



**Testimony of Jeff McLynch,
Executive Director, New Hampshire Fiscal Policy Institute,
Before the House Labor, Industrial and Rehabilitative Services Committee
Regarding New Hampshire's Minimum Wage (HB 1403)
February 11, 2014**

Chairman White, Members of the Committee, thank you for the opportunity to appear before you this morning.

For the record, my name is Jeff McLynch and I am the Executive Director of the New Hampshire Fiscal Policy Institute. NHFPI is an independent nonprofit organization dedicated to exploring, developing, and promoting public policies that foster economic opportunity and prosperity for all New Hampshire residents, with an emphasis on low- and moderate-income families and individuals.

I am here this morning to urge you – and your colleagues in the full House of Representatives – to support HB 1403, which would provide for a modest, gradual, and sustained increase in New Hampshire's minimum wage. HB 1403 would not only raise the wages of approximately 76,000 Granite Staters, but would also help to provide a boost to the bottom line of local businesses, since low-wage workers, out of sheer necessity, will spend those higher wages in local supermarkets, shops, and gas stations.

I think most of us in the room today would agree that one of the values that we as Americans – and as Granite Staters – hold most dear is the value of work. Accordingly, few would argue that if you work for a living, you ought to be able to secure life's basic necessities for yourself and for your family. Yet, far too many of New Hampshire's workers are struggling just to get by.

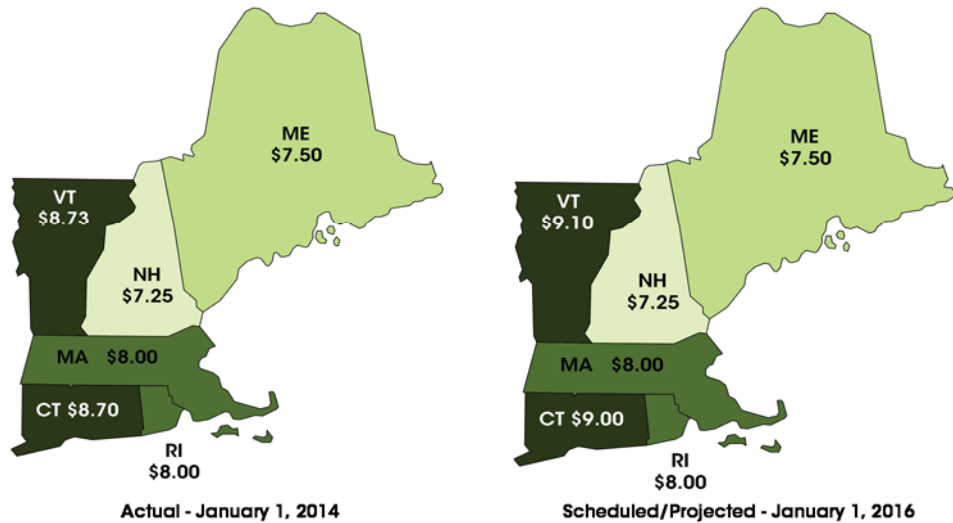
After accounting for inflation, wages for workers in the bottom fifth of the wage distribution are still nearly 6 percent below their pre-recession peak and have scarcely grown at all over the last two decades. At the same time, poverty, while still lower in the Granite State than anywhere else, is on the rise. In fact, New Hampshire's poverty rate reached its highest level in six years in 2012, climbing from 7.1 percent in 2007 to 10 percent last year.

Unfortunately, policymakers have all but neglected one of New Hampshire's chief tools for addressing stagnant wages and escalating poverty – the state's minimum wage. Indeed, New Hampshire's minimum wage now comes up short in at least three ways:

First, it is below every other state in the region.

New Hampshire is currently the only state in New England that does not have a minimum wage above the federal rate of \$7.25 per hour. Connecticut passed legislation earlier this year that will take its minimum to \$9.00 per hour by 2016; due to inflation indexing, Vermont will likely reach that level by 2016 as well. Maine came within 7 votes this past summer of instituting a \$9.00 minimum and Massachusetts seems poised, whether at the ballot or in the legislature, to bring its minimum to \$10 per hour or more.

