

Unemployment Insurance and Minimum Wage Analysis

Senate Economic Development Committee

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February 18, 2022



Outline of talk

Part 1: S.221 – estimated cost of additional UI benefit of \$25/week for four years

Part 2: New path for the minimum wage to reach \$15 in 2024

Part 3: Review prior analysis of raising the minimum wage



Part 1: S.221 – cost of additional benefit of \$25/week for UI recipients

Brief description



Previous JFO estimate was \$7.8 million for two years

- Previous estimate was based on an average number of benefit payments per week of 3,000
 - $52 * 2 * \$25 * 3000 = \7.8 million
- Now looking at more recent data

JFO Estimates of Cost of \$25 Supplemental UI Benefit			
	# ben's pd per week	cost	cost per year
Oct-Feb levels	2,360	\$66,513	\$3,458,660
Jan - mid Feb '22	3,320	\$83,000	\$4,316,000
Jan - mid Feb '20	5,000	\$125,000	\$6,500,000

Source: JFO analysis using Vermont DOL data.



Looking ahead, looking back

History and Consensus Forecast for Vermont, January 2022, by Calendar Year

	2019	2020	2021	2022	2023	2024	2025
Unempl rate	2.3%	5.6%	2.9%	2.2%	2.3%	2.6%	2.7%
CPI growth	1.8%	1.2%	4.6%	4.2%	3.1%	2.9%	2.7%
Real GDP growth	1.0%	-4.2%	4.4%	4.2%	3.0%	2.8%	2.6%

Source: Consensus Forecast, January 2022

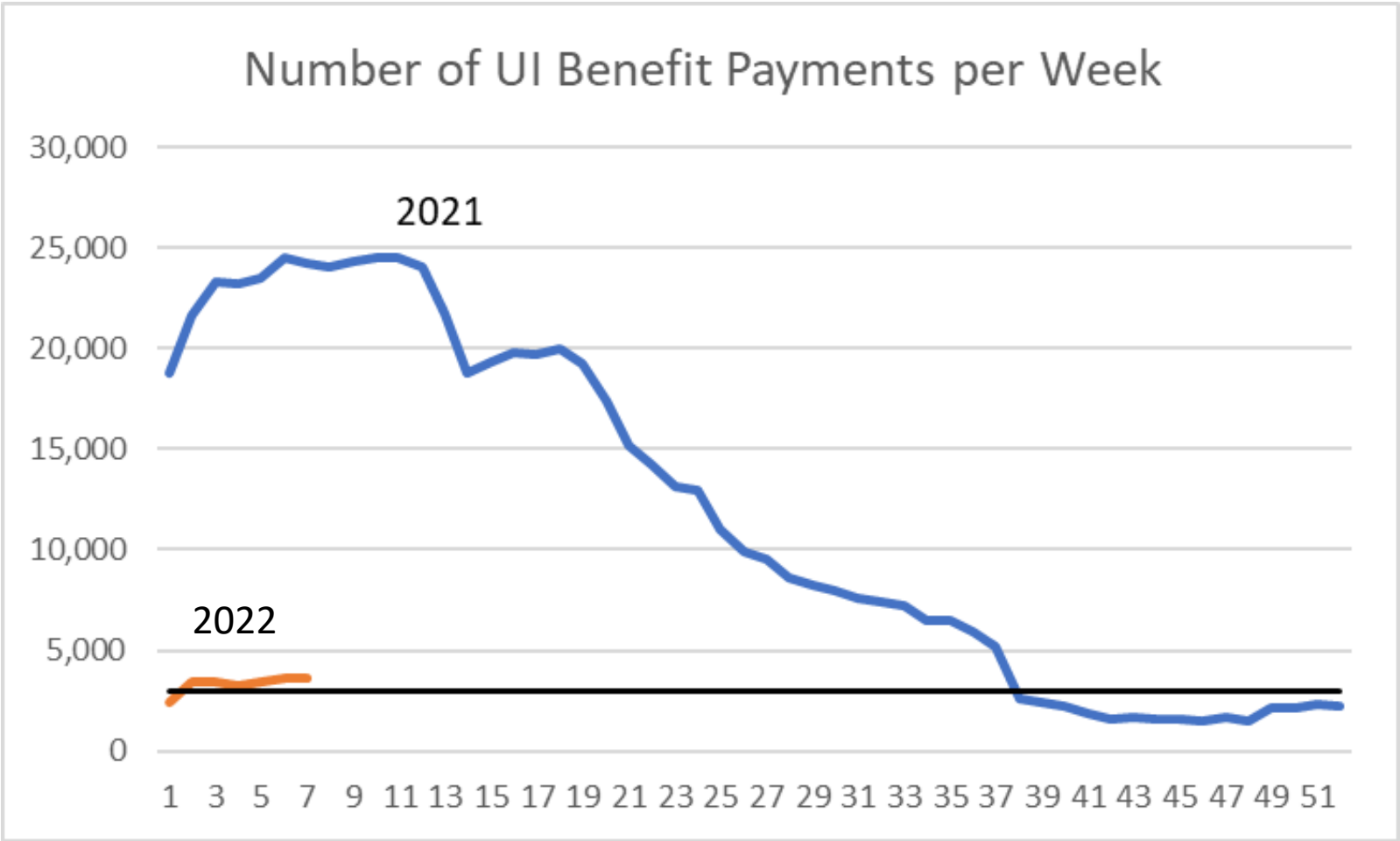
Labor Force Statistics in Vermont, by Calendar Year

