

Delaying Minimum Wage Increases Would Harm Western Maryland Workers, Economy

Position Statement in Opposition to Senate Bill 862

Given before the Senate Finance Committee

Lawmakers made a wise choice in 2019 by gradually raising Maryland's minimum wage to \$15 per hour over several years. Strong worker protections ensure that we all benefit as our economy grows, not just the wealthy few. A uniform statewide wage floor was the right choice to guarantee decent wages to working people in every part of Maryland. Delaying minimum wage increases in Allegany and Garrett counties would harm thousands of workers and do nothing to help western Maryland's economy. For these reasons, the Maryland Center on Economic Policy opposes Senate Bill 862.

We should measure the health of our economy not simply by the number of dollars exchanged or the number of people who go to work each day, but by its ability to raise all families' standard of living. Yet our economy has largely moved in the opposite direction over the last half century. As total economic activity continued to grow, typical workers fell further behind while the wealthiest 1 percent doubled their slice of the economic pie.ⁱ

Basic standards like minimum wage and overtime protections push against this negative trend, helping to ensure that everyone shares in the benefits of a growing economy. Research links a higher minimum wage to a wide range of social benefits, from a lower poverty rate all the way to a lower suicide rate.ⁱⁱ Altogether, a \$15 minimum wage is expected to benefit up to 15,000 workers in Allegany and Garrett counties.ⁱⁱⁱ

The minimum wage also makes our economy more equitable for women and workers of color. Statewide, 55 percent of workers who will benefit from Maryland's transition to a \$15 minimum wage are women. In western Maryland, 40 percent of workers of color, half of Black workers, and more than half of multiracial workers are employed in the industries where a \$15 minimum wage would make the biggest difference.^{iv}

A \$15 minimum wage will also benefit Western Maryland's economy. Increased pay for low-wage workers who live paycheck to paycheck translates almost immediately into higher spending, which means stronger sales at local businesses. Evidence also shows that higher wages reduce employee turnover, which means more experienced workers and lower hiring costs.^v

Lawmakers made the right decision in 2019 by continuing Maryland's uniform statewide wage floor rather than adopting a lower standard in some parts of the state. Delaying minimum wage increases in Western Maryland would perpetuate artificially low wages negotiated in a heavily tilted labor market. Recent cutting-edge research has revealed the extent of labor market concentration that allows a few large employers to dictate the terms of employment without fear of competition from other companies. Researchers found that this type of market concentration is most severe in more rural communities, including Allegany and Garrett counties.^{vi}

A strong minimum wage can counteract this market concentration and ensure that people get a fair return on their hard work, but slowing minimum wage increases would reduce this benefit. Today, a single adult without children

who works full time would have to earn \$16 per hour in Allegany or Garrett counties to afford a basic living standard.^{vii} To afford a basic living standard for a family of four (two adults, two children), both adults would have to work full time at a wage of \$17 per hour. Senate Bill 862 would push this standard further out of reach. For a full-year, full-time worker taking home the minimum wage, Senate Bill 862 would mean more than \$11,000 in lost earnings between 2021 and 2027, an average of \$1,600 per year.^{viii}

Despite dire predictions from minimum wage opponents, **a robust body of credible research shows no significant link between the minimum wage and the number of jobs available.**^{ix} For example, a 2019 study described as “the most important work on the minimum wage in 25 years” examined 138 state minimum wage changes between 1979 and 2014. The study found no evidence of any reduction in the total number of jobs for low-wage workers and no evidence of reductions affecting subsets of the workforce such as workers without a college degree, workers of color, and young workers. Similarly, a 2016 meta-analysis of 37 studies on the minimum wage published since 2000 found “no support for the proposition that the minimum wage has had an important effect on U.S. employment.” The verdict is in: Raising the minimum wage works.

A strong minimum wage is just as effective in areas starting from a low wage level as anywhere else. A 2019 study by researchers at UC Berkeley found that raising the minimum wage specifically in areas with low preexisting wages produced especially large wage gains, reduced the poverty rate, and had no effect on employment.^x

Similarly, a strong minimum wage is just as effective along state borders as elsewhere. A 2019 analysis by researchers at the Federal Reserve Bank of New York found that as New York raised its minimum wage beginning in 2014, low-wage workers in New York counties along the Pennsylvania border saw their earnings increase faster than their neighbors in Pennsylvania, while the number of jobs on each side of the border continued to grow at the same rate.^{xi} This mirrors the findings of nationwide studies of minimum wage effects along state borders.

The state minimum wage is intended to guarantee working people in every part of Maryland a fair return on their effort. House Bill 976 would renege on this promise.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Finance Committee make an unfavorable report on Senate Bill 862.

