

Labor and Public Employees Committee

JOINT FAVORABLE REPORT

Bill No.: SB-221
AN ACT CONCERNING GRATUITIES AS PART OF THE MINIMUM FAIR
Title: WAGE.
Vote Date: 3/19/2024
Vote Action: Joint Favorable Substitute
PH Date: 2/27/2024
File No.:

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SPONSORS OF BILL:

Labor & Public Employees Committee

REASONS FOR BILL:

This bill seeks to increase the wages of service workers by adopting a minimum fair wage. It would do this by establishing the minimum wage plus tips for service workers. In Connecticut, the minimum wage in 2024 is \$15.69 per hour. SB 221 would phase out the subminimum wage for service workers like servers, whose base wages are \$6.38 per hour, and bartenders whose base wages are \$8.23 per hour. This bill would require the adoption of the statewide minimum wage for service workers. It is believed that by increasing wages, service workers would experience broadened economic security and stability. This bill guarantees service workers the statewide minimum wage upfront, as well as any tips they may earn throughout their shifts.

The substitute language makes a conforming change.

RESPONSE FROM ADMINISTRATION/AGENCY:

None provided.

NATURE AND SOURCES OF SUPPORT:

James Case, Member-Lobbyist, Communication Workers of America Local 1298: Mr. Case submitted testimony in support of this bill. In his testimony, he compares the wages of service workers (\$6.38 per hour) to Connecticut's minimum wage (\$15.69 per hour) and notes there is a \$9.31 per hour difference. Mr. Case expresses concerns about this difference

and calls it “employer wage theft”. He notes the \$6.38 per hour wage for service workers creates instability and unpredictability.

Sally Greenberg, President, National Consumers League: Mrs. Greenberg submitted testimony in support of this bill. In her testimony, she notes that the subminimum wage is a “direct legacy of slavery” and affects a workforce that is 69% women and 28% people of color. She discusses seven other states and Washington, D.C. which pay service workers the full state minimum wage. Mrs. Greenberg raises that these states experience higher restaurant sales, employment growth rates, and tipping averages when compared to states that have not adopted the minimum wage for service workers. She expresses that the tip credit is a “license to cheat” workers and not pay them a minimum wage.

Ed Hawthorne, President, Connecticut AFL-CIO: Mr. Hawthorne submitted testimony in support of this bill. In his testimony, he noted employers are benefitting from “wage discounts” of Connecticut service workers. Mr. Hawthorne also notes the service work industry is 69% women and 28% people of color, who are often subjected to tolerate inappropriate comments or behaviors because “they need the tip to survive”. He notes seven states that have adopted the minimum wage for service workers and the improved restaurant job growth rates, small business growth rates, and tipping averages when compared with states that haven’t adopted the minimum wage for service workers.

Gretchen Raffa, Vice President of Public Policy, Planned Parenthood: Mrs. Raffa submitted testimony in support of this bill. In her testimony, she notes every person deserves economic security and stability to care for themselves and their families. Mrs. Raffa also expressed that the subminimum wage reinforces racial and gender inequities, as the industry in Connecticut is 70% women and 38% people of color.

Constanza Segovia, Member, Connecticut for All: Mrs. Segovia submitted testimony in support of this bill. In her testimony, she questions why paying a minimum wage is not universal in all industries. She notes that when 70,000 Connecticut restaurant workers lost their jobs, 44% reported they were unable to receive unemployment benefits because their income was too low to qualify for benefits. Mrs. Segovia also points out that over 100 Connecticut restaurants offer one fair wage plus tips to their employees and implores the General Assembly to adopt this statewide.

Roger Senserrich, Policy and Communications Director, CT Working Families Power: Mr. Senserrich submitted testimony in support of this bill. In his testimony, he discusses financial anxiety and insecurity tipped workers experience, with reliance on tips leaving them uncertain about their ability to pay for rent, groceries, healthcare, and transportation costs. He argues this bill provides stability for workers, by guaranteeing the minimum wage for all workers. He discusses the improved financial state of tipped workers as well as a reduction in stress and anxiety caused by income unpredictability. Mr. Senserrich argues that businesses will thrive when their employees are secure and motivated, and this bill will create a happier, more productive work environment. He also seeks to clarify that this bill would not eliminate tips, but would rather guarantee the statewide minimum wage with any tips consumers may give.

Tonishia Signore, Policy Director, She Leads Justice: Mrs. Signore submitted testimony in support of this bill. In her testimony, she points out that 70% of service workers are women and

36% are people of color. She adds seven states have adopted policies that similarly guarantee a minimum wage plus tips for service workers and notes those seven states experience higher restaurant job growth, small business growth rates, and tipping averages than Connecticut. Mrs. Signore also provides results from a survey, which show 54% of respondents consider leaving the industry, 78% of respondents say that the only thing that will make them stay or return to working in restaurants is a full livable wage with tips on top. She adds that she has experience in the food service industry, so she understands the challenges that come along with it and knows this policy could make a positive impact on workers' everyday lives.