	2017	2018	2019	2020	2021
Labor Force, avg.	347,080	346,733	344,456	317,923	318,324
Unemployed, avg.	10,462	9,109	7,933	18,519	9,187
Total UI Ben's paid, mil.	\$67.7	\$65.2	\$65.0	\$389.0	\$113.8

Source: U.S. Bureau of Labor Statistics



Not much clarity going forward



It seems prudent to stick with 3,000 UI payments per week

- Annual cost
 - $52 * \$25 * 3000 = \3.9 million
- Four-year cost
 - $52 * 4 * \$25 * 3000 = \15.6 million



Part 2: New path for the minimum wage to reach \$15 in 2024

Brief description



Historical and Consensus CPI Inflation	Year	Path A: Current Law			Proposed Path		
		Indexed to CPI Inflation or Set	Nominal Change	Adjusted for inflation	\$15 in 2024		
	Year	Current Law	Increase	2022 \$\$	Nominal	Increase	2022 \$\$
1.3%	2016	\$9.60	1.3%		\$9.60	1.3%	
2.1%	2017	\$10.00	4.2%		\$10.00	4.2%	
2.4%	2018	\$10.50	5.0%		\$10.50	5.0%	
1.8%	2019	\$10.78	2.7%		\$10.78	2.7%	
1.2%	2020	\$10.96	1.7%		\$10.96	1.7%	
4.7%	2021	\$11.75	7.2%		\$11.75	7.2%	
4.2%	2022	\$12.55	6.8%	\$12.55	\$12.55	6.8%	\$12.55
3.1%	2023	\$13.08	4.2%	\$12.55	\$13.75	9.6%	\$13.34
2.9%	2024	\$13.48	3.1%	\$12.55	\$15.00	9.1%	\$14.14
2.7%	2025	\$13.87	2.9%	\$12.55	\$15.44	2.9%	\$14.14
2.5%	2026	\$14.25	2.7%	\$12.55	\$15.85	2.7%	\$14.14
2.4%	2027	\$14.60	2.5%	\$12.55	\$16.25	2.5%	\$14.14
2.2%	2028	\$14.95	2.4%	\$12.55	\$16.64	2.4%	\$14.14
2.2%	2029	\$15.28	2.2%	\$12.55	\$17.00	2.2%	\$14.14
2.2%	2030	\$15.62	2.2%	\$12.55	\$17.38	2.2%	\$14.14



