

HISTORY of Basic Needs Budgets and the Livable Wage

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Presented by: Ellen Kahler, Executive Director



Vermont Sustainable Jobs Fund

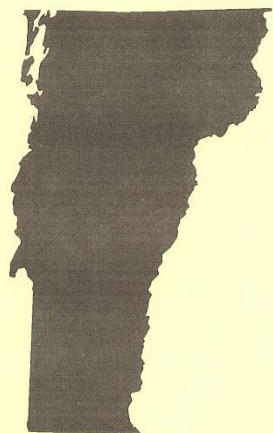
Accelerating Sustainable Economic Development

Why & how did the idea of Livable Wages start?

- Arose out of mid-1990s cuts to federal welfare programs and new work requirements. Vermont was an early adopter of the concept which eventually became a national movement.
- **Wanted to understand what it costs to live in VT for different family sizes; with the belief that if you work full-time you should be able to pay your bills and taxes and not need public support.**
- Basic Needs Budget (BNB) and Livable Wage (LW) calculations began in 1996 and revealed just how many Vermonters do not earn a livable wage and relied on some form of public assistance, even though they were working FT.
- The BNB were meant to serve as **guidance** for all types of employers
 - Unlike the minimum wage, a livable wage by family size cannot be mandated
 - Intentionally bare bones and conservative because the differential between the MW and a LW, especially for 4-person families, is large.
- We acknowledge VT is a small biz state – so it can be hard to pay LWes even if employers want to ... but it is also important to acknowledge that if an employer is not paying a livable wage, then taxpayers are subsidizing that employer. So many of us have been focusing on HOW to help businesses improve their ability to pay Lwes over the years as well.

Peace & Justice Center: VT Job Gap Study

- Phase 1: Basic Needs Budget and a Livable Wage (1996)
- Phase 2: Livable Wage Jobs: The Job Gap (1997)
- Phase 3: The Cost of Underemployment: The Income Gap (1997)
- Phase 4: Policy Recommendations (1998)
- Phase 5: Basic Needs Budget and a Livable Wage 1998 Update
- Phase 6: The Leaky Bucket: An Analysis of Vermont's Dependence on Imports (2001)
- Phase 7: Basic Needs, Livable Wage Jobs and the Cost of Under-employment – 2002 Update



The Vermont Job Gap Study

- Phase 1 Basic Needs and a Livable Wage
- Phase 2 Livable Wage Jobs: The Job Gap
- Phase 3 The Cost of Underemployment: The Income Gap
- Phase 4 Policy Recommendations
- Phase 5 1998 Update

A Report by the Peace & Justice Center

Ellen Kahler, Project Director
Doug Hoffer, Research Director

21 Church St. Burlington, VT 05401
802-863-2345 / 802-863-2532 (fax)

Chart 2

Estimated Cost of Basic Needs
Single Person Household
(Full-time work and employer-assisted health care)

Category	Single Person			
	Urban		Rural	
	Cost/mo.	%	Cost/mo.	%
Food	\$164	14%	\$164	15%
Rent & Utilities	478	42%	416	37%
Telephone	25	2%	25	2%
Health Care	73	6%	73	7%
Transportation	227	20%	259	23%
Child Care	---	---	---	---
Clothing / HHold	138	12%	138	12%
Personal Expenses	33	3%	33	3%
Renters Insurance	10	1%	10	1%
Total monthly expenses	\$1,148	100%	\$1,118	100%
Annual expenses	\$13,776		\$13,416	
Federal & State taxes¹	\$3,310	19%	\$3,182	19%
Annual Income	\$17,086		\$16,598	
Equivalent hourly wage	\$8.21		\$7.98	
Federal poverty level	\$7,740			
Equivalent hourly wage	\$3.72			

Primary Sources

Food:	USDA - "Low Cost Food Plan"
Housing:	HUD - Fair Market Rents
Telephone:	NYNEX - Standard Use Measured Service
Health Care:	BC / BS and VT Health Care Authority
Transportation:	US DOT - National Personal Transportation Survey & IRS
Child Care:	VT Social & Rehabilitation Services & Child Care Resources
Clothing / Household:	Bureau of Labor Statistics, Consumer Expenditure Survey
Personal Expenses:	Derived from BLS / CES
Insurance:	Smith, Bell & Thompson

¹ Does not include sales taxes.

