



RAISING THE MINIMUM WAGE IN CONNECTICUT

Policy Solutions for Low-Wage Workers

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New Haven Legal
Assistance Association



WHO BENEFITS FROM A \$15/HR MINIMUM WAGE?

H.B. 6208, which raises the state minimum wage to \$15 by 2022, would help:

- **FULL-TIME ADULT WORKERS**

61% of Connecticut workers currently earning less than \$15 an hour are employed full-time.ⁱ 90% of state residents who would see higher wages from raising the minimum wage to \$15 by 2022 are over 20 years old.ⁱⁱ

- **PARENTS AND CHILDREN**

Low-wage workers are often the primary – or only – source of support for their families. The average employee making under \$15 an hour provides most of their family’s income.ⁱⁱⁱ Over 20% of Connecticut children have at least one parent earning less than \$15 an hour.^{iv}

- **WORKERS OF COLOR**

Connecticut has greater levels of wage inequality between white workers and workers of color than the national average – and this gap has grown substantially since the early 2000s.^v

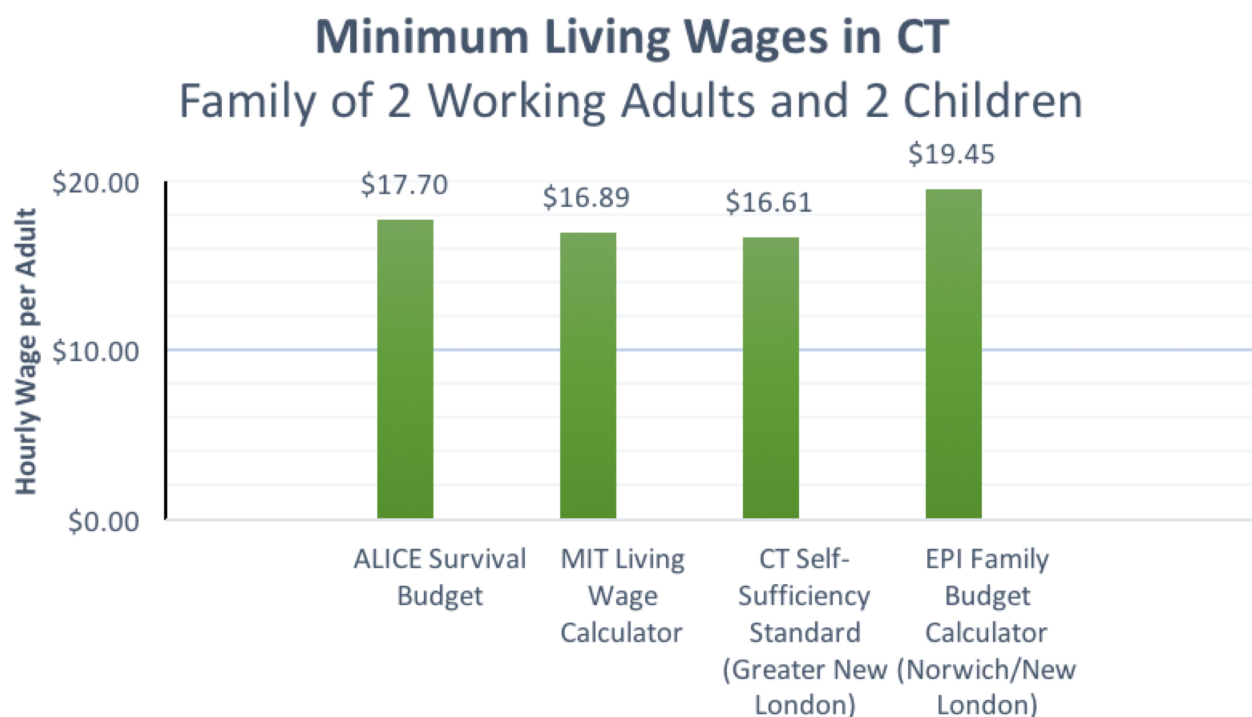
While the majority of Connecticut workers currently earning under \$15 an hour are white, African-American and Latino workers are disproportionately likely to hold low-wage jobs.^{vi} Over 50% of Latino workers and over 40% of African-American workers in Connecticut earn less than \$15 an hour.^{vii}

CONNECTICUT FAMILIES NEED HIGHER WAGES

Connecticut has one of the nation's highest costs of living and the existing minimum wage cannot sustain working families.

Multiple non-profit organizations have examined how much state residents must earn in order to make ends meet.

- All these studies conclude that full-time workers cannot pay for basic necessities on the current minimum wage of \$10.10. The Connecticut United Ways ALICE Report, for example, estimates that even a single adult must earn at least \$11.33 an hour just to meet their own basic needs.^{viii}
- Workers with children need wages over \$15 an hour to provide for their families, even if both parents work full-time.



