

The Maine Heritage Policy Center Testimony Regarding the Minimum Wage

Senator Bellows, Representative Sylvester, and distinguished members of the Committee on Labor and Housing, my name is Adam Crepeau and I serve as the policy analyst for The Maine Heritage Policy Center. Thank you for the opportunity to provide testimony regarding the minimum wage legislation (LDs 425, 670, 739, 808, 830, 1098) being proposed today.

The Maine Heritage Policy Center supports any legislation that will decrease the minimum wage from its current level of \$11.00/hour and delay its further implementation. We oppose LD 670. Increases to the minimum wage hurt small businesses, causes Maine to be uncompetitive with other states and harms those its intended to help.

As of January 2019, only six states (including Washington D.C.) had a higher minimum wage than Maine, and one had the same.¹ This higher-than-average minimum wage causes Maine to be less attractive to prospective employers that might consider doing business in the state. For businesses already here, the increased costs associated with the minimum wage is passed onto the consumer, raising overall prices of goods and services or causes them to close completely.²

Increases in the minimum wage hurt low-skilled workers. Instead of hiring individuals who need extensive training, employers hire higher skilled workers because their productivity is worth it when forced to pay a higher hourly rate. The net effect is that employment or the number of hours decrease for low or unskilled workers overall.³

This is particularly harmful to students and other workers entering the workforce for the first time, as well as the employers who rely on this labor, such as grocery stores, ice cream shops and amusement parks. Entry-level jobs are opportunities for teenagers to learn the valuable skills needed to launch a successful career.⁴ Lowering the minimum wage for individuals who are under the age of 18 will allow employers to hire students at a lower cost, enabling these workers to acquire the skills they need to succeed and compete in the job market.

Businesses have already had to close their doors in Maine due to the increases in the minimum wage. The Bangor Redemption and Beverage Center shut down after being in business 36 years

¹ <https://www.paycor.com/resource-center/minimum-wage-by-state-and-2018-increases>

² <https://www.apnews.com/9bed3bde87cd46dbbe2ba7a81b782abd>

³ <https://www.forbes.com/sites/adammillsap/2018/09/28/how-higher-minimum-wages-impact-employment/#1cf084a91e7d>; <https://www.heritage.org/jobs-and-labor/report/minimum-wage-hikes-hurt-unskilled-and-disadvantaged-workers-job-prospects>

⁴ <https://www.forbes.com/sites/adammillsap/2018/03/15/higher-state-and-local-minimum-wages-may-be-hurting-teen-employment/#206a052ba382>

due to the increase in the minimum wage. Paul Baron, the owner of the business, said, “With the increase of minimum wage, we just have no way to recoup that additional expense,” illustrating the effects of increasing the minimum wage.⁵ On the Way Cafe in Turner had to close their doors as well due to the increase in the minimum wage in January.⁶ The minimum wage increase has had some unintended consequences that need to be addressed by the legislature. It would be unfortunate if more businesses needed to close due to the upcoming increase from \$11.00 to \$12.00/hour in 2020.

Proponents of increasing the minimum wage often claim individuals in poverty will see wage gains overall once such policies are implemented. For example, an analysis conducted by the Maine Center for Economic Policy attributed wage growth in 2017 to the increase in the minimum wage in which it coincided.⁷ This conclusion is inaccurate because it blindly assumes the minimum wage was the primary cause of wage gains and does not test to see if other factors were at work. According to the Maine Department of Labor’s Center for Workforce Research and Information, wages were unusually low in the fourth quarter of 2016 and unusually high in the first quarter of 2017. This was primarily due to employers delaying bonuses until the new year with the expectation of federal tax policy reform.⁸ In addition, the economy was projected to grow at a faster pace in 2017 before the minimum wage law was passed.⁹ Therefore, solely crediting wage gains to the minimum wage increase and ignoring other potential factors does not hold up under scrutiny and is erroneous.

It should also be noted that other proponents of increasing the minimum wage claim it will “stimulate the economy by increasing consumer spending and pumping millions of dollars into the Maine economy, something that is good for workers, small businesses and all of us.”¹⁰ However, this claim does not account for the number of businesses that may shrink their workforce or close their doors altogether due to an insufficient profit margin. For example, the average profit margin for the restaurant industry is between three and five percent.¹¹ Had the Legislature not moved to restore the tip credit, many of these businesses would have been forced to close their doors or move toward automation, eliminating jobs in the process, in order to remain in business.

⁵<https://www.newscentermaine.com/article/life/state-minimum-wage-increase-forces-redemption-center-closure/97-b24202ca-4427-42ee-83e1-3cd157774a2e>

⁶<https://www.themainewire.com/2019/01/minimum-wage-law-hurting-small-business-and-maines-most-vulnerable/>

⁷<http://blog.mecep.org/2018/01/minimum-wage-increase-contributes-to-largest-annual-wage-gain-in-10-years/>

⁸<https://www.themainewire.com/2019/01/maine-progressives-continue-offer-misleading-information-minimum-wage/>

⁹<https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51129-2016outlookonecol-2.pdf>

¹⁰ <http://www.mainelegislature.org/legis/bills/getTestimonyDoc.asp?id=22595>

¹¹ <https://pos.toasttab.com/blog/average-restaurant-profit-margin>

Lastly, supporters of these policies claim child poverty has dropped due to the increase in the minimum wage.¹² Despite child poverty decreasing after the minimum wage increased in Maine, this does not mean the two are directly related. In fact, child poverty decreased in several states that did not increase their minimum wage and vice versa.¹³ Therefore, the minimum wage hike cannot be attributed to the decrease in child poverty in Maine. Instead, the drop in child poverty could be related to several economic factors, including the overall improvement of the economy nationally.

For those reasons, the committee is urged to vote, “Ought to Pass” on any of the following bills: LD 425, 739, 808, 830, or 1098. We also urge the committee to vote, “Ought Not to Pass” on LD 670 since it would increase the minimum wage for employers with more than 50 full-time employees to \$13.00/hour. Thank you.

¹²<https://bangordailynews.com/2018/10/03/opinion/editorials/fewer-maine-children-are-living-in-poverty-thank-the-minimum-wage-increase/>

¹³<https://datacenter.kidscount.org/data/tables/43-children-in-poverty#detailed/2/2-53/false/871,870,573,869,36,868,867,133,38,35/any/322>