Testimony of

Sal Luciano, President
Connecticut AFL-CIO

Labor and Public Employees Committee
March 7, 2019

SB 2 An Act Increasing the Minimum Fair Wage
HB 5004 An Act Increasing the Minimum Fair Wage
HB 7191 An Act Increasing the Minimum Wage

SB 764 An Act Prohibiting "On Call" Shift Scheduling

SB 989 An Act Concerning Basic Labor Standards for Transportation Network Company Drivers
SB 990 An Act Concerning Call Centers and Notice of Closure
HB 7224 An Act Concerning Paraeducator Pay Equity

Good afternoon Representative Porter, Senator Kushner and members of the Labor and Public Employees Committee. My name is Sal Luciano and I am proud to serve as the President of the Connecticut AFL-CIO, a federation of hundreds of local unions representing more than 220,000 members in the private sector, public sector, and building trades. Our members live and work in every city and town in our state, and reflect the diversity that makes Connecticut great. Thank you for the opportunity to testify today on a number of bills impacting working families.

SB 2 and HB 5004 Acts Increasing the Minimum Fair Wage: SUPPORT

The Connecticut AFL-CIO supports SB 2 and HB 5004, Acts Increasing the Minimum Wage. They both raise the minimum wage to $15 per hour by 2022 and index it to the Consumer Price Index (CPI) beginning in 2023. We applaud the Committee for taking bold steps to help workers in this state.

Wage stagnation is not the inevitable outcome of economic forces. It is the result of the wealthy and powerful people, big corporations and Wall Street designing a global economy where wages stay low. The rules must be rewritten to ensure that working people share in the wealth they help create and their incomes rise as they become more productive. Increasing the minimum wage to $15 per hour is a key first step.

Connecticut Has Been Left Behind

Connecticut was the first state to adopt a $10.10 minimum wage. Once a leader, we now lag behind. Connecticut is surrounded by states that have higher state minimum wage rates. With the exception of New Hampshire, which does not have a state minimum wage, Connecticut has the lowest minimum wage in New England. Massachusetts will raise its minimum wage to $15 by 2023. *Other New England States (Vermont, Maine, New Hampshire, Rhode Island) are also considering increases. We must raise the minimum wage to stay competitive to attract and retain workers in Connecticut.*

At least thirteen other states (Arizona, Arkansas, California, Colorado, Illinois, Massachusetts, Maine, New York, New Jersey, Oregon, Rhode Island, Vermont and Washington) and the District of Columbia have higher minimum wage rates than Connecticut. Most of those are scheduled for further increases over the next two years.

Purchasing Power

Without regular increases, the value of the minimum wage has eroded, allowing inflation to gradually reduce the buying power of a minimum wage income. Historically, when the minimum wage has been raised, the increases have been too small to undo the decline in value that has occurred since the 1960s. In 2016, the federal minimum wage as worth 25% less than its peak value in 1968. If the minimum wage had risen since 1968 at the pace of productivity growth, it would reach $21.34 in 2024.[1]

Indexing the minimum wage to the CPI once it reaches $15 per hour would take this very important issue out of the divisive political arena and add a level of certainty and predictability upon which workers and their families can depend. It also ensures that the minimum wage does not lose value over time. Without indexing, Connecticut's minimum wage continues to be devalued and workers get a pay cut each year. More than a dozen states have already indexed their minimum wages to the cost of living. It's time for Connecticut to follow suit.

