Connecticut Low Wage Employer Advisory Board  
Rebuttal Opinion to Majority Report and Recommendations  
1 December 2016

“The true minimum wage is zero—the amount an unemployed person receives from his nonexistent employer.” - Milton Friedman, economist

The Low Income Problem and Getting to a Solution

On many levels, we are at the tipping point on creating a sustainable path that will benefit the large portion of Connecticut’s workers that are low-skilled and are unable to secure work other than at minimum wage. While a potential increase in the minimum wage may become part of the solution down the line, doing so now will dramatically increase the problem unless we first examine its underlying causes. As a society we have not done so yet because the issue has become politically charged and the necessary solutions are not easy nor will they be rapid. Getting to the root causes of the problem faced by our low-skilled/low wage worker will require us to deal with some real challenges.

While the Low Wage Employer Advisory Board’s recommendation to increase the minimum wage in stages to $15.00 per hour may seem compassionate, it is not as their recommendations are really no more than a political statement. The Board’s recommendations lack any practical focus on achieving a sustainable solution to the low income problem for our low-skilled workers and therefore should be rejected. Their recommendations, understandable given how the Board was constituted by the Legislature, rests substantially on what the majority of the Board perceive as fair because of the cost of living in Connecticut and the disparity between the income of low wage workers and what others in the state earn.

It is a false argument that increasing the minimum wage should even be considered because of a disparity of income among workers. Thankfully, there are many individuals that earn significant incomes by living and working in Connecticut as it is important for our economy that they can and do. But higher income for some has absolutely nothing to do with solving the important problem we are facing in this state for our low wage workers and it adds nothing to pointing us in the direction of solving the low income levels for so many in Connecticut. People earn more than others because they have the necessary skills to do so. Our purpose needs to be focused on why there is a systemic wage problem in our state for a large percentage of our residents and to look for practical, achievable and sustainable solutions. Everything else is merely a distraction and should not be considered.

In the short term, the result of increasing the minimum wage, before the underlying issues are dealt with, will result in furthering the problems faced by our low income workers. By doing so before we have dealt with the causes, in the long term we will create a class of individuals locked into an impenetrable spiral of generational poverty. In addition, should we simply raise the minimum wage now, the likely result will be a continuation of the migration of businesses out of the state, a lowering of new job creation in the state and most certainly will increase the challenges we currently have on the State’s budget and social services costs as the number of individuals requiring assistance will most certainly spike.
Some Background on the Author of this Rebuttal

It likely would be useful for the reader of this rebuttal report to understand a bit about my background. I have lived and traveled extensively – both in the United States and internationally. I am Managing Director of a consulting firm, primarily, but not exclusively, in the franchise and licensing field with extensive work experience domestically and internationally. Many of our firm’s clients are quite small and fortunately our clients also represent some of the world’s largest businesses. I am in the leadership of one of the nation’s most important trade organizations, the International Franchise Association, and have a deep understanding of how business works and how businesses choose where to locate their manufacturing, retail and service operations.

I am a constructive conservative, but I am extremely socially active. As a social franchisor I am part of a small group that has over 160 social franchise medical clinics in East Africa (our franchisees pay no royalties or other fees) and our franchisees have served in excess of five million patients over the past decade. In addition to my commercial practice I am also involved in developing solutions on a global basis for people at the base of the pyramid and am currently working on the development of a chain of birthing centers in Ghana, malaria clinics in Angola, clean water sources in Tanzania among other life changing projects. I have also worked extensively in the United States in bringing jobs into underserved markets.

An Overview of our State

Just as tariffs on imported goods and taxes on cigarettes and gasoline are meant to reduce demand, a further increase in the minimum wage will guarantee that businesses will simply employ less. Simple economics tells us that when something costs more people will either use less of it or will simply purchase none of it.

Connecticut is a remarkable place to live and raise a family. We sit between New York, Rhode Island and Massachusetts and are surrounded with extraordinary cultural opportunities, world-class higher educational institutions, decent roads, railways and great airports. We blend all of the benefits of our neighboring states with our own and for those Nutmeggers that can afford to enjoy the bounty of our state, Connecticut delivers to us and our families a most remarkable quality of life.

There are few things as beautiful as the changing of the leaves in New England in the fall or the look of our church steeples surrounded by a snowy backdrop in winter. We are an inclusive and caring place to raise a family and because of our location and all of our natural and other advantages, we should be the perfect place to attract new business. We should be leading the nation in job creation and economic development and yet, we are not.

For whatever the reason, Connecticut has garnered a reputation in the private sector business community as being inhospitable to business. As a state we are unable, at this time, to attract or retain companies with high paying jobs for our workers as is evidenced by General Electric’s exit to Massachusetts, the substantial relocation of our insurance industry to other markets and with the exception of a few defense contractors, the loss of our manufacturing base. The relatively few new jobs announced recently by our existing defense contractors, while helpful, are not a solution to our problem, nor should they be considered as an indication of any improvement in the ability of Connecticut to attract similar companies. It should also be considered that the positions that these companies will need to fill are not those in which the low-skilled worker will be able to secure in any event, at this time.

Rebuttal Opinion to Majority Report and Recommendations
None of the reports or presentations made to the Board showed any indication that high tech companies that have fueled the growth in the economies of other states are considering Connecticut, in any reasonable number, for economic development. Our inability to attract a material number of companies offering high-skilled, high wage positions has polarized our workforce into high income and low income workers because we have significantly eliminated the opportunity to create the tech-driven or manufacturing jobs needed to replace those lost by our shrinking middle class. Consider that with all of the advantages Connecticut has in proximity to markets and educational abundance we are unable to compete with Texas, California, Washington and elsewhere for the high tech companies that will be producing jobs during the balance of the 21st century. Even were these high tech companies attracted to our state, in the main their labor requirements cannot be met by the low-skilled workers whose problems we are trying to solve.

By every measure and in every study, Connecticut is near the bottom in the nation in private sector job creation and we are well behind in private sector economic investment. These serious economic problems impact the low-skilled, low-wage workers in Connecticut most dramatically because, according to the U.S. Department of Labor, nine of the top ten “occupations with the most openings” fall into wage categories defined as low and very low wage positions and the Bureau of Labor Statistics shows that 58% of the jobs created since the end of the Great Recession require low-skills. As I will discuss later in this report, those jobs are rapidly disappearing as we transition into a high tech economy, in any event. Because of this transition, none of the openings in the high wage positions that become available will be able to solve our problems because so many of our low-wage workers lack the necessary skills to secure those positions.

Compounding the problem for the low-skilled workforce is that while the U.S. population grew by 8% since 2004, the number of people who left the workforce grew by 17%. This accounts for much of the reduction in the unemployment rate in the United States and Connecticut as the measure does not include those who are no longer looking for work. Those technically unemployed individuals, although not counted in the unemployment statistics, are substantially made up of individuals who are experienced workers and have greater skills than our current low-wage/low skilled workforce. At a higher rate of pay, it is expected that those workers will return to the work force and will compete with the existing low wage workers for those low-skilled positions. Unable to effectively compete even for the jobs that will be available, we can expect a significant increase in social service support cost requirements as the current low skilled workers lose their jobs or have a significant reduction in their hours to the more experienced but currently sidelined work force.

