

Written Testimony of Yannet Lathrop

National Employment Law Project

Hearing on S.B. 13 & H.B. 6208, Which Would Raise Connecticut's Minimum Wage to \$15 by 2022

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Yannet Lathrop
Researcher and Policy Analyst

National Employment Law Project, DC
2040 S Street NW
Washington, DC 20009

(202) 640-6518
ylathrop@nelp.org

Thank you, Senators Gomes and Miner, Representative Porter, and members of the Labor and Public Employees Committee, for the opportunity to submit written testimony on S.B 13, “An Act Concerning the Minimum Fair Wage,” and its companion bill, H.B. 6208, “An Act Increasing the Minimum Wage.” These bills would gradually phase Connecticut’s minimum wage up to \$15 by January 2022.

My name is Yannet Lathrop and I am Researcher and Policy Analyst at the National Employment Law Project (NELP). NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices in the District of Columbia, California, and Washington State. We partner with federal, state, and local lawmakers on a wide range of workforce issues ranging from unemployment insurance, to the on-demand economy, to raising the minimum wage.

NELP testifies in strong support of an increase in Connecticut to \$15 minimum wage by 2022, as proposed in S.B 13 and H.B. 6208. This increase would raise pay for more than 524,400 low-wage workers in Connecticut. The typical worker who would be affected by a minimum wage increase in the state is a woman over 30 who works full-time and provides on average more than half of her household’s income, according to analysis by the Federal Reserve Bank of Boston.

As for the impact on jobs and businesses, the best economic evidence shows that gradually phasing in such an increase would be manageable for the affected businesses. In this testimony I’ll summarize the evidence on these and other key points.

Workers Across Connecticut Already Need \$15 Today Just to Cover the Basics; By 2022 They Will Need More

- Even in **rural Connecticut**, workers already need more than \$15 an hour to cover the basics. According to the Economic Policy Institute, back in 2014 a single worker in rural regions of the state needed to earn \$32,612 a year just to cover housing, food, transportation and other basic costs.¹ This translates to \$15.68 an hour for a full-time worker. Adjusted for inflation, the minimum wage single workers in rural Connecticut currently need is **\$15.90**.²
- Workers in the New Haven/Meriden metropolitan area, or those supporting children, need more. A single worker in New Haven with no children today needs to make **\$17.79** an hour to afford the basics. And in a two-worker family with two children in 2017, each adult needs to earn **\$21.24** to afford a cheap apartment and other basics.³
- With rent and living costs continuing to rise across the state, workers will need even more **by 2022**, when the proposed minimum wage phase-in would finally reach \$15 per hour. In rural Connecticut, the estimated hourly wage in 2022 will be **\$18.37** for single workers, and **\$20.90** for each parent in a 2-parent, 2-child household. In New Haven, these workers will need **\$19.64** and **\$23.45**, respectively.⁴
- Table1, on the next page, lists the estimated hourly wages that will be needed by 2022, by family size.

Table 1. Hourly Wage Needed to Afford a Basic Household Budget in Connecticut, by Family Size

