

TO: Vermont House Committee on General, Housing and Military Affairs
Vermont House Committee on Human Services
Vermont House Committee on Appropriations
Vermont House Committee on Ways and Means

FROM: Vermont Raise the Wage Coalition

SUBJECT: Policy Recommendations for S.40

DATE: April 17, 2018

The Vermont Raise the Wage Coalition is comprised of 32 member organizations representing over 60,000 Vermonters. The Coalition believes that all Vermonters deserve a fairer wage for their work. At a minimum, a fair wage includes provisions for an adequate standard of living for a worker and her dependents, including: food, clothing, shelter, physical safety, basic health care and preventive care, including care for mental illness and security from fear of food scarcity.

S.40 contemplates raising Vermont's minimum wage to \$15 per hour by 2024. This would provide an adequate standard of living for a full-time employed couple who have no children, share a one-bedroom apartment, and who both receive employer-assisted health care insurance, what is called a "base livable wage."¹ This is a reasonable standard and a significant achievement toward an economy that provides a fair wage for workers, and will raise wages for over 70,000 Vermonters in the next 6 years. However, adjustments will be needed to our budget and social safety net in order to address impacts on those Vermonters, especially those with dependents, who earn low wages.

We applaud the Vermont Legislature for its careful consideration of the various impacts of raising the minimum wage. As we come to the end of the legislative session, the Coalition makes its formal recommendations to the House of Representatives regarding several issues that continue to be debated within Committee: tipped minimum wage; student workers; State expenditures for home health and personal care contracts; and the "benefits cliff."

Tipped minimum wage

At present, Vermonters who receive tips as part of their compensation receive a "tipped sub-minimum wage." The tipped sub-minimum wage for tipped employees is 50% of the minimum wage. After the employees' tips are added to their base pay, the employer is responsible for making up any difference between their hourly earnings and Vermont's minimum wage.

Tipped work is inherently precarious, vulnerable to seasonal demand and the weather. Further, women make up the majority of those earning tipped wages, and because they are earning tips, they are more likely than workers in non-tipped occupations to endure sexual harassment from customers, employers, and co-workers. As a result, **the Vermont Raise the Wage Coalition recommends:**

- **Maintaining the tipped sub-minimum wage at 50% of Vermont's minimum wage, with an eye toward eliminating the tipped sub-minimum wage in a future legislative session**

Student workers

Currently under consideration in House Committee on General, Housing, and Military Affairs, H.712 would expand the summer exemption of secondary school students from the Vermont minimum wage to a full-year exemption. While 88% of Vermonters earning the minimum wage are over the age of 20, there has been no study regarding the impact of a minimum wage exemption for secondary school students in Vermont. For those students who are from low-income

¹ http://www.leg.state.vt.us/jfo/reports/2017%20BNB%20Report%20Revision_Feb_1.pdf

families, it is likely that they make a significant contribution to family income.² In addition, a secondary-school student exemption from the minimum wage may put pressure on these students to leave school prior to graduation, and will likely have a negative impact on high school completion rates, along with attendant lifelong detrimental impacts for those students who do not complete high school. **The Vermont Raise the Wage Coalition recommends:**

- **No expansion of the student exemption from the minimum wage; conduct a study on the impacts of this policy on low-income secondary school students and their families**

State expenditures for home health and personal care contracts

The large part of State expenditures for home health and personal care contracts are federally funded through Medicaid and Medicare reimbursements. This reimbursement rate does not change with an increase in wages paid to the workers who provide these services, and increased wages would likely put pressure on already strained public budgets. Concern continues to be raised in the House Committee on Human Services as a result of testimony provided by Bard Hill, Director of Policy, Planning and Analysis at the Department of Disabilities, Aging, and Independent Living (DAIL). However, this testimony makes the assumption of full-time employment for all home health aides, healthcare support assistants, nursing assistants, and related workers. National research does not support this assumption, suggesting that the majority of workers in these occupations work part-time, averaging 31 to 33 hours per week.^{3,4} Further, DAIL's estimates seem to assume immediate implementation of the \$15 minimum wage and do not factor in the year-by-year step increases, the inflation-adjusted impact on State expenditures on an annual basis, or the amount the minimum wage will grow each year based on current law. Please see the JFO's Fiscal Note for estimates of impact.⁵

More importantly, workers in these occupations are overwhelmingly women and people of color, and nearly half of these workers live in households that receive one or more public assistance benefits. Further, increasing pay would help to stabilize a workforce that currently has high turnover because of low wages and irregular hours.⁶ As one of the fastest growing occupational fields in the country, one that is particularly necessary for Vermont's aging residents, it is imperative that the Legislature make the commitment to ensure fair wages in these crucial occupations. As such, **the Vermont Raise the Wage Coalition recommends:**

- **That S.40 be amended to include provisions for funding the increase to State budgets that is necessary to raise wages for the home health and personal care services fields, without creating a detrimental impact on service delivery⁷**

The "Benefits Cliff"

Raising the minimum wage to \$15 per hour by 2024 would provide a "base livable wage," defined as an adequate standard of living for a full-time employed couple who have no children, share a one-bedroom apartment, and have employer-assisted health care insurance. However, low-wage workers who do not fit this profile will continue to rely on the social safety net in order for their families to receive the full benefit of the wage increase. The most important support offered to low-income families is the Child Care Financial Assistance Program (CCFAP), which is currently addressed in Section 2 of S.40 as it passed the Senate.

- **The Raise the Wage Coalition endorses both provisions of Section 2 of S.40 as passed out of the Senate**
- **The Coalition also recognizes the need to fully address benefits cliffs in separate legislation, especially for CCFAP**

² http://massbudget.org/report_window.php?loc=Teens.-Employment.-and-the-Minimum-Wage.html

³ <https://phinational.org/wp-content/uploads/legacy/phi-value-the-care-06.pdf>

⁴ <http://www.nelp.org/content/uploads/surveying-home-care-workforce.pdf>

⁵ <https://legislature.vermont.gov/assets/Documents/2018/WorkGroups/Senate%20Appropriations/Bills/S.40~Joyce%20Manchester.%20Legislative%20Joint%20Fiscal%20Office~Fiscal%20Note~2-13-2018.pdf>

⁶ <http://www.nelp.org/content/uploads/2015/03/Giving-Caregivers-A-Raise.pdf>

⁷ E.g., Maryland's SB543 (p.3) for model language: <http://mgaleg.maryland.gov/2018RS/bills/sb/sb0543f.pdf>