Analysis from
2019 on S.23

2021: \$11.75

2022: \$12.55

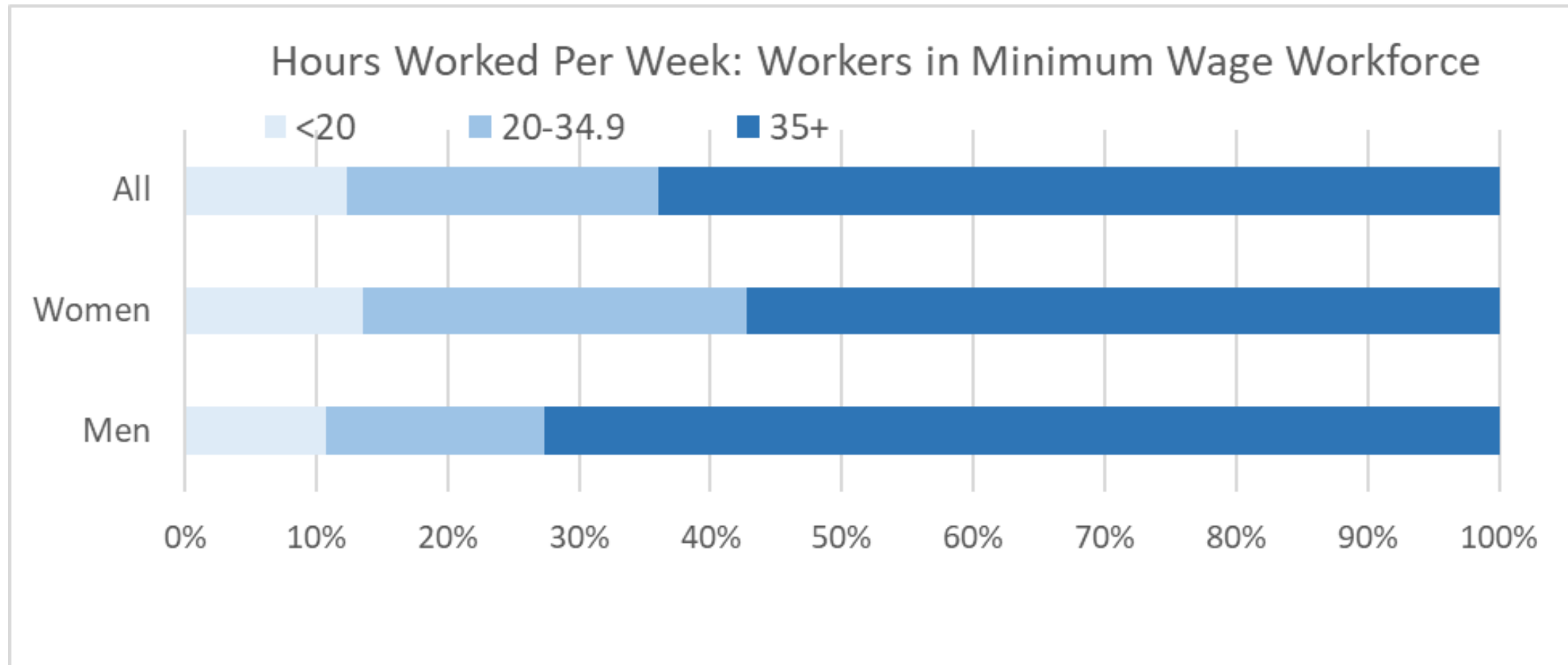
Historical and Consensus CPI Inflation	Year	Path B			S.23 Compare in 2022 \$\$
		Nom.	Increase	2019 \$\$	
1.3%	2016	\$9.60	1.3%		
2.1%	2017	\$10.00	4.2%		
2.4%	2018	\$10.50	5.0%		
2.5%	2019	\$10.78	2.7%	\$10.78	\$11.63
2.1%	2020	\$10.96	1.7%	\$10.73	\$11.58
2.3%	2021	\$11.75	7.2%	\$11.25	\$12.04
2.3%	2022	\$12.55	6.8%	\$11.74	\$12.55
2.2%	2023	\$12.85	2.4%	\$11.74	\$12.55
2.3%	2024	\$13.16	2.4%	\$11.74	\$12.55
2.2%	2025	\$13.46	2.3%	\$11.74	\$12.55
2.2%	2026	\$13.80	2.5%	\$11.74	\$12.55
2.2%	2027	\$14.13	2.4%	\$11.74	\$12.55
2.3%	2028	\$14.44	2.2%	\$11.74	\$12.55
2.3%	2029	\$14.76	2.2%	\$11.74	\$12.55
2.3%	2030	\$15.08	2.2%	\$11.74	\$12.55



