



## Testimony in Opposition to LD 1376, “An Act to Create a Livable Wage by Increasing the Minimum Hourly Wage”

Senator Tipping, Representative Roeder, and the distinguished members of the Committee on Labor and Housing, my name is Nick Murray and I serve as director of policy for Maine Policy Institute. We are 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 testify in opposition to LD 1376.

According to the U.S. Small Business Administration (SBA), more than 99% of Maine businesses are considered small businesses, meaning that they employ less than 500 employees.<sup>1</sup> These firms collectively employ more than 56% of all workers in Maine. When the state mandates higher costs on businesses, consumers and workers also pay the cost. Wage controls contribute to higher costs like any other tax, regulation, or mandate would.

Minimum wage laws have simply not shown to benefit workers in the way that proponents have claimed for years. Economic research has shown that when the government establishes tighter wage restrictions, workers’ hours are reduced, consumers pay more, or jobs are ultimately lost.<sup>2</sup>

A study published in *American Economic Journal* studied the effects after Seattle set its citywide minimum wage to \$13/hour in 2017. It found that those earning less than \$19/hour saw their wages rise by 3.4%, but their working hours decreased by 7%. The low-wage workers who were employed in Washington before the policy went into effect saw their wages rise more than their hours fell, but made only about \$12 more per week on average. Researchers found a lower rate of hiring for the low-wage workers who were not previously employed in the state before the new citywide minimum wage.<sup>3</sup> Ultimately, workers lost from this experiment.

When wages rise artificially due to an increase in the minimum wage, payroll costs on businesses increase without compensation for growth in productivity or sales.

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<https://cdn.advocacy.sba.gov/wp-content/uploads/2022/08/30121321/Small-Business-Economic-Profile-ME.pdf>

<sup>2</sup> <https://evans.uw.edu/policy-impact/minimum-wage-study>

<sup>3</sup> <https://www.aeaweb.org/articles?id=10.1257/pol.20180578>

Proponents' oft-stated goal of a national \$20/hour minimum wage, would be disastrous for our nation's economy. An analysis published by the nonprofit Employment Policies Institute (EPI), based on a 2019 CBO analysis, found that the policy would lead to 2 million jobs lost and collectively cost businesses over \$99 billion. EPI also found that the job losses would hit the youngest workers (age 16-19) the hardest, with that group projected to lose more than 850,000 jobs. In Maine, they estimated the policy would cost 1,300 jobs and \$90 million in increased business costs.<sup>4</sup>

Obviously, people earning higher wages is a good thing. This is why we at Maine Policy are constantly advocating for less state intervention and lower tax burdens. These things provide for a vibrant economy. Allocation of resources, including human capital, is much better accomplished when it is directed by markets, not government.

Unleashing the creative potential of individuals through markets and free enterprise is historically the quickest and most efficient way to raise the quality of life for everyone.<sup>5</sup>

Short of eliminating the minimum wage entirely, lawmakers should work to relax some of its most stringent requirements, including the mandate that the minimum wage increase with inflation every year. Mainers are competing in a regional, national, and global economy. The true minimum wage is zero dollars, not whatever number legislators place in statute.

Please deem LD 1376 "Ought To Pass." Thank you for your time and consideration.

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<sup>4</sup> The State Employment Impact of a \$15 Minimum Wage. Employment Policies Institute. January 2021. <https://epionline.org/studies/the-state-employment-impact-of-a-15-minimum-wage-january-2021/>

<sup>5</sup>

<https://www.investors.com/politics/commentary/thanks-to-free-markets-global-poverty-and-hunger-are-on-the-ropes/>