Who Earns Minimum Wage

In order to avoid making hard choices, we have relied on outdated myths to inform us about who earns minimum wage. Minimum wage workers aren't who they used to be, or even who we may think they are. A 2014 analysis conducted by *The New York Times* shows that most policymakers have a flawed perception of this group of workers:[2]

- ***Teenagers are not the majority.*** In fact, the average age of a minimum wage worker is 36 and more than 89% are age 20 or older.[3] Teen employment levels have been declining for decades regardless whether the minimum wage has gone up or stayed flat. This trend is driven by many factors – including increased labor market competition from older workers in their 50's. In addition, low-wage teen workers are likely to be from struggling households who depend on the teens' additional incomes to make ends meet; or to be students working their way through college with limited family support. These teens, and all others regardless of family income, deserve a higher minimum wage, too.
- ***They have families.*** About 27 percent of low-wage workers are parents, compared with 34 percent of all workers. The average minimum wage worker also brings home half of household income, while 19 percent are sole earners. Parents who would benefit from raising the minimum wage earn 60 percent of the household income.
- ***Women and minorities are overrepresented.*** According to Economic Policy Institute modeling based on data from the Bureau of Labor Statistics, 332,000 Connecticut workers (18.7% of the state workforce) make less than $15 per hour. Raising the minimum wage is important to help close racial pay gaps.
    - Women make up half of the state workforce, but 59% make less than $15.00/hour.
    - African Americans make up 9.8% of the state workforce, but 27.4% make less than $15.00/hour.
    - Latinos make up 16% of the state workforce, but 31.4% make less than $15.00/hour.
    - Single parents make up 8% of the state workforce, but 13% earn less than $15.00/hour.

[1] https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/
[2] https://www.nytimes.com/2014/06/10/upshot/minimum-wage.html?_r=0
[3] National Employment Law Project, "The 'Training Wage' Scam: A Lower Minimum Wage for Teens or New Hires Hurts Young Workers and Undermines Responsible Employers. February 2016.

Economic Policy Institute Minimum Wage Simulation Model

Demographic characteristics of workers who would benefit if the federal minimum wage were raised to $15 by 2024 in: Connecticut

Group	Total estimated workforce	Directly affected	Share directly affected	Indirectly affected	Share indirectly affected	Total affected	Share of group who are affected	Group's share of state total affected
All workers	1,768,000	332,000	18.8%	132,000	7.5%	465,000	26.3%	100.0%
Gender								
Women	884,000	195,000	22.1%	77,000	8.7%	272,000	30.8%	58.6%
Men	884,000	137,000	15.5%	55,000	6.2%	193,000	21.8%	41.4%
Age								
Age 19 or younger	66,000	56,000	84.2%	4,000	5.9%	60,000	90.1%	12.9%
Age 20 or older	1,702,000	277,000	16.3%	128,000	7.5%	405,000	23.8%	87.1%
Ages 16–24	234,000	154,000	65.7%	23,000	9.9%	177,000	75.6%	38.1%
Ages 25–39	521,000	94,000	18.0%	49,000	9.4%	142,000	27.3%	30.6%
Ages 40–54	585,000	47,000	8.1%	34,000	5.9%	82,000	14.0%	17.6%
Age 55 or older	428,000	38,000	8.8%	26,000	6.0%	63,000	14.8%	13.7%
Race/ethnicity								
White	1,182,000	159,000	13.4%	71,000	6.0%	229,000	19.4%	49.4%
Black	174,000	48,000	27.4%	17,000	10.0%	65,000	37.3%	14.0%
Hispanic	284,000	104,000	36.7%	34,000	12.1%	139,000	48.8%	29.8%
Asian or other race/ethnicity	127,000	22,000	17.0%	10,000	7.7%	31,000	24.7%	6.8%
All black and Hispanic workers	458,000	152,000	33.1%	52,000	11.3%	204,000	44.4%	43.8%
Black and Hispanic women	230,000	86,000	37.4%	28,000	12.1%	114,000	49.4%	24.5%
Black and Hispanic men	229,000	66,000	28.9%	24,000	10.5%	90,000	39.4%	19.4%
Family status								
Married parent	430,000	31,000	7.2%	20,000	4.8%	51,000	11.9%	11.1%
Single parent	144,000	42,000	28.8%	18,000	12.5%	60,000	41.3%	12.8%
Married, no children	479,000	36,000	7.5%	26,000	5.4%	61,000	12.8%	13.2%
Unmarried, no children	715,000	224,000	31.4%	68,000	9.5%	292,000	40.9%	62.9%
Working mothers	299,000	55,000	18.6%	26,000	8.8%	82,000	27.4%	17.6%
Working fathers	276,000	17,000	6.2%	12,000	4.4%	29,000	10.6%	6.3%

Connecticut's Low Wage Employer Advisory Board, a thirteen-member panel created by the General Assembly, conducted exhaustive outreach and research efforts on this issue. The Board heard from workers, businesses, economists and policy experts. In December 2016, it concluded in its report that the state's minimum wage should be raised to $15, phased in gradually just as SB 2 and HB 5004 provide.

