LAKE CHAMPLAIN REGIONAL
CHAMBER OF COMMERCE

Senate Economic Development – 1/19/2018

Minimum Wage – S.40

Good Morning and thank you for allowing me the time to share the LCRCC's position on S.40 with you. As with many complex issues, our position is not linear – it is dependent upon addressing a number of factors – factors which I believe are squarely within your control as legislators.

I will begin with a bit of history – for it is from past debates concerning the minimum wage that we can see a path to the future.

In 2014 Noam Chomsky, a well-recognized liberal thinker, pointed out – partly tongue in cheek – that Richard Nixon was the last great liberal president. He made that assertion in recognition of the efforts the president put forth in amending the Fair Labor Standards Act to bring forth a 40% increase in the national minimum wage. Chomsky rightfully pointed out that wage growth in the 50's and 60's occurred annually and was linked to worker productivity. The late 60's and very early 70's witnessed a withdrawal from this practice with wage stagnation and inflation taking hold.

Monetary growth and expanding wealth then, as it is today, was concentrated with corporate executives and the shareholders of publicly traded companies. The result then, as it is now, was that working-class laborers in unskilled and low skilled jobs could barely afford basic necessities and could not afford to be active consumers – in other words - they were unable to engage in common social and communitarian activities to which many aspire. Then, as now, the people most effected were un- and low-skilled laborers and their families.

Today, these same working classes are forced into a sort of wage slavery – stuck in jobs with few alternatives - and social stratification – held down by low wages given the very real fear of losing benefits (housing, child care, other support services) if they make more money, take a promotion or obtain skills to get a better job. These stories are quite real as anyone with a connection to a social non-profit can attest. At COTS, where I currently serve as Board Chair, it is only through the generosity of a private philanthropist, that residents in our housing units can accept job promotions and pay raises without the fear of losing their housing.

The LCRCC finds it wrong – we find it unconscionable – that such conditions exist across our country and in our state. As a country, we bankroll governments across the globe yet we fail to provide universal access to affordable quality health care, child care, education or to ameliorate hunger and homelessness in our own land.

Vermont has always maintained a high bar for how it treats the most troubled and disadvantaged among us. Four years ago, we set a path to raise the minimum wage in a way that respected the fragility of both Vermonters at the lowest end of the wage scale and the businesses that support them. The LCRCC was proud to play an integral part in reaching that reasonable consensus. We have the opportunity to make yet another adjustment and to do it in a similarly reasonable manner.

So, with that backdrop, our position on raising the minimum wage is this:

1. First, we believe that any increase to the minimum wage must move concurrently with the eradication of the benefits cliff. To raise a person's income with a resulting loss in social safety net programs hurts the very people you are trying to help. The goal is to put more disposable income into their hands, not less. We do not see where the bill addresses this.

2. Second, we believe the path to a 15.00/hr. wage should be staged in equal amounts over a 7-year period at .75/hr. This will allow the market forces, which are already increasing the wages of skilled and semi-skilled trades above that threshold, to continue. We see evidence of these forces at work in the construction, food services, hospitality industries across northwestern VT. However, Vermont small businesses that cannot define or dominate their markets – such as those that compete with national chains and those companies that have little control over aspects such as raw material costs - must have the ability to align their business plans with these increases. The last increase was staged at .50/hr. over 3 years and it posed a significant challenge but was 'doable'. This is a steeper hill to climb and we cannot be insensitive to market pressures.

3. Once the baseline is reached, we understand your desire to include an annual adjustment. Should such a factor be included, it should mirror usual business practices and economic realities. S. 40 proposes a 5% increase. We feel that increase is out of proportion to raises seen in the private sector. We think a more reasonable and fiscally prudent approach would be use a lower rate (NTE: 2%) and allow for no increase during recessionary times when most companies typically forego raises. Another tactic would be to simply revisit the issue at the end of seven years and make another market adjustment if needed. Presupposing economic conditions is a bit like trying to predict stock market fluctuations.

4. Finally, the Chamber believes that the increase should not apply to the 'tipped minimum wage'. It is already law that tipped employees must reach the established minimum wage threshold through tips or be paid the difference. Increasing the tipped wage will simply mean that additional funds that might be available to a business for other employee benefits, bonuses, business investment will only go to an artificially established floor that has no meaning in practical application.

Thank you for your time and attention to this matter.