



Testimony in Support of LD 206:

“An Act to Protect Maine Businesses by Eliminating the Automatic Cost-of-living Adjustment to the Minimum Hourly Wage”

Senator Tipping, Representative Roeder, and the distinguished members of the Committee On Labor, my name is Harris Van Pate, and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to submit testimony in support of LD 206, “An Act to Protect Maine Businesses by Eliminating the Automatic Cost-of-living Adjustment to the Minimum Hourly Wage.”

Maine’s automatic cost-of-living adjustment (COLA) to the minimum wage creates significant economic challenges for small businesses, workers, and consumers. While the intent behind these adjustments is to ensure wages keep pace with inflation, the reality is that this policy removes critical flexibility from employers and makes Maine’s labor market less competitive, particularly in rural areas.

The Burden on Small Businesses and Rural Communities

The automatic COLA disproportionately affects small businesses, which are the backbone of Maine’s economy. Many of these businesses operate on thin margins and cannot afford to absorb annual wage increases without raising prices, reducing hours, or cutting jobs. Unlike large corporations, small businesses do not have extensive capital reserves to accommodate these costs.¹ As a result, forced wage hikes often lead to hiring freezes, automation of low-wage jobs, or even business closures—particularly in rural areas where economic conditions are already challenging.

Maine’s economy is diverse, and a one-size-fits-all approach to wage adjustments ignores regional differences. Wages that may be sustainable in Portland or Bangor can be untenable for businesses in smaller towns, where the cost of living and consumer spending power are significantly lower.

Job Loss and Reduced Entry-Level Opportunities

An automatic wage increase without consideration for market conditions risks reducing job opportunities, especially for young and low-skill workers. Entry-level positions provide essential training and experience, yet businesses facing mandated wage hikes

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<https://legislature.vermont.gov/Documents/2020/WorkGroups/Senate%20Economic%20Development/Bills/S.23/Written%20Testimony/S.23~Ryan%20Bourne~Written%20Testimony~2-5-2019.pdf>



are more likely to cut these roles or require higher qualifications from applicants, making it harder for less-experienced workers to find employment.

Research shows that artificial wage increases lead to decreased employment for low-wage workers. According to the Congressional Budget Office, a federally mandated increase to \$15 per hour by 2028 could result in over a million jobs lost nationwide.² Maine should not risk similar negative impacts by maintaining an automatic wage escalation mechanism that does not account for local business conditions.

Maine's Minimum Wage is Already Among the Highest in the Nation

Maine's minimum wage is among the highest in New England and almost doubles the federal minimum of \$7.25 per hour.³ Recognizing that market forces and employer competition already contribute to rising wages without government-mandated increases is essential. The only state we border, New Hampshire, sets its minimum wage to the federal minimum, meaning that Maine businesses are at a dire disadvantage compared to their New Hampshire counterparts. Many Maine businesses pay above the minimum wage to attract and retain employees, demonstrating that natural wage growth occurs without state intervention.

A Balanced Approach

Rather than relying on an automatic COLA, Maine should adopt a more flexible, market-driven approach to wage increases that considers economic conditions, business needs, and regional disparities. Legislative deliberation, rather than an automatic mechanism, allows for a more informed decision-making process that balances worker needs with business viability.

Conclusion

LD 206 is a necessary step to protect Maine's businesses, preserve job opportunities, and ensure that wage policies reflect economic realities. Eliminating the automatic COLA does not mean wages will stagnate—rather, it allows businesses to make sustainable wage decisions based on market conditions, keeping Maine's economy resilient and competitive.

² <https://www.cbo.gov/publication/55681>

³

<https://nhfpi.org/resource/new-hampshires-minimum-wage-is-more-than-6-per-hour-lower-than-in-any-other-new-england-state/>



For these reasons, we respectfully urge the committee to support LD 206. Thank you for your time and consideration.