Central Vermont Chamber of Commerce

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Statement Before
Vermont General Assembly
Senate Committee on Economic Development, Housing and General Affairs
Presented by
William D. Moore
Central Vermont Chamber of Commerce
January 19, 2018

RE: S 40, An Act Relating to Increasing the Minimum Wage

Chairman Sirotkin, Honorable Members of the Senate Committee on Economic Development, Housing and General Affairs . . .

My name is William D. Moore. I am the President and CEO of the Central Vermont Chamber of Commerce. The Central Vermont Chamber of Commerce is the largest business organization serving Washington County and a portion of Orange County. Our diverse membership consists of some of the largest businesses in Vermont as well sole proprietorships. Virtually every sector of Vermont's economy is represented in our membership.

Thank you for the opportunity to be before you today to discuss issues concerning Minimum Wage increases as proposed in S40, An Act Relating to Increasing the Minimum Wage.

In 2014, the business community agreed to a stepped increase in the Minimum Wage from $8.73 an hour, (nearly a dollar above the federal minimum) to $9.60 in 2016, $10.00 in 2017 and to the current minimum wage, $10.50 effective January 1st of this year. The agreement also called for indexing the Minimum Wage, beginning in 2019.

These increases were agreed to by all parties interested in workers' wages and enacted by the General Assembly. One of the primary reasons for the agreement was to allow businesses to plan and prepare for increases and, by indexing increases annually, to avoid the constant battles over increasing the Minimum Wage. It was a compromise, an agreement that is working and has been working for three years.

The bill before you proposes raising the minimum wage by $1.00 on January 1 in 2019, 2020 and 2021 and by $1.50 on January 1, 2022. The Central Vermont Chamber of Commerce opposes this bill and respectfully urges the Committee to reject the bill.

Minimum Wage jobs are generally those at the entry level. They are intended to be short-term until the employee gains the necessary skills and experience to take on more responsibility. More experience and responsibility leads to better jobs which leads to increased wages. The Minimum Wage was not created to provide a permanent wage. The Minimum Wage was in fact created to ensure that workers during The Great Depression were not exploited.

We are wary of increases in the Minimum Wage beyond those that were adopted by the General Assembly in 2014.

We believe that market forces should determine the Minimum Wage, not artificial increases imposed by the legislature. In fact, the market is already driving the wages earned by Vermont's workers. The most current information shows that in 2016, only 10% of all Vermont workers earned less than $10.45 per hour, at a time when the Minimum Wage was $9.60 per hour.[1]

A study by the U.S. Department of Labor showed that the Median Hourly Wage across all occupations in 2016 was $18.23 per hour while the Mean Hourly Wage stood at $22.90.[2]

Today, unemployment in Vermont is at record lows. Employers are already voluntarily offering higher wages to attract and retain workers. Just last week, Wal-Mart announced an across-the-board increase nationwide. Target adjusted their minimum wage upwardly last fall. Other businesses are increasing their minimum wage paid in response in order to attract workers in a very competitive market.

According to a 2016 study by the Heritage Foundation, "Starting wages of $15.00 per hour mean full-time employees must create at least $38,700 a year in value for their employers (including wages, employer payroll taxes, and Affordable Care Act mandated penalties). Such a high hurdle would make it much harder for less-experienced and less-skilled workers to find full-time jobs. Many of these workers are not yet productive enough to create that much value for their employers and businesses will not hire them at a loss.

"Consequently, many businesses might respond to a $15 mandate by eliminating positions, cutting hours, and looking for new ways to implement labor-saving technology[3]." The same report indicates that by 2021, the proportion of wage and salary workers directly affected by a $15.00 Minimum Wage could actually cost the state approximately 11,000 full-time equivalent jobs.

