Testimony Before Public Hearing on the Minimum Wage
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Chairperson and members of the committee, thank you for giving me the opportunity to submit testimony on this important issue.

My name is Matthew Glans, I am the senior policy analyst at The Heartland Institute, a 34-year-old national nonprofit research and education organization. Heartland's mission is to discover, develop, and promote free-market solutions to social and economic problems. The Heartland Institute is headquartered in Illinois and focuses on providing national, state, and local elected officials with reliable and timely research and analyses on policy issues.

Minimum wage laws attempt to create a minimum standard of living to protect employees' health and well-being by mandating a base level of pay from employers to certain covered employees. Minimum wage laws are highly disruptive, artificially manipulating pay and the workforce in an attempt to combat poverty. Policymakers must consider the serious consequences a minimum wage increase can have on employment rates and economic growth.

Maine is one of several states to have increased its minimum wage in the past two years. The referendum approved by voters escalated the minimum wage to $9 in 2017, and subsequently by $1 each year, until it reaches $12 in 2020.

Mandating wage increases is not an effective way to address poverty. In fact, it often has the opposite effect of the one intended by this policy's proponents, creating barriers to entry for workers with fewer skills and less education. In a 2010 study, economists at Cornell University and American University found there had been no reduction in poverty in the 28 states that raised their minimum wage laws between 2003 and 2007.

Minimum wage laws require businesses to pay their workers higher wages, forcing them to make adjustments elsewhere to offset increased costs. These cuts often lead to reduced hiring, fewer work hours for employees, diminished fringe benefits, and higher prices for consumers.

Minimum wage laws affect no part of the workforce more severely than they do young workers. The bulk of empirical evidence shows higher minimum wage mandates disproportionately hurt employment opportunities for workers aged 16 to 24 years, who represent the majority of minimum wage earners. While advocates of an increase to the minimum wage often assume minimum wage workers are the primary breadwinners for their households, this is rarely the case.

Nationally, the unemployment rate for teenagers is considerably higher than adults and is decreasing at a slower rate. Youth unemployment fell from a high of 10.4 percent in October 2016 to a low of 8.8 percent in May 2017. While this is an improvement, the rate remains much higher than the overall unemployment rate for all workers of 4.1 percent. Maine's youth unemployment rate in 2016 was 8.9 percent.

As economist Walter Williams once explained, "Workers earning the minimum wage or less tend to be young, single workers between the ages of 16 and 25. Only about 2 percent of workers over 25 years of age earn minimum wages."

Similarly, a 2007 study from economists at the University of California at Irvine and the Federal Reserve Board examined the body of work on the subject of how minimum wage laws affect employment and found 85 percent of the studies they considered credible demonstrate minimum wage laws cause job losses for less-skilled employees.

One option for younger workers that you are now considering and has worked well in other countries is the use of a subminimum wage—such as a "training wage" or "youth minimum wage"—for teenage workers or those being trained.

In a 2004 study, David Neumark of the University of California, Irvine and William Wascher of the Division of Research and Statistics at the Federal Reserve Board of Governors examined a cross-section of 17 member countries of the Organisation for Economic Co-operation and Development. Their results revealed higher minimum wage requirements have a negative effect on youth employment and that there is a mitigation of this effect in those countries with strong subminimum wage requirements.

The mechanism for a youth minimum wage (YMW) already exists at the federal level. Current federal law allows for employers to pay a lower minimum wage to employees under 20 years of age. This lower minimum is set at $4.25 per hour, but it may be paid only for the first 90 days of employment. Currently, only 15 states have adopted the federal YMW; 17 other states and the District of Columbia have enacted youth exemptions that include additional restrictions. Eighteen states have no YMW, which means the adult minimum wage is applied for everyone.

In a report examining the youth minimum wage, Preston Cooper of the Manhattan Institute recommends applying the $4.25 youth minimum wage nationwide and eliminating the 90-day limit, arguing it will create thousands of jobs for younger workers. "If all states and the federal government adopted a YMW of $4.25 for individuals aged 16–19, with no 90-day limit, the growth rate of employment for this group could increase by up to 8.9 percentage points, generating up to 456,200 additional jobs in the first year following enactment," wrote Cooper.

In previous testimony before the Maine Joint Standing Committee on Labor, Commerce, Research and Economic Development, Jesse Hathaway, a research fellow for the Center on Budget and Taxes at The Heartland Institute, said, "Economists at the University of California at Irvine and the Federal Reserve Board have studied the subject. They found about 85 percent of all credible studies on training wages demonstrate that the price floor is too high for less-skilled workers, such as young people. Maine should consider adopting a youth minimum wage, so hiring young people and allowing them to learn how to work—including skills as simple as timeliness and customer service—while decreasing the marginal risk of hiring unproven workers."

The negative effects of the increased minimum wage will grow as the arbitrary minimum wage does. According to a 2017 survey from the National Federation of Independent Businesses—as reported by the Portland Press Herald—although half the survey respondents found little to no impact created by a $9 minimum wage, 68 percent of those polled expected the impact of a $12 minimum to be much greater, with 58 percent saying it would be harder to hire youth workers.

Enacting a youth minimum wage makes hiring young workers more attractive to employers while making on-the-job training, which benefits all parties, more affordable. Increasing the legal minimum wage is not an effective method for reducing poverty; it makes it more difficult for the unemployed to find the jobs they need. Increasing a state's minimum wage will cause more people to lose their jobs and make the state less competitive.

Thank you for your time today.

For more information about The Heartland Institute's work, please visit our website at www.heartland.org, or contact Matthew Glans by phone at 312/377-4000 or by email at mglans@heartland.org.