See Appendix for complete description of methodology.

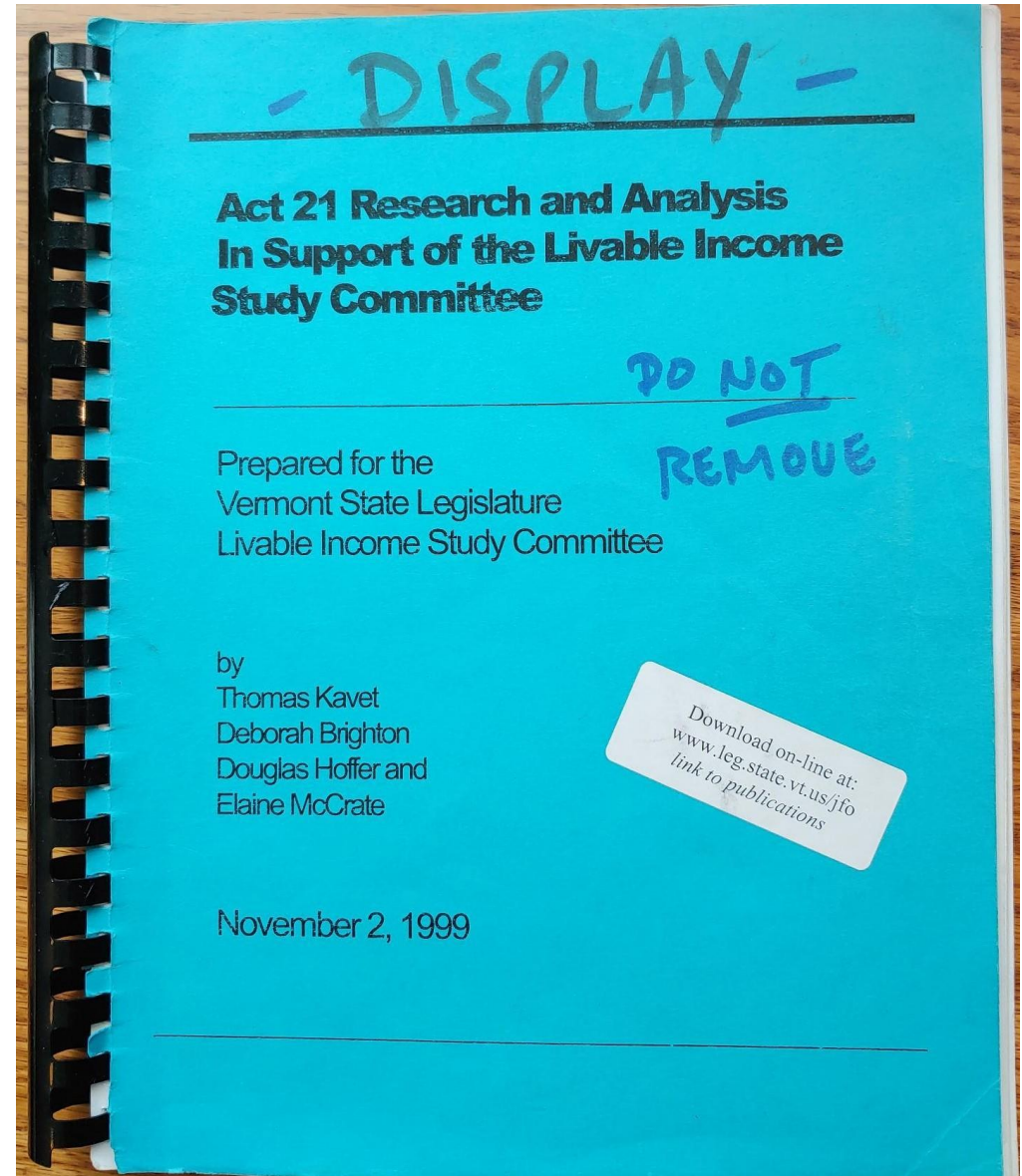
1996
Livable
Wage for a
single
person
household
\$8.21/hr