Nick Teeling, Advocacy Deputy Director, Connecticut Voices for Children: Mr. Teeling submitted testimony in support of this bill. In his testimony, he notes the subminimum wage stunts the ability of service workers to experience "real wage growth". He also raises that Connecticut's minimum wage has risen, while service worker's wages have remained stagnant. He also argues heavy reliance on earning tips disproportionately affects women and people of color, as they make up approximately 70% and 36% of Connecticut's service industry, respectively. He discusses seven other states that have adopted the minimum wage plus tips for service workers, noting those states have "higher restaurant job growth rates, small business growth rates, and tipping averages than states that offer a subminimum wage.

Julie Vogtman, Director of Job Quality, National Women's Law Center: Mrs. Vogtman submitted testimony in support of this bill. In her testimony, she discusses the pay disparities women face when compared to their male counterparts, noting that women who work full-time year-round in Connecticut typically make only 83% of their male counterparts. She argues these disparities are made even worse for women of color. She notes that women service workers who rely on tips rather than wages are often forced to tolerate inappropriate behaviors in the workplace. Mrs. Vogtman argues that ensuring workers the minimum wage plus tips will boost local economies and spur small business growth.

Stacey Zimmerman, Director of Special Projects, SEIU CT State Council: Mrs. Zimmerman submitted testimony in support of this bill. In her testimony, she points out that in Connecticut, 70% of service workers are women and 36% are people of color. She also points out that service workers in Connecticut have not seen wages increase since 2017, with wages for servers remaining stagnant at \$6.38 per hour and wages for bartenders remaining stagnant at \$8.23 per hour. Mrs. Zimmerman also argues that due to a backlog of wage and hour complaints made to the Department of Labor many workers are left unaware that their employers are required to make up the difference of their wages to earn a full fair minimum wage. She also discusses seven states that have adopted this policy, stating those states experience "higher restaurant job growth rates, small business growth rates, and tipping averages than Connecticut."

NATURE AND SOURCES OF OPPOSITION:

Keith Beaulieu, Chairman, Connecticut Restaurant Association: Mr. Beaulieu submitted testimony in opposition to the bill. In his written testimony, he emphasized the impact this bill would have on small businesses. Mr. Beaulieu adds that of his 35-40 employees, servers and bartenders on average make more than the state minimum wage. He notes that adopting this bill would be financially burdensome to his restaurant, as his average payroll expenses would increase by more than \$140,000. He expresses concern about the removal of the tip credit, which would make it increasingly difficult for small businesses like his to compete with larger restaurant chains.

Susan Bradford: Mrs. Bradford submitted testimony expressing strong opposition to the bill. She believes that the bill would double payroll costs and drive residents and small businesses out of the state.

Scott Dolch, President & CEO, Connecticut Restaurant Association: Mr. Dolch submitted testimony in opposition to the bill. In his testimony, Mr. Dolch rejects the term “sub-minimum wage” stating federal and state law ensures service workers make at least \$15.69 per hour. Mr. Dolch refers to a survey of more than 200 Connecticut restaurants, which shows respondent servers made on average \$33 per hour and respondent bartenders made on average \$38 per hour. He also references another survey that shows 96% of respondents favored the current tip credit system, 95% believed their wages would fall as a result of this bill, and 91% report earning more than the state minimum wage.

Andy Markowski, State Director, National Federation of Independent Business: Mr. Markowski submitted testimony in opposition to the bill. In his testimony, Mr. Markowski and the NFIB expressed concern the bill would have on small businesses and current and future employees in the hospitality industry. He noted this bill would lead to “workforce discontent” and eventually, job losses due to increasing labor costs, utility costs, taxes, and rising healthcare costs. He emphasizes the importance of hospitality jobs to the state economy.

John Pepper: Mr. Pepper submitted testimony in opposition to this bill. In his testimony, he expressed concerns about the bill, stating “it will backfire and cost jobs.”

Paul Rescsanski: Mr. Rescsanski submitted testimony in opposition to this bill. In his testimony, he notes that under current Connecticut law employees must make (\$15.69 per hour) including tips. He also expressed concern about removing provisions which would allow employers to pay a sub-minimum wage to learners, apprentices, and employees under the age of 18.

Frank Ricci, Labor Fellow, Yankee Institute: Mr. Ricci submitted testimony in opposition to this bill. In his testimony, he notes that every waiter, waitress, and bartender in Connecticut already earns at least the state minimum wage per hour. He raises the issue of payroll expenses small businesses would incur, citing Mr. Beaulieu’s testimony as an example. Mr. Ricci also cites and uses statistics provided in Mr. Dolch’s testimony. He warns of a paradox where workers already earning more than \$15 per hour would be harmed by this legislation.

Reported by: Tyler Fisher

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