



Testimony on Senate Bill 391

Submitted by Suzanne Bates, Policy Director

March 8, 2016

Good afternoon. My name is Suzanne Bates. I am the policy director for the Yankee Institute for Public Policy, a Connecticut-based free market think tank.

I am here to express our opposition to Senate Bill 391.

Entry level jobs are an important part of our state's economy. Young adults, just starting out in the workforce, gain important experience in these jobs. These jobs provide ex-offenders with a re-entry point into the workforce. Just because a job doesn't pay a certain amount, doesn't mean it isn't worth having.

This bill would levy a tax on entry level jobs, or jobs paying low wages. This tax would mean fewer entry level private sector jobs in our state. A study published by supporters of this tax last year showed this. It was published by Jobs With Justice Education Fund and is called "The Economic and Fiscal Impact of Connecticut's Proposed Statute to Recoup Costs Attributable to Low-Wage Employers." The study assumed the state government would hire an extra 1,800 workers because of the tax – I think we all realize this is very unlikely given the state's current budget situation. The study also shows the state could lose between 500 and 1,300 private sector jobs because of this tax. And this is a study done by *supporters* of the tax.

Can the families who count on the income from these jobs afford to lose their jobs? We had a Quinnipiac University economics professor, Dr. Mark Gius, review the Jobs With Justice study, and he disagreed with many of the study's findings. Dr. Gius says that the effects of this tax for workers could include fewer jobs, lower wages and benefits, and more automation of jobs.

The people who would be hurt the most by these changes in the labor market are those who are most dependent on entry level jobs – which includes the young and the inexperienced. As Dr. Gius says, "These changes would probably be most pronounced for those earning between the minimum wage and \$15 per hour." Many young people fit into this category, and they face higher unemployment rates than older workers in Connecticut.

Our young people need jobs. All jobs are valuable because they provide skills and experience, and hopefully will lead to greater opportunities down the road.

Of course there are people who earn between minimum wage and \$15 an hour who are not young and who already have some work experience. Instead of driving up the cost of hiring these individuals, we should be discussing ways to bring better jobs to Connecticut and ways to train people so they are qualified for higher paying jobs.

In addition to the effects this tax would have on the labor market, it would also make goods and services more expensive in our state. Businesses are unlikely to absorb this tax. Instead they would either cut costs – by cutting jobs or benefits – or they could raise prices. Again, those who can least afford to pay would be most hurt by the rising cost of goods and services. This includes both those earning low wages and especially those who are unemployed.

The money collected by this tax would go into the state's General Fund, presumably to pay for services for those who earn low wages. However, in the long run this tax will lead to fewer jobs and more people who need state services. This tax will not lift people out of poverty – better jobs will.

I urge you to reject this tax on labor. Connecticut needs more jobs, not fewer. And we need more economic growth and opportunity. This tax would take us in the opposite direction that we need to go.

Thank you.