

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 19-4—HB 5004

*Labor and Public Employees Committee
Appropriations Committee*

AN ACT INCREASING THE MINIMUM FAIR WAGE

SUMMARY: This act 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).

The act also adjusts the “tip credit” provided by law 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 act (1) freezes the employer’s share of these employees’ minimum wage requirement at \$6.38 for hotel and restaurant staff and \$8.23 for bartenders and (2) requires the tip credit’s value to correspondingly increase to make up the difference between the employer’s share and the act’s minimum wage increases as long as the tips make up the difference.

Starting October 1, 2019, the act also changes the “training wage” that employers may pay to certain employees. Prior law generally allowed employers to pay “learners,” “beginners,” and people under age 18 (“minors”) as low as 85% of the regular minimum wage for their first 200 hours of employment. The act eliminates the training wage exceptions for learners and beginners, and it limits the training wage to only minors unless they are emancipated minors. 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 minors for the first 90 days, rather than 200 hours, of their employment.

Starting October 1, 2020, the act prohibits employers from taking any action to displace, or partially displace, an employee in order to hire minors 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.

Lastly, the act requires the labor commissioner to (1) recommend 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.

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

OLR PUBLIC ACT SUMMARY

ECI INDEXING

Starting on January 1, 2024, and by each January 1 after that, the act 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 a national compensation survey.

Starting on October 15, 2023, and on each subsequent October 15, the act 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.

By law, unchanged by the act, the state's minimum wage cannot fall below 0.5% more than the federal minimum wage.

TIP CREDIT

The tip credit allows employers of hotel and restaurant staff and bartenders who receive tips 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 prior law, the tip credit was 36.8% of the minimum wage for tipped hotel and restaurant staff and 18.5% of the minimum wage for bartenders. Thus, under prior law's \$10.10 minimum wage, the employer's share of the minimum wage requirement was \$6.38 for hotel and restaurant staff and \$8.23 for bartenders.

The act freezes the employer's share at \$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 act sets as \$6.38 for hotel and restaurant staff and \$8.23 for bartenders. Thus, as the minimum wage increases under the act, 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 the two tables below.

Hotel and Restaurant Employees' Tip Credit Under the Act

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

Bartenders' Tip Credit Under the Act

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

The act 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 act.

TRAINING WAGE

Prior law generally allowed employers to pay learners, beginners, and minors a "training wage," as low as 85% of the regular minimum wage, for their first 200 hours of employment. The act eliminates the training wage exemption for learners and beginners, but it retains the exemption for minors unless they are emancipated. In general, "learners" are employees enrolled in certain vocational training programs (Conn. Agencies Regs., § 31-60-7) and "beginners" are new employees in the mercantile industry (Conn. Agencies Regs., §§ 31-62-D2 & 31-62-D6).

The act requires the training wage to be the greater of \$10.10 or 85% of the minimum wage. Thus, under the act'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 act also allows employers to pay the training wage to minors for the first 90 days, rather than the first 200 hours, of their employment. After 90 days, the minor must be paid at least the full minimum wage. The act does not specify whether the 90 day limit is based on the minor's work history with his or her current employer or total aggregate work history (prior law's 200 hour limit for minors was based on their total aggregate work history (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

OLR PUBLIC ACT SUMMARY

Bureau of Economic Analysis, the act 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 recommendations about the suspension to the legislature.

Study of Tipped Workers

The act requires the labor commissioner to study tipped workers in the state and allows him to consult with any individuals or entities he deems relevant. 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 recommendations. The commissioner must submit a report on the study's findings to the Labor and Public Employees Committee by January 17, 2020.