

Testimony of Leo Gertner

National Employment Law Project

In Support of a \$15 Minimum Wage in Connecticut

*Hearing Before the Labor and Public Employees Committee of
the Connecticut General Assembly*

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Thank you, members of the Labor and Public Employees Committee for the opportunity to testify today. My name is Leo Gertner. I am a staff attorney for the National Employment Law Project (NELP) in our D.C. office. NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country. Our staff are recognized as policy experts on a wide range of workforce issues, including the minimum wage. We have worked with dozens of city councils, state legislatures and the U.S. Congress on measures to boost pay for low-wage workers and improve labor standards. We track both, the economic experience of state and local jurisdictions that have increased their wage floor, and the academic research on the minimum wage. As a result, we have developed strong expertise on the analysis of minimum wage policy.

NELP testifies today in support of SB 2 and HB5004, which would raise Connecticut’s minimum wage to \$15 by 2022. This policy would benefit an estimated 332,000 workers in the state. If Connecticut approves a \$15 minimum wage, the state would join a growing number of jurisdictions across the country that have enacted or are pushing for similar policies. Five states—New York, New Jersey, Massachusetts, Illinois and California—have already adopted statewide \$15 minimum wage policies, and additional states—including New Hampshire, Vermont, Maryland and Hawaii—are currently considering similar legislation. In addition, more than two-dozen cities and counties from Washington, D.C. to Minneapolis to Flagstaff, Arizona have approved \$15 minimum wage legislation of their own, or have campaigns underway.

The most rigorous modern research on the impact of higher minimum wages—including robust increases to \$13 or more—shows that these policies boost worker earnings with little to no adverse impact on employment, and that the implementation of higher local wages has proven manageable for employers. The few analyses showing adverse effects—such as the University of Washington’s study of Seattle’s minimum wage increase—were shown to have serious flaws that compromised their findings. As a result, the authors of that study were forced to reverse their position on the minimum wage.

A robust minimum wage benefits not only low-wage workers, but also businesses and the economy as a whole. Higher minimum wages have raised pay for workers in the face of larger economic trends that have led to stagnant and falling wages across the bottom of our economy. They also have been shown to reduce economic hardship, lifting workers out of poverty, and improving other life outcomes. The increased consumer spending triggered by higher wages can have the effect of boosting demand for goods and services and keeping money circulating in the economy, creating a virtuous cycle that benefits workers, businesses and the economy. These positive benefits have led a growing number of business owners and economists to endorse a \$15 minimum wage.

In what follows, I will expand many on these and other key points, and will summarize the economic evidence on the impact of the minimum wage.

The Need for a \$15 Minimum Wage in Connecticut

Workers throughout Connecticut need to earn more than \$15 per hour today, just to afford the basics; by 2022, they will need even more.

According to analysis by the Economic Policy Institute (EPI), an estimated 332,000 workers in Connecticut (nearly a fifth of the state's workforce) would benefit from the adoption of a \$15 by 2022 minimum wage.¹ Another 132,000 residents would be indirectly affected by a spillover effect. The average worker who works year-round would receive an extra \$3,000 in annual earnings.²

Throughout Connecticut, workers need to earn *more than \$15 per hour today* just to afford the basics. By 2022, they will need even more. Analysis of EPI's Family Budget Calculator shows that **even single workers without children in Hartford County need nearly \$18 per hour today to make ends meet**. In Fairfield County, that number is already a **staggering \$22 per hour today**. By 2024, these workers will need to earn an hourly wage of \$20 or more. In all Connecticut counties, single and married workers caring for at least one child need to earn significantly more.

Housing expenses, alone, can quickly drain the budgets of low-income families. The benchmark for affordable housing is 30 percent of income.³ Yet, in Connecticut, over 50 percent of all renters spend more than a third of their total household budgets on housing costs.⁴

Today, in Connecticut, rent for a modest one-bedroom apartment averages \$1,040 per month,⁵ or 60 percent of pre-tax earnings from full-time work at the current state minimum wage. In Windham County, a one-bedroom apartment averages \$903,⁶ or 50 percent of gross minimum wage full-time earnings. Rent for apartments with two or more bedrooms, which parents raising children would need, cost more and account for even larger percentages of gross monthly earnings. In the Bridgeport area, a two-bedroom averages \$1,272, an astounding 72 percent of pre-tax earnings for a full-time minimum wage worker. (See Appendix 1 for additional estimates by county or region, and apartment size).

Low wages have the greatest harm on women and people of color; but a \$15 minimum wage in Connecticut would benefit these workers the most.

Women and workers of color are overrepresented among Connecticut's low-wage workforce, and would therefore be most likely to benefit from a \$15 minimum wage—as well as be most harmed by a refusal to raise the wage floor.

Analysis by the Economic Policy Institute shows that although women make up just 50 percent of the total workforce, they represent nearly 59 percent of workers who would benefit from a \$15 minimum wage. Similarly, although workers of color make up 50 percent of the workforce, The benefits of a \$15 minimum wage for women and workers of color become clearer when we look at each demographic and racial group separately:

- A \$15 minimum wage would benefit 31 percent of all women in Connecticut, compared with just 22 percent of all men.⁷
- A \$15 minimum wage would benefit 44 percent of all African Americans and Latinos, 50 percent of all African American and Latino women, and 25 percent of workers of Asian or other racial or ethnic background in Connecticut, compared with 19 percent of all white workers in the state.⁸

Clearly, while a \$15 minimum wage would significantly benefit workers of all genders and racial or ethnic categories, women and workers of color throughout Connecticut would be most impacted.

The typical impacted worker is a woman over 20 years old, who likely works full-time, has some college experience and may be struggling to raise a young child.

As discussed above, women and workers of color are overrepresented among Connecticut's low-wage workforce, and would benefit most significantly for a higher wage floor. The list below restates this point, and provides additional information that characterizes the typical worker affected by a \$15 minimum wage:

- **Gender:** Almost two-thirds (58 percent) of benefiting workers are women, while men make up only 41 percent.⁹
- **Race and ethnicity:** Benefiting workers are mostly white (49 percent). However, greater shares of workers of color are affected by a \$15 minimum wage than are white workers (see section above). In addition, nearly half (49 percent) of all African American and Hispanic *women* would benefit.¹⁰
- **Age:** An overwhelming share (87 percent) are 20 or older, including 31 percent who are 40 or older. Teens comprise just 13 percent of benefiting workers.¹¹
- **Hours:** Nearly half (47 percent) work full-time, and an additional 35 percent work between 20 and 34 hours per week.¹²
- **Education:** Almost half of all impacted workers have some level of post-secondary experience. Nearly 36 percent have some college education or have earned an Associate's degree, and an additional 8 percent have a Bachelor's degree or higher.¹³
- **Family income:** Fifty percent of impacted workers have low to modest family incomes of less than \$50,000 per year.¹⁴
- **Family status:** One-quarter (24 percent) of benefiting workers are single or married parents raising minor children.¹⁵
- **Family poverty:** One-third (36 percent) of benefiting workers and their families live in or near poverty.¹⁶

Some of the lowest paying occupations are projected to add the most new jobs in Connecticut. Unless the state adopts a \$15 minimum wage, greater shares of workers will continue to struggle with economic insecurity.

Although a \$15 minimum wage in Connecticut would benefit significant shares of workers from a range of industries, according to EPI's analysis impacted workers are mainly concentrated in three industries: Retail, restaurant and food service, and health care.¹⁷ These industries are expected to create the most jobs in Connecticut over the next decade. Yet, many of those jobs pay some of the lowest wages today—a challenge that will remain unaddressed unless the state adopts a \$15 minimum wage.

According to the Economic Policy Institute, a fifth (20 percent) of all impacted workers work in the retail trade industry, followed by the restaurant and food service industry (15 percent) and the health care industry (15 percent).¹⁸ Workers in those three industries make up the majority (50 percent) of those who would benefit from a \$15 minimum wage.