The Low Wage Employer Advisory Board also concluded that meeting a worker's basic needs while living in Connecticut requires, in almost all cases, a minimum wage higher than $15 per hour. In fact, the 2014 Job Gap Economic Prosperity Series produced by the Alliance for Just Society found that the living wage, one that allows an employee to meet his or her basic needs without relying on public assistance, for a single adult in Connecticut was $19.08 an hour.[4] That figure increases to $40.48 per hour for a Connecticut adult with two children. A single adult earning the current minimum wage of $10.10 per hour would need to work 75 hours per week to make a living wage. Even if a worker could get that many hours, or work multiple minimum wage jobs, that would still be just enough to make ends meet and leave little left over for savings or emergency situations.

In order for our economy to grow, families need to thrive as well. One does not work without the other. For that to happen, workers need to earn a fair wage. Minimum wage workers typically spend the vast majority of their earnings in their local communities, shopping at retail establishments, paying rent and childcare fees and accessing public transportation. Raising the minimum wage boosts spending which creates demand for products and services, which in turn creates jobs in our state. Simple economics dictates that raising the minimum wage would boost the state's income and sales tax revenue collections *without* raising taxes.

[4] https://thejobgap.org/national-findings-2014/

Businesses Can Afford an Increase
Claiming the "free market" will take care of wage growth is a myth. Businesses do not rely on the free market to set wages. They lobby federal, state and local governments for direct and indirect assistance, such as tax credits, abatements, guaranteed loans and other incentives. All levels of government are resplendent with corporate welfare. It's time that employers shared those spoils with their employees. The White House Council of Economic Advisers promised that last year's federal corporate tax cut (from 35% to 20%) and the small businesses (20%) deduction for pass-through entities would translate to wage growth, resulting in an increase of at least $4,000 per year in average household income. However, according to the Bureau of Labor Statistics, average hourly earnings have ***decreased*** 0.2% since the tax cuts were enacted.

Some Connecticut corporations have already voluntarily raised their minimum wages to $15: Charter Communications in Stamford, Webster Financial Corporation in Waterbury, Winchester Federal Savings in Windsor and Hartford HealthCare. Cigna Health Insurance in Bloomfield has raised its minimum wage to $16.

Unfortunately, many other mega-profitable corporations, rather than permanently boost workers' wages, have instead offered one-time bonuses of varying levels. A bonus is a single occurrence, not a permanent commitment that keeps wages flat. Bonuses do little to help workers because they are not counted as salary income for pension/retirement calculations, they adversely impact unemployment calculations should workers lose their job because benefit formulas are based on salaries, not bonuses and mortgage lenders (and other lenders) often cannot include bonus income when workers apply for financing.

There's no question that the 14% federal tax cut provides businesses the ability to raise wages, but we don't have to just stand by and cross our fingers, hoping that employers will do the right thing. We can lead by raising the minimum wage.

Furthermore, businesses in other states that have raised the minimum wage have seen reduced employee turnover, higher worker productivity rates and overall improved economic activity. States with higher minimum wage rates (California, Washington, Arkansas) have enjoyed stronger economies, lower rates of unemployment and higher job creation rates. These gains have more than offset the cost of wage increases.

Non-Profit Organizations
According to data from the Bureau of Labor Statistics, 189,000 Connecticut employees work in the non-profit sector. Only 24,000 (12.7%) of them earn minimum wage and stand to get a raise. That's just 1.4% of the entire state workforce and 7.2% of all minimum wage earners. We shouldn't jeopardize the chance to raise wages for 308,000 other workers because some non-profit organizations may oppose this legislation.

