

Testimony Supporting
S.B. 2: An Act Increasing the Minimum Wage
H.B. 5004: An Act Increasing the Fair Minimum Wage
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Connecticut Voices for Children
Labor and Public Employees Committee
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Senator Kushner, Representative Porter, Senator Miner, Representative Polletta, and Members of the Labor and Public Employees Committee, thank you for this opportunity to testify in support of SB 2 and HB 5004. I am testifying today on behalf of Connecticut Voices for Children, a research-based child advocacy organization working to ensure that all Connecticut children have an equitable opportunity to achieve their full potential.

We applaud the Committee for raising these two bills which will increase the earnings of over 30% of Connecticut workers by gradually raising the state's minimum wage to \$15.00 an hour by 2022. This one policy change will have an immediate and meaningful positive effect on the lives of over 510,000 Connecticut low wage workers by increasing their net income, along with decreasing the poverty rate, and reducing or slowing the growth of income disparities in Connecticut.¹

Since at least 1937 with the passage of the Fair Labor Standards Act, setting a “fair and just wage” is the responsibility of government. The current minimum wage, \$10.10, is not a fair and just wage causing even those who work full time to remain in poverty, unable to meet the basic needs of themselves and their families. When parents work in low wage jobs, the basic costs of having a family – health insurance, child care, housing, food— are unaffordable, and children are then faced with impossible barriers to health, development, and equity.

Despite some recent signs that Connecticut's economy is growing and wages for low-wage workers are slightly increasing, working families continue to struggle to reach a decent standard of living. We believe everyone who works full time should get paid enough to care for themselves and their children, and that Connecticut will prosper when everyone has the opportunity to participate fully, fulfill their potential, and achieve economic stability. The gradual increase to \$15.00 will have an immediate and positive impact on Connecticut workers, their families and our economy.

According to a recent analysis by the Economic Policy Institute in February 2019, the typical worker in Connecticut who will be affected by an increase to the minimum wage is a woman, over 30, who works full-time and provides on average more than half of her household's income.

¹ Low wage workers and their children experience numerous health benefits from an increase to the minimum wage. See, Leigh, J. Paul and Leigh, Wesley and Du, Juan, Minimum Wages and Public Health: A Literature Review (February 27, 2018). Available at SSRN: <https://ssrn.com/abstract=3176217> or <http://dx.doi.org/10.2139/ssrn.3176217>

Here are the facts:

- 67 percent of Connecticut's low-wage workers are 25 or older, many of whom support families. Only 10 percent are young workers under 20 years old.
- Although women represent 51 percent of Connecticut's total workforce, the share of the workforce affected by an increase to the minimum wage is 58.2 percent female.
- Nearly 43.7 percent of Black workers and 54.4 percent of Latino workers in the state would receive a raise under this bill.
- 52 percent of those affected by a minimum wage increase work full-time.
- 45.8 percent have some college experience or have earned a college degree.
- 25 percent are parents.

The stereotype of minimum wage workers as mostly teenage, part-time workers earning extra pocket money for sneakers or gas is simply wrong. Two-thirds of Connecticut's low-wage workers are 25 or older, while only 10 percent are under 20 years old. They work across all industries with the largest share in retail trade, healthcare, and food services.

Connecticut workers who would get a raise from increasing the state minimum wage to \$15 by 2022

