

---

---

## **OLR Bill Analysis**

### **HB 5004 (as amended by House "A")\***

#### ***AN ACT INCREASING THE MINIMUM FAIR WAGE.***

#### **SUMMARY**

This bill increases the state's minimum hourly wage from its current \$10.10 to (1) \$11.00 on October 1, 2019; (2) \$12.00 on September 1, 2020; (3) \$13.00 on August 1, 2021; (4) \$14.00 on July 1, 2022; and (5) \$15.00 on June 1, 2023. Beginning January 1, 2024, it indexes future annual minimum wage changes to the federal employment cost index (ECI).

Current law provides a "tip credit" to employers of hotel and restaurant staff and bartenders who customarily receive tips. The credit allows employers to count these employees' tips as a percentage of their minimum wage requirement, thus reducing the employer's share of the minimum wage, as long as the tips make up the difference. The bill freezes the employer's share of these employees' minimum wage requirement at their current values (\$6.38 for hotel and restaurant staff, and \$8.23 for bartenders) and requires the tip credit's value to correspondingly increase to make up the difference between the employer's share and the bill's minimum wage increases. Thus, it allows employers to count these employees' tips towards the difference between the employer's share and the increasing minimum wage, as long as the tips make up the difference.

Starting October 1, 2019, the bill also changes the "training wage" that employers may pay to learners, beginners, and people under age 18. Current law generally allows employers to pay these employees as low as 85% of the regular minimum wage for their first 200 hours of employment. The bill eliminates the training wage exceptions for learners and beginners, and limits the training wage to only people under age 18, except emancipated minors. Thus, it requires learners and beginners who are at least age 18 to be paid the full minimum wage. It also (1) requires the training wage to be the greater of \$10.10

or 85% of the minimum wage and (2) allows employers to pay the training wage to people under age 18 for the first 90 days, rather than 200 hours, of their employment.

Starting October 1, 2020, the bill prohibits employers from taking any action to displace, or partially displace, an employee in order to hire people under age 18 at a subminimum wage rate. This includes reducing an employee's hours, wages, or employment benefits. If the labor commissioner determines that an employer violated this prohibition, he must suspend the employer's right to pay the reduced rate for employees for a period of time specified in regulations. (Presumably, the commissioner will have to adopt such regulations, as current regulations do not include such a penalty.)

Lastly, the bill requires the labor commissioner to (1) make recommendations on whether any scheduled minimum wage increases should be suspended after two consecutive quarters of negative growth in the state's real gross domestic product and (2) study workers who receive tips and recommend ways to obtain certain information about them.

\*House Amendment "A" replaces the underlying bill, which would have (1) increased the minimum wage to \$15.00 over three years, (2) indexed future minimum wage increases to the Consumer Price Index, and (3) eliminated employers' ability to pay a training wage.

EFFECTIVE DATE: October 1, 2019, except the provisions on the tip credit and a study of tipped workers are effective upon passage.

### **ECI INDEXING**

Starting on January 1, 2024, and by each January 1 after that, the bill requires the minimum wage to be adjusted by the percent change in the ECI (or its successor index) for all civilian workers' wages and salaries over the 12-month period ending on June 30 of the preceding year, as calculated by the U.S. Department of Labor (USDOL). In general, the ECI is a quarterly measure of the change in the cost of labor prepared by USDOL's Bureau of Labor Statistics. Based on the

results of a national compensation survey, the ECI's components include changes in wages and salaries and employer costs for employee benefits.

Starting on October 15, 2023, and on each subsequent October 15, the bill requires the state's labor commissioner to annually announce the adjustment and the new minimum wage for the next year, rounded to the nearest cent. The new minimum wage becomes effective on the following January 1.

As under current law, the state's minimum wage cannot fall below 0.5% more than the federal minimum wage.

### **TIP CREDIT**

The law provides a "tip credit" to employers of hotel and restaurant staff and bartenders who customarily and regularly receive tips. The credit allows employers to count these employees' tips as a percentage of their minimum wage requirement, thus reducing the employer's share of the minimum wage, as long as the tips make up the difference.

Under current law, the tip credit is 36.8% of the minimum wage for tipped hotel and restaurant staff and 18.5% of the minimum wage for bartenders. Thus, under current law's \$10.10 minimum wage, the employer's share of the minimum wage requirement is \$6.38 for hotel and restaurant staff and \$8.23 for bartenders.

The bill freezes the employer's share at its current \$6.38 for hotel and restaurant staff and \$8.23 for bartenders. It does so, starting on July 1, 2019, by requiring the labor commissioner to recognize a tip credit that equals the difference between the applicable minimum wage and the "employer's share," which the bills sets as \$6.38 for hotel and restaurant staff and \$8.23 for bartenders (the same amounts as required under the current \$10.10 minimum wage). Thus, as the minimum wage increases under the bill, the value of the tip credit will correspondingly increase to make up the difference between the employer's share and new minimum wage, as shown in tables 1 and 2 below.

