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Memorandum

To: Sen. Michael Sirotkin, Chair, Senate Economic Development, Housing and General Affairs
From: Tom Kavet
CC: Steve Klein, Joyce Manchester, Legislative Joint Fiscal Office
Date: February 8, 2018
Re: Minimum Wage Economic Impact Monitoring Capability

Per your request, I am writing to detail two provisions discussed in recent testimony before the Senate Economic Development, Housing and General Affairs Committee regarding ongoing analysis and data required to monitor and better understand potential economic and fiscal impacts associated with the recently advanced legislation to raise the State minimum wage to \$15 per hour in 2024. These data and related analyses would allow State policymakers to monitor economic impacts associated with this change on a timely and ongoing basis so as to identify and potentially mitigate any negative impacts at the earliest possible date and/or verify beneficial impacts.

The first component of this involves ongoing annual analysis of the growing minimum wage differential between Vermont and New Hampshire. The Vermont minimum wage is currently 45% above that in New Hampshire, the largest differential ever, and could exceed the New Hampshire wage by more than 100% in 2024. The purpose of this analysis would be to determine any obvious economic impacts associated with this persistent and growing differential. The analysis would be based on both currently produced wage and employment data for both states and the development of new data, if possible, with the cooperation of the Departments of Labor in both New Hampshire and Vermont and/or the U.S. Bureau of Labor Statistics. This analysis would review wage, employment and income variations at both the state and county levels by occupation, industry, gender and other employee characteristics over time, so as to identify both positive and negative changes that may be associated with the growing minimum wage differential between the two states. This analysis would initially cost about \$18K, with ongoing annual costs of about \$6-8K.

The second analysis would be based on the regular collection and organization of Vermont data on employment, hours and earnings, similar to the collection effort by the State of Washington for recent analysis on minimum wage changes in the Seattle area. This would allow analysis of both employment impacts and changes in hours worked as a result of minimum wage changes. The monitoring of hours worked is especially important, since labor market effects could show up as either or both job losses or reductions in hours worked. The analytic costs involved in this would be approximately \$26K, with ongoing analytic costs of about \$7-8K. Data collection costs could involve additional expense via the Vermont

Department of Labor and/or be borne by firms now supplying other labor market data on a regular basis. I would be happy to work with DOL to determine exact data collection costs and optimal collection methodologies for this work. Please let me know if you would like me to pursue this.

I believe both of these efforts would provide important and timely information that could guide future public policy decisions related to this issue and guard against any unintended effects associated with the recent legislation advanced by the Committee. If you or others have any questions regarding either of the above analytic constructs, please let me know.