Group	Estimated workforce	Total affected	Share of group who are affected	Group's share of total affected
All workers	1,703,100	510,100	30.0%	100.0%
Sex				
Women	857,100	297,000	34.6%	58.2%
Men	846,000	213,200	25.2%	41.8%
Age				
Ages 19 and younger	63,400	51,100	80.6%	10.0%
Age 20 or older	1,639,700	459,100	28.0%	90.0%
Ages 16–24	223,900	169,000	75.5%	33.1%
Ages 25–39	497,700	160,000	32.2%	31.4%
Ages 40–54	560,400	100,400	17.9%	19.7%
Age 55 or older	421,200	80,700	19.2%	15.8%
Race/ethnicity				
White, non-Hispanic	1,192,300	275,700	23.1%	54.0%
Black, non-Hispanic	160,500	70,200	43.7%	13.8%
Hispanic	240,300	130,800	54.4%	25.6%
Asian or other race/ethnicity	110,000	33,400	30.4%	6.5%
Family status				
Married parent	405,100	63,900	15.8%	12.5%
Single parent	135,700	62,700	46.2%	12.3%
Married, no children	468,600	78,000	16.6%	15.3%
Unmarried, no children	693,700	305,500	44.0%	59.9%
Work hours				
Part time (< 20 hours)	125,600	78,300	62.3%	15.3%
Mid time (20–34 hours)	271,800	167,700	61.7%	32.9%
Full time (35+ hours)	1,305,700	264,100	20.2%	51.8%
Educational attainment				
Less than high school	121,000	81,300	67.2%	15.9%
High school	419,800	195,300	46.5%	38.3%
Some college, no degree	345,100	150,900	43.7%	29.6%
Associate degree	137,700	34,700	25.2%	6.8%
Bachelor's degree or higher	679,500	48,000	7.1%	9.4%
Industry				
Construction	74,800	16,100	21.5%	3.2%
Retail trade	192,100	105,700	55.0%	20.7%
Transportation, warehousing, utilities	66,500	16,300	24.5%	3.2%
Administrative, support, & waste mgmt.	62,800	30,400	48.4%	6.0%
Education	198,800	32,400	16.3%	6.4%
Healthcare	274,500	87,700	31.9%	17.2%
Arts, entertainment, recreational svcs.	45,500	26,400	58.1%	5.2%
Accommodation	12,600	7,800	61.5%	1.5%
Restaurants and food service	94,300	75,800	80.4%	14.9%
Sector				
For profit	1,274,300	435,600	34.2%	85.4%
Government	245,900	35,800	14.5%	7.0%
Non-profit	182,900	38,800	21.2%	7.6%
Family income				
Less than \$25,000	164,800	127,100	77.1%	24.9%
\$25,000–\$49,999	257,400	125,900	48.9%	24.7%
\$50,000–\$74,999	263,500	78,800	29.9%	15.4%
\$75,000–\$99,999	243,100	60,100	24.7%	11.8%
\$100,000–\$149,999	362,100	65,100	18.0%	12.8%
\$150,000 or more	412,300	53,200	12.9%	10.4%
Income-to-poverty ratio				
At or below the poverty line	71,700	59,000	82.2%	11.6%
101–200 percent of poverty	154,400	113,000	73.2%	22.2%
201–400 percent of poverty	417,800	170,100	40.7%	33.3%
401 percent or above	1,038,400	151,900	14.6%	29.8%
Poverty status not available	20,800	16,100	77.6%	3.2%

Notes: Values reflect the result of the proposed change in the state minimum wage. Wage changes resulting from existing state and local minimum wage laws are accounted for by EPI's Minimum Wage Simulation Model. Totals may not sum due to rounding. Shares calculated from unrounded values. Directly affected workers will see their wages rise as the new minimum wage rate exceeds their existing hourly pay. Indirectly affected workers have a wage rate just above the new minimum wage (between the new minimum wage and 115 percent of the new minimum). They will receive a raise as **Source:** Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.

Our state has become increasingly split between the “haves” and the “have nots.” Between the 1950s and 2015, the share of Connecticut income enjoyed by the top one percent has jumped from 10 percent to 27 percent. The top one percent in our state makes an astonishing 37 times what the bottom 99 percent makes, causing Connecticut to be the third most unequal state in the nation. Halting the growth of extreme inequality will take more than just raising the minimum wage; however, this one straightforward policy will help ensure that Connecticut’s lowest paid workers have a better chance of reaching the middle class.

An increase in the state minimum wage will play an important role in reducing poverty and boosting family incomes at the bottom of the income distribution.² A recent study by Alexander Dube found a 1.9 percentage point reduction in the national poverty rate from of an increase to the federal minimum wage from \$7.25 to just \$12.00 an hour. Given the roughly 270 million non-elderly Americans in 2016, he calculates 6.16 million fewer individuals living in poverty. Dube explains, “We can also expect the same minimum wage increase to raise family incomes by 12.2 percent at the 10th quantile... this translates into an annual income increase of \$2,140; after accounting for the offset due to reduced tax credits and transfers, this amounts to an increase of \$1,826.” Since Dube was evaluating an increase in the federal minimum wage to \$12.00, the proposal to raise Connecticut’s state hourly minimum wage from \$10.10 to \$15.00 would result in even greater reductions to the poverty rate and increased net income.