Sources: Connecticut United Ways (2016); Massachusetts Institute of Technology Living Wage Calculator; CT Permanent Commission on the Status of Women (2015); Economic Policy Institute (2015).^{ix}

A COST-EFFECTIVE APPROACH TO FIGHTING POVERTY

HIGHER WAGES, HEALTHIER FAMILIES

Scholars find that raising the minimum wage:

- ***Increases household earnings.*** Economists broadly agree that increasing the minimum wage puts more money in workers' pockets, even potentially raising wages for workers who make above the minimum wage.^x
- ***Reduces poverty.*** Higher minimum wages help bring working families out of poverty. One economist estimates that a 10% increase in the minimum wage is associated with a 2.4% decline in poverty.^{xi}
- ***Benefits children's health.*** Increases in the minimum wage are significantly associated with higher birth weights among babies and increased use of prenatal care.^{xii}

"[M]ost people living in poverty in Connecticut are just like me – hard-working moms just trying to get by and raise our kids. We shouldn't have to work so hard but be paid so little that even the idea of be[ing] able to afford our groceries and our own apartment is just a far-fetched dream."

Melody Robitaille, minimum wage worker, testimony to Low-Wage Employer Advisory Board

DECENT WAGES GROW THE CONNECTICUT ECONOMY

Study after study on the minimum wage finds that a higher minimum wage has overall positive economic effects.

Research on the Minimum Wage and Employment

Scholars using multiple different approaches have concluded that increases in the minimum wage are not associated with job losses:

- ❖ Economists compared *neighboring counties* on either side of state borders and found no significant difference in employment results between counties that increased the minimum wage and areas just across the state border that did not raise wages.^{xiii}
- ❖ A *historical analysis* of minimum wage increases since 1938 concluded that increases in the federal minimum wage have generally been associated with *increases* in employment.^{xiv}
- ❖ Multiple *literature reviews* of the current state of minimum wage research and *statistical meta-analyses* of existing studies similarly indicate no clear negative effect on employment.^{xv}

Higher wages do not hurt employment because they also:

- ***Improve employee productivity and decrease turnover.*** Past increases in the minimum wage have been associated with substantial decreases in worker turnover.^{xvi} This saves employers the costs of having to rehire and retrain employees.
- ***Increase consumer demand.*** Low-income households spend a larger share of their income than wealthier families and higher wages allow workers to buy more from state businesses.^{xvii}

Endnotes

- ⁱ Anmol Chaddha, A \$15 Minimum Wage in New England: Who would be affected? Federal Reserve Bank of Boston Community Development Issue Brief #4, p. 9 (2016).
- ⁱⁱ Derek Thomas, Connecticut Voices for Children, Testimony in Support of Increasing Connecticut's Minimum Wage to \$15, Low-Wage Employer Advisory Board, July 19, 2016.
- ⁱⁱⁱ Anmol Chaddha, A \$15 Minimum Wage in New England: Who would be affected? Federal Reserve Bank of Boston Community Development Issue Brief #4, p. 8 (2016).
- ^{iv} Anmol Chaddha, A \$15 Minimum Wage in New England: Who would be affected? Federal Reserve Bank of Boston Community Development Issue Brief #4, p. 9 (2016).
- ^v Ray Noonan and Derek Thomas, The State of Working Connecticut 2016, Connecticut Voices for Children, p. 14 (September 2016).
- ^{vi} Ray Noonan and Derek Thomas, The State of Working Connecticut 2016, Connecticut Voices for Children, p. 11 (September 2016); and Anmol Chaddha, A \$15 Minimum Wage in New England: Who would be affected? Federal Reserve Bank of Boston Community Development Issue Brief #4, p. 6 (2016).
- ^{vii} Anmol Chaddha, A \$15 Minimum Wage in New England: Who would be affected? Federal Reserve Bank of Boston Community Development Issue Brief #4, p. 4 (2016).
- ^{viii} See Connecticut United Ways, *ALICE Study of Financial Hardship*, p. 16 (Summer 2016).
- ^{ix} The ALICE report provides a state-wide average for the costs of 2 adults, 1 infant, and 1 preschooler. The wage of \$17.70 assumes both adults are working full time. See Connecticut United Ways, *ALICE Study of Financial Hardship*, p. 16 (Summer 2016). The MIT Living Wage calculator provides a state-wide average of the hourly wage required for 2 adults and 2 children if both adults are working full-time. See Living Wage Calculation for Connecticut, available at <http://livingwage.mit.edu/states/09>. The Connecticut Self-Sufficiency Standard is based on 2 adults, 1 preschooler, and 1 school-age child. The Self-Sufficiency standard does not provide state-wide averages, but the hourly wage required per adult ranges from \$14.46 in Windham, CT to \$22.60 in Lower Fairfield, CT. See Diana Pearce, The Self-Sufficiency Standard for Connecticut 2015, Connecticut Permanent Commission on the Status of Women, p. 56-68, (September 2015). The EPI Family Budget calculator provides annual earnings required for a family of 2 adults and 2 children in several metro areas of Connecticut, ranging from an annual budget of \$74,200 in rural Connecticut to \$83,255 in the greater New Haven/Meriden,

CT area. The hourly wage was calculated based on the required yearly earnings for Norwich/New London (\$77,809), divided by 2080 hours to represent full-time employment, divided by 2 to get the hourly wage per adult. See Economic Policy Institute Family Budget Calculator, (August 2015), available at <http://www.epi.org/resources/budget/>.