Who earns \$15 per hour or less?

Analysis from
January 2019

Deb Brighton



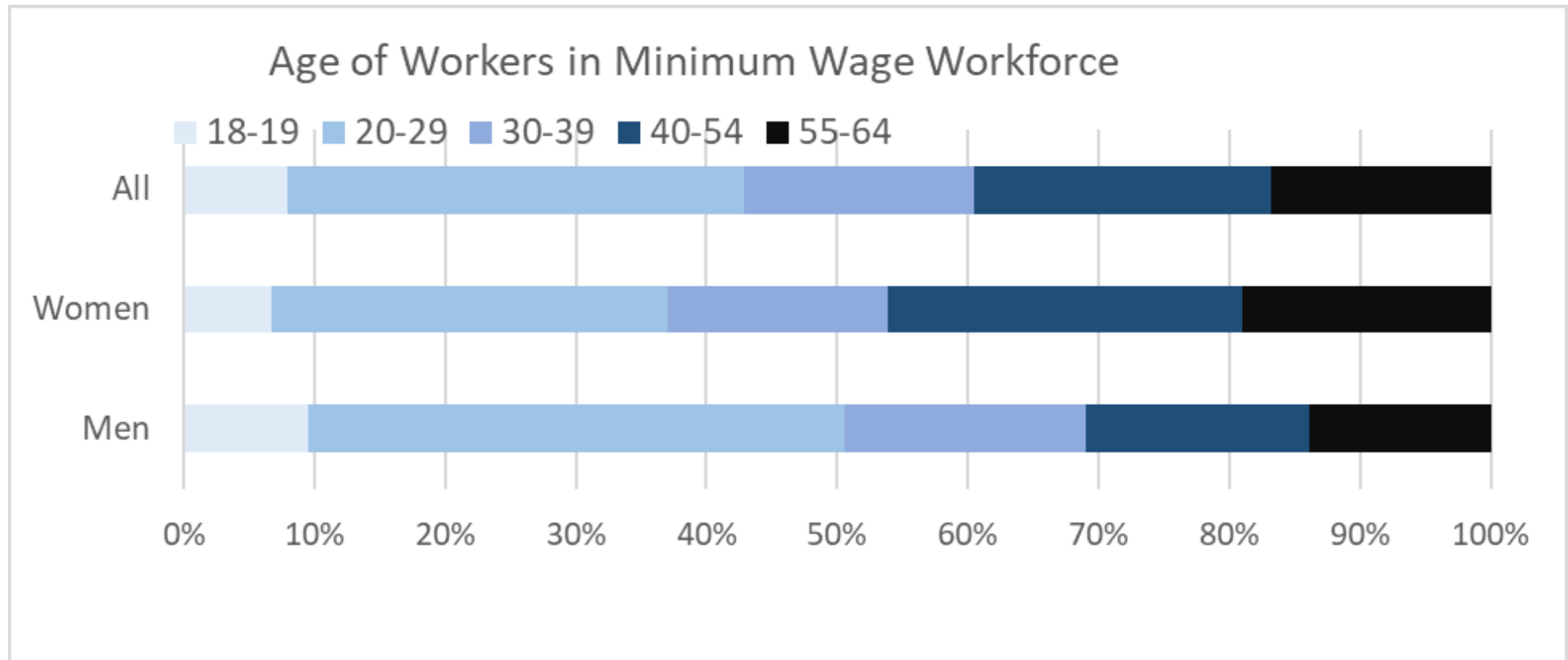
Preliminary estimates of \$15/hour minimum wage in 2024;
American Community Survey microdata sample 2012-2016. Deb Brighton 011819



