

Written Testimony of Yannet Lathrop

National Employment Law Project

Hearing on H.B. 5370, A Bill to Incrementally Raise Connecticut's Minimum Wage to \$15 by 2022

March 3, 2016

Yannet Lathrop
Researcher and Policy Analyst

National Employment Law Project, DC
2040 S Street NW
Washington, DC 20009

(202) 683-4813
ylathrop@nelp.org

Thank you, Sen. Gomes, Rep. Tercyak, and members of the Labor and Public Employees Committee, for the opportunity to submit written testimony on H.B. 5370, An Act Increasing the Minimum Fair Wage. This bill would gradually phase Connecticut's minimum wage up to \$15 by January 2022. My name is Yannet Lathrop and I am Researcher and Policy Analyst at the National Employment Law Project (NELP).

NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices in Washington, and California. We partner with federal, state, and local lawmakers on a wide range of workforce issues ranging from unemployment insurance, to the on-demand economy, to raising the minimum wage.

NELP testifies today in support of the proposed \$15 minimum wage increase under H.B. 5370. Such an increase would raise pay for hundreds of thousands of Connecticut's lowest paid workers. The typical worker who would be affected by a minimum wage increase in the state is a woman over 25 who works full-time and provides on average 40 percent of her household's income, according to analysis by the Economic Policy Institute.¹ And the typical raise these workers would receive, once the wage was phased in by 2022, would be more than \$4,000 per year – enough to make a real difference in the lives of hundreds of thousands of Connecticut's workers.

As for the impact on jobs and businesses, the best economic evidence shows that gradually phasing in such an increase by 2022 would be manageable for the state's businesses. In this testimony I'll summarize the evidence on these and other key points.

1. Nationally There Is Growing Momentum for a \$15 Minimum Wage

Connecticut's proposal is part of a wave of national action for significantly higher minimum wages. Over the past two years, more than half dozen localities including Los Angeles, San Francisco and Seattle have approved \$15 minimum wages; and more than a dozen cities including Rochester, Buffalo and New York City have approved raising pay for city workers and/or city contractors to \$15.²

Now states are beginning to act. In 2015, the neighboring state of New York adopted a \$15 minimum wage for fast food workers,³ and New York Gov. Andrew Cuomo is pushing to expand this wage statewide to all industries.⁴ Joining Connecticut and New York are New Jersey,⁵ California,⁶ Massachusetts (fast food and big retail),⁷ and the District of Columbia,⁸ which are also pushing state-wide \$15 minimum wages. Some of those measures are likely to appear on the November 2016 ballot, and with polls showing high levels of public support, they are likely to become law. (More background on \$15 minimum wages is available on the National Employment Law Project's Raise the Minimum Wage website at <http://raisetheminimumwage.org/pages/movement-for-15>.)

2. The Experience of Businesses in Other Jurisdictions Suggests Connecticut Can Adjust to a Minimum Wage of \$15

There's no question that you're going to hear testimony from some business owners who will predict that they'll have to lay off staff or even close if the minimum wage is raised to \$15 – even if gradually phased in over five years, as the bill proposes. Business lobbying groups, too, will likely provide similar testimony. These groups in general can be counted on to oppose any minimum

wage increase, whether large or small. But, the experience of jurisdictions such as Seattle and San Francisco – which are currently phasing in a \$15 minimum wage – shows that predictions of economic dislocation have not come to pass (see Section 7 of this testimony).

Why is that? First, more than half of low-wage workers work for big companies – like the big retail and restaurant chains, whom most people recognize can absorb an increase, even a large one. And second, among small businesses, most are service industry firms like dry cleaners, bodegas and diners that serve local customers. When the minimum wage goes up, they and their competitors are all on a level playing field and can gradually adjust their prices to cover the cost without being put at a disadvantage. Moreover, that cost is partially offset both by the increased consumer spending generated by a \$15 minimum wage, and the staff recruitment and training savings generated by better paid staff who stay on the job longer.