Region	Family Size	2014	2017	2018	2019	2020	2021	2022
Bridgeport MSA	Single Adult	\$16.02	\$17.00	\$17.34	\$17.69	\$18.04	\$18.40	\$18.77
	1 Adult 1 Child	\$30.59	\$32.46	\$33.11	\$33.77	\$34.45	\$35.14	\$35.84
	2 Adults 2 Children*	\$19.16	\$20.34	\$20.74	\$21.16	\$21.58	\$22.01	\$22.45
Hartford / West Hartford / East Hartford MSA	Single Adult	\$15.90	\$16.88	\$17.21	\$17.56	\$17.91	\$18.27	\$18.63
	1 Adult 1 Child	\$30.07	\$31.91	\$32.55	\$33.20	\$33.86	\$34.54	\$35.23
	2 Adults 2 Children*	\$19.62	\$20.82	\$21.24	\$21.67	\$22.10	\$22.54	\$22.99
New Haven / Meriden MSA	Single Adult	\$16.76	\$17.79	\$18.14	\$18.50	\$18.87	\$19.25	\$19.64
	1 Adult 1 Child	\$30.82	\$32.70	\$33.36	\$34.02	\$34.70	\$35.40	\$36.11
	2 Adults 2 Children*	\$20.02	\$21.24	\$21.67	\$22.10	\$22.54	\$22.99	\$23.45
Norwich / New London MSA	Single Adult	\$15.26	\$16.20	\$16.52	\$16.85	\$17.19	\$17.53	\$17.89
	1 Adult 1 Child	\$28.17	\$29.90	\$30.49	\$31.10	\$31.73	\$32.36	\$33.01
	2 Adults 2 Children*	\$18.71	\$19.85	\$20.25	\$20.65	\$21.07	\$21.49	\$21.92
Rural Connecticut	Single Adult	\$15.68	\$16.64	\$16.97	\$17.31	\$17.66	\$18.01	\$18.37
	1 Adult 1 Child	\$26.86	\$28.51	\$29.08	\$29.66	\$30.25	\$30.86	\$31.47
	2 Adults 2 Children*	\$17.84	\$18.93	\$19.31	\$19.70	\$20.09	\$20.49	\$20.90

*Hourly wage per adult worker.

The Benefits of Gradually Phasing in a \$15 Minimum Wage in Connecticut Would be Far-Reaching and Would Help Reverse Decades of Pay Inequality

- Due to flat or falling wages, today approximately 524,400 workers in Connecticut earn less than \$15 an hour and would benefit from a minimum wage increase to that amount.⁵
- Nearly one-third of workers in the Constitution State – 32.7 percent of its workforce⁶ – would receive a long overdue raise by gradually phasing in a \$15 minimum wage.

The Typical Worker Earning Less than \$15 in Connecticut is a Woman Over 30 Who Works Full-Time, and Contributes More than Half Her Family's Total Income

- A strong majority (57 percent) of Connecticut's low-wage workers are 30 or older, many of whom support families. Only 6 percent are young workers 18-19 years old.⁷
- Although women represent only half of Connecticut's workforce, the share of the workforce earning under \$15 is 55 percent female.⁸
- Nearly 41 percent of African-Americans and 54 percent of Latinos in the state earn less than \$15.⁹
- 61 percent work full-time.¹⁰
- 33 percent have some college experience or have earned an Associate's degree, and an additional 19 percent have at least a Bachelor's degree – for a total of 52 percent.¹¹
- 22 percent of Connecticut's children live in families with at least one parent who earns less than \$15.¹²
- The average worker paid less than \$15 provides more than half (51 percent) of his or her family's total income.¹³

By Adopting a \$15 Minimum Wage, Connecticut Would Join a Growing Number of States that are Raising their Wage Floors to \$15 per Hour

- Last year, California,¹⁴ New York,¹⁵ Washington, D.C.¹⁶ and Flagstaff, Arizona¹⁷ all adopted gradual minimum wage increases to \$15 per hour by the early 2020's. Once phased in, these measures will deliver raises of around \$4,000 a year for more than one-in-three workers.
- More states and cities are now looking to follow their lead. In neighboring Massachusetts, legislators are proposing an increase to \$15, which, if not approved, is likely to appear on the state's 2018 ballot.¹⁸ Legislative leaders in Rhode Island,¹⁹ Vermont,²⁰ New Jersey,²¹ Pennsylvania,²² Nevada,²³ Missouri,²⁴ Baltimore²⁵ and Minneapolis²⁶ are similarly calling for, or have introduced legislation or filed ballot proposals for a \$15 minimum wage.

While Business Lobbyists Argue that Employers Cannot Adjust to \$15, Growing Numbers of Employers and Small Business Organizations in Other States Say that it Will Be Manageable – and Even Beneficial

- In other states that have already approved \$15 minimum wages, business organizations representing more than 32,000 small businesses have either endorsed the \$15 minimum wage – or in some cases simply not opposed it. These include the Greater New York Chamber of Commerce (endorsed),²⁷ the Brooklyn Chamber of Commerce (endorsed),²⁸ the Northeast Organic Farmers Association – New York Chapter

(endorsed),²⁹ the Long Island and Westchester/Putnam African-American Chambers of Commerce (endorsed),³⁰ the Restaurant Association of Metropolitan Washington (endorsed),³¹ the Golden Gate Restaurant Association (did not oppose),³² and others.

