U.S. Women's Chamber of Commerce

Testimony on
H.B. No. 5291
Regarding Raising Connecticut's Minimum Wage
before the
Labor and Public Employees Committee of the
Connecticut General Assembly

Margot Dorfman
Chief Executive Officer
U.S. Women's Chamber of Commerce

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Good afternoon Chairman Zalaski, Chairwoman Prague, and Vice Chairs Santiago and Gomes, of the Labor and Public Employees Committee. My name is Margot Dorfman. I am the CEO of the U.S. Women's Chamber of Commerce. Thank you for the opportunity to testify today. I am here representing American women business owners, in Connecticut and nationally, who support raising the minimum wage.

Introduction

The U.S. Women's Chamber of Commerce was founded to support the continued economic advancement of women in America. The Women's Chamber has over 500,000 members – young and old, students and retirees, employees and business owners. We have members in every state, including more than one thousand member business owners in Connecticut. As is typical of women's businesses across the U.S., our businesses tend to be small, fewer than 25 employees, with a concentration in service, retail and restaurant industries.

While some may say minimum wage will hurt employers, particularly small businesses, my members tell me that just is not true. The migration of women from the workforce into business ownership has been one of the great economic achievements of the American dream. As women moved from employees to business owners, we have brought a new perspective to America's business leadership. Women now own over thirty percent of all firms in the United States and are exercising the decision-making authority that comes with that role to effect positive changes in the workplace. Our members tell us that – even as business owners – they understand and respect the ongoing struggle against wage discrimination that women continue to face, and they recognize the need to support workers as they seek fair treatment in the workplace.

As a matter of fact, businesses that pay unfairly, may actually be competing unfairly with women-owned firms who recognize the right to fair pay and work hard to assure that their employees are paid fairly.

The business owners with whom I talk every day believe that, far from hurting their businesses, raising the minimum wage in fact helps small businesses, women workers and the broader

economy. Raising the minimum wage reinforces their business strategies, rather than undermining them.

It is vitally important to understand that the problem I do hear from my members for the last several years is that the recovery is slow because sales are still weak. Too many of their customers have been out of work, or are working now for lower pay, and as a result are cutting back on their spending. Raising the minimum wage helps with that, by putting more money in the pockets of customers, who will spend it at our local businesses.

Also, while my members are business owners, they're also women. They realize that most of the people working for low pay in Connecticut and across the country – the waitresses, the home health aides, and the cashiers – are women. Many of my members were once employees themselves; they know that raising the minimum wage helps working women and families in their struggle to get by on paychecks that are worth less and less every year. That's why the U.S. Women's Chamber of Commerce supports raising Connecticut's minimum wage to $9.75 by 2013 and then indexing it for inflation so that it doesn't erode again.

1. **Small Businesses Are Showing That Paying Higher Wages Is Economically Realistic**

There are two roads to profitability: the high road and the low road. Businesses can invest in their workforces with decent wages and benefits, and enjoy the benefits of a dedicated workforce with less turnover and higher productivity. Or businesses can pay poverty wages and churn through employees. These businesses enjoy substantial payroll savings, and they just treat as a cost of doing business the significant expense of higher turnover, constant recruitment and retraining, higher absenteeism, and a less experienced workforce.

While both roads to profitability are viable business strategies, only one delivers us a strong middle class, upward mobility and the promise of the American dream. The business owners supported by the U.S. Women's Chamber of Commerce have chosen the high road strategy for building their businesses: they pay better wages and their businesses benefit as a result. They

report to me that this approach attracts more stable, dependable employees. That's not surprising since better wages makes it easier for their workers to put gas in their cars, pay for day care and have the sorts of stable lives that make them dependable employees.

At small, mom and pop businesses, business owners and employees work side by side on a daily basis, working together to offer the best goods and services to their customers. The businesses that are my members know that they cannot compete with the big box stores or the chain restaurants on price. Instead, their competitive advantage is higher quality service, and a connection to the community and its residents.

