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### Testimony IN FAVOR of SB 32, HB 5066, HB 5069, and HB 5071

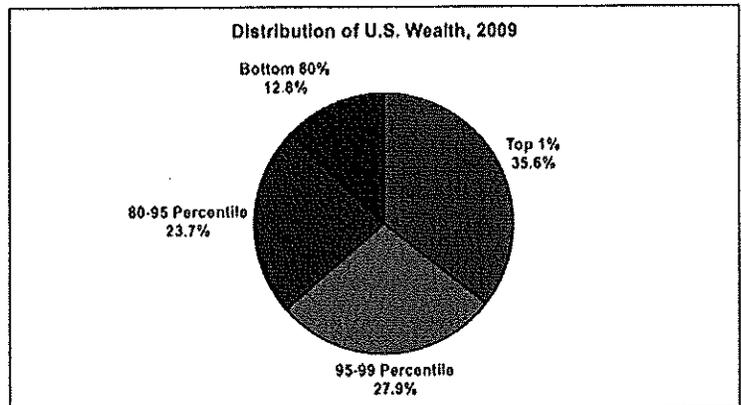
Representative Tercyak, Senator Osten, and distinguished members of the Labor Committee, thank you for holding a hearing on these bills today.

At the Working Families Organization, we fight for decent wages, access to healthcare and other benefits, a secure retirement, corporate accountability, fair taxes — in short an economy that works for all of us. It is safe to say that we have our work cut out for us.

Income inequality in this country is the worst it has been since the 1920's. The richest 1% of Americans own over a third of the wealth, while poor and middle income people – 80% of us – own just over 1/10<sup>th</sup>.

Here in Connecticut, this disparity is only worse<sup>1</sup>. The Gini Index<sup>2</sup> rates Fairfield County at .539, slightly worse than Thailand.<sup>3</sup>

We know the consequences of a society that concentrates wealth among very few at the expense of everyone else:



- Exacerbation of racial inequality: in 2010, the median net worth for whites was \$130,500, for non-whites it was \$20,400.
- Broader achievement gaps for children in school.
- Poor health outcomes for lower income people and their families.
- Less economic upward mobility and opportunity.
- Political polarization and obstructionism.
- Increased poverty: in Connecticut, poverty has increased from 7.9% to 10% in the past decade<sup>4</sup>.

Families are suffering. The economic recovery we have seen has been completely lop-sided and only an improvement for the wealthy. Jobs do not pay well enough and are too scarce.

<sup>1</sup> <http://www.globalpost.com/dispatch/news/regions/americas/united-states/121226/connecticut-economic-divide-inequality>

<sup>2</sup> The scale that economists use to measure income equality, with zero equaling perfect equality and 1 representing absolute inequality in which one person owns everything.

<sup>3</sup> Thailand's Gini Index is .536

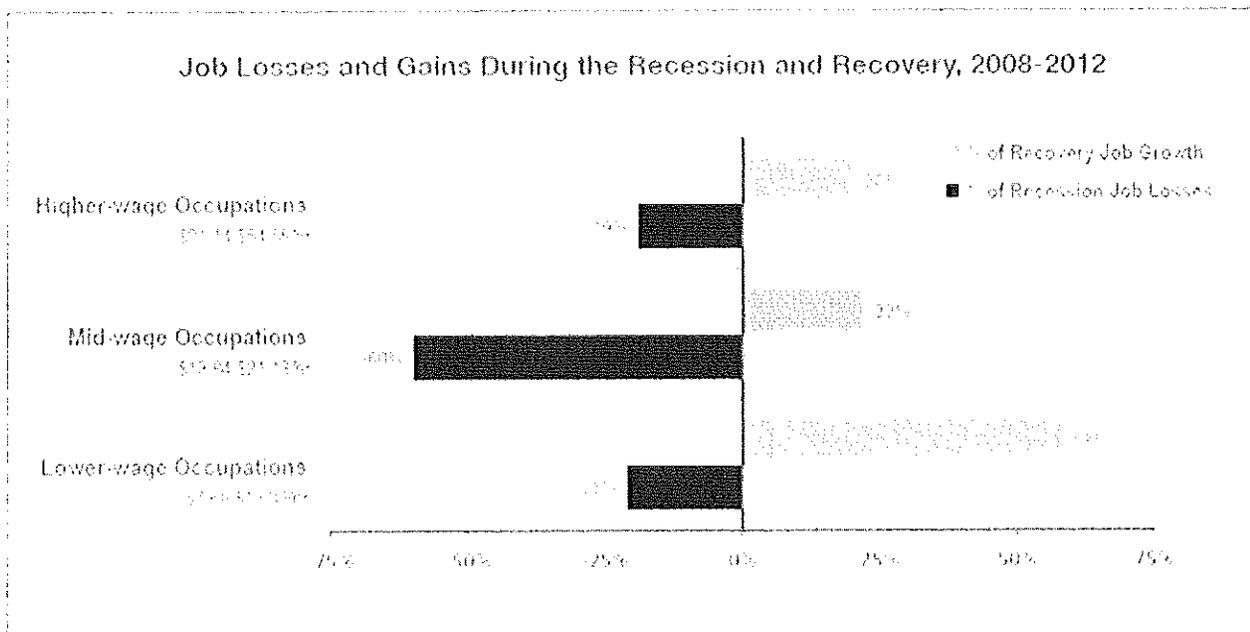
<sup>4</sup> <http://www.ctvoices.org/sites/default/files/econ14townwellbeing5year.pdf>

