



Wednesday, April 4, 2018

Re: S. 40 - An act relating to increasing the minimum wage

Income inequality damages our economy and leaves working Vermont families falling further behind. Increasing the minimum wage is an important tool in boosting household income for struggling Vermonters and that's why we ask you to vote 'yes' on S.40, an act relating to increasing the minimum wage.

Recent economic gains have not made up for the lost spending power of working families – real household income for the bottom 60% of Vermonters increased by 3% in 2016, but were still below real earnings in 1999, according to the Legislature's Joint Fiscal Office.

Increasing the Minimum Wage is an important tool to fight income inequality

- Thousands of low and moderate wage Vermonters would see an increase in their paycheck (up to 90,000 impacted under the \$15/2022 proposal).¹
- Millions of dollars in economic activity generated as Vermonters increase their household spending ability.

¹ Deb Brighton, Joint Fiscal Office:
<http://legislature.vermont.gov/assets/Documents/2018/WorkGroups/House%20Ways%20and%20Means/Minimum%20Wage/W-Deb%20Brighton~Benefits%20and%20Minimum%20Wage~2-15-2017.pdf>

Who benefits from a minimum wage in Vermont?²

- Average worker is 38 years old; 88% of them are older than 20 years old; 45% are over 40.
- 56% are women.
- 22% have children.
- 62% work full time.
- Earn about 55% of a family's income.

Much of the job growth in Vermont since the end of the most recent recession has been in low-wage sectors – the type of jobs that do not come close to meeting the state's basic standards of living. More than 12,000 of the jobs created in Vermont since 2009 pay less than the average Vermont wage in 2017.

The impact of health care costs on wages

We urge the Legislature to look beyond just wages. The benefits offered by businesses can be just as critical to improving the lives of working Vermonters, including access to employer-sponsored health insurance, paid time off, flexible work schedules, and career or education advancement.

In fact, the unsustainable employer-sponsored health insurance system is a main contributor to stagnant wage growth. For businesses, the cost of insuring employees grows unpredictably each year. About 30% of VBSR members pay more than 10% of their payroll for health

² Economic Policy Institute statistics

insurance. Another 30% pay more than 20% for employee health insurance.

A \$15,000 annual health care cost (per employee) for a business translates to an average hourly wage of \$7.25 (assuming 40-hour work weeks for a total annual work hours of 2,080).

This system impacts both the employer and employee financially:

Employer: Rising health care costs have resulted in employers giving fewer and smaller salary increases, shifting more of the monthly premium burden to employees, and either reducing or eliminating health care benefits all together.

Employee: Rising health care costs (both in premiums and out of pocket costs) totally erased all wage gains between 1999 and 2009.³ Had the rate of health care growth kept pace with inflation, the average median U.S. family of four with employer-sponsored health insurance would have \$545 more per month in personal income.

If Vermont or the United States had a universal health care system that is decoupled from employment and funded fairly and sustainably through taxes, VBSR believes more businesses would transfer this cost-savings to increased wages for employees as they compete to attract and retain talent in a new benefits landscape.

A Vermont-sized minimum wage increase

VBSR supports S.40 because it:

- Moves Vermont to a livable wage faster than current law; the current timeline does not adequately make up for wage gains lost over the last several decades.

- Maximizes the projected economic gains and minimizes the projected job disruptions.
- Recognizes the economic realities facing small businesses in Vermont and the financial burden placed on businesses that pay for employee health care.
- Addresses the benefit cliff so that Vermonters are left financially ahead with wages increases and not behind due to lost benefits or services.
- Has the political traction and the public support to be approved by the Vermont Legislature and perhaps signed into law by Gov. Scott.

S.40 is a fair compromise that boosts the paychecks of working Vermonters while also considering the economic realities facing small and independent businesses and the significant contributions they make in terms of wages and benefits.

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