

House General, Housing & Military Affairs Committee – minimum wage hearing

Testimony by Ellen Kahler, VT Sustainable Jobs Fund

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Big Picture Comments:

- No public policy change is perfect – by its very nature it creates change and people have to adapt – and many of us humans don't like that – even though it's happening every second of our lives.
- How wages levels are set reflects what we value in society – we value doctors and lawyers more than we value child care workers or home health aides.
 - We can change the values we ascribe to certain jobs – but this requires a cultural values shift – but it is possible.
- Need to change the culture / mindset that it's a 'badge of honor' to earn less in VT than other New England states or other parts of the US. We give businesses "permission" to pay less than it costs to live here.
- How do employers set their wage levels? Most look around to see what other businesses are paying for same job – then you fall into the trap of a false sense that this is only what you HAVE to pay? Overall wage depression results. It would be helpful to consider wage levels in a larger geographic area as a reality check.
- A very large number of business owners in the state do not create annual budgets for their business or really intentionally consider their wage levels and how to improve profitability. Most only focus on top line gross sales (especially year over year gross sales) and do not really look at their margins or how to improve them (or how their expenses may be tacking year over year). Most business owners I have met and worked with over the years don't consider the relationship is between wages levels paid and the cost of living in VT – which is why the LW study is so important to do every 2 years – it provides this information. It's not because they are bad people or don't want to pay livable wages to their employees -- in fact most assume that they are paying all their employees a livable wage (even though they don't actually know what VT's livable wage levels are). Employee compensation just tends to be an area that most entrepreneurs spend little time thinking about. And thus it just never gets focused on. We need to provide more education to business owners about what it means to run a successful and sustainable business – which includes paying all their employees a livable income.
- For example, most business owners think in terms of annual salary for themselves but hourly wages for their employees – and never do the calculation re: what an hourly wage translates to annually. For instance:
 - $\$8.73 = \$18,158$; $\$9 = \$18,720$; $\$10 = \$20,800$; $\$12.50 = \$26,000$
 - When you ask an entrepreneur what a good SALARY is – many will consider \$40-60k as a decent salary, and ideally \$60-75k/yr. But if you ask that employer what that translate to in terms of an hourly wage, they just have not done the math to know they are talking about a \$20-35 / hr. wage.
- Going from \$9 to \$12.50/hr would mean \$7,280 before taxes to a worker and ~\$8,500 more per year in payroll costs for the employer. This assumes no loss in benefits. What could be done by legislature to keep as much of the \$7,280 in these workers hands and what kind of multiplier effect would this equate to in terms of increased purchasing power. This increased purchasing power will get spent locally – driving up demand for more products. Which is then good for business.

- Perception vs Reality – being able to ‘afford’ to pay more is really a moral judgment – are we as a state willing to subsidize business owners who run such marginal businesses that we have to socialize the cost of this with tax payer dollars – and as a society we have the debate and say we’re ok with this – or do we set a standard that allows someone working FT, playing by all the rules of society, to meet their most basic needs w/o also qualifying for public assistance? And it’s not just individual tax payers who are subsidizing these low wage businesses but other businesses are too because of the corporate taxes they pay.
- We won’t raise more revenue in the state because we believe VTers are over taxed. But is that really true or is it true ONLY BECAUSE the earned income for the majority of VTers has not increased over the past 20 years? If our earnings had kept pace with inflation and overall rising costs of basic necessities like food, fuel, healthcare, housing, etc. would we really be having this TAX vs. NO TAX debate?

Recommendations:

- Increase to \$10 on January 1; keep COLA in the bill
- Commit to a summer study to explore the benefits cliff issue and come up with policy recommendations on both benefits and tax side that would address the issue and would allow the min wage to be raised to \$12.50 in 2017.
- Plan to work in the 2016 legislative session to address the cliff issue and prepare for another MW increase in 2017 – perhaps to the \$12.50 level.
- Launch an awareness campaign to increase understanding of basic needs, cost of living in VT and livable wage needs. Governor and Secretary of ACCD and all legislators should use the bully pulpit to raise awareness of the mind-set change we need to affect – that sets expectations about wage / salary levels and what the benefits to our society would be if everyone earned a livable income (e.g., less need for public assistance would reduce everyone’s tax burden because the overall tax base would be increasing, more dignity re: work, improve families lives by decreasing stress which comes from not being able to pay bills, more buying power in the hands of people who will spend it on basic needs items rather than luxury goods).
- Need to take a whole systems approach – looking at both income and expense side of basic needs budgets for families. Explore what can be done.
- Improved TA to businesses so that they can develop budgets and find ways to become more profitable – thereby making it easier to pay livable wages.
- Do a comparison for wages paid for same OES titles in NH, NY and MA to see what the differential is in VT and do the same for calculating LW numbers for same 6 family sizes in those 3 states – so we can really see how what the cost of living is in our 4 state region vs. wages levels for the same jobs.
- Do an assessment using tax data re: where the lowest paid workers actually work. What is the % of these working who work for locally owned companies vs. out of state owned large corporations? Knowing this will help us to better evaluate which types of businesses would be most impacted by a \$12.50 minimum wage.
- Raise the tipped minimum wage to at least \$5/hr.