

# Fair Wage Act Provides Maryland Workers Relief Today and Security Tomorrow

## Position Statement in Support of Senate Bill 555

*Given before the Senate Finance Committee*

The last several years have been an unusual and challenging time for Maryland's economy – and from inadequate safety protections to sharp price increases, low-wage workers have borne the brunt of it. The Maryland General Assembly took an important positive step in 2019 by putting the state on the path to a \$15 minimum wage, and has since enacted several more measures to benefit working families. But in the intervening four years, surging prices worldwide have increased the urgency of raising wages. A \$15 purchase made in 2019 would cost close to \$18 today. **The Maryland Center on Economic Policy supports Senate Bill 555 because it would strengthen wage protections today and protect them in the long term.**

The fact is, workers in Maryland cannot get by on low wages. Between housing, food, clothing, and other essentials, there is nowhere in Maryland where even a single adult, working full time and not caring for children, can afford a basic living standard on less than \$15 per hour.<sup>i</sup> Basic living expenses are higher still for workers supporting a family. The Fair Wage Act would make an important difference:<sup>ii</sup>

- Senate Bill 555 would **increase wages for about 175,000 workers** (7% of workers statewide) on October 1 of this year and **raise family incomes for 126,000 children**. On average, affected workers would see their wages increase by \$0.74 per hour, equivalent to \$1,070 per year.
- Altogether, Maryland workers would take home an additional \$47 million during the last three months of 2023, equivalent to \$187 million on an annual basis. Total wage gains would likely be substantial in future years as well.
- **The Fair Wage Act protects the value of the minimum wage in the long term.** Without inflation adjustment, the purchasing power of **the minimum wage will likely fall below its current value of \$13.25 per hour by mid-2028.**

A stronger minimum wage makes Maryland's economy more just and inclusive. Workers getting a raise under the Fair Wage Act include:

- 71,000 white workers (6% of white workers statewide)
- 64,000 Black workers (10%)
- 26,000 Latinx workers (11%)

- 7,600 Asian and Pacific Islander workers (6%)
- 6,100 workers belonging to other racial or ethnic groups (10%)<sup>iii</sup>
- 101,000 women (8%)
- 76,000 workers whose family income is less than double the federal poverty line (24%)

### Inflation Adjustment Provides Long-Term Security

The Fair Wage Act’s benefits are not limited to the next few years.

**One of the most crucial elements of Senate Bill 555 is the provision to adjust the**

**minimum wage for inflation** annually, beginning in July 2025. As has become all too clear in recent years, price increases can eat away at wage gains, especially when a perfect storm of global crises accelerates inflation.

Lacking scheduled inflation adjustments, our current wage law essentially bakes in gradually declining real wages over the long term, forcing workers to hope politicians will take action as they watch their standard of living decline. Under current law, the purchasing power of the minimum wage is likely to drop below its current value of \$13.25 per hour by mid-2028.<sup>iv</sup> **The Maryland Center on Economic Policy strongly urges lawmakers to maintain this provision in the bill.**

### Long-Lasting Benefits

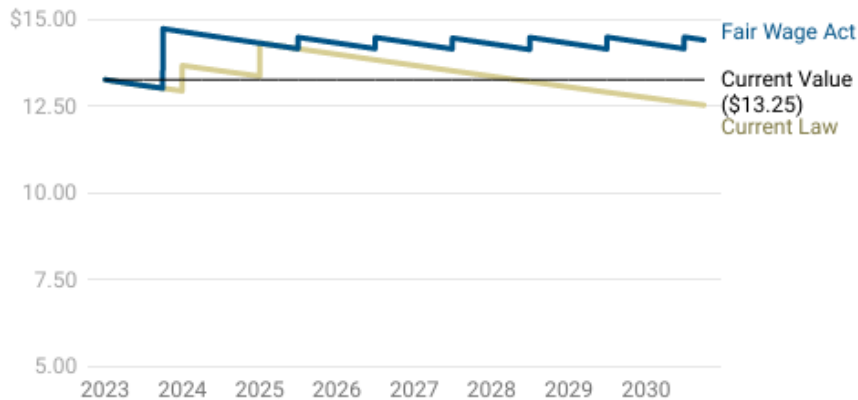
The Fair Wage Act would benefit Maryland families and children for decades to come. A large body of research shows that when families earn enough to afford the basics, the benefits ripple out to nearly every part of their lives. A 2013 systematic review of academic literature linked higher family incomes to:<sup>v</sup>

- Fewer families struggling to put food on the table
- Fewer underweight births and lower infant mortality
- Increased spending on children’s clothing, reading materials, and toys
- Fewer behavioral problems, less physical aggression, and less anxiety among children
- Improved academic and cognitive test results, and more years of schooling completed

Raising the wage floor 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.<sup>vi</sup> Family-supporting wages make Maryland a more attractive place to live and work, which means a deeper talent pool for employers to draw from.

