PRELIMINARY NOTES ON ANALYZING S.23

Raising the Minimum Wage in Vermont to $15 in 2024

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1. Vermont's Current Minimum Wage

- The minimum wage in Vermont in 2019 is $10.78

- In future years, it will be indexed to inflation to maintain the inflation-adjusted value of $10.50 in 2018 dollars

| 2019 Consensus CPI Inflation	
2018	2.4%
2019	2.5%
2020	2.1%
2021	2.3%
2022	2.3%
2023	2.2%
2024	2.3%

2. The Proposed Minimum Wage Path

	Table 1. Minimum Wage Paths in Nominal Dollars, Current Law and Proposed Path			
	Current Law	**$15.00 in 2024**	Projected Annual Increase	Difference from Current Law
2018	$10.50	$10.50		
2019	$10.78	$10.78		
2020	$11.02	$11.50	$0.72	$0.48
2021	$11.26	$12.25	$0.75	$0.99
2022	$11.51	$13.10	$0.85	$1.59
2023	$11.78	$14.05	$0.95	$2.27
2024	$12.04	$15.00	$0.95	$2.96

Vermont's Minimum Wage, Current Law and As Proposed, Nominal Dollars
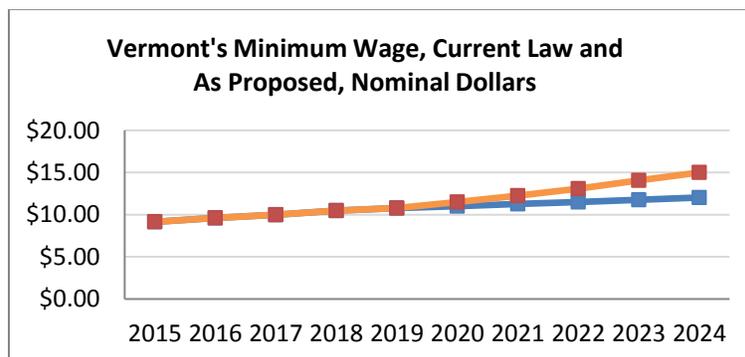
3. The Proposed Minimum Wage Path Adjusting for Inflation

	Table 2. Nominal dollars and inflation-adjusted dollars			
	Nominal $		Inflation-Adjusted 2018$	
	Current Law	$15.00 in 2024	Current Law	$15.00 in 2024
2015	$9.15	$9.15	$9.69	$9.69
2016	$9.60	$9.60	$10.04	$10.04
2017	$10.00	$10.00	$10.24	$10.24
2018	**$10.50**	**$10.50**	**$10.50**	**$10.50**
2019	$10.78	$10.78	$10.50	$10.52
2020	$11.02	$11.50	$10.50	$10.99
2021	$11.26	$12.25	$10.50	$11.44
2022	$11.51	$13.10	$10.50	$11.96
2023	$11.78	$14.05	$10.50	$12.55
2024	$12.04	$15.00	$10.50	$13.10

Vermont's Minimum Wage, Current Law and As in S. 23, Inflation-Adjusted Dollars
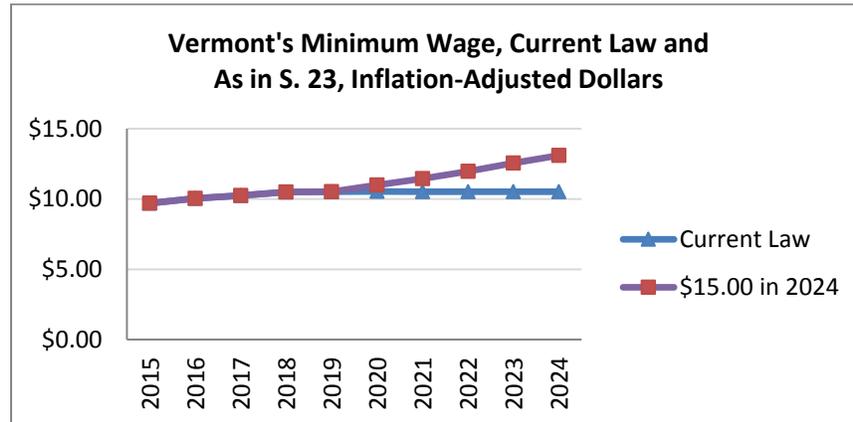
4. Characteristics of Minimum Wage Workers (Deb Brighton)

- We define Minimum Wage Workers as those who are paid at least 90 percent of the current minimum wage and up to the proposed, inflation-adjusted minimum wage in 2024 ($13.10 in 2018$)

- Results are based on the American Community Survey for VT, 2012-2016

- Given the current workforce, about 49,500 Vermont workers are Minimum Wage Workers

  – Avg hours worked per week: 35; Avg weeks worked per year: 44

 – Avg wage per hour: $11.51; Avg annual income from the MW job: $20,282

    – 41% of the workers in the minimum wage workforce are the head of a family (single parent or couple)
- Of those, 41% provide over half of the family income

5. New insights from the literature

- NBER paper #25434 by Cengiz, Dube, et al.

