



LEGISLATIVE POSITION:

Unfavorable

House Bill 698

Labor & Employment – State Minimum Wage Rate - Increase

House Economic Matters Committee

Tuesday, February 22, 2022

Dear Chairman Wilson and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 5,500 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

HB 698 seeks to increase the State minimum wage ahead of the current statutory timeline of \$15 an hour by 2025. Additionally, HB 698 seeks to repeal the authority of the Board of Public Works to suspend an increase in the minimum wage in the case of dire economic circumstances.

HB 698 seeks to unwind the hard-fought negotiations that took place during the 2019 legislative session which led to the State's current \$15 minimum wage phase-in. Fast tracking the State's current minimum wage of \$12.50 in 2022 to \$15 beginning July 1, 2022, would represent a **20% mandated increase in business labor costs in just a six-month period**. Such a drastic cost increase will only further add to the economic instability Maryland businesses are facing – alongside the litany of other mandates being debated by the General Assembly which will raise costs, paid family medical leave and unemployment insurance rates to name just two.

Despite the challenging economic circumstances and absent wage increase mandates, US wages are already increasing at a historic rate. According to the US Department of Labor's Bureau of Labor Statistics, average pay jumped significantly in 2021 to more than \$31 an hour representing a 4.7% annual increase.¹ Further, industries with typically lower paying jobs are seeing the largest wage growth, enough to outpace inflation. Workers in leisure and hospitality, typically the lowest paying sector of the US economy, saw an average wage increase of 16% in 2021 to \$16.97 an hour. Other industries such as retail saw a 7% increase in wages to an average of \$19.20 an hour or the transportation and warehousing sector who experienced a pay increase of 8.4% to \$25.04

¹ https://www.bls.gov/news.release/archives/empsit_01072022.pdf

an hour, all outpaced inflation. These statistics show that not only is the private sector paying wages high enough to outpace inflation but that employers are willing to go above and beyond to attract workers. It would stand to reason that HB 698 would have little impact on raising wages for workers in many traditional minimum wage industry sectors, however, the sudden surge of additional cash could contribute to the inflationary cycle driving up the costs of necessary goods and wiping out the historic wage increases.

Finally, eliminating the authority for the Board of Public Works to suspend an increase in the minimum wage under heightened levels of unemployment is bad policy but also hardly necessary. It is good public policy to have stop gap measures in place for governments to respond quickly and appropriately during times of economic crisis – the off-ramp authority given to the Board of Public Works is that stop gap. However, it seems unnecessary to remove that provision since it will never be politically expedient to use it. If there were ever a time it would have been used it would have been 2020 or 2021 – that authority was not exercised.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report** on **HB 698**.