A diverse range of business leaders confirm that transitioning to a \$15 minimum wage is entirely feasible. “Everybody in retail is dealing with an increase in minimum wage,” said Popeyes CEO Cheryl Bachelder to *CNN Money*. “We will adjust to increased costs [of a \$15 minimum wage] just like we have before. Life will go on. There’s been too much hubbub about it.”⁹

Marcus Samuelsson, owner of Harlem’s Red Rooster restaurant in New York, put it this way to *Crain’s New York*, “You have to adjust. I have 160 employees—we adjusted to the health care law, and we will have to adjust to [a \$15 minimum wage]. As a small-business owner, I know that change is something that comes constantly.”¹⁰

And as a former New York fast food chain owner, Dennis Kessler, who teaches at the University of Rochester’s Simon School of Business told the *Washington Post* last year, “This \$15 thing is being phased in over quite a few years, so I don’t think it’s going to have much of an impact. People are going to have to pay a little more. It really isn’t too much more complicated than that.”¹¹

3. Workers Throughout Connecticut Need More Than \$15 to Make Ends Meet

Opponents of the minimum wage may suggest that \$15 is an excessive wage rate for Connecticut. However, cost of living data show that even in the least expensive regions of the state, single workers without family responsibilities will need substantially more than \$15 by 2022 just to cover the basics. Workers supporting children will need much more.

For example, in the Norwich/New London metropolitan area, which is one of the least expensive places to live in Connecticut, by 2022 a single worker will need \$37,201 to cover housing, food, medicine and other basic necessities. This translates to \$17.89 hourly, assuming full-time, year-round work. A single parent raising just one child will, by 2022, need to earn an hourly wage of \$33.01. And in the New Haven/Meriden metropolitan area, one of the most expensive in the state, a single worker will need to earn \$19.64 in 2022, while a single parent raising one child will need \$36.11. (See Table 1, on next page).¹²

Table 1: Hourly Wage Needed to Afford a Basic Household Budget in Connecticut, by Family Size

Region	Family Size	2016	2017	2018	2019	2020	2021	2022
Bridgeport MSA	Single Adult	\$16.67	\$17.00	\$17.34	\$17.69	\$18.04	\$18.40	\$18.77
	With 1 Child	\$31.83	\$32.46	\$33.11	\$33.77	\$34.45	\$35.14	\$35.84
Hartford/West Hartford/East Hartford MSA	Single Adult	\$16.55	\$16.88	\$17.21	\$17.56	\$17.91	\$18.27	\$18.63
	With 1 Child	\$31.28	\$31.91	\$32.55	\$33.20	\$33.86	\$34.54	\$35.23
New Haven/Meriden MSA	Single Adult	\$17.44	\$17.79	\$18.14	\$18.50	\$18.87	\$19.25	\$19.64
	With 1 Child	\$32.06	\$32.70	\$33.36	\$34.02	\$34.70	\$35.40	\$36.11
Norwich/New London MSA	Single Adult	\$15.88	\$16.20	\$16.52	\$16.85	\$17.19	\$17.53	\$17.89
	With 1 Child	\$29.31	\$29.90	\$30.49	\$31.10	\$31.73	\$32.36	\$33.01
Rural Connecticut	Single Adult	\$16.31	\$16.64	\$16.97	\$17.31	\$17.66	\$18.01	\$18.37
	With 1 Child	\$27.95	\$28.51	\$29.08	\$29.66	\$30.25	\$30.86	\$31.47

4. Growing Numbers of Economists Endorse a \$15 Minimum Wage

More than 200 economists have endorsed a \$15 federal minimum wage by 2020, finding that raising the minimum to \$15 an hour “will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy. The costs to other groups in society will be modest and readily absorbed.”¹³

Two careful studies – one by researchers at the University of Massachusetts¹⁴ and a second by researchers at the Purdue School of Hospitality and Tourism Management – both show that restaurants – the industry most affected by a minimum wage increase – will be able to accommodate a \$15 minimum wage through significant savings from reduced staff turnover and small price increases not much greater than recent experience.¹⁵

