



TESTIMONY
OF
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NATIONAL EMPLOYMENT LAW PROJECT

ON
H.B. No. 5291: AN ACT INCEASING THE MINIMUM WAGE

BEFORE THE
CONNECTICUT GENERAL ASSEMBLY
LABOR AND PUBLIC EMPLOYEES COMMITTEE

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Thank you Chairman Zalaski, Chairwoman Prague, and Vice Chairs Santiago and Gomes, of the Labor and Public Employees Committee for the opportunity to testify today on H.B. 5291, “An Act Increasing the Minimum Wage.” My name is Paul Sonn and I am legal co-director of the National Employment Law Project. The National Employment Law Project 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, including two staff members based here in Connecticut. We partner with federal, state and local lawmakers on a wide range of workforce issues.

Across the country, our staff are recognized as policy experts in areas such as unemployment insurance, wage and hour enforcement and, as is relevant for today’s hearing, minimum wages. We have worked with dozens of state legislatures across the country and with the U.S. Congress on measures to restore a strong minimum wage for America’s workers.

Raising Connecticut’s minimum wage to \$9.75 and indexing it to inflation will help Connecticut’s frontline workers who are being squeezed by flat wages and rising prices. It will also help accelerate the recovery by boosting the consumer spending that Connecticut’s economy needs in order to keep growing. In my testimony I will address some of the key economic and policy questions raised by this proposal, and respond to some of the arguments that opponents of the proposal are likely to make. In an effort to make it as accessible and useful as possible, my written testimony is presented in bullet point format.

I would also like to mention as a resource for the legislature our website on the minimum wage, www.RaiseTheMinimumWage.org, which is a central location on the web for the latest research, news and policy developments related to the minimum wage.

More Workers Nationally and in Connecticut Are Spending Their Careers in Low-Wage Jobs Making the Minimum Wage More Important Than Ever to the State's Economy.

- For decades, the economies of Connecticut and the nation have been reorienting towards low-wage jobs. Current Bureau of Labor Statistics detail this transformation, and show that seven of the top ten growth occupations for the next decade are low-wage occupations.¹
- The recession and tepid recovery have only accelerated this shift toward low wage jobs. A NELP analysis shows that while the majority of jobs lost during and after the recession were in mid-wage occupations such as manufacturing and construction, roughly three-quarters of the jobs added since job growth resumed are in low-wage occupations like cashiers and food preparation.²
- We see this every day in the lives of people we meet. For example, the laid off machinist who finds new work at Home Depot. Or the construction laborer who is on the bench and is supported by his wife who works as a waitress or as a home health aide.
- To make matters worse, workers in lower-wage occupations (with median wages under \$13.52) have seen a 2.3 percent decline in real wages since the start of the recession.³
- According to Connecticut Voices for Children, today 260,000 Connecticut residents are working in jobs where they earn less than \$9.75 per hour. These workers are disproportionately women and people of color.
- As more Connecticut residents are spending their careers in low-wage industries, the minimum wage is playing a bigger role in the state's economy, since it is one of the major factors shaping pay scales in those jobs.
- The overwhelming majority of workers holding low-wage jobs in Connecticut are adults, not teens. In fact, in some of the top growth occupations like home health care, the median age is far higher -- close to 40 years of age.

Contrary to Myth, the Minimum Wage Is Chiefly About Large Corporations, Not Mom and Pop Businesses. Most Low-Wage Employees Work for National Chains, and Many Small Businesses Actually Pay Higher Than the Chains.

- Despite misconceptions, the majority of low-wage workers are, in fact, employed by large chains, not small mom-and-pop businesses. Two-thirds of all employees work in firms of at least 100 workers,⁴ and other analyses put the percentage of low-wage employees working at firms of at least 50 workers at about 70%.
- Even more important, in retail, Connecticut's largest low-wage industry with 162,000 employees, the data show that large chains are paying *substantially less* than smaller

retailers – on average, a stunning 32% less according to an analysis by Connecticut Voices for Children.

- This wage gap is very significant. It shows that in the largest low-wage industry, raising the minimum wage is in large part about getting the big chains to do their part.
- This is one of the key points that you will hear from Margot Dorfman, CEO of the U.S. Women’s Chamber of Commerce, a trade association representing small, women-owned businesses. She explains that her members generally pay higher wages, but are being unfairly undercut by the big chains that can undersell them, in part because they pay so little. As she puts it, her members support a higher minimum wage to level the playing field for them against the chains.
- Finally, research shows that small businesses have not been hurt in states like Connecticut that have had higher minimum wages than other states. A 2006 study by the Fiscal Policy Institute compared job growth for small businesses in states with higher and lower minimum wages from 1998 to 2003. The study found that jobs at small businesses, and the total number of small businesses, actually grew *faster* in states with higher minimum wages.⁵ These real world experiences highlight how the minimum wage is ultimately a very small factor affecting job growth, including for small businesses.

