



Vermont Businesses
for Social Responsibility

Livable Jobs

Senate Committee on Economic Development, Housing, and
General Affairs
January 24, 2019

Testimony by Daniel Barlow
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Vermont Businesses for Social Responsibility (VBSR) is a non-profit, statewide business trade organization with a mission to advance business ethics that value multiple bottom lines- economic, social, and environmental.

We strive to help members set a high standard for protecting the natural, human and economic environments of the state's residents, while remaining profitable. Founded in 1991, VBSR has more than 700 members across Vermont.

2007-2009 Great Recession

Ten years ago this month, the United States was in the midst of the worst economic downturn since the Great Depression. On January 19, 2009, the U.S. government bails out Bank of America to the tune of \$20 billion in federal funds and \$100 billion in guarantees in subprime mortgages and other toxic assets. It's the second largest bank bailout of the recession.

Financial impact of the Great Recession:

- 8.7 million jobs lost
- More than 4.2 % drop in GDP
- 4 million homes foreclosed on
- 2.5 million businesses closed

This economic loss of the Great Recession represents a lifetime present-value income loss of about \$70,000 for every American.

But the recovery from the Great Recession has been that the recovery has not been felt equally across income lines.

Many of the newly jobless people found themselves in the service and retail industry making minimum wage. Even as more people go back to work – pay has only now started to increase and is still behind the real wage growth that we want to see from a healthy economy.

Policy decisions lead us to income inequality

Economic Policy Institute report issued a report in December 2018 placing the blame on policy decisions on the state and national level for a collapse in wages for the bottom 90% between 1975 and 2015.

Share of total personal income going to bottom 90% of workers: 58% (1979) and 46.6% (2015). That shift represents a loss of \$1.5 trillion dollars for the bottom 90% in 2015 alone – or about \$10,800 for each household.

The report found three main policy contributors:

- The decline of labor union participation
- The decay in the value of the minimum wage
- Monetary policies that prioritize low inflation over full employment

This has led to an economy that empowers employers and gives workers little or no leverage to bargain for higher wages or better benefits.

Impact of raising the minimum wage

What do the studies say? A mix of contradictory things – but as time moves on, impacts move from projection to actual – it's been clear that raising the minimum wage results in a really unbelievable thing happening: Struggling families have more money in their paychecks. Poverty drops. Job growth continues.

Berkeley's Center on Wage and Employment Dynamics report, 2018:

Drawing on data from the Labor Department, the economists found that across the six cities studied, a 10 percent increase in the minimum wage boosted weekly earnings in the food services industry by an average of between 1.3 and 2.5 percent (depending on which economic model they used) by the end of 2016. Meanwhile, their models pegged the wage hikes' impact on jobs to a range of 0.3 percent reduction (i.e. negative but tiny) to a 1.1 percent increase.

Common sense, Vermont-sized approach

What seemed like a crazy idea just a few years ago is now seen as inevitable and common sense economic policy.

Three states have raised – California, Massachusetts, and NY – have mandated increases that will reach \$15 an hour in the next several years. Several cities have done the same.

Since this national movement for a \$15 wage began, 22 million low-wage workers have seen raises thanks to minimum wage increases and now earn a collective \$68M more than prior to the wage increases. By 2022 – 17% of Americans will live in a city or a state with a \$15 an hour minimum wage.

Vermont has always been a leader in taking care of our workers. Every two years, the state calculates a new living wage – the minimum amount a person needs to earn each year to pay their bills.

This is a vital data point for legislators, analysts, and businesses. Vermont also indexes our minimum wage to inflation, allowing that baseline to adjust as the market changes.

We have an opportunity to be a leader again this year.

Vermont's current minimum wage of \$10.78 an hour amounts to less than \$22,422 a year as a salary, far too low for a single person, let alone a whole family, to survive on.

VBSR took care considering a minimum wage increase this year. We have long supported developing what we call "livable jobs" – a vision for economic growth centered on the creation of jobs with good wages and benefits.

Income inequality has slowly chipped away at the earnings of lower and middle-income Vermonters. S.40, the bill approved by the Vermont Legislature and vetoed by the Governor last year, increased the wage incrementally until it is \$15 an hour in the year 2024.

This move would result in pay raises for nearly 90,000 Vermonters – many of them household breadwinners and single parents. Breaking these raises up over a six-year timeline also gives Vermont businesses time to plan and adjust.

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**Statement from Don Mayer,
CEO and Top Dog at Small Dog Electronics**

Small Dog Electronics has been committed to providing livable jobs, which means that an employee should be able to make ends meet and provide the basics of food and shelter and health care without government assistance. To this end we have been concentrating upon raising the wages of the lowest paid workers while freezing the wages of the higher paid workers. This has had several benefits including increased employee retention and productivity and a reduction in training and recruitment costs.

We feel that a \$15/hour minimum wage is the true floor for full time wages and that is barely sufficient even as we provide a very generous benefit packaging including paying the majority of the expense for health insurance for our employees and their families. We prefer to make our company a success by the commitment and positive energy of our employees rather than by paying them an insufficient wage.

I know the cost of health insurance can be the equivalent of \$5-10/hour of wages so even a \$15/hour wage is not enough without health insurance. I paid \$1,500 for a family's health insurance 25 years ago and now it is \$20,000, it is very clear that wages have not kept up with this kind of inflation much less the simple cost of shelter and food. It is time to raise the minimum wage to \$15/hour for everyone.