When evaluating the challenge a minimum wage increase might pose to their finances, many non-profits have ultimately determined it is in the best interest of the people they serve to raise the wage. They understand that a higher minimum wage helps people who are struggling to get by. In addition, higher minimum wages could have positive consequences for nonprofit staffing and capacity. Higher wages could reduce employee turnover while increasing staff morale and productivity.

We should also be careful not to confuse other challenges confronting the non-profit sector with the impact of higher minimum wages. For example, if private philanthropy has failed to keep up with rising need and declining public revenue streams—that may pose more serious challenges than minimum wage increases. We shouldn't scapegoat low-wage workers to avoid examining these issues.

A number of nonprofits have signed on to a national statement supporting the federal Raise the Wage Act, which increases the federal minimum age to $15/hour. https://www.nelp.org/publication/raise-wage-act-2019-letter-support/

Raising Wages Benefits Society
In addition to helping hardworking employees make ends meet, raising the minimum wage can also have positive impacts on reducing recidivism rates, improving worker mental health and reducing rates of child neglect. Workers who earn more are less reliant on safety net services (childcare subsidies, energy assistance, SNAP, Husky, housing assistance, etc.), saving taxpayer dollars for other investments.

A job should lift someone out of poverty, not trap them in it. We urge the Committee to act swiftly and favorably on SB 2 and HB 5004 so that hard working women and men can get the raise they so desperately need and our economy can benefit from the much needed economic boost that comes from wage growth.

HB 7191 An Act Increasing the Minimum Wage: SUPPORT WITH AMENDMENTS
We thank the Governor for introducing legislation to raise the minimum wage to $15. We have concerns about his approach, but look forward to working with him and his staff to find common ground.

Subminimum Training Wage
HB 7191 more than doubles the impact of the subminimum wage training period for new hires and workers under the age of 18. It increases the training period from 200 hours to 90 calendar days and reduces the subminimum wage rate from 85% to 75% of the full minimum wage.

Under current statute, a new or young full-time employee working 40 hours per week would have to work 5 weeks (35 calendar days) before being eligible to earn the full minimum wage. HB 7191 requires the same full-time employee to work *314 hours more* (almost 55 more calendar days) before being eligible to earn the full minimum wage. A new or young part-time employee working 20 hours per week would have to work 6 weeks (42 calendar days) before being eligible to earn the full minimum wage under the current statute. HB 7191 requires the same part-time employee to work 57 hours more (almost 20 more calendar days) before being eligible to earn the full minimum wage.

Under this bill, full-time workers could lose more than $1,900 in wages more during the training period. Part-time workers could lose almost $1,000 in wages over the same period. Minimum wage workers simply cannot afford that loss.

The expanded subminimum training wage benefits employers with high-turnover staffing models, like retailers and fast food chains, and incentivizes more employers to fire workers as they "age out" of the training wage. Without providing additional funding to staff the enforcement actions assigned to the Department of Labor, there will undoubtedly be widespread employer abuse.

Connecticut doesn't have lower health and safety standards for new or younger workers. Workers' compensation statutes do not have different standards for new or younger workers. The law does not permit employers to discriminate based on an employee's gender, race, religion or sexual orientation. It's troubling that HB 7191 allows employers to discriminate against new or younger workers.

Work has value, no matter who does it. The employer benefits from the work performed by every employee. Worker productivity has never been higher. We shouldn't allow employers to pay new or younger workers a subminimum training wage.

We urge the Committee to amend HB 7191 by removing the expanded subminimum training wage.

Economic Cost Index
HB 7191 indexes the minimum wage to the Economic Cost Index (ECI) beginning in 2024. ECI is a quarterly economic calculation detailing the changes in the costs of labor for businesses. It measures inflation of wages and benefits for employers.

