

MINIMUM WAGE: RDC ISSUES PAPER

During the course of the legislative session, the 12 Regional Development Corporations (RDCs) of Vermont have been hearing from many businesses their concerns regarding an increase of the minimum wage to \$15 per hour. We feel obliged to inform the legislative branch of these concerns, not to take a position either for or against increasing the minimum wage. There are a number of economic considerations at play here and it is our hope that by bringing these to your attention, we can help inform the policy discussion.

Vermont is experiencing a period of historically low unemployment. As a result businesses are making significant investments in workforce training to improve skills of new workers from the shallow pool of applicants. Many employers, particularly in our manufacturing sector, rely on the higher wages and benefits they offer to attract the workforce they need. Their concern is the potential impact of significantly increasing the minimum wage, the upward pressure this would place on the wages of other workers, and the effects on their ability to find a qualified workforce. In a State where the majority of what we produce is exported, these businesses do not have the capacity to simply increase their labor costs. Some businesses located in border communities will have the option to move investments and employment across the border. In today's global economy, we need to fully understand what a change to the minimum wage would mean throughout the entire economy. While there has been a resurgence of manufacturing in the past years, these gains rest largely on the ability to provide a competitive workforce.

Small businesses in retail, hospitality, and tourism currently employ the majority of minimum wage workers. These sectors already operate at thin margins, and are extremely susceptible to economic variances. In our conversations with small business owners, they clearly state that they do not have the ability to simply increase pricing to support increasing the wage of their employees. They explain that they may have to reduce their current workforce to remain a viable business.

Youth employment has been identified as necessary to create the workforce of tomorrow. We have programs being implemented across the State attempting to introduce students to career paths here in Vermont. A student's first job is a critical step in learning how to be an effective and productive employee. Businesses have raised concerns that they will no longer be able to provide youth employment opportunities for these entry level jobs at the wages contemplated this session.

While wages are a critical component to economic welfare, we ask the legislature to also consider the cash value of benefits. Employer provided healthcare, paid sick days, vacation time, and more has a significant benefit and cost. Businesses are concerned that the wage pressure created by the significant increase to the minimum wage will force them to reduce employer contributions to the employee benefits package. A reduction in retirement contributions would impact employees well into their future, and threaten their ability to have a secure retirement.

Finally, the RDCs have questions on how the increase in the minimum wage will impact State economic development tools. Both the Vermont Employment Growth Incentive and the Vermont Training Program (arguably the two most effective economic development tools in the State) are tied to a multiple of the minimum wage. The proposed increase has the potential of significantly diminishing the value and utilization of these programs unless addressed by the legislature.

While we fully understand and agree with the desire of the legislature to see that all citizens of Vermont have the opportunity for economic security, the business community we support would ask that you also consider the potential impacts across the economy, and seek answers that do not negatively impact Vermont's ability to compete for commerce.