

## The Case for Raising the Minimum Wage in Vermont



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I am here today to express the support of Rights & Democracy and the Raise the Wage Coalition for the passage of S.23, with recommendations for potential amendment. The Raise The Wage Coalition consists of nearly thirty Vermont-based community organizations, with combined memberships of an estimated 90,000 Vermonters. Our Coalition represents groups advocating for or about women’s rights, children’s well-being, racial justice, hunger and homelessness, affordable housing, Vermonters with disabilities, elder Vermonters, low-income Vermonters, and the majority of union members in our state. We share a common goal of raising the wages of the lowest-income Vermonters to a base livable wage.

Rights & Democracy is a grassroots advocacy organization operating in Vermont and New Hampshire, whose mission is to research and advocate for policies that create communities where everyone has the freedom to thrive. We believe that human rights are interconnected and interdependent, and that a denial of one right impacts all others. We further believe that workers have a right to a livable wage, and thus we support S.23, which will more closely align our minimum wage policy with the state’s livable wage policy. In other words, we support a minimum wage policy – a community standard for the minimum value of full-time work – that offers workers basic dignity and value in the workplace.

We need to do this now because working Vermonters have fallen behind as wages stagnated while costs of living have skyrocketed. A minimum wage of \$10.50 per hour in 2018

dollars will never be enough to meet the basic needs budgets of any Vermont household, and is comparable to the minimum wage that Vermonters were being paid in 1979, while the cost of basic needs like housing, education, transportation, and health care have increased markedly. In their report released on Tuesday of this week, Public Assets Institute demonstrates that while Vermont's costs of living are average in comparison to other states, our median wages are nearly 20% less than average.<sup>1</sup> And as we have already heard in other testimony, S.23 will deliver economic progress to tens of thousands of Vermonters. A gradually phased-in \$15 minimum wage would deliver broad benefits for nearly one in three working Vermonters, raising their pay by an average of \$2,000 a year and beginning to reverse decades of pay inequality. If we want to invest in Vermont's future – and you will hear more about what Vermont's future gains from S.23 from both Michelle Fay from Voices for Vermont's Children and Amy Shollenberger from Action Circles – we will raise the minimum wage now.

I will dedicate the rest of my testimony today to clearing up any lingering misconceptions about who makes up our low-wage workforce, what setting the state's minimum wage at a base livable wage will *actually* accomplish, and what outstanding issues need addressing in the face of raising the minimum wage.

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<sup>1</sup> Public Assets Institute. (2019, April). "It's Time to Raise Vermont's Minimum Wage." Retrieved from <https://publicassets.org/library/publications/reports/its-time-to-raise-vermonts-minimum-wage>

## Getting clear on the facts about Vermont's low-wage workforce

### *Who does minimum wage work?*

Vermont's low wage workforce is not made up of teenagers who are living with their parents and working after school to earn a little extra money. Instead, the estimated 87,000<sup>2</sup> Vermonters who will be directly or indirectly impacted by the passage of S.23:

- Are an average age of 38 years old
- Almost 90% are 20 or older
- 35% are 40 or older
- 58% are women – approximately 50,460 women
- 56% work full-time (35 hours per week or more)
- 40% (and their families) live in or near poverty, and
- 61% live in households with incomes of less than \$50,000<sup>3</sup>



### *Is \$15 an hour by 2024 too much?*

The Vermont basic needs budget established a means to identify how much the members of a household – comprised of two full-time employed, childless adults, sharing a rented 1-bedroom apartment – need in order to survive without the public safety net, i.e., on their own paychecks, *unless* they do not have employer-provided health insurance. I offer a slightly different standard for you, as developed by the Economic Policy Institute in their Family Needs Budget project.

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<sup>2</sup> Information provided by the Economic Policy Institute in their spreadsheet that estimates the impact of raising the minimum wage in every state to \$15/hour by 2024, provided by email on March 25, 2019. Directly impacted workers will see their wages rise as the new minimum wage rate exceeds their existing hourly pay. Indirectly affected workers have a wage rate just above the new minimum wage at each step increase, and would likely receive a pay increase as employer pay scales are adjusted upward to reflect the new minimum wage.

<sup>3</sup> Economic Policy Institute Minimum Wage Simulation Model, using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office; Yannet Lathrop, Researcher and Policy Analyst for the National Employment Law Project, provided the analysis of EPI's model for Vermont.

