

# A \$12 Minimum Wage in Maine: Broad Benefits for Workers, Small Businesses and the State's Economy

*Raising Maine's minimum wage to \$12 by 2020, as the initiative that will appear on Maine's November ballot proposes, would have broad benefits for low-wage workers, small businesses and local economies. It would help small businesses by leveling the playing field and ensuring large companies pay similar hourly wages to what small business are already paying. It would help low-wage workers, whose wages would increase, allowing them to better meet their basic needs. And it would generate new consumer spending and boost demand for goods and services, lifting the state's economy.*

## **Raising Maine's minimum wage will level the playing field for small businesses, which already pay higher wages than large companies**

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Analysis of U.S. Census data for the retail industry—one of Maine's lowest-wage sectors—shows that raising the state's minimum wage to \$12 would level the playing field for small businesses by requiring large companies to pay roughly the same hourly wage their smaller counterparts are already paying.

In Maine, it is large retailers—not mom-and-pop businesses—that employ the majority of workers earning less than \$12. According to analysis of the latest available data from the Survey of Business Owners, large businesses (defined here as those with 500 or more workers) employ 52.4 percent of all retail workers in the state, but pay nearly 21 percent below the average for smaller businesses employing 499 or fewer workers.<sup>1</sup>

As Table 1 shows, on average, smaller retailers pay \$26,458 annually, which translates to \$12.72 per hour for full-time, year-round work. In comparison, large retailers pay significantly less: \$20,936 annually, or \$10.07 hourly.<sup>2</sup> By adopting a \$12 minimum wage, Maine would ensure that smaller businesses are not put at a competitive disadvantage relative to larger businesses.

Recent experience with significant minimum wage increases, in cities such as Seattle, San Francisco and San Jose, bears this out. There is no evidence that transitioning to higher wages has hurt small businesses<sup>3</sup> or changed the mix of large and small businesses.

**Table 1. Large Businesses Employ the Majority of Retail Workers, but Pay the Least<sup>4</sup>**

	Number of Businesses	Number of Employees	Average Pay Per Employee
All Maine retail sector businesses with employees	4,078	80,976	\$23,565.78
Retail businesses with up to 499 employees	3,860	38,561	\$26,458.29
Large retail businesses with 500+ employees	218	42,415	\$20,936.11
<b>Large retail businesses' share of total</b>	<b>5.35%</b>	<b>52.38%</b>	
<b>Large retail businesses' average wage, relative to average for smaller firms</b>			<b>79.13%</b>
Source: 2012 Survey of Business Owners, U.S. Census Bureau.			

In Seattle, in fact, the unemployment rate hit an eight-year low of 3.6 percent in August 2015, four months after the city began phasing in its new \$15 minimum wage law. This unemployment rate was significantly lower than Washington State’s unemployment rate of 5.3 percent for that same month. And around that same time, King County, where Seattle is located, broke the previous two years’ records for the number of business permits issued to food service establishments.<sup>5</sup>

Similarly, in San Francisco, the unemployment rate dropped from 5.0 percent to 3.4 percent since 2014, the year the city adopted a \$15 minimum wage.<sup>6</sup> During that same time, San Francisco restaurant sector sales grew from 5.4 percent to 6.6 percent, a faster pace than other comparable cities like New York.<sup>7</sup> And in San Jose, according to *The Wall Street Journal*, “[f]ast-food hiring in the region accelerated once the higher wage was in place. By early [2014], the pace of employment gains in the San Jose area beat the improvement in the entire state of California.”<sup>8</sup>

This is why an overwhelming majority of businesses of all sizes support raising the minimum wage. According to a leaked poll conducted by LuntzGlobal—an opinion research firm headed by leading Republican pollster Frank Luntz—on behalf of the Council of State Chambers, 80 percent of CEOs, business owners and executives at companies of all sizes support raising the minimum wage in their states, while only 8 percent opposed.<sup>9</sup> Among small business owners, a substantial majority (59 percent) favor raising the minimum wage, according to a recent poll by Manta.com.<sup>10</sup>

**Mary Allen Lindemann, Owner, Coffee by Design**

“I’ve been lucky to be able to build a business based on two of my personal obsessions: making good coffee and building strong communities. I’m grateful for every one of [my] 45 employees... for every farmer who grows our beans and for every customer who walks through our door. We’re all in this together. That’s why we pay our employees a fair wage...If we want an economy that works for everyone, not just the wealthy and out-of-state corporations, the best first step we can take is raising the minimum wage.”

