



Making Work Pay: Maine's Minimum Wage

When wages keep pace with inflation everyone wins

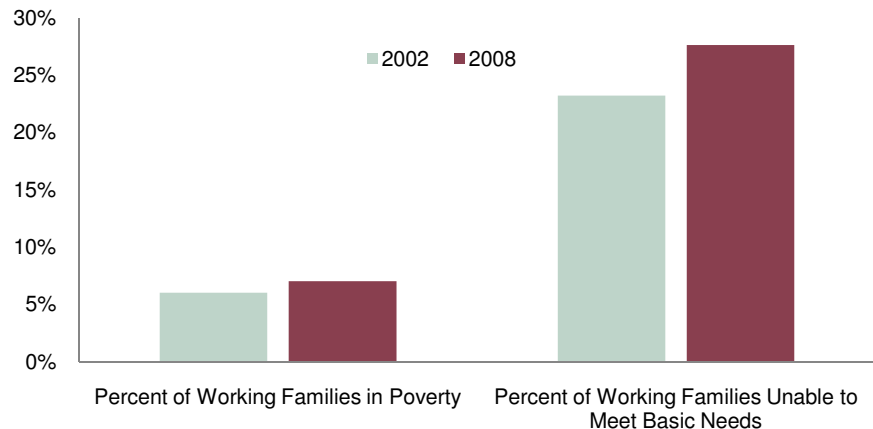
Consumer spending drives economic activity in Maine and the United States. When working people have more money, they spend more. This results in more economic activity, which is good for business and good for jobs.

At a time when working Mainers face increased economic hardship and businesses are short on customers, now is the time to implement policies that will boost Maine's economy. Increasing Maine's minimum wage and indexing it to inflation will promote greater prosperity now and in the future.

Maine families are working more for less

More and more Maine households are relying on low-wage jobs to make ends meet. One in three Maine workers is employed in industries that pay, on average, below \$30,000 per year.¹ Eighteen percent of jobs don't pay enough to lift a family of four out of poverty, much less meet their basic needs.² Despite working harder and more productively, Maine's low-wage workforce has been growing for decades and the recession has accelerated this trend.

Every cent counts for Maine working families



Making work pay is sound economic policy

Maine people want jobs with dignity that pay a decent wage. Mainers working for minimum wage will benefit directly from minimum wage increases. So too will employees who work slightly above the existing minimum as employers seek to maintain competitive wages, reward productivity, and minimize turnover. The ripple effect of these gains throughout the economy can be significant. For example, the Economic Policy Institute estimated that a modest increase in the federal minimum wage in 2009 generated \$5.5 billion in consumer spending across the U.S. economy.

Maine enacted a state minimum wage of \$1.00 in 1959. The buying power of today's minimum wage, \$7.50, is roughly equivalent to the minimum in 1959. But when adjusted for inflation Maine's minimum wage has fallen below this threshold in 26 of the last 30 years.³ This has undermined the buying power of families and coincided with one of the most pronounced periods of growing income inequality in Maine and in the United States. Reversing this trend will require a realistic minimum wage, targeted tax relief, and investments in health care and education that put working families first and promote shared prosperity.

34

Percent of Maine workers employed in jobs in 2008 that paid at or slightly above the minimum wage.¹⁰

37,830

Number of Maine working families that did not make enough to meet basic needs in 2008.¹¹

10

Number of states that have indexed minimum wages.

30

Number of times Maine has raised its minimum wage since 1959.

\$16.94

Livable wage for a family with one adult and one child in 2008 calculated by the Maine Department of Labor.¹²

\$9.69

Value of Maine's minimum wage in 2011 dollars at its peak in 1971.

76

Percent of workers earning at or near the minimum wage nationally age 20 and above.

\$5.5 billion

Consumer spending generated by 2009 increase in the federal minimum wage.

Indexing Maine's minimum wage is good for business

“Higher wages benefit business by increasing consumer purchasing power, reducing costly employee turnover, raising productivity, and improving product quality, customer satisfaction and company reputation.”⁴

– Business for a Fair Minimum Wage, signatories include Costco CEO Jim Sinegal, U.S. Women's Chamber of Commerce CEO Margot Dorfman, Lamey-Wellehan President Jim Wellehan

Businesses often cite the need for predictability in making business decisions. Since 1959, the Maine legislature has increased the minimum wage 30 times. Adjusted for inflation, the value of Maine's minimum wage reached its peak at \$9.69 in 1971 and its lowest point \$6.08 in 1995. Indexing Maine's minimum wage would help avoid such fluctuations and provide greater predictability for families and businesses. At present, 10 states index their minimum wage. They include Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont, and Washington.

Facts dispel myths about the minimum wage

- **Higher wages do not result in job losses and may actually contribute to increased employment:** Decades of research reveals that minimum wage increases do not lead to job loss, even during periods of high unemployment.⁵ In some instances, minimum wage increases actually increase employment and productivity.^{6,7} For example, states that raised their minimum wages above the decade-long \$5.15 federal level in the early 2000s had stronger employment and small business trends than states that didn't.⁸
- **Minimum wage workers are adults and heads of households:** Nationally, 76% of workers earning at or near the minimum wage are adults over age 20.⁹ This figure may be slightly lower in Maine given a reliance on seasonal workers.

Minimum wage policies are a small part of longer-term efforts to grow incomes and the economy

Maine workers and businesses have a shared interest in improving wages at all income levels. Making work pay is not only the right thing to do, it makes sound economic sense. A minimum wage that keeps pace with the increasing cost of living is an important step toward greater long-term stability for families and the overall economy.

Unfortunately, two adults working full-time at the current minimum wage still fall short of the income needed to meet the basic needs of a four person family. While wage policies are important, the best way to raise incomes over time is to maintain critical investments in education, health care, and infrastructure on behalf of Maine people and businesses. Such investments must remain a priority if Maine is to achieve greater future prosperity.

Sources: ^{1,2,10,11} MECEP analysis of data compiled by Working Poor Family Project (WFPF) from various sources including Bureau of Labor Statistics and U.S. Census Bureau Figures. ³MECEP analysis. ⁴Business for a Fair Minimum Wage, www.businessforfairminimumwage.org/statement. ⁵National Employment Law Project, “A Strong Minimum Wage Can Help Working Families, Businesses and Our Economy Recover,” Briefing Paper, January 2011. ⁶Card, David and Alan B. Krueger. 1994. “Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania.” *American Economic Review*. Vol. 84, No. 4. (September), pp. 772-793. ⁷Arindrajit Dube, T. William Lester, and Michael Reich, “Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties,” *The Review of Economics and Statistics*, November 2010, 92(4): 945-964. ⁸Economic Policy Institute, “Fix It and Forget It: Index the Minimum Wage to Growth in Average Wages,” Briefing Paper #251, Dec. 17, 2009. ⁹Economic Policy Institute, Minimum Wage Issue Guide, available at www.epi.org. ¹²Maine Department of Labor, Center for Workforce Research and Information, July 2009 available at www.mecep.org/documents/LivableWageTable_2008.pdf.

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About the Maine Center for Economic Policy

The Maine Center for Economic Policy advances public policies that help Maine people prosper in a strong, fair and sustainable economy. We advance this mission through high-quality research, analysis, citizen education, and coalition building. MECEP is an independent, nonpartisan organization.

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