^x See, e.g. Daniel Aaronson, Sumit Agarwal and Eric French, The Spending and Debt Response to Minimum Wage Hikes, *American Economic Review* 102(7): 1-31 (2012) (finding increases in minimum wage are associated with significant rises in household income and spending for households with at least some minimum wage income); Arindrajit Dube, T. William Lester and Michael Reich, Minimum Wage Shocks, Employment Flows, and Labor Market Frictions, *Journal of Labor Economics* 34(3): 663-704, 664 (2016) (finding that “a 10% increase in the minimum wage raises average weekly earnings by 2.2% for teens and 2.1% for restaurant workers); Benjamin Harris and Melissa Kearny, The ‘Ripple Effect’ of a Minimum Wage Increase on American Workers, The Brookings Institution, January 10, 2014, available at: <https://www.brookings.edu/blog/up-front/2014/01/10/the-ripple-effect-of-a-minimum-wage-increase-on-american-workers> (explaining the “ripple effect” that raises wages for those making just above the minimum wage); John Schmitt and David Rosnick, The Wage and Employment Impact of Minimum Wage Laws in Three Cities, Center for Economic and Policy Research (2011) (summarizes research in San Francisco and Santa Fe finding higher worker earnings following city minimum wage increases).

^{xi} Arindrajit Dube, Minimum Wages and the Distribution of Family Income. University of Massachusetts Amherst and IZA, working paper (2013), available at: https://dl.dropboxusercontent.com/u/15038936/Dube_MinimumWagesFamilyIncomes.pdf; and Mike Konczal, Economists agree: Raising the minimum wage reduces poverty, *The Washington Post*, January 4, 2014, https://www.washingtonpost.com/news/wonk/wp/2014/01/04/economists-agree-raising-the-minimum-wage-reduces-poverty/?utm_term=.316063f09ef3.

^{xii} George Wehby, Dhaval Dave and Robert Kaestner, Effects of the Minimum Wage on Infant Health. NBER Working Paper 22373 (2016), available at: <http://www.nber.org/papers/w22373>.

^{xiii} Arindrajit Dube, T. William Lester and Michael Reich, Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties, *The Review of Economics and Statistics* 92(4): 945-964 (November 2010).

^{xiv} Paul Sonn and Yannet Lathrop, Raise Wages, Kill Jobs? Seven Decades of Historical Data Find No Correlation Between Minimum Wage Increases and Employment Levels, National Employment Law Project Data Brief (May 2016).

^{xv} See, e.g., Dale Belman and Paul Wolfson, The New Minimum Wage Research, W.E. Upjohn Institute Employment Research Newsletter 21(2): 4-5 (2014) (based on a meta-analysis, “it appears that if negative effects on employment are present, they are too small to be statistically detectable.”); Hristos Doucouliagos and T.D. Stanley, Publication Selection Bias in Minimum Wage Research? A Meta-Regression Analysis, *British Journal of Industrial Relations*, 47(2): 406-428, 422 (June 2009) (“Several meta-regression tests corroborate C-K’s overall finding of an insignificant employment effect (both practically and statistically) from minimum-wage raises); and John Schmitt, “Why Does the Minimum Wage Have No Discernible Effect on Employment?” Center for Economic and Policy Research (2013) (reviewing and explaining recent economic research).

^{xvi} See Arindrajit Dube, T. William Lester and Michael Reich, Minimum Wage Shocks, Employment Flows, and Labor Market Frictions, *Journal of Labor Economics* 34(3): 663-704, 664 (2016) (finding that turnover rates for teens and restaurant workers decline about 2% for every 10% increase in the minimum wage). See also John Schmitt, Why Does the Minimum Wage Have No Discernible Effect on Employment? Center for Economic and Policy Research, p. 19-21 (2013) (discussing effects of minimum wage on increasing productivity and reducing turnover).

^{xvii} Paul Sonn and Yannet Lathrop, Raise Wages, Kill Jobs? Seven Decades of Historical Data Find No Correlation Between Minimum Wage Increases and Employment Levels, National Employment Law Project Data Brief (May 2016); and Jeanna Smialek, Minimum Wage Increase in U.S. Will Probably Promote Spending, Bloomberg, February 27, 2014, available at: <https://www.bloomberg.com/news/articles/2014-02-27/minimum-wage-increase-in-u-s-will-probably-promote-spending>.