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## SB 555: Fair Wage Act of 2023

### SB 803: Labor and Employment - Payment of Minimum Wage - Tipped Employees

Senate Finance Committee | March 2, 2023

**Position: SUPPORT**

The National Women's Law Center (NWLC) submits this testimony in strong support of SB 555, the Fair Wage Act, and SB 803 (the "One Fair Wage" bill). SB 555 will accelerate Maryland's minimum wage increase to reach \$15 an hour by October 2023 and tie future increases to the consumer price index—giving approximately 217,000 workers in Maryland a raise, disproportionately women and people of color.<sup>1</sup> The Fair Wage Act will boost pay for roughly one in eight Black and Latinx workers in Maryland; among all workers who will get a raise, nearly six in 10 (58%) are women.<sup>2</sup> SB 803 will include tipped workers in this increase by July 2027. Both bills are essential to address the pervasive and longstanding pay disparities that women, and especially women of color, face in Maryland—disparities that were only exacerbated by the COVID-19 pandemic.<sup>3</sup>

Since 1972, NWLC has fought for gender justice—in the courts, in public policy, and in our society—working across the issues that are central to the lives of women and girls. NWLC advocates for improvement and enforcement of our nation's employment and civil rights laws, with a particular focus on the needs of LGBTQI+ people, women of color, and women with low incomes and their families. Ensuring that *all* workers in Maryland are entitled to the same fair minimum wage, regardless of tips, is a critical way to boost women's paychecks, combating poverty and persistent racial and gender pay gaps.

Women working full time, year-round in Maryland typically make only 86 percent of what their male counterparts make, leaving a wage gap of 14 cents on the dollar.<sup>4</sup> This wage gap varies by race and is larger for many women of color.<sup>5</sup> One driver of these wage gaps is women's overrepresentation in low-paid jobs.<sup>6</sup> In Maryland, roughly six in ten workers in the state's lowest-paying jobs are women,<sup>7</sup> as are more than two-thirds (69%) of tipped workers; more than one-third (35%) of tipped workers in Maryland are women of color.<sup>8</sup> Especially in states like Maryland where employers can pay just a few dollars an hour before tips, tipped workers experience poverty at far higher rates than the workforce overall<sup>9</sup>—and they also experienced job loss, reduced tips, and great risks to their health and safety during the height of the pandemic.<sup>10</sup>

Today, while Maryland law continues to allow employers to pay tipped workers a base wage of just \$3.63 an hour, many question whether they should stay in a profession that leaves them vulnerable to harassment and scrambling to pay their bills<sup>11</sup>—and many who have already left question whether they should return.<sup>12</sup> Meanwhile, the neighboring District of Columbia will begin raising its tipped minimum wage from \$5.05 per hour to \$16.10 per hour by 2027, after voters overwhelmingly approved Initiative 82 on the November 2022 ballot.<sup>13</sup> If Maryland does not offer competitive wages for tipped workers, employers in neighboring counties will continue to see an exodus of workers from Maryland's restaurant industry to more attractive pay in the District of Columbia.<sup>14</sup>

Raising wages now for Maryland's lowest paid workers, including tipped workers, will also benefit children, families, and the state's economy. Especially in light of recent inflation, many families are struggling to afford the basics; today, one in 10 children in Maryland has a parent making less than \$15

per hour.<sup>15</sup> SB 555 would give these families a much-needed income boost—which research shows can also benefit children’s health and well-being.<sup>16</sup>

Decades of research studying the impact of state and local minimum wage increases also show that these measures consistently improve incomes for workers and their families without costing jobs.<sup>17</sup> Similarly, in the seven states that adopted One Fair Wage prior to the pandemic, this policy has not harmed growth in the restaurant industry or tipped jobs: from 2011 to 2019, One Fair Wage states had *stronger* restaurant growth than states that had a lower tipped minimum wage<sup>18</sup>—and while the pandemic hit the industry hard, the leisure and hospitality sector has not fared worse in recent years in One Fair Wage states than in states with lower wages for tipped workers.<sup>19</sup> Indeed, because underpaid workers spend much of their extra earnings in their communities, increasing the minimum wage—including the wage for tipped workers—will help ensure a strong, shared recovery in the wake of the COVID-19 pandemic.<sup>20</sup> And higher wages can further benefit employers by reducing turnover and increasing productivity.<sup>21</sup>