**Table 1: Hotel and Restaurant Employees' Tip Credit under the Bill**

<b>Effective Date</b>	<b>Minimum Wage</b>	<b>Tip Credit</b> (difference between minimum wage and employer's share)	<b>Employer's Share</b>
<b>Current Law</b>	\$10.10	\$3.72	\$6.38
<b>10/1/19</b>	\$11.00	\$4.62	\$6.38
<b>9/1/20</b>	\$12.00	\$5.62	\$6.38
<b>8/1/21</b>	\$13.00	\$6.62	\$6.38
<b>7/1/22</b>	\$14.00	\$7.62	\$6.38
<b>6/1/23</b>	\$15.00	\$8.62	\$6.38

**Table 2: Bartenders' Tip Credit under the Bill**

<b>Effective Date</b>	<b>Minimum Wage</b>	<b>Tip Credit</b> (difference between minimum wage and employer's share)	<b>Employer's Share</b>
<b>Current Law</b>	\$10.10	\$1.87	\$8.23
<b>10/1/19</b>	\$11.00	\$2.77	\$8.23
<b>9/1/20</b>	\$12.00	\$3.77	\$8.23
<b>8/1/21</b>	\$13.00	\$4.77	\$8.23
<b>7/1/22</b>	\$14.00	\$5.77	\$8.23
<b>6/1/23</b>	\$15.00	\$6.77	\$8.23

The bill also specifies that for hotel and restaurant staff earning the training wage (see below), the labor commissioner must recognize a tip credit that equals the difference between the training wage and the \$6.38 employer's share set by the bill.

### **TRAINING WAGE**

Current law generally allows employers to pay learners, beginners, and people under age 18 a "training wage," as low as 85% of the regular minimum wage, for their first 200 hours of employment. The bill eliminates the training wage exemption for learners and beginners.

The bill requires the training wage to be the greater of \$10.10 or 85% of the minimum wage. Thus, under the bill's minimum wage increases, it will increase from its current \$8.59 to (1) \$10.10 on October 1, 2019; (2) \$10.20 on September 1, 2020; (3) \$11.05 on August 1, 2021; (4) \$11.90 on July 1, 2022; and (5) \$12.75 on June 1, 2023.

The bill also allows employers to pay the training wage to people under age 18 for the first 90 days, rather than the first 200 hours, of their employment. After 90 days, the person must be paid at least the full minimum wage.

Under current state regulations:

1. “learners” are employees enrolled in an established vocational training program that is not “apprenticeable,” but for which training may extend over a considerable length of time (Conn. Agencies Regs. § 31-60-7);
2. “beginners” are new employees in the mercantile industry (i.e., wholesale or retail stores), regardless of their age, whose 200 hour limit is based on their cumulative work experience in the mercantile industry (Conn. Agencies Regs. §§ 31-62-D2 & 31-62-D6); and
3. “Minors” are employees age 16 or 17, whose 200 hour limit is based on their total aggregate work experience, which can include one or several employers (Conn. Agencies Regs. § 31-60-6).

## **LABOR COMMISSIONER RECOMMENDATIONS AND STUDY**

### ***Recommendations to Suspend Scheduled Increases***

If there are two consecutive quarters of negative growth in the state’s real gross domestic product, as reported by the U.S. Department of Commerce’s Bureau of Economic Analysis, the bill requires the labor commissioner to provide written recommendations to the governor on whether any scheduled increases to the minimum wage should be suspended. Upon receiving the recommendations, the governor may submit his or her recommendations about the suspension to the legislature.

### ***Study of Tipped Workers***

The bill requires the labor commissioner to study workers in the state who receive tips. He may consult with any individuals or entities he deems relevant to the study’s purposes. Once the study is

concluded, he must recommend the optimal methods for obtaining information about (1) which groups of workers receive compensation as tips, (2) the demographics of such workers, (3) the amount of tips they receive, and (4) any difference in wage growth between workers who receive tips and those who do not.

The study must also estimate the potential costs associated with the commissioner's recommendations. The commissioner must submit a report on the study's findings to the Labor and Public Employees Committee by January 17, 2020.

## **BACKGROUND**

### ***Related Bills***

SB 2 (File 207), reported favorably by the Labor and Public Employees Committee, (1) increases the minimum wage to \$15.00 over three years, (2) indexes future minimum wage increases to the Consumer Price Index, and (3) eliminates employers' ability to pay a training wage.

HB 7191 (File 195), reported favorably by the Labor and Public Employees Committee, (1) increases the minimum wage to \$15.00 over four years, (2) indexes future minimum wage changes to the employment cost index, and (3) allows employers to pay a training wage as low as 75% of the minimum wage for 90 calendar days.

## **COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable

Yea 9 Nay 5 (03/14/2019)

Appropriations Committee

Joint Favorable

Yea 32 Nay 19 (05/07/2019)