



CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

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H.B. 5291 AA Increasing the Minimum Wage, Removing the Minimum Wage Tip Credit, and Increasing Penalties for Failure to Pay the Minimum Wage

Good Afternoon Senator Prague, Representative Zalaski and other members of the Committee. My name is Kia Murrell and I am Associate Counsel at the Connecticut Business and Industry Association (CBIA representing more than 10,000 companies throughout the state of Connecticut.

H.B. 5291 raises the minimum wage from \$8.25 to \$9.00 on July 1, 2012, then again to \$9.75 in 2013. It also bases future wage increases on the consumer price index; removes the tip credit; and increases penalties on employers for failure to pay the minimum wage.

CBIA is strongly opposed to this legislation as a measure that will significantly increase costs for Connecticut employers at a time when many can least afford it. Simply put, today's delicate economic recovery would be jeopardized by this legislation because it seeks to increase labor costs for employers at a time when they need to grow and create jobs.

Minimum Wage Increase Hurt Job Growth

Proponents of minimum wage increases claim that higher pay means low-wage workers will have more to spend on goods and services, thus boosting the economy. However, there are scores of economic studies showing that hikes in labor costs actually harm rather than hurt minimum wage earners. Studies show that if and when employers cannot absorb rapid increases in labor costs, they are less likely to hire; they will lay off workers; they will hire more educated workers; or pass the additional costs on to consumers. Thus, the positive effects of wage increases will ultimately have negative, unintended consequences.

Who Earns the Minimum Wage? Minimum wage workers are more likely to be teenagers, college students or part-time/full-time secondary earners, rather than heads-of-households supporting families. According to the Bureau of Labor Statistics:

- About half of minimum wage workers are younger than age 25.
- Never-married workers are more likely to earn the minimum wage than married workers, and never-married workers tend to be young.
- Part-time workers are more likely to earn the minimum wage than full-time workers.

- Among hourly workers age 16 and over, those with no high school diploma were more likely to earn the minimum wage than those with a high school diploma or college degree.

National Center for Policy Analysis Issue Brief No. 105 February, 2012

Statistics show that many minimum wage earners are young people under the age of 25. Those are the workers that may be hardest hit by workforce reductions and cut backs in seasonal and summer employment, industries where we could otherwise see job growth during an economic recovery. Furthermore, many economists have found that minimum wage increases, also make workers more vulnerable to job loss by encouraging companies to replace workers with automation. For example, some companies may automate check out lines instead of hiring cashiers; use computerized inventory systems; hand held data devices for customer service, etc. In short, many service industry workers could be replaced by computers and equipment when labor costs rise too high for employers to bear.

Penalties for Employers in Minimum Wage and Overtime Payments

This bill proposes to increase penalties for nonpayment of minimum wage, but also for nonpayment of overtime, from two times to three times the amount of unpaid wages, and it makes mandatory ("shall" vs. "may"), an unduly severe and punitive approach to such claims without regard to the current discretion that judges exercise in evaluating the propriety and the deliberateness of an employer's noncompliance.

It has been said that "Minimum wages are politically popular, but distort the labor market and hurt the people they intend to help. Reforming the education system and promoting characteristics that increase individual wages — such as finishing high school and improving skills through college or trade/vocational schools — would do more to lift people out of poverty than mandating wages." National Center for Policy Analysis Issue Brief No 105, February 2012.

At a time when Connecticut companies are still reeling from the effects of the recession, employers need public policies that will encourage and not hinder job growth. For all of these reasons, we strongly oppose H.B. 5199.