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Testimony regarding S.23, “An act relating to increasing the minimum wage,” to the Vermont Senate Committee on Economic Development, Housing and General Affairs (1/31/2019)

Good morning. My name is Kate Logan, Director of Programming and Policy for Rights & Democracy, a member-led grassroots advocacy organization operating in Vermont and New Hampshire, and the Rights & Democracy Education Fund, a 501(c)3 organization whose mission is to research and advocate for policies that create communities in which everyone has the freedom to thrive. Thank you for the opportunity to speak to you all today and for your efforts to find solutions to the issues of poverty and inequity facing our state.

I am testifying today on behalf of both Rights & Democracy and as a co-facilitator the Raise the Wage Coalition, consisting of nearly thirty organizations - groups focusing on women’s rights, children’s well-being, racial justice, hunger and homelessness, affordable housing disabled Vermonters, low-income Vermonters, socially responsible business, and the majority of union members in our state, who all share a common goal of raising the wages of Vermonters, in order to provide wages that will allow working people to meet the basics to support their household budgets.

We support S.23 in its pathway to a \$15 minimum wage by 2024, but we also continue to support - as we did last spring in a memo sent to House members of the committees contemplating the issue - amending this bill so that it includes moving toward one minimum wage that covers tipped workers and high school students, as well as clear language to make appropriations for any state budget impacts of increasing the minimum wage and for the

adjustments to Child Care Financial Assistance eligibility that were discussed by Deb Brighton last week. I will discuss each of these issues in turn, but I will first focus on the argument in favor of implementing a higher minimum wage standard in Vermont. This argument is an answer to a set of complex questions that the Legislature is facing:

- What should our wage floor should be in Vermont and to whom should it apply?
- Is raising the minimum wage a good response to wage stagnation and growing income inequity?
- What should we do to promote sustainable economic growth in Vermont, which has a private employment sector overwhelmingly composed of small businesses?
- And finally, and implied in some of the testimony and discussion that we heard yesterday, is increasing the minimum wage both just and justifiable?

Raising the minimum wage is one key step the Legislature can take to enact economic policy that works for all Vermonters, not just our wealthiest and most well-connected. We believe that anyone working full-time should be able to pay for their basic needs. In other words, workers should be valued and offered basic dignity in their work. We also believe that taxpayers should not be expected to indirectly subsidize businesses that are paying their workers less than a basic needs budget. By this standard, raising the minimum wage to \$15 per hour in 2024 would meet the basic needs budget of a childless worker sharing a one-bedroom apartment with another childless worker and a two-parent household with two fully employed adults, according to oral testimony provided by Joyce Manchester in the previous legislative session.¹ As such, S.23 outlines a minimum wage policy position that would establish the lowest possible minimum wage that we should allow. In other words, we would argue that this is what justice demands.

And as we have already heard, this will deliver economic progress to tens of thousands of Vermonters. A gradually phased-in \$15 minimum wage would deliver broad benefits for

¹<https://legislature.vermont.gov/Documents/2018/WorkGroups/House%20Appropriations/Bills/S.40/S.40-MINIMUMWAGE~Joyce%20Manchester,%20Senior%20Economist,%20Joint%20Fiscal%20Office~S.40%20Summary%20Presentation~4-4-2018.pdf>

nearly one in three working Vermonters², raising their pay by an average of \$2,000 a year and beginning to reverse decades of pay inequality.^{3,4} Of the nearly 50,000 workers who would receive raises with this legislation, 87 percent are over 20 years old, 56 percent are women, 59 percent work full time, and nearly one in five are parents. [Note: These statistics derive from detailed work and hour data gathered on a quarterly basis by the Vermont Department of Labor in order to fulfill their duty to administer and enforce our mandatory unemployment insurance program.]

Further, raising the minimum wage for the lowest-paid jobs will establish a wage floor that will benefit all of those whose wages provide for their income, that is, the vast majority of Vermonters. As we have heard, wages have stagnated for most Vermonters. This is, in fact, a global trend and it is the result of economic policy decisions rather than mysterious market forces that are beyond our control. The “wage share” of our GDP per capita (the share of our GDP that goes toward wages and salaries) has declined to levels that we have not seen since the Great Depression. Meanwhile, corporate profits and unearned income have risen, receiving the largest share of the “productivity gains” and GDP growth over the last 40 years. And at the same time, the average individual effective tax rate has risen while the corporate tax rate has fallen.⁵ What we see are state, national, and global trends that have redistributed resources away from average workers and toward corporations, investors, and financiers. Similarly, the largest wage growth has been at the top end of the wage scale, and the most severe wage inequality can often be found within the same building or corporation.^{6,7} In other words, policy has built an economy that disproportionately benefits top income earners. This is unjust, and justice demands that we do not make policy decisions that are

² <http://www.epi.org/files/2017/MW-State-Tables.pdf>

³ <http://www.epi.org/publication/15-by-2024-would-lift-wages-for-41-million/>

⁴ <http://publicassets.org/library/publications/reports/state-of-working-vermont-2018/>

⁵ <https://archive.nytimes.com/www.nytimes.com/interactive/2013/08/09/business/economy/Higher-Profits-Lower-Wages>

⁶ http://www.ilo.org/global/about-the-ilo/multimedia/maps-and-charts/enhanced/WCMS_537906/lang-en/index.htm

⁷ <https://legislature.vermont.gov/Documents/2020/WorkGroups/Senate%20Economic%20Development/Bills/S.23/Drafts,%20Amendments%20and%20Summaries/S.23~Damien%20Leonard~Report%20of%20the%20Minimum%20Wage%20and%20Benefits%20Cliff%20Study%20Committee~1-23-2019.pdf> [see page 7]

increasingly creating a division within our society between those who deserve to thrive and those who do not. There is a long list of interventions that policy makers could take to curb those trends, and increasing the minimum wage is one of those, helping to reverse a trend that suppresses average wages in favor of highly-paid executives and unearned income for investors and financiers.