In our experience, workers who get paid poverty wages work overwhelmingly for the big chains, not for main street businesses. Connecticut Voices for Children has detailed this in their report showing that in Connecticut's retail industry, median wages are, in fact, lower for large retailers than for small businesses.

The reality is that my members and other main street businesses have a lot in common with low-wage workers: both are being squeezed by the national chains. The low wages that the big retailers and restaurant chains pay are one of many factors that contribute to their price advantage over small and local businesses. Raising the minimum wage to a more realistic level helps level the playing field for businesses like my members that believe in treating their workers well, but are put at a competitive disadvantage as a result.

2. Weak Consumer Spending Is Hurting Small Businesses, and Raising the Minimum Wage Can Give It a Boost

There are a few top problems that I hear a lot about constantly from my members about the challenge of keeping a business afloat in this economic environment. One of them, of course, is rising health insurance costs. But for the last three or more years, one of the biggest problems my members have been reporting is that their customers just aren't spending. They aren't eating out, remodeling their kitchens, or enrolling their kids in gymnastics like they used to before the recession. Families just don't have the money.

My members see the stagnant wages and economic anxiety that most American families are facing as one of the major factors holding the economy back. And across the political spectrum, economists recognize that until we restore wage growth for working and middle class Americans, consumer spending will not be where we need it to be to help businesses thrive and grow.

That's why local businesses support raising the minimum wage—because that extra money in the pockets of the lowest paid workers will be spent immediately in the local economy. These workers are not taking fancy trips to Europe or making investments in mutual funds. They are spending it at the grocery store, the pharmacy, and the auto-repair in their communities. In fact, since most low-wage workers work for the major chains, boosting the minimum wage means that rather than going to Wal-Mart or McDonald's bank accounts – whether in Bentonville or Chicago or in the Cayman Islands – more revenue from Connecticut's customers will be paid back out to Connecticut's workers who will spend it at local businesses.

Too many people forget that workers are also consumers. Consumer spending drives 70 percent of our economy, and we must repower consumer spending if we are going to repower our economy.

3. Raising the Minimum Wage Disproportionately Helps Working Women

Finally, as a representative of women-owned businesses I want to emphasize that working women, particularly women of color, represent the greatest percentage of workers to benefit from increasing the minimum wage. The typical low-wage worker is an adult woman. Think of your waitress at Appleby's, or the cashier who rings you up at Wal-Mart. Think of the childcare center worker who takes care of your son or daughter, or the health aide who helps your mother or grandfather.

Many of the women business owners who belong to the U.S. Women's Chamber of Commerce left the workforce to start their own businesses because they felt that jobs where women worked

were not being fairly paid. In building their own companies and becoming employers they have created working environments where they try to do better by paying and playing fairly. That's why women-owned businesses tend to pay above minimum wage. Women business owners understand and value security for families. It's time to stop giving endless airtime to business lobbyists who want to keep minimum wage low, which keeps women down.

The bill that this committee is considering today is especially commendable. Raising Connecticut's minimum wage to $9.75 and indexing it to inflation so that it will not erode again would go a long way towards bringing the minimum wage back to a meaningful level. A $9.75 minimum wage by 2013 would offer Connecticut all of the benefits that I have outlined: it will help small businesses like my members by putting more money in the pockets of Connecticut's workers which will boost spending on main street; it will also level the playing field so small businesses that do better by their workers aren't pressured to lower pay to compete with the national chains; and it will bring fairer pay to Connecticut's women, who hold the lion's share of the low-wage jobs that will see a raise.

And contrary to what you'll no doubt be hearing from some of the lobbyists, small businesses like my members are showing every day of the week that, rather than leading to lay-offs, small businesses can operate profitably and thrive while paying higher wages. While some try to portray a minimum wage increase as a fight between business and workers, raising the minimum wage is in reality good for both.

It is for these reasons that the U.S. Women's Chamber of Commerce supports raising Connecticut's minimum wage to $9.75 by 2013 and then indexing it for inflation so that it doesn't erode again. Thank you for the opportunity to share my members' experiences with you today. I would be delighted to answer any questions that you may have.