

Dear Members of the Labor & Public Employee Committee

Our broad-based coalition comprises organizations representing thousands of businesses that employ hundreds of thousands of workers across Connecticut.

Legislation to increase the minimum wage and establish a paid family and medical leave program has been introduced for your consideration. We are deeply concerned that both proposals will have a significant financial and administrative impact on businesses in the state and result in several unintended economic consequences. Many employees, employers, taxpayers, and consumers will be adversely affected.

Minimum Wage

Concerns

A \$1 increase per year in the hourly minimum wage for four consecutive years to \$15 is particularly difficult for many businesses to absorb or pass through.

Such a dramatic, accelerated increase will have significant negative consequences, including, but not limited to:

- Price increases
- Pass-through costs to consumers
- Automation
- Fewer entry-level or low-skill employment opportunities
- Layoffs
- Unfunded mandates to municipalities
- Higher costs to taxpayers (The nonpartisan Office of Fiscal Analysis found last year's proposal would cost taxpayers at least \$50 million annually through increased compensation and contract costs to state agencies and municipalities.)
- Demands by more experienced workers for higher wages as less experienced workers begin to earn more

A dramatic increase in the minimum wage will drive up the cost of living and cost of doing business in Connecticut, constrain economic growth, and slow improvement in the state's quality of life.

With that in mind, the coalition strongly urges you to consider the following recommendations, which we believe will moderate some of the negative impacts of this proposal on the state's workforce, business climate, and economic recovery:

- Extend the staggered increase to six years.
- Expand the state's existing training wage.
- Do not implement indexing, which would guarantee future automatic increases.

Paid Family and Medical Leave

Concerns

As has been proposed, paid FMLA is not free; workers, employers, and taxpayers will bear a significant cost.

- Workers will see pay reductions of at least 0.5% whether they utilize this benefit or not.
- Employers will be required to continue to pay non-wage costs for those using the program, i.e., unemployment compensation, workers' compensation, health insurance, and more.
- Taxpayers will pay for the projected \$13 million in startup costs and \$18 million in ongoing costs to administer the program.
- Employers will be responsible for administrative compliance, such as transferring wage deductions to the state and managing workplace absences.
- Employers, particularly smaller companies, will bear the cost to hire replacement workers.
- Employers have already made efforts to offer greater flexibility in the benefits they provide to workers, which run the risk of being reduced to comply with the one-size-fits-all requirements of the program.

Please consider the immense burden paid FMLA imposes on employers and Connecticut's struggling economy:

- Ensure that employee funding meets the benefit cost.
- Consider adopting a 60–70% wage replacement rate, similar to other states.
- Consider stronger provisions that discourage fraud.
- Consider treating all employers equally, whether they be sole proprietors, the state of Connecticut, or any other type of employer.
- Consider not requiring employers who use independent contractors to pay this benefit to their contractors.
- Consider allowing employees to opt out of the program.

The employer community stands ready to work with lawmakers in support of sound policies that will help grow jobs and the economy and address the state's fiscal challenges.

Thank you for your consideration.

*Association of Connecticut Homecare Agencies
Central Connecticut Chambers of Commerce
Connecticut Associated Builders & Contractors (CT ABC)
Connecticut Association of Realtors*

Connecticut Bankers Association
Connecticut Business & Industry Association (CBIA)
Connecticut Coalition of Property Owners
Connecticut Farm Bureau Association
Connecticut Food Association
Connecticut Franchise Association
Connecticut Greenhouse Growers Association
Connecticut Heating & Cooling Contractors Association
Connecticut Lodging Association
Connecticut Marine Trades Association
Connecticut Mortgage Association
Connecticut Nursery & Landscape Association
Connecticut Restaurant Association
Connecticut Retail Merchants Association
Connecticut River Valley Chamber of Commerce
Connecticut School Transportation Association (COSTA)
Connecticut Spa & Pool Association
Connecticut Tooling & Machining Association
Credit Union League of Connecticut
East of the River Chambers of Commerce Association
Farmington Chamber of Commerce
Greater Danbury Chamber of Commerce
Greater Manchester Chamber of Commerce
Greater New Britain Chamber of Commerce
Greater New Haven Chamber of Commerce
Home Builders & Remodelers Association of Connecticut
Home Care Association of America Connecticut
Independent Electrical Contractors of New England (IEC-NE)
Independent Insurance Agents of Connecticut Inc.
Manufacturers' Education and Training Alliance (METAL)
Middlesex County Chamber of Commerce
Motor Transport Association of Connecticut (MTAC)
National Federation of Independent Business (NFIB)
New England Convenience Store & Energy Marketers' Association (NECSMA)
New England Spring & Metalstamping Association (NESMA)
New Haven Manufacturers Association
Northwest Connecticut Chamber of Commerce
Norwalk Chamber of Commerce
Quinnipiac Chamber of Commerce
Smaller Manufacturers Association of Connecticut
South Windsor Chamber of Commerce
Tolland County Chamber of Commerce
Utility Contractors Association of Connecticut
Waterbury Regional Chamber of Commerce
Windham Region Chamber of Commerce
Workers' Compensation Trust