  - Compare the number of "new" jobs paying at or slightly above the new minimum wage to the missing jobs paying below it by looking at 138 state-level minimum wage changes between 1979 and 2016

  - The authors find that the overall number of low-wage jobs remained essentially unchanged over 5 years following the increase; "bunching" figure

  - The authors find some evidence of reduced employment in tradable sectors

- NBER paper #25182 by Jardim, Long, et al.

  - Follow employment data of individual workers in the state of Washington; follow workers in low-wage jobs immediately before Seattle's minimum wage increase.

  - On net, the minimum wage increase from $9.47 to as much as $13 per hour raised earnings by an average of $8-$12 per week.

    - The entirety of the gains accrued to workers with above-median experience at baseline; less-experienced workers saw no significant change to weekly pay.

    - Approximately one-quarter of the earnings gains can be attributed to experienced workers making up for lost hours in Seattle with work outside the city limits.

    - The authors associate the minimum wage ordinance with an 8% reduction in job turnover rates as well as a significant reduction in the rate of new entries into the workforce.

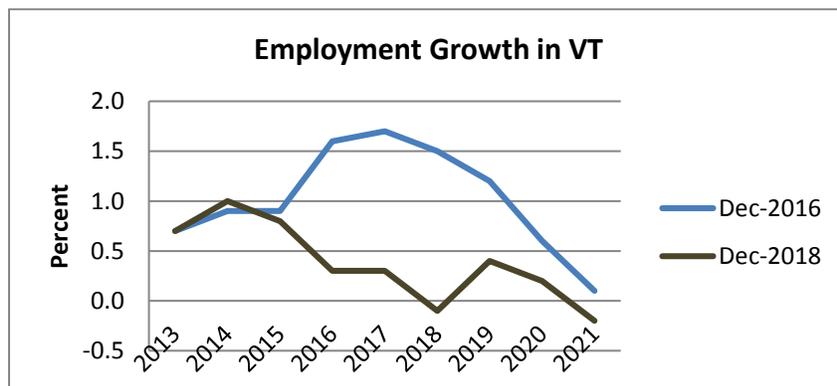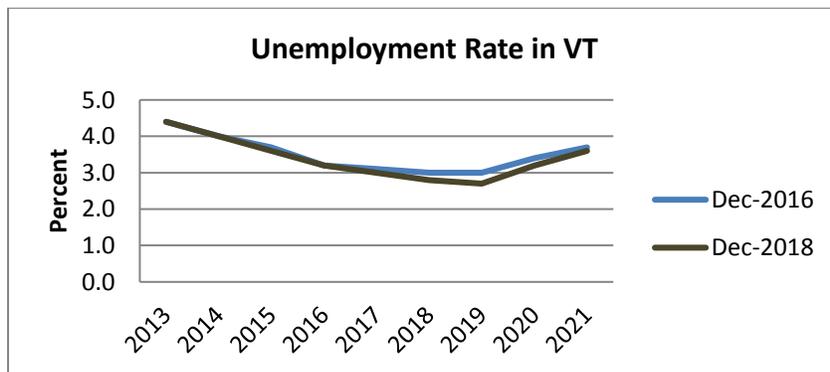## 6. How might the new modeling and analysis change outcomes?

- The last complete modeling effort was done for the April 2017 memorandum by Tom Kavet and Nic Rockler with input from Deb Brighton; the February 2019 memo will use updated data

- The model results may not change much, but other inputs will have an effect on the outcomes highlighted in the Fiscal Note Table 2

  - The REMI model relies on a baseline economy devoid of business cycle effects and imposes a policy change on that baseline economy

    - Thus, the effects of the increase of the minimum wage are not expected to look much different in the model itself, except that the rise is a bit faster and steeper because it starts a year later

