



Minimum Wage Testimony

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Minimum Wage Study Committee October 2, 2017*

Good morning,

My name is Ashley Romeo-Boles and I am the Government Affairs Specialist for the private, nonprofit, Vermont Chamber of Commerce. As the largest statewide business organization, the Vermont Chamber represents about 1,500 members covering all industries and sectors from tourism to manufacturing to retail to health care to construction to technology. Our mission is to help our members grow their businesses *and* the Vermont economy. Thank you for the opportunity to submit testimony today. We appreciate your attention to our thoughts on this issue.

The Vermont Chamber is concerned about an increase to the minimum wage beyond what is already statutorily in place. Our economy is still vulnerable and Vermont small businesses are being challenged daily. A change to the currently mandated wage increase would inhibit those small businesses and their employees from growing and thriving. There is also concern that the employee, especially first-time workers, may face the biggest risk of being priced out of the job market and being impacted by the benefits cliff. Ideally, we would like to give businesses more time to absorb the current wage increases already in place before adding new mandates.

Vermont has a competitive minimum wage regionally and is tied as the 7th highest in the country (over 35% above the Federal rate of \$7.25). We applaud Vermont for consistently setting the bar high in this respect, knowing that we have exceeded the Federal minimum wage since the mid-80's.

The Vermont Chamber shares your concerns about growing wage disparities and the ability of working Vermonters to earn a living and raise a family here. While we support working on increasing the wages of all Vermonters, we have concerns about what the impacts of increasing the minimum wage to \$15/hour, would have on employers and employees. As we already are aware, our workforce participation rates have been steadily declining and extreme wage increases could have the result of removing more individuals from the workforce altogether. If you raise wages by one dollar, the actualized labor cost can be a minimum of \$1.25 and most often much higher, especially when you add in the additional costs of healthcare. There are multiple actions an employer can take so that the labor costs remain constant. **Few are positive outcomes for the worker:** reducing employee hours, reducing benefits, reducing training, wage compression (paying new higher wage workers less), price increases and reduced profit margins. We must acknowledge that entry level positions weren't intended as a career choice. It's a starting point to get the experience and skills so more can be earned. The first job of anyone working a minimum-wage assignment is to gather enough resume fodder to go get a better job.

Of importance to note, these increase discussions come on the heels of legislation three years ago where all interests, including the Vermont Chamber, supported a four-year increase in the minimum wage. In 2014, interests from both sides negotiated a stepped increase to the minimum wage from \$8.73 per hour, to 9.60 in 2016, \$10 in 2017 and \$10.50 in 2018. Thereafter, the minimum wage would be indexed to inflation. This compromised agreement was intended to allow businesses to plan and prepare for the increases, budgeting in these cost increases, while avoiding battling it out in the legislature each year over minimum wage increases. These new proposals overshadow and undermine the prior hard-fought compromise and negate the work done to reach a resolution that could be supported. Changing the rules of the game now frustrates small businesses and adds to their uncertainty of doing business within the state.

This legislation will burden Vermont's top job creators: small businesses. Many businesses continue to struggle with legislatively imposed fees and mandates and the increase envisioned is only one of a myriad of bills that add to business cost pressures. It should be noted that numerous employers in this state already pay higher than the minimum wage. Those small businesses that pay the minimum wage cannot afford to pay more and some offer other benefits to their employees that could be in jeopardy if mandatory increases are implemented. Mandatory wage increases have not been proven to reduce poverty or narrow the income gap. These businesses are on the bubble and a higher minimum wage will hurt those very small businesses that are struggling most. Small business owners provide a direct benefit to our economy. Unfortunately, measures increasing the minimum wage beyond what was previously negotiated undermines these efforts and not only adds to the cost of doing business but also creates an economic chilling effect that will make it even more difficult for Vermont small businesses to succeed and to grow our economy.

Vermont has the potential to become a dynamic growth state. By growing our economy, we can make the piece of the economic pie larger, which will in turn assist in increasing the tax base and ultimately personal incomes of Vermonters. Our focus should be on how to grow our economy and while it will not allow us to get to \$15/hour immediately, it will provide Vermont with a longer-term proposal to increase working Vermonters wages that is more sustainable.

While we are looking at many other states which have or are considering increasing their wages, we must also consider the differing economies of scale. My *Economics Comparison* handout provides more details than I will go over today, but I encourage you to look at the economic differences between Vermont and these other jurisdictions. Not only do they have larger population growth than Vermont, but they also have higher Gross State Product values and job growth, which better positions them to enact wage increases. Vermont is not in the same economic position as other states considering or enacting minimum wage increases. At this time, this minimum wage proposal is the wrong medicine for an ailing economy. Thank you very much for the opportunity to testify today.

