



## Vermont Workers' Center

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# H.552 Brings Vermont Closer to a Livable Wage

**Everyone in Vermont has the right to meet their needs and to a job with a livable wage**

As you know, our State calculates a **Basic Needs Budget** every two years in order to figure out the amount of money families and individuals need to pay for essential things like food, housing, transportation, child care, clothing, and healthcare. This amount, known as the **livable wage**, was last calculated in January 2013. **People in Vermont need to earn a minimum of \$12.50 per hour** in order to meet their needs even if they have no dependents. If you have dependents, a livable wage can be more than twice that.<sup>1</sup>

**Vermont's current minimum wage is a poverty wage:** Vermont's minimum wage is **currently \$8.73 an hour**, not nearly enough money for anyone to meet their needs, support their family, and live in dignity. People are struggling, so much so that 1 in 5 young children lives in poverty. Vermont's current tipped minimum wage of \$4.23 per hour equals approximately 49 percent of the value of the state's full minimum wage

**Why we need H.552:** By requiring the State of Vermont to raise the minimum wage to **\$10.10 per hour** starting January 1, 2015, passing H.552 into law would be a tremendous improvement in the lives of tens of thousands of the lowest paid, and often hardest working people in Vermont. Another key element of this bill is that it would also require **a study** about raising the minimum wage to a livable wage in the future. Among other things, this study would also look at how public benefits can be aligned with wages to make sure that everyone winds up better off. Finally, the fact that this bill continues to index the minimum wage to inflation is necessary to make sure the minimum wage will automatically keep up with our rising cost of living.

**There are no justifiable reasons to not at least raise the minimum wage to \$10.10 in 2015.** Even Vermont's own State Economist reported that: "We find that a minimum wage increase [in 2015] to \$10.00 would probably have negligible, if any, negative aggregate economic consequences and could be an important component in advancing some of the lowest income workers towards a livable income<sup>2</sup>."

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<sup>1</sup> "Basic Needs Budgets and the Livable Wage," January 15, 2013, <http://www.leg.state.vt.us/reports/2013ExternalReports/285984.pdf>

<sup>2</sup> "Memorandum Re: Preliminary Analysis of \$10.00 and \$12.50 Vermont Minimum

Almost everyone in Vermont believes that everyone has a right to a livable wage, and that a business model that requires poverty wages is not the kind of business our communities need. Paying poverty wages is a form of exploitation and some of the largest and most profitable corporations in the world have benefited enormously from being able to pay poverty wages and having taxpayers subsidize them through public assistance programs their employees have to rely on for their families to survive.

**Obviously, we recognize there will be some challenges in making this shift.** One of which is that as people's wages rise, their federal and State social supports (like child care subsidies and the Earned Income Tax Credit) may go down. It is important for us to conduct this study to deal with these "benefits cliffs" so we can figure out how to adjust State supports to turn the cliff into a slope that provides people with the lowest incomes with the most support, and slowly tapers off as people make more money. If we have Vermont businesses that are currently paying minimum wages that have potential to build a strong economy and help provide things our communities need, then it may be appropriate to address this with various economic development incentives that are geared to support these kind of businesses. However, for the sake of everyone in our communities who suffer from the effects of poverty we need to get to a place as soon as possible that the minimum wage becomes what it was originally suppose to be, not a poverty wage but a true livable wage.

### **Key facts about Vermont's workers and wages:**

We wanted to share some facts about the minimum wage, many of which come from a recent report commissioned by the Joint Fiscal Office:<sup>3</sup>

- **Twenty thousand workers and their families would gain:** If Vermont passes a \$10.10 minimum wage, 20,000 workers would see their pay increased closer to a livable wage.
- **Most low-wage workers are breadwinners:** Most people earning less than \$10 per hour earn more than 50% of their family's income. Their families depend on their wage for their basic needs.
- **Three out of five people earning low wages work full time:** Sixty-two percent of people who earn less than \$10 per hour work full time, and many others work multiple part-time jobs. These workers need to make a living.
- **Most people earning low wages are older:** More than half of people (54%) earning less than \$10 per hour are over 30. These workers are not supported by anyone else; they have to meet their needs and those of their families.
- **Most people earning lower wages are women:** Fifty-six percent of people earning less than \$10 per hour are women. We need to close the gender pay gap.
- **Good for Vermont's economy:** Raising the minimum wage to \$10 would raise low-wage workers' income by an estimated \$30 million, much of which would be pumped back into Vermont's economy. A wide range of studies show that raising minimum wages has not been shown to reduce employment.<sup>4</sup> According to the State's own economist, "In most of the minimum

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<http://www2.leg.state.vt.us/CommitteeDocs/House%20General/Bills/H.552/Documents%20for%20Reporting/4-7-2014~To%20Kavet~H.552~Kavet%20Report.pdf>

<sup>3</sup><http://www2.leg.state.vt.us/CommitteeDocs/House%20General/Bills/H.552/Documents%20for%20Reporting/4-7-2014~Tom%20Kavet~H.552~Kavet%20Report.pdf>

<sup>4</sup><http://www2.leg.state.vt.us/CommitteeDocs/House%20General/Bills/H.552/Documents%20for%20Reporting/4-7-2014~Center%20for%20Policy%20and%20Economic%20Research~H.552~Why%20Does%20the%20Minimum%20Wage%20Have%20No>

wage studies performed to date, the expected reduction in demand for labor has either been non-existent or of relatively small magnitude.”

