

# The Case for a \$15 Minimum Wage in Vermont

## With One of the Highest Costs of Living in the Nation, Workers Across Vermont Need a \$15 Minimum Wage Just to Cover the Basics

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- Even in rural Vermont, workers already need more than \$15 an hour to cover the basics. According to the Economic Policy Institute, in 2014 a single worker in rural regions of the state needed to earn \$32,574 a year just to cover housing, food, transportation and other basic costs.<sup>1</sup> This translates to \$15.66 an hour for a full-time worker.
- Workers in the Burlington area, or those supporting children, need much more. A single worker in Burlington with no children today needs to make over \$19 an hour to afford the basics. And in a two-worker family with two kids in 2017, each adult needs to earn \$21.68 to afford a cheap apartment and living costs.<sup>2</sup>
- With rent and living costs continuing to rise across the state, workers will need even more by 2022, when the proposed minimum wage phase-in would finally reach \$15 per hour. In rural Vermont, the estimated hourly wage in 2022 will be \$18.35 for single workers, and \$20.06 for each parent in a 2-parent, 2-children household. In Burlington, these workers will need \$21.43 and \$23.93, respectively.<sup>3</sup>

## The Benefits of Gradually Phasing In a \$15 Minimum Wage in Vermont Would be Far-Reaching & Would Help Reverse Decades of Pay Inequality

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- Due to flat or falling wages, today about 85,000 Vermont workers earn less than \$15 an hour and would benefit from a minimum wage increase to that amount, according to the Public Assets Institute.<sup>4</sup>
- Nearly 4 in 10 workers in the Green Mountain State – 39 percent of its workforce – would receive a long overdue raise by gradually phasing-in a \$15 minimum wage by 2022.<sup>5</sup>

## **The Typical Worker Earning Less than \$15 in Vermont is a Woman Over 30 with at Least Some College, Who Works Full-Time and Provides More than Half of Her Household's Income**

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- Just 6 percent of Vermont workers earning under \$15 are young workers aged 18-19. More than half are 30 or older. There are 6.5 times as many workers earning less than \$15 who are in their 40's, 50's and 60's than there are young workers under 19.<sup>6</sup>
- 52 percent are women.<sup>7</sup>
- 59 percent of African-Americans and 25 percent of Latinos in the state earn less than \$15.<sup>8</sup>
- The average worker paid less than \$15 provides almost two-thirds (63 percent) of his or her family's total income – the highest share among New England states.<sup>9</sup>
- 72 percent work full-time.<sup>10</sup>
- 33 percent have some college experience or have earned an Associate's degree, and an additional 24 percent have Bachelor's degree or higher.<sup>11</sup>
- One-quarter of all kids in the state live in families with at least one parent who earns less than \$15.<sup>12</sup>

## **Because Vermont's Minimum Wage is Already Increasing to \$10.50, a Further Increase to \$15 Will Be Moderate**

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- Vermont's minimum wage is already scheduled to increase to \$10.50 in January 2018.<sup>13</sup> Continuing to phase it up to \$15 would simply continue that process of steady, moderate increases.
- Several states in the region are also raising their minimum wages to \$15. Last year, New York's legislature approved phasing its minimum wage up to \$15.<sup>14</sup> In Massachusetts, legislators are proposing a similar increase. If it is not approved, advocates are likely to place the measure on the state's 2018 ballot.<sup>15</sup> Legislative leaders in Connecticut are similarly calling for a \$15 minimum wage,<sup>16</sup> and a \$15 minimum wage bill has been introduced in Rhode Island.<sup>17</sup>

## **While Business Lobbyists Argue that Employers Cannot Adjust to \$15, Growing Numbers of Employers and Small Business Organizations in Other States Say that it Will Be Manageable – and Even Beneficial**

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- In other states that have already approved \$15 minimum wages, business organizations representing more than 32,000 small businesses have either endorsed the \$15 minimum

wage – or in some cases simply not opposed it. These include the Greater New York Chamber of Commerce (endorsed),<sup>18</sup> the Brooklyn Chamber of Commerce (endorsed),<sup>19</sup> the Northeast Organic Farmers Association – New York Chapter (endorsed),<sup>20</sup> the Long Island and Westchester/Putnam African-American Chambers of Commerce (endorsed),<sup>21</sup> the Restaurant Association of Metropolitan Washington (endorsed),<sup>22</sup> the Golden Gate Restaurant Association (did not oppose),<sup>23</sup> and others.

