



# H.552 – Minimum Wage

Senate Economic Development, Housing and  
General Affairs Committee

April 9, 2014

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Two of the major obstacles to continued economic growth are weak consumer demand and growing income inequality. Raising the minimum wage addresses both issues by ensuring that working families make enough money to pay their bills and to shop for food, goods and services at local businesses.

Income insecurity places tremendous stress on the families of working Vermonters and strains our economic, social, educational and public health systems. Working Vermont families need the ability to independently survive and we need to invest in solutions that prevent these long-term costs to our economy.

**VBSR supports increasing the minimum wage above \$10 because:**

- 20,000 working Vermonters, 11% of the workforce, will get a pay raise.<sup>i</sup>
- Tens of millions of dollars in new economic activity generated as working Vermonters increase their total household income by \$30 million.
- Businesses will see an increase in workforce productivity and improved quality, reducing the higher costs associated with new hiring and training.

Increasing the minimum wage is not just the “right thing to do” - it also makes economic sense for Vermont businesses and working families.

**Increasing Vermont’s minimum wage makes up ground lost since 1970.**

If the state’s minimum wage of 1970 increased with inflation, it would be \$9.50 per hour in 2012 dollars. Increasing the minimum wage to \$10.10 over the next few years will make up ground lost by the lowest-wage workers over the last several decades. Although Vermont is one of the few states to tie minimum wage to the Consumer Price Index, that action taken in 2005 has not caught the wage up to where it should be.<sup>ii</sup>

**Most Vermonters who make less than \$10/hour are “bread winning” adults of the household.<sup>iii</sup>**

Of those Vermonters making less than \$10/hour:

- 77% are older than 22; nearly 54% are older than 30
- 52% earn more than half of the family’s total annual income
- 58% are from families with total annual income below \$40,000

## **Economic Independence**

Increasing the minimum wage will allow Vermonters to be more economically independent and rely less on state and federal assistance programs.

However, VBSR is also concerned that income growth for some low-wage workers might be partially offset or even eliminated by a loss or reduction in eligibility for benefit and assistance programs. We believe this can be mitigated through coordination with state public benefit programs to ensure the removal of any identifiable “benefit cliffs” and retain the incentive to work as wages increase and public benefits decrease.

## **Beyond the Minimum Wage**

A minimum wage is not a living wage. A living wage allows a worker to live on their earnings without having to resort to public assistance programs to survive. When a business pays its employees so little that they need to rely on social services, we are all subsidizing that business with our taxes.

VBSR believes we need to shift Vermont’s economic base from the minimum wage to livable jobs. We urge the Legislature to consider the appropriate wage and benefits that Vermonters would need to live without public assistance and work toward enacting policies that allow that economy to develop.

<sup>i</sup> Vermont Department of Labor – 2012 data

<sup>ii</sup> Public Assets Institute, State of Working Vermont 2013

<sup>iii</sup> Update on Minimum Wage Analysis, Tom Kavet and Deb Brighton, testimony to House Committee on General, Housing and Military Affairs, February 2014