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Testimony of Representative Dylan Pugh presenting

LD 1267, Resolve, Directing the Department of Labor to Convene a Task Force to Examine and Study Issues Relating to the Gap Between the Economic Output and Wages of Workers in the State

Before the Joint Standing Committee on Labor

Good afternoon, Senator Tipping, Representative Roeder and esteemed colleagues of the Joint Standing Committee on Labor, I am Dylan Pugh and I represent House District 114, which includes part of Portland. I am here today to present **LD 1267, Resolve, Directing the Department of Labor to Convene a Task Force to Examine and Study Issues Relating to the Gap Between the Economic Output and Wages of Workers in the State.**

The seed for this study was planted several years ago, while I was working as a crew member at Trader Joe's in Portland. I worked the closing shift, which allowed me to attend classes at SMCC in the morning. One afternoon, about 15 other crew members and I circled up wine boxes and overturned milk crates in the back of the store and sat down for a regular team meeting. The topic of the meeting was productivity, and about midway through, our manager made an offhand comment – she said that "Trader Joes expects every employee to generate $300 in revenue every hour."

Now, I will admit that I was not always as attentive as I could have been at these meetings (I'll blame the sleep deprivation), but when I heard that figure I snapped to attention. For reference, I was making $14.50 an hour.

Now, seven years later, I'm here presenting LD 1267, which seeks to answer the question: what is the relationship between the value an employee creates, and the wages that employee receives? To set the stage, I'd like to share a few data points with you:

1. Productivity and pay used to be tightly correlated: when one rose, so did the other. Beginning around 1975, this trend changed: productivity continued to grow, while wage

growth began to level off. In fact, if you look at the period between 1979 & 2024, productivity grew almost 3 times faster than wages.[1]

2. This gap means that the average worker now only takes home half of the value they produce each year.
3. Speaking in terms of dollars, this means that, since 1975, **$47 trillion** has been transferred away from the working class.[2]
4. This distribution is also present in Maine, where the median salary per worker ($60,384) is roughly half the median value added per worker ($117,549).[3][4]

These figures are hard to contextualize, but I'm willing to bet that each of us has seen the effects of this gap firsthand in our communities. When I was out knocking doors during the campaign, I heard over and over again that families are struggling to meet their basic needs. The cost of living is rising, and it is resulting in hardworking Mainers who are struggling to afford food, buy a home or save for their retirement.

When we think of why Mainers are struggling, we often think of things like lowering the cost of living, reducing inflation or lowering taxes, but I would submit that a crucial missing variable in this equation of why working people are struggling is the distribution of value that is already being created. We need to find a solution to this problem, and I believe that this study would shed some light on our options by tackling this issue from a different angle.

I would ask each of us: what would it mean for our districts if each of our constituents earned 60% more than they're making right now? What kind of impact would that have on economic security? On home ownership? On our ability to attract and retain skilled workers?

These are precisely the questions that we need to answer, because the stakes are so high.

LD 1267 aims to synthesize the available data on this subject, and to give us a legislative framework so we can start to close this gap, and fight poverty all across Maine.

Thank you for your time, and I'm happy to answer any questions.

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[1] https://www.epi.org/productivity-pay-gap/

[2] Price, Carter C. and Kathryn A. Edwards, Trends in Income From 1975 to 2018. Santa Monica, CA: RAND Corporation, 2020. https://www.rand.org/pubs/working_papers/WRA516-1.html.

[3] https://www.maine.gov/labor/cwri/sites/maine.gov.labor.cwri/files/publications/2024-10/Outlook2032.pdf

[4] https://www.mdf.org/wp-content/uploads/2024/11/2024-Measures-of-Growth-Report.pdf

The gap between productivity and a typical worker's compensation has increased dramatically since 1979

Productivity growth and hourly compensation growth, 1948–2024

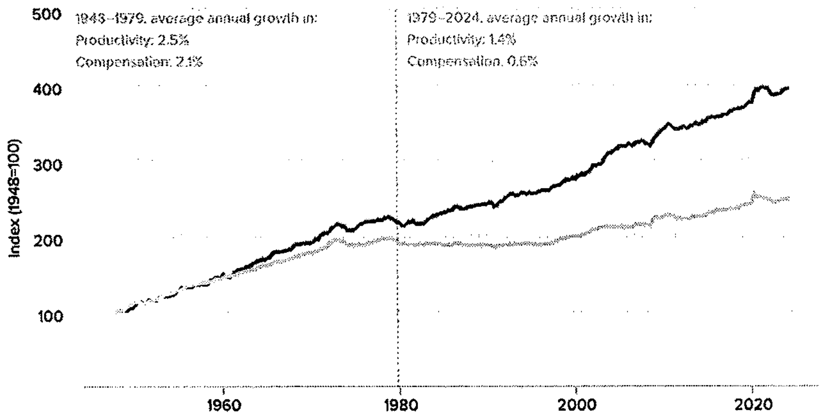


Chart Data

Notes: Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services less depreciation per hour worked.