Who earns \$15 per hour or less? continued

Analysis from
January 2019

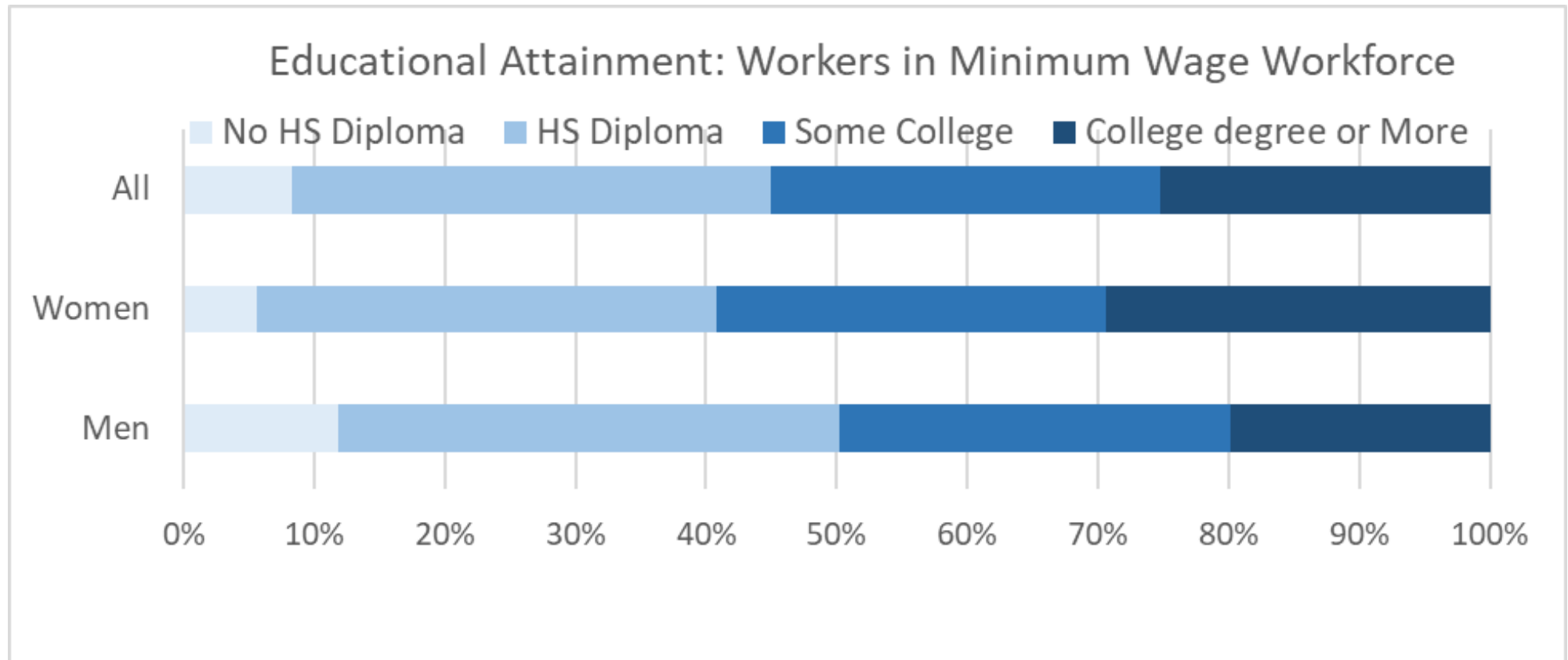
Deb Brighton



Who earns \$15 per hour or less? continued

Analysis from
January 2019

Deb Brighton



- 56% of the workers in the minimum wage workforce are women
- 41% of the workers in the minimum wage workforce are head of a family (single parent or couple)
 - Of those, 41% provide over half of the family income.



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.		