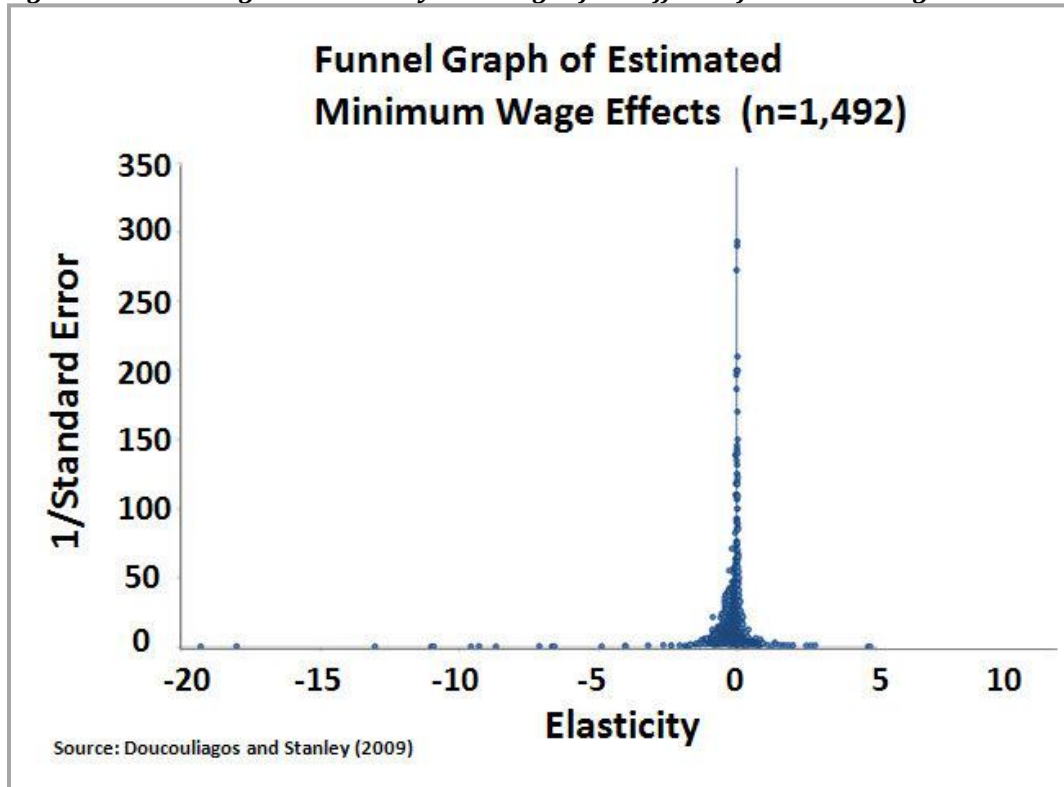
5. The Most Rigorous Research Shows That Raising the Minimum Wage Boosts Incomes for Low-Wage Workers with Only Very Small Adverse Impacts on Jobs

Over the past twenty years, the bulk of credible minimum wage research in the U.S. has found that minimum wage increases boost worker pay with only very small adverse impacts on jobs. As Bloomberg News summarized it, “[a] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.”¹⁶

This is best illustrated by “meta-studies” that survey and aggregate the findings of scores of minimum wage studies. The two leading meta-studies – by economists Hristos Doucouliagos and

T.D. Stanley (2009)¹⁷ and Dale Belman and Paul Wolfson (2014)¹⁸ – show that the vast majority of recent studies find minimum wage increases have little to no effect on employment levels or job growth.¹⁹ The following funnel graph (Figure 1) from the first of these meta-studies illustrates how the job loss findings from most minimum wage research are clustered very close to zero (“elasticity” in the graph refers to a measure of the change in employment resulting from an increase in the minimum wage). It also shows that the most rigorous studies (those higher up on the vertical axis) found close to zero effect on jobs.