## Fair Wage Act Protects Workers' Long-Term Purchasing Power

Projected inflation-adjusted value of Maryland minimum wage under current law and Fair Wage Act, 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 May 2022 Economic Outlook, projected CPI-U • Created with Datawrapper

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.<sup>vii</sup> 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 Minimum Wage that Leaves No One Behind**

It is beyond debate that Senate Bill 555 represents a major step forward for Maryland workers, families, and communities. **Lawmakers should build on this foundation by extending full minimum wage protections to the workers current law leaves behind:**

**Agricultural Workers:** When Congress established the federal minimum wage in 1938, lawmakers specifically denied protections to agricultural workers, one of many New Deal compromises demanded by racist Southern Democrats.<sup>viii</sup> While the demographics of agricultural workers have changed, their work remains vital to Maryland communities and our economy. It is past time to correct this historical injustice and grant agricultural workers minimum wage protection. Including agricultural workers in the minimum wage increase would benefit another 1,200 workers and 950 additional children.

**Tipped Workers:** Because of a similar New Deal-era bargain, employers are required to pay tipped workers in Maryland a subminimum wage of only \$3.63 per hour. Because tipped workers cannot rely on a stable, decent wage, they are often at the mercy of customers for adequate pay. While sexual harassment occurs across all industries, it is more prevalent in the accommodation and food services industry, where women represent a majority of workers often in low-paying jobs subject to the tipped subminimum wage.<sup>ix</sup> By applying the minimum wage uniformly, we can guarantee tipped workers receive equal treatment and are paid fairly for their work.

Guaranteeing the full minimum wage to tipped workers would **increase wages for an additional 47,900 workers** and increase family incomes for 27,900 additional children. It would also raise tipped workers’ pay by **\$130 million** in the last three months of 2023 alone, **more than tripling the dollar impact** of Senate Bill 555 as introduced.

**Young Workers:** Despite its other benefits, the 2019 minimum wage bill *weakened* protections for certain young workers. Youth workers’ earnings may serve as a lifeline for many struggling families who rely on extra income to stay afloat, especially during difficult economic times. Guaranteeing the full minimum wage for young workers would enable them to help keep their families afloat, contribute to their education, and build economic security for the future.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Finance Committee make a favorable report on Senate Bill 555.**

## Equity Impact Analysis: Senate Bill 555

### *Bill summary*

The core provisions of Senate Bill 555 concern the state minimum wage:

- The bill increases the minimum wage for covered workers at all employers to \$15 per hour effective October 1, 2023.
- This does not repeal or alter exemptions or reductions to the minimum wage for agricultural workers, tipped workers, or youth workers.
- The bill establishes annual inflation adjustment to the minimum wage beginning in July 2025, capped at 5% per year.
- The bill permanently empowers the Board of Public Works to cancel scheduled inflation increases under certain circumstances and repeals a provision of current law limiting the Board’s current power to a single cancellation.

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*

Chapters 10 and 11 of 2019 put Maryland on a path toward a \$15 minimum wage for most workers by 2025, with the wage floor for small employers reaching \$15 in 2026.

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 at the federal level and in Maryland.

### *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. Table 1 provides examples, with notable impacts highlighted.

<b>Table 1. Distributional Analysis of Senate Bill 555</b>							
	<b>All Workers</b>		<b>Workers with Wage Increase</b>			<b>Total Wage Increase Oct.–Dec. 2023</b>	
	<b># 1,000s</b>	<b>% of Total</b>	<b># 1,000s</b>	<b>% of Total</b>	<b>% of Group</b>	<b>\$ Millions</b>	<b>% of Total</b>
<b>Total</b>	2,396	100%	175	100%	7.3%	\$47	100%
<b>Gender</b>							
Men	1,203	50%	74	42%	6.1%	\$20	42%
Women	1,194	50%	101	<b>58%</b>	8%	<b>\$27</b>	<b>58%</b>