Most states that have indexed the minimum wage use the Consumer Price Index (CPI): Alaska, Arizona, California, Colorado, Florida, Maine, Missouri, Montana, Nevada, New Jersey, Ohio, Oregon, South Dakota, Vermont, Washington and Washington, DC. The CPI is a quarterly measure of inflation in consumer prices. Indexing to CPI will ensure wages keep pace with what it costs workers to buy things they need.

New York's annual increases will be set by the Director of the Division of Budget in consultation with the Department of Labor. Minnesota has indexing based on changes in the price deflator for national personal consumption expenditures.

No state has indexed the minimum wage to ECI. We are concerned that ECI could devalue the minimum wage over time and be difficult to compare buying power among other states.

We urge the Committee to amend HB 7191 by replacing the ECI with CPI.

SB 764 An Act Prohibiting "On Call" Shift Scheduling: SUPPORT
Employers in many low-wage sectors often exploit employees, forcing them to work with little notice or to maintain availability for "on-call" shifts without the guarantee of actual work. These employers also commonly cancel shifts with little or no notice or send workers home early without pay when business is slow. The result is significant uncertainty and lost pay for workers and their families.

Driven exclusively by profits, these employers pay low wages, offer few, if any, benefits and provide no predictability in work hours. Thousands of Connecticut workers, many earning just minimum wage, or less if they are a tipped worker, struggle to earn a stable income because of their unpredictable work schedules.

Irregular scheduling practices cause great difficulties for thousands of motivated, hardworking employees. Without a set schedule or guaranteed number of hours, workers have a very difficult time managing household budgets. In addition, they are put in the impossible situation of arranging for reliable child care on short notice without knowing if they will be allowed to work enough hours to pay for it. These workers can't even commit to a second job or seek additional education or skills training to improve their earning potential because "on-call" schedules will not permit it.

The burden of not knowing a work schedule in advance affects a worker's ability to arrange for child care. The burden of not being able to rely on regular wages that come with regular hours is unnecessary. Not knowing if a worker's days off are truly off or for "on-call" work, can be significantly destabilizing for workers and their families.

For some workers, "on-call" means they are required to call before the beginning of their scheduled shift to find out if they are truly needed. It potentially means they could lose work hours, and therefore pay. For all of these workers, who may typically be earning near or just above minimum wage, the impact of unpredictable scheduling can be severe.

At issue is the ability for employees to have a work schedule that gives them the ability to plan their lives beyond work. The equity afforded under this legislation promises to provide these basic rights to employees. SB 674 requires retail, restaurant and hospitality employers with 25 employees or more to:

- Provide employees 72-hours' notice of scheduling changes, including cancellations;
- Compensate employees at half-time rates for unworked hours resulting from employer-cancelled shifts or employer-mandated schedule changes within the 72-hour notice period; and
- Provide employees at least 11 hours rest between shifts or compensate employees time and a half for shifts scheduled within an 11-hour window.

Businesses would be exempt from these requirements only in certain conditions, like state-declared emergencies or severe weather conditions. Schedule changes made by mutual agreement of the employee and employer would also be exempt.

Employers also benefit from more traditional, scheduling practices. While employees see the short-term benefits of a more predictive work schedule, employers reap longer-term benefits, such as high levels of worker morale and productivity, reduced turnover and lower training costs.[5]

We urge the Committee to support this bill.

SB 989 An Act Concerning Basic Labor Standards for Transportation Network Company Drivers: SUPPORT

Employers in an increasing number of industries misclassify their employees as independent contractors, denying them basic worker protections. If undetected, employees miss out on fair pay, health and safety, access to workers' compensation and unemployment insurance, and the right to collectively bargain for better jobs. Misclassification also hurts law-abiding employers who play by the rules but are under-bid by their competitors.

Employee misclassification is a persistent problem in many growth industries and in the rapidly growing app-based "on-demand" economy. Ridesharing services like Uber and Lyft are among the most egregious employers who intentionally misclassify their employees.

