To: House Committee on General, Housing and Military Affairs
From: George Malek, President, Central Vermont Chamber of Commerce 3/20/14
Re: Testimony on Minimum Wage

Dear Rep. Head and Committee Members,

My name is George Malek. I am President of the Central Vermont Chamber of Commerce, a voluntary association of more than 300 businesses operating 400 locations in Central Vermont.

Vermont needs jobs. Employment crashed in 2009. After two years of increases in 2010 and 2011, employment was stagnant in 2012 and fell precipitously in 2013 – nearly back to 2009 levels. The quickest and most beneficial increase in wages comes from creation of new employment.

I urge not to further increase the minimum wage. Vermont's minimum is already among the highest in the nation, and it will automatically increase each year.

Further increasing the minimum wage will not help job creation in Vermont. On the contrary, it will eliminate some jobs and inhibit the creation of others. Increasing the minimum wage may well assist a percentage of Vermont's workers. However, that assistance will come at the expense of some job losses, and none of us can know the balance between the two. Tom Kavet has apparently estimated the range of job losses from a few hundred to more than 3,000 depending on the wage level mandated.

Each 1,000 jobs lost represents more than $17 million in lost wages. Some workers will get more; others will lose everything.

I can assure you that there is continued pain in Vermont's small business community. As these businesses struggle in a weak economy, there has been a steady stream of cost increases the state wants them to absorb. Many have exhausted their ability to absorb increases.

When the price goes up, consumers buy less, and when the price goes down, consumers buy more. That's why we tax the heck out of cigarettes. It's why there is a tax break for mortgage interest. It's why there are always proposals to tax soda. Raise the price and consumer demand is reduced.

Businesses "consume" employees. They are the buyers. When the price of employees goes up, the number "consumed" – employed – goes down.

The price of people has been increased by taxes for medical insurance. The price has risen with new unemployment insurance rates. The cost has gone up as a result of property taxes, automatic increases in the minimum wage and subsequent federal withholdings, and more.

When the cost of labor increases, snow blowers replace snow shovelers. Recorded messages replace receptionists. Online payroll services replace bookkeepers. Weekly sweeping of the stock room replaces daily sweeping. These transitions happen regardless, but increasing the cost of employees accelerates the process. It helps overcome the inertia to "just keep doing it like we've always done it." Adding to the employer cost of the least skilled workers simply increases the incentive to eliminate or replace those workers with less expensive alternatives.

Productive employees who are working for near-minimum need not be at minimum for very long. They will either find more rewarding compensation at their current place of employment, or somewhere else.

On the other hand, there are many who take near-minimum wage jobs because they need to build their skills or their experience. In some cases, their production barely justifies minimum. In other cases, their desired scheduling makes the trade-off worthwhile for both the employee and for the employer.

I urge you to allow Vermont's businesses to grow an economy where the employee's talent and motivation produce increases in wages faster and better than state mandates.

Thank you for your time.