My own grandfather, the middle child in a family of thirteen from rural Smith Center, Kansas, was able to support his wife and three children on the income that he received from working as a gas station attendant and the occasional odd job. Perhaps he did not have the “fire in the belly,” as Commissioner Kurrle put it last week, to pursue higher-skilled and higher-paying employment, but he was also a beloved member of his family and community, and fully employed in a job that was essential to the local economy. He had dignity in his work and in his community. Last year, I surveyed and canvassed low-income Vermonters in Burlington, Colchester, Grand Isle, Rutland City, and St. Albans. When I spoke to folks who were not fully employed and who were not disabled, and who were willing to talk openly with me about their experience, I routinely heard that they made the decision to work less than full time because it would enable them to receive public assistance that would give them more than if they worked full time at the jobs that were available to them. In other words, they made a reasonable financial decision to have a higher quality of life--more food, better housing, and so on--by working less. These folks were universally ashamed to admit this and not one of these people was willing to publicly share their story. One way to interpret this is that these folks do not have “the fire in their belly.” Another way to interpret this is that our current wage policy incentivizes underemployment and undervalues the labor of everyday working people, and that these folks are making choices to have the highest possible quality of life within the circumstances that they find themselves. We have degraded the dignity of work and working people in our communities by allowing employers to pay wages that do not offer self-sufficiency to adults who are working jobs that need to be done. While the American economy has grown and per capita GDP has increased, everyday American

workers now experience a lower quality of life than my grandfather did in rural Kansas in the 1950's. We can begin to address this by raising the wage floor.

But we must also ask how and whether increasing wages promotes economic stability and growth, both in general and in Vermont. In other words, is raising the minimum wage both *just* and *justifiable* in basic economic terms. So I will offer only one of the many economic arguments in favor of increasing the minimum wage. Here it would be helpful to look at Australia, where a livable wage policy has been in place since 1907. In 2017, Australia celebrated its twenty-fifth year without suffering a recession.⁸ Aside from maintaining strong exports, this is also attributed to Australia's wage policy [Note: Adjusting for the purchasing power, S.23 would bring Vermont in line with the Australian minimum wage]. The explanation for this effect is that economic recessions are related to declines in consumption. A higher wage floor helps to break the positive feedback loop that causes economic recessions, because those who earn the least are often the least directly impacted by ebbs and flows - or crises - in the stock market. Put differently, those with the lowest incomes spend the majority of their income on consumer goods. Even when the stock market fluctuates, the average worker will continue to purchase goods at roughly the same rate that they usually do, even while investors suffer losses in their stock portfolios, i.e., their unearned income. With no significant decline in consumption, there is no need to lay off workers, which would cause a further decline in production, consumption, and further layoffs. In other words, everyday workers are the bedrock of Vermont's economic stability and potential for *sustainable* economic growth. When we improve workers' ability to purchase their basic needs, we provide the freedom for our entire economy to thrive.⁹ In Vermont, where the large majority of our private sector is comprised of small businesses,¹⁰ increasing the wage floor will have a positive impact on our state's economic growth and will give workers the spending power they need in order to buy more from local businesses and service providers.

⁸ <https://www.bbc.com/news/business-39124272>

⁹ See Daly and Farley, *Ecological Economics* (2004), Chapters 15, 16, and 22.

¹⁰ <https://www.sba.gov/sites/default/files/advocacy/Vermont.pdf>

But we need not only consider the question as to whether or not to raise the minimum wage in Vermont, but also *who* the minimum wage should cover. We would argue that S.23 should be amended to bring both tipped workers and high school students into the full minimum wage. Briefly, including tipped workers and high school students in the full minimum wage is both just and economically justifiable policy decisions.

As discussed in Saru Jayaraman's testimony this morning, bringing tipped workers into the full 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. If you are to take further testimony on this issue in considering an amendment to S.23, 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 testimony to this issue could be provided by Yannet Lathrop at the National Employment Law Project, 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 will 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.¹¹ 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.

Finally, we would further ask the Committee to amend S.23 to address one phrase in Section 2: “to the extent that funds are appropriated.” As Deb Brighton testified last week, expanding eligibility for the Child Care Financial Assistance Program [CCFAP] to “hold harmless” working parents who receive pay raises as a result of raising the minimum wage is essential to ensuring that this policy change does not harm some of our most vulnerable low-wage workers, parents and their children. In addition, this section of the bill includes appropriations for all other public budget lines that would be impacted by increasing the minimum wage due to increased wages for some state employees and contractors who provide essential services that are publicly funded, such as home health care. The appropriations language in S.23 should reflect the necessity to make appropriations, rather than setting out recommendations for how to allocate funds in case they are appropriated.

We are grateful for the leadership in our Legislature who have decided to bring this issue back as part of your agenda, despite S.40 being vetoed in last year’s session, and we thank you for taking our testimony today. Please join with working people, supportive business owners, and your constituents and raise the wage for nearly a third of our workforce. Help us make the Green Mountain State a leader for working families and the middle class. Help us make Vermont’s economy an economy that works for all of us. Thank you.

¹¹ <https://www.nelp.org/publication/all-workers-should-be-protected-full-minimum-wage-regardless-age/>