



THE HIGH COST OF LOW WAGES



Low-wage workers in Connecticut

Today, more than 225,000 workers, 13.6% of all employees in Connecticut, make wages at or near minimum wages.ⁱ These workers make so little (Connecticut's minimum wage is \$8.25 rising to \$9.00 on January 1, 2015) that their salaries are not enough to lift them over the Federal Poverty Line (\$23,550 for a family of four). Most of these workers are employed in retail, education, health, leisure and hospitality. Retail workers, the largest group, are concentrated in large companies with more than 500 employees. On average, these workers are white, over 20 years old, and work at least 20 hours a week, with almost 40% working full time.ⁱⁱ

Over the past three decades, minimum wage workers have seen their real wagesⁱⁱⁱ decline by 9%. Even with the recent two-part increase in Connecticut's minimum wage to \$9/hour, they are too low to raise a family out of poverty. As a result, these workers often have to apply to public benefits, resorting to government help to make ends meet.

Who carries the burden of low wages?

This means that not only do low wage workers suffer from poor pay, but Connecticut taxpayers also have to pay. Many minimum or near-minimum wage workers are eligible for public benefits, and employers often encourage them to apply for assistance to supplement their salaries.^{iv}

This is far from an unusual situation: 62% of all SNAP households with children have someone employed in the household.^v The SNAP program in fact includes work incentives; benefits are higher for families with earned income. Most households receiving public benefits are working families; they just are not paid enough to cover the bills. Low wages become a burden for the taxpayers, who end up paying those same bills. The costs are often significant.

Consider the following scenario: a family of four with two kids. The father works full time in retail, at \$10/hour. The mother works 20 hours a week at the same salary. Neither of them receives benefits from their employers. Their total yearly income is \$31,032 a year and they pay \$900 a month for rent. If they applied for benefits, they could receive the following:^{vi}

	Monthly Benefit Value
SNAP (Food Stamps)	\$238.00
Energy Assistance	\$29.17
Care 4 Kids (family child care)	\$468.70
HUSKY A (Medical Insurance)	\$1,173.00
WIC (Nutrition for mothers)	\$90.08
Total:	\$2,428.00

The yearly cost to taxpayers, in benefits alone, would be \$29,147 for this family to have food heat, and health care. Even if we take the \$6,200 that they themselves would pay in taxes, the public sector will still be footing \$22,947 of the bill; two thirds of their pre-tax income.

Connecticut budget impact

The federal government and the State of Connecticut pay a different share of the cost of each of these benefits. The state pays half of the cost of Husky/Medicaid insurance,^{vii} half of SNAP administrative costs (nothing for actual food costs) and 56% of Care 4 Kids.^{viii} The state budget ends up covering about half of the cost of the benefits, supporting between a third and a half of the total income after transfers for many low income families.



Conclusion: passing the bill to the government

Low wage improve the bottom line for corporations and their shareholders, but hurt everyone else. Workers struggle to make ends meet with their meager earnings and taxpayers carry the burden of paying for the consequences of low wages. The quality of life for entire communities and our state suffers when workers cannot afford to provide basic necessities for themselves and their children.

The increase of the minimum wage in Connecticut is a first step to address this problem. President Obama's proposal to raise the minimum wage at the federal level to \$9.00/hour, and a bill in Congress to raise the minimum wage to \$10/hour, are also necessary. We need employers, especially large retailers, to follow the lead of some leading companies like Costco, Starbucks or Stride Rite, to put their employees ahead of their shareholders and pay higher wages.

When a corporation chooses to pay low salaries to its workers, it is not only leaving them in the cold – it is shifting the burden to the rest of us. It is time for a change.

ⁱ <http://www.ctvoices.org/sites/default/files/econ12raiseminwage.pdf>

ⁱⁱ Wages adjusted for inflation.

ⁱⁱⁱ <http://www.ctvoices.org/sites/default/files/econ12raiseminwage.pdf>

^{iv} <http://www.goodjobsfirst.org/corporate-subsidy-watch/hidden-taxpayer-costs>

^v <http://www.cbpp.org/cms/?fa=view&id=3894>

^{vi} Energy assistance at \$350 for winter months, annualized. HUSKY A cost from Kaiser Foundation.

^{vii} <http://kff.org/medicaid/report/why-does-medicaid-spending-vary-across-states/>



The Connecticut Association for Human Services (CAHS) works to end poverty and to engage, equip and empower all families to build a secure future. “The High Cost of Low Wages” is one in a series of data and policy briefs. Visit www.cahs.org for more papers and information.