Based on reports presented to the Board, including those of the State’s economist, for each low-skilled, low-wage job we have been able to create in Connecticut an equivalent number of high paying positions have either moved out of the state or have merely vanished. This has caused a dramatic impact on our state’s tax base and revenue and an explosion in our social services costs and underfunded needs. According to a report by Connecticut Voices for Children, since 2001 “private sector jobs in low-wage industries has increased by 20 percent, while the share of private-sector jobs in high wage industries in Connecticut decreased by 13 percent.” The same report reveals that since 2010, 44 percent of private sector job growth in Connecticut has been in low wage industries and the “intensity at which the state shed high-wage jobs increased during the Great Recession.” This is in a period that saw Connecticut increase the minimum wage five times ($7.65 in 2007 to $9.60 in 2016) with a sixth increase coming in January 2017 to $10.10.
During a period of economic decline with massive losses in mid to high paying jobs, Connecticut was proud to proclaim itself, at the time, as having the highest minimum wage in the nation, even though it contributed to a job swap from high-wage jobs to low-wage jobs. It is unfathomable to believe that given that history and our current economic condition that the Board is even considering a recommendation that Connecticut further increase its minimum wage prior to first discussing how to fix our underlying problems. Study after study has shown that Connecticut lags in the bottom quartile or lower for economic development in the United States and behind all other states in New England and New York in the corporate investment necessary for the creation of jobs.

One study that the Board did not review is from United Van Lines that measures the trailing influence of progressive policies on a State’s economy. The study measures the outbound migration by companies and taxpayers in each state. According to their most recent state-to-state migration study, Connecticut ranks 6th for outbound migration. There is no indication in any study that the Board reviewed that this trend is going to change and it is disturbing that in measuring net job creation Connecticut’s own economists and proponents of increasing the minimum wage site raw job creation numbers and mask the fact that within these studies the creation of a low-wage position is considered equivalent to that of a high-wage position. A $75,000 per year job is not the equivalent of a minimum wage position – even though both person’s are working - and the studies the Board have relied upon do not make that distinction.

The Board cites New York State and Seattle in support of raising the minimum wage in Connecticut. New York State has enacted its increase with a differential for NYC, the surrounding areas and the rest of the state. In NYC the minimum wage will rise from $9.00 per hour currently to $15.00 per hour by 1 January 2019. Long Island and Westchester County will rise to $15.00 per hour by 1 January 2020 and the rest of the state will increase to $12.50 per hour on 1 January 2021 with periodic increases to follow.

While the economy in NYC is robust due to its extensive high wage employment base, still the unemployment rate in NYC is 5.8% up from 5.2% a year ago and is higher than the overall unemployment rate in NYS. Over the past twelve months, NYS has lost 4,900 manufacturing jobs, mostly up state, and of the 120,000 private sector jobs added by NYS in the past twelve months 65% of them are in the leisure, hospitality, health care and social assistance areas which are principally low skilled, low wage positions. The increase in high wage positions during the period was still relatively modest. As in Washington State and Seattle, NYC’s robust economy is likely going to be able to absorb this increase in cost, although with some disturbance in the loss of hours and jobs for low skilled workers as employers retool their methods and adopt technological solutions. It was recognized however that upstate NYS was not in a similar economic position as NYC and the increase is more modest and its time of adoption much longer even at the significantly lower minimum wage rate.

Seattle, separate from any consideration of raising the minimum wage in the State of Washington, raised its minimum wage for small employers (those with under 500 employees) to $15.00 per hour staged over the next seven years. Larger employers (those with over 500 employees) will increase their minimum wage to $15.00 within three years. In this past election, the State of Washington increased the minimum wage state wide from $9.47 to $13.50 by 2020. Even with an economy vastly outperforming that in Connecticut, and with a cost of living equivalent to that found in Connecticut, Washington State did not go as far in increasing its minimum wage as recommended by the low wage Board.

What is interesting about what has occurred in Seattle is that in the nine months following its minimum wage increase to $11.00, Seattle lost 700 restaurant jobs while the rest of the State of
Washington that did not follow along added 5,800 new restaurant jobs. In a recent study by the University of Washington it was reported that hours for low-skilled workers were cut (a reduction in the hours worked), there is a one percent reduction in the likelihood of new low-wage positions and, that the impact on the earnings for the low wage worker, which the study called “ambiguous” showed an average increase of approximately 73 cents per hour for the average minimum wage worker. The study also revealed that while earnings went up very slightly, “they might have gone up faster if the minimum wage had not been adopted.”

It is important to point out that the recession that hit the rest of the country was not felt in Seattle because of its economic base and Seattle has been growing faster than other cities in the nation. With such a robust economy as found in Seattle and Washington State, much of the negative impact of a higher labor costs would of course be substantially masked because of the readily disposable income of the residents and workers in the City and State. Connecticut is not as fortunate and our economy will not be able to mask any additional stress.

Since 2014 the United States has added approximately 400,000 retail jobs. Connecticut has raised its minimum wage from $8.25 in 2014 to $9.60 and next January we go to $10.10. We have lost approximately 1,400 retail jobs. Massachusetts went from $8.00 to $10.00 during the same period, goes to $11.00 in 2017 and they have lost approximately 2,200 retail jobs. In October 2016 it was reported that Connecticut lost 7,200 jobs, 1,700 coming from the retail sector.

There can be no reasonable expectation, should our already high minimum wage be further increased, that we will be able to retain or attract new businesses in Connecticut. Connecticut at $9.60 per hour already has one of the highest minimum wages in the United States and we have yet to absorb the increase to $10.10 scheduled for January 2017. Even at $10.10 we can expect that the resulting job swap of high and mid wage jobs to low wage positions, which we have already felt, will continue and the result will be an explosion in our already unsupportable and unsustainable social service costs. This will of course increase the budgetary pressures felt by the Legislature given Connecticut’s projected deficit. For low-skilled workers, a further increase in the minimum wage to $15.00 will accelerate the death spiral for job creation that we currently have.

Four states (Arizona, Colorado, Maine and Washington) raised their minimum wage in this past election. Washington’s increase will go to $13.50 per hour by 2020 with the other three going to $12.00 per hour during the same period. It needs to be pointed out that none of these states, all with economies much more robust than we have in Connecticut, adopted a $15.00 per hour increase as recommended by the low wage Board.

We are in the midst of a shift from a manufacturing and service economy to a technology driven economy and this is causing us to need to deal with a disruption in the job market. How people work, where people work, what people do for a living has changed. And, with any change comes the attachments of fear and uncertainty. It is discomfiting to confront the possibility that “I may not have what I had” and “I may no longer be in control of getting what I want.” We overcame those fears during prior economic transitions and we can again if we first deal with the underlying problems.