The good news is that this committee is considering several bills to attack growing inequality and help turn our economy around for real working people and their families. Working Families Organization support the following bills:

**SB 32 AAC Working Families' Wages**

This bill would raise the minimum wage in Connecticut to \$10.10 an hour, helping thousands of workers to support themselves. Minimum wage jobs are not for teenagers and college students who have no real financial obligations anymore, if they ever were. When you go shopping, buy your groceries, pick up food, or dine out, take a look around you at who is helping you.

The 2008 Recession fundamentally changed our economy. Of the jobs lost, most were middle-wage jobs (\$13.84 - \$21.13 per hour). 60% of these jobs were lost, but our economy has only gained back 22% of them. The service sector is, however, booming, and is the best place to find employment these days. Low-wage work (\$7.69 - \$13.83 per hour) was hit with a 21% loss rate during the recession, but has grown by 58% post recession<sup>5</sup>. As the middle class shrinks, more and more workers are forced to work low-wage service jobs for insufficient pay.



Source: National Employment Law Project

Today, minimum wage workers are on average 35 years old, and 36% are over 40. Over a quarter have children, and on average they earn half of their family's income<sup>6</sup>. An increase in the minimum wage to \$10.10 would not only provide these workers with more financial stability, it would provide a much-needed boost to the local economy. Low wage workers spend all their money locally – they don't stick it in the stock market or buy luxury goods, they spend it at local shops and restaurants, and on local rents and mortgages.

<sup>5</sup> Report from the National Employment Law Project, *The Low-Wage Recovery and Growing Inequality*, August 2012 [http://www.nelp.org/page/-/Job\\_Creation/LowWageRecovery2012.pdf?nocdn=1](http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1)

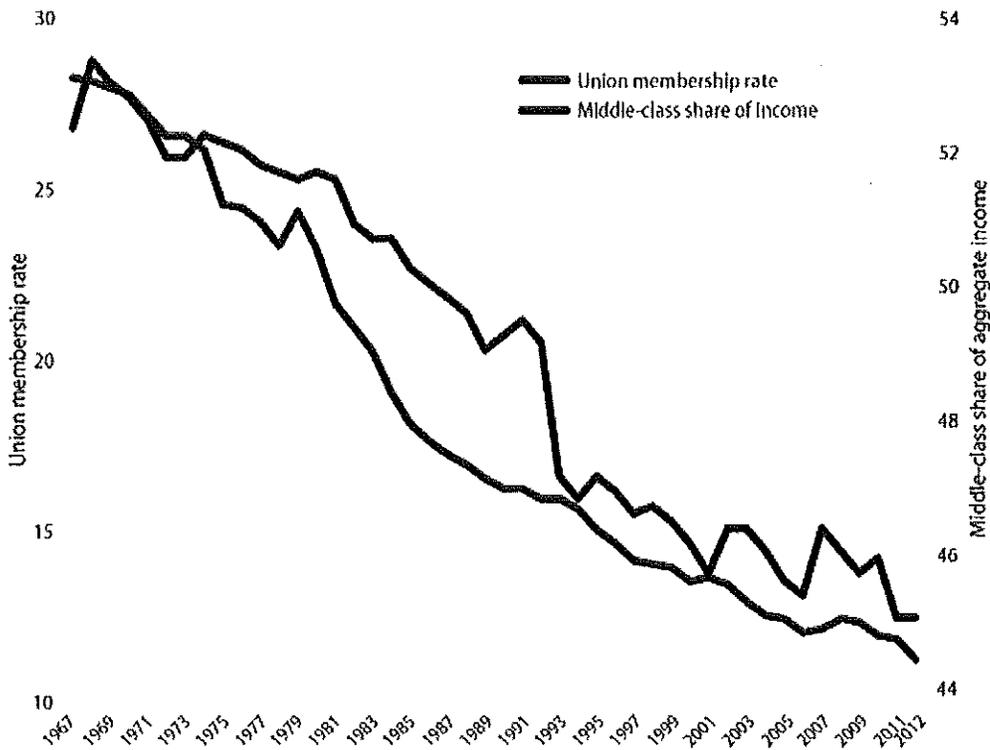
<sup>6</sup> Economic Policy Institute research

The one change we suggest is that the tipped wage be raised from the roughly 63% that is will be on January 1, 2015 to 70%. This is consistent with the federal proposal, which also is for a \$10.10 hourly wage. Some tipped workers get good shifts on Friday and Saturday nights at restaurants with high price points and they do well, most do not. The National Restaurant Association will be lobbying hard to undercut the tipped wage when a federal bill finally passes, we should not make it easier for them here in Connecticut by keeping standards low for tipped workers.