The Family Needs Budget calculator provides county-by-county budgets for 10 household sizes in Vermont that would offer a “modest yet adequate standard of living,” including<sup>4</sup>:

- Housing (county-level data regarding the average cost of appropriate rental housing)
- Food (USDA “Low-Cost Plan”)
- Child Care (county-level data for the cost of full-time early child education and care)
- Transportation (county-level data regarding personal transportation by car)
- Health Care (assumes insurance purchased on the exchange)
- Other Necessities (includes apparel, personal care, household supplies, reading materials, and school supplies – the researchers did *not* include any entertainment costs)
- Taxes (based on expected household federal and state income tax obligations, including estimated tax credits etc.)

I have included Family Budget tables below for each county across 8 family sizes, but I will first focus on the category of worker who serves as the basis for the calculation of Vermont’s basic needs budget and is thus represented in the Joint Fiscal Office’s state livable wage (as mentioned in prior testimony, this is currently calculated at \$13.43 for 2019).

If we do not assume that our childless, co-habiting, minimum wage workers have employer-provided health insurance, the base livable wage for this household type is shown below in Table 1, for each of Vermont’s counties. As you can see, there is not one county in Vermont where earning \$13.43 would enable these workers to pay for both out-of-pocket health care insurance costs and their other expenses. Again, raising the minimum wage to \$15 in 2024 will feel like the wage has been raised to approximately \$13.25 in 2019 dollars, assuming a 2.5% inflation rate. As such, even childless, co-habiting, minimum wage workers will be economizing with a minimum wage of \$15 in 2024, and in some counties, these couples are going to need a roommate or two just to pay the rent, unless we intervene to improve access to affordable housing or significantly reduce health care insurance costs.

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<sup>4</sup> Gould, E., Mokhiber, Z., & Bryant, K. (2018, March 5). *The Economic Policy Institute’s Family Budget Calculator: Technical Documentation*. Retrieved from <https://www.epi.org/publication/family-budget-calculator-documentation/>

**Table 1. Hourly wages required to meet EPI's Family Needs Budget for a two-adult household<sup>5</sup>**

<b>County</b>	<b>Annual (2017 dollars)</b>	<b>Hourly (2017 dollars)</b>	<b>Hourly (2019 dollars)</b>
<b>Addison</b>	\$59,687	\$14.92	\$15.52
<b>Bennington</b>	\$55,696	\$13.92	\$14.48
<b>Caledonia</b>	\$54,333	\$13.58	\$14.13
<b>Chittenden</b>	\$62,849	\$15.71	\$16.34
<b>Essex</b>	\$52,817	\$13.20	\$13.73
<b>Franklin</b>	\$59,469	\$14.87	\$15.46
<b>Grand Isle</b>	\$63,086	\$15.77	\$16.40
<b>Lamoille</b>	\$57,981	\$14.50	\$15.08
<b>Orange</b>	\$56,360	\$14.09	\$14.65
<b>Orleans</b>	\$53,150	\$13.29	\$13.82
<b>Rutland</b>	\$53,323	\$13.33	\$13.86
<b>Washington</b>	\$56,938	\$14.23	\$14.80
<b>Windham</b>	\$57,268	\$14.32	\$14.89
<b>Windsor</b>	\$59,255	\$14.81	\$15.41

However, it is unlikely that very many low-wage working Vermonters actually fit this profile.

The data are not clear, but what we do know is that *unmarried Vermonters are more than 3 times more likely to live alone than they are to live in a household with another adult.*<sup>6</sup> This is typical across the United States. Using 2010 Census data, we know that only 8.1% of unmarried Vermonters currently co-habitate with a partner, 1.2% live with one or more roommates, and 28.2% of unmarried Vermonters live alone. Of those living alone, we know about that 36.5% are likely to be aged 65 and above. Put differently, Vermont has approximately 72,000 single-resident households (approximately 26,000 are occupied by Vermonters of age 65 or older), approximately 21,000 households are comprised by unmarried, co-habiting partners, and approximately 3,000 households are occupied by unrelated roommates. Given what we also

<sup>5</sup> Economic Policy Institute. (2018, March). *Family Budget Calculator*. Retrieved from <https://www.epi.org/resources/budget/>

<sup>6</sup> United States Census Bureau. (2012, April). *Households and Families: 2010 [2010 Census Briefs]*. Retrieved from <http://www.census.gov/prod/cen2010/briefs/c2010br-14.pdf>

know about the marital status of low-wage workers, it seems likely that low-wage workers who are not in a domestic partnership of any kind, or living with one or more roommates, make up a far larger percentage of our unmarried, childless, low-wage workforce. Table 2 below shows the minimum hourly rate that is needed in order for a single, childless worker in Vermont to afford a basic standard of living. Raising the minimum wage to \$15 in 2024 – based on the budget of a co-habiting, childless couple – should be regarded as the *lowest conceivable* minimum wage standard for working Vermonters.