- **Extending the date to \$10.10 is bad for Vermont workers.** Adjusted for inflation, a \$10.10 per hour minimum wage in 2017 is worth only \$9.66 in today’s dollars. Extending the phase-in of a minimum wage increase by an additional two years, to 2017, translates to \$0.44 less per hour for a minimum wage worker, or over \$900 less annually, than a minimum wage increase to \$10.10 by 2015. In other words, extending the number of years of a phase-in means that workers will have to wait *longer* for a raise that is ultimately *smaller* in inflation-adjusted terms than an increase that takes effect next year.

## **The Minimum Wage Should Be Universal: We Should Eliminate The Tipped Min. Wage.**

- Vermont’s current tipped minimum wage of \$4.23 per hour equals approximately 49 percent of the value of the state’s full minimum wage of \$8.73 per hour. However, seven states have set the tipped minimum wage equal to 100 percent of the regular minimum wage, guaranteeing tipped workers the full minimum wage paid directly by their employers, plus tips.
- **Raising the Tipped Minimum Wage Boosts Income and Reduces Poverty Without Slowing Job Growth in the Restaurant Industry:** All of the available evidence indicates that restaurant job growth is driven by market factors and is not affected in any meaningful way by the level of a state’s tipped minimum wage. These are the findings of state of [state-of-the-art research](#) analyzing every increase in the tipped minimum wage on the state level since 1991. In the seven states that have set the tipped minimum wage equal to 100 percent of the full minimum wage, tipped workers are 25 percent less likely to fall under the federal poverty line compared to states with lower tipped minimum wages.<sup>5</sup>
- The vast majority of tipped workers earn low wages just above the minimum wage. Across the country, tipped workers are more than twice as likely to fall under the federal poverty line, and nearly three times as likely to rely on food stamps, as the average worker.<sup>6</sup>
- The vast majority of tipped workers are adults: 88% of all tipped workers – and 82% of waiters and waitresses, are over the age of 20.<sup>7</sup>
- Tipped workers are disproportionately female: 72% of all tipped workers, and 72.4% of waiters and waitresses, are women.<sup>8</sup>

**In summary,** There is a movement growing for the Fight For \$15, a minimum wage that is a real livable wage of \$15.00. It is a movement of fast food workers, Walmart workers and hundreds of thousands of low-wage workers all over country. The level of inequality is not acceptable and people are coming together to demand their right to work and live in dignity. By raising the minimum wage to a livable

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[%20Discernible%20Effect%20on%20Employment.pdf](#)

<sup>5</sup> Sylvia A. Allegretto and Kai Filion, “Waiting for Change: The \$2.13 Federal Subminimum Wage”, Economic Policy Institute & Institute for Research on Labor and Employment at University of California at Berkeley (February 23, 2011), *available at* <http://www.epi.org/page/-/BriefingPaper297.pdf>

<sup>6</sup> Sylvia A. Allegretto and Kai Filion, “Waiting for Change: The \$2.13 Federal Subminimum Wage”, Economic Policy Institute & Institute for Research on Labor and Employment at University of California at Berkeley (February 23, 2011), *available at* <http://www.epi.org/page/-/BriefingPaper297.pdf>

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

wage you are creating a standard that levels the playing field by prohibiting poverty wages and the exploitation of people. The main opposition to this bill are claims that would “kill jobs”, make businesses relocate and be bad for our economy. However, there is enormous evidence that giving the lowest paid workers in the state a \$30 million dollar raise will help stimulate the economy. Claiming this will hurt the economy and jobs is a scare tactic used to keep a status quo in place of gross inequality. While maybe this will lead to a handful of people spending less money on vacations in the Bahamas, it stands to reason that every dime of that \$30 million will go to meeting basic needs of food, housing, fuel, medicine and other basic needs right here in Vermont. If you look at the jobs that pay a minimum wage, the vast majority are service industries that cannot relocate because they are serving a particular population. But the final thing I would like you all to think about as you make this decision, is to look carefully at the list of industries and demographics of who right now earns poverty wages. The vast majority are women, many of whom are mothers, who are doing some of the most important and most under valued work in our community. I want you to think about how much you would need to be paid to work as a nursing home worker, a home care worker, a housekeeper in a hospital, or childcare worker. We do believe this is the right thing to do for our economy and for taxpayers, but most of all, it is a basic moral standard that every person have the right to live and work with dignity. Thank you.