

Testimony in Support of SB 391, “An Act Concerning the Recoupment of State Costs  
Attributable to Low Wage Employers”

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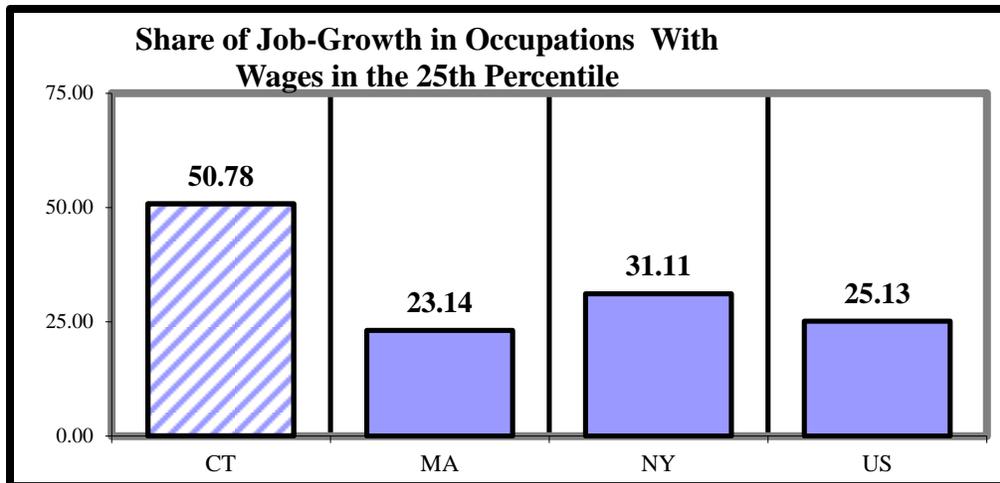
Good afternoon members of the Human Services Committee, thank you for giving me the opportunity to testify in support of SB 391, or the “Low Wage Employer Fee.” I am speaking on behalf of Jobs With Justice, where I am the Research Director. At Jobs With Justice, a nonprofit organization based in Washington, DC, we are dedicated to expanding the ability for men and women to come together in unions to improve their workplaces, their communities and their lives. Through our national office and our network of over 36 local coalitions across the country, we bring together labor, community, student, and faith voices to create innovative solutions to the challenges faced by working people today and demand an economy that works for all of us.

There is an urgent problem facing our country, where women and men put in a full day’s work yet are not paid enough by their employers to sustain their families without relying on public safety net programs. There are a number of corporations earning record profits that are requiring their employees to do more with less, while continuing to reward those at the top of their company. At the same time, as more working people turn to critical public programs to help out with child care or elder care, the programs become fiscally strained. We are gratified to see that members of the Connecticut legislature understand this serious problem and are taking action to address it.

If you struggle to understand the magnitude of the problem of low wage employers, let me share some data with you. Last year, the Jobs With Justice Education Fund partnered with two former state economists, Dr. Stan McMillen and Dr. Dan Kennedy, who along with UConn professor Louise Simmons produced new data on Connecticut’s workforce and economy. According to their analysis, two-thirds of the state’s low income families work.<sup>1</sup> And low wage jobs are becoming a greater share of the economy here. The researchers found more than half of the jobs that Connecticut has added to its economy between 2010 and 2014 were in occupations with low wages. This trend was well above not only New York and Massachusetts, as you can see from my graph here, but exceeded the nation as a whole.

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<sup>1</sup> Kennedy, Daniel, McMillen, Stan, and Louise Simmons, 2015. “The Economic and Fiscal Impact of Low-Wage Work in Connecticut,” Issue Brief, April. Available at: <<http://cahs.org/wp-content/uploads/2015/04/issueBriefCT6.pdf>>



Source: “The Economic and Fiscal Impact of Low-Wage Work in Connecticut”

Many of you in this room already know that people in this state are working hard and still striving to make ends meet. Their pain is also felt by their communities, as they have less money to spend at local businesses. And a recent study out of UC Berkeley reveals that taxpayers also pay the cost when companies pay low wages.<sup>2</sup> The study estimates that the state’s share of the cost for the reliance of working families on Medicaid/CHIP/TANF is \$486 million in Connecticut, representing 54% of the total costs of those programs to the state. Let me repeat that number again: \$486 million dollars. And that number does not even include the state’s costs of other types of assistance to working families, include child care subsidies and the state earned income tax credit.

The Low Wage Employer Fee bill would be a big step towards getting the state’s largest low wage corporations to pay their fair share, so employees, communities and taxpayers are not stuck bearing the burden of low wages. Large corporations paying less than \$15 an hour—which is not enough to make a good living and have a good life in this state—would be required to pay a modest fee that could be used to expand state child care and healthcare programs. These programs are critical for people who aren’t getting a fair return on their work, and because of fiscal restraints they are unable to meet the full needs of state residents to access quality and affordable care.

When this bill was introduced last year, I know you all heard the outcry from many in the employer community—that this bill would bankrupt them and send jobs across state lines. In fact, our joint report with UConn School of Social Work last year estimated that the Low Wage Employer Fee would result in a **net increase** in employment—ranging from 532 to 1,388 new jobs. The bill was also predicted to boost the state’s GDP from between \$92 to \$131 million. On

<sup>2</sup> Ken Jacobs, Ian Perry and Jenifer MacGilvary. 2015. “The High Public Cost of Low Wages,” UC Berkeley Center for Labor Research and Education, April 13. Available at < <http://laborcenter.berkeley.edu/the-high-public-cost-of-low-wages/>>

top of that, the Office of Fiscal Analysis predicted that the bill (in its form last year) would bring in approximately \$305 million annually when fully implemented.

While this bill is not complete a fix for the problem of low wage employment in this state, it represents an important step forward. On behalf of Jobs With Justice, I urge the Senate to pass SB 391 and give Connecticut's large corporations a choice to either provide a good living for the men and women who work for them, or pay the Low Wage Employer Fee to contribute toward the costs of health care and child care services that working families increasingly need as a result of not getting paid enough to make ends meet.

Thank you.