**Table 2. Hourly wages required to meet EPI’s Family Needs Budget for a one-adult household<sup>7</sup>**

<b>County</b>	<b>Annual (2017 dollars)</b>	<b>Hourly (2017 dollars)</b>	<b>Hourly (2019 dollars)</b>
<b>Addison</b>	\$43,465	\$21.73	\$22.60
<b>Bennington</b>	\$42,712	\$21.36	\$22.21
<b>Caledonia</b>	\$40,926	\$20.46	\$21.28
<b>Chittenden</b>	\$44,953	\$22.48	\$23.38
<b>Essex</b>	\$39,810	\$19.91	\$20.70
<b>Franklin</b>	\$42,588	\$21.29	\$22.15
<b>Grand Isle</b>	\$46,007	\$23.00	\$23.92
<b>Lamoille</b>	\$41,961	\$20.98	\$21.82
<b>Orange</b>	\$42,845	\$21.42	\$22.28
<b>Orleans</b>	\$38,777	\$19.39	\$20.16
<b>Rutland</b>	\$40,449	\$20.22	\$21.03
<b>Washington</b>	\$42,590	\$21.30	\$22.15
<b>Windham</b>	\$41,394	\$20.70	\$21.52
<b>Windsor</b>	\$42,282	\$21.14	\$21.99

<sup>7</sup> Economic Policy Institute. (2018, March). *Family Budget Calculator*. Retrieved from <https://www.epi.org/resources/budget/>

## **Does S.23 do enough?**

We would argue that S.23 should be amended to bring both tipped workers and high school students into the full minimum wage, and we further urge the Legislature to adjust the grants and contracts that it has with a range of service providers in order to ensure that their clients continue to receive the high quality of care that they deserve. Our children, elder Vermonters, and Vermonters with disabilities should not suffer more so that the people who provide their education and care suffer less.

Briefly, including tipped workers and high school students in the full minimum wage is both just and economically justifiable policy decisions. We support immediately moving to adopt a phased-in elimination of the tipped minimum wage, and immediately eliminating the school year exemption to the state minimum wage policy for high school workers. While those are not currently included in S.23, we *do* support their study if our Legislature feels that it needs more information before they can take action with regard to either of these classes of workers.

In addition to what you heard from Andy Sebranek and Samantha Moran today, I will add that bringing tipped workers into the full minimum wage is a civil rights issue. Elimination of the tipped minimum wage would mitigate this policy's historical origins as a form of institutional racism and sexism, as well as its current contribution to high rates of harassment for workers in the hospitality industry. Tipped wage public policy had its advent in the United States as a means to exclude black workers, particularly black women, from participation in the minimum wage standard that was established in the New Deal. Further, the subminimum wage for tipped workers continues to place these workers in a morally compromised position, where they are virtually forced to tolerate harassment in order to secure tips from their patrons. Were you to take further testimony on the gradual elimination of the tipped minimum wage, you will

also learn that bringing tipped workers into the full minimum wage does not have adverse economic impacts, based on the seven (and increasing number of) states that have done so.

Further, and expert written testimony by Yannet Lathrop at the National Employment Law Project to the Senate Committee on Economic Development, Housing & General Affairs is available,<sup>8</sup> bringing high school students into the full minimum wage is also necessary in order to avoid disproportionately negative impacts on high school students from low-income families, but that has broader impacts on all workers. High school students from low-income families will not only face increased incentive to drop out of school before graduation, so that they can better contribute to their families' budgets, but lower wages also impact their ability to save for their lives after high school. Additionally, these students work side-by-side alongside adult workers in the same industries. A subminimum wage for high school workers incentivizes employers to adopt a high-turnover staffing model in place of adults in order to cut costs. Both tipped workers and high school students should be included in the full minimum wage, and we urge you to take further testimony on these policy issues and to amend S.23 to fully include these workers in the full minimum wage.

Further, S.23 does not address the shortage of livable wage jobs in Vermont for *other* household types. The tables below provide a county-by-county look at just how much it is that Vermont's families need to be earning in order to just meet the basics.

