

## **Testimony of Yannet Lathrop**

National Employment Law Project

# **In Support for *One Fair Wage* (SB 1177)**

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## **Hearing before the Connecticut Joint Committee on Labor and Public Employees**

March 9, 2023

**Yannet Lathrop**  
Senior Researcher and Policy Analyst

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**National Employment Law Project**  
90 Broad Street  
Suite 1100  
New York, NY 10004

ylathrop@nelp.org

Thank you for the opportunity to testify today. My Name is Yannet Lathrop, and I am a senior researcher and policy analyst at the National Employment Law Project (NELP). NELP is a national nonprofit advocacy organization that for more than 50 years has sought to build a just and inclusive economy where all workers have expansive rights and thrive in good jobs. We partner with federal, state, and local lawmakers and local community-based groups on a wide range of workforce issues, including the minimum wage and the tipped wage.

NELP testifies today in strong support of One Fair Wage (SB 1177), which would eliminate the subminimum tipped wage in the state and ensure that workers in all occupations—including tipped occupations—earn at least the full minimum wage as their base wage.

## The Elimination of the Subminimum Tipped Wage Would put Connecticut on a Path to Greater Racial and Gender Justice

Along with 11 other states, Connecticut is on a path to a minimum wage of \$15 or more per hour, with automatic adjustments beginning in 2024. However, its tipped wage has been frozen at \$6.38 for restaurant servers and at \$8.23 for bartenders since 2017.<sup>1</sup> Since then, Connecticut’s tipped wage rates have lost nearly 20 percent of their value<sup>2</sup>—meaning that, in today’s dollars, the tipped cash wage for servers has the purchasing power of just \$5.18, and the cash wage for bartenders is worth just \$6.68.

As inflation takes its toll, Connecticut’s subminimum tipped wages will continue to decrease in real value unless they are raised and indexed to the Employment Cost Index, as the standard minimum wage will be starting in January 2024. Furthermore, as the state’s standard minimum wage climbs to \$15 and beyond, the gap between the standard minimum wage and the tipped wage will only widen, wrecking tipped workers’ earnings, economic stability, and purchasing power. Table 1 shows that unless Connecticut takes action to boost the tipped wage, the gap between the standard minimum wage and the server tipped wage will grow from 54.4 percent to 60.5 percent by 2025; and the gap between the standard minimum wage and the bartender tipped wage will grow from 41.2 percent to 49.1 percent.

Year	Standard Minimum Wage	Server Cash Wage			Bartender Cash Wage		
		Wage	Gap (\$)	Gap (%)	Wage	Gap (\$)	Gap (%)
2023 (1 <sup>st</sup> half)	\$14.00	\$6.38	\$7.62	<b>54.4%</b>	\$8.23	\$5.77	<b>41.2%</b>
2023 (2 <sup>nd</sup> half)	\$15.00	\$6.38	\$8.62	<b>57.5%</b>	\$8.23	\$6.77	<b>45.1%</b>
2024 (estimated)	\$15.60	\$6.38	\$9.22	<b>59.1%</b>	\$8.23	\$7.37	<b>47.2%</b>
2025 (estimated)	\$16.16	\$6.38	\$9.78	<b>60.5%</b>	\$8.23	\$7.93	<b>49.1%</b>

*Source: NELP analysis of Connecticut’s minimum and tipped wages, and projected changes in the Employment Cost Index (Congressional Budget Office, 10-Year Economic Projections, February 2023).*

Raising—and specifically, eliminating—the tipped wage is not only a matter of wage parity between occupations, but also a matter of gender and racial justice. There are 29,000 restaurant servers and bartenders in Connecticut. Of these, the majority are women (67 percent), and a substantial share are people of color (45 percent).<sup>3</sup> The tipped subminimum wage puts tipped workers in a situation where they must depend on customer tips for a disproportionate share of their pay, which results in widely fluctuating incomes<sup>4</sup> and is one of the main reasons that tipped workers face double the poverty rate of other workers.<sup>5</sup>

## **Seven States and a Growing Number of State and Local Jurisdictions are Phasing Out the Subminimum Tipped Wage; Connecticut Should Join Them**

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Seven states already prohibit a lower cash wage for tipped workers: Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. The District of Columbia, Michigan,<sup>6</sup> and Flagstaff, Arizona will soon join them—as, in recent years, these jurisdictions adopted a gradual elimination of the tipped subminimum wage.