Some of the lowest-paying occupations within those industries will see the most job growth by 2026, according to projections by the Connecticut Department of Labor Office of Research.¹⁹ Table 1 (next page) lists a few additional low-wage occupations, the number of projected new jobs, and the hourly wages they pay today.

Table 1. Low-wage occupations with the most projected new jobs in Connecticut, 2016-2026

Occupation	Projected New Jobs	Median Hourly Wage (Current)
Personal care aides	7,775	\$13.53
Combined food preparation and serving workers, including fast food	3,998	\$12.13
Home health aides	2,651	\$13.76
Maids and housekeeping cleaners	2,070	\$13.43
Cooks, restaurant	1,495	\$14.87
Non-farm animal caretakers	734	\$14.19
Manicurists and pedicurists	399	\$11.64
Cleaners of vehicles and equipment	323	\$13.84

Source: Connecticut Department of Labor, Office of Research, *What's Hot! What's Not! – State of Connecticut Occupations in Demand*, <https://www1.ctdol.state.ct.us/lmi/hotnot.asp>; and U.S. Bureau of Labor Statistics, *May 2017 State Occupational Employment and Wage Estimates, Connecticut*, https://www.bls.gov/oes/current/oes_ct.htm.

A \$15 minimum wage would help Connecticut catch up with rising wages in other New England states and neighboring New York, and would boost its ability to compete.

Connecticut now borders two states that have already adopted \$15 as a minimum wage. A majority of New York workers are slated to reach \$15 by 2021, with New York City workers already at \$15.²⁰ Massachusetts is already at \$12 and will reach \$15 in January 2023.²¹ If this trend continues, minimum wage workers in Connecticut will be among the lowest paid in the region, and businesses will face challenges finding and retaining workers, in particular in towns and counties bordering their higher paying neighbors.

Several New England states have been at the forefront of the nationwide movement to raise the minimum wage. In 2018, Massachusetts adopted a \$15 minimum wage,²² and two years earlier, Maine voters approved a \$12 minimum wage.²³ Rhode Island was among the first states to raise its wage floor higher than the federal minimum wage in 2014,²⁴ and both Vermont and Connecticut have also raised their minimum wage in recent years.²⁵ These three states are also considering \$15 minimum wage legislation,²⁶ with Vermont very likely to adopt this wage floor later this year.²⁷ The Vermont Senate has already approved \$15 by 2024.²⁸ New York, which borders New England, was the second state in the country—after California—to adopt a \$15 minimum wage for New York City and surrounding communities, and a \$12.50 minimum wage for the upstate region with a path to \$15 after 2020.²⁹

As minimum wages climb higher in most states in the region, low-wage workers in Connecticut will fall behind, unless the state adopts a robust minimum wage such as \$15. The lowest paid 10 percent of Connecticut workers earn roughly \$10.79 per hour, while the same workers in Massachusetts earn \$11.59, and in Vermont they earn \$10.97.³⁰

A \$15 Minimum Wage is a Pathway, Not a Cliff

The nation’s major public benefits programs generally incorporate gradual phase-outs, not “benefits cliffs;” as workers’ wages increase, their net incomes also increase

The nation’s broadest safety net programs—the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), and the Supplemental Nutritional Assistance Program (SNAP)—are designed to promote work and self-sufficiency. Therefore, rather than abruptly ending when workers’ incomes exceed a threshold, these benefits gradually phase out as workers’ incomes continue to rise.

In Connecticut, raising the minimum wage to \$15 is not going to lead to a ‘benefits cliff’ for most workers. The Economic Policy Institute estimates that the majority of low-wage workers who would benefit are single or married adults without dependent children (76 percent), a plurality of whom work 35 or more hours per week (47 percent).³¹ Childless adults are categorically ineligible for the Child Tax Credit; and workers with full-time (or close to full-time) hours generally earn too much to qualify for significant EITC, SNAP or Medicaid benefits. Thus, the vast majority of Connecticut’s low-wage workers have very little by way of benefits to lose as their wages increase.

Figures 1 and 2, drawn from the Urban Institute’s Net Income Change Calculator (NICC),³² show the net income change for a typical Connecticut worker affected by the minimum wage—a childless adult working full-time—as the minimum wage rises to \$15 per hour, factoring in higher federal and payroll taxes. The calculator shows that, while these workers qualify for a very small amount of SNAP benefits at \$10.10 per hour, they quickly lose them even at a \$11 per hour. The calculator also shows that these workers retain the lion’s share (85 percent) of their higher wages as net income increases.

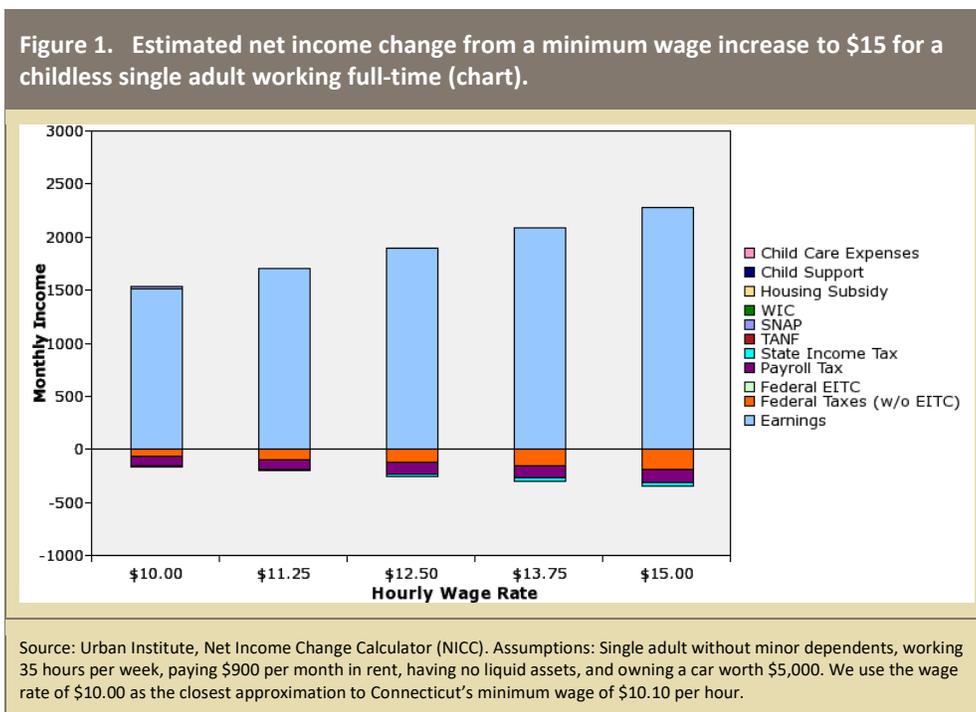


Figure 2. Estimated net income change from a minimum wage increase to \$15 for a childless single adult working full-time (table).

Type of Income & Expense	Hourly Wage Rate:				
	\$10.00	\$11.25	\$12.50	\$13.75	\$15.00
Earnings	1517	1706	1896	2085	2275
Taxes					
<i>Federal income tax (excluding EITC)</i>	-70	-98	-126	-155	-183
<i>Federal EITC</i>	0	0	0	0	0
<i>Payroll tax</i>	-86	-96	-107	-118	-129
<i>State income tax</i>	-5	-11	-19	-27	-36
Total taxes	-161	-206	-252	-299	-348
TANF	0	0	0	0	0
SNAP	16	0	0	0	0
WIC	0	0	0	0	0
Housing Subsidy	0	0	0	0	0
Child Care Expenses	0	0	0	0	0
Child Support	0	0	0	0	0
Total Net Income	1371	1501	1644	1786	1927

Source: Urban Institute, Net Income Change Calculator (NICC). Assumptions: Single adult without minor dependents, working 35 hours per week, paying \$900 per month in rent, having no liquid assets, and owning a car worth \$5,000.

