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TESTIMONY OF  
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)  
*OPPOSING*  
SB-2, HB-5004, & HB-7191 ACTS INCREASING THE MINIMUM WAGE  
BEFORE THE  
LABOR & PUBLIC EMPLOYEES COMMITTEE  
MARCH 7, 2019

*NFIB is the leading small business association in the nation with thousands of members in Connecticut representing a cross-section of the state's economy. For more than 75 years, NFIB has been advocating on behalf of America's small and independent business owners, both in Washington, D.C., and in all 50 state capitals. NFIB is nonprofit, nonpartisan, and member-driven. Since our founding in 1943, NFIB has been exclusively dedicated to small and independent businesses and remains so today. On behalf of those small- and independent- job-providers in Connecticut, NFIB offers the following comments:*

NFIB in Connecticut strongly opposes SB-2, HB-5004 and HB-7191, all of which would dramatically increase the minimum wage by nearly 50% to \$15 per hour in Connecticut in just a few short years as well as "indexing" to require future automatic increases into perpetuity starting in 2022 or 2023. These proposals will hurt not only small businesses, but also their current and further potential employees. According to a report from The Heritage Foundation (Issue Brief No. 4601, August 17, 2016), a \$15 per hour minimum wage in Connecticut would mean the loss of 46,000 full-time-equivalent jobs in 2021. Notably, the report also concluded, "These estimates provide important information about the impact of large minimum-wage increases on job opportunities and poverty. Efforts to create jobs and reduce poverty should not center on forcing employers to pay higher starting wages."

While these proposed measures are no doubt backed by good intentions, it is bad policy, especially at present. After being forced to absorb several large tax increases over the last 8 years, *retroactively in some cases*, and despite having been the first state to already pass legislation to increase the minimum wage to \$10.10/hour which only recently took effect, many small businesses would once again be forced to expend significant, additional unanticipated monies from their operating budgets should this legislation pass.

It is worth noting that when considering employer costs of mandated wage increases, it is not just the actual dollars and cents that must be taken into account, but also the additional attendant costs attributable to higher wages, such as an employer's FICA match, workers' compensation premiums based on payroll, etc. With the state economy still teetering, unemployment levels still lagging the rest of the New England states (especially among young and entry-level workers) and small businesses in Connecticut closing their doors every day, now would be the worst time for the legislature to send a negative message to employers by imposing yet another government mandated wage increase, especially in such *large increments of more than \$1 per year*. Not



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only will businesses, and consumers be negatively affected, but also first-time workers face the biggest risk of being priced out of the job market by a minimum wage hike. Proposing to continually increase the minimum wage further frustrates small businesses and adds to their uncertainty by once again "changing the rules of the game".

NFIB opposes the mandated increases in the minimum wage contained in SB-2, HB-5004 and HB-7191 because it is small business, not big corporations, that have to absorb the cost of mandatory wage increases because many minimum-wage jobs are offered by small businesses. Furthermore, small-business owners oppose the wage hike because it would leave them with fewer choices in how to compensate their employees and when they decide to hire new ones. Wage hikes historically have had a negative impact on industries that offer the most entry-level jobs--including restaurants, grocery, and retail stores, as well as various seasonal businesses--many of which are run by small-business owners.

**Additionally:**

- Numerous studies and Bureau of Labor Statistics numbers show that most employers already pay higher than the minimum wage. Those small businesses that pay the minimum wage can't afford to pay more. They are on the bubble, and a higher minimum wage will hurt those very small businesses that are struggling most.
- Studies also show that minimum wage hikes around the country have resulted in higher unemployment among workers with the lowest skills and the least experience (See Seattle, Washington). Raising the wage makes entry-level jobs more attractive to more qualified candidates. So the working poor and young workers are the people who are hurt most by a higher minimum wage.
- The current proposal would continue to make Connecticut an extremely expensive state in which to create entry-level jobs.
- Small businesses that often have a very fixed compensation budget will be forced to layoff workers, and might also higher even fewer workers at entry-level jobs.
- Connecticut is already among the worst states in the country for business. The non-partisan Tax Foundation consistently ranks Connecticut among the bottom ten states in the country because of its high taxes. A higher minimum wage is another tax on small business (and perhaps, their customers) that will discourage job growth.
- Not only will the higher minimum wage hurt small businesses



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throughout Connecticut, but also product prices may be increased to offset the higher labor costs associated with a mandatory wage increase.

### Conclusion

Small business owners provide a direct benefit to the economy. Entrepreneurs risk their capital and other resources to launch and grow businesses and provide jobs to Connecticut citizens. Unfortunately, measures such as SB-2, HB-5004 and HB-7191 undermine these efforts by not only adding to both the cost of doing business and uncertainty for small business owners, but also creating an economic "chilling effect" that will make it even more difficult for Connecticut's small businesses to succeed. Mandatorily increasing the minimum wage beyond \$10.10 per hour to \$15 per hour in such a short time period and then mandating future wage increases into perpetuity will put an even bigger strain on already struggling small businesses and reduce hiring opportunities in many sectors throughout Connecticut.

Thank you for the opportunity to comment and for your consideration of NFIB's concerns on behalf of small business. For any questions or additional information, please contact Andy Markowski, NFIB's State Director in Connecticut, at 860-248-NFIB.