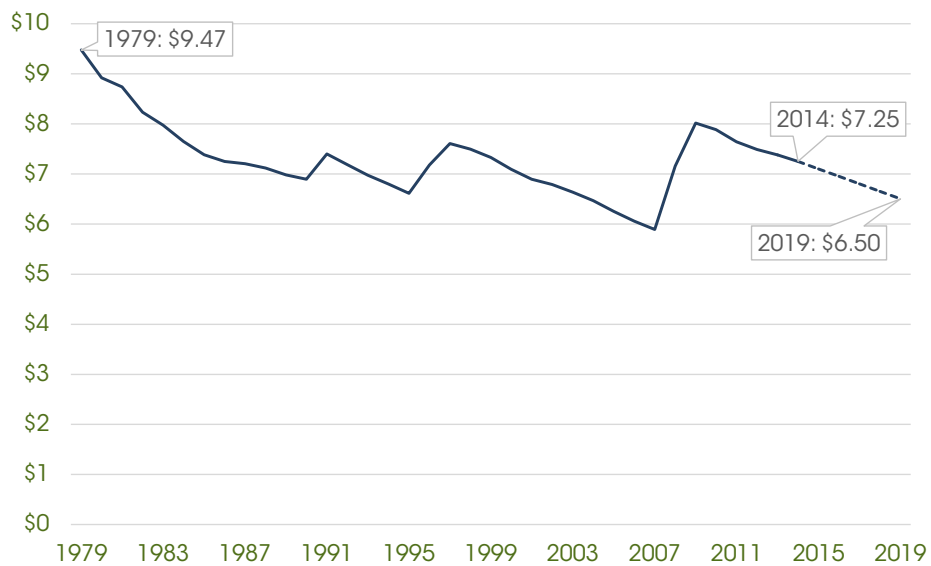
NH Minimum Wage Lowest in the Region - and Falling Further Behind
Hourly Minimum Wage Rates, by State



Second, it is well below what it used to be.

The real purchasing power of New Hampshire's minimum wage has fallen by \$2 per hour over the last 35 years. In 1979, after adjusting for inflation, someone working one hour at New Hampshire's minimum wage

Real Value of Minimum Wage Low and Falling
New Hampshire minimum wage, constant 2014 dollars, 1979-2019



could buy \$9.47 worth of goods; today, they can purchase just \$7.25 worth. Stretched over a week, a month, a year, that's less gas in the car, food on the table, or heat in

the apartment – for the same amount of work. If we fail to act, the picture only gets worse – by the end of the decade, NH’s minimum wage will be worth just \$6.50 per hour in real terms.

Third, and most importantly, it is well below what people need to make ends meet.

Someone working full-time at New Hampshire’s current minimum wage earns about \$300 per week or just over \$15,000 per year. While that is above the official poverty threshold for a single person, it is below the poverty line for a single person with any children. Moreover, many analysts agree that the official poverty threshold published by the US Census Bureau is not a robust measure of the income someone needs to make ends meet, as it does not accurately reflect the goods and services people now purchase, nor does it account for regional differences in such expenses across the United States. Consequently, a variety of alternative measures of need have been devised in recent years. For example, researchers at the Massachusetts Institute of Technology estimate that a single person living here in Concord would require an annual income of \$19,157 to secure basic necessities such as food, housing, and health care. The comparable figure for a single parent with one child is \$43,699 annually.ⁱ Needless to say, someone working full-time at a minimum wage job would fall far short of this standard.

In response to the challenges now before New Hampshire’s low-wage workforce, HB 1403 would raise New Hampshire’s minimum wage from \$7.25 to \$8.25 per hour on January 1, 2015 and then to \$9.00 per hour on January 1, 2016. In addition, the bill would, effective January 1, 2017 and each year thereafter, automatically adjust New Hampshire’s minimum wage to reflect increases in the cost of living, based on the CPI-U (Consumer Price Index for All Urban Consumers).

