



S.23 Minimum Wage
Senate Committee on Economic Development, Housing and General Affairs
Charles Martin, Government Affairs Director, Vermont Chamber of Commerce
January 30, 2019

Dear Chairman Sirotkin and Members of the Committee,

The Vermont Chamber represents nearly 1,500 members from all industries and sectors of Vermont's business community. Informed by routine engagement with our diverse membership, the Vermont Chamber prides itself on maintaining a knowledgeable perspective on issues impacting Vermont's employees and employers. After carefully considering the concerns of countless Vermont businesses, all of whom are dedicated to providing their employees with the best possible compensation packages, the Vermont Chamber of Commerce continues to oppose an increase to the minimum wage beyond levels currently statutorily in place.

Proposals to increase the minimum wage above levels mandated by current statute will, if enacted, disproportionately impact small businesses, including those businesses' current and future employees. It remains clear that efforts to increase the minimum wage are well intentioned. However, the reality stands that burdening Vermont's business community with an additional costly mandate will interfere with natural growth, including by limiting the ability of employers to organically expand compensation and benefits in a consistent and sustainable manner.

We are proud that Vermont maintains one of the nation's highest minimum wages (6th). That said, we have serious concerns about a proposal to raise the State's wage scale by nearly 50% over the next few years, when most Vermont businesses will not see equivalent revenue increases to offset such cost pressures. We celebrate Vermont businesses who currently pay above current minimum wage levels, but caution individuals who would believe employers paying below this level are doing so for any reason other than the survival of their business.

Our members also have concerns about the tipped wage rate. The tourism industry is important to the Vermont economy and our restaurants are a big part of the reason people enjoy Vermont. We have a "foodie" culture with a vibrant farm-to-table movement. Current law requires tipped earners to receive the minimum wage if that threshold isn't achieved through their wage and tips. As the minimum wage escalates, so does the tip wage because it is currently set at 50% of minimum wage. We believe that Vermont should decouple these two rates, which would allow restaurants to pay their non-tipped employees a higher minimum wage and allow tipped employees to continue to earn above that rate or be guaranteed that minimum wage rate.

In summary, the Vermont Chamber of Commerce continues to support indexing the minimum wage to inflation, as is reflected in current law. If further increases are implemented, we encourage extending the effective date to January 1, 2026, decoupling the tipped and minimum wage rates, and creating a longer stepped approach that allows Vermont businesses time to recover from the cost pressures of a mandated wage increase.

We also ask that policymakers consider the following concerns:

- 1) **While the minimum wage continues to increase, workforce participation rates are flat, or in decline.** Little evidence exists to support the theory that additional increases will disrupt this unfortunate workforce trend. Furthermore, many employers in Vermont have made clear that increases to the minimum wage will require offsets in the form of reduced work hours and overall jobs.
- 2) **Mandated additional increases to the minimum wage jeopardize employee benefits already provided by small businesses.** Total compensation to employees, like health care, tuition reimbursement and 401k will have to adjust if employers are forced to comply with these increases to the minimum wage. We are concerned that this action won't result in overall increased value to the employee as envisioned.
- 3) **Added labor costs brought on by additional increases will reverberate throughout other industry-related businesses.** Those costs will ultimately be passed on to consumers, including minimum wage earners.

The Vermont Chamber of Commerce is supportive of improving the financial circumstances of all Vermonters, but we hesitate to embrace burdensome mandates on Vermont businesses who already operate in a stressed economic environment. We continue to hear from employers who if forced to comply with this proposal, plan to implement adjustments to their business practices to mitigate the overall costs associated with wage increases. This means reductions in employee benefits, total payroll hours, and jobs.

With the aforementioned information in mind, we support adjustments to the minimum wage already in statute and oppose additional increases. If further changes to the minimum wage are mandated, they must be incremental, take into account the enormous cost pressures associated with this proposal, and occur at a rate as close as possible to that of inflation.

Sincerely,

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