The Fair Wage Act of 2023 and the One Fair Wage bill will lift up working families during this period of high inflation and, because women are the majority of workers who will see their pay go up, wage gaps will likely narrow as well.<sup>22</sup> **Enacted together, these bills will work to diminish historic inequities—but enacting the Fair Wage Act without the One Fair Wage bill would once again leave many women and people of color behind.**

The Fair Wage Act of 2023 and the One Fair Wage bill are two critical and complementary tools to ensure that women can work with equality, safety, and dignity—starting with equal and adequate pay. We respectfully request a favorable report of both SB 555 and SB 803.

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Please do not hesitate to contact Diana Ramirez at [dramirez@nwlc.org](mailto:dramirez@nwlc.org) if you have questions or require additional information. Thank you for your consideration.

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<sup>1</sup> *Accelerating the Minimum Wage in Maryland: Good for Workers, Good for the Economy*, MD FIGHT FOR \$15 (Feb. 2023), <http://ff15maryland.org/wp-content/uploads/2023/02/minimum-wage-v3.pdf>.

<sup>2</sup> *Id.*

<sup>3</sup> See generally, e.g., *Resilient But Not Recovered: After Two Years of the COVID-19 Crisis, Women Are Still Struggling*, NWLC (March 2022), <https://nwlc.org/resource/resilient-but-not-recovered>.

<sup>4</sup> *Wage Gap Overall State Rankings:2021*, NWLC (Sept. 2022), <https://nwlc.org/wp-content/uploads/2021/03/Overall-Wage-Gap-State-By-State-2022v2.pdf>.

<sup>5</sup> See, e.g., Brooke LePage and Jasmine Tucker, *A Window Into the Wage Gap: What’s Behind It and How to Close It*, NWLC (Jan. 2023), <https://nwlc.org/wp-content/uploads/2023/01/2022-Wage-Gap-Factsheet-1.10.23.pdf>.

<sup>6</sup> See generally, e.g., Jasmine Tucker & Julie Vogtman, *When Hard Work Is Not Enough: Women in Low-Paid Jobs*, NWLC (April 2020), <https://nwlc.org/resource/when-hard-work-is-not-enough-women-in-low-paid-jobs/>.

<sup>7</sup> See *id.*

<sup>8</sup> NWLC calculations based on 2021 American Community Survey one-year estimates using IPUMS. Women of color includes all women who did not self-identify as white, non-Hispanic women.

<sup>9</sup> See generally *One Fair Wage: Women Fare Better in States with Equal Treatment for Tipped Workers*, NWLC (Feb. 2021), <https://nwlc.org/resource/one-fair-wage/>.

<sup>10</sup> See, e.g., *Unlivable: Increased Sexual Harassment and Wage Theft Continue to Drive Women, Women of Color, and Single Mothers Out of the Service Sector*, ONE FAIR WAGE (April 2022), <https://onefairwage.site/unlivable>.

<sup>11</sup> See *One Fair Wage: Ending a Legacy of Slavery and Addressing Maryland’s Restaurant Staffing Crisis*, ONE FAIR WAGE (Feb. 2023), [https://onefairwage.site/wp-content/uploads/2023/01/OFW\\_EndingLegacySlavery\\_MD-1.pdf](https://onefairwage.site/wp-content/uploads/2023/01/OFW_EndingLegacySlavery_MD-1.pdf)

<sup>12</sup> Abha Bhatarai & Maggie Penman, *Restaurants Can’t Find Workers Because They’ve Found Better Jobs*, WASH. POST (Feb. 3, 2023), <https://www.washingtonpost.com/business/2023/02/03/worker-shortage-restaurants-hotels-economy/>

<sup>13</sup> See *Washington, D.C., Initiative 82, Increase Minimum Wage for Tipped Employees Measure (2022)*, BALLOTEDIA, [https://ballotpedia.org/Washington,\\_D.C.,\\_Initiative\\_82,\\_Increase\\_Minimum\\_Wage\\_for\\_Tipped\\_Employees\\_Measure\\_\(2022\)](https://ballotpedia.org/Washington,_D.C.,_Initiative_82,_Increase_Minimum_Wage_for_Tipped_Employees_Measure_(2022)).