Approximately 20 percent of workers affected by a \$15 minimum wage are parents to dependent minors.³³ These parents and their children are eligible for the Child Tax Credit, and some of them may also be eligible for other public assistance programs—mainly, the EITC and SNAP. These working parents may be vulnerable to the loss of benefits as their incomes increase. **However, even these workers are net better off, as the benefits they may lose are more than offset by an increase in earnings.**

How much or how little they could lose depends significantly on the number of hours they work and which benefits they currently receive. A single adult working full-time, raising one child, and receiving EITC, SNAP, childcare subsidies and housing subsidies, will retain roughly 98 percent of her higher income as the minimum wage increases to \$15 and her benefits phase down (Figure 3). In contrast, a single worker raising one child, working 20 hours per week, and receiving all four benefits, will retain 100 percent of her higher wages. In fact, her net income would add up to 177 percent of her earnings from a \$15 minimum wage (Figure 4).

The reality is that very few struggling working households receive a full package of public assistance, unlike the scenarios we discuss above would suggest. Among the working households receiving public assistance, most are more likely to receive SNAP, if they qualify, and the EITC or CTC if they are parents to minor children. And very few are at risk of facing cliff-like scenarios, even when receiving public assistance. Those who are, tend to be single parents raising two or more children in or near poverty (with earnings below 150 percent of the federal poverty line), and receiving EITC, SNAP *and* either cash or housing assistance (or both). According to analysis by the Center on Budget and Policy Priorities, these cliff-affected families account for only 3 percent of *all* near-poor single-parent households with two children.³⁴

Whenever cliff-like scenarios occur, they should be understood as the result of poor policy design, not as the result of higher minimum wages. Connecticut should use such occasions to review eligibility criteria for safety net programs, and make the required changes to ensure that working families with continued need for public support will maintain their benefits.

Figure 3. Estimated net income change from a minimum wage increase to \$15 for a single adult, working full-time, raising one child, and receiving various benefits.

Type of Income & Expense	Hourly Wage Rate:				
	\$10.00	\$11.25	\$12.50	\$13.75	\$15.00
Earnings	1517	1706	1896	2085	2275
Taxes					
<i>Federal income tax (excluding EITC)</i>	83	83	83	83	62
<i>Federal EITC</i>	249	219	189	158	128
<i>Payroll tax</i>	-86	-96	-107	-118	-129
<i>State income tax</i>	75	65	54	41	26
Total taxes	322	271	219	165	87
TANF	0	0	0	0	0
SNAP	267	218	184	137	0
WIC	0	0	0	0	0
Housing Subsidy	828	773	730	677	623
Child Care Expenses	-666	-674	-719	-731	-742
Child Support	0	0	0	0	0
Total Net Income	2267	2295	2309	2333	2243

Source: Urban Institute, Net Income Change Calculator (NICC). Assumptions: Single adult with a minor child, working 35 hours per week, paying \$1,100 per month in rent and \$790 in childcare before subsidies, receiving no child support, having no assets other than a car worth \$5,000, and receiving EITC, SNAP, and childcare and housing subsidies.

Figure 4. Estimated net income change from a minimum wage increase to \$15 for a single adult, working part-time, raising one child, and receiving various benefits.

Type of Income & Expense	Hourly Wage Rate:				
	\$10.00	\$11.25	\$12.50	\$13.75	\$15.00
Earnings	867	975	1083	1192	1300
Taxes					
<i>Federal income tax (excluding EITC)</i>	83	83	83	83	83
<i>Federal EITC</i>	264	264	264	264	264
<i>Payroll tax</i>	-49	-55	-61	-67	-73
<i>State income tax</i>	79	79	79	79	79
Total taxes	378	372	365	359	353
TANF	0	0	0	0	0
SNAP	320	291	263	243	215
WIC	0	0	0	0	0
Housing Subsidy	921	889	857	832	801
Child Care Expenses	-325	-327	-330	-356	-360
Child Support	0	0	0	0	0
Total Net Income	2159	2199	2239	2270	2309

Source: Urban Institute, Net Income Change Calculator (NICC). Assumptions: Single adult with a minor child, working 20 hours per week, paying \$1,100 per month in rent and \$400 in childcare before subsidies, receiving no child support, having no assets other than a car worth \$5,000, and receiving EITC, SNAP, and childcare and housing subsidies.

Only a few benefits programs, affecting few low-wage workers, incorporate a “benefits cliff” where a small increase in earnings can result in the loss of benefits

There are few benefits programs—such as the Child Care & Development Block Grant (CCDF)—that incorporate a “benefits cliff,” where a small increase in earnings can result in the complete loss of eligibility. However, only a small fraction of low-wage workers affected by a minimum wage increase receive these benefits, since they are not entitlement programs, are not adequately funded, and there are long waiting lists for these benefits in all of the states. For example, while there are 28 million workers in the U.S. who earn less than \$15 per hour and who would directly benefit from a \$15 by 2024 minimum wage, fewer than 1 million families receive subsidized childcare assistance.³⁵

Yet, as discussed above, even workers who participate in cliff-like benefits programs generally see net income gains when the minimum wage goes up—just smaller ones. In Connecticut, a full-time worker with one child receiving a range of less common, non-entitlement benefits, including childcare and housing subsidies, retains 98 percent of her higher earnings (net income compared to earnings at \$15 per hour). See Figure 3.

Research shows that \$15 minimum wage would improve access to healthcare by helping workers afford coverage

Research by Dr. Andrew Bindman, a University of California-San Francisco health policy expert, shows that raising the minimum wage improves access to health benefits by helping workers afford insurance plans offered by their employers. Dr. Bindman estimates that raising the minimum wage from \$10 to \$15 would increase the share of low-wage workers who can afford to access health coverage from 58 percent to 77 percent.³⁶ This is significant because one of the major benefits programs for which low-wage workers who work full-time are generally ineligible is Medicaid.

Generally, full-time adults without dependent children who earn slightly above the federal minimum wage will earn too much to qualify for Medicaid, both in states that have opted to expand Medicaid under the Affordable Care Act (ACA),³⁷ and in those that have declined expansion. According to a factsheet by the Kaiser Foundation, in expansion states the threshold for Medicaid eligibility for able-bodied single adults without dependents currently is \$16,753.³⁸ This translates to earnings equal to full-time year-round work at an hourly wage of approximately \$8.05. In non-expansion states, able-bodied adults may qualify for Medicaid if they have dependent children and have very low incomes, according to the fact sheet.³⁹

In Connecticut, which is among the 36 states to have expanded Medicaid under the ACA, the current income threshold for Medicaid eligibility for single adults without dependents is \$16,147,⁴⁰ which would translate to earnings from full-time year-round work at approximately \$7.76 per hour. The income threshold for federal subsidies to purchase health insurance plans with lower premiums and out-of-pocket costs is \$31,225, or the equivalent of \$15.01 per hour.

Thus, since Medicaid is generally not available to low-wage workers who work full-time, do not have minor dependents and earn slightly above the minimum wage, earning a \$15 will help many of them afford health insurance coverage, either through their employers (as the University of California study suggest), or through the health insurance exchange.

The EITC is a complement to, not a substitute for, a \$15 minimum wage

Opponents of higher minimum wages sometimes argue that a better tool to increase the incomes of low-wage workers is to adopt or expand a state Earned Income Tax Credit, instead of raising the minimum wage.

