Senate Economic Development, Housing and General Affairs Committee

Re: H.552, Minimum Wage

April 16, 2014

Good morning. My name is Jack Hoffman. I'm an analyst with Public Assets Institute, a non-profit, non-partisan organization based in Montpelier that focuses on state fiscal policy. Thank you for the opportunity to be here today.

I'll be brief because I want to give you time to hear from Jeannette Wicks-Lim, an economist at the Political Economy Research Institute (PERI) as UMass-Amherst. Public Assets and our sister organizations in New England have worked for several years with PERI, and specifically with Jeannette and her co-author on study that has been submitted to the committee. They are both well regarded, and we have cited PERI's reports on such subjects as tax flight, economic development and tax credits, and income inequality.

The purpose of H.552 is to increase the state minimum wage, but I would urge the committee to view the bill in the context of ensuring that full-time work in Vermont produces a decent standard of living. I would suggest the ultimate goal of policy makers and political leaders should be that a full-time worker in this state can earn at least enough to support a family and meet basic needs.

Now I will let Jeannette talk about the concept of a livable income, which is the subject of her paper. She also is quite knowledgeable about the minimum wage and can offer some thoughts about going beyond the $10.10 an hour proposed by the House.

If there is time, I'd like to make two further points:

- In view of what Jeannette said about the interplay of the minimum wage and the earned income tax credit, I would suggest to the committee that you modify the study included in the House bill. Instead of analyzing the effect of setting a livable wage, I think it might be more useful to look at creating a livable income through the combination of a higher minimum wage and a higher EITC, along the lines that Jeannette described.
- Vermont, like the rest of the country, is seeing a growing gap between rich and poor. The chart below shows the share of income going to the top 1 percent of Vermonters. As you can see, from the late 1920s until about 1980, the share going to the top 1 percent declined, which means the income gap between rich and poor narrowed. But since the

early 1980s, the share of income going to the top 1 percent has steadily increased, wiping out all of the gains after the Great Depression.

Raising the minimum wage alone isn't going to close the income gap. There are many other steps that need to be taken. But a higher minimum wage can play a part, especially if policy makers and political leaders talk about providing a livable income as part of a broader discussion aimed at reducing income inequality.