If enacted into law, HB 1403 would not only mean real gains for thousands of low-earning, but hard-working Granite Staters but could also produce real benefits for businesses across New Hampshire. Based on an analysis of data from the US Census Bureau’s Current Population Survey conducted by the Economic Policy Institute, a non-profit, non-partisan think tank based in Washington, DC, HB 1403 would:

- Raise the wages – whether directly or indirectly – or roughly 76,000 New Hampshire workers, approximately 12 percent of the workforce.
- Improve the well-being of the 21,000 children in the state whose mother or father would experience a pay raise from a higher minimum wage.
- Generate an average pay increase of \$870 per year for any affected workers, once the bill is fully implemented in 2016.
- Increase the total wages paid in New Hampshire by \$64 million over two years’ time, helping to boost demand at supermarkets, stores, and shops across the state.

In addition, EPI's analysis offers some important insights into the demographic composition of the workers who would benefit if HB 1403 became law. In particular, of those workers who would be affected, either directly or indirectly, by HB 1403:

- 59 percent are women;
- 72 percent are age 20 and older, while 36 percent are 30 and older, and;
- 32 percent work full-time and another 38 percent work at least half time or more.

In considering an increase in New Hampshire's minimum wage, two claims are commonly made in opposition. Neither have merit.

First, some maintain that the primary beneficiaries of any minimum wage increase would be teenagers. As noted above, an analysis of Current Population Survey data by the Economic Policy Institute reveals that 72 percent of the workers who would see a wage increase from a \$9.00 per hour minimum wage are adults. For many low-wage workers, their job is not a "starter" position or a "foot in the door." For many of them, their personal economic circumstances demand that they take whatever job they can find, simply to put a roof over their head, a jacket on their back, and food on the table – either just for themselves or for their family.

Second, others have argued, in keeping with traditional criticisms, that raising New Hampshire's minimum wage will reduce employment. Needless to say, this question has been explored for decades, but the most recent, high quality studies on the relationship between state minimum wages and employment levels find little evidence to suggest that raising New Hampshire's minimum wage will produce large-scale job losses. For instance, a 2010 study conducted by researchers from the University of Massachusetts, the University of North Carolina, and the University of California examined state minimum wage increases during the period from 1990 to 2006 using data from nearly 300 bordering counties that had differentials in their minimum wages. It concludes that:

"[Our] estimates suggest no detectable employment losses from the kind of minimum wage increases we have seen in the United States..."ⁱⁱ

Another study by a similar set of authors was published in 2011 and focused more narrowly on teen employment. It determined that:

"...minimum wage increases - in the range that have been implemented in the United States - do not reduce employment among teens."ⁱⁱⁱ

In fact, based on this and other research, more than 600 economists, including 7 Nobel Laureates, wrote to the President and the Congressional leadership on January 14 to urge them to raise the federal minimum wage to \$10.10 per hour. In their letter, they noted:

"...the weight of evidence now [shows] that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labor market. Research suggests that a minimum-wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front."^{iv}

Finally, it should be noted that it's not just economists who think the minimum wage ought to be higher. The vast majority of New Hampshire residents do so as well. According to the WMUR Granite State Poll conducted by the UNH Survey Center and released on February 6, 76 percent of New Hampshire residents support increasing the minimum wage to \$9.00, while just 13 percent are opposed.

In sum, adopting HB 1403 will strengthen New Hampshire's minimum wage and, in so doing, help families make ends meet, boost sales at local businesses, and put New Hampshire on a path towards an economy that works for everyone.

Again, I thank you for the opportunity to testify this morning and would be happy to try to answer any questions you may have.

ⁱ <http://livingwage.mit.edu/places/3301314200>

ⁱⁱ Dube, Arindrajit, T. William Lester, and Michael Reich, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," *The Review of Economics and Statistics*, November 2010, p. 945-964.

ⁱⁱⁱ Allegretto, Sylvia, Arindrajit Dube, and Michael Reich, "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data," *Industrial Relations*, Vol. 50, No. 2, April 2011.

^{iv} <http://www.epi.org/minimum-wage-statement/>