The Connecticut state EITC—which is beneficial policy and worth pursuing—should be seen as a complement to, not a substitute for a \$15 minimum wage. A \$15 minimum wage in Connecticut would deliver an average income boost of \$3,000 for 332,000 residents.⁴¹ **Combined with a state EITC, the higher minimum wage can have the greatest impact in helping workers in Connecticut make ends meet.**⁴²

A state EITC by itself does not serve one of the additional functions of a higher minimum wage: Raising labor standards across the bottom of the economy, helping push up stagnant pay scales for workers earning moderately above the minimum wage, and ensuring that employers pay their workers fairly. In particular, while the EITC is an important source of income for many low-wage workers (especially, those with dependent children), relying entirely on this tax credit to boost workers' income essentially functions as a taxpayer subsidy to low-wage employers⁴³—which rewards and reinforces their choice to use a poverty-wage business model to realize profits. Moreover, the EITC, as currently designed at the federal level, leaves many low-income workers behind—in particular childless adults who work full-time, those younger than 25 and those older than 65.⁴⁴

That is why an expanded EITC and a \$15 minimum wage work best together. A higher minimum wage raises pay broadly for workers at the bottom, and the EITC provides an additional income boost, chiefly for families raising children. As the Center on Budget and Policy Priorities explains, “Families modestly above the poverty line often can't meet basic needs. Improving state EITCs and minimum wages together not only helps more families climb out of poverty, but also helps working families get further down the road to economic security.”⁴⁵

That is why the same states that are expanding their EITC programs are also raising their minimum wages, including Oregon, Rhode Island, Washington, D.C., Maryland and Minnesota.⁴⁶

The National Movement for Higher Wages, and the Benefits of Raising the Minimum Wage

A growing list of jurisdictions are enacting \$15 minimum wage increases, reflecting continued concerns with low wages and popular support for bold change

With job growth skewed towards low-paying occupations over the past decade, and with household incomes barely budging for the majority of the population, there has been growing national momentum for action to raise the minimum wage. According to analysis by the Economic Policy Institute, U.S. median household income rose less than 2 percent between 2017 and 2018, a slower pace than the 5 percent observed in 2015,⁴⁷ and hourly wages similarly flatlined for most of the workforce.⁴⁸

The worsening prospects and opportunities for low-wage workers have prompted a record number of cities, counties, and states to enact higher minimum wages, often with overwhelming support from the public. Recent national polling data shows that a majority (55 percent) of registered voters support a \$15 minimum wage, including one in two Independents and over one-third (36 percent) of Republicans.⁴⁹ A 2015 poll of low-wage workers commissioned by NELP found that approximately 75 percent of low-wage workers support a \$15 minimum wage and a union.⁵⁰

Since November 2012, an estimated 22 million low-wage workers throughout the country have won a combined \$68 billion in wage increases through a combination of states and cities raising their minimum wages; executive orders by city, state and federal leaders; and individual companies raising their pay scales.⁵¹ Of those workers, **nearly 11 million will receive gradual raises to \$15 per hour.**⁵²

Nearly three-dozen states and localities have adopted and are currently phasing in \$15 minimum wage laws. Two of the nation's biggest states—California and New York— approved statewide \$15 minimum wage policies in 2016, followed by Massachusetts in 2018, and New Jersey and Illinois in 2019.⁵³ Additional states—including Connecticut, Maryland and Hawaii—are currently or will soon be considering similar legislation for \$15 wage floors.⁵⁴ In addition, more than two-dozen cities and counties from Washington, D.C. to Minneapolis to Flagstaff, Arizona have approved \$15 minimum wage legislation of their own, or have campaigns underway.⁵⁵

The trend in localities and states pushing for higher minimum wage rates is likely to continue as wages decline or stagnate, inequality worsens or remains high, and obstructionists in Congress continue to block federal action on the minimum wage.

Higher earnings resulting from minimum wage increases can have significant income, health and educational benefits for low-income individuals and their families

By raising pay broadly across the bottom of the economy, substantial minimum wage increases can have very direct and tangible impacts on the lives of affected workers and their families, and can be **an effective strategy for addressing declining wages and opportunities for low-wage workers.**

For example, analysis of San Francisco's minimum wage policy—which, over the past decade, has remained significantly above the California and federal rates—shows that the City's minimum wage boosted pay by more than \$1.2 billion for more than 55,000 workers, and permanently raised citywide pay rates for the bottom 10 percent of its labor force.⁵⁶ (San Francisco voters first approved an \$8.50 minimum wage in 2003,⁵⁷ at the time one of the highest in the nation. The widely recognized success of this measure led Mayor Ed Lee to broker an agreement with

business and labor to place a new increase—this time to \$15—on the November 2014 ballot, which voters overwhelmingly approved).⁵⁸

Research also shows that higher incomes resulting from a minimum wage increase can also translate to a range of other important improvements in the lives of struggling low-paid workers and their households:

- **Decreased poverty:** For workers with the lowest earnings, a study shows that the additional pay can increase their net incomes and lift them and their families out of poverty.⁵⁹
- **Decreased rates of child abuse and neglect:** An analysis of child maltreatment rates found “evidence that increases in minimum wage reduce the risk of child welfare involvement, particularly for neglect reports and especially for young and school-aged children. Immediate access to increases in disposable income may affect family and child well-being by directly affecting a caregiver's ability to provide a child with basic needs.”⁶⁰
- **Improved educational outcomes:** A National Institutes of Health study determined that for children in low-income households, “[a]n additional \$4000 per year for the poorest households increases educational attainment by one year at age 21.”⁶¹
- **Improved graduation rates:** A study by University of Massachusetts researchers found that high dropout rates among low-income children can be linked to parents’ low-wage jobs, and that youth in low-income families have a greater likelihood of experiencing health problems.⁶²
- **Improved health and wellbeing:** A California study estimated that an increase in the state’s minimum wage to \$13 per hour by 2017 “would significantly benefit [the] health and well-being” of Californians, and that they “would experience fewer chronic diseases and disabilities; less hunger, smoking and obesity; and lower rates of depression and bipolar illness. In the long run, raising the minimum wage would prevent the premature deaths of hundreds of lower-income Californians each year.”⁶³

Overview of the Economic Research on the Impact of Minimum Wage Increases

Decades of rigorous research shows that raising the minimum wage boosts workers' incomes without adverse employment effects

The most rigorous minimum wage research over the past two decades, which examines scores of state and local increases across the U.S., demonstrates that these measures have raised workers' incomes without reducing employment. The substantial weight of the scholarly evidence reflects a significant shift in the views of the economics profession, away from the simplistic view that higher minimum wages cost jobs. As *Bloomberg News* summarized in 2012:

*[A] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.*⁶⁴

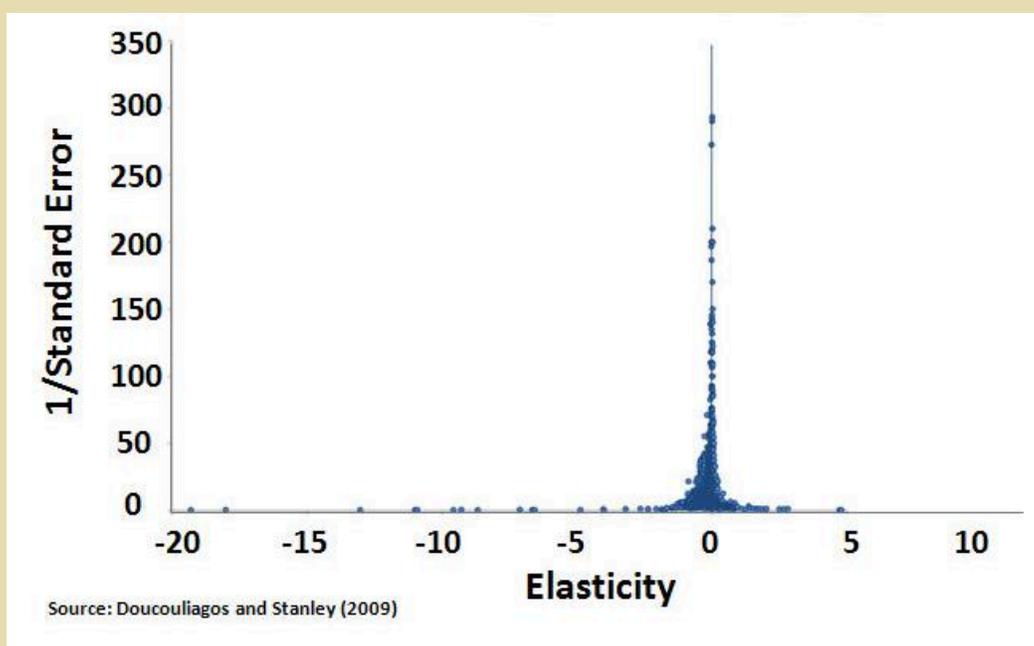
One of the most sophisticated studies coming out of this new wave of minimum wage research, “Minimum Wage Effects Across State Borders,” was published in 2010 by economists from the universities of California, Massachusetts, and North Carolina in the prestigious *Review of Economics and Statistics*.⁶⁵ That study carefully analyzed minimum wage impacts across state borders by comparing employment patterns in more than 250 pairs of neighboring counties in the U.S. that had different minimum wage rates between 1990 and 2006.⁶⁶ Consistent with a long line of similar research, the study found no difference in job growth rates in the 250 pairs of neighboring counties—such as Washington State’s Spokane County compared with Idaho’s Kootenai County where the minimum wage was substantially lower—and found no evidence that higher minimum wages harmed states’ competitiveness by pushing businesses across the state line.⁶⁷