<sup>14</sup> See *One Fair Wage: Ending a Legacy of Slavery and Addressing Maryland’s Restaurant Staffing Crisis*, *supra* note 11.

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- <sup>15</sup> *Accelerating the Minimum Wage in Maryland: Good for Workers, Good for the Economy*, *supra* note 1.
- <sup>16</sup> See generally, e.g., *Set Up for Success: Supporting Parents in Low-Wage Jobs and Their Children*, NWLC (June 2016), <https://nwlc.org/resource/set-up-for-success-supporting-parents-in-low-wage-jobs-and-their-children/>; George Wehby et al., *Effects of the Minimum Wage on Child Health*, 8 AM. J. HEALTH ECON. 412 (2022), <https://doi.org/10.1086/719364>.
- <sup>17</sup> See, e.g., Arindrajit Dube, *Impacts of Minimum Wages: Review of the International Evidence* (Nov. 2019), <https://www.gov.uk/government/publications/impacts-of-minimum-wages-review-of-the-international-evidence>.
- <sup>18</sup> *Why the U.S. Needs a \$15 Minimum Wage*, ECON. POLICY INST. (Jan. 26, 2021), <https://www.epi.org/publication/why-america-needs-a-15-minimum-wage/>.
- <sup>19</sup> *Decline in Open Hospitality Businesses During COVID-19: A State-by-State Analysis* (Feb. 2021), [https://onefairwage.site/wp-content/uploads/2021/02/OFW\\_DeclineHospBus\\_3.pdf](https://onefairwage.site/wp-content/uploads/2021/02/OFW_DeclineHospBus_3.pdf).
- <sup>20</sup> See, e.g., Zoe Willingham, *Small Businesses Get a Boost from a \$15 Minimum Wage*, CTR. FOR AM. PROGRESS (Feb. 25, 2021), <https://www.americanprogress.org/issues/economy/reports/2021/02/25/496355/small-businesses-get-boost-15-minimum-wage/>; Holly Sklar & Alissa Barron-Menza, *Raising the Minimum Wage to \$15 Helps Small Business*, BUSINESS FOR A FAIR MINIMUM WAGE (Feb. 24, 2021), <https://www.businessforafairminimumwage.org/news/001645/raising-minimum-wage-15-helps-small-business>.
- <sup>21</sup> See, e.g., Kate Bahn & Carmen Sanchez Cumming, *Improving U.S. Labor Standards and the Quality of Jobs to Reduce the Costs of Employee Turnover to U.S. Companies*, WASH. CTR. FOR EQUITABLE GROWTH (Dec. 2020), <https://equitablegrowth.org/improving-u-s-labor-standards-and-the-quality-of-jobs-to-reduce-the-costs-of-employee-turnover-to-u-s-companies/>.
- <sup>22</sup> A higher minimum wage generally would narrow the wage distribution, effectively narrowing the wage gap. Nicole M. Fortin & Thomas Lemieux, *Institutional Changes and Rising Wage Inequality: Is There a Linkage?*, J. Econ. Perspectives Vol. 11, No. 2, 75-96, at 78 (Spring 1997), <http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.11.2.75>. See also Francine D. Blau & Lawrence M. Kahn, *Swimming Upstream: Trends in the Gender Wage Differential in the 1980s*, J. LABOR ECON., Vol. 15, No. 1, 1-42, at 28 (Jan. 1997), [https://www.jstor.org/stable/2535313?seq=1#page\\_scan\\_tab\\_contents](https://www.jstor.org/stable/2535313?seq=1#page_scan_tab_contents); *Minimum Wages*, Ch. 7.3: *Effects on Gender Pay-Gaps*, INT'L LABOR ORG., [https://www.ilo.org/global/%20topics/wages/minimum-wages/monitoring/WCMS\\_473657/lang--en/index.htm](https://www.ilo.org/global/%20topics/wages/minimum-wages/monitoring/WCMS_473657/lang--en/index.htm) (accessed Feb. 23, 2023).