The issues that labor disruption causes cannot be neatly placed in neat separate silos. Everything in our economy is interrelated at some molecular level and we have learned that some government involvement can be beneficial but also recognize that government micro-management is frequently not positive, efficient or effective. Unless we begin to examine and productively work on the foundational issues causing the problem and begin to enact

Rebuttal Opinion to Majority Report and Recommendations
sustainable solutions, we should fully expect the loss of jobs, hours and the elimination of the first rung on the ladder positions in Connecticut for our low skilled workers. This will unfortunately most impact our youth and significantly our Latino and African American population. The result will be that we will be unnecessarily guaranteeing them long term and systemic generational poverty on a very large scale.

The Low Wage Employer Advisory Board Report

“Even though most studies show that unemployment tends to increase as minimum wages are imposed or increased, those few studies that seem to indicate otherwise have been hailed in some quarters as having “refuted” this “myth.” However, one common problem with some research on the employment effects of minimum wage laws is that surveys of employers before and after a minimum wage increase can survey only those particular businesses which survived in both periods. Given the high rates of business failures in many industries, the results for the surviving businesses may be completely different from the results for the industry as a whole. Using such research methods, you could interview people who have played Russian roulette and “prove” from their experiences that it is a harmless activity, since those for whom it was not harmless are unlikely to be around to be interviewed. Thus you would have “refuted” the “myth” that Russian roulette is dangerous.” - Thomas Sowell, economist

None of the above concerns, as noted in the Board’s report, were examined prior to issuing its opinion on the minimum wage. The Board chose to deal with those issues at a later time. It is important in reviewing the Board’s report that of its thirteen members, only two represent the private sector that is responsible for creating the necessary jobs with the balance of the Board selected from labor unions, education, government, not for profit agencies, lawyers for low-wage workers and social service consumers. Not having a larger percentage of the Board representing business, is a significant problem in my opinion.

As outlined in the Board’s report, substantially its entire opinion rests on what they believe is “fair and just wages.” It alludes to their belief, substantially unsupported, that an increase in the minimum wage would deliver economic benefits to the state, low wage workers, their families, taxpayers and businesses. They do not hide from the fact that $15.00 will not create a living wage but still, since a $15.00 minimum wage is what is considered politically acceptable, this is the limit of their recommendation. If a minimum wage were to be considered a living wage, the Board heard from several presenters and in several studies that it would need to be closer to $25.00 per hour or higher.

While the Board has pointed to a limited number of studies where a relatively small minimum wage increase may have been beneficial or may have even had a neutral impact on the overall economy, there are no examples of where an increase of over 56%, ($9.60 to $15.00), even staged over time, supports their assertion. Connecticut has yet to absorb the next scheduled increase to $10.10 in January 2017. Were the Board’s stated rationale for a $15.00 minimum wage be correct, and that by dramatically increasing the minimum wage we would improve the economy in Connecticut, increase jobs and spending and reduce government costs, then most certainly proposing a $40.00, $50.00 or even $100.00 per hour minimum wage would also achieve those benefits and do so faster. The Board did not do so as they realize that increasing the minimum wage cannot have any of those beneficial results for the majority of the low-skilled workers that will either lose their jobs or have their hours cut. Such a recommendation would also not be in keeping with the Fight for $15.00 that has been substantially advanced by SEIU and other labor unions. It is an illogical position that the Board has advanced in support of their
recommendation as creating an environment where sustainable high wage positions are created should be our primary and targeted goal.

The Board chose not to discuss the root causes of the problem and chose instead to propose solution even before examining or defining the underlying problem. Recommending an increase in the minimum wage, prior to having any understanding of the causes of the problem was irresponsible and particularly dangerous as it will compound our difficulty in seeking appropriate answers later on, in my opinion. Not once during the time the Board has met has there been a single meeting scheduled to discuss among the members what we have learned from the public hearings or the material provided to us. There were of course brief discussions during our meetings but none of the studies or their relevance to the economic conditions existing in Connecticut were individually examined in any detail. The Board did not hold any extra meetings nor were any meetings extended for the purpose of having substantive discussions on the material presented to us. The Chairs further – and I believe improperly - eliminated even electronic dialogue between the members during this period by claiming, without any of the legal substantiation that was requested, that such electronic discussions would somehow violate Connecticut's FOIA rules. Since the Board does not receive any material funding by the State, in all likelihood the Board was actually exempt from the State’s FOIA rules. Even if that were not the case, any electronic discussions among the Board’s members could have been made available to the public, as would be appropriate under any circumstance.

It is for these reasons that I suggest the majority opinion of the Board be rejected as substantially little of the serious work necessary to advise the Legislature has been appropriately completed. In seeking factual recommendations, the Legislature should consider reconstituting the Board to include a sufficient number of private sector members to create balance, appoint Chairs with the background necessary to conduct proper evaluations and allow the reconstituted Board adequate time to hold effective deliberations to first look at the causes of low income in the state, prior to providing what is no more than a compassionate based recommendation.

The Employment Problems Faced by Low Skilled Workers

Low-skilled positions require no more than the worker having generic skills. Turnover in these positions have historically been high and as the requirements for these positions, even across diverse industry lines, are fungible. Replacing these low-skilled workers in the private sector given the size of our under employed low-skilled work force is more of a manageable condition than a problem. Compounding the problem for low-skilled workers is the fact that:

- Businesses are highly adaptive and routinely look for ways to replace or reduce their need for low skilled workers through automation;
- Disruptive innovation, as we transition to a tech economy, is eliminating the need for low-skilled and many medium skilled positions entirely; and,
- Businesses are risk adverse. Business decisions related to where a company chooses to invest their capital are based on markets where they believe costs and regulatory burdens are lower and where there is a higher likelihood of an economic return for their investors.

The Board discussed a history of the minimum wage - a New Deal program developed during the Roosevelt Administration at a time when manufacturing was our dominant industry, in its report. Service jobs, while they existed, had significantly less importance then than they do today.
As the Administrator of the Wage and Hour Division of the Department of Labor, David Weil’s book “The Fissured Workplace” has become the blueprint being used by many as a method to deal with the low-skilled labor problem. His book is a well-written, simplistic and impractical set of illogical populist views that tries to lead you to a position that imposing post World War II labor models and methods of pay on a 21st century technology economy makes sense. Unfortunately, as evidenced by the Board’s recommendation, by doing so we mask the underlying issues inherent in our economic shift. In a very real sense, had Dr. Weil’s philosophy been influential in the 1900’s, as it appears to be today in some quarters, we would likely be blaming Henry Ford for making the job of the blacksmith less relevant and needed just like this Board is blaming job-creators for the issues the dynamics of work today is causing.

Our society and our capitalist structure of commerce are merely designed to achieve the creation of opportunities. No system can really determine outcomes and we see that in the pitiful economic growth in the over regulated EU that has adopted significant labor practices and methods of pay. This methodology was attempted in the old Soviet Union and even Russia has abandoned this planned economic approach.

We need to recognize as we begin our focus on the issues faced by low-skilled workers that at the turn of the last century because of technology, communications and our manufacturing capabilities fewer workers were required to feed a growing nation and world. In the later third of the 20th century and now in the 21st century we are confronting the exact same problems. Yet by carefully working through the problem during the prior economic transition we morphed into the leading country in the world with the highest sustained standard of living. The reality today is that businesses simply no longer need to employ the type of labor at the same rate we needed before and our low-skilled workers are at the most risk.

