MARCH 30, 2023

Amended Wage Bill Provides Meaningful Short-Term Relief, but Workers Still Need Lasting Protection

Position Statement in Support of Senate Bill 555 With Amendment

Given before the House Economic Matters Committee

Expediting Maryland's minimum wage to reach $15 in January 2024 is a meaningful step to provide workers short-term relief from the recent bout of rapid inflation. As amended, Senate Bill 555 will raise wages for 163,000 workers by a total of $128 million in 2024. The bill will advance racial, ethnic, and gender equity and will enable struggling families to better afford necessities.

However, without inflation indexing, this temporary measure will do nothing to protect workers' standard of living in the long term. The bill's impacts will evaporate before the end of 2026 and our minimum wage will be on track to fall below its current inflation-adjusted value within the decade. **For these reasons, the Maryland Center on Economic Policy supports Senate Bill 555 with amendment to restore inflation indexing.**

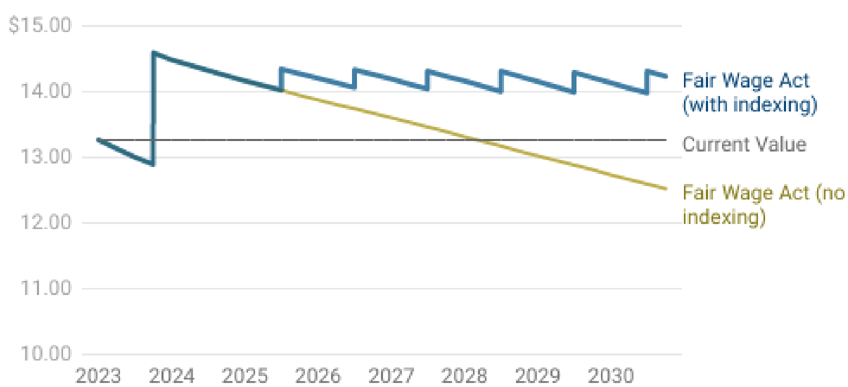
Meaningful Temporary Relief

Senate Bill 555 provides meaningful relief in the short term:[i]

- Senate Bill 555 as amended would **raise wages for about 163,000 workers** (7% of workers statewide)
- On average, affected workers would see their wages increase by $0.54 per hour, equivalent to $782 per year. **Altogether, the bill will increase wages by $128 million in 2024.**
- The bill would also **raise family incomes for 120,000 children**. Research links a boost in family income during childhood to a wide range of lifelong benefits, although most

Without Indexing, Minimum Wage Will Fall below Current Value before 2029

Projected inflation-adjusted value of Maryland minimum wage under Fair Wage Act with and without inflation indexing, 2023–2030. Note truncated y-axis.



Values are in constant 2023-Q1 dollars. Assumes that the Washington regional consumer price index grows at the same rate as the index for all U.S. cities.

Chart: Maryland Center on Economic Policy • Source: Based on Congressional Budget Office February 2023 Economic Outlook, projected CPI-U • Created with Datawrapper

1800 North Charles Street, Suite 310 Baltimore MD 21201 | mdcep@mdeconomy.org | 410-412-9105

research focuses on sustained, rather than temporary, increases.[ii]

- Altogether, Maryland workers would take home an additional $128 million over the course of 2024.

Senate Bill 555 as amended would make our economy more just and inclusive by increasing wages for:

- 66,000 white workers (5% of white workers statewide)
- 60,000 Black workers (9%)
- 24,000 Latinx workers (10%)
- 6,800 Asian and Pacific Islander workers (4%)
- 5,900 workers belonging to other racial or ethnic groups (9%)[iii]
- 94,000 women (8%)
- 71,000 workers whose family income is less than double the federal poverty line (23%)

Removing Indexing is a Missed Opportunity

As introduced, Gov. Moore's Fair Wage Act would have permanently protected workers from eroding living standards. The decision to strip inflation indexing negates this benefit, rendering the bill's effects null by the end of 2026. **The Maryland Center on Economic Policy strongly urges lawmakers to amend Senate Bill 555 to restore inflation indexing.**

Inflation indexing is a common-sense, well-established tool to maintain the status quo after the full $15 minimum wage phases in:

- Without indexing, while the dollar value of the minimum wage stays constant over time, its purchasing power continuously declines due to inflation. In other words, without indexing, workers must constantly watch their standard of living erode, day by day.
- Without indexing, the purchasing power of Maryland's minimum wage is on track to fall below its current value ($13.25 per hour) before 2029.[iv] As the last two years have made clear, unexpected spikes in inflation would erode the wage floor's value sooner.
- Failing to index also further tilts an already lopsided balance of power. Without indexing, low-road employers that seek to maximize profits through low wages receive an automatic, continuous reduction to their responsibilities in real terms.
- Today, 18 states and the District of Columbia index for inflation or have adopted indexing policies that will go into effect soon, more than half of all states that set a wage floor above the federal standard.[v]

Inflation indexing does not in any way alter the General Assembly's authority to set the state's minimum wage. Lawmakers would retain their ability to raise, lower, or restructure the minimum wage, through ordinary legislation, at the time of their choosing. Indexing simply ensures that when lawmakers do nothing, workers do not automatically lose.

