

**The Minimum Wage and Connecticut's Working Families**

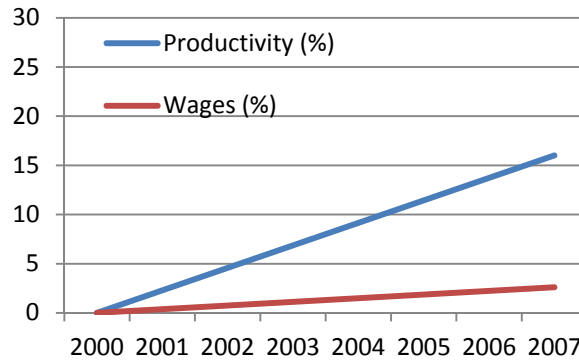


By the Office of Senator Chris Murphy  
January, 2014

## The Middle Class Squeeze

Families in Connecticut and around the country in the last several decades have seen prices on the things they need – whether it's groceries, gas or college education – increase faster than their wages. This economic reality means that the real income of Connecticut families is not keeping up with their cost of living. Rising prices in all sectors, especially in higher education, mean that Connecticut residents are working harder and still struggling to make ends meet.

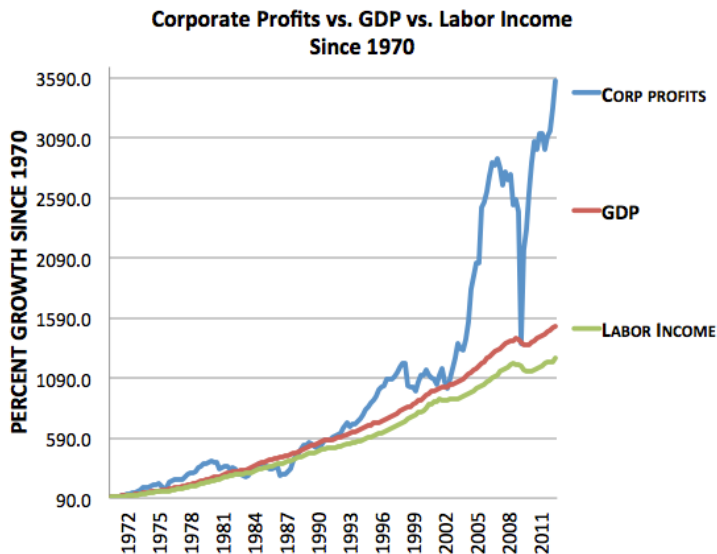
Wage growth has significantly underperformed productivity growth regardless of occupation, gender, race, ethnicity, or education level. During the Great Recession, wages for all but the top 30% of earners fell. Even before the recession, the median worker's wage increased 2.6% while their productivity grew 16%. That means Connecticut families are working harder, producing more, but not seeing an increase in earnings.



Stepping back even further, the average worker's productivity has grown 75% since 1979. If wages had grown at the same rate, the median middle class household income in the United States would be \$77,131 instead of \$51,017 annually.

Since wages have not increased with the rate of productivity, all the economic gains from that productivity have gone towards corporate profits and the very highest wage earners.

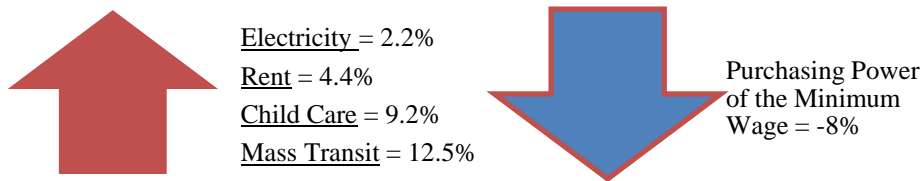
In fact, the top 1% of Americans earned one-fifth of all of the country's household income last year. And although this group was hit hard by the recession, they have almost fully recovered. Since 2009, the income for the top 1% has grown by 31%, while the household income for everyone else – the bottom 99% – has only grown 0.4%. This staggering fact means that middle and working-class families in Connecticut are seeing less and less of the economic growth we are experiencing as we emerge from the Great Recession.



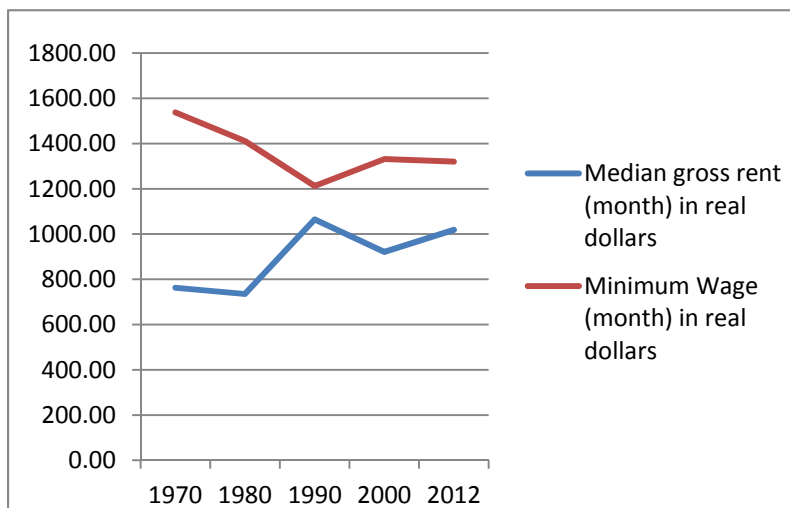
## The Minimum Wage hasn't kept up...

