

Covid-19 Sick Leave and Minimum Wage Analysis

Senate Economic Development Committee

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DM #360944



JFO

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Outline of talk

Part 1: Estimate of cost of reimbursing Covid-19-related sick days

Part 2: Effects if the minimum wage reaches \$15 in 2024

Part 3: Review prior analysis of raising the minimum wage



Part 1: Estimate of the cost of reimbursing Covid-19-related sick days

Brief description



Vermont Covid-19-Related Paid Sick Leave Grant Program

- During calendar year 2022, reimburse employers for the cost of providing employees with Covid-19-related sick leave, either paid or unpaid
 - Maximum hours per employee: 80 or average hours worked in 2 weeks
 - Maximum hourly reimbursement: \$63.88, or the greater of the minimum wage and the normal hourly wage
 - Maximum reimbursement per employee: \$5,110
- JFO's preliminary estimate: \$26 million



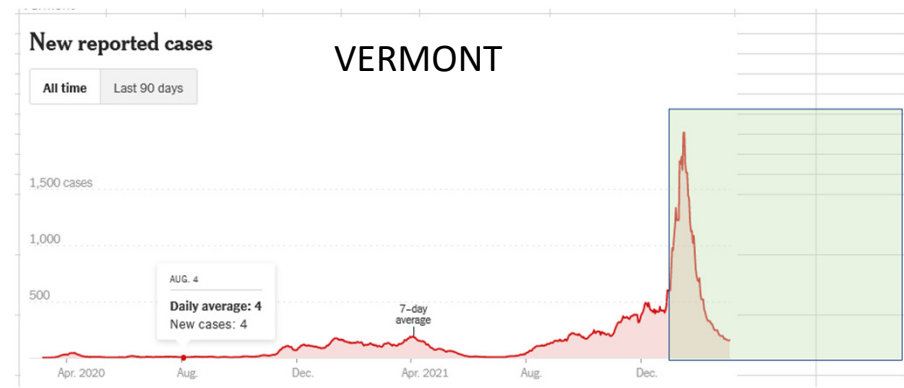
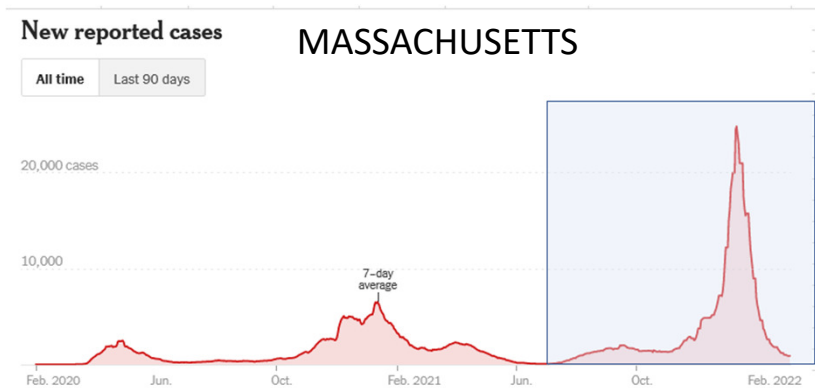
Two approaches to estimating the cost

- Massachusetts Covid-19 Emergency Paid Sick Leave Program
 - Maximum hours per employee: 40
 - Maximum hourly reimbursement including benefits: \$21.25
 - Maximum reimbursement per employee: \$850
 - May 28, 2021 – March 15, 2022 (running out of funds)
 - Full budgeted amount: \$100 million
- Vermont cases approach
 - Guess 2022 cases in Vermont, share reimbursed, hours, wage



Scaling the MA Program to Vermont

- Adjust for number of hours, wage rate reimbursed, median wages, duration of program, number of employees, and share of reimbursement paid by State (federal program paid 2/3 wages until Sept. 28, 2021)
- Assume similar number of Covid-19 cases per capita
- First estimate: about \$27.5 million for Vermont



The Vermont cases approach

- Use actual and forecasted number of cases, the share reimbursed, average number of hours, reimbursement per hour
- Second estimate: ~\$24.5 million
 - 62,085 cases
 - 45% reimbursed for 35 hours
 - Average wage rate \$25/hour