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<sup>8</sup> Lathrop, Y. (2019, February). "In Support of a \$15 Minimum Wage in Vermont, and Against a Youth Wage: Hearing Before the Vermont Senate Committee on Economic Development, Housing and General Affairs." Retrieved from [https://legislature.vermont.gov/Documents/2020/WorkGroups/Senate%20Economic%20Development/Bills/S.23/Written%20Testimony/S.23~Yannet%20Lathrop~NELP%20Testimony%20in%20Support%20of%20\\$15%20in%20Vermont~2-6-2019.pdf](https://legislature.vermont.gov/Documents/2020/WorkGroups/Senate%20Economic%20Development/Bills/S.23/Written%20Testimony/S.23~Yannet%20Lathrop~NELP%20Testimony%20in%20Support%20of%20$15%20in%20Vermont~2-6-2019.pdf)

*Hourly rates required to meet EPI's Family Needs Budgets, by county, across 8 household types, in 2017 dollars<sup>9</sup>*

**Table 3. ADDISON COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate<sup>10</sup></b>
1 adult, no children	\$43,465	\$21.73
2 adults, no children	\$59,687	\$14.92
1 adult, 1 child	\$67,671	\$33.84
1 adult, 2 children	\$79,977	\$39.99
2 adults, 1 child (2 working adults)	\$80,832	\$20.21
2 adults, 1 child (1 working adult)	\$72,756	\$36.38
2 adults, 2 children (2 working adults)	\$90,955	\$22.74
2 adults, 2 children (1 working adult)	\$77,692	\$38.85

**Table 4. BENNINGTON COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$42,712	\$21.36
2 adults, no children	\$55,696	\$13.92
1 adult, 1 child	\$63,274	\$31.64
1 adult, 2 children	\$74,547	\$37.27
2 adults, 1 child (2 working adults)	\$76,262	\$19.07
2 adults, 1 child (1 working adult)	\$68,348	\$34.17
2 adults, 2 children (2 working adults)	\$85,259	\$21.31
2 adults, 2 children (1 working adult)	\$72,261	\$36.13

**Table 5. CALEDONIA COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$40,926	\$20.46
2 adults, no children	\$54,333	\$13.58
1 adult, 1 child	\$62,482	\$31.24
1 adult, 2 children	\$74,001	\$37.00
2 adults, 1 child (2 working adults)	\$76,260	\$19.07
2 adults, 1 child (1 working adult)	\$68,821	\$34.41
2 adults, 2 children (2 working adults)	\$85,466	\$21.37
2 adults, 2 children (1 working adult)	\$73,248	\$36.62

**Table 6. CHITTENDEN COUNTY**

<sup>9</sup> Ibid.

<sup>10</sup> Assumes 50 weeks per year, 40 hours per week; EPI's budget for 2-adult households with children was adjusted to create a family budget for only 1 working adult by eliminating child care expenses (NOTE: there is an impact on end-of-life financial well-being due to reduced social security income, primarily for women)

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$44,953	\$22.48
2 adults, no children	\$62,849	\$15.71
1 adult, 1 child	\$82,501	\$41.25
1 adult, 2 children	\$98,073	\$49.04
2 adults, 1 child (2 working adults)	\$93,423	\$23.36
2 adults, 1 child (1 working adult)	\$81,081	\$40.54
2 adults, 2 children (2 working adults)	\$107,767	\$26.94
2 adults, 2 children (1 working adult)	\$87,980	\$43.99

**Table 7. ESSEX COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$39,810	\$19.91
2 adults, no children	\$52,817	\$13.20
1 adult, 1 child	\$60,131	\$30.07
1 adult, 2 children	\$70,552	\$35.28
2 adults, 1 child (2 working adults)	\$73,355	\$18.34
2 adults, 1 child (1 working adult)	\$66,320	\$33.16
2 adults, 2 children (2 working adults)	\$81,848	\$20.46
2 adults, 2 children (1 working adult)	\$70,294	\$35.15

**Table 8. FRANKLIN COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$42,588	\$21.29
2 adults, no children	\$59,469	\$14.87
1 adult, 1 child	\$74,513	\$37.26
1 adult, 2 children	\$88,566	\$44.28
2 adults, 1 child (2 working adults)	\$86,359	\$21.59
2 adults, 1 child (1 working adult)	\$75,532	\$37.77
2 adults, 2 children (2 working adults)	\$98,808	\$24.70
2 adults, 2 children (1 working adult)	\$81,450	\$40.73

