

Raising Maine's Minimum Wage to \$12 by 2020: The Impact on Seniors

Maine voters this November will have the opportunity to gradually raise the state's minimum wage from its current level of \$7.50 per hour to \$12 per hour by 2020. A \$12 minimum wage by 2020 would raise wages for 181,000 Maine residents,¹ including more than one in three working seniors.² Seniors are among the fastest-growing age groups in Maine's labor force, and a significant number of them work in low-wage occupations. Maine seniors who would see higher wages from a \$12 minimum wage would find it easier to make ends meet. The impact of the higher minimum wage on consumer prices is estimated to total less than 1 percent over several years, so it will be more than offset by the higher minimum wage. A higher minimum wage would also boost seniors' Social Security income and allow workers to better save for retirement.

Seniors Are a Fast-Growing Age Group in Maine's Labor Force, and More Than 1 in 3 Working Seniors Would Benefit from a \$12 Minimum Wage

- The share of seniors age 65 and older in Maine's labor force has grown significantly in recent years, and it is projected to increase for another 10 to 15 years.³
- Between 2005 and 2015, the labor force participation rate for seniors age 65 and older in Maine increased by nearly 47 percent, from 14.5 percent to 21.3 percent. See Figure 1.
- The growing labor force participation among seniors in Maine is driven, in part, by financial need, according to the Maine Department of Labor.⁴
- Across the country and in Maine, more seniors than ever cannot afford to retire and must continue working into their 60s and 70s, often in low-paying jobs.⁵
- It is projected that "the vast majority of Americans over 65 in the bottom 90 percent of the income distribution will likely have to work longer than the affluent, even as they also expect to die sooner."⁶
- The Social Security Administration assumes that "middle-class 67-year-olds in 2040 will get less of their income from assets and retirement plans and almost twice as much of their income from working as they did 40 years earlier—because they can't afford not to work."⁷
- Maine's workforce currently includes about 31,000 seniors age 65 and older.⁸ More than one in three (35.7 percent, or approximately 11,000) would benefit from a \$12 minimum wage by 2020. See Figure 2.

Figure 1. Maine Seniors' (age 65+) Labor Force Participation Rate Increased by 47 Percent Between 2005 and 2015⁹

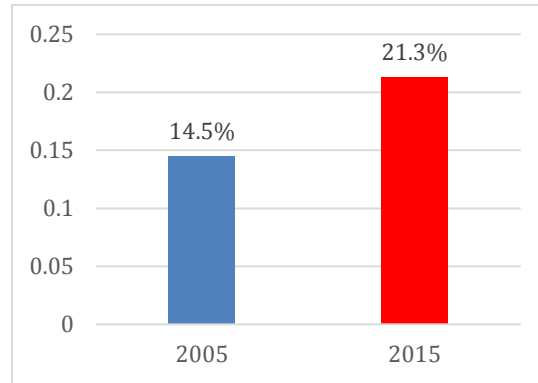
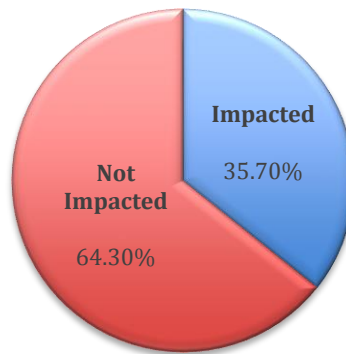


Figure 2. More Than 1 in 3 Maine Working Seniors (age 65+) Would Benefit from a \$12 Minimum Wage by 2020¹⁰



A \$12 Minimum Wage Will Help Maine Seniors Afford Basic Necessities and Have Only a Tiny Impact on Consumer Prices

- Seniors in Maine are struggling to make ends meet. Between 2009 and 2013, more than 1 in 10 Maine seniors over age 55 lived below the poverty line.¹¹ If it were not for Social Security income, more than half (51 percent) of Maine's seniors would be poor.¹²
- Economic analysis indicates that increasing Maine's minimum wage to \$12 per hour will not significantly impact consumer prices. According to economists at the University of California, Berkeley, increasing Maine's minimum wage to \$12 by 2020 would raise overall prices by *less than* 1 percent (roughly 0.9 percent cumulatively over the next four years, or 0.22 percent each year).¹³ That is an exceedingly small impact on prices, and far less than the Congressional Budget Office's current projection for core inflation, which is expected to be approximately 2 percent per year in future years.¹⁴
- The minimal impact on inflation, combined with real gains in income, will mean that Maine seniors employed in low-wage jobs will be better able to afford the basics.