In Connecticut, up to 100,000 people earn the minimum wage, and because of the shifting, unequal distribution of household income gains, more and more families in Connecticut have a worker who makes the minimum wage. In Connecticut, the average worker who would be affected by an increase in the minimum wage earns 35% of their family's income. So, the myth that minimum wage earners are teenagers, students and part-time workers is not true. Many of Connecticut's middle class families would be affected by the raising the minimum wage. Nationally, workers who would be affected by increasing the minimum wage to \$10.10/hour earn, on average, 50% of their family's total income.

The minimum wage hasn't kept up with rising prices or increases in productivity. For instance, nationally, since 2009 the cost of electricity has risen 2.2%, rent has risen by 4.4%, child care cost has risen by 9.2% and mass transit has risen by 12.5%. In that same time frame, the minimum wage lost 8% of its purchasing power.



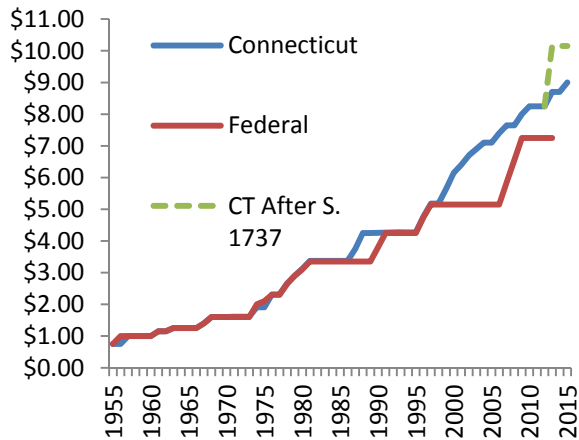
Gross Rent is the monthly amount of rent plus the estimated average monthly cost of utilities (electricity, gas, water and sewer) and fuels. As Gross Rent prices rise, the monthly minimum wage does not leave nearly enough to buy food and other necessities as it used to, or that it would have, if it had been indexed to inflation.



In real dollars, the minimum wage peaked in 1968, and had it been indexed to rising prices then, the current federal minimum wage would be \$10.75/hour. Which means the Connecticut's minimum wage would currently be \$10.80/hour or \$22,464 a year.

## A \$3,000 Boost to Connecticut Families

Raising the federal minimum wage is one avenue to immediately increase the average Connecticut families' purchasing power and make their earned income go farther. In Connecticut we recognize



that raising the minimum wage increases purchasing power and lifts families out of poverty. In fact, Connecticut has, thanks to leadership from the State government, the third highest minimum wage in the country at \$8.70/hour, with an increase to \$9.00/hour scheduled for 2015.

### The Minimum Wage Fairness Act (S. 1737)

- Raises the federal minimum wage to \$10.10/hour in three 95-cent increments
- Indexes the minimum wage to inflation
- Increases the “tipped minimum wage” 95 cents/year until it reaches 70% of the regular minimum wage. (Connecticut does not have a separate “tipped minimum wage”)
- Connecticut minimum wage would rise to \$10.15/hour

A proposal to raise the federal minimum wage to \$10.10/hour would immediately lift millions of people out of poverty and increase the purchasing power of Connecticut's middle class.

Additionally, because of Connecticut's law, increasing the federal minimum wage to \$10.10/hour would automatically increase Connecticut's minimum wage to \$10.15.

By raising the federal minimum wage, working families in Connecticut who have a full time minimum wage earner would increase their yearly income by \$3,000. In Connecticut, the total additional wages over the next 3 years would equal \$246 million, which would add \$156 million to Connecticut's GDP.

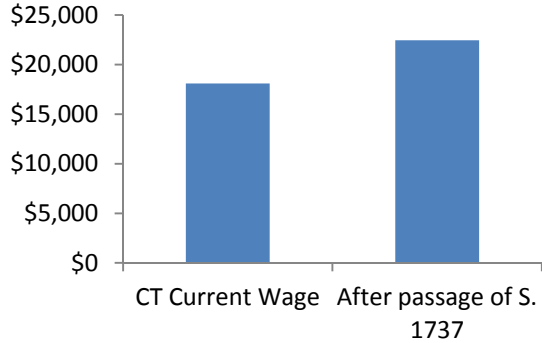


**\$3000 per year per worker**

**\$246 Million in extra wages**

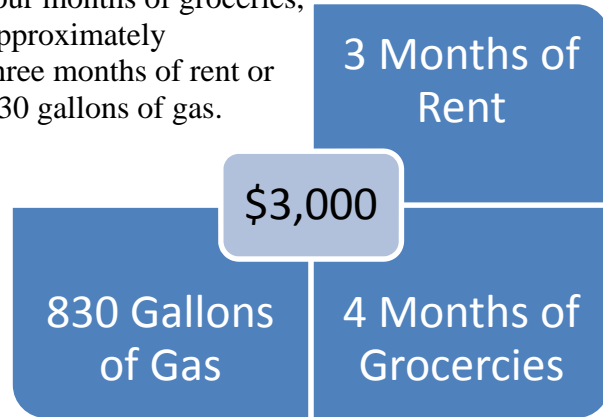
**\$156 Million to Connecticut's GDP**

### Annual Wage for Minimum Wage Worker



By passing the Minimum Wage Fairness Act (S. 1737), the yearly wage for a Connecticut worker making the minimum wage would jump from 18,096 to \$22,464 a year.

The extra \$3,000 will buy almost four months of groceries, approximately three months of rent or 830 gallons of gas.



Raising the minimum wage is something we can afford to do, and something we can't afford not to do.