We live in a fissured economy because in the age of technology a fissured workforce is appropriate. There is less need for labor as it was once defined, the new worker requires different skills and have a desire to work differently than workers of the past. Because of automation, manufacturing processes have changed and fewer workers are needed in factories today to create a significantly higher number of goods. In addition to increasing output without a high percentage of labor required, manufacturing today is able to achieve a greater quality standard while allowing for mass customization. While there are, according to one of the State’s economist that presented to us, a significant number of manufacturing positions currently available in Connecticut, those slots go largely unfilled because of the lack of trained workers in our state. This is a serious but solvable problem. Even with less labor required overall by these manufacturing plants today, they still provide high paying jobs, they create economic stability in their communities and they increase the tax base where they are situated.

The high tech positions coming on line in other states require a substantially higher set of skills than currently possessed by our low-skilled workers. It is in the interest of companies to hire and retain the best workers they can and when the basic skills required in the local workforce are unavailable, those factories either close or move elsewhere, as we have experienced in our state.

Pay to any worker must also be commensurate with the rate of return an employer can obtain through that worker’s efforts. If it doesn’t fewer jobs will be created and low-skilled/low-wage workers will find fewer opportunities. We need to begin investing in helping people move up and then continue to help them achieve prosperous careers. Doing so is harder than selling low-wage workers on the myth that penalizing the creators of work by raising the minimum cost of
their labor higher than the business can afford will benefit them or their families. Instead of creating a generation of workers unable to find their first rung on the economic ladder as businesses instead hire older and more experienced staff they need, we should be examining the problem and seeking sustainable solutions.

Many of the minimum wage workers that came to the Board’s hearings in Connecticut are minorities that work in restaurants, hotels and as home health care providers. Those jobs are starting to disappear because of technological changes. Advanced by proponents of a minimum wage increase and as adopted by the low wage Board, there is a myth that a minimum wage can ever be a “living wage.” Which one of us can or wants to consider a $15 per hour job as an income to raise a family with and when did it become fashionable to tell hard working low-wage workers that they should be content with having a minimum wage job or that they should consider a minimum wage job a career designed to support a family? An entry level low skilled minimum wage job, no matter how long you maintain it, will never support a family – because it never was expected to. The debate is certainly not racially motivated but the consequences of the direction the Board is advising will certainly disproportionally and negatively impact minorities more than anyone else – and that is one of the unfortunate realities we also need to address as we begin to work on real solutions.

By increasing the minimum wage again, Connecticut is further supporting what is perceived as an anti-business climate by the private sector. This is true even for companies that do not employ a significant number of low skilled workers as they understand that union contracts and their overall general wage considerations will need to be substantially based in Connecticut on what the overall costs for labor is in our state. Connecticut by increasing its already high minimum wage ($10.10 in January 2017) will be pricing its workforce out of the market – including those whose pay currently exceed the minimum wage. We can certainly have reasoned discussions about regional differences in minimum wages or training wages for younger workers, but all that does, in a practical sense, is make a bad solution only slightly more politically palatable.

For the companies already in Connecticut, increasing the minimum wage will also impact their existing work force currently making in excess of the minimum wage. We should recognize that in a high cost market like Connecticut and an economy where people are working longer because retirement is economically impractical, naturally occurring transitional openings have dramatically slowed. Wage contraction resulting from bringing in entry level workers at pay rates historically achieved, over time, by the current work force, will prove challenging to both those workers and the businesses that currently employ them.

Logically as the minimum wage worker consumes a higher percentage of a company’s available labor dollars, and lacking sufficient profit margins because of our states higher costs and regulation, it will be impossible for these companies to grant to their existing work force merit raises. It is inconceivable that these company will even consider granting proportionate increase in salaries to their existing workers to keep pace with higher mandatory minimum wage paid to entry level workers. Such an occurrence will cause significant labor disruption in Connecticut.

None of the above local challenges felt in Connecticut begin to factor in issues caused by the Affordable Care Act, the classification of full time work at 30 hours and the redefining of independent contractor and joint employment by the NLRB and DOL that has been fueled by SEIU and other labor unions.
Disruptive Innovation and Technology

“Our device isn’t meant to make employees more efficient - It’s meant to completely obviate them. Burger robots may improve consistency and sanitation, and they can knock out a rush like nobody’s business. Momentum's robot can make a burger in 10 seconds (360 per hour). Fast yes, but also superior quality. Because the restaurant is free to spend its savings on better ingredients, it can make gourmet burgers at fast food prices.” - Alexandros Vardakostas, co-founder Momentum Machines

The argument advanced by the Board that a significant percentage of low-skilled, low wage workers will see a dramatic improvement in their income by an increase in the minimum wage is unsupportable on many levels and fail in their entirety because many of the low-skilled jobs will simply no longer exist.

Business is adaptive, companies have choices on where to risk their capital and in addition we are in a period of economic transition. Disruptive innovation is not new and its impact on workers is well known. This is a fact the Board has also chosen to largely ignore. Disruptive innovation and technology has already impacted the low-skilled workforce and many of the technological solutions businesses are beginning to adopt will be common by the end of this decade.

There was a time that attendants used to fuel our cars, wash our windows and check our tires. We have forgotten those workers from long ago. Before ATMs; Bluetooth self-reporting water and electric meters; self-checkout in groceries; on-line purchasing; ticket kiosks at airports; emails that replaced snail mail; and, lap top computers that replaced data entry workers, typists and other administrative personnel, people were required to staff those positions. E-commerce has caused a decline in every bricks and mortar location’s sales jobs because Amazon and other on-line merchants require fewer workers than brick and mortar stores.

Consider that it took thirty years for the automobile to have any commercial impact as we waited on the oil industry to expand its distribution network at the turn of the 20th century. Tesla’s electric fuel distribution network has already been in existence for more than 100 years. We can order their cars today on line without the need for dealerships and local repair centers. How long does anyone expect before legislation and the further advancement in cars will enable the rest of the auto industry to follow Tesla’s dealership and labor lite model?

Google and Uber are testing driverless cars and trucks with a fleet of self-driving cabs already in use in Pittsburgh. In addition to eliminating driver jobs, driverless vehicles will lower the operating costs for business, improve highway safety, improve the environmental use of fuel, lower consumer costs and benefit parents, the handicapped and the aged. With the exception of the loss of jobs, all of these are attributes that our government rightly supports. We are even seeing self-driving boats for pleasure, commercial use and oceanographic research.

In the quick service restaurant industry, an industry that employs a significant percentage of the low-skilled, low-wage workers in back-of-house and front-of house positions in Connecticut, technology is already replacing low-skilled workers. Robots are already being introduced to prepare and cook menu items and in doing so are eliminating cooks and other back of house positions. Consider that the cost for a single robot is coming in at a predicted cost of around $25,000 per machine and are depreciable, available 24/7/365, need no vacation, sick day or health insurance and are outside of the regulatory scope and reach of DOL, NLRB, OSHA and SEIU. Each robot also replaces multiple workers. McDonald’s recently announced that it has joined the trend in quick service restaurants and will be expanding to all of its 14,000
restaurants in the United States the use of digital self-serve ordering stations in what they call its “just-for-you experience.” The system has already been introduced in 2,600 McDonald’s restaurants globally. The result for restaurants and consumers will be improved quality and consistency standards, the ability to customize orders, improved speed of service and an improved bottom line.

