

SUBJECT: Linking the state minimum wage to the federal minimum wage

COMMITTEE: Economic Development — favorable, without amendment

VOTE: 8 ayes — Solis, Keffer, Clark, Deshotel, Homer, McClendon, Seaman, Yarbrough

0 nays

1 absent — Luna

WITNESSES: For — *Registered but did not testify:* Richard Lavine, Center for Public Policy Priorities; Rick Levy and Paula Littles, Texas AFL-CIO; Hannah Riddering, Texas National Organization for Women

Against — *Registered but did not testify:* Bill Hammond, Texas Association of Business and Chambers of Commerce; David Pinkus, Small Business United of Texas

BACKGROUND: Labor Code, sec. 62.051 requires an employer to pay each employee not less than \$3.35 an hour. Secs. 62.055 and 62.057 exempt from the minimum-wage requirement employees over 65 years of age, people whose earning or productive capacity is impaired by age, physical or mental deficiency, or injury, and certain patients and clients of the Texas Department of Mental Health and Mental Retardation who provide services to the department. Under Sec. 62.052(a), in determining the wage of a tipped employee (one who customarily and regularly receives more than \$20 a month in tips), an employer may not count tips as contributing more than 50 percent of the applicable minimum wage.

Under the Fair Labor Standards Act of 1938 (29 U.S.C., sec. 206), the current federal minimum wage is \$5.15 an hour. For tipped employees, the federal minimum wage, under the Fair Labor Standards Act, sec. 203(m), is the minimum on August 30, 1996 (\$4.25 per hour), plus an additional amount in tips up to the current minimum (now \$5.15 per hour).

DIGEST: HB 533 would amend the Labor Code to require an employer to pay each employee the federal minimum wage under the Fair Labor Standards Act.

An employer would have to pay a tipped employee the amount described under the Fair Labor Standards Act, sec. 203(m).

HB 533 would take effect September 1, 2001.

**SUPPORTERS
SAY:**

HB 533 would tie the state minimum wage to the federal minimum wage, bringing the state in step with national standards and automatically adjusting the state minimum wage whenever the federal minimum wage is raised. Since most employers are covered by the federal minimum wage, the bill would raise wages for only a very small number of employees, primarily agricultural and domestic workers. However, for these employees, raising the minimum wage is critical, as the current state minimum wage, \$3.35 an hour, is wholly inadequate to support a person.

Considering the small number of employers that HB 533 would affect, this bill would not have a significant negative impact on employers in Texas. Moreover, raising the minimum wage has not been shown to have a negative impact on the number of jobs available, according to a study by the Economic Policy Institute, as increased wages often result in increased productivity and loyalty on the part of employees.

**OPPONENTS
SAY:**

HB 533 would raise the minimum wage for agricultural employers at a time when the industry is struggling. These employers, who are competing with cheaper imported products from around the world, cannot afford to absorb the cost of pay increases at this time. HB 533 could force these employers to lay off some workers or could even render the employers unable to maintain their operations.

NOTES:

A similar bill in the 76th Legislature, HB 327 by Thompson, was reported favorably as amended by the House Economic Development Committee but died in the House Calendars Committee.