Madhani, "States gaining speed on minimum wage faster than Obama", USA Today (February 4, 2014), available at <http://www.usatoday.com/story/news/nation/2014/02/04/obama-states-push-minimum-wage/5188769/>

³ "Conservative Leads Effort to Raise Minimum Wage in California," N.Y. Times, November 25, 2013, available at http://www.nytimes.com/2013/11/26/us/conservative-leads-effort-to-raise-minimum-wage-in-california.html?_r=0

⁴ John Schmitt, *Why Does the Minimum Wage Have No Discernable Impact on Employment?* (February 2013), Center for Economic and Policy Research, available at <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>.

⁵ Economic Policy Institute, "Over 600 Economists Sign Letter in Support of \$10.10 Minimum Wage," available at <http://www.epi.org/minimum-wage-statement/>

⁶ "Raise the Minimum Wage," *Bloomberg News*, April 16, 2013, available at <http://www.bloomberg.com/news/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise.html>

⁷ Arindrajit Dube, T. William Lester and Michael Reich, *Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties*, Review of Economic and Statistics (November 2010), available at <http://www.irl.berkeley.edu/workingpapers/157-07.pdf>; see also NELP Summary, available at http://nelp.3cdn.net/98b449fce61fca7d43_1m6iizwd.pdf

⁸ Sylvia A. Allegretto, Arindrajit Dube and Michael Reich, *Do Minimum Wages Really Reduce Teen Employment?* Industrial Relations Journal (April 2011), available at (<http://www.irl.berkeley.edu/workingpapers/166-08.pdf>); see also NELP Summary, available at http://nelp.3cdn.net/eb5df32f3af67ae91b_65m6iv7eb.pdf

⁹ <http://www.craigslist.com/article/20120205/SUB/302059999#ixzz1nf6bGs5b>

¹⁰ May 2012 Occupational Employment Statistics, Bureau of Labor Statistics

¹¹ Sylvia A. Allegretto and Kai Filion, "Waiting for Change: The \$2.13 Federal Subminimum Wage", Economic Policy Institute & Institute for Research on Labor and Employment at University of California at Berkeley (February 23, 2011), available at <http://www.epi.org/page/-/BriefingPaper297.pdf>

¹² *Id.*

¹³ *Id.*

¹⁴ States that have set the base wage for tipped workers equal to 100 percent of the minimum wage: Alaska, California, Minnesota, Montana, Nevada, Oregon, Washington. Source: Department of Labor, available at: <http://www.dol.gov/whd/state/tipped.htm>

¹⁵ Sylvia A. Allegretto and Kai Filion, "Waiting for Change: The \$2.13 Federal Subminimum Wage", Economic Policy Institute & Institute for Research on Labor and Employment at University of California at Berkeley (February 23, 2011), available at <http://www.epi.org/page/-/BriefingPaper297.pdf>

¹⁶ Sylvia Allegretto, "Waiting for Change: Is It Time to Increase the \$2.13 Subminimum Wage?" Institute for Research on Labor and Employment, University of California-Berkeley, 2013, available at: <http://irl.berkeley.edu/workingpapers/155-13.pdf>

¹⁷ *Id.*

¹⁸ Rajesh D. Nayak and Paul K. Sonn, "Restoring the Minimum Wage for America's Tipped Workers," National Employment Law Project (August 2009), available at http://nelp.3cdn.net/bff44d5fafbd9d2175_vem6ivijb.pdf

¹⁹ *Id.*

²⁰ Benjamin Weiser, "Mario Batali Agrees to \$5.25 Million Settlement Over Employee Tips," available at <http://dinersjournal.blogs.nytimes.com/2012/03/07/mario-batali-agrees-to-5-25-million-settlement-over-employee-tips/> (tipped workers alleged that Batali's restaurants had a policy of deducting an amount equivalent to 4 to 5 percent of total wine sales at the end of each night from the tip pool and keeping the money.)

²¹ Annette Bernhardt, et. al, "Broken Laws, Unprotected Workers: Violations of employment and Labor Laws in America's Cities," National Employment Law Project (2009), available at <http://www.nelp.org/page/-/brokenlaws/BrokenLawsReport2009.pdf?nocdn=1>

²² Sylvia A. Allegretto and Kai Fillion, "Waiting for Change: The \$2.13 Federal Subminimum Wage", Economic Policy Institute & Institute for Research on Labor and Employment at University of California at Berkeley (February 23, 2011), available at <http://www.epi.org/page/-/BriefingPaper297.pdf>

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ National Employment Law Project, "The Low-Wage Recovery and Growing Inequality," August 2012, available at http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1