

PRELIMINARY NOTES ON ANALYZING S.23

Raising the Minimum Wage in Vermont to \$15 in 2024

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 Legislative Joint Fiscal Office
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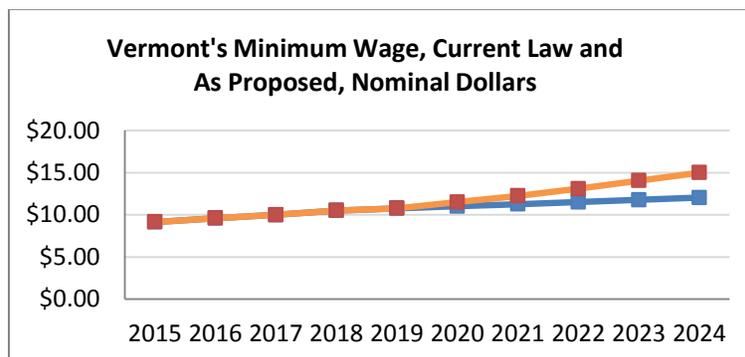
1. Vermont's Current Minimum Wage

- The minimum wage in Vermont in 2019 is \$10.78
- In future years, it will be indexed to inflation to maintain the inflation-adjusted value of \$10.50 in 2018 dollars

2019 Consensus CPI Inflation	
2018	2.4%
2019	2.5%
2020	2.1%
2021	2.3%
2022	2.3%
2023	2.2%
2024	2.3%

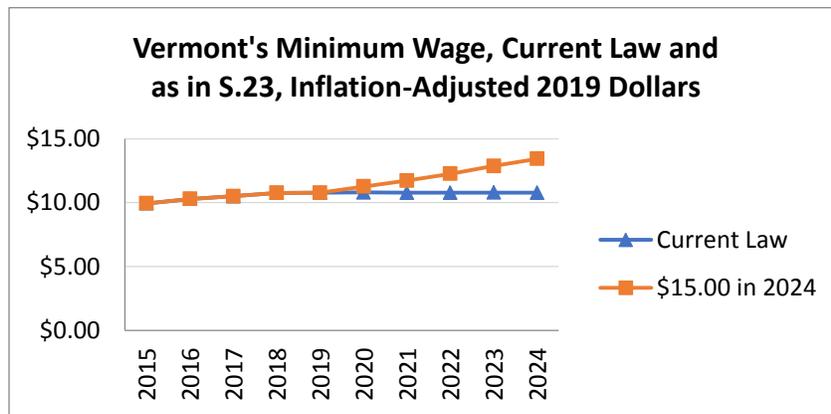
2. The Proposed Minimum Wage Path

	Table 1. Minimum Wage Paths in Nominal Dollars, Current Law and Proposed Path			
	Current Law	\$15.00 in 2024	Projected Annual Increase	Difference from Current Law
2018	\$10.50	\$10.50		
2019	\$10.78	\$10.78		
2020	\$11.02	\$11.50	\$0.72	\$0.48
2021	\$11.26	\$12.25	\$0.75	\$0.99
2022	\$11.51	\$13.10	\$0.85	\$1.59
2023	\$11.78	\$14.05	\$0.95	\$2.27
2024	\$12.04	\$15.00	\$0.95	\$2.96



3. The Proposed Minimum Wage Path Adjusting for Inflation

Table 2. Nominal dollars and inflation-adjusted dollars				
	Nominal \$		Inflation-Adjusted 2019\$	
	Current Law	\$15.00 in 2024	Current Law	\$15.00 in 2024
2015	\$9.15	\$9.15	\$9.94	\$9.94
2016	\$9.60	\$9.60	\$10.29	\$10.29
2017	\$10.00	\$10.00	\$10.50	\$10.50
2018	\$10.50	\$10.50	\$10.76	\$10.76
2019	\$10.78	\$10.78	\$10.78	\$10.78
2020	\$11.02	\$11.50	\$10.78	\$11.26
2021	\$11.26	\$12.25	\$10.78	\$11.73
2022	\$11.51	\$13.10	\$10.78	\$12.26
2023	\$11.78	\$14.05	\$10.78	\$12.87
2024	\$12.04	\$15.00	\$10.78	\$13.43



4. Characteristics of Minimum Wage Jobs and Workers

- We define Minimum Wage Jobs as those that pay up to the proposed, inflation-adjusted minimum wage in 2024 (\$13.43 in 2019\$)
- Given the current employment picture, about 66,440 Vermont jobs are below the proposed minimum wage, or about 21.8% of all Vermont jobs
- Among Minimum Wage Workers at 90% of old MW to the new MW (Deb Brighton, American Community Survey)
 - Avg hours worked per week: 35; Avg weeks worked per year: 44