The study’s innovative approach of comparing neighboring counties on either side of a state line is generally recognized as especially effective at isolating the true impact of minimum wage differences, since neighboring counties otherwise tend to have very similar economic conditions. The study was lauded as state-of-the-art by the nation’s top labor economists, such as Lawrence Katz of Harvard University, and David Autor and Michael Greenstone from the Massachusetts Institute of Technology.⁶⁸ (By contrast, studies often cited by minimum wage opponents, which compare one state to another—and especially those comparing states in different regions of the U.S.—cannot as effectively isolate the impact of the minimum wage, because different states face different economic conditions, of which varying minimum wage rates is but one.)

However, it is not simply individual studies, but the whole body of the most rigorous modern research on the minimum wage that now indicates that higher minimum wages have had little impact on employment levels. This is most clearly demonstrated by several recent “meta-studies” surveying research in the field. For example, a meta-study of 64 individual studies on the impact of minimum wage increases published in the *British Journal of Industrial Relations* in 2009 by economists Hristos Doucouliagos and T. D. Stanley, shows that the bulk of the studies find close to no impact on employment.⁶⁹

This is vividly illustrated in Figure 4, below, which arrays the 1,492 different findings from 64 different studies, mapping their conclusions on employment impacts against the statistical precision of the findings. As economist Jared Bernstein summarizes, “the strong clumping around zero [impact on jobs] provides a useful summary of decades of research on this question [of whether minimum wage increases cost jobs].”⁷⁰

Figure 4. Research overwhelmingly finds that minimum wage increases have little to no effects on employment



Source: Jared Bernstein, "Raising the Minimum Wage: The Debate Begins...Again," *On the Economy*, February 14, 2013.

Drawing on the methodological insights of Doucouliagos and Stanley, a 2014 meta-study by Dale Belman and Paul Wolfson reviewed more than 70 studies and 439 distinct estimates to come to a very similar conclusion: "[I]t appears that if negative effects on employment are present, they are too small to be statistically detectable. Such effects would be too modest to have meaningful consequences in the dynamically changing labor markets of the United States."⁷¹

In 2017, a cutting-edge and expansive study by researchers from the University of Massachusetts, University College London and the Economic Policy institute examined state minimum wages from 1979 to 2016 using a methodology that compares the number of jobs in various wage categories (rather than total employment) prior to and following a minimum wage increase ("bunching method").⁷² They found that jobs were not adversely impacted. The researchers concluded that "on average, the number of missing jobs paying below the new minimum during the five years following implementation closely matches the excess number of jobs paying just above minimum," and that "[t]his leaves the overall number of low-wage jobs essentially unchanged, while raising average earnings of workers below those thresholds."⁷³ As Jared Bernstein of the Center on Budget and Policy Priorities (CBPP) put it, "the researchers find that jobs largely just shift from around the old wage to around the new wage."⁷⁴ In this same summary, Bernstein looked at employment trends overall and in three low-wage sectors—retail, leisure and hospitality, and food services—among states that raised their minimum wages during 2013–2017 and states that did not raise their minimums. He found that, "[b]oth overall and in the lower-wage sectors, job growth was slightly faster in states that raised their wage floors and unemployment fell a bit more."⁷⁵

In another 2017 study, University of California economists analyzed over three decades (1979 to 2014) of teen and restaurant employment data, comparing states with high average minimum wages and those with low average minimum wages (typically, equal to the federal minimum wage). The data did not show disemployment effects

among restaurant workers—who comprise a large share of low-wage workers affected by a minimum wage policy—and the effect on teen employment was only a fraction of the already negligible impact claimed by minimum wage opponents.⁷⁶

Previously, in 2011, this same team of University of California economists had analyzed the impact of the minimum wage on teen employment in a peer-reviewed study, “Do Minimum Wages Really Reduce Teen Employment?”⁷⁷ The study carefully examined the impact of all U.S. minimum wage increases between 1990 and 2009—including those implemented during the recessions of 1990–1991, 2001 and 2007–2009—and found that the even during downturns in the business cycle, and in regions with high unemployment, the impact of minimum wage increases on teen employment was negligible.⁷⁸

Similarly, in an analysis released near the end of the Obama Administration by the White House Council of Economic Advisors, economists examined all U.S. minimum wage increases since the Great Recession. Like the lion’s share of recent rigorous research on the minimum wage, they found that the post-recession increases delivered significant raises to low-wage workers with little negative effect on job growth.⁷⁹

Finally, an earlier report (2006) published by the Fiscal Policy Institute examined state trends for small businesses employing fewer than 50 workers. It found that “employment and payrolls in small businesses grew faster in the states with minimum wages above the federal level . . .”⁸⁰

The University of Washington study of Seattle’s minimum wage ordinance has serious issues leading to dubious conclusions; it cannot serve as guide for policymaking

In 2017, two separate teams of researchers—from the University of California at Berkeley, and the University of Washington—released conflicting analyses of the employment effects of the first two steps of Seattle’s \$15 minimum wage ordinance. (The initial step increased the minimum wage from \$9.47 to \$11.00 for large employers in 2015, and from \$11.00 to \$13 in 2016). The study by the University of California, which focused on the restaurant industry during the 2015-2016 period, and which employed sophisticated controls, did not find negative employment effects.⁸¹ The University of Washington study, which has been criticized by leading economists for its serious methodological flaws,⁸² found a reduction in low-wage jobs and hours worked.⁸³

Chief among the University of Washington study’s problems are:

- **Outsized Low-Wage Job Losses.** The study’s main conclusion of substantial job losses is, ironically, also one of the first indicators that something is amiss with the analysis. The authors’ job loss estimates are far greater than those found for a synthetic control group, which they constructed of similar areas in Washington State where the minimum wage did not increase.

Incredibly, the authors find a 9 percent decline in full-time-equivalent jobs paying under \$19 an hour, compared with only a 3 percent increase in wages. This is the equivalent of a *3 percent* job loss from a small *1 percent* minimum wage increase. That is a job loss estimate that is far above what other researchers—including perennial minimum wage critic, David Neumark—have found in the handful of past studies showing a negative impact.⁸⁴ Usually, if economists find a disemployment effect from an increase in the minimum wage, it is statistically insignificant or close to the zero mark.⁸⁵

While one may be tempted to rationalize these outsized findings by pointing to the high nominal value of a \$13 minimum wage, in reality this wage level is modest for a city like Seattle, which has been experiencing a boom in jobs and wages in recent years. One measure economists use to determine the strength of the minimum wage is the “Kaitz index,” or the ration of the minimum wage to the median hourly wage for full-time workers. A Kaitz index up to 55 percent is considered to be within the normal observed range, and in 2016, when the Seattle’s minimum wage rose to \$13, ratio was approximately 51 percent.⁸⁶

Thus, with a minimum-to-median wage ratio in the range of normal, it is reasonable to expect that any observed employment effects will also be within the bounds of past minimum wage research. But as explained above, a 3 percent job loss from a 1 percent wage increase is an outsized disemployment estimate that is far greater—up to 10 times greater, according to one estimate⁸⁷—than past research. And that points to fundamental problems with the study’s methodology and data.