VT DFR Covid presentation, March 2, 2022; JFO guesses			
			Per day
Jan	38,500	actual	1242
Feb	7,585	actual	271
Mar	3500	JFO guess	117
Apr	2700	"	90
May	1800	"	60
Jun	500	"	17
Jul	500	"	17
Aug	1000	"	33
Sep	1500	"	50
Oct	1500	"	50
Nov	1500	"	50
Dec	1500	"	50
Total	62,085		



Part 2: Effects if the minimum wage reaches \$15 in 2024

Brief description



Minimum Wage Increases in law and proposed, Adjusted for Inflation
Inflation estimated as:
Avg t, t-1 Same year

Inflation	Year	Nominal	Increase	Adj for infla	Adj for infla
1.3%	2016	\$9.60	1.3%		
2.1%	2017	\$10.00	4.2%		
2.4%	2018	\$10.50	5.0%		
1.8%	2019	\$10.78	2.7%		
1.2%	2020	\$10.96	1.7%		
4.7%	2021	\$11.75	7.2%	4.3%	2.5%
4.2%	2022	\$12.55	6.8%	2.4%	2.6%
3.1%	2023	\$13.75	9.6%	5.9%	6.5%
2.9%	2024	\$15.00	9.1%	6.1%	6.2%
2.7%	2025	\$15.44	2.9%	0.1%	0.2%



Considerations for labor market and economic effects

- We have no comprehensive Vermont data on current wage rates, especially for low-wage workers; we cannot perform detailed analysis
- Current labor market and inflation conditions are extraordinary
 - Argues for smaller negative impacts, as wages are elevated and demand for low-wage labor is strong
- Nationally, the Employment Cost Index for private industry workers increased 4.4 percent for calendar year 2021

Employment Cost Index, Dec 2021					
incl. wages and benefits	Increase in Employment Cost Index, percent				
	Mar-21	Jun-21	Oct-21	Dec-21	12-mo
All private industry workers	1.0	0.8	1.4	1.2	4.4
Accommodation and food services	1.5	2.6	2.5	1.5	8.1
Nursing and residential care facilities	0.9	1.3	1.8	1.8	5.8

Source: U.S. Bureau of Labor Statistics, released Jan. 28, 2022



Likely effects of raising the minimum wage

- Some low-paid workers will receive an increased wage
 - Often less educated, older women, teenagers
- Vermont will see a small increase in tax revenues and reduction in benefit payments as a result
 - Vermont will also see some reduction in federal funds coming to the State from lower utilization of federal programs
- Some relatively small number of jobs will likely disappear
- In the long term, the number of jobs will be a bit lower and the level of GDP in Vermont will also be a bit lower



Part 3: Review the analysis from S.23 in January 2020

Brief description



From the Fiscal Note for S.23, January 2020

Table 2. Outcomes for a Minimum Wage Path that Reaches \$12.55 in 2022		
PRELIMINARY CALENDAR-YEAR ESTIMATES based on modeling in February 2019		
	In 2021	In 2022
Percent change from 2020 minimum wage, inflation-adjusted	4.5%	9.0%
Approximate share of jobs at less than proposed minimum wage - DOL basis*	9%	13%
Approximate number of jobs at less than proposed minimum wage - DOL basis	28,000	40,000
Initial wage bill change as a share of total wages & salary	0.30%	0.70%
Aggregate initial income gains of low-wage workers (2020\$)	\$53 mil	\$121 mil



From the Fiscal Note for S.23, January 2020

	2021	2022
Net fiscal gain to State from increased tax revenue & decreased benefit payments from the minimum wage change (2020\$)	\$3.6 mil	\$9.4 mil
Net reduction in federal funds to VT economy from decreased federal benefits and increased federal taxes (2020\$)	\$17.3 mil	\$39.1 mil
Approximate net disemployment (#jobs)	90	280
	Long-Term Outcomes, Average 2025-2040	
Net annual long-term disemployment (#jobs)	500	
Disemployment as a share of total jobs	0.1%	
Disemployment as a share of minimum wage jobs	0.8%	
Effect on level of Vermont GDP	-0.08%	
Source: JFO estimates based on modeling outcomes from Kavet, Rockler & Associates with input from Deb Brighton, February 2019; converted to 2020 dollars by JFO; all outcomes here are presented by calendar year.		