**Table 1. Distributional Analysis of Senate Bill 555**

	All Workers		Workers with Wage Increase			Total Wage Increase Oct.–Dec. 2023	
	# 1,000s	% of Total	# 1,000s	% of Total	% of Group	\$ Millions	% of Total
<b>Race &amp; Ethnicity</b>							
White	1,286	54%	71	41%	5.5%	\$17	37%
Black	638	27%	64	<b>37%</b>	10.0%	\$18	<b>39%</b>
Latinx	244	10%	26	<b>15%</b>	10.8%	\$8	<b>16%</b>
Asian/Pacific Islander	166	7%	8	4%	4.6%	\$2	4%
All Others	63	3%	6	3%	9.7%	\$2	4%
<b>Workers of Color Total</b>	<b>1,111</b>	<b>46%</b>	<b>104</b>	<b>59%</b>	<b>9.3%</b>	<b>\$29</b>	<b>63%</b>
<b>Family Income</b>							
< \$25,000	162	7%	46	26%	<b>28.4%</b>	\$13	28%
\$25,000 to \$49,999	329	14%	27	15%	8.2%	\$7	15%
\$50,000 to \$74,999	356	15%	24	13%	6.6%	\$6	13%
\$75,000 to \$99,999	329	14%	19	11%	5.7%	\$5	11%
\$100,000 to \$149,999	518	22%	26	15%	5.1%	\$7	15%
\$150,000+	687	29%	26	15%	3.8%	\$7	14%
<b>Poverty Status</b> Family income % of federal poverty line							
< 100%	103	4%	40	<b>23%</b>	<b>39.0%</b>	\$12	<b>26%</b>
100 to 199%	211	9%	36	<b>20%</b>	16.9%	\$9	<b>19%</b>
< 200% Combined	314	13%	76	<b>43%</b>	24.2%	\$21	<b>45%</b>

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. "All others" includes American Indian/Alaska Native workers, multiracial workers, and workers belonging to racial groups not specified in census data. Small sample size precludes reporting impacts for these groups individually. Note that this group is particularly heterogeneous, and the aggregate estimate does not necessarily represent the experiences of individual subgroups.

Part-time workers are those who usually work less than 20 hours per week. Mid-time workers usually work 20 to 34 hours per week.

Full-time workers are those who usually work 35 or more hours per week.

All dollar figures are in 2022 dollars.

## Impact

Senate Bill 555 would likely **improve racial, gender, and economic equity** in Maryland. Lawmakers can increase the bill’s positive impact by repealing exceptions for agricultural workers, tipped workers, and youth workers.

<sup>i</sup> Based on the Economic Policy Institute Family Budget Calculator, adjusted for inflation by MDCEP.

<sup>ii</sup> Throughout this document, impact estimates for Senate Bill 555 are based on Economic Policy Institute analysis of Current Population Survey–Outgoing Rotation Group data. Detailed report forthcoming from MDCEP.

<sup>iii</sup> 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.

<sup>iv</sup> Based on MDCEP analysis of the Congressional Budget Office May 2022 Economic Outlook.

<sup>v</sup> Kerris Cooper and Kitty Stewart, “Does Money Affect Children’s Outcomes? A Systematic Review,” Joseph Rowntree Foundation, October 2013, <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/money-children-outcomes-full.pdf>

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The systematic review methodology involves defining in advance how researchers will identify relevant studies, as well as quality control measures to ensure that only studies with credible methodologies are included. This methodology protects against researchers cherry-picking studies that support their viewpoint.

<sup>vi</sup> 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>.

<sup>vii</sup> 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/>

<sup>viii</sup> Juan F. Perea, “The Echoes of Slavery: Recognizing the Racist Origins of the Agricultural and Domestic Worker Exclusion from the National Labor Relations Act,” 72 *Ohio State Law Journal* 95, 2011, <https://lawcommons.luc.edu/cgi/viewcontent.cgi?article=1150&context=facpubs>

<sup>ix</sup> Jocelyn Frye, “Not Just the Rich and Famous: The Pervasiveness of Sexual Harassment across Industries Affects All Workers,” Center for American Progress, November 2017, <https://www.americanprogress.org/issues/women/news/2017/11/20/443139/not-just-rich-famous/>