## Raising the minimum wage in Maine will put money back into the economy and trigger new consumer spending

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Raising the wage floor for Maine's lowest-paid workers will put more money into the pockets of struggling households, which are likely to spend that money right away—often at local businesses—to buy basics necessities, and even a few small luxuries like dinner at a local restaurant, an extra pair of jeans, or fresh fruit from the farmer's market. The increased consumption allowed by higher wages has the effect of boosting demand for goods and services<sup>11</sup> and keeping money circulating in the economy, creating a virtuous cycle that benefits a broad constituency.<sup>12</sup>

According to the Economic Policy Institute, a \$12 minimum wage in Maine would **benefit an estimated 159,500 workers, or 29 percent of the state's workforce**. On average, individual workers would receive an **additional \$3,560 per year. Cumulatively, these wages total \$567 million**<sup>13</sup> which, when spent, could provide a significant boost to the state's economy.

### Katie Logue, Convenience Store Worker (Auburn, ME)

"A few years ago, I was a single mom struggling to make ends meet, making just over the minimum wage and trying to support myself and my six-year-old after my marriage ended. My son and I were on food stamps and MaineCare, even though I was working full time.... At one point, after being evicted, I was living in a homeless shelter while working full-time to save enough to get another apartment. I still work a low-wage job today, and it's really tough to get by....

"It just isn't right that there are people like me all over the state who are working hard every day but can't get ahead. I collected hundreds of signatures to support the campaign for a \$12 minimum wage in Maine, and to ensure this proposal makes it to the November ballot. Mainers like me deserve a fair wage and a chance to get ahead!"

## Endnotes

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1. National Employment Law Project analysis of U.S. Census Bureau, *2012 Survey of Small Businesses*. Accessed June 29, 2016. <http://www.census.gov/library/publications/2012/econ/2012-sbo.html>.
2. Ibid.
3. National Employment Law Project, *City Minimum Wage Laws: Recent Trends and Economic Evidence*, April 2016. Accessed June 29, 2016. <http://nelpp.org/content/uploads/City-Minimum-Wage-Laws-Recent-Trends-Economic-Evidence.pdf>.
4. National Employment Law Project analysis of U.S. Census Bureau, op. cit.
5. National Employment Law Project, *City Minimum Wage Laws*, op. cit.
6. U.S. Department of Labor, Bureau of Labor Statistics, *Metropolitan Area Employment and Unemployment (Monthly) New Release*, July 1, 2014, [http://www.bls.gov/news.release/archives/metro\\_07012014.htm](http://www.bls.gov/news.release/archives/metro_07012014.htm); and June 29, 2016, [http://www.bls.gov/news.release/archives/metro\\_06292016.htm](http://www.bls.gov/news.release/archives/metro_06292016.htm). Both accessed July 15, 2016.
7. First Data, *SpendTrend Report: NYC, San Francisco Restaurant Scenes Grow, Albeit in Different Ways*. Accessed July 15, 2016. [http://www.firstdata.com/en\\_us/all-features/spendtrend-restaurant-report.html](http://www.firstdata.com/en_us/all-features/spendtrend-restaurant-report.html).
8. Eric Morath, "What Happened to Fast Food Workers When San Jose Raised the Minimum Wage?" *Wall Street Journal*, April 9, 2014. Accessed July 18, 2016. <http://blogs.wsj.com/economics/2014/04/09/what-happened-to-fast-food-workers-when-san-jose-raised-the-minimum-wage/>.
9. Mitchell Hirsch, "Leaked Poll for Chambers of Commerce Shows Huge Business Execs' Support for Raising the Minimum Wage," *At*

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10. Kitty McConnell, *Small Business Owners in Favor of Raising Minimum Wage*, Manta.com, April 7, 2016. Accessed July 15, 2016. <http://www.manta.com/resources/small-business-trends/small-business-owners-in-favor-of-raising-minimum-wage/>.
  11. U.S. Department of Labor, *Minimum Wage Mythbusters*. Accessed July 15, 2016. <https://www.dol.gov/featured/minimum-wage/mythbuster>.
  12. International Labour Organization, *Can Minimum Wages Help Rebalance the Economy?* August 12, 2013. Accessed July 15, 2016. [http://www.ilo.org/newyork/voices-at-work/WCMS\\_219658/index.htm](http://www.ilo.org/newyork/voices-at-work/WCMS_219658/index.htm).
  13. Unpublished analysis of 2014 *American Community Survey* microdata by the Economic Policy Institute and the Maine Center for Economic Policy, March 2016.

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