Inflation indexing is the right choice for 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.[vi] Family-supporting wages make Maryland a more attractive place to live and work, which means a deeper talent pool for employers to draw from.

Moreover, a robust body of credible research shows no significant link between the minimum wage and the number of jobs available.[vii] 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."

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Economic Matters Committee make a favorable with amendment report on Senate Bill 555, restoring inflation indexing.

Equity Impact Analysis: Senate Bill 555

Bill summary

Senate Bill 555 as amended increases the minimum wage for covered workers at all employers to $15 per hour effective January 1, 2024.

Similar to past minimum wage bills, Senate Bill 555 mandates increased appropriations for certain health care and social service provider rates to cover providers' increased wage costs.

Background

Currently, 18 states and the District of Columbia index for inflation or have adopted indexing policies that will go into effect soon, more than half of all states that set a wage floor above the federal standard.

Maryland's minimum wage law is modeled after federal wage and hour law. When Congress enacted the federal employment law framework in the 1930s, New Deal proponents made concessions to win the votes of Southern Democrats, generally denying protections to workers in disproportionately Black industries and occupations or weakening these protections. Some, but not all, of these exemptions remain on the books.

Equity Implications

Structural barriers built into our economy through policy have disproportionately kept Black workers, other workers of color, women, and workers in other marginalized groups out of high-paying jobs. As a result, increasing the minimum wage generally delivers particularly large benefits to workers in these groups.

Senate Bill 555 as amended leaves significant achievable gains unrealized due to the removal of inflation indexing. Without indexing, Maryland's minimum wage is on track to fall below its current purchasing power before 2029. Just as increasing the minimum wage brings significant equity benefits, allowing the wage floor to erode in future years will reduce and ultimately eliminate those positive impacts.

Impact

Senate Bill 555 as amended would likely **temporarily improve racial, gender, and economic equity** in Maryland. **Lawmakers should make the bill's impact permanent by restoring inflation indexing.**

Table 1. Distributional Analysis of Senate Bill 555 As Amended							
	All Workers		Workers with Wage Increase			Total Wage Increase Jan.–Dec. 2024	
	# 1,000s	% of Total	# 1,000s	% of Total	% of Group	$ Millions	% of Total
Total	2,400	100%	163	100%	6.8%	$128	100%
Gender							
Men	1,204	50%	69	42%	5.7%	$54	43%
Women	1,195	50%	94	58%	7.9%	$73	57%
Race & Ethnicity							
White	1,285	54%	66	41%	5.2%	$47	37%
Black	640	27%	60	37%	9.3%	$50	39%
Latinx	246	10%	24	15%	9.9%	$21	16%
Asian/Pacific Islander	166	7%	7	4%	4.1%	$5	4%
All Others	63	3%	6	4%	9.3%	$5	4%
Workers of Color Total	1,115	46%	97	59%	8.7%	$80	63%
Family Income							
< $25,000	163	7%	43	27%	26.6%	$36	28%
$25,000 to $49,999	329	14%	24	15%	7.4%	$20	15%
$50,000 to $74,999	357	15%	22	13%	6.1%	$17	13%
$75,000 to $99,999	330	14%	18	11%	5.3%	$14	11%
$100,000 to $149,999	518	22%	25	15%	4.8%	$19	15%
$150,000+	688	29%	25	15%	3.6%	$18	14%
Poverty Status							
Family income % of federal poverty line							
< 100%	103	4%	39	24%	37.4%	$12	25%
100 to 199%	212	9%	32	20%	15.2%	$9	20%
< 200% Combined	315	13%	71	43%	22.5%	$21	45%

Source: Economic Policy Institute analysis of Current Population Survey–Outgoing Rotation Group data.
Notes:
Census data currently require respondents to identify themselves as either male or female, precluding impact estimates for workers of other gender identities.
All racial groups exclude Latinx workers. Latinx workers may belong to any racial group. See endnote iii for discussion of "All others" racial category.
All dollar figures are in 2022 dollars.

---

[i] Economic Policy Institute analysis of Current Population Survey–Outgoing Rotation Group data.

[ii] For detailed discussion of long-term benefits, see Jasmin Aramburu and Christopher Meyer, "The Fair Wage Act Would Benefit 175,000 Workers in Maryland," Maryland Center on Economic Policy, 2023, http://www.mdeconomy.org/minimum-wage/

[iii] Including but not limited to American Indian/Alaska Native workers and multiracial workers. Data limitations prevent reporting estimates for individual groups. Note that this category is particularly heterogeneous and aggregate estimates do not necessarily reflect the experiences of individual subgroups.

[iv] MDCEP analysis of Congressional Budget Office February 2023 Economic Outlook

[v] Senate Bill 555 Fiscal and Policy Note

[vi] Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Shocks, Employment Flows and Labor Frictions," IRLE Working Paper #149-13, 2014, http://irle.berkeley.edu/files/2013/Minimum-Wage-Shocks-Employment-Flows-and-Labor-Market-Frictions.pdf.

[vii] 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/