

State's minimum wage increases today

By Dan McLean

Published January 1, 2009 in The Burlington Free Press

Vermont's minimum wage rises from \$7.68 to \$8.06 per hour today -- giving full-time minimum wage workers a \$791 raise this year.

Vermont's minimum wage is one of the highest in the country and will be \$1.51 an hour above the federal minimum until July 24, when the U.S. hourly rate increases from \$6.55 to \$7.25. The state's minimum wage increases at the same rate as the August Consumer Price Index or 5 percent, whichever is less. The inflation index increased 5.4 percent. So, the minimum wage increase was set at 5 percent.

"We are really excited that Vermont continues to be a leader with the fifth-highest minimum wage in the country," said Colin Robinson, director of the Vermont Livable Wage Campaign. "And it's also significant that the Vermont minimum wage is going over \$8 an hour for the first time." Washington state, at \$8.55 an hour, has the highest minimum wage in the U.S., he said.

Some 13,000 Vermonters will receive a raise with this increase, Robinson said. "This, no doubt, will help them meet their basic needs."

State legislators approved an annual cost of living increase in Vermont's minimum wage law in 2005. "This is a much-needed increase to those on the lowest end of the pay scale and will make a difference for working families struggling to make ends meet," Gov. Jim Douglas said when the percentage increase was announced in late September.

The increasing wage has its opponents, however.

Kathy Smith, owner of Vermont Sandwich Co. in South Burlington, said the rising wage forces businesses to boost prices, which leads to inflation. The automatic raise also minimizes the effect of raises given to employees based on merit, she said.

"We cannot afford to keep absorbing these costs. ... This new law of increasing the minimum wage every year by the cost of inflation is definitely hurting the small-business owner," she wrote in a letter to the Free Press Forum page in October.

She restated her opposition to the rising wage Wednesday. "That pretty much sums up what my feelings are," she said, referring to her letter.

"It will be difficult for some businesses," Tom Torti, president of Lake Champlain Regional Chamber of Commerce, said of the automatic wage increase. "How they choose to handle it, I don't know."

The wage for tipped employees increases today from \$3.72 to \$3.91 per hour. Tipped employees' total earnings must equal or exceed \$8.06 per hour. If a combination of tips and the basic wage fall short of that requirement, the employer makes up the difference.

The rising minimum wage increases business costs, harming job growth, according to the Washington, D.C.-based Employment Policies Institute, a nonprofit group that studies entry-level employment.

"Indexing is a bad idea because it artificially increases labor costs, regardless of what's going on in the economy, and this increase is going to exacerbate job loss," said Tim Miller, spokesman of the Employment Policies Institute, which has been largely funded by restaurants and other employers who pay minimum wage.

Vermont is one of 10 states that automatically increase minimum wages, he said.

The Vermont Livable Wage Campaign disputed the institute's premise. When people have more disposable income, they spend more -- creating more jobs, Robinson said.

The increase falls well short of what Livable Wage Campaign thinks people should earn.

A single Vermonter with no children should earn \$14.54 an hour, or \$30,243 a year, to have a "livable wage." The wage includes money for clothing, food, fuel, housing, insurance, personal expenses, taxes, transportation and about 5 percent, or \$1,500, for savings.

"It's great that we continue to be a leader, but still have a long way to go," Robinson said.

Vermont's minimum wage 2009: \$8.06 an hour (\$16,765 annually)

2008: \$7.68 an hour (\$15,974 annually)

2007: \$7.53 an hour (\$15,662 annually)

2006: \$7.25 an hour (\$15,080 annually)

2005: \$7 an hour (\$14,560 annually)

2004: \$6.75 an hour (\$14,040 annually)

Note: Wage effective Jan. 1 of each year.