- Avg wage per hour: \$11.51; Avg annual income from the MW job: \$20,282
- 41% of the workers in the minimum wage workforce are the head of a family (single parent or couple)
 - Of those, 41% provide over half of the family income

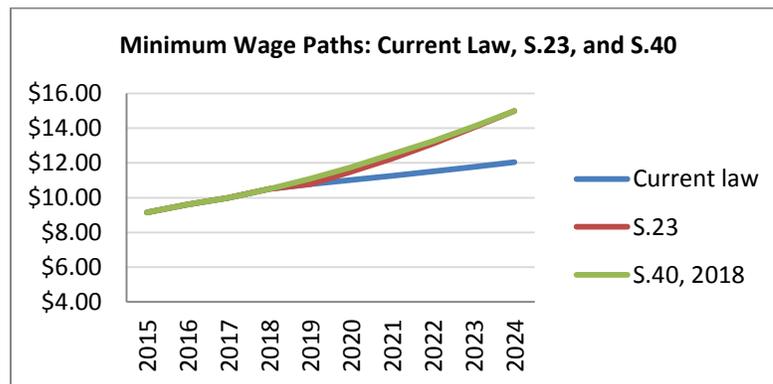
5. New insights from the literature

- NBER paper #25434 by Cengiz, Dube, et al.
 - Compare the number of “new” jobs paying at or slightly above the new minimum wage to the missing jobs paying below it by looking at 138 state-level minimum wage changes between 1979 and 2016
 - The authors find that the overall number of low-wage jobs remained essentially unchanged over 5 years following the increase; “bunching” figure
 - The authors find some evidence of reduced employment in tradable sectors
- NBER paper #25182 by Jardim, Long, et al.
 - Follow employment data of individual workers in the state of Washington; follow workers in low-wage jobs immediately before Seattle’s minimum wage increase.
 - On net, the minimum wage increase from \$9.47 to as much as \$13 per hour raised earnings by an average of \$8-\$12 per week.
 - The entirety of the gains accrued to workers with above-median experience at baseline; less-experienced workers saw no significant change to weekly pay.
 - Approximately one-quarter of the earnings gains can be attributed to experienced workers making up for lost hours in Seattle with work outside the city limits.

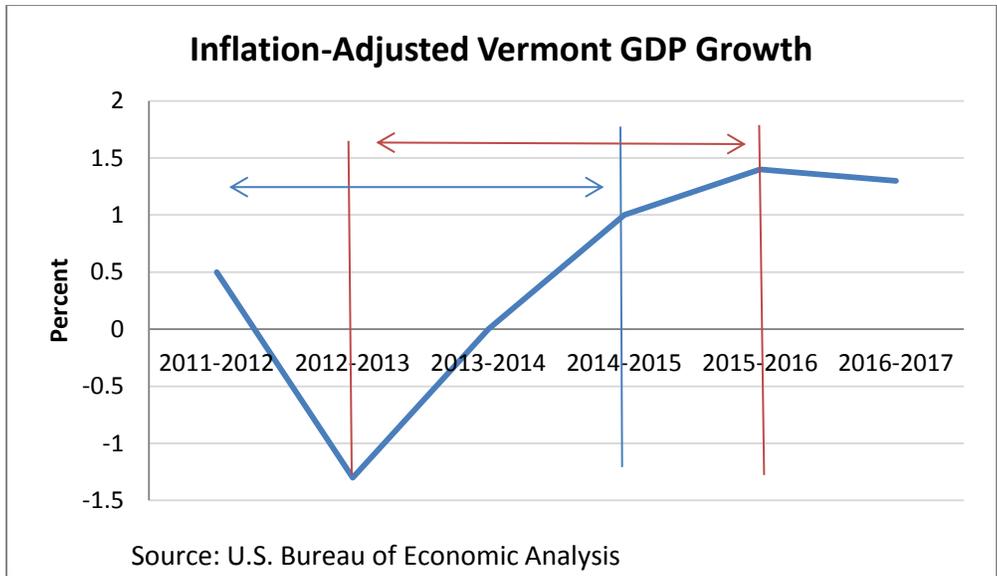
- The authors associate the minimum wage ordinance with an 8% reduction in job turnover rates as well as a significant reduction in the rate of new entries into the workforce.

