



Maine Innkeepers Association

REPRESENTING MAINE'S BED & BREAKFAST, CAMPS, COTTAGES, HOTELS, INNS, MOTELS & RESORTS SINCE 1921

Senator Patrick, Representative Herbig and distinguished members of the Labor, Commerce, Research and Economic Development Committee, my name is Greg Dugal and I am here representing the Maine Innkeepers Association in opposition to LD 611- An Act To Adjust Maine's Minimum Wage Annually Based on Cost-of-living Changes. Though I am sure you get tired of us showing up in mass in the wake of a minimum wage increase bill, it is a very important process. Discussion over the appropriateness, timing or amount of an increase is essential especially when we find ourselves in difficult economic times so just increasing the minimum wage each year without having this debate seems to be shortchanging everyone involved. Our industry very seldom pays minimum wage as good experienced employees command a higher rate of pay. Minimum wage in our industry is reserved for young people in entry level positions and my fear is that they will be hurt most by this proposal. It makes no sense to have to pay someone with no experience an elevated wage because the minimum wage goes up. The employer will rely on his current employees to pick up the slack.

In our industry it really affects small business the most because they are now required to pay their tipped employees an additional .50 cents per hour under this proposal. May not seem like much but for a small restaurateur it can be \$15,000 to \$20,000 in additional payroll and related costs per year, not an easy amount of money to make up in a small margin industry. There are many more qualified people here today that can tell you that story. For many of our larger employers, the Affordable Care Act is becoming the law of the land with a price to pay. A 100 room full service property with amenities that currently is not offering insurance will find themselves having to pay increased costs of \$750,000 to procure insurance or face fines of \$150,000 to \$200,000 for not providing it. Regardless it is a cost most businesses will not be able to absorb. Add to that an increase in minimum wage to employers for tipped employees and the upward pressure added for wages across the board and you will have many employers struggling to survive and certainly not hiring more employees.

Even employers in our industry that do offer insurance will see increases in health care insurance costs due to needing to cover more people, offer more generous plans to comply or suffering potential \$3000 fines per employee for not offering the appropriate affordable coverage. I believe no one knows what the true impact of the ACA will be on business, so maybe we should at least wait until that mandate has been instituted and find out the real impact of what that could be before we add more costs to business. There is also consideration

for a minimum wage increase at the Federal level where all employers nationwide would be subject to the same rules, maybe we should wait to see what happens there.

Luckily inflation has not been a very big part of this downturn like it was in 1979 and 1980. Some of us in the room remember that time when the only thing higher than inflation was borrowing interest rates. In 1979, the Consumer Price Index spiked at over 12%, 1980 wasn't much better at 11.7%. Using our current minimum wage of \$7.50 over a similar period of time with those historic inflation figures, our minimum wage would have gone to \$8.40 and then to \$9.38 in the steepest recession of our time. Unemployment would have been more adversely affected than it has been already and in the quest for a higher wage, jobs would be lost. As much as we all don't enjoy gathering together to discuss the merits of minimum wage and the increases that go along with its existence, the time period of 79 and 80 and 09 and 10 prove that automatic raises could be catastrophic for job retention and growth in the State economy.

Increased mandates like the Affordable Care Act and CPI adjustments for minimum wage will only force my employers to reduce their staffs even more, which will just add to the woes of the Maine workforce. Let's continue to have the minimum wage increase discussion in the future, regardless of how difficult it can be and hold the line on minimum wage for now!

Gregory Dugal

Executive Director