In three of these states (California, Oregon, and Washington) and in Washington D.C., the minimum wage has already reached or exceeded a \$15 minimum wage or will do so later in 2023; and in Minnesota’s two largest cities (Minneapolis and Saint Paul), the minimum wage has reached \$15 for some employers, and will reach this same wage rate for all others in the coming years. None of these jurisdictions’ economies have been negatively impacted, and in fact, analysis by the organization One Fair Wage suggests that states without a lower tipped wage have thriving restaurant industries and healthy tipping rates.<sup>7</sup> The experience of these state and local jurisdictions demonstrates that it is feasible—and indeed desirable—to both lift the standard wage floor to robust levels, and phase out the lower tipped wage.

The movement to eliminate the tipped wage is growing. In addition to recent victories in Washington D.C., Michigan, and Flagstaff, advocates are advancing bills in neighboring Massachusetts, Rhode Island, New York, Maryland, Illinois, Colorado, and Hawaii; and working to put the elimination of the tipped wage before voters in Arizona and Ohio. With SB 1177, Connecticut has an opportunity to take its place among leaders in the movement for wage parity.

## **Decades of Research on the Minimum Wage Demonstrates that Higher Wage Floors Boost Workers’ Incomes Without Adverse Employment Effects**

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Decades of economic research have found that higher minimum wages raise the earnings of underpaid workers without affecting their employment. This is true of the restaurant sector as it is of the wider economy. For example, a recent study by University of California economists analyzed the impact of statewide and local policies increasing the minimum wage to \$15 or more in California, with a focus on restaurant workers and teens—two groups most affected by minimum wage policies. The study found that these policies had “substantial and ongoing pay increases throughout the treatment period and (...) no significant disemployment effects, even in relatively low-wage counties.”<sup>8</sup> California, as discussed above, is one of the seven states without a lower tipped wage.

The pandemic has not called this near consensus into question. In fact, during the beginning of the pandemic, we witnessed jobs numbers drop to record lows as governments imposed lockdowns to contain the spread of the virus. And as economies began to open back up in mid-2020, we saw employers attempting to rebuild their workforces by raising wages—showing in real time that higher pay does not automatically lead to disemployment effects, and that in fact, wage increases can be a boon to workers and employers alike. Again, this is true of the restaurant sector as it is of the wider economy.

## **Recommendations**

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For the reasons discussed above, NELP urges a favorable report on SB1177.

## Endnotes

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<sup>1</sup> “Minimum Fair Wage Rates for Persons Employed in the Restaurant and Hotel Restaurant Occupations” [poster], Connecticut Department of Labor, revised October 2020, <https://www.ctdol.state.ct.us/wgwkstnd/DOL-79.pdf>.

<sup>2</sup> NELP analysis of the real value of Connecticut’s tipped wages for servers and bartenders, 2017-2023.

<sup>3</sup> NELP analysis of American Community Survey 1-Year Estimates, Public Use Microdata Sample (2021). For the purpose of this analysis, “white” is defined as non-Hispanic or non-Latino white, and workers of color as all others.

<sup>4</sup> Leo Gertner, “Initiative 77 is a Vital Measure for D.C.’S Almost 30,000 Tipped Workers,” National Employment Law Project, June 8, 2018, <http://stage.nelp.org/news-releases/initiative-77-vital-measure-d-c-s-almost-30000-tipped-workers/>.

<sup>5</sup> Sylvia A. Allegretto and David Cooper, “Twenty-Three Years and Still Waiting for Change: Why It’s Time to Give Tipped Workers the Regular Minimum Wage,” Economic Policy Institute and UC Berkeley Center on Wage and Employment Dynamics, July 10, 2014, <https://files.epi.org/2014/EPI-CWED-BP379.pdf>.

<sup>6</sup> In 2018 in Michigan, a minimum wage ballot initiative—which included a provision phasing out the lower tipped wage—was adopted and gutted by the state legislature. Advocates sued, won in the lower court, and expect to prevail in the Michigan Supreme Court, which will soon hear the case. For more, see <https://onefairwage.site/michigan> and <https://www.yahoo.com/now/ruling-michigan-tipped-wages-could-015651031.html>.

<sup>7</sup> “One Fair Wage: The Key to Saving the Restaurant Industry Post-Covid 19,” One Fair Wage, accessed March 7, 2023, [https://onefairwage.site/wp-content/uploads/2022/05/OFW\\_FactSheet\\_USA.pdf](https://onefairwage.site/wp-content/uploads/2022/05/OFW_FactSheet_USA.pdf).

<sup>8</sup> Carl McPherson, Michael Reich and Justin C. Wiltshire, “Are \$15 Minimum Wages Too High?” Institute for Research on Labor and Employment, updated December 25, 2022, <https://irle.berkeley.edu/publications/working-papers/are-15-minimum-wages-too-high/>.