- **Large Growth in High-Wage Jobs.** While finding that low-wage jobs paying under \$19 per hour saw a substantial decrease (9 percent) since the minimum wage ordinance went into effect, the authors also find a significant increase (21 percent) in higher-wage jobs that pay more than \$19 per hour,⁸⁸ including those in the \$30 range⁸⁹—sections of the wage distribution which should not be influenced by a moderate minimum wage increase. This nonsensical conclusion points to a failure to control for Seattle’s booming economy, which has been experiencing rapid job growth and low unemployment rates over the past few years.⁹⁰ Tight labor markets, like Seattle’s, put pressure on employers to voluntarily raise wages in order to attract and retain staff, which results in a shift toward higher-paying jobs, independent of the minimum wage law.

Hence, a more logical interpretation of the observed decrease in lower-wage jobs and increase in higher-wage jobs is not that Seattle’s \$15 minimum wage ordinance was causing job losses, but rather, that market forces were naturally changing the city’s wage distribution towards higher wages without significant reductions in employment. Economists point to the study’s lack of a “spike” in the number of hours worked at the new minimum wage as evidence supporting this interpretation. They write,

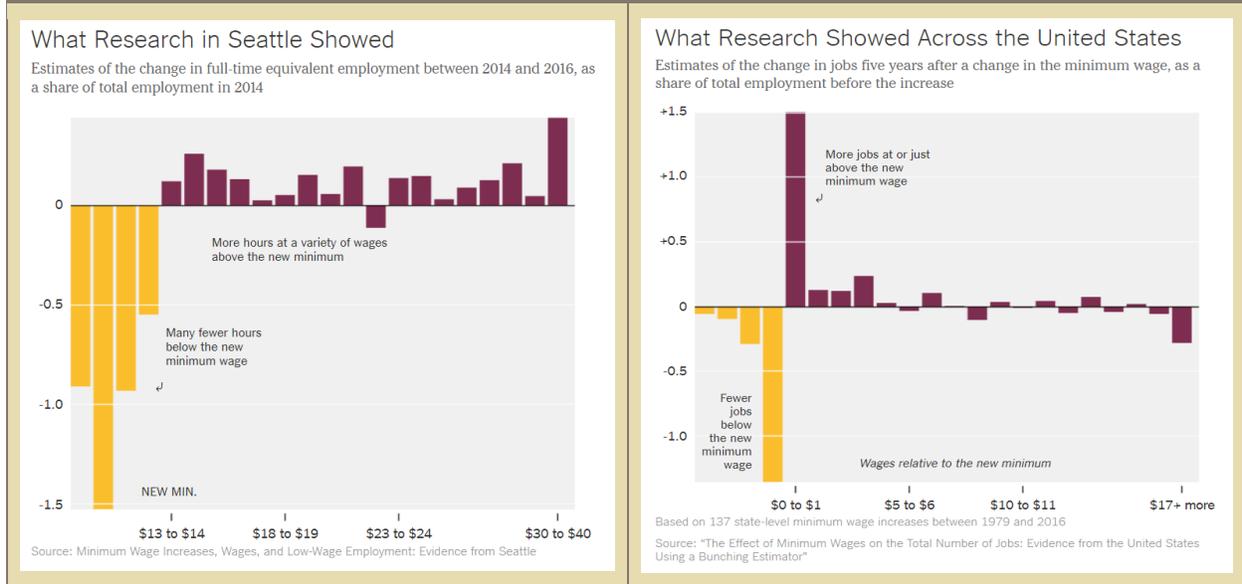
“Rather than a smooth distribution of workers at and above any statutory minimum wage, a regular feature of local, state, and federal minimum wages is that there are noticeably more workers who earn exactly any new minimum wage than there are just above the new minimum. This reflects the tendency of a new higher minimum wage to sweep workers who were below the new minimum just up to the new higher level, while leaving many (though not all) workers just above the minimum wage at or near where they were. In graphs of the wage distribution, this phenomenon creates a ‘spike’ in employment at exactly the new minimum wage. The fact that...the authors fail to detect any new spike due to the minimum wage increase to \$13.00, again suggests that the study is not estimating the true effects of the minimum wage and instead merely [reflects] wage growth in Seattle that is occurring regardless of [the] minimum wage increase.”⁹¹

Figure 2, on the next page, shows a graphical representation of the University of Washington’s findings for Seattle (which *does not* show a spike), and of findings for 137 minimum wage increases over nearly 40 years, which do show a clear spike in the 5 years after the minimum wage increases.

Thus, the paradox of low-wage job losses in tandem with higher-wage job increases, and the lack of a spike, both point to the University of Washington researchers’ erroneous interpretation of the data and the unreliability of their findings.

- **Exclusion of 40 Percent of the Workforce from Its Analysis.** Another feature of the study that casts serious doubts on its conclusion is the authors’ exclusion of nearly 40 percent of the state’s workforce. Because the data did not allow the researchers to identify whether individual workers employed by businesses with multiple locations throughout Washington, work within or outside of Seattle, they left those workers out of the analysis. As a result, the study paints an incomplete picture of the true effects of the minimum wage increase, and fails to determine if the ordinance might have been switching employment from single-location businesses to multiple-locations establishments. (In fact, economic theory suggests that minimum wage increases can result in the elimination of the lowest-paid jobs, such as those that may be more typical in single-location businesses, and their replacement with jobs in higher-wage businesses).⁹²

Figure 5. The University of Washington’s findings for Seattle, which does not show a “spike,” vs. a summary of findings for 137 minimum wage increases over 40 years, clearly showing a spike⁹³



Experts find other areas of concern with the University of Washington study. However, these three flaws, by themselves, are significant enough that the study cannot be relied upon to paint an accurate picture of the employment effects of Seattle’s \$15 minimum wage ordinance, or to guide Connecticut’s debate over whether or not to adopt similar legislation.

In fact, in an updated paper from 2018, the University of Washington researchers back away from their initial conclusions, finding that, overall, workers benefitted from the increase.⁹⁴

Raising the minimum wage to \$15 is unlikely to lead to runaway inflation

Research by economists from the University of California and the University of Massachusetts suggests that a \$15 minimum wage would have a modest impact on the price of goods and services, even in cases where businesses pass the entire cost of labor onto the consumer.

In a 2017 peer-reviewed study published in the prestigious *IRL Review*, University of California economists analyzed menu prices in and around San Jose, California, after the city implemented a 25 percent minimum wage increase in 2013. They found that the increase had led restaurants to raise prices by 1.45 percent on average.⁹⁵ In another 2017 study, these researchers analyzed the potential impact of California’s \$15 minimum wage law on Fresno, one of the poorest cities in the state. They concluded that businesses in Fresno could adapt to a \$15 minimum wage by increasing prices by 0.6 percent overall—a rate lower than inflation—and by a modest 5.1 in the restaurant industry.⁹⁶

In 2004, economists from the University of Massachusetts analyzed the impact of a minimum wage ballot initiative in Florida.⁹⁷ The initiative, which was overwhelmingly approved by voters,⁹⁸ proposed to raise the state’s minimum wage by 19 percent in one step.⁹⁹ The researchers found that businesses would face labor cost increases ranging from 0.05 percent and 0.7 percent, which, if they passed onto consumers in full, would raise prices by just a few cents.¹⁰⁰ In 2006, these economists published a similar analysis of Arizona’s ballot proposal, which would raise the minimum wage to \$6.75 in one step—an increase of 31 percent. They found that this policy would raise the cost of

labor for affected businesses between 0.8 percent and 2 percent, which would translate to price increases of just a few cents per product.¹⁰¹

One reason that explains why increases in the cost of labor have a modest impact on prices is that, in general, labor costs in low-wage industries ranges between a low of 11 and a high of 31 percent of total operating costs.¹⁰² In addition, reduced turnover and improved productivity, which typically result from higher wages, can lead to savings for businesses,¹⁰³ helping them contain their labor costs and the share of those costs they pass onto consumers.

