

Covid-19 Sick Leave and Minimum Wage Analysis

Senate Economic Development Committee

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JFO

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Outline of talk

Part 1: Updated estimate of cost of reimbursing Covid-19-related sick time

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, grants to employers for the cost of providing employees with Covid-19-related sick time, either paid or unpaid
 - Maximum hours per employee: 80 or average hours worked in 2 weeks
 - Maximum hourly reimbursement: \$25.00, or the greater of the minimum wage and the normal hourly wage up to \$25/hour
 - Maximum reimbursement per employee: \$2,000
- JFO's updated preliminary estimate: \$21 million



New maximum hourly reimbursement

- In May 2020, about 36 percent of Vermont wage and salary workers were paid more than \$25 per hour
- Need to adjust wage amount upward for 2022

Estimated Distribution of Hourly Wages in Vermont				
% workers	Wage	Adj to 2022	Wage	
	2020	incr in ECI	2022	
25%	\$ 14.00	8%	\$ 15.12	
25%	\$ 18.50	6%	\$ 19.61	
14%	\$ 23.00	5%	\$ 24.15	
36%	\$ 25.00	4%	\$ 26.00	
Average reimb.	\$ 20.35		\$ 21.42	
Sources: Employment Cost Index released Jan. 28, 2022; Occupational Employment and Wage Survey, May 2020; JFO analysis.				



Covid-19 cases have been more prevalent among lower paid workers

- Lower-paid workers less likely to work from home, perhaps more care-giving responsibilities
- If average wage based on maximum \$25 per hour is \$21.40, estimate that average wage to be reimbursed is \$20.50

Cases	Share use reimb.	Hours reimb.	Reimb. per hour	Ballpark est.
CY 2022				
Gross wage				
62,085	0.45	35	\$25	\$26 mil
CY 2022				
Max \$25 per hour				
62,085	0.45	35	\$20.50	\$20 mil
62,085	0.40	35	\$20.50	\$17.8 mil



New preliminary estimate is close to \$19 mil

- Use average of \$17.8 million and \$20 million = \$18.9 million
- Based on
 - 62,085 cases in CY 2022 (46,000 in January and February)
 - 45% or 40% cases reimbursed for 35 hours
 - Average wage rate that is reimbursed is \$20.50/hour
- No administrative costs included here
- Another spike in Covid-19 cases would cause the estimated cost of the program to jump sharply



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.		