**HB 5066 AAC Certain Workers' Rights to Collectively Bargain**

As union membership has declined in the United States since the late 1960's, economic inequality has grown and the middle class has shrunk. Providing the opportunity for more workers to organize gives those workers the ability to bargain for better compensation, and the right to democracy in their workplace. Charter educators, probate court employees and agricultural workers deserve this right the same as other professions. Passing this legislation is one small thing this legislature can do to protect and grow the middle class here in Connecticut.

**FIGURE 1**  
**As union membership rates decrease, middle-class incomes shrink**



Source: Union membership rate is from Barry T. Hirsch, David A. MacPherson, and Wayne G. Vroman, "Estimates of Union Density by State," *Monthly Labor Review* 124 (7) (2001). Middle class share of aggregate income is from the U.S. Census Bureau, Current Population Survey (Department of Commerce).

**HB 5069 AAC Low Wage Employers**

Some of the worst offenders — when it comes to low wages and the exploitation of working families — are profitable, large employers. They are many chains, have access to political power, and exorbitantly paid

executives. For example, McDonald's made \$5.4 billion in 2012 and paid its CEO \$13.7 million.<sup>7</sup> Target, Subway, Best Buy, and Olive Garden restaurants are some of the names we recognize for their pervasiveness and profitability.

Still, these employers keep wages for their workers low to maximize profits and supplement executive compensation. Currently, an estimated 70,000 to 90,000 people in Connecticut's total workforce of 1.7 million earn the state's minimum wage of \$8.70 an hour.<sup>8</sup> An employee working 40 hours a week at that wage will be paid \$18,096 per year,<sup>9</sup> more than \$1,400 below the federal poverty level for a family of three.<sup>10</sup> And as was described in the section on minimum wage, these low-wage service jobs are growing faster than middle class jobs.

As a result, many low-wage workers at these companies cannot afford the basic necessities to survive. They rely on food stamps, public housing, Medicaid, and other state- and federally-funded programs to make ends meet, put food on the table and keep a roof over their heads. More than half of front-line fast-food workers and their families participate in one or more of the four largest public assistance programs: Supplemental Nutrition Aid Program (SNAP), Medicaid and the Children's Health Insurance Program, Temporary Aid to Needy Families, and the Earned Income Tax Credit.

From 2007 to 2011, these public benefits programs spent \$243 billion each year on working families who live in poverty or on the brink of it because their jobs pay so poorly. Nationally, it costs American taxpayers nearly \$7 billion dollars each year to provide public assistance to fast-food workers and their families. Almost \$4 billion is for health care while fast-food workers' families also receive an annual average of \$1.04 billion in food stamps (or SNAP) benefits and \$1.91 billion in Earned Income Tax Credit payments.<sup>11</sup> Wal-Mart workers at a single 300-person Supercenter rely on public benefits ranging from \$904,000 to \$1.7 million per year – about \$5,815 in public assistance per employee per year. These costs are borne by taxpayers, many of whom are low-income themselves, while profitable corporations are not held accountable for paying their fair share.<sup>12</sup>

It is atrocious that these profitable employers have made a business practice of outsourcing their employment costs to taxpayers. A healthy safety net should be protected and available for struggling people who need it, but it should not be used to subsidize corporate profits and executive salaries. HB 5069 provides a reasonable mechanism to hold large employers accountable. They can either pay their workers more, or reimburse the state a portion of the cost they are responsible for due to low wages. Please support this legislation.

### **HB 5071 AAC Civil Actions Against an Employer for Failure to Pay Wages or Compensation or Make Payments to and Employee Welfare Fund**

Too often employers do not pay workers for hours worked. This is obviously unfair. The current system of penalties does not do enough to discourage employers from this practice, since they calculate the risk of it being less than having to pay penalties if caught. Making double damages mandatory holds employers to a higher standard of lawfulness. Please support this bill.

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<sup>7</sup> Super-sizing Public Costs: How Low Wages at Top Fast Food Chains Leave Taxpayers Footing the Bill," NELP, October 2013.

<sup>8</sup> In January 2014, Connecticut's minimum wage went up to \$8.70 an hour (from \$8.25). A second increase will follow in January 2015, bringing the state's minimum wage up to \$9 per hour.

<sup>9</sup> Keith Phaneuf, "CT Minimum Wage Hike Will Lift Thousands from Poverty," Connecticut Mirror, December 30, 2013.

<sup>10</sup> 2013 Poverty Guidelines, US Department of Health and Human Services, available at <http://aspe.hhs.gov/poverty/13poverty.cfm>.

<sup>11</sup> Ibid.

<sup>12</sup> The Low-Wage Drag on Our Economy: Wal-Mart's Low Wages and Their Effect on Taxpayers and Economic Growth, Democratic staff of the U.S. House Committee on Education and the Workforce, May 2013.