Evidence from cities that were early adopters of high minimum wages similarly shows little adverse effects on jobs, and that implementation is manageable for employers

Beginning with SeaTac, Washington in 2012—joined later by Seattle, San Francisco, Minneapolis and dozens of other local jurisdictions—U.S. cities have been at the forefront of the movement to raise minimum wages to significant levels up to \$15, forging a path for states to do the same. Academic studies and the media are beginning to report on the experience of these cities, documenting the effects these policies are having on local economies. To date, both research and business press reports suggest these measures are boosting pay with little negative impact on employment.

Seattle. As referenced above, in June 2017, a team of University of California economists released a study that explored the impact of Seattle’s higher minimum wage (which currently requires large employers to pay their workers \$15 or \$15.45, depending on whether they provide medical benefits). The study focused on the restaurant industry—the largest low-paying sector where any negative effects on jobs would first appear. The study found that Seattle’s minimum wage, which ranged from \$10.50 to \$13 during the period analyzed, had raised pay for workers without any evidence of a negative impact on jobs.¹⁰⁴

Business press reports on Seattle’s economy and job market confirm that it is continuing to thrive as the \$15 minimum wage phases in. Today, Seattle has an unemployment rate of just 3.4 percent,¹⁰⁵ lower than both, Washington State¹⁰⁶ and the U.S unemployment rates.¹⁰⁷ As *Forbes* reported in 2017, “Higher Seattle Minimum Wage Hasn’t Hurt Restaurant Jobs Growth After a Year.”¹⁰⁸ Earlier reporting in the *Puget Sound Business Journal* was titled “Apocalypse Not: \$15 and the Cuts that Never Came.”¹⁰⁹

San Francisco. San Francisco was one of the first U.S. cities to adopt a substantially higher minimum wage in 2003, followed in 2014 by the adoption of a gradual minimum wage increase to \$15 after SeaTac and Seattle. Four years after its 2003 minimum wage increase, a study published in Cornell University’s *Industrial and Labor Relations Review* found that the city had raised pay without costing jobs.¹¹⁰ Today, the city’s minimum wage has reached its \$15 target.

In 2018, University of California economists released a study of the impact of higher wage floors in six cities, including San Francisco. During the period studied, San Francisco had reached a minimum wage of \$13, while other cities had raised wages to \$10 or above. The researchers concluded that, “...minimum wages in the \$10 to \$13 range have statistically significant positive effects on earnings. At the individual city level, our estimated wage increases are proportional to the size of the minimum wage increases. On average across the six cities, we find that a 10 percent increase in the minimum wage increases earnings in the food services industry between 1.3 and 2.5 percent...In addition to our findings of positive effects on earnings, we do not detect negative significant employment effects in any of the individual cities, or when pooling them together.”¹¹¹

Today, the city has a very low unemployment rate of 2.5 percent,¹¹² which is nearly 2 percentage points lower than its jobless rate in December 2014¹¹³—the year in which the city adopted its \$15 minimum wage. Its restaurant sector sales grew from 5.4 percent to 6.6 percent from 2014 to 2015, a faster pace than comparable cities like New York.¹¹⁴

San Jose. In 2012, voters in San Jose approved a \$10 minimum wage by high margins, despite predictions of gloom and doom by opponents.¹¹⁵ Four years later, the City Council, acknowledging the need for more robust wages,

unanimously voted to adopt a \$15 minimum wage.¹¹⁶ In 2016, University of California researchers released a study of the city's \$10 minimum wage policy. The authors found that the \$10 minimum wage had raised pay without costing jobs,¹¹⁷ which confirmed earlier observations reported by the media. As *The Wall Street Journal* reported a year after full implementation of the new minimum wage and two years before the study was released, "[f]ast-food hiring in the [San Jose] region accelerated once the higher wage was in place. By early [2014], the pace of employment gains in the San Jose area beat the improvement in the entire state of California."¹¹⁸

Despite opponents' claims to the opposite, businesses of all sizes are comfortable with minimum wage increases

The positive experience of jurisdictions currently phasing in \$15 minimum wages are among the reasons that, despite claims to the contrary by minimum wage opponents, the majority business owners and executives in firms of all sizes are comfortable with higher minimum wages.

According to polling conducted by LuntzGlobal—an opinion research firm headed by leading Republican pollster Frank Luntz—on behalf of the Council of State Chambers, **80 percent of CEOs, business owners and executives at companies of all sizes support raising the minimum wage** in their states, while only 8 percent oppose it.¹¹⁹ Among small business owners, 59 percent favor raising the minimum wage, according to a poll by Manta.com.¹²⁰

Illustrative of the business community's support for higher wage floors is the fact that a growing number of business owners and economists are either voluntarily raising their minimum pay, or have publicly endorsed \$15 minimum wage proposals:

- **Retailers and Other Businesses:** Target, which employs 323,000 workers nationwide,¹²¹ Amazon and a growing number of retailers, financial institutions, restaurants and other diverse businesses of all sizes and throughout the country have recently announced they will raise their minimum pay to \$15.¹²² Some of them have cited a need to attract and retain talent, disproving the myth that a higher wage is an unsurmountable challenge for employers.¹²³
- **Economists:** Citing a link between low minimum wages, stagnating incomes and growing wealth inequality, economists endorsed a federal \$15 minimum wage bill in 2017, which would also gradually eliminate the sub-minimum tipped wage. Endorsers include economists from Vermont, Massachusetts, and Connecticut.¹²⁴

The Case for a Gradual Elimination of the Tipped Sub-Minimum Wage in Connecticut

Eliminating the sub-minimum wage for tipped workers is crucial to making a real difference in the lives of low-wage workers

The elimination of the sub-minimum wage for tipped workers is crucial to improving the lives and economic prospects of low-wage workers. In addition to adopting a \$15 minimum wage, lawmakers in Connecticut should consider the gradual elimination of the state's tip credit, currently set at 36.8 percent of the full minimum wage for hotel and restaurant workers and 18.5 percent for bartenders.

A sub-minimum wage for tipped workers has not always existed in Connecticut or elsewhere in the country. Until 1966, there was no federal subminimum wage for tipped workers.¹²⁵ But with the 1966 expansion of the Fair Labor Standards Act (FLSA) to cover hotel, restaurant, and other leisure and hospitality employees who had previously been excluded by the FLSA, the law was amended to allow employers to pay tipped workers a sub-minimum wage of 50 percent of the full minimum wage.¹²⁶ In 1996, tipped worker's pay decreased further when Congress raised the federal minimum wage from \$4.25 to \$5.15, but froze the tipped minimum wage at \$2.13. This policy decoupled the tipped wage from the full minimum wage for the first time in the history of U.S. minimum wage law, setting up over two decades of a frozen minimum wage for tipped workers¹²⁷ in most of the nation.