While companies like Uber and Lyft make huge profits, these workers often make poverty level wages. In recent years, these companies have lowered fares charged to riders, decreasing drivers' earnings. Drivers must also pay for car maintenance, insurance, and other driving-related costs out of their own pockets. After these expenses, a majority of Uber drivers make less than $10 an hour.[6]

SB 989 requires companies to pay drivers at least 75% of the actual amount collected from customers and allows independent contractors to sue their employers for nonpayment or underpayment of wages. It also provides a legal remedy to employees who may be terminated for coming together to confront poor working conditions.

Gaps in state and federal laws leave these workers without meaningful protections. We urge the Committee to support this bill.

---

[5] https://www.hrdive.com/news/predictive-scheduling-laws-coming-soon-to-a-jurisdiction-near-you/448483/

[6] *See* Ridester, *Ridester's 2018 Independent Driver Earnings Survey* (last accessed March 3, 2019), https://www.ridester.com/2018-survey/. For an illustration of some drivers' actions in response to Connecticut transportation network companies, see Luther Turmelle, *Connecticut ride-sharing drivers urging one-day work stoppage*, NEW HAVEN REGISTER (Dec. 18, 2018), https://www.nhregister.com/business/article/Connecticut-ride-sharing-drivers-urging-one-day-13475987.php) (illustrating Connecticut transportation network company drivers' dissatisfaction with their payment from Uber and Lyft).

SB 990 An Act Concerning Call Centers and Notice of Closure: SUPPORT

Just two weeks ago, AT&T announced its plan to move more than one hundred call center jobs from Meriden, Connecticut to Tennessee and Georgia. This is a destabilizing move for employees and their families and also devastating to the local economy. Sadly, this practice has become too common:

- Since 2012, **Verizon Wireless** has closed 19 call centers affecting 11,000 workers. Verizon Wireless also as a long history of union busting, including shutting call centers when workers try to organize.

- **Wells Fargo** recently laid off thousands of call center workers across the country, while its presence grew from just 100 in 2011 to more than 4,000 today, with plans to expand to an additional 7,000 employees, in the Philippines.

- **AT&T** has eliminated more than 12,000 in-house call center jobs since the Trump administration's tax bill passed in 2017and uses a network of at least 38 call centers in eight countries.

SB 990 requires call center employers to provide at least 100 days' notice to the Department of Labor before relocating to another state or another country. Those who fail to comply could be fined up to $10,000. SB 990 also prevents call center employers that have relocated out of the state from accessing direct or indirect grants, guaranteed loans, tax benefits or other state financial support for a period of five years.

Taxpayer funds should not act as a backdoor subsidy for companies to export customer service jobs. We urge the Committee to support this bill.

HB 7224 An Act Concerning Paraeducator Pay Equity: SUPPORT

Paraeducators play an important role in delivering education and support services to students in our public schools. They work with teachers, playing an integral role in the academic success of Connecticut's students. A large number of them work directly with special education students in one-on-one and small group settings to reinforce instruction or provide other supports.

In order to help students succeed, paraeducators have to be well prepared. State statute requires they have a two-year degree as a prerequisite for employment. They must also participate in ongoing professional development on issues pertaining to their work. Despite this level of preparation, paraeducators are among the lowest paid employees in any school district and earn hourly rates far below Connecticut's living wage. Many make wages comparable to a fast food worker, even though they are helping our children learn.

There are currently no statewide pay standards for paraeducators and compensation varies widely from school district to school district. HB 7224 requires the State Department of Education to perform regular evaluations of compensation plans for certain board of education employees, including paraeducators. Having statewide data on paraeducator wages gives bargaining agents an important tool to use in contract negotiations and, if necessary, in arbitration. Those evaluations can be presented as evidence and be considered by arbitrators.

HB 7225 gives paraeducators a way to prove what they have known all along: they are underpaid for the valuable work they do. The impact they make on students, their level of responsibility, and their expertise is worth much more. We believe this legislation is an important step to improve pay for paraeducators and urge the Committee to support this bill.

Thank you for the opportunity to testify today. I'd be happy to answer any questions you may have.