

Testimony in support of LD 66, "An Act to Expand Access to the Maine Wage Assurance Fund"

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Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor, my name is Arthur Phillips, and I am an analyst at Maine Center for Economic Policy. I offer this testimony in support of LD 66.

First, I want to commend the Department for introducing this bill, which seeks to improve workers' ability to receive wages they are owed by employers who close their business or file for bankruptcy. Under current law, workers who are owed such payments can receive a maximum of two weeks' pay. Employers in financial distress may be more likely to stop paying their employees more than two weeks before closing or filing for bankruptcy, so the two-week limit appears arbitrary and unduly harmful to workers in that situation.

Furthermore, this bill would also make workers eligible for liquidated damages equal to the unpaid wages, capped at four weeks. Workers who are not paid their wages suffer significant harms that are fairly compensated through a predetermined rate of liquidated damages. Workers who are short-changed by employers that go out of business or file for bankruptcy should not be ineligible for that compensation as other victims of wage theft.

While we support this bill, we suggest a few changes to improve it. First, the Wage Assurance Fund's maximum limit should be expanded above \$200,000 to account for potentially higher costs from the proposed changes. Furthermore, the value of the maximum limit will decline over time unless it is indexed to a measure of inflation or a share of all wages paid in the state. One option to pay for raising the limit would be to deposit fines and penalties the Bureau of Labor Standards collects into the Wage Assurance Fund until that higher maximum limit is reached, after which those fines could be diverted to the state Treasurer. Second, in addition to liquidated damages, workers should expect to receive a reasonable rate of interest on unpaid wages to bring them closer to parity with other victims of wage theft.

With the above changes, this bill would make a straightforward improvement to protecting workers from the harms of wage theft.

Thank you for the opportunity to testify and I welcome any questions you may have.

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