We are concerned about the upward pressure on wages that increasing the Minimum Wage will have on the cost of doing business in Vermont. We are concerned that simply increasing the Minimum Wage does not increase workers' productivity. We are concerned that

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[1] Vermont Department of Labor *Vermont Wage Distribution 2004 – 2016 Occupational Employment and Statistics Survey* April 4, 2017

[2] U.S, Department of Labor, Bureau of Labor Statistics *Occupational Employment Statistics* March 31, 2017

[3] The Heritage Foundation *Issue Brief #4601 on Jobs* August 17, 2016

the increase will in fact negatively impact the productivity of current employees who do not see their own wages increase commensurate to the increase in the Minimum Wage.

We are also concerned about the inflationary impact that increasing the Minimum Wage will have on the costs of goods and services sold in Vermont. Businesses will not absorb the increases and consumers will feel the burden of increased prices.

Already, a significant study that has been conducted looking at all sectors of Seattle's economy (where the minimum wage is $13 per hour) is showing a huge negative impact on low-wage workers due to their working significantly fewer hours because of the increased Minimum Wage.[4] The study found that for every percent increase in hourly wages, low-wage workers saw hours reduced by three percent. The result was a loss of roughly $125 per month due to working fewer hours. This does not portend well for a Minimum Wage of $15 per hour. Some estimates that I have seen put the wage loss at that level to be approximately $171 per month.

It is time to take a different approach to raising wages.

Automatically increasing wages does not address the core issue. What can be done to improve skills, that will create a workforce that possesses the necessary tools to move away from low wage jobs?

We need to be creating a workplace that is assured the productivity commensurate to the increases in the Minimum Wage.

Education and training are the keys to success. We must be educating students to be prepared for the jobs of the twenty-first century. Moving students who may not be college-bound into technical training and apprenticeships is vital. Strengthening the Community College of Vermont (CCV) and Vermont Technical College (VTC) will present better opportunities for those looking for high paying careers.

Improving access to vocational/technical education at the secondary level is critical, and it requires untangling a complex network of funding and administration that has become a barrier to providing what students and employers need.

Vocational/technical education at the secondary level needs to become a more accepted strategy for many students. Ironically, it is often parent expectations that stand in the way of a child getting a vocational/technical education. We must educate parents about the value of a vocational/technical education, and of the earnings opportunity and career tracks found in those occupations.

Students should be exposed to vocational/technical options in at least the 10th grade . . . earlier, if possible. Now it is offered only to juniors and seniors. These things are all related.

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[4] National Bureau of Economic Research Working Paper Series *Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle* June 2017

When was the last time that the state took a hard look the money being spent on its workforce training and re-training programs? What are the real outcomes? Are those who are in workforce training programs really preparing for the jobs that are out there? Are those who successfully complete those programs still employed after three, six and twelve months? If not, why not? Are programs available for re-training that will give potential employees the ability to meet employers' needs? Do the training programs really produce successful outcomes? If not, why not and what can be done to improve outcomes?

There are good paying jobs going for the asking across Vermont today. Employers that I have spoken with tell me that those jobs are not being filled because the applicants are not meeting the necessary job requirements.

Increasing the Minimum Wage to $15.00 per hour is a lofty goal, but it does not solve the problem. Increasing the Minimum Wage can stifle job growth, and even limit employers' ability to create new jobs.

Better education, the right training and re-training of the workforce for today's and tomorrow's jobs will help to ensure a Minimum Wage greater than $15.00 per hour.

We believe that raising the minimum wage to $15.00 is bad public policy. The legislature's own economic analysis clearly indicates that the potential job loss caused by increasing the minimum wage to $15.00 per hour will be at least 3,000. [5]

The state should not be in the business of eliminating jobs. The state should be creating an economic climate that leads to the creation of new jobs. Additional job creation will also drive up wages in a competitive market.

Thank you for the opportunity to be before you today. I will be happy to respond to any questions that you might have.

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[5] *Proposed Minimum Wage Increase to $15.00/Hour in 2022* Kavet, Rockler and Associates Memorandum to Steve Klein, Chief Fiscal Officer, Joint Fiscal Office April 30, 2017