- A diverse range of business leaders confirm that transitioning to a \$15 minimum wage is feasible. “Everybody in retail is dealing with an increase in minimum wage,” said Popeyes CEO Cheryl Bachelder to CNN Money. “We will adjust to increased costs just like we have before. Life will go on. There’s been too much hubbub about it.”³³
- As fast food franchise owner Dennis Kessler who teaches at the University of Rochester’s Simon School of Business told the Washington Post, “This \$15 thing is being phased in over quite a few years, so I don’t think it’s going to have much of an impact. . . . People are going to have to pay a little more. It really isn’t too much more complicated than that.”³⁴
- In Flagstaff, Arizona, where voters in November approved a \$15 minimum wage, Ron Watkins, the director of operations for 16 McDonald’s restaurants throughout northern Arizona, told the Arizona Daily Sun, “the minimum wage measure would not affect the company’s willingness to add locations or jobs in Flagstaff.”³⁵
- In California, Bill Phelps, CEO of Wetzel’s Pretzels with 100 stores statewide, and franchise owner Mike Jacobs report that they have already seen higher sales resulting from their customers having more money to spend.³⁶

Economic Research Shows that the Benefits of a Gradually Phased-In \$15 Minimum Wage Far Outweigh the Costs

- With relatively high costs of living, even in rural areas of the state, a gradually phased-in \$15 minimum wage is actually not that high for Connecticut. The portion of the state’s workforce that would be boosted by a \$15 minimum wage— approximately 33 percent – is comparable to the impact of \$12 minimum wage in lower cost states like Maine, Michigan and Ohio.³⁷
- State-of-the-art research on the impact of a \$15 minimum wage by University of California economists for the State of New York shows that, if phased in gradually over five years, a \$15 wage would be manageable for employers and would raise business operating costs only moderately.³⁸
- Studies of the New York and California \$15 minimum wages by University of California economists have examined the net impact of all the positive and negative effects on businesses of a \$15 wage.³⁹ They found that, unlike small wage increases, a \$15 minimum wage generates billions in new consumer spending that offsets much of the impact of the higher wage costs on businesses.⁴⁰ As a result, any net negative impact on jobs would likely be small – and would be vastly outweighed by the benefits of delivering large raises for more than 1 in 3 workers, reversing decades of falling pay.
- The California study focuses in particular on the impact of the state’s \$15 minimum wage in areas such as Fresno County – one of the poorest areas of the state, located in California’s agricultural Central Valley. It finds that in poor areas of the state the net impact is roughly the same: the large increase in worker spending power generated by a \$15 minimum wage offsets most of the higher costs to businesses.⁴¹

- More than 75 economists and researchers have endorsed the findings of the University of California study in New York,⁴² and another 200 economists and researchers have endorsed a gradually phased-in \$15 federal minimum wage, finding that raising the minimum to \$15 an hour “will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy. The costs to other groups in society will be modest and readily absorbed.”⁴³
- Experiences in the first regions of the U.S. to phase in \$15 minimum wages – San Francisco, Seattle and New York – have shown continued strong job growth as wages have increased.
- For example, in Seattle – the first U.S. city to approve a \$15 minimum wage for all private sector employers, and where the wage floor reached \$15 in January for large businesses – restaurant job growth has continued to be strong, and unemployment has hit record lows. As *Forbes* reported last month, “Higher Seattle Minimum Wage Hasn’t Hurt Restaurant Jobs Growth After a Year.”⁴⁴ Earlier reporting in the Puget Sound Business Journal was titled “Apocalypse Not: \$15 and the Cuts that Never Came.”⁴⁵ Although a July 2016 initial analysis had suggested that while jobs continued to grow strongly in Seattle, the pace of growth might have slowed slightly on account of the minimum wage,⁴⁶ in November the study’s author backed away from those findings, concluding that they were not statistically significant.

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