Figure 1: Doucouliagos’ and Stanley’s Findings of the Effects of Minimum Wage increases



A new study released by economists at the Cornell Center for Hospitality Research further illustrates that the bulk of credible research points to very small effects on jobs and business growth, but significant effects on wages. The new Cornell study looks at the impact on restaurant employment and business growth levels over 20 years across the United States. It finds no evidence that states with higher minimum wages, including higher minimum wages for tipped workers, have lower employment or business growth rates.²⁰

6. State-of-the-Art Analysis of a Phased In \$15 Minimum Wage Shows Far-Reaching Benefits and a Modest Impact on Jobs

The best analysis to date of the impact of a \$15 minimum wage was conducted by University of California economists under contract with the City of Los Angeles. That analysis found that, if phased in gradually over five years, a \$15 wage would be manageable for employers and would raise business operating costs just 0.9 percent by 2019.²¹

The University of California analysis measured two significant – and largely offsetting – impacts on employers of a large minimum wage increase. The first impact is, of course, the increase in business operating costs, which is a negative for businesses. The second impact, however, is a corresponding large increase in consumer spending generated by workers receiving higher wages, which is a positive for businesses, increasing sales. The University of California analysis finds that the two impacts are of similar orders of magnitude and largely offset each other. The net result is that any negative impact on jobs is very small. But for workers, it found that the benefits would be far reaching, raising pay for approximately 41 percent of the city’s workforce by an average of nearly \$5,000 per year (in 2014 dollars).

7. Job Growth Has Thrived in Areas with Significantly Higher Minimum Wages, and Predictions That Businesses Would Close or Lay-Off Workers Have Not Materialized

Finally, predictions of store closures by business owners and certain trade associations are common when cities or states propose raising the minimum wage. However, real world experiences in places that have actually raised wages substantially have proven these predictions unfounded, as documented both by reports in the business press and by rigorous academic studies.

For example, in Seattle, the first major city to adopt a \$15 wage, the region’s unemployment rate hit an eight-year low of 3.6 % in August 2015, significantly lower than the state unemployment rate of 5.3 percent, following the initial wage increase in April 2015.²² In a front-page story titled “Apocalypse Not: \$15 and the Cuts that Never Came,” the *Puget Sound Business Journal* reported on “The minimum wage meltdown that never happened,” explaining that Seattle’s restaurant industry has continued to expand and thrive as the \$15 wage phases in.²³ King County, where Seattle is located, is on track to break last year’s record for the number of business permits issued to food service establishments. And business owners who had publicly opposed the \$15 minimum wage are in the process of expanding operations.

Other regions of the country implementing significant minimum wage increases have had similar experiences. In San Jose, *The Wall Street Journal* reported, “Fast-food hiring in the region accelerated once the higher wage was in place. By early this year, the pace of employment gains in the San Jose area beat the improvement in the entire state of California.”²⁴

In San Francisco, a University of California study found, as reported by *Bloomberg Business*, that after the city phased in what was at the time the highest minimum wage in the nation, “[a]mong food-service workers, who are more likely to be affected by minimum-wage laws, employment grew 17.7 percent in San Francisco, faster than either of the other [neighboring] Bay Area counties.”²⁵

And in SeaTac, Washington – where the minimum wage today is already over \$15 – *The Puget Sound Business Journal* reported that “none of these dire warnings [of business closures or job cuts] have come to pass,” and the *Washington Post* reported that a major hotel that predicted it would have to lay workers off instead decided to expand.²⁶

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

For more information, please contact Yannet Lathrop at ylathrop@nelp.org. For more about NELP, visit www.nelp.org or www.raisetheminimumwage.org.

