



Friday, January 19, 2018

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

Two of the major obstacles to continued economic growth are weak consumer demand and growing income inequality. Raising the minimum wage addresses both issues by ensuring that working families make enough money to pay their bills and to shop for food, goods and services at local businesses.

Income insecurity places tremendous stress on the families of working Vermonters and strains our economic, social, educational and public health systems. Working Vermont families need the ability to independently survive and we need to invest in solutions that prevent these long-term costs to our economy.

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.

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 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

² Economic Policy Institute statistics

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 would like to see a minimum wage bill that:

- Moves Vermont to a livable wage faster than current law because they 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.
- Would have the support of the Vermont House and Senate and make it to the desk of Gov. Scott for his signature this year.

VBSR looks forward to working with the Vermont Legislature to increase the state's minimum wage in a way that works for employers of all sizes and pay scales and puts more money in the pockets of hard-working Vermonters.

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