



Testimony on S.40 – Increasing the Minimum Wage
House General Committee
Submitted by Erin Sigrist, VRGA President
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VRGA represents 700 members across the state. Our membership is inclusive of a variety of business types and models, collaborative and extremely diverse. Members include general retail, grocery stores, convenience stores, distributors, food producers, and business service members. VRGA creates a unified voice for its engaged membership to influence legislation through lawmaker and public education. Our benefits are fundamental to our members' economic success and to their positive community impact.

I'd like to share a story about a conversation that I had last week with a member of this committee. They told me that their partner owned a couple businesses. They said their partner treated their employees well – they would make accommodations for their employees if they needed it. If the employees needed some extra time or some flexibility the business owner would accommodate their needs. They said the business owner would even take a pay cut to ensure that their employees could get a pay increase.

I'm here to share with you that this is exactly what a majority of the small businesses across Vermont do.

VRGA is made up of small businesses that serve as stewards in every community across Vermont. We support local organizations; hire young adults with little to no experience and train them with the foundation of real world experience; and work right alongside the employees seven days a week.

More often than not, when talking about an increase in the minimum wage we hear about the impact to employees. However, this mandate would require employers to face an increase in labor costs of more than 50% over the next six years on top of a 20% increase over the last four years. Absorbing these costs will result in further hindering the very group the legislature is trying to help.

We can all agree that having more Vermonters earning higher wages is a worthy goal. We too have concerns about the growing wage disparity, but businesses have growing concerns on meeting the increasing demands from legislation such as S.40.

When the wage increases by \$1, the actualized labor cost will be between 12 percent and 20 percent higher due to the taxes and fees employers pay for each employee. A \$15.00 per hour wage actually equals \$16.80 or more in wage costs. Further, this increase does not take into account the additional benefits that employers and employees negotiate. Paid vacation, additional training, health and dental insurance, etc.

While other states and cities are increasing their minimum wage, I would remind the committee that the economies of scale are starkly different. According to FORBES, at \$30 billion, Vermont's is the smallest economy in the country, and the cost of doing business is 12% above the national average. In addition, we face extremely low unemployment. And while this is

positive news, the simple supply and demand has already increased wages to the point where larger stores are reviewing options to automate, and smaller business owners are working longer hours and keeping their most valuable employees. One member shared with me yesterday that Sundays are usually her day off. However, she is now spending Sunday's sorting bottles and cans because she can't afford to pay someone now to sort bottles and cans. I have members that would like to expand but are required to have a certain amount of funds on hand before they qualify for a loan.

When taking into consideration grocery, housing, utilities, and transportation costs, Vermont is ranked the tenth most expensive state to live in. While the latest version of S.40 works to address the costs of childcare, I strongly urge the committee to consider not moving forward with S.40 without fixing the institutional issue that is holding the most vulnerable Vermonters back – the entire benefits cliff.

Today's discussion comes four years after the legislature, the business community and employee advocates agreed and supported linking the minimum wage to the Consumer Price Index. This agreement allowed for businesses to plan for the increases while ensuring employees the increases they commanded. This proposal flies in the face of the 2014 agreement between all interested parties.

Suggestions

If the legislature chooses to move forward with increasing the minimum wage, VRGA would like to offer the following suggestions:

- Continue with the current law of tying minimum wage to CPI.
- Include a reduction in wage if an employer offers a combination of employer-sponsored benefits – which may include: health benefits, retirement benefits, time off in excess of the minimum required by law, other tangible benefits that have a fixed value. *Many businesses have reported that they offer and match a retirement fund for employees. This important employee benefit is in danger of being eliminated by several businesses if wages were to increase to \$15 per hour.*
- Maintain the student exemption under 21 VSA § 383, or consider a training wage that would allow less skilled employees the opportunity to gain employment at a rate that employers can comfortably afford. *This will ensure that students hired continue to gain the foundational training necessary to move up the economic ladder.*