If Connecticut approves a gradual elimination of the tipped sub-minimum wage, it would join the seven "One Fair Wage" states—Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington—that do not allow employers to pay their tipped staff a lower wage.¹²⁸ Tipped workers in these One Fair Wage states receive the full minimum wage directly from their employers, and their tips function as gratuities should: As supplemental income over and above their base wages, in recognition of good service. Although not technically a One Fair Wage state, Hawaii also abolished the sub-minimum wage for most tipped workers, preserving a very limited tip credit of just 75 cents for tipped workers who average at least \$7.00 an hour in gratuities.¹²⁹

Although minimum wage opponents in the restaurant industry often claim that most tipped workers earn high incomes and do not need a raise, Bureau of Labor Statistics (BLS) data shows that **the typical tipped worker in Connecticut earns just a few dollars above the state minimum wage**. According to the most recent BLS data, between November 2014 and May 2017, the median wage for restaurant servers in Connecticut was \$10.11 per hour *including tips*, and the average was \$11.79 per hour, also including tips.¹³⁰ During the period covered by the BLS data, the applicable minimum wage in Connecticut rose from \$8.70 to \$10.10 per hour,¹³¹ meaning that servers in the state earned between \$1.41 and \$3.09 above the wage floor when the wage was \$8.70 and a mere \$1.69 above the current minimum wage (enacted in January 2017) for the average wage (the median wage is only one cent higher than the current wage)—hardly the type of high incomes that the restaurant industry claims to be typical.

In addition to restaurant servers, other tipped jobs include car wash workers, nail salon workers, and pizza delivery drivers—notorious sweatshop occupations where pay is often even lower than in the restaurant industry.¹³²

Tipped work is inherently uneven and often unpredictable. While most of us expect to be paid the same for every day or hour we work, for tipped workers this is often not the case. For example, restaurant servers can earn substantially more on Friday or Saturday nights, but much less on other days of the week. Bad weather, a sluggish economy, the changing of the seasons, a less generous customer, and a host of other factors can also cause sudden drops in their tipped income and lead to economic insecurity. Not surprisingly, **tipped workers face poverty at twice the rate of non-tipped workers**, with waiters and bartenders at even higher risk of poverty.¹³³

Tipped workers across the country are also significantly more likely to rely on public assistance to make ends meet. Close to half (46 percent) of tipped workers and their families rely on public benefits compared with 36 percent of non-tipped workers.¹³⁴ Ultimately, shifting the responsibility to pay workers' wages to customers under the tipped sub-minimum wage system allows employers in a few select industries to benefit from a customer-funded subsidy at the expense of workers' economic security.

The complex sub-minimum wage system for tipped workers is difficult to enforce and results in widespread noncompliance

The sub-minimum tipped wage system is complex, difficult to implement and plagued by noncompliance. For example, both employers and employees find it difficult to track tip earnings, a task that is often complicated by tip sharing arrangements amongst workers. In addition, when tipped workers' earnings fall short of the full minimum wage, many will forego asking their employers to make up the difference—as employers are legally required to do—for fear that the employer may retaliate by giving more favorable shifts to workers who do not make such demands.¹³⁵

Given the implementation challenges inherent in the subminimum wage system, it is not surprising that a 2014 report by the Obama Administration's National Economic Council and the U.S. Department of Labor found that one of the most prevalent violations amongst employers is failing to properly track employees' tips and make up the difference between an employee's base pay and the full minimum wage when tips fail to fill that gap.¹³⁶ A survey found that more than 1 in 10 workers employed in predominantly tipped occupations earned hourly wages below the full federal minimum wage, including tips.¹³⁷

Connecticut's restaurant industry is strong and can afford a \$15 minimum wage without a tip credit

While restaurant industry lobbyists often argue that eliminating the tipped sub-minimum wage would hurt restaurants and its workers, the facts belie those claims. In particular, the restaurant industry in One Fair Wage states is strong and projected to grow faster than in many of the states that have retained a sub-minimum tipped wage system.

According to projections by the National Restaurant Association (NRA), **nationwide restaurant sales were expected to have reached \$825 billion in 2018, a 3.25 percent increase over 2017.**¹³⁸ According to the NRA's latest available estimates, in Connecticut, restaurant sales were expected to reach \$2.7 billion in 2017. Restaurant and food service jobs currently make up 9 percent of employment in the state, and are expected to grow by a 6.4 percent over the next ten years.¹³⁹

Many of the states with the strongest restaurant job growth do not allow a tipped minimum wage for tipped workers, and require employers to pay tipped workers some of the country's highest base wages. For example, restaurant employment in California—which has no subminimum wage for tipped workers and is phasing in a \$15 minimum wage—is projected to grow by 10 percent during the 2018–2028 period.¹⁴⁰ In California, the minimum wage is now \$11.00 per hour for small employers (25 or fewer employees) and \$12.00 for large employers (26 or more employees), and the minimum wage will reach \$15 for all employers by 2023.¹⁴¹ In Oregon, where the minimum wage is currently between \$10.50 and \$12.00 and will increase to between \$12.50 and \$14.75 by 2022,¹⁴² and which has no tipped sub-minimum wage, restaurant employment is projected to grow by 12.9 percent during that same period.¹⁴³ And in Washington State, where the minimum wage is \$12.00¹⁴⁴ and will increase to \$13.50 by 2020,¹⁴⁵ restaurant employment growth during the same period is expected to grow by 11.4 percent.¹⁴⁶ According to the

NRA's own projections, restaurant employment in the seven states without a tipped minimum wage will grow in the next decade at an average rate of 10.7 percent.¹⁴⁷

Moreover, a 2015 Cornell Hospitality Report looked at the impact of minimum wage increases on restaurant employment and business growth levels over twenty years across the United States. It found that raising the minimum wage (including the tipped wage) will raise restaurant industry wages but will not lead to "large or reliable effects on full-service and limited-service restaurant employment."¹⁴⁸

Appendix 1. Rent as a percent of pre-tax monthly earnings, by apartment size and region

Region	Studio		One Bedroom		Two Bedrooms		Three Bedrooms		Four Bedrooms	
	Rent	Pct. of Earnings	Rent	Pct. of Earnings	Rent	Pct. of Earnings	Rent	Pct. of Earnings	Rent	Pct. of Earnings
Rural Connecticut	\$697	40%	\$854	49%	\$1,092	62%	\$1,385	79%	\$1,487	85%
Bridgeport HFMA	\$846	48%	\$1,010	58%	\$1,272	73%	\$1,595	91%	\$1,969	112%
Colchester-Lebanon HFMA	\$904	52%	\$971	55%	\$1,291	74%	\$1,791	102%	\$1,932	110%
Danbury HFMA	\$1,026	59%	\$1,280	73%	\$1,609	92%	\$2,017	115%	\$2,512	143%
Hartford-West Hartford-East Hartford HMFA	\$752	43%	\$929	53%	\$1,158	66%	\$1,452	83%	\$1,620	93%
Milford-Ansonia-Seymour HMFA	\$913	52%	\$1,063	61%	\$1,310	75%	\$1,642	94%	\$1,942	111%
New Haven-Meriden HMFA	\$965	55%	\$1,074	61%	\$1,299	74%	\$1,662	95%	\$1,979	113%
Norwich-New London HMFA	\$840	48%	\$1,928	53%	\$1,190	68%	\$1,575	90%	\$1,837	105%
Southern Middlesex County HMFA	\$884	50%	\$1,042	60%	\$1,386	79%	\$2,016	115%	\$2,441	139%
Stamford-Norwalk HMFA	\$1,267	72%	\$1,571	90%	\$1,986	113%	\$2,544	145%	\$3,029	173%
Waterbury HMFA	\$669	38%	\$852	49%	\$1,049	60%	\$1,315	75%	\$1,442	82%
Windham County HMFA	\$861	49%	\$903	52%	\$1,049	60%	\$1,315	75%	\$1,429	82%
Litchfield County	\$697	40%	\$854	49%	\$1,092	62%	\$1,385	79%	\$1,487	85%

Source: National Low Income Housing Coalition, *Out of Reach 2018: Connecticut*, <https://nlihc.org/oor/connecticut>. Pre-tax estimates assume 2,080 hours of work per year at the current minimum wage of \$10.10.

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