

The voice of Maine business

Testimony of
Peter M. Gore for
The Maine State Chamber of Commerce
In opposition to

L.D. 611, An Act To Adjust Maine's Minimum Wage Annually Based on Cost-of-living Changes March 14, 2011

Senator Patrick, Representative Herbig, members of the Joint Standing Committee on Labor, Commerce, Research and Development, my name is Peter Gore, I am the Vice President for Advocacy at the Maine State Chamber of Commerce, a statewide business organization made up of both large and small businesses, here to provide you with our testimony in opposition to **L.D. 611**, An Act To Adjust Maine's Minimum Wage Annually Based on Cost-of-living Changes

L.D. 611 proposes to do two things, first increase Maine's minimum wage from \$7.50 to \$8.50 an hour effective October 1, 2013. Second, the bill would, on an annual basis effective June 30th of this year and every year thereafter, adjust this state's minimum wage automatically tied to any upward changes in the Consumer Price Index (CPI).

By way of background, despite the continued opposition by the business community, the Maine Legislature has been very progressive over the years when it comes to increasing the minimum wage. The last unilateral increase in Maine's minimum wage took place during the 123rd Legislature. At that time, the labor committee dealt with a number of proposals that would have increased the minimum wage significantly higher than the \$7.50 finally decided upon. To its credit, the 124th Legislature opted not to push for an additional increase due to the severe economic recession with which Maine and the nation were grappling. There were no bills submitted in this policy area during the 125th Legislature

In July 2009, the federal minimum increased to \$7.25 an hour. As a result of legislation passed in 2008 by the 123rd Legislature, Maine's minimum wage currently stands at \$7.50, effective October 2009. With this most recent increase, Maine has increased its minimum wage nine times since 1996, eight of which have occurred in the past 13 years. Currently, 18 states have a minimum wage above the federal limit. It appears that 10 states have their minimum wage tied in some manner to the CPI. One of those states has a minimum wage below our \$7.50 an hour rate. At the proposed \$8.50, Maine would have the fourth highest minimum age rate in the country.

With respect to implementing an automatic wage escalator in the form of a COLA tied to the consumer price index (CPI), we have strongly opposed this proposal each time it has come before the legislature. We do so today. Placing wage and hour costs on automatic pilot tie the hands of businesses, giving them less flexibility to meet other rising costs, in good times or bad.

Maine's unemployment rate remains above seven percent. What's more, Maine consistently ranks among the states with the highest cost of doing business. The notorious Forbes report issued last fall once again places Maine last out of 50 states when it comes to business attractiveness. As if to highlight Maine's continued issues in this area, the recently released 2013 Measures of Growth Report, produced by the Maine Economic Growth Council and the Maine Development Foundation, cited Maine's cost of doing business as the tenth highest in the nation, 8.6% higher than the rest of the country. While this is a marginal improvement over the last edition of the report, wage and hour costs are one of the cost drivers that impact this number.

In 2011, The U.S. Chamber of Commerce released *The Impact of State Employment Policies on Job Growth, A 50-State Review*. The report represents a data analysis of all 50 states labor laws and regulations, and their impact on job creation and lowering states unemployment rates. Maine fared poorly in this report. We find ourselves in the "Tier 3" ranking – or poor, cited as a state with a "difficult climate for new job creation." While not the only factor, the fact that we have higher than average wage and hour costs, associated with a minimum wage that is above the federal minimum wage, is one of the reason we ranked poorly.

Despite the well-intended nature of this bill, the Maine State Chamber believes that if our state is to recover from this most recent recession, grow our economy, and attract new jobs and opportunities for our citizens, then <u>now</u> is precisely the worst time to be further increasing the cost of doing business by again raising wage and hour costs through a minimum wage increase. These increases tend to hit small businesses hardest. It is these businesses—the bedrock of our state's economy—that we will depend upon to create new job opportunities in the short term. While proponents of this type of legislation will argue otherwise, monies diverted to cover new and unexpected costs of doing business leave employer's with fewer options when it comes to investing in further growth.

The Maine State Chamber of Commerce urges this committee to reject L.D. 611 and give this bill an "ought not to pass" recommendation. Thank you for the opportunity to provide you with our comments.