The National Chains That Employ Most Low-Wage Workers Are Enjoying High Profits and Can Afford to Pay Higher Wages.

- Corporate profits are now the largest share of GDP since 1950, while wages and salaries are now the lowest share of GDP since 1955.⁶
- For example, in July 2011, J.P. Morgan Chase reported to its banking clients that profit margins of the S&P 500 companies are at their highest levels in almost 50 years—due to cuts in pay and benefits. “Reductions in wages and benefits explain the majority of the net improvement in margins,” wrote the J.P. Morgan CIO. “US labor compensation is now at a 50-year low relative to both company sales and US GDP.”⁷
- At the five largest low-wage employers in the nation – Wal-Mart, McDonald’s, Sodexo, Target and Yum Brands (the operator of fast food chains like Pizza Hut, KFC and Taco Bell) – profits, cash holdings and dividends have not only rebounded but are now substantially higher than before the 2007 recession.
- Worker productivity has increased since the recession as companies squeeze more work out of a thinned workforce, but companies are not rewarding workers with higher pay.
- What this means is that the major low-wage companies that employ most workers in Connecticut earning less than \$9.75 can realistically afford to pay a significantly higher minimum wage.

Raising the Minimum Wage Boosts the Consumer Spending That Connecticut's Economy Needs in Order to Grow

- Consumer spending drives our economy making up 70 percent of GDP. But consumer demand remains weaker than we need it to be, as too many workers across Connecticut and the nation are either out of work, or have found new work at lower pay in the sectors where job growth is now concentrated.
- Economists and business owners from across the political spectrum have been stressing the seriousness of this problem:
 - “Small business-owners are worried because sales are falling and there’s no pickup in sight.” (*The Wall Street Journal*, Sept. 13, 2011)
 - “An increase in consumer spending would be the best imaginable stimulus right now” (National Federation of Independent Business, Oct. 11, 2011)
 - A Wall Street Journal survey of 53 economists showed that 65 percent cited lack of demand as the primary impediment to increased hiring. (*The Wall Street Journal*, July 11, 2011)
- For example, today you’ll hear from Margot Dorfman, CEO of the U.S. Women’s Chamber of Commerce, about how weak sales are one of the top problems her members report to her, and how they believe raising the minimum wage will help with it.
- Raising wages for the nation’s lowest-paid workers is a key way of boosting consumer demand. It puts money into the pockets of working families who spend it on necessities at neighborhood businesses, pumping it back into the economy.
- Economic modeling by the Economic Policy Institute shows that raising Connecticut’s minimum wage to \$9.75 would boost the state’s GDP by \$177 million. That increased consumer spending would ultimately generate more than 1,500 new jobs across the state.
- This research highlights how, far from killing jobs, raising the minimum wage in fact promotes job growth.

There Is Strong, Bi-Partisan Public Support for Raising the Minimum Wage to \$9.75 or Higher

- In a new, soon-to-be-released national poll conducted in February 2012 by Lake Research Partners, nearly three-quarters of likely voters support increasing the minimum wage to \$10 and indexing it to inflation (73% to 20%)
- Support for a \$10 minimum wage spans all demographic and partisan divides. In particular:
 - Democrats support it 92% to 4%

- Independents support it 74% to 18%
- Republicans support it 50% to 41%, with levels even higher for Republican women
- Far more voters believe that increasing the minimum wage would help the economy rather than hurt it: 56% to 21% (another 16% say it would have no impact).
- The minimum wage is also a voting issue for the public. Voters are prepared to reward candidates who support raising the minimum wage (56% are more likely to vote for that candidate vs. 18% less likely).
- The full results of the poll will be released shortly.

Growing Numbers of Business and Conservative Leaders Are Recognizing the Need to Raise the Minimum Wage

- There have always been business leaders that have recognized the importance of raising the minimum wage. Today you will hear from some of them, such as Margot Dorfman of the U.S. Women’s Chamber of Commerce. And in 2006, nearly 1,000 business leaders nationally, including the CEO’s of major companies like Costco, supported raising the federal minimum wage.
- But in recent months, we have been seeing new and diverse business and conservative leaders endorse raising the minimum wage. These include:
 - Mitt Romney
 - Michael Bloomberg
 - Crain’s New York Business
 - Even Chris Christie has said he would consider signing an increase.