Minimum Wage Paths: Current Law, S.23, and S.40
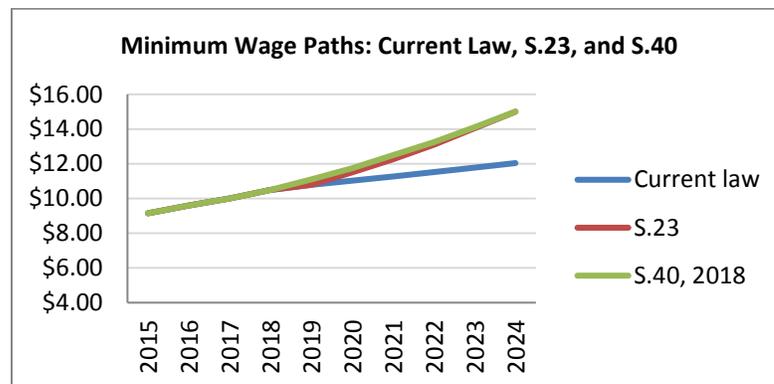
  - The data used to produce results for Vermont's State spending and revenues and effects on low-wage workers might change a bit because Vermont's economy is now in a different place

    - The same underlying data sources were used for the October 2017 analysis and spring 2018 analysis

      – American Community Survey, 2011-2015

      – Occupational Employment Survey, 2012-2015

    - Updated data sources will be used for the 2019 analysis

      – American Community Survey, 2012-2016

      – Occupational Employment Survey, 2013-2016?

Inflation-Adjusted Vermont GDP Growth

Source: U.S. Bureau of Economic Analysis
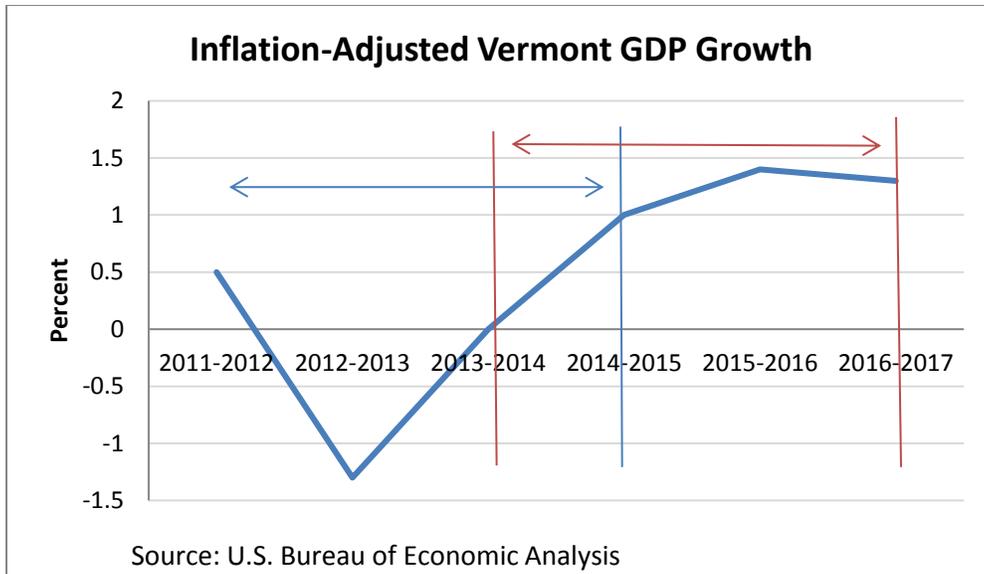
Consensus Forecasts, Dec 2016 and Dec 2018

Unemployment Rate in VT

Employment Growth in VT

Update to Table 2: **PRELIMINARY** Outcomes for the Minimum Wage Path that Reaches $15 in 2024
   NOTE: OLD = Fiscal Note for S. 40 in 2018; NEW = *highly preliminary* for S.23 in 2019

	OLD			NEW		
	2019	2020	2024	2020	2021	2024
Percent change from 2018 (2019) minimum wage, inflation adjusted	3%	6%	23%	*4%*	*9%*	*25%*
Approximate share of jobs at less than proposed minimum wage - DOL basis	10%	12%	22%	*8%*	*9%*	*17%*
Approximate number of jobs at less than proposed minimum wage (DOL basis*)	31,900	37,900	65,500	*24,000*	*28,500*	*49,500*
Initial wage bill change as a share of total wages & salary	0.02%	0.25%	1.50%	*0.02%*	*0.20%*	*1.0%*
Aggregate initial income gains of low-wage workers (2018$)	$3 mil	$30 mil	$174 mil	*$2 mil*	*$21 mil*	*$120 mil*
Net fiscal gain to State from increased tax revenue & decreased benefit payments (2018$)	*$0.3 mil*	*$3.5 mil*	*$20 mil*			
Net reduction in federal funds to State economy from decreased federal benefits and increased federal taxes (2018$)	*$1 mil*	*$9 mil*	*$54 mil*			
Approximate net disemployment (#jobs)	*200*	*350*	*950*			