While this proposed minimum wage increase will reduce the rate of poverty in Connecticut and boost the net income of low-wage workers overall, it could inadvertently leave some low wage workers worse off. That is because low-income families often rely on a combination of earned income and public supports—such as Medicaid, housing and childcare subsidies—to make ends meet. “Cliff effects” is a term that describes the impact felt by some recipients of safety-net benefits as their income increases. The result can be an overall drop in resources—sometimes so sharp that “it feels like falling off a cliff”.³

Given the high cost of living⁴ relative to earned income in Connecticut, families are particularly reliant on these public supports in order to meet their basic needs. Public supports enable low-wage workers to get and keep jobs, access healthcare, and lift themselves out of poverty. Even with subsidies, health insurance is not affordable for families just above Medicaid eligibility limits. Losing access to healthcare puts low income workers and their children at risk of both poorer health and medical debt. The system of public supports available to low-income families is complex and each state is unique. Each public support program has its own set of eligibility requirements, including income limits that restrict the amount of wages a recipient can earn, asset limits that prevent recipients from saving even modest amounts of money, and work requirements.

Recent research by the University of Massachusetts Boston, Center for Social Policy, found that, in Massachusetts, universal and free child care for children ages 2–12 would affect both the level of net

² Dube, Alexander. (October 2018) “Minimum Wages and the Distribution of Family Incomes” https://www.dropbox.com/s/bg5fasegppctbpk/Dube_MinimumWagesFamilyIncomes_NBERWP.pdf

³ Albelda, Randy, and Carr, Michael (September 2016). *Between a Rock and a Hard Place: A Closer Look at Cliff Effects in Massachusetts*. Center for Social Policy, University of Massachusetts Boston.

⁴ ALICE Report 2018. <https://alice.ctunitedway.org/> ALICE is an acronym that stands for Asset Limited, Income Constrained, Employed — households with income above the Federal Poverty Level but below the basic cost of living. “The cost of basic household expenses increased steadily in Connecticut to \$77,832 for a family of four (two adults with one infant and one preschooler) and \$24,672 for a single adult, significantly higher than the 2016 FPL of \$24,300 for a family and \$11,880 for a single adult. The cost of the family budget increased by 23 percent from 2010 to 2016.”

resources and also eliminate the cliff effect of rising wages.⁵ With the inclusion of free and universal child care there is an increase in net earnings at every level. Their report argues that “Instituting universal free child care would be costly, but so is the status quo, which currently puts the burden on those least able to bear it. We already provide K-12 education, and universal child care has already been shown to reduce poverty and income and gender inequality and to promote economic growth.”⁶

A 2016 study of the impact a rise in the federal minimum wage would have on low wage workers (defined as those in the bottom three wage deciles, who earn up to \$12.16 per hour) found that for every \$1 that wages rise among workers in the bottom three wage deciles, spending on federal government assistance programs falls by roughly \$5.2 billion. This estimate is conservative, as it does not include the value of Medicaid benefits.⁷

As a matter of public policy in our State, an increase to the minimum wage should not result in minimum wage earners suffering a net decrease in income or moving closer or falling back into poverty. Once the specific cliffs that exist under Connecticut’s public support programs are identified, savings from the reduced need for those supports by some low-wage workers could be reallocated to eliminate benefits cliffs. For instance, depending on the results of a comprehensive analysis of benefit cliffs in Connecticut, the legislature could fund improvements to anti-poverty tools, such as improving access to preschool for children from low- and moderate-income families or expanding eligibility for affordable healthcare. Our system of public supports must be routinely adjusted to provide more effective and efficient policies and better serve the needs of low-income families.

Thank you for this opportunity to testify and I welcome any questions you may have.

⁵ Massachusetts has broader healthcare coverage than Connecticut and their study of the cliff effects in Massachusetts should not be relied on by policy makers in Connecticut. Instead, Connecticut needs to conduct its own program specific analysis.

⁶ “Combining Earnings with Public Supports: Cliff Effects in Massachusetts.” Communities & Banking. The Federal Reserve Bank of Boston, 2017. Authors: Randy Albelda and Michael Carr.
https://www.umb.edu/editor_uploads/images/centers_institutes/center_social_policy/Combining_Earnings_with_Public_Supports_Cliff_Effects_in_Massachusetts.pdf

⁷ Cooper, David “Balancing Paychecks and Public Assistance”. Economic Policy Institute. February 3, 2016.
<https://www.epi.org/publication/wages-and-transfers/>