Front of house wait staff in full service restaurants are already being replaced by tablets for ordering and the restaurants that use this technology are preferred by millennials, based on focus groups. Even businesses that deliver food and other products to consumers are using the gig economy by using Uber and Lyft to replace their employed drivers and delivery drones are no longer science fiction.

We have used telemedicine in our clinics in Africa to augment our medical staff due to the shortage of qualified physicians in the markets. In the United States, telemedicine is already lowering medical staff needs and it is being used to deal with the cost of delivering medical services and the shortage of professional staff partially caused by the ACA. The result is improved quality of medical care received by patients.

Homecare providers, another industry that employs a high percentage of our low-skilled workers, are being replaced by homecare robots in Japan and elsewhere. Because of the ability to link those homecare robots with telemedicine, the care provided to homebound individuals is higher, in many ways, than the care that can be delivered by low-skilled non-medical home care providers. Hospitals throughout the United States and globally are replacing low-skilled nurses’ aides with robots to deliver medicine and other supplies to patients and medical staff. Because of that there has been a marked improvement in efficiency, lowered cost and improved accuracy.

Hotels are using on-line check in, check out and smartphone keys and are offering guests a reduction in room costs for not having their rooms serviced daily. In the process they have reduced their labor costs, lowered their staffing needs and improved the guest experience. TSA has announced the planned introduction of biometrics at airports to reduce labor, improve security and speed up the check in process. Airlines have already reduced their personnel needs at counters through on-line ticketing, kiosks at the airports and self-check in for baggage and will soon be introducing biometrics to further reduce their check in personnel, even at the gates.

Colleges and universities are also looking at ways to lower their cost of teachers by creating or affiliating with accredited on-line universities such as U2. Distance learning leverages the existing teacher network nationwide at a lower cost per student and has been used by businesses successfully for quite some time. Students that adopt an on-line education are able to select professors from a variety of schools based on the competence of that instructor and do so at a lower cost for achieving their degreed education. Skilled positions such as reporters, have been impacted by social media and the number of professional required at traditional news sources has decreased as witnessed by MSNBC’s recent announcement to reduce its staff by over 30%.

Even in the U.S. Navy, the Zumwalt, our nation’s largest destroyer, has been launched with a crew less than 50% the size of our other destroyers because of technology and disruptive innovation. The Air Force also needs fewer combat pilots and combat aircraft because of drone technology that has transformed previous observation platforms into effective weapons.
Technology and innovative disruption has reduced the need for labor in a host of industries and at the same time has improved their performance. This is a normal and natural occurrence during every economic transition. The only difference in the current transition is that the changeover is happening faster – and this is impacting the low-skilled worker at an accelerating pace. Without a doubt technology will result in the creation of a significant number of new jobs, but none of them will be available to those without the needed skills and few if any will be allotted to the low-skilled workers in Connecticut unless we deal with the underlying problems first.

In not a single economic study that was presented to us or mentioned by the Board in their report has any economist factored in disruptive innovation and technology into their analysis and have instead based their opinions on a largely static employment market. The Board also did not factor in the impact on existing workers because of the wage contraction that will be created when workers currently earning a higher wage, based on the longevity of their work and merit raises, are confronted with the reality that they will not share in the minimum wage increase. It is essential in considering any minimum wage increase the impact on the current higher-wage worker that will denied future merit increase because the bottom line revenue available to companies will be absorbed by new workers that lack their experience. Nowhere in the Board’s report do they factor in the impact on the current work force and their future inability to earn longevity or merit raises.

Any list of the workers that will be most negatively impacted will be incomplete, but I expect that labor disruption will impact:

- Home health care providers;
- Child care providers;
- Non-skilled nursing aides;
- Wait staff and front and back of house workers in restaurants;
- Security guards;
- Cashiers;
- Janitors;
- Meter readers;
- Retail sales associates;
- Drivers;
- Hospitality employees;
- Retail stock help;
- Clerical office workers; and those other positions generally categorized as laborers or low to middle skilled workers.

Many of these positions have historically been viewed as first rung ladder positions and many are considered temporary, transitional and never intended as careers to support a family. Simply increasing the cost for this labor will not change their value to employers. As noted economist Milton Friedman once stated, “businesses are not charities” and the minimum wage ensures “people whose skill are not sufficient to justify that kind of a wage will be unemployed.” It has always been and always will be the case that when a person’s economic contribution to any business is exceeded by their cost to that business, they will simply not be employed by that business.

I strongly disagreed with the Board’s decision to first focus on considering any minimum wage increase before deliberating first on examining and coming up with solutions for the underlying causes for the problems faced by our low-skilled, low-wage earners. It was
essential that the Board first look at ways to improve low-skilled workers net income without costing them their jobs and, this was not done. The Board has not done that serious work prior to making its recommendation in its report.

We are at a tipping point. Any further increase in Connecticut’s minimum wage, before pro-job solutions can be created, will bake generational poverty into an important part of our state’s work force. There is no circumstance that would allow me to support a further increase in Connecticut’s minimum wage today and I encourage the Legislature to reject the Low Wage Employer Board’s recommended increase to $15.00.

**The Causes for Job-Loss and Under-Employment for Low-Skilled Workers**

Even if the job market was static; even if there was no negative reaction to an increase by business; and, even if we raised the minimum wage to $15.00 immediately or in stages, it would not be sufficient to create a living wage, given the cost of living in Connecticut. The Board acknowledges such in their report.

Assuming that a minimum wage should be no less than 60% of the median wage paid in a state, we would need to raise the minimum wage somewhere in the range of $16.00 to $25.00 and that would still be insufficient for a single parent. All that would accomplish is that we will bake the minimum wage worker into a level of income inadequate for them to own their own home, save for retirement, pay for their children’s education or safely achieve and maintain a middle class existence.

Unfortunately, we do not live in a static job market and businesses will naturally react to a higher cost of labor. These workers will continue to need some form of social service support from the State and as the overall cost of living increases in Connecticut, they will most assuredly return relatively quickly to the poverty line, even if this Board’s recommendations are enacted and even if they are pegged to further increases based on inflation or another multiplier. Also, any short-term benefit will not be broad based, as we should fully expect that many of the low-skilled, low-wage workers will not find jobs at the higher pay-scale and many that do will see their hours available reduced. This is not after all a minimum wage issue and should not be dealt with as the Board has. This is a sustainable income issue and the Board has taken a political position rather than sought a practical solution.