Minimum Wage Increases Across the Nation

An Economics Comparison

\$13.50/hour



- Gross State Product: \$226,821 M (2016 - as of May 2017)
- Job Growth (2016): 3.2%
- State Pop.: 4,093,465
- Portland, OR Population: 640,000
- Net Migration (2015): 42,900

In recent years Oregon's economy has been among the ten fastest growing states nationwide. Oregon and its Western neighbors continue to lead the way in terms of revenue growth. Unlike a large majority of states dealing with disappointing revenue growth that has failed to match their budget projections, Oregon's revenue growth has outstripped expectations. From 2004-2014 Cumulative Growth in State Gross Domestic Product was at 49.3%. From 2005-2014 cumulative domestic migration was 195,898.

- Gross State Product: \$469,739 Million (2016 - as of May 2017)
- Population: 7,288,000
- Job Growth (2016): 2.9%
- Net Migration (2015): 68,700



A cradle for innovation, Washington is the birthplace for a spectrum of iconic companies, including Microsoft, Amazon.com, Nordstrom, Starbucks, Boeing and Costco. Venture capitalists have put \$3.4 billion (B) of VC money— fifth most in the U.S.—into the state between 2013 and 2015. The state has the lowest energy costs in the U.S. at 29% below the national average per Moody's Analytics. From 2004-2014 Cumulative Growth in State Gross Domestic Product was at 55.7%. From 2005-2014 cumulative domestic migration was 286,312. *Direct visitor spending was \$20.7B in 2015, up 5.4% in current dollars over 2014. This compares with 6.8% growth in overall state taxable sales during the same period. **There was \$1.2B in tax revenues directly related to visitor purchases.

\$12.00/hour



- Gross State Product: \$291,000 Million (2016 - as of May 2017)
- Population: 6,931,100
- Job Growth (2016): 2.6%
- Net Migration (2015): 63,300

*Arizona's economy is poised to grow at a faster rate than the U.S. economy as a whole, part of what makes it the 14th strongest economy in the country. †A record 43 million overnight visitors came to Arizona last year, and they collectively spent \$58 million per day during their stays. Job and economic growth forecasts over the next five years are among the best in the U.S. Population growth through 2020 is expected to be the third fastest in the country. From 2004-2014 Cumulative Growth in State Gross Domestic Product was at 40%. From 2005-2014 cumulative domestic migration was 536,269.

- Gross State Product: \$56,600 Million (2016 - as of May 2017)
- Population: 1,331,500
- Job Growth (2016): 0.5%
- Net Migration (2015): -200



Maine ranked last each year from 2010-2013 in Forbes' Best States for Business. Much of the blame for the poor showing in recent years can be placed on the state's high corporate tax burden and lousy job and economic growth forecast. Job and income growth are expected to be among the slowest in the U.S. through 2020. Maine has few big businesses located there, including only one of the 1,000 largest U.S. companies by sales. Only Florida has an older population. From 2004-2014 Cumulative Growth in State Gross Domestic Product was at 21.8%. From 2005-2014 cumulative domestic migration was -3,958.

- Gross State Product: \$323,692 Million (2016 - as of May 2017)
- Population: 5,540,545
- Job Growth (2016): 2.6%
- Net Migration (2015): 67,800



Colorado is rated #1 by U.S. News as the Best States for Economy in 2017. The percent of the population age 25-34 is the second highest in the U.S. and Colorado is expected to have the second fastest job growth over the next five years per EMSI data. From 2004-2014 Cumulative Growth in State Gross Domestic Product was at 49%. From 2005-2014 cumulative domestic migration was 315,015.

Sources: ‡ <https://www.scribd.com/document/347826927/Washington-D-C-Economic-Partnership-2017-Report>;

† <https://www.bloomberg.com/news/articles/2017-04-17/trump-s-d-c-economy-plans-for-life-beyond-millennials>;

* <https://www.nytimes.com/2017/06/05/us/california-today-how-california-helps-the-us-economy.html>;

** <https://www.watourismalliance.com>;

<https://azgovernor.gov/governor/blog/2017/07/arizona-expected-grow-faster-rate-us-year-and-next>;

https://www.alec.org/app/uploads/2016/04/2016-RSPS-Final_WEB.pdf;

<https://fred.stlouisfed.org>; <https://www.forbes.com/best-states-for-business/list/>