- A diverse range of business leaders confirm that transitioning to a \$15 minimum wage is feasible. “Everybody in retail is dealing with an increase in minimum wage,’ said Popeyes CEO Cheryl Bachelder to CNN Money. ‘We will adjust to increased costs just like we have before. Life will go on. There’s been too much hubbub about it.”<sup>24</sup>
- As fast food franchise owner Dennis Kessler who teaches at the University of Rochester’s Simon School of Business told the Washington Post last year, “This \$15 thing is being phased in over quite a few years, so I don’t think it’s going to have much of an impact. . . . People are going to have to pay a little more. It really isn’t too much more complicated than that.”<sup>25</sup>
- In Flagstaff, Arizona, where voters in November approved a \$15 minimum wage, Ron Watkins, the director of operations for 16 McDonald’s restaurants throughout northern Arizona, told the Arizona Daily Sun, “the minimum wage measure would not affect the company’s willingness to add locations or jobs in Flagstaff.”<sup>26</sup>
- In California, which approved and is phasing in a \$15 minimum wage, Bill Phelps, CEO of Wetzel’s Pretzels with 100 stores statewide, and franchise owner Mike Jacobs report that they have already seen higher sales resulting from their customers having more money to spend.<sup>27</sup>

## **The Economic Evidence Shows that the Benefits of a Gradually Phased-In \$15 Minimum Wage Far Outweigh the Costs**

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- With high costs of living, even in rural areas of the state, a \$15 minimum wage, gradually phased in by 2022, is simply not excessive for Vermont. The portion of the workforce raised by a \$15 minimum wage in Vermont – probably about 35 percent once it is gradually phased – is comparable to the impact of \$12 minimum wage in lower cost states like Arkansas, Idaho, and New Mexico.<sup>28</sup>
- State-of-the-art research on the impact of a \$15 minimum wage by University of California economists for the State of New York shows that, if phased in gradually over five years, a \$15 wage would be manageable for employers and would raise business operating costs only moderately.<sup>29</sup>
- Studies of the New York and California \$15 minimum wages by University of California economists have examined the net impact of all the positive and negative effects on businesses of a \$15 wage.<sup>30</sup> They found that, unlike small wage increases, a \$15 minimum wage generates billions in new consumer spending that offsets much of the impact of the

higher wage costs on businesses.<sup>31</sup> As a result, any net negative impact on jobs would likely be small – and would be vastly outweighed by the benefits of delivering large raises for more than 1 in 3 workers, reversing decades of falling pay.

- The California study focuses in particular on the impact of the state’s \$15 minimum wage in areas such as Fresno County – one of the poorest areas of the state, located in California’s agricultural Central Valley. It finds that in poor areas of the state the net impact is roughly the same: the large increase in worker spending power generated by a \$15 minimum wage offsets most of the higher costs to businesses.<sup>32</sup>
- More than 75 economists and researchers have endorsed the findings of the University of California study in New York,<sup>33</sup> and another 200 economists and researchers have endorsed a gradually phased-in \$15 federal minimum wage, finding that raising the minimum to \$15 an hour “will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy. The costs to other groups in society will be modest and readily absorbed.”<sup>34</sup>
- Experiences in the first regions of the U.S. to phase in \$15 minimum wages – San Francisco, Seattle and New York – have shown continued strong job growth as wages have increased.
- For example, in Seattle – the first U.S. city to approve a \$15 minimum wage, where the wage level reached \$15 in January for large employers – restaurant job growth has continued to be strong, and unemployment has hit record lows. As *Forbes* reported this month, “Higher Seattle Minimum Wage Hasn’t Hurt Restaurant Jobs Growth After a Year.”<sup>35</sup> Earlier reporting in the Puget Sound Business Journal was titled “Apocalypse Not: \$15 and the cuts that never came.”<sup>36</sup> Although a July 2016 initial analysis had suggested that while jobs continued to grow strongly in Seattle, the pace of growth might have slowed slightly on account of the minimum wage,<sup>37</sup> in November the study’s author backed away from those findings, concluding that they were not statistically significant.

## Endnotes

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