6. What does the new modeling effort tell us?

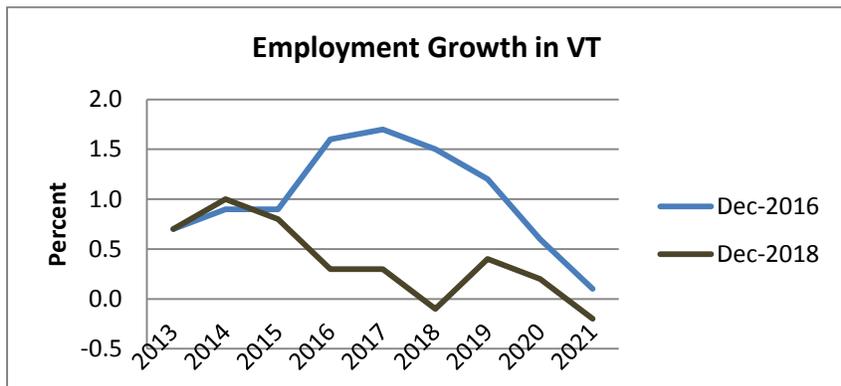
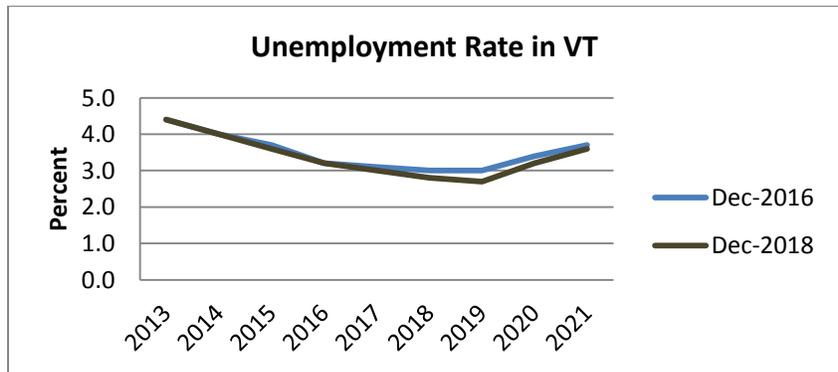
- At the end of February, we received new modeling results from Tom Kavet and Nic Rockler with input from Deb Brighton
- The model results did not change much
 - The REMI model relies on a baseline economy devoid of business cycle effects and imposes a policy change on that baseline economy
 - Thus, the effects of the increase of the minimum wage do not look much different in the model itself, except that the rise is a bit faster and steeper because it starts a year later



- Updated data sources were used for the 2019 analysis
 - American Community Survey, 2012-2016
 - Occupational Employment Survey, 2017



Consensus Forecasts, Dec 2016 and Dec 2018



Update to Table 2: PRELIMINARY Outcomes for the Minimum Wage Path that Reaches \$15 in 2024 NOTE: OLD = Fiscal Note for S. 40 in 2018, 2018\$; NEW = results for S.23 in 2019, 2019\$						
	OLD			NEW		
	2019	2020	2024	2020	2021	2024
Percent change from 2018 (2019) minimum wage, inflation adjusted	3%	6%	23%	4%	9%	25%
Approximate share of jobs at less than proposed minimum wage - DOL basis	10%	12%	22%	8.8%	11.7%	21.8%
Approximate number of jobs at less than proposed minimum wage (DOL basis*)	31,900	37,900	65,500	26,770	35,715	66,440
Initial wage bill change as a share of total wages & salary	0.02%	0.25%	1.50%	0.3%	0.5%	1.1%
Aggregate initial income gains of low-wage workers (2018, 2019\$)	\$3 mil	\$30 mil	\$174 mil	~\$51M	~\$82M	~\$196M
Net fiscal gain to State from increased tax revenue & decreased benefit payments (2018, 2019\$)	\$0.3 mil	\$3.5 mil	\$20 mil	~\$4.5M	~\$7.1M	~\$17M
Net reduction in federal funds to State economy from decreased federal benefits and increased federal taxes (2018\$)	\$1 mil	\$9 mil	\$54 mil	~\$16.5M	~\$26.5M	~\$63.3M
Approximate net disemployment (#jobs)	200	350	950	90	200	800

	Long-Term Outcomes, Average 2028-2040	Long-Term Outcomes, Average 2025-2040
Net annual long-term disemployment (# jobs)	2,250	1,845
Disemployment as a share of total jobs	0.5%	0.4%
Disemployment as a share of total jobs	3.3%	2.8%
Effect on level of Vermont GDP	-0.30%	-0.28%

Source: Kavet-Rockler modeling outcomes with input from Deb Brighton, February 2019; converted to 2019 dollars by JFO; all outcomes here are presented by calendar year

Notes: The job count on the DOL basis counts wage and salary jobs but excludes farm workers, the self-employed, and household workers; for further discussion of the outcomes, see the Study Committee Report