A \$12 Minimum Wage Will Provide an Important Boost to Social Security Benefits and Other Retirement Savings for Maine's Seniors

- For working seniors (age 65+) who would benefit from a \$12 minimum wage in Maine, earnings from employment account for more than one-quarter (26.7 percent) of total household income.¹⁵ In comparison, Social Security generally accounts for a smaller share (17.4 percent) of total income in Maine's senior households.¹⁶ Income from retirement accounts (9.1 percent) and safety net programs other than Social Security (2.1 percent) represent significantly smaller shares of Maine seniors' household income.¹⁷
- A \$12 minimum wage could boost Social Security income for senior workers by boosting their total employment earnings. And because Social Security benefits are determined by employment earnings over a lifetime, a higher minimum wage that increases workers' earnings will also boost the Social Security benefits available to future Maine seniors.
- A \$12 minimum wage could also increase Maine seniors' non-Social Security retirement savings, which are becoming an increasingly crucial source of income.
- As retirement savings shift from traditional pensions to retirement savings accounts, there is a growing disparity in retirement wealth between high-income and low-income workers. The Economic Policy Institute explained in a recent report that "most 401(k) participants are required to contribute to these plans in order to participate, whereas workers are automatically enrolled in traditional pensions and, in the private sector, are not required to contribute to these plans."¹⁸
- Falling wages and rising housing, higher education, and health care costs today prevent most workers from saving an adequate amount for retirement. The Economic Policy Institute estimates that "[a]lmost 9 in 10 families in the top income fifth had savings in retirement accounts in 2013, compared with less than 1 in 10 families in the bottom income fifth."¹⁹
- Raising Maine's minimum wage from its current poverty level of \$7.50 to \$12 by 2020 is a crucial step in helping the state's working seniors better afford basic necessities today and enabling future generations to increase their Social Security benefits and save for retirement.

Endnotes

1. Maine Center for Economic Policy, Restoring the Value of Work (Aug. 2016) at 4, available at http://www.mecep.org/wp-content/uploads/2016/08/Minimum-wage-brief_final_08-17-16.pdf.
2. According to an analysis by the Economic Policy Institute.
3. Maine Department of Labor, Maine Workforce Outlook 2012 to 2022 at 7, available at http://www.maine.gov/labor/cwri/publications/pdf/Maine_Workforce_Outlook_2012_to_2022.pdf.
4. Id.
5. Mitchell Hartman, "Many boomers can't afford to retire," *Marketplace*, Aug. 3, 2015, available at <http://www.marketplace.org/2015/08/03/economy/many-boomers-cant-afford-retire>.
6. Teresa Ghilarducci, "Senior Class: America's Unequal Retirement," *The American Prospect*, Apr. 24, 2015, available at <http://prospect.org/article/senior-class-americas-unequal-retirement>.
7. Id.
8. According to an analysis by the Economic Policy Institute.
9. See Maine.gov, Center for Research, Demographics of Employment and Unemployment in Maine, <http://www.maine.gov/labor/cwri/cps.html#tables> (last viewed Oct. 3, 2016) (comparing Civilian Labor Force Participation Rates in 2005 and 2015 by Age and Gender).
10. According to an analysis by the Economic Policy Institute.
11. University of New Hampshire, Carsey School of Public Policy, Official Poverty Statistics Mask the Economic Vulnerability of Seniors: A Comparison of Maine to the Nation (Sept. 2015) at 1, available at <https://carsey.unh.edu/publication/vulnerability-of-seniors>.

seniors.

12.Id.

13.According to an analysis by economists at the University of California, Berkeley, Institute for Research on Labor and Employment.

14.Congressional Budget Office, The Budget and Economic Outlook: 2016 to 2026 (Jan. 2016) at 157, Table 2-1, *available at* https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51129-2016Outlook_OneCol-2.pdf.

15.According to an analysis by the Economic Policy Institute.

16.*See supra* note 11 at 4.

17.Id.

18.Monique Morrissey, Economic Policy Institute, The State of American Retirement: How 401(k)s have failed most American workers (Mar. 2016), *available at* <http://www.epi.org/publication/retirement-in-america/>.

19.Id.

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