MAINE
Restaurant Association

Enhancing Prosperity for Maine's Restaurants

March 14, 2013

RE: LD611 2013 "An Act to Adjust Maine's Minimum Wage Annually Based on Cost of Living Changes"

Senator Patrick, Representative Herbig, Distinguished members of the Joint Standing Committee on Labor, Commerce, Research and Economic Development.

My name is Dick Grotton, It is my pleasure to be here today representing the Maine Restaurant Association in opposition to LD 611, a far reaching proposal to index the minimum wage to the Consumer Price Index for Urban Wage Earners and Clerical Workers CPI-W and to the raise that wage to $8.50 per hour beginning on October 1st of this year.

According to the Maine Department of Labor, these are some of the demographics of minimum wage workers in Maine:

- 44% work in food preparation and serving occupations (a high share of which customarily receive tips)
- 26% worked in sales related occupations (some of which customarily receive tips)
- 69% worked a part-time schedule at their primary job
- 51% were under age 25, a group which comprises just 20% of the hourly paid workforce (and an even smaller share of the entire workforce)
- 24% were under age 20, a group which comprises just 5% of the hourly paid workforce (and an even smaller share of the entire workforce)
- 36% did not have a high school diploma
- 92% did not have a post-secondary degree

The theory is that a rising tide lifts all boats. I believe that is true but it is also the problem. Very young adults with such limited earning potential have limited education and lack in-demand job skills. To require an employer to pay an individual more than they might otherwise command in a competitive labor market is to put society's obligation to help the less fortunate onto individual employers. The rising wage lifts not only the income of a limited number of employees captured by the safety net, but also the cost of everything they and we purchase as the rising tide ripples throughout the economy.

Maine is still running a significant unemployment rate and raising the cost of labor will undoubtedly make many firms ponder their hiring decisions. The timing could not be worse.

A 13% minimum wage increase on October 1, heading into our slowest season, is a very difficult cost increase for many, many Maine small businesses to bear.

In the hospitality business few are paid the minimum wage. The bulk of so called minimum wage workers are actually only technically included in the category. They are tipped employees who can never earn less than the minimum wage and actually earn multiples of the minimum wage on an everyday basis. When you raise the minimum wage, the benefit goes almost exclusively to the highest paid worker in the restaurant, the tipped wage earner. There is little left to offer others a merit pay increase.

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The wage impact is greatest on our industry because it must be given to such a high percentage of our employees, perhaps 70% or more. A small restaurant employing only 15 people will pay out about

$10,000 in wages, workers comp, FICA, FUTA, SUTA and Medicare taxes due to this proposed increase and every dime will go to the highest paid workers who already earn much more than the minimum wage.

The minimum wage increase that we like to think of as helping that little guy often has the opposite effect as the wage rate pits their competency against more mature workers that are seeking employment in a slack economy, and they require far less basic training, bring workplace experience and greater ability.

I have concern that a great many teens, especially in rural Maine will not easily find work at this new starting wage rate. And they may miss an opportunity to start their personal journey as 80% of the business owners in our industry started their careers as entry level dishwashers and prep cooks.

We are in a most uncertain time for the business community. Please consider the issues we face: an uncertain course in understanding and coping with the Affordable Care Act. The rules will fill books, not pages, and with complications that may well require many Maine companies to hire full time administrative staff just to deal with those issues. We have absolutely no idea what this unknown requirement will cost. None. For a large employer with 50 or more full time equivalent employees perhaps $200,000 - $300,000 or more.

With the issues of Revenue Sharing and Circuit Breaker cuts looming, there is much talk of a Meals and Lodging Tax increase. And there are no assurances that such an increase might not also be accompanied by a Local Option Tax which generally means Meals and Lodging.

To top it off, the economy is most unpredictable, we know there will be significant fallout to Maine businesses from the federal sequestration issue and our customers only spend disposable dollars.

Indexing the minimum wage to the Consumer Price Index for Urban wage earners and clerical workers is a one way road. When the CPI goes up, the wage goes up. When we have deflation as in 2008 -2009 the CPI goes down but the wage stays the same. The lower CPI sets a new bar, when the economy rebounds the CPI goes up and the wage rate goes up, not from the low CPI rate of the recession but from the same point the wage had reached prior to the recession. The more ups and downs of the CPI, the consistently higher the wage rate.

In addition to this untenable situation, indexing is also unfair to thoughtful legislators who would be denied the opportunity to take stock of the state of the economy, and the pressure on Maine businesses before deciding that an increase in the safety net is prudent. Lastly, indexing robs the employer of the opportunity to offer merit pay raises to the best workers as they must consider the financial impact of the ever present auto pilot wage increase.

Indexing must work both ways or it should not be included in the bill.

I appreciate the opportunity to share this information with the committee.

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