

Testimony neither for nor against LD 853, "An Act to Replace the Minimum Hourly Wage with a Regionally Based Living Wage"

Arthur Phillips
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Good afternoon, Senator Tipping, Representative Roeder, and Members of the Joint Standing Committee on Labor. My name is Arthur Phillips. I'm a Policy Analyst at the Maine Center for Economic Policy and I am here to testify neither for nor against LD 853. This proposal would raise the state minimum wage to a livable wage for some workers and would account for differences in the cost of living in different areas of the state.

Over the past few years, we've seen the benefits of a higher minimum wage. Increases to the state's minimum wage since 2016 have produced positive impacts such as higher earnings, and a reduction in child poverty, and no discernable impacts on employment, as opponents to higher minimum wage laws often predict.ⁱ While Maine's current minimum wage law has resulted in demonstrable benefits for workers and our economy as a whole, it falls short of guaranteeing a living wage for all Mainers. LD 853 would build on our past success with minimum wage increases and could move us closer to ensuring every full-time worker can afford the basic cost of living.

Unlike our current minimum wage, measuring a living wage depends on which expenses are considered essential and varies based on family size. One good estimate which this bill proposes to rely on for setting the minimum wage comes from the Massachusetts Institute of Technology.ⁱⁱ While this tool is revised as costs change, if passed the bill as proposed would bring the minimum wage in Cumberland and York Counties to \$25.11 per hour; the region defined as "Coastal" to \$23.22; and the region defined as "Northern" to \$22.25. These would represent significant wage increases for hundreds of thousands of workers across Maine and would account for some of the variation in the cost of living from one part of the state to another.

Economic research has examined the question of whether minimum wage laws have negative employment effects – in other words, a decline in jobs and working hours – and, to date, we have little evidence that any U.S. jurisdiction has enacted a minimum wage law that does. One recent study found no significant negative employment effects from minimum wage policies, even in counties with minimum wages as high as 82% of the median wage.ⁱⁱⁱ We estimate the median hourly wage among all workers in Maine in 2025 is \$27.11, 82% of which would be \$22.23 per hour.^{iv} These figures suggest the current proposal is right near the level up to which research has found minimum wage policies have not had a negative impact on employment.

While we are supportive of this bill, we offer some suggestions for improvement. One would be to gradually increase the minimum wage rather than do so immediately. When voters approved Maine's current minimum wage law, it rose from \$7.50 to \$12.00 in less than four years, which

could offer a guide for implementing these proposed changes. A quick one-time increase would pose significant challenges to employers and could have negative impacts on employment and cause some employers to fail.

Another consideration is whether the state should mandate regional differences or, alternatively, maintain the current situation in which localities can explore higher wages, as Portland and Rockland have done. Among other things, a regional structure can be complicated to implement and enforce. Workers often do not know all their rights and many employers are spread across the proposed regions; in fact, some workers would spend a portion of their working hours in multiple regions, which would be complicated to track.

Finally, we are not aware of an example of using the MIT living wage calculator or a similar measure as the basis for a minimum wage. One possible alternative would be to set the wage at a factor of the federal poverty level (FPL). For example, this year 200% of the federal poverty level for a two-person household is \$42,300, or about \$20.34 per hour for a full-time worker.^v It's important to remember the federal poverty level has only been adjusted for inflation since 1963, when it was simply set at the amount of money needed to purchase a household's food, multiplied by three – FPL has not been adjusted to account for massive changes in our economy, including increases in real median incomes and changes in consumption patterns.^{vi}

For these reasons, we suggest further investigating what percentage of median income is an optimal minimum wage; gradually increasing the minimum wage over several years; considering whether regional differences are readily enforceable; and exploring alternative measures upon which to set the livable wage.

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

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ⁱ James Myall, MECEP, "Minimum wage increase brought higher wages, reduced child poverty in 2017," September 2018, available at <https://www.mecep.org/jobs-and-income/mecep-policy-brief-minimum-wage-increase-brought-higher-wages-reduced-child-poverty-in-2017/>

ⁱⁱ MIT Living Wage Calculator, available at <https://livingwage.mit.edu/states/23/locations>

ⁱⁱⁱ Anna Godøy and Michael Reich. (2020). "Are Minimum Wage Effects Greater in Low-Wage Areas?". IRLE Working Paper No. 106-20.

<http://irle.berkeley.edu/files/2020/09/Are-Minimum-Wage-Effects-Greater-in-Low-Wage-Areas.pdf>

^{iv} MECEP analysis of US Census Bureau's American Community Survey data and projected wage growth from Maine's Consensus Economic Forecasting Commission.

^v Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, 2025 Poverty Guidelines, available at

<https://aspe.hhs.gov/sites/default/files/documents/dd73d4f00d8a819d10b2fdb70d254f7b/detailed-guidelines-2025.pdf>

^{vi} See "The Defining Down of Economic Deprivation: Why We Need to Reset the Poverty Line," The Century Foundation, September 2020, available at <https://tcf.org/content/report/defining-economic-deprivation-need-reset-poverty-line/>