

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

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James Myall, Economic Policy Analyst

Good afternoon Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is James Myall. I’m an Economic Policy Analyst at the Maine Center for Economic Policy. I’m here today to testify in support of LD 1376, “An Act to Create a Livable Wage by Increasing the Minimum Hourly Wage.”

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, all while seeing – at least until onset of the COVID-19 pandemic – low unemployment rates and high labor force participation.

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 1376 would build on our past success with minimum wage increases and move us closer to that goal of a living wage. Measuring a living wage can be difficult because it depends on which expenses are considered essential, and varies based on family size. One good estimate comes from the Massachusetts Institute of Technology, which says a living wage for a single adult working full-time in Maine is \$16.53 per hour.<sup>1</sup> Based on current estimates of inflation, the “living wage” for a single adult without children will be just under \$23 per hour by 2033 (Table 1).<sup>2</sup> LD 1376 would therefore bring Maine’s minimum wage into alignment with a basic living wage.

It's important to note that while \$24 per hour appears to be a big increase to the minimum wage, its implementation over 10 years means that its impact will be spread out over time. According to MECEP’s analysis, LD 1376 would increase wages for 245,000 Mainers by 2033, just under 40 percent of the state’s employee workforce.<sup>3</sup> This is a more robust increase than the minimum wage increase Mainers voted for in 2016, which impacted a third of Maine’s workforce,<sup>4</sup> but of course that increase was phased in over 4 years rather than 10.

One measure of the impact of a minimum wage increase widely-recognized by economists is the ratio between a proposed minimum wage and an area’s median hourly wage for full-time, year-round workers. This is called the Kaitz Index. Currently, Maine’s minimum wage is 53 percent of the median wage, and because it is indexed to inflation, it is predicted to remain at 53 percent of the median wage indefinitely. LD 1376, on the other hand, would increase the wage to 72 percent of the median wage by 2033 (Table 2). This is within the range of minimum wage increases in the US which have been studied and shown to have no statistically significant impact on employment.<sup>5</sup>

However, it is worth examining the impacts on lowest-wage labor markets in the state. According to data from the US Census Bureau, this is the area covered by Aroostook and Washington Counties, where the median hourly wage for full time employees in Northeast Maine is currently \$22.21 per hour, compared to the statewide average of \$26.06 per hour. By 2033, we estimate LD 1376 would bring the minimum wage from 62 percent of the median wage in that area to 84 percent (Table 3). The most recent evidence suggests minimum wages at up to 82 percent of the median wage do not cause unemployment,<sup>6</sup> though there are not many examples of wages this high in the United States from which to draw

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conclusions. On this basis, LD 1376 as drafted might be feasible even in these areas of the state, but it is hard to say for certain.

In general, we support LD 1376 as an effort to make Maine's minimum wage closer to a livable wage, and to improve the well-being of hundreds of thousands of workers across the state. I urge you to vote "ought to pass" on LD 1376, while noting some areas for consideration as outlined above.

Thank you. I'll be happy to take any questions.

## Notes

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<sup>1</sup> Massachusetts Living Wage Calculator, <https://livingwage.mit.edu/states/23>

<sup>2</sup> Using estimates for the Consumer Price Index contained in the US Congressional Budget Office's February 2023 outlook. <https://www.cbo.gov/publication/58848>

<sup>3</sup> MECEP analysis using US Census Bureau, American Community Survey, 2017-2021 public-use microdata. Includes workers projected to earn less than \$24 per hour in 2033, as well as those slightly above the new minimum wage (up to \$27.60 per hour) who will be indirectly affected and see a wage increase.

<sup>4</sup> Maine Center for Economic Policy, *Restoring the Value of Work: A \$12 minimum wage will strengthen Maine's economy and enable working Mainers to make ends meet*. Aug 2016. <https://www.mecep.org/jobs-and-income/restoring-the-value-of-work>

<sup>5</sup> Anna Godoey and Michael Reich, "Are Minimum Wage Effects Greater in Low-Wage Areas?" *Industrial Relations*. 22 Jan 2021. <https://irle.berkeley.edu/files/2021/01/Are-Minimum-Wage-Effects-Greater-in-Low-Wage-Areas.pdf>

<sup>6</sup> Ibid.