Vermont's
Minimum Wage
at that time:
1997: \$5.25/hr
1999: \$5.75/hr
2000: \$6.25/hr

Vermont Legislative Summer Study 1999

*looked at a wide range of
topics, including public
benefit cliffs*



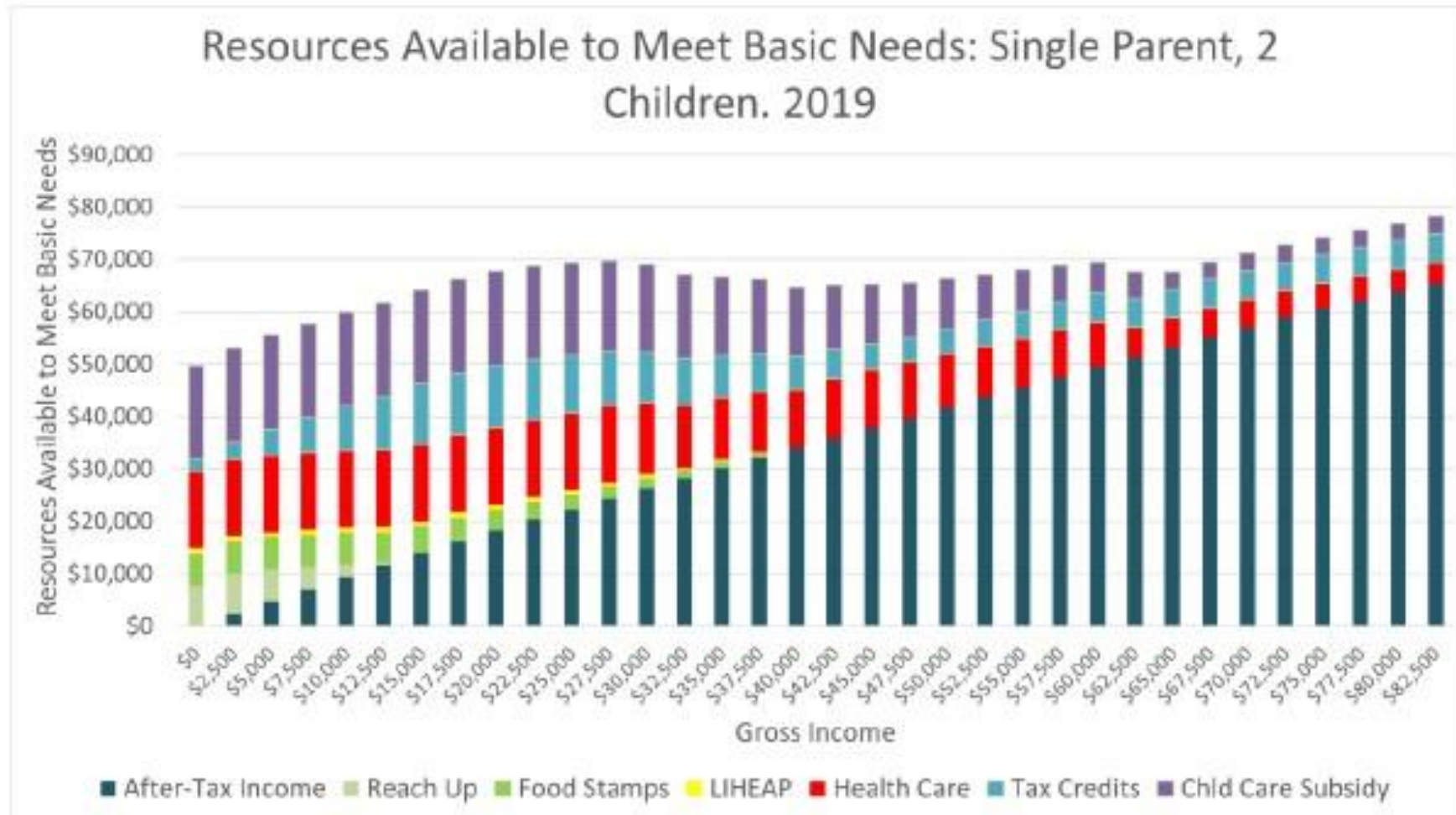


Figure 12 Data from Vermont Basic Needs Budgets and Livable Wage (Legislative Joint Fiscal Office, 2019). Note: Child Care Subsidy includes the Pre-K voucher.

<https://ljfo.vermont.gov/assets/Subjects/Commission-Resources/0fba9fbb68/TSC-Final-Report-2-8-2021.pdf>

VERMONT TAX STRUCTURE COMMISSION | February 8, 2021

- Recommendation 1: Undertake Tax Incidence Analysis in Order to Eliminate Tax Burden/Benefit Cliffs

Key components:

- A. Undertake an ongoing study of income, taxes, and the transfers or benefits that help families meet their basic needs.*
- B. Find ways to eliminate the tax and benefit cliffs.*

*“Looking at the combined effect of taxes and public benefits for different family types at different income levels would reveal where the family may go backwards—**earning more in wages but losing a greater amount in benefits** (aka the benefits cliff). This is devastating if it is unexpected; if it is anticipated, it is a disincentive to work. We need to make it a reality for people to work more hours, take on more responsibility in their job, earn more money, and see some improvement in their ability to make ends meet.” – page 4*

Joint Fiscal Office BNB/LW Report History

- Started as annual updates starting in 2001 - 2006
- Updates every two years starting in 2008
- Technical Advisory Committee recommended methodology improvements in 2008
- Updates to the methodology recommended by JFO staff in 2012
- 2021 and 2023 reports recommended a TAC be convened
- 2023 Technical Advisory Committee will review the BNB/LW methodology in time for the 2025 report.