Source: EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics (BLS) Labor Productivity and Costs program, wage data from the BLS Current Employment Statistics, BLS Employment Cost Trends, BLS Consumer Price Index, and Bureau of Economic Analysis National Income and Product Accounts.

Productivity–Pay Tracker

Change 1979q4–2024q1:

Productivity

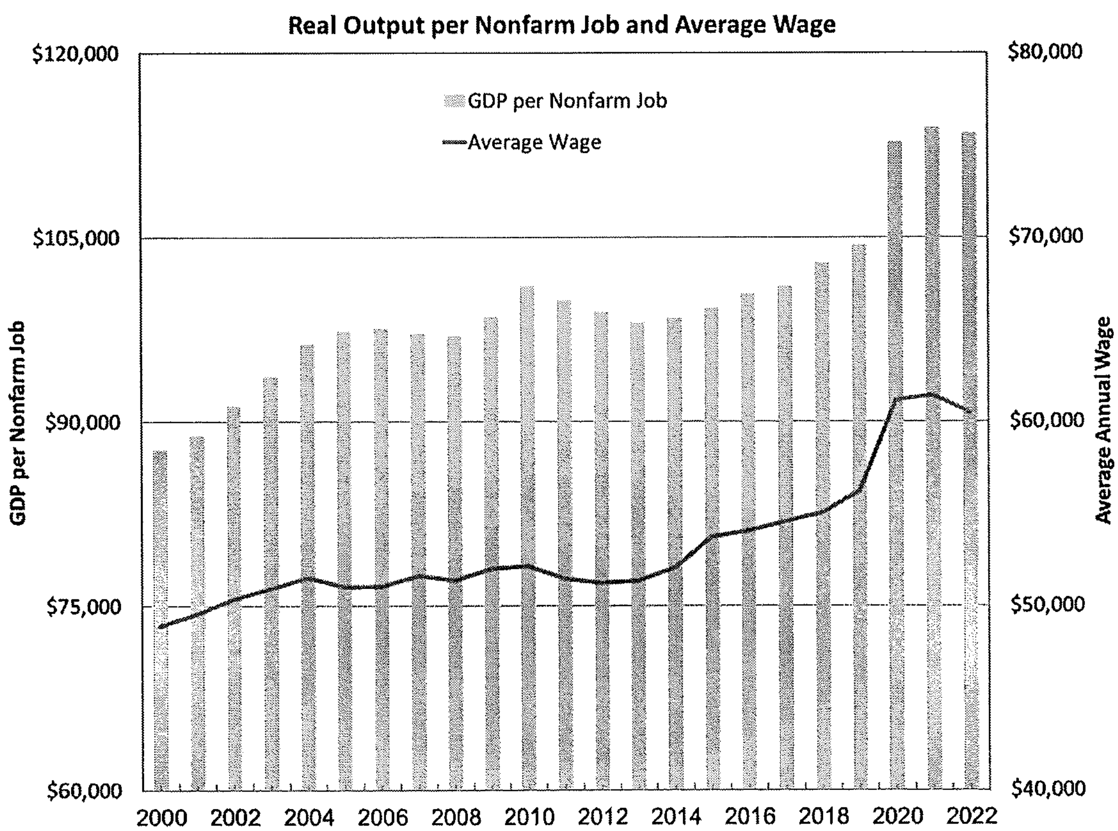
+80.9%

Hourly pay

+29.4%

Productivity has grown 2.7x as much as pay

Figure 1, source: https://www.epi.org/productivity-pay-gap/



Output per job is real GDP (in 2017 chained dollars) divided by total nonfarm wage & salary jobs. Average annual wage is in 2022 dollars. 10

Figure 2, source: https://www.maine.gov/labor/cwri/sites/maine.gov.labor.cwri/files/publications/2024-10/Outlook2032.pdf (page 10)