The Board had multiple presentations on the economy in Connecticut with each presentation showing that our state is substantially below the national average in each measured category of economic growth and that we even trail other states in our region. States including Washington, California, Texas and Oregon have seen substantial increases in 21st century job creation that do pay substantially higher than minimum wage. Manufacturing in the United States, according to the Congressional Research Service, has risen “approximately 9% since the most recent low point in 2009,” but little if any of that growth has found its way into Connecticut.

While, as I noted earlier, low-wage workers in states with robust economies have not felt the full impact of job losses, early indications are that low-skilled jobs elsewhere have indeed been impacted. The full measure of the impact in some of those markets has been partially masked due to the expansion of disposable income from the workers making higher wages. That will not occur in Connecticut as our economy is and will continue to decline due to our inability to attract companies that pay high wages.
Proponents of an increase in the minimum wage blame the job creators for the problem and that supports business’ view of Connecticut having an anti-business environment. The Board in its report cite the unfairness of the wage differential between executive compensation and low-skilled workers pay and use this as an argument to justify an increase in the minimum wage. We have heard similar arguments by Legislators at our hearings to advance new progressive regulations and increased business taxes. These arguments have little basis for several reasons.

First, the companies they site frequently are not those that employ a high percentage of low-skilled minimum wage workers like the insurance industry. Second, they frequently mention franchisors that do not employ workers in Connecticut, except for those locations owned and operated by the franchisor. Most low-skilled workers are employed by small independently owned businesses, including franchisees, whose profit per worker is dramatically lower than the larger companies in the high-tech, banking and similar industries. Independent small businesses generally operate on razor-thin margins and any dramatic increase in their labor costs puts both the small business and the jobs they create in jeopardy.

Consider that the average “profit per worker” for the top 25 members of the Fortune 500 is $73,540 per worker. If you exclude Wal-Mart from that club, the profit per worker increases to an astronomical $124,588 profit per worker. These are companies primarily in the banking, telecommunications, oil and gas and technology industries and are not companies looking to hire unskilled, entry-level minimum wage workers. Then consider that the 14 franchisors that are included in the Fortune 500 have an average profit per worker of only $5,625. These companies are primarily in the restaurant and hotel industries and are the major employer of the impacted minimum wage workers. Their average profit per worker is less than 5% of the high profit per worker companies. Even if you transferred 100% of the profit per worker from small businesses directly to the low wage employee, it still would not be sufficient to achieve a solution, nor would it be sustainable. Small businesses, the main employer of low-skilled workers in our state operate at relatively thin margins.

Having a high minimum wage is not going to make us more attractive to business creation in Connecticut. While the Board tries to advance that argument in its report, not one of the economist we have heard from advanced the position that an increase business costs will make Connecticut a more attractive place for businesses to invest. The Board actually argues in its report that an increase in labor costs may have a neutral impact but the overall economic facts make even a neutral outcome highly unlikely.

With our increase to $10.10 in January 2017, Connecticut will continue to have one of the highest minimum wages in the nation. Even in states that have a growing economy because of their ability to increase their manufacturing base or attract hi-tech companies, which has not occurred in Connecticut, the early results are that jobs and hours and jobs have been lost. Seattle, which the Board cited as proof of no negative impact due to an increase in the minimum wage has lost low-wage jobs and job growth has contracted against what was expected prior to the increase. Even if there is disagreement with that fact, Seattle has not created jobs at the same rate as other cities in Washington where the minimum wage had not been increased. As noted above, there can be no comparison made between the economic conditions in Washington and that in Connecticut as Washington’s economy is growing because of the high-tech jobs being created there and those high paid workers can afford the increased consumer costs passed on to them. In Connecticut we cannot.

What workers are experiencing in Connecticut and generally in other markets where the minimum wage has been increased, is higher wages for a few, the loss of jobs and hours by
many and, new job creation going elsewhere. Where there has been any benefit, it is because the economies in those markets are robust, are attracting jobs at a higher pay scale and consumers can absorb higher costs. That is not the case in Connecticut where our State’s economist reported that we have lost approximately one high-wage position for each minimum wage job that has been created. This has created a challenge to our State’s budgeting and is one of the causes, although not the only one, that has required the Governor to reduce the number of jobs in our public sector. Recently Governor Malloy has gone further and has asked some department heads to submit plans to reduce spending by ten percent and it is expected that cuts will need to be deeper in order to meet the projected $1.3 billion budget shortfall.

What this Board ignores is that businesses have not remained static and have already begun to reduce their need for low-skilled workers as I discussed above. Increasing the cost of labor and promising low-wage workers that their income will go up because of it, is unconscionable because the evidence has shown there is significant proof that it won’t. Even if you argue that our past minimum wage increases have not caused the decline in available jobs at companies that employ low-skilled, low-wage workers, it is irrefutable that these increases have accelerated business’ labor-lite trend.

The Board argues in its report that businesses and consumers will simply absorb the higher costs and that an increase in the minimum wage will reduce turnover and improve efficiency. They argue that a higher minimum wage will result in more spending by low-wage workers in the State and that will improve our State’s economy. They provide no proof of this assertion in any economy like Connecticut has today. Business decisions are not made theoretically and each of the claims of illusionary benefits made by the majority of the Board, none who actually employ any workers, have seen significant pushback from the private sector employers that have made presentations to the Board. Small independent business owners that will be most impacted by a further increase in our minimum wage view their bottom line as their family’s total income. Increasing their labor costs will substantially eliminate that income for many of our small businesses owners.

I find it bemusing that it is the unions that are pushing for a higher minimum wage. In the recent Presidential election, union members clearly refuted their union leader’s direction as they voted in opposition to their union’s selected candidates. Union leader’s purpose in advancing an increase in the minimum wage is different from those that argue for an increase based on a compassionate argument as the low wage Board has done. Unions seek a higher minimum wage, as they always have, because in doing so they are able to increase through negotiations the wages of their own members. I don’t fault unions for taking that position, but let us not forget that unions also argue vehemently against any reduction in their ability to block their own employees from seeking union representation, they do not pay their own low-skilled workers the $15.00 per hour they would like to mandate on others and they have asked for exemptions from the higher minimum wage for their own members in California and elsewhere. Unions are after all simply a business. They employ low-skilled low-wage workers like many other businesses. The difference however is that while they advance rules and regulations to impose on other businesses historically unions also lobby against those same rules and regulations being applied to them.

**We Need to First Focus On Sustainable Solutions Before We Consider Any Further Minimum Wage Increase**

The Board held public hearings and it was impossible not to feel empathy for those that testified. The need for an increase in earnings for a sizeable portion of our workers, many who are minorities, is serious and needs to be addressed. But the solution being proposed by the Board
is not a sustainable answer since the result of such an increase will be the loss of opportunities to work.

I don't know when it became fashionable to tell hard working low-wage workers that they should be content with having a minimum wage job or that they should consider a minimum wage job as a career designed to support a family. The purpose of the minimum wage was never intended as a "living wage" and certainly never intended to support a family in Connecticut. Given the percentage of minority workers that testified at our hearings, while our focus was not intended to have any racial component, the impact of what we do for these workers will have a disproportionate impact on minority workers.