Example of BNB/LW Report Use

VT Training Program -- Eligibility to Participate

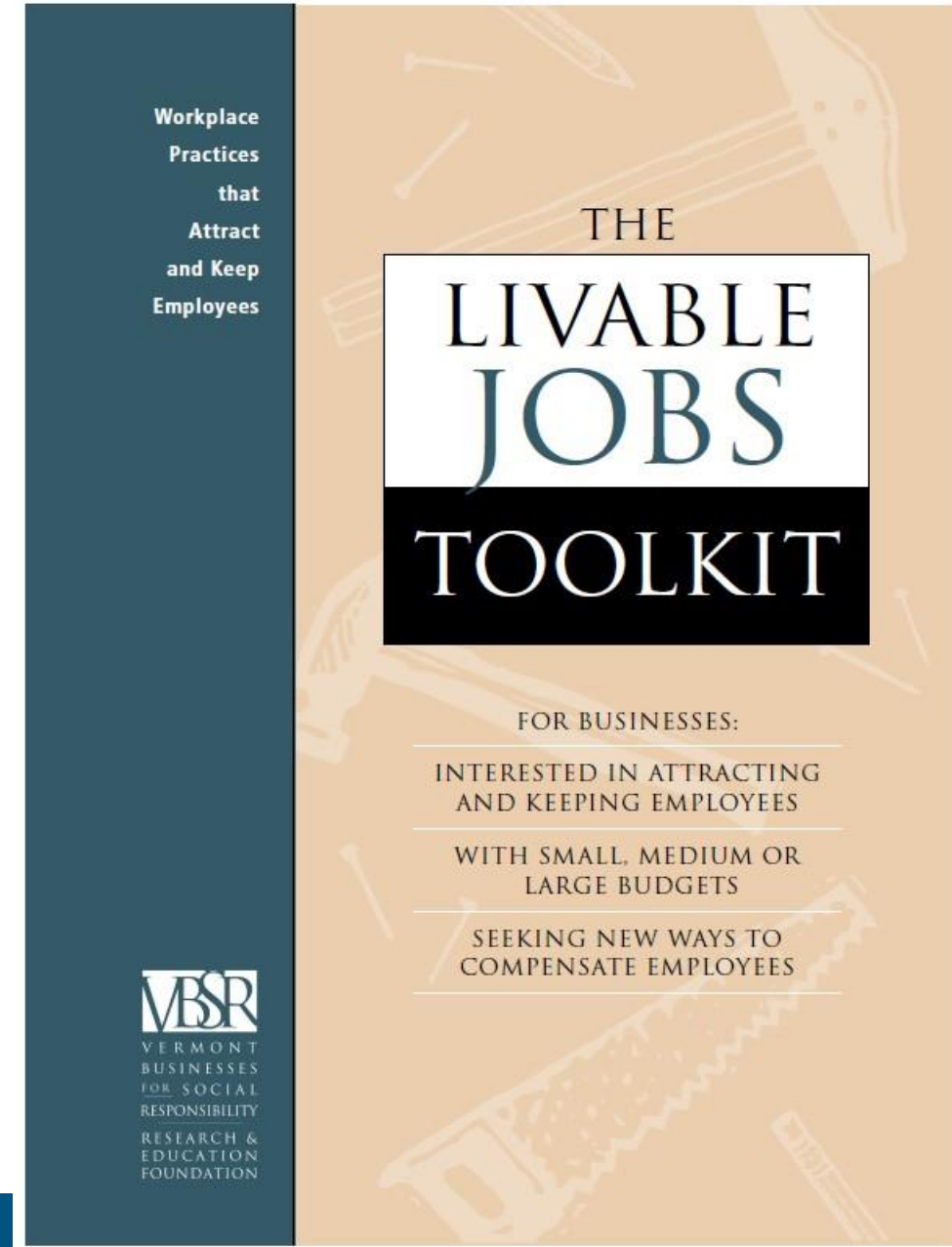
- The VTP is open to all sectors. Grantees must ensure that:
 - The training supplements, rather than replaces, the company's ongoing normal training efforts and is directly related to work responsibilities
 - Employees are being trained in transferrable skills
 - Employees covered under the grant must be full-time permanent employees (minimum 35 hrs. per week)
 - Employee compensation (hourly wage), at the completion of training, must equal or exceed the livable wage as defined by the Vermont Joint Fiscal Office
 - Employees must be offered a minimum of three of the following employee benefits:
 - o Health Insurance (with 50% or more of premium paid by employer)
 - Dental Insurance Assistance; Paid Vacation; Paid Holidays; Child Care; Retirement Benefits; Other Paid Time off excluding Sick Time; Other Extraordinary Employee Benefits

https://outside.vermont.gov/agency/ACCD/ACCD_Web_Docs/ED/VTP/AnnualReport_FY22.pdf

Vermont Businesses for Social Responsibility

2000, rev. 2006

<https://vbsr.org/vbsr-resources/livable-jobs-toolkit/>



Why the update is important ...

- Methodology has not had a comprehensive review since 2008 and lots of things have changed (e.g., ACA, child tax credits, etc.)
- New legislators and new leadership who are new to the BNB/LW report and may not know its history
- How can the report be used to inform policy discussion among policy committees?
- The report informs thresholds in various programs in departments and agencies and NPOs use it (e.g., VT Training Program, etc.)
- Connects to 'benefits cliff' policy discussion