Equity Impact Analysis: Senate Bill 862

Bill summary

Senate Bill 862 would delay scheduled increases in the minimum wage in Allegany and Garrett counties, keeping a minimum wage of less than \$15 per hour through 2027.

Background

The General Assembly in 2019 passed legislation to gradually raise Maryland's minimum wage to \$15 per hour over several years. As introduced, the bill would have raised wages for 573,000 workers by \$2.6 billion and benefited 273,000 children once fully phased in.

However, lawmakers weakened the bill by adding a number of special carve-outs. While the minimum wage increase will still benefit hundreds of thousands of workers, it will also leave many behind:

- The law will continue to allow companies to pay tipped workers just \$3.63 per hour, less than 25 percent of the full minimum wage.
- The law will continue to exclude farm workers.
- The law takes away minimum wage protections from some young workers who stay at the same job for

more than six months.

- The law does not include any provision to ensure the minimum wage keeps up with inflation in future years, meaning that workers will have to rely on lawmakers just to make sure the purchasing power of their wages doesn't erode over time.

Equity Implications

A higher minimum wage brings a number of equity benefits, and delaying minimum wage increases would likewise delay these benefits:

- For a full-year, full-time worker taking home the minimum wage, Senate Bill 862 would mean more than \$11,000 in lost earnings between 2021 and 2027, an average of \$1,600 per year.
- Today, a single adult without children who works full time would have to earn \$16 per hour in Allegany or Garrett counties to afford a basic living standard. To afford a basic living standard for a family of four (two adults, two children), both adults would have to work full time at a wage of \$17 per hour.
- Statewide, 55 percent of workers who will benefit from Maryland's transition to a \$15 minimum wage are women.
- In Western Maryland, 40 percent of workers of color, half of Black workers, and more than half of multiracial workers are employed in the industries where a \$15 minimum wage would make the biggest difference.

Impact

Senate Bill 862 would likely **worsen racial and economic equity** in Maryland.

ⁱ Christopher Meyer, "What a \$15 Minimum Wage Would Mean for Maryland: Good Jobs, Secure Families, and a Healthy Economy," Maryland Center on Economic Policy, 2018, http://www.mdeconomy.org/wp-content/uploads/2018/02/MDCEP_FF15_report-2.pdf

ⁱⁱ Arindrajit Dube, "Minimum Wages and the Distribution of Family Incomes," *American Economic Journal: Applied Economics* 11(4), 2019, <https://www.aeaweb.org/articles?id=10.1257/app.20170085>

William Dow, Anna Godøy, Christopher Lowenstein, and Michael Reich, "Can Economic Policies Reduce Deaths of Despair?" National Bureau of Economic Research Working Paper No. 25787, 2019, <https://www.nber.org/papers/w25787>

ⁱⁱⁱ Meyer 2018.

^{iv} MDCEP analysis of 2014–2018 IPUMS American Community Survey microdata. Strongly affected industries are accommodation and food services, retail trade, residential care, administrative, support and waste services, and services not otherwise categorized.

^v Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Shocks, Employment Flows and Labor Frictions," Institute for Research on Labor and Employment Working Paper Working Paper No. 149-13, 2014, <http://irle.berkeley.edu/files/2013/Minimum-Wage-Shocks-Employment-Flows-and-Labor-Market-Frictions.pdf>

^{vi} José Azar, Ioana Marinescu, and Marshall Steinbaum, "Labor Market Concentration, working paper available at Social Science Research Network, <http://dx.doi.org/10.2139/ssrn.3088767>

^{vii} Economic Policy Institute Family Budget Calculator, based on a 2,080-hour work year. <https://www.epi.org/resources/budget/>

^{viii} Based on the gap between the current-law minimum wage for employers with at least 15 workers and the proposed minimum wage, assuming a 2,080-hour work year.

^{ix} David Cooper, "Raising the Federal Minimum Wage to \$15 by 2024 Would Lift Pay for Nearly 40 Million Workers," Economic Policy Institute, 2019, <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>

^x Anna Godøy and Michael Reich, "Minimum Wage Effects in Low-Wage Areas," Institute for Research on Labor and Employment Working Paper No. 106-19, 2020, <https://irle.berkeley.edu/minimum-wage-effects-in-low-wage-areas/>

^{xi} Jason Bram, Fatih Karahan, and Brendan Moore, "Minimum Wage Impacts along the New York-Pennsylvania Border," Federal Reserve Bank of New York, 2019, <https://libertystreeteconomics.newyorkfed.org/2019/09/minimum-wage-impacts-along-the-new-york-pennsylvania-border.html>