

Testimony of Eric W. Gjede
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Before the Committee on Labor and Public Employees
Hartford, CT
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Testifying in Opposition to SB 387 AA Increasing The Minimum Fair Wage

Good Afternoon Senator Osten, Representative Tercyak, and members of the Labor and Public Employees Committee. My name is Eric Gjede and I am assistant counsel at the Connecticut Business and Industry Association (CBIA) which represents more than 10,000 large and small companies throughout the state of Connecticut.

SB 387 raises the minimum wage from \$8.25 to \$9.00 in July of 2013, then from \$9.00 to \$9.75 in July of 2014, and thereafter automatically increases the minimum wage to reflect changes in the consumer price index.

Proponents of this bill erroneously claim that raising the minimum wage will put more money in the pocket of the state's poorest residents. They also cite refuted studies contending that increasing the minimum wage has no impact on job creation. In reality, increasing the minimum wage, particularly during a period of prolonged high unemployment, will actually end up hurting the very people you are trying to help.

Earlier this month, academics at the University of California-Irvine published the results of a comprehensive review of all research conducted during the last twenty years on the effects increases to the minimum wage had on employment rates. They found that 85% of all credible studies came to the same conclusion: Increases in the minimum wage are almost always followed by a reduction in the number of jobs – particularly entry-level jobs. Simply put, increasing the cost of labor means employers are even less likely to hire – particularly in a down economy.

An increase in the minimum wage will have no effect on reducing poverty because the majority of working-age individuals living in poverty are not in the workforce earning wages. In other words, an extra \$1.50 per hour over the next two years cannot help people who do not receive a paycheck in the first place. The vast majority of individuals earning the minimum wage fall into one of the two following groups: teens that live at home with one or more guardians, or individuals that hold a part-time, entry-level job for the purpose of supplementing another income. Neither of these groups live in poverty.

The societal effects of an increase in the minimum wage are even more devastating during poor economic times. When we increase the cost of labor, employers typically respond by reducing the number of entry-level, low-skilled workers they hire. Since a large proportion of these jobs are occupied

by young workers, a reduction in availability denies individuals first employment opportunities that provide skills critical for future advancement. Additionally, when we increase the cost of labor, employers are often forced to raise prices. This means the impoverished individuals who receive no benefit from a minimum wage increase will have to pay higher prices for the goods and services – making their economic hardship even worse.

While I applaud the committee's good intentions, I would suggest the best way to help individuals in entry-level and low skilled jobs is to stop adding costs to employers in order to encourage more hiring and more opportunities for employee advancement. I strongly urge members of the committee to oppose this bill.