Without a doubt many of the low-wage workers the Board heard from may themselves be part of the problem that is causing their lack of marketability at higher pay scales due to their education, training, skills, their job history and other factors. An increase in the minimum wage is not going to fix those foundational problems. Couple that with the absolute fact that raising the minimum wage is not economically viable for the small businesses that employ many of them. Even if you proffer that the increased cost can be offset with increases in consumer prices as the Board does, you can't discount the impact that increases in consumer cost will negatively impact the number of transactions in Connecticut's economic environment.

In November 2016, Moody’s downgraded the outlook for the restaurant industry in the United States explaining that restaurants will be hit with increased labor costs and consumers who are more reluctant to visit because of these higher costs being passed on to them. According to their report “Restaurants will be hard pressed to raise prices without hurting store traffic.” The Board’s belief that the public will simply absorb a higher cost for meals they eat away from home without any negative impact on those businesses is illogical and as noted by Moody’s not based on realistic expectations.

What we can expect from any further increase in Connecticut's minimum wage will be a lowering in the number of new jobs created, a reduction in the number of existing jobs available, reduction in the hours of work available and most certainly an acceleration toward technological solutions that will further reduce the long term need for low and medium skilled labor. At best we will be left with higher wages for some but a higher level of permanent unemployment or underemployment for many others. The result I expect will be generational poverty, young workers will not find the first rung of the ladder jobs they require to begin their careers and the State’s social service costs will significantly increase.

There are several critical issues that must be examined and addressed before we consider any further increase in Connecticut's minimum wage. In addition to beginning to address the underlying causes that trap low-skilled workers in minimum wage positions, the solutions need to be sustainable, implemented quickly and benefit many of the immediate problems we learned from the testimony heard at our public hearings. We should be addressing, before considering any further increase in the minimum wage, several factors, including, but not limited to:

- The percentage that eligible recipients receive from the Earned Income Tax Credit (“EITC”) should be increased. This will immediately increase the income for low-wage workers without penalizing the job creators. It should re-developed in a way to include a path for workers to eliminate this need over time;
- We need to address the lack of high quality, low-cost day care so parents can work and receive the training they require to earn the higher paid jobs being created in the 21st
century tech-economy. This will require us to examine how the child care subsidy currently provided is funded and who should be eligible;

- We need to address a necessary restructuring of the social services cliff that penalizes social service recipients when they are able to earn more;
- We should be looking at eligibility requirements for government assistance and improve the quality, cost and dignity of how we distribute all government assistance to the workers that meet those criteria; and,
- We should examine all state regulations or union negotiated contract terms that limit a low-wage worker’s ability to be fully employed.

The claim that is frequently made in Connecticut that job creators are being subsidized by the State because low-skilled, low-wage workers need to receive social services is preposterous. Any consideration to further tax businesses to fund social services costs, as was proposed in the last session of the Legislature, would be misplaced and destructive to job creation. It needs to be recognized that the social service needs of low-skilled workers are being substantially caused by the policies our Legislature have adopted and not by the employers that provide them with employment. In addition, Connecticut’s fragmented social services delivery system, where various State agencies cannot effectively communicate because of differing software and where each agency potentially has duplicative staffing serving identical consumers, need to be evaluated and streamlined to reduce costs and improve performance.

The recommendation to increase the minimum wage is being used as an excuse not to address the underlying causes of the problem. Besides not being true, all this claim of State subsidization does is further exasperate the recognition that Connecticut is not a business friendly state and not a place to risk business capital in. While it may be impolite to state, the fact is that Connecticut, despite its rich history, is simply not that important a market when compared to other States and Countries that provide businesses with a better opportunity for a safer return on their investment. There are significant steps we should be taking to create high paying jobs in Connecticut.

 Improvements Are Needed in Education

- We need to prepare our workforce for the 21st century jobs that will become available:
  - Revitalizing our apprentice system including expanding the definition of tradesman to ensure we have the talent base necessary in the emerging fields when those jobs become available is essential;
  - Providing initial and continual career counseling to low-skill workers as the transition will be difficult for them to achieve without our help will be important.

- We need to improve our deliver of K-12 education by:
  - Examining how schools are funded to ensure that the necessary resources are available;
  - Measuring teacher’s output as the private sector measures its employees;
  - Immediately eliminating tenure and if necessary disenfranchise the teacher’s unions if they are the cause for allowing low performing educators to remain in the system;
  - Support the creation of charter schools sufficient to eliminate any lottery requirement;
  - Provide parents with the right to choose the schools their children attend so that all children, not just those in high income families, can get the best education possible;
  - Adopt a voucher program to pay for those schools; and,
  - Close those schools that no longer provide the educational excellence all of our children deserve.
We also need to invest in an expansion of access to broadband to ensure that the children of low-wage workers have ready access to this essential educational tool.

It is imperative that we ease the psychological burden on low-wage workers about their children’s future by ensuring that all children, despite their family’s income or circumstance, have the chance for an amazingly positive future. Let us first focus our resources on what is essential for our children and not on protecting bad schools and teachers. Wherever possible to improve quality and lower our costs we should align and outsource appropriate elements of education delivery to the private sector. The private sector has a proven track record of efficiency and cost effectiveness.

We need to provide all non-native English-speaking workers with training so they can be fully fluent in the spoken and written English necessary to move forward in their careers.

It was surprising to me that Connecticut residents who have lived in our State for more than ten years needed interpreters at our Board’s hearings. Can we honestly believe that having a deficiency in such a basic skill makes those hard working individuals more employable and more valuable to most employers? We need to address this issue as lacking the capability to speak English is a significant impediment to a worker looking to improve their income earning potential.

Our Cost of Government is Too High

- We should be partnering with the private sector to find ways to reduce the cost of delivering state services, including outsourcing those services where cost savings are possible;
- We need to focus on improving the quality of the social services we now provide and ensure the dignity of delivery to the person requiring that support;
- We must begin to stimulate the creation of trades jobs through increased investment and cooperation with the private sector;
- We should be adopting the gig economy processes used by the private sector to the state government to seek ways to reduce the cost of delivery and improve performance; and,
- We should eliminate non-productive methods or human resource practices in State workers. The pension and other benefit costs for our State workers far exceed those in the private sector for similar employees. These costs need to be examined as part of our evaluation of where State money can be effectively targeted.

Attracting and Retaining Job Creators

- We need to immediately review and reverse the progressive anti-business regulation that are holding us back from retaining and attracting new employers. This should be done in cooperation with current and potential employers to seek solutions and to change the narrative regarding Connecticut being an anti-business development state;
- We must stop blaming businesses in our state for the problems cause by the excessive progressive policies of our Legislature; and
- We should be working with businesses to create the skills in our workforce necessary to meet their needs so that Connecticut can again be attractive to them.
Governor Malloy is negotiating, on a case-by-case basis, concessions for some companies to attract or retain them in the state with limited success. The need to do that is caused by the progressive anti-business policies we already have in place, and the expectation by businesses that our Legislature will continue down its regulatory path in the future. If we are going to attract companies that can afford to pay higher wages, we need to change our policies and highlight our benefits so that we again can be attractive to companies capable of creating new jobs and hopefully we can retain the few we have left.