ENDNOTES

- ¹ Estimates based on raising the federal minimum wage to \$12.00 by 2020. See David Cooper, "[State Tables: Characteristics of Workers Who Would be Affected by Increasing the Federal Minimum Wage to \\$12 by July 2020](#)," Economic Policy Institute, May 7, 2015.
- ² "[\\$15 Laws and Current Campaigns](#)," RaisetheMinimumWage.org.
- ³ "[New York seals deal on \\$15 minimum fast food wage](#)," CNN Money, September 11, 2015.
- ⁴ New York State, "[Mario Cuomo Campaign for Economic Justice](#)."
- ⁵ "[N.J.'s top Democrats join forces on \\$15 minimum wage](#)," NJ.com, February 19, 2016.
- ⁶ "[California's \\$15 Minimum Wage Initiative Is Likely Headed to Voters](#)," RH Reality Check, January 5, 2016.
- ⁷ "[State legislative committee approves \\$15 an hour wage for fast food workers](#)," MassLive, November 10, 2015.
- ⁸ "[Campaign to begin for a \\$15 minimum wage in D.C.](#)," Washington Post, April 15, 2015.
- ⁹ "[The CEO of Popeyes Has a Surprising Stance on the \\$15 Wage](#)," Fortune, November 13, 2015.
- ¹⁰ "[Eateries will adjust to wage changes, says acclaimed Harlem restaurateur](#)," Crain's New York Business, December 18, 2015.
- ¹¹ "[Businesses are getting steamrolled on the minimum wage. Here's why](#)," Washington Post, July 24, 2015.
- ¹² Estimates by the National Employment Law Project, based on the Economic Policy Institute's [Family Budget Calculator](#). We assume modest inflation of 2 percent per year, and no growth in the median wage.
- ¹³ Office of Senator Bernie Sanders, [Economists In Support of a \\$15 U.S. Minimum Wage as of 2020](#), July 2015.
- ¹⁴ Dr. Jeannette Wicks-Lim, "Testimony on A New York Fast Food Minimum Wage for the New York Fast Food Wage Board," University of Massachusetts, Amherst, June 26, 2015.
- ¹⁵ Richard Ghiselli and Jing Ma, "[The Minimum Wage, A Competitive Wage and the Price of a Burger: Can Competitive Wages be Offered in Limited-Service Restaurants](#)," Purdue University School of Hospitality and Tourism Management, 2015.
- ¹⁶ Bloomberg News Editorial Board, "[Raise the Minimum Wage](#)," *Bloomberg News*, April 16, 2013.
- ¹⁷ John Schmitt, [Why Does the Minimum Wage Have No Discernible Effect on Employment?](#), Center for Economic and Policy Research (2013).
- ¹⁸ Dale Belman and Paul Wolfson, "The New Minimum Wage Research," *Employment Research Newsletter*, Vol. 21, No. 2 (2014). http://research.upjohn.org/cgi/viewcontent.cgi?article=1220&context=empl_research
- ¹⁹ National Employment Law Project, [Minimum Wage Basics: Employment and Business Effects of Minimum Wage Increases](#), September 2015.
- ²⁰ Michael Lynn & Christopher Boone, [Have Minimum Wage Increases Hurt the Restaurant Industry? The Evidence Says No!](#), Cornell University School of Hotel Administration, Center for Hospitality Research, December 16, 2015.
- ²¹ Michael Reich, Ken Jacobs, Annette Bernhardt and Ian Perry, [The Proposed Minimum Wage Law for Los Angeles: Economic Impacts and Policy Options](#), Institute for Research on Labor and Employment, University of California-Berkeley, March 2015.
- ²² Coral Garnick, "[Seattle Jobless Rate Hits 8-Year Low in August](#)," *The Seattle Times*, September 16, 2015.
- ²³ Paul Constant, "[You Should Read This Story About Seattle's 'Minimum Wage Meltdown That Never Happened.'](#)" *Civic Skunk Works*, October 23, 2015.
- ²⁴ Eric Morath, "[What Happened to Fast-Food Workers When San Jose Raised the Minimum Wage? Hold the Layoffs](#)," *Wall Street Journal*, April 9, 2014.
- ²⁵ Susan Berfield, "[San Francisco's Higher Minimum Wage Hasn't Hurt the Economy](#)," *Bloomberg Business*, January 22, 2014; Michael Reich, Ken Jacobs & Miranda Dietz, eds., [When Mandates Work: Raising Labor Standards at the Local Level](#), Univ. of Calif. Press, 2014.; and Carolyn Lochhead, "[S.F. Praised as Model for U.S. on Increasing Minimum Wage](#)," *SF Gate*, January 28, 2014.
- ²⁶ Marc Stiles, "[Once Controversial, \\$15-An-Hour Minimum Wage Now A Shoulder Shrug in SeaTac](#)," *Puget Sound Business Journal*, December 22, 2014.; and Dana Milbank, "[Raising the Minimum Wage Without Raising Havoc](#)," *Washington Post*, September 5, 2014.