

38 Hungerford Street – Hartford, CT 06106 – [www.ctrestaurant.org](http://www.ctrestaurant.org)  
Phone: (860) 278-8008

**Statement on Keeping up with a Changing Economy: Indexing the Minimum Wage  
Before the U.S. Senate Committee on Health, Education, Labor and Pensions**

**By**

**David Rutigliano, Partner, SBC Restaurant Group, Shelton, Connecticut**

**and**

**Member of the Connecticut Restaurant Association**

**March 14, 2013**

Chairman Harkin, Ranking Member Alexander, and members of this Committee, thank you for the opportunity to testify today on behalf of my restaurants and the Connecticut Restaurant Association. My name is David Rutigliano and I am a partner in the SBC Restaurant Group, a company with six locations along the shoreline in Connecticut. We have been in business for 16 years and employ approximately 250 full and part-time employees.

At SBC, we are Connecticut. I have two business partners and we were all born and raised in Connecticut. We all got married and started families in Connecticut and Connecticut is where we decided to start our business. We want our state and our country to succeed and prosper. However, we don't believe The Fair Minimum Wage Act of 2013 (S. 460) is the right avenue to achieve that prosperity.

This proposal seeks to increase the federal minimum wage from \$7.25 per hour to \$10.10 per hour. That equates to a 39.3% minimum wage increase. In addition, it seeks to increase the cash wage for tipped employees from \$2.13 per hour to \$7.07 per hour, a 232% increase. These numbers are, simply put, staggering. At a time when many businesses are struggling to keep their doors open and in some cases employers are foregoing their own paychecks to avoid laying off employees, mandating wage increases will only hurt those employees which this proposal seeks to help.

In my home state of Connecticut, where we already have the fourth highest minimum wage at \$8.25 and one of the highest tipped wages at \$5.69, there is currently a proposal in the state legislature which seeks to increase the minimum wage to \$9.75 and the tipped wage to \$6.73. That, along with the recently enacted mandatory paid sick leave law, is making an already difficult situation even worse. Add to that the Affordable Care Act, and I ask anyone here to explain how those of us in the restaurant industry, which is labor-heavy and runs on extremely low profit margins, will survive, let alone prosper, should these proposals become law.

To be specific: In Connecticut, this bill would add roughly \$2,800 per year to the cost of a full-time tipped employee. In other states, it would add as much as \$10,000 to the annual cost of that employee. In an industry that just earns roughly \$2,600 in profit for each employee, an increase of this magnitude just isn't feasible.

The question of whether employers can bear the costs of increased minimum wages should be discussed on the merits, not on scare tactics or appeals to emotion. If an additional mandate means that employers like me will be forced to scale back, then employees could actually be worse off after it passes.

This is what the academic research suggests. Economists from the University of California- Irvine and Federal Reserve Board published the results of a comprehensive review of all research conducted over the last twenty years on the effects increases to the minimum wage had on employment rates. They found that 85% of all credible studies came to the same conclusion: increases in the minimum wage are almost always followed by a reduction in the number of jobs- particularly entry-level jobs. Simply put, increasing the cost of labor means employers are even less likely to hire- especially in a down economy.

We value our employees, and they're compensated well. Our servers and bartenders work hard, receive tips and are therefore compensated well above the minimum wage, some making upwards of \$20-\$25 per hour. A mandated increase in server wages only limits the amount of money left over for wage increases for other employees, like those working in the kitchen.

The unemployment rate amongst our young people hovers around the 25% range. An increase in the minimum wage will only increase that number. The minimum wage is meant to be a learning wage. It is meant to give people the opportunity to gain experience and job training. When government increases the cost of labor, employers typically respond by reducing the number of entry-level, low skilled workers they hire. I understand that not all people who work at the minimum wage are young people, but there are other alternatives—like the Earned Income Tax Credit—that can help these workers without reducing jobs.

Wage mandates are an ineffective way to reduce poverty and cause restaurant operators to make very difficult decisions, including the elimination of jobs, cutting staff hours, or increasing prices. These decisions end up hurting the very employees that wage increases are meant to help. This proposal will undoubtedly have a negative effect on hundreds of small businesses and employees in Connecticut and across the country. I urge you to reject this proposal. Any mandated increase to costs will damage an already fragile industry.

Thank you for the opportunity to testify today. I'm available for any questions.