Small business ownership has been and still is one of the major paths for Americans to become part of the middle class. Yet in Connecticut, regulatory impediments to small business creation have been created. In the legislative session that just passed, even more were threatened. Our state has done absolutely nothing to create broad based incentives for small business creation, even with the knowledge that the major path to small business ownership has been driven substantially by those who have worked for small businesses and have gone on to open and operate their own small enterprises.

**It is Time That We Recognize That Unions Are a Material Part of the Problem and That They Offer Little in the Way of Solutions**

I am a product of union members and union organizers and grew up with the benefits union membership provided to my family. For that reason, although I have absolutely no need to pay dues to any union and I get absolutely no benefits from my membership, I am a union member and proudly carry my union membership card in my wallet. I am far from being anti-union but I am most certainly disillusioned in what unions have become. Unions have advanced progressive policies that have created the perception and the reality that Connecticut is an anti-business state and have hurt our economy and our workers.

It is estimated that less than 6% of union members today have ever voted to certify their unions and in this past election, union members voted strongly against the positions their union leadership publicly took. We should remember that the union members that certified unions in the past have long ago retired or passed on. The decline in union membership (now down to approximately 6.7% of the private sector work force) saddens me. Were it not for legislative mandates and the administrative policies of the DOL and NLRB that mandate union membership in order to gain many public sector and private sector jobs, I would expect unions to be a relic of my parents, uncles and aunts’ generation. Witness that when given the legislative choice, union members in considerable numbers, have chosen to drop their union affiliation in other states like Wisconsin. Despite what union leadership proclaims, their members have spoken loudly each time they have been given the opportunity to separate from their union membership.

Union leaders, in their own interest, have advanced many of our progressive policies but those policies have not advanced the cause of their members or other workers in Connecticut. If they had, unions would not fight against the notion of allowing for the periodic recertification of their unions by their members. Unions have significantly caused the decline in the efficiency of our State, and have also driven to an unsustainable level the current and future costs of managing our State. These progressive policies have also substantially advanced the anti-business perception of Connecticut that has caused companies not to invest in Connecticut and that has cost us from creating the jobs we require. Unions, instead of focusing in on their historic role in apprentice training and job counseling have instead put that burden and cost onto the public sector. They play absolutely no role in attracting businesses into our state and create disincentives for job creation in Connecticut. If anyone wants to advance the notion that the state is subsidizing private sector companies because of our social service costs, we should first
examine how the policies of our state are subsidizing the unions – and doing so at the detriment of our economy and the negative impact it has had on the creation of new jobs.

- We need to consider recasting the role and influence of unions in Connecticut to eliminate any unnecessary costs and to improve worker efficiency;
- We need to address union policies that impact our ability to attract companies to our State and that are hurting high and mid wage job creation; and,
- We should be examining the high cost of union mandated benefits and pension costs. These costs are significantly higher than those found for comparable employees in the private sector.

Unions are the only business guaranteed a steady customer flow because of Connecticut and Federal regulations that mandates union membership for certain private and public sector jobs. This forced membership needs to stop and unions should need to compete, as any business does to retain its customer base.

- Union members, without any interference or outside influence from their unions or employers should be annually allowed in Connecticut to recertify their unions, through secret ballots. Union members are the only class of worker forced to fund an organization they did not seek to join or wish to remain part of.

By allowing for union members to recertify their unions, the unions in Connecticut will be forced to evolve to meet their members’ needs. As with any business, retaining customers requires you to provide a product or service sufficient that meets your customer's needs. This is a normal requirement all private sector businesses now face but one that unions do not have to meet in Connecticut.

- Employees of labor unions, without any restrictions or intimidation, should be allowed to join unions to negotiate with their union employers; and,
- If a union is lobbying for benefits, pay increases or regulations that impact other businesses, they should first be required to offer those same benefits, pay scales and adopt the same regulations to their own workers. They do not do so today and as mentioned above, there are significant barriers to those who work for a union to organize freely today.

I am under no illusion that union management will resist any reasoned discussions of this proposal and I would hope that our State Legislature will begin to consider this as a way to right size our government. As found in other states, when given the chance, I would expect union workers in Connecticut to whole-heartedly support this changes and there is no reasoned argument that union members in Connecticut should not have this choice. If I am wrong, then union management should not fear its adoption. I resist the notion that in order to secure many public and private sector jobs in Connecticut workers must first agree to become, what is in effect, indentured servants to their unions.

**Conclusion: A Minimum Wage Increase Will Do More Harm Than Good**

I do not support any further increase in Connecticut’s minimum wage, in any form or over any specified period at this time because of my firm belief that further increasing the minimum wage, before dealing with the underlying causes of low earnings, will damage the low-skilled, low-wage worker in our state.
Before we consider any further increase in the minimum wage, we need to first look for ways to create sustainable solutions that improve the lives and income of our State’s low-skilled, low-wage workers first. We should not take the expedient path of increasing the minimum wage for political reasons as doing so is not a workable or sustainable solution.

Should we first focus on solving the underlying problems, I would expect that any further consideration of an increase in our State’s minimum wage would be unnecessary. In solving the problems noted above, we will again be in a position to attract those companies that have the high-wage jobs our workers require and we will have given those workers the skills they need to gain such employment.

We live in a remarkable state surrounded by a region with amazing social and economic advantages that have historically made us a great economic power. We were once a highly sought out venue for companies to grow in. Just as in Detroit, those advantages have been squandered by how we have approached the business community and our workers have suffered because of it. Connecticut should begin to create an environment that will attract the 21st century jobs we require and once we do so, we will ensure a sustainable living wage for our workers and also solve Connecticut’s growing social services delivery cost.

Low-wage workers need our help and helping them benefits all of us. These workers are the backbone of many of our communities and deserve our assistance. It is simply discriminatory and destructive to look at an increase in the minimum wage as a solution because all it will do is perpetuate the problems our workers and the state face today.

Increasing the minimum wage is enticing as it is an easy answer because it looks like a solution. It is not and we recognize from past results that the minimum wage does not achieve anything sustainable and never has. We can do better and we must do so now because the problem needs to be addressed with priority. We are running out of time to look for sustainable solutions that will benefit all of our workers and it is essential that a proper examination of the problem begins.

The majority opinion of the Connecticut Low Wage Employer Advisory Board’s recommendations does not do so. Respectfully, I strongly urge the Legislature to reject the Board’s recommendation to increase Connecticut’s minimum wage and instead begin the process of seeking sustainable solutions.

Michael H. Seid
Managing Director, MSA Worldwide
Member of the Connecticut Low Wage Employer Advisory Board

The following members of the Connecticut Low Wage Employer Advisory Board acknowledge and agree with the above rebuttal to the Board’s majority opinion.

Paul Lavoie, Vice President, Sales, Marketing and Human Resources, ETTER Engineering
Susan Coleman, Professor of Finance, Barney School of Business, University of Hartford

Susan Coleman will also be submitting a separate rebuttal report including additional research on the negative impact of a further increase in the minimum wage and the willingness of new and small firms to launch and create jobs in Connecticut.