The Research Shows That Raising the Minimum Wage Does Not Slow Job Growth, or Push Businesses Across State Lines To Lower Wage States

- As you will hear from other witnesses, the most rigorous research over the past 15 years, including studies comparing job growth trends in neighboring counties across state lines with different minimum wages, has found that higher minimum wages do not result in job losses. Significantly these trends are the same for minimum wage increases implemented even during weak economic periods.
- The latest and most significant of these studies carefully analyzed minimum wage impacts across state borders. It compared job growth rates in every pair of neighboring counties in the United States that straddled two states with differing minimum wage rates. In Connecticut, this included comparing job growth rates between every Connecticut

county that bordered New York, Massachusetts and Rhode Island during the years between 1990 and 2006 when those states had lower minimum wages than Connecticut. The study found no differences in job growth rates, and no evidence that Connecticut's higher minimum wage had pushed businesses across the state line.

- Indeed, as Crain's New York Business recently explained, a higher minimum wage does not put one state at a competitive disadvantage compared with neighboring states because "Businesses employing many minimum-wage workers tend to be in the service sector and must set up shop near their customers."⁸

Raising Connecticut's Minimum Wage to \$9.75 by 2013 Would Track President Obama's Campaign Proposal for the Minimum Wage and Bring It Much of the Way Back to Its Historical Level

- Connecticut's minimum wage would be approximately \$10.60 by 2013, if it had been adjusted each year to keep up with the rising cost of living since 1968 using the Consumer Price Index, as ten other states currently do. Raising Connecticut's minimum wage to \$9.75 would bring the minimum wage back to within 10% of that historical level, making up for much of the ground that was lost during the 1980's and 90's.
- Raising Connecticut's minimum wage to \$9.75 by 2013 would also closely track President Obama's 2008 campaign proposal to raise the federal minimum wage to \$9.50 by 2011, which would translate to approximately \$9.75 by 2013.

Strengthening Connecticut's Penalties for Wage Theft

- I'll wrap up by addressing one more feature of H.B. No. 5291: enhanced penalties to combat wage theft.
- Currently, in Connecticut employers that get caught cheating their workers can be required to pay twice the wages owed or "double damages."
- However, there is a growing recognition that double damages are simply not an adequate deterrent to get many employers to take wage compliance seriously. First, because low-wage workers are not paid very much, having to repay twice the underpaid wages if an employer is caught cheating is not that substantial a deterrent. Second, because the enforcement capacity of the Connecticut Department of Labor and of legal services offices is so limited, many employers know that the odds of being caught and held accountable for underpaying workers are quite low. As a result, too many are willing to take their chances with violating the law and cheating their workers.

- To create better incentives for compliance, a growing number of states, including Massachusetts, Maryland, Arizona, Ohio, Idaho and New Mexico now provide for “treble damages” for violations of their minimum wage laws. Under these model laws, underpaid workers may recover their unpaid wages plus an additional amount equal to twice these unpaid wages – for a total of three times the underpaid wages.
- H.B. No. 5291 would join this growing trend by increasing Connecticut’s wage theft penalties to treble damages.

Thank you for the opportunity to testify today. I would be happy to answer any questions that you may have.

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For more information, please contact Paul Sonn, psonn@nelp.org, or visit www.RaiseTheMinimumWage.org. The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. For more about NELP, visit www.nelp.org.

¹ U.S. Department of Labor, Bureau of Labor Statistics, “Occupational Employment Projections to 2018,” published in the *November 2009 Monthly Labor Review*, available at

http://www.bls.gov/emp/ep_table_104.htm

² National Employment Law Project, “The Good Jobs Deficit: A Closer Look at Recent Job Loss and Job Growth Trends Using Occupational Data”, Data Brief, July 2011, available at <http://www.nelp.org/page/-/Final%20occupations%20report%207-25-11.pdf?nocdn=1>

³ Ibid.

⁴ <http://jaredbernsteinblog.com/what-may-be-the-most-commonly-misunderstood-fact-about-the-job-market/>

⁵ Fiscal Policy Institute, “States with Minimum Wages above the Federal Level have had Faster Small Business and Retail Job Growth,” March 30, 2006, available at <http://www.fiscalpolicy.org/FPISmallBusinessMinWage.pdf>

⁶ MarketWatch, July 29, 2011 available at

<http://www.marketwatch.com/story/corporate-profits-share-of-pie-most-in-60-years-2011-07-29>

⁷ Michael Cembalest, “Eye on the Market” July 11, 2011, available at

http://www.investorvillage.com/uploads/44821/files/07-11-11_-_EOTM_-_Twilight_of_the_Gods_PWM_.pdf

⁸ <http://www.crainsnewyork.com/article/20120205/SUB/302059999#ixzz1nf6bGs5b>