Minimum Wage Increases Across the Nation

An Economics Comparison

The Vermont Legislature is considering a minimum wage increase to \$15/hour, joining many other states and large cities that have or are considering increasing their wages. CA, NY and D.C. will incrementally increase to \$15/hour. WA and OR will reach \$13.50/hour and CO, AZ, ME will reach \$12/hour. In following this trend, the legislature must keep in mind that many of these localities are in different economic positions than Vermont and therefore are not fair comparisons. Vermont lacks the population and economic growth that many of these states and cities are experiencing, which justify wage increases. From more job opportunities and higher incomes, to better social mobility and improved quality of life, states with growing populations have substantial advantages, which folds back into the economy further enhancing business and individual opportunities, to those without increasing populations.

\$15.00/hour • **Gross State Product: \$31,092 Million (2016-as of May 2017)** • **Population: 624,600**
 • **Job Growth (2016): 1.7%** • **Net Migration (2015): -1,300 or**



Vermont (VT) has the smallest economy and the slowest growth rate (at just 0.02%) in the U.S. VT suffers from business costs that are 15% above the national average. VT's economic outlook is also weak—projected to be the fifth worst in the U.S. over the next five years. Income growth is also expected to badly lag the rest of the country. In 2017 U.S. News ranked VT #33 as the Best States for Economy. From 2004-2014 Cumulative Growth in State Gross Domestic Product was at 30.1%. From 2005-2014 cumulative domestic migration was a net loss of 9,107. The 2010 Census was 625,741, a 2.8% expansion from the 2000 Census, demonstrating a stagnant population.

• **Gross State Product: \$2,602,672 Billion (2016-as of May 2017)** • **Population: 39,250,000**
 • **Job Growth (2016): 2.6%** • **Net Migration (2015): 103,500**



Over the last five years, California (CA) has outperformed the nation in just about every important economic metric. CA accounts for about 12 % of the nation's population, accounted for 17% of the U.S. job growth from 2012- 2016 and 25% of the growth in gross domestic product (GDP). From 2004-2014 Cumulative Growth in GDP was at 40.3%. From 2005-2014 cumulative domestic migration was a net loss of 1,265,447. †In 2017 U.S. News ranked CA #2 as the Best States for Economy, stating that if it were a country, CA's economy would be the sixth biggest in the world and represents 14% of the U.S. economy. Economic and job growth are both expected to be strong over the next five years. CA has also invested \$78 billion (B) in venture capital money in CA companies over the past 3 years, which is more than 5X the total of any other state. *Total direct travel spending in CA was \$126.3B in 2016, a 3.1% increase from 2015. This spending directly supported 1,096,000 jobs, with earnings of \$45.4B and generated \$4.9B in local taxes and \$5.3B in state taxes.

• **Gross State Product: \$1,275,375 Billion (2016-as of May 2017)** • **Population: 19,745,300**
 • **Job Growth (2016): 1.2%** • **Net Migration (2015): -23,800**



New York City dominates the state economy as the leading center of advertising, banking, finance, media and publishing in the U.S. If New York were a country, the state's \$1.44 trillion-dollar economy would be the 11th largest in the world. NY is an economic force comprised of an educated labor pool, huge venture capital investment, significant cultural and recreation resources and the headquarters of 10% of the 1,000 largest companies in the U.S. From 2004-2014 Cumulative Growth in State GDP was at 46.2%. From 2005-2014 cumulative domestic migration was -1,468,080.

• **Gross State Product: \$126,815 Million (2016-as of May 2017)** • **Population: 681,170**
 • **Job Growth (2016): 2.6%** • **Net Migration (2015): 3,120**



The D.C. area has seen a 76,000 increase in population since 2010 and residential growth is expected to continue. †In 2015 there was \$12.7B in taxable retail and restaurant sales, a 28% increase since 2010. †There are now about 9,000 more people moving into D.C. than moving out, and its natural growth rate is adding 13,000 more every year. In the past four quarters, the growth rate has increased 3.1%.

Sources: * <http://industry.visitcalifornia.com/Find-Research/California-Statistics-Trends/>;
 † <http://azbigmedia.com/ab/record-43-million-arizona-visitors-equals-58-million-day>;
 † <https://www.nytimes.com/2017/06/05/us/california-today-how-california-helps-the-us-economy.html>;
https://www.alec.org/app/uploads/2016/04/2016-RSPS-Final_WEB.pdf<https://fred.stlouisfed.org>;
<https://www.forbes.com/best-states-for-business/list/>; <http://uspopulation2017.com/population-vermont-2017.html>