



April 12, 2021

To: Sen. Craig Hickman and Rep. Michael Sylvester, co-chairs  
Members, Committee on Labor & Housing

From: David R. Clough – Maine State Director

Re: Minimum Wage Legislation – LD 455, LD 543, LD 774, LD 1047, LD 1279

This statement is on behalf of the nearly 3,000 small business owners in Maine who are members of the National Federation of Independent Business. NFIB has members in every Senate district and in 150 House districts. Member businesses collectively span a wide range of economic activities.

Oppose

LD 1279 An Act To Increase the Minimum Wage, which would raise the current \$12.15 minimum in annual \$1 steps to \$16 an hour in 2025.

Qualified Support

LD 455 An Act To Give the State the Sole Authority To Establish a Minimum Wage and Hazard Pay with Certain Exceptions

LD 543 An Act To Provide That the Minimum Wage Increases by the Cost of Living Every 3 Years

LD 774 An Act To Promote Minimum Wage Consistency

LD 1047 An Act To Create an Alternate Minimum Wage Applicable to Student Employees Who Are under 20 Years of Age and to Employees Who Are under 18 Years of Age

Higher Costs Have Side Effects

Every increase of \$1 in the minimum wage costs a small employer over \$2,100 in added labor expense for a 40-hour a week job. (Calculation: \$1 x 40 hours x 50-52 weeks x 7.65% for employer share of Social Security and Medicare taxes.)

NFIB asked members a few years ago about how the extra cost of a higher minimum wage is handled. The results showed that customers, workers and business owners all “pay” for the new costs.

58% Increase prices	45% Reduce work hours	30% Take less owner’s profit
	37% Reduce workers	22% Other
	36% Limit/reduce worker benefits	
	35% Limit pay increases other workers	

We understand the desire to help workers earn more but ordering small employers to pay higher wages is not risk-free economic miracle medicine and, like a prescription drug ad, should come with warnings that it may not help everyone and that some workers may experience mild to severe side-effects, from loss of hours to potentially loss of jobs.

Maine’s \$12.15 Wage Already Among Highest

Although Maine’s per capita income in 2020 ranks 29<sup>th</sup> (U.S. Bureau of Economic Analysis) and Maine’s percentage of population aged 65 and older is tied with Florida for 1<sup>st</sup>(U.S. Census Bureau), Maine’s minimum wage rate ranks among the nation’s highest. This reality gap would worsen under LD 1279 as would negative side effects on customers, workers and small business owners.

	<b>STATE</b>	<b>2021</b>		<b>STATE</b>	<b>2022</b>
1	CA	14.00	1	CA	15.00
2	WA	13.69	2	MA	14.25
3	MA	13.50	3	CT	14.00
4	CT	13.00	4	WA	13.69 +CPI-W
5	OR	12.75	5	OR	13.50
6	NY	12.50	6	NJ	13.00
7	CO	12.32	7	NY	12.50 +CPI-U
8t	ME	12.15	8	CO	12.32 +CPI-U
8t	AZ	12.15	9t	ME	12.15 +CPI-W
10	NJ	12.00	9t	AZ	12.00 +CPI-U

Source: Congressional Research Service, Dec. 22, 2020

### Local Ordinances Need Guardrails

Local wage ordinances can create particular impacts – such as financial, compliance, administrative management – on small businesses with multiple locations and at least one of which is in a municipality that sets a wage rate higher than the statewide rate or a municipality that dictates extra pay or benefits for certain workers or in certain situations. While a large business with multiple locations may have the wherewithal to manage a spike in labor costs dictated by a local ordinance, small employers have less flexibility but much more vulnerability. Apart from prohibiting local wage ordinances, which NFIB is not advocating, a different approach sets a ceiling on how much a local wage can exceed the statewide minimum wage.

Separately, Maine law should preempt ordinances, such as Portland’s hazard pay ordinance, that grant premium pay to certain private sector workers or private sector workers in particular situations. Maine law also should preempt ordinances that grant employee benefits to certain private sector workers. Maine’s earned paid leave law is an example of employee benefit preemption.

### Annual Versus Indexing Every Three Years

There is appeal to both approaches. Annual increases involve yearly adjustment whereas increases every three years would provide a buffer but entail a sharper increase. A third approach would involve annual increases based on the three-year moving average change in CPI-W Northeast, for example. NFIB members likely would support that approach that best helps them manage employment costs, whichever approach that is.

### Student and Youth Wage Rates Make Sense

Numerous small business owners have testified over recent years about increasing tension in their workplace between teenage workers with no experience and an immature work ethic compared to older workers. Various states and other countries recognize the situation and allow an employer to pay a learning wage to certain teenage workers for a limited duration.

Thank you being mindful of Maine small business owners.