

4-17 Senate Economic Development Committee
Minimum Wage Testimony
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I'm not going to tell you about the negative impacts a minimum wage increase will have on businesses, because I know you've all heard it before, and I don't think that will change any of your minds. Instead I want to talk about this policy's devastating effect on young people, and how that translates to more generational poverty.

The minimum wage set by this body only applies if an employer will actually hire you. The real minimum wage is \$0, because that's what you get when you're priced out of the market. In order to be hired, you have to convince an employer that you are worth the wage they pay you. This is not a problem for workers with resumes, but for young people, it essentially removes the first few rungs on the economic ladder. We heard yesterday from several folks who waited to work until they were 17 and 18, when they were moving out, buying cars, and paying their own bills, all for the first time. Working minimum wage jobs, along with being enticed into significant amounts of student loan and credit card debt, while learning how to manage a budget proves to be too much for many people, and they fall behind, and get stuck in a cycle of poverty.

By removing the wage floor above young people's heads, you allow them to get vital work experience before they are off on their own. When they are 18 and starting to live on their own, they will not have to work for the minimum wage, because employers will have a work record to base hiring decisions on. Ask any business owner. If they know you will show up to work on time, work hard, and be reliable, they will hire you for a higher wage.

I worked for three and a half years at McDonalds, starting when I was 15 years old, for minimum wage nearly the entire time. I was fine with this, because for much of that time I was living with my parents, and when that income wasn't enough when I moved out, I got another job to pay the bills. But what always struck me was that people who were hired at the same time as me, but were able to do much more for the restaurant because of labor laws and insurance policies, were paid the same hourly wage.

One woman was a way over-qualified mother of two who had been hit hard by the recession, and had to resort to a minimum wage job to help stay afloat. Because the minimum wage law forced McDonald's to pay me, a 15 year old living at home, much more than I was worth, it took resources that could have given her a much-needed pay raise. I would gladly have worked for \$5 or \$6 an hour, because I had no bills to pay. All I needed money for was taking girls on dates and saving for a car. She needed to pay her mortgage and save so her son could go to college. But the minimum wage forced McDonald's to employ us at the same rate.

And I was lucky to even have a job. Until I was 17, I was the only one in my group of friends who had a job, which you can imagine was a little annoying. But this has led to more than annoyance for those friends. Many of them are still working the same minimum wage jobs, or are only just getting above that. When they were in high school, and limited in the number of hours they can work and availability at peak hours, employers decided against employing them for the minimum wage, knowing their money would be better spent on someone who could do more. When they finally started working, they had a car to buy, rent to pay, groceries to pay for, and they simply got stuck.

We have heard some very compelling stories this session about families struggling to get by, and I understand the urge to help however you can. But the answer is not to increase the hiring floor, and remove those first few rungs of the ladder. In fact, I would suggest that you go the other way, and provide an exemption in the minimum wage for those below 18. This is the model that the United Kingdom follows, with a tiered minimum wage for those under the age of majority. I am also encouraged by discussion about expanding the Earned Income Tax Credit, as I believe the best way to put more money in people's pockets is by letting keep what they earn.

But the committee also has to realize any minimum wage increase would be fighting against the current. In addition to any inflation caused by the minimum wage increase and relative cost increases, the purchasing power of the U.S. dollar has been decreasing steadily for many years. In 1963, the minimum wage was \$1.25, five silver quarters. Today, the melt value of those same five quarters is over \$26. It isn't a problem with the minimum wage. It is a problem with the continued devaluation of our currency, and forcing businesses to pay an inflation tax isn't going to help economic development in Vermont.