

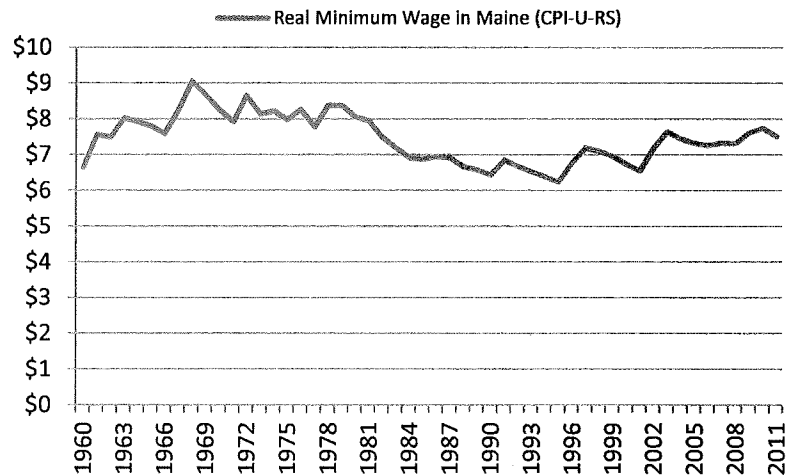
**Testimony at Hearing on LD 611:
 An Act to Adjust Maine's Minimum Wage Annually Based on Cost-of-living Changes
 By Joel Johnson, MECEP Economist**

Good Morning Senator Patrick, Representative Herbig, and distinguished members of the Joint Standing Committee Labor, Commerce, Research, and Economic Development. I'm Joel Johnson. I'm an economist at the Maine Center for Economic Policy. I'm here today to testify in favor of LD 611.

Increasing the minimum wage by a dollar and indexing it to inflation will reward hard-working Mainers and help pull Maine's economy out of the doldrums after the worst recession since the Great Depression.

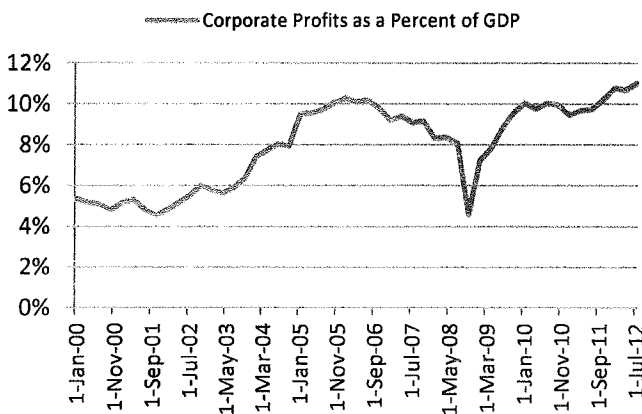
First of all, increasing Maine's minimum wage is long overdue. The minimum wage in Maine is lower than it was forty years ago. Wages for low-income working families have barely grown at all in thirty years. Maine families are working harder than ever but they still can't pay their bills. Inequality has soared over the past thirty years while wages have stagnated, work hours have increased, economic growth has slowed, and boom-and-bust business cycles have wreaked havoc on wage earners and their families.

The minimum wage in Maine is lower than it was forty years ago



Sources: US Department of Labor, Bureau of Labor Statistics, US Census Bureau, and Maine Department of Labor

Corporate Profits Are At All-time Highs



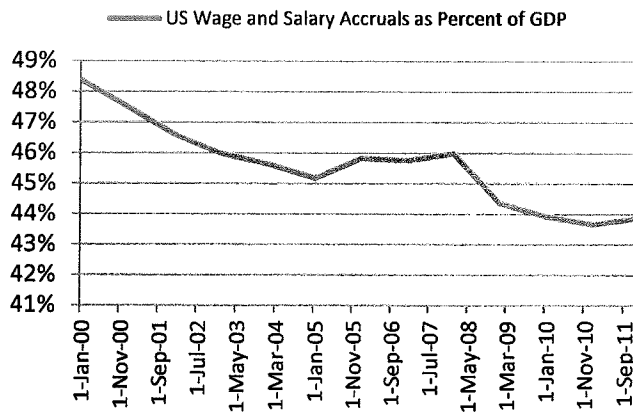
Source: Federal Reserve Bank of St. Louis

Increasing the minimum wage to \$8.50 per hour would give 84,000 Maine workers—15% of the state's workforce—a raise.

Second of all, raising the minimum wage is good for Maine's economy. Small businesses in Maine are suffering from poor sales in the wake of the worst recession since the great depression. Meanwhile, at the national level, it's no coincidence that corporate profits as a percent of GDP are at all-time highs while wages for workers as a percent of GDP are at all-time lows. The recession is over for US corporations, but not for US workers.

Raising the minimum wage by a dollar and indexing it to inflation will put \$50 million in the pockets of Maine workers who are most likely to spend it in Maine's economy. Recent analysis by the Economic Policy Institute estimates that raising Maine's minimum wage to \$8.50 would add up to \$33 million to the state's economy. Why? Raising the minimum wage would transfer dollars from record-high stacks of idle corporate cash to the pockets of Maine's workers. They will spend that money at local businesses and help get Maine's economy get back on track.

Wages Are At All-time Lows



Source: Federal Reserve Bank of St. Louis

Finally, I want to address the persistent myth that the minimum wage increases unemployment. The employment effects of the minimum wage is one of the most studied topics in all of economics and the bulk of the evidence is clear: modest increases in the minimum wage have very little or no effect on unemployment. This is all well-documented in a recent review of the literature by Jon Schmitt, an economist at the Center for Economic and Policy Research.¹ Most notably, Schmitt points to two recent "meta-analyses" that summarize the findings of dozens of academic studies that tested for disemployment effects of minimum wage increases. The results are clear: minimum wage increases have very little or no effect on unemployment.

Most economists raising the federal minimum wage to \$9 is a good idea. A recent poll² by the Chicago Booth School of Business found that a majority of top economists from around the nation agree that "the distortionary costs of raising the federal minimum wage to \$9 per hour and indexing it to inflation are sufficiently small compared with the benefits to low-skilled workers who can find employment that this would be a desirable policy."

The opinion of economists and the results of empirical studies are good indicators, but we also have information about what job-seekers themselves think about the minimum wage. By an overwhelming margin, job seekers think raising the minimum wage would be good for them personally and good for the country.³

We at the Maine Center for Economic Policy are confident that LD 611 would be good for Maine's workers and good for Maine's economy. We urge you to pass this bill.

¹ <http://www.cepr.net/index.php/publications/reports/why-does-the-minimum-wage-have-no-discernible-effect-on-employment>

² http://www.igmchicago.org/igm-economic-experts-panel/poll-results?SurveyID=SV_br0IEq5a9E77NMV

³ <http://www.epi.org/blog/american-job-seekers-increasing-minimum-2/>