**Table 9. GRAND ISLE COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$46,007	\$23.00
2 adults, no children	\$63,086	\$15.77
1 adult, 1 child	\$81,974	\$40.99
1 adult, 2 children	\$96,851	\$48.43
2 adults, 1 child (2 working adults)	\$92,361	\$23.09
2 adults, 1 child (1 working adult)	\$80,430	\$40.22
2 adults, 2 children (2 working adults)	\$105,837	\$26.46
2 adults, 2 children (1 working adult)	\$86,710	\$43.36

**Table 10. LAMOILLE COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$41,961	\$20.98
2 adults, no children	\$57,981	\$14.50
1 adult, 1 child	\$66,285	\$33.14
1 adult, 2 children	\$79,167	\$39.58
2 adults, 1 child (2 working adults)	\$80,097	\$20.02
2 adults, 1 child (1 working adult)	\$72,008	\$36.00
2 adults, 2 children (2 working adults)	\$90,098	\$22.52
2 adults, 2 children (1 working adult)	\$76,813	\$38.41

**Table 11. ORANGE COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$42,845	\$21.42
2 adults, no children	\$56,360	\$14.09
1 adult, 1 child	\$65,263	\$32.63
1 adult, 2 children	\$77,783	\$38.89
2 adults, 1 child (2 working adults)	\$79,140	\$19.79
2 adults, 1 child (1 working adult)	\$71,367	\$35.68
2 adults, 2 children (2 working adults)	\$88,852	\$22.21
2 adults, 2 children (1 working adult)	\$76,085	\$38.04

**Table 12. ORLEANS COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$38,777	\$19.39
2 adults, no children	\$53,150	\$13.29
1 adult, 1 child	\$59,367	\$29.68
1 adult, 2 children	\$69,863	\$34.93
2 adults, 1 child (2 working adults)	\$72,804	\$18.20
2 adults, 1 child (1 working adult)	\$65,742	\$32.87
2 adults, 2 children (2 working adults)	\$81,467	\$20.37
2 adults, 2 children (1 working adult)	\$69,869	\$34.93

**Table 13. RUTLAND COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$40,449	\$20.22
2 adults, no children	\$53,323	\$13.33
1 adult, 1 child	\$61,136	\$30.57
1 adult, 2 children	\$71,866	\$35.93
2 adults, 1 child (2 working adults)	\$74,175	\$18.54
2 adults, 1 child (1 working adult)	\$66,494	\$33.25
2 adults, 2 children (2 working adults)	\$82,996	\$20.75
2 adults, 2 children (1 working adult)	\$70,382	\$35.19

**Table 14. WASHINGTON COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$42,590	\$21.30
2 adults, no children	\$56,938	\$14.23
1 adult, 1 child	\$67,258	\$33.63
1 adult, 2 children	\$79,468	\$39.73
2 adults, 1 child (2 working adults)	\$80,382	\$20.10
2 adults, 1 child (1 working adult)	\$72,204	\$36.10
2 adults, 2 children (2 working adults)	\$90,546	\$22.64
2 adults, 2 children (1 working adult)	\$77,116	\$38.56

**Table 15. WINDHAM COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$41,394	\$20.70
2 adults, no children	\$57,268	\$14.32
1 adult, 1 child	\$66,610	\$33.31
1 adult, 2 children	\$79,397	\$39.70
2 adults, 1 child (2 working adults)	\$80,422	\$20.11
2 adults, 1 child (1 working adult)	\$72,301	\$36.15
2 adults, 2 children (2 working adults)	\$90,370	\$22.59
2 adults, 2 children (1 working adult)	\$77,032	\$38.52

**Table 16. WINDSOR COUNTY**

<b>Household size</b>	<b>Annual budget</b>	<b>Hourly rate</b>
1 adult, no children	\$42,282	\$21.14
2 adults, no children	\$59,255	\$14.81
1 adult, 1 child	\$68,549	\$34.27
1 adult, 2 children	\$81,144	\$40.57
2 adults, 1 child (2 working adults)	\$81,639	\$20.41
2 adults, 1 child (1 working adult)	\$73,213	\$36.61
2 adults, 2 children (2 working adults)	\$91,988	\$23.00
2 adults, 2 children (1 working adult)	\$78,150	\$39.08

**Conclusion**

We urge you to pass S.23 into law quickly, so that we can all turn our attention to all of the other interventions needed in Vermont in order for our economy to work for all of us.