

Increasing the Maryland minimum wage to \$15 in 2023 would boost incomes for low-wage workers and advance gender and racial justice

Testimony in support of the Fair Wage Act of 2023 (SB 555) before the Maryland Senate Finance and Budget and Taxation Committees

Testimony • By [Elise Gould](#) • March 2, 2023

Chair Griffith, Vice Chair Klausmeier, and members of the Finance Committee; Chair Guzzone, Vice Chair Rosapepe, and members of the Budget and Taxation Committee: Thank you for allowing me to speak with you today in support of the Fair Wage Act of 2023, Senate Bill 555.

My name is Elise Gould. I am a senior economist with the Economic Policy Institute (EPI). EPI is a nonpartisan, nonprofit research organization in Washington, D.C., whose mission is to analyze the economy through the lens of the typical U.S. working family. EPI researches, develops, and advocates for public policies that help ensure the economy provides opportunity and fair rewards for all Americans, with a focus on policies to support low- and middle-income households.

I am testifying in support of the Fair Wage Act of 2023, which would raise the Maryland minimum wage to \$15 per hour by October 1, 2023, and then index it to inflation thereafter. In my testimony, I will demonstrate that legislating \$15 per hour in 2023 simply updates the minimum wage law passed by Maryland legislators in 2019, before the pandemic and the unexpected increase in inflation.¹ The bill would ensure that the intention of the 2019 law is carried out. I will also provide evidence that raising the minimum wage to \$15 in 2023 advances gender and racial justice and will improve Maryland workers' chances of obtaining a

decent standard of living for themselves and their families.

The Maryland minimum wage of \$15 per hour in 2023 restores the intent of past legislation

The minimum wage is a crucial labor standard that serves as a valuable wage floor, bolsters the bargaining power of low-wage workers, and narrows wage gaps between workers by gender, race, and ethnicity. When Maryland legislators set the new minimum wage back in 2019, they did not expect the pandemic recession nor did they anticipate the sustained period of higher inflation resulting from supply-chain bottlenecks and the conflict in Ukraine. This bill is an important course correction given the unexpected labor market dynamics over the last three years.

In 2019, Maryland legislators passed a series of increases leading to the minimum wage reaching \$15 per hour in 2025. Unanticipated cost-of-living increases since that legislation was passed have made that goal outdated. Between just 2019 and 2022, prices rose almost twice as fast as originally anticipated. In fact, if Maryland legislators wanted to make good on the promise they made to low-wage workers and their families in 2019, a cost-of-living equivalent would be more than \$15 per hour today. If we used price expectations from back in 2019, an equivalent wage of \$15 in 2025 would actually be \$15.56 today.² This is because prices increased between 2019 and 2023 even faster than prices were expected to increase between 2019 and 2025. Raising the Maryland minimum wage to \$15 now is an important step toward reaching the goal legislators set four years ago.

Raising the minimum wage will lock in recent wage gains among low-wage workers

A byproduct of the strong recovery from the pandemic recession was tremendously fast wage growth among low-wage workers.

Initially, the pandemic hit low-wage workers hard: They lost their jobs in disproportionate numbers as many businesses, particularly in the leisure and hospitality industry, shuttered.³ Fortunately, federal policymakers stepped in to provide relief for those workers and stimulus to spur the economic recovery.

Demand for those workers surged as employers stepped up their hiring. As a result, workers with historically low bargaining power garnered a bit more leverage to secure higher wages from their employers—or they were able to quit and find better working conditions elsewhere. Between 2019 and 2022, low-wage workers managed to eke out stronger wage growth than that experienced by all but the very highest-paid workers.

Strong labor standards—such as the minimum wage—work hand-in-hand with tight labor markets to provide faster wage growth for lower-wage workers. When the unemployment rate is low, the minimum wage is less likely to bind—that is, employers already have to pay higher wages to attract and retain workers, so fewer workers are directly affected by minimum wage increases. Legislating a higher minimum wage can lock in these gains and

keep workers from falling behind if the labor market weakens.

Indexing the minimum wage in the future will help secure the wage gains of the most vulnerable workers and keep them from losing ground as prices rise. Without indexing, the inflation-adjusted minimum wage will lose value year after year, lowering the ability for workers and their families to make ends meet.

Higher minimum wages advance gender and racial justice

Increasing the Maryland minimum wage to \$15 per hour in 2023 will directly affect 84,700 Maryland workers who are currently paid less than \$15 per hour. Another 91,000 will be indirectly affected by the minimum wage increase. These indirectly affected workers currently have wages just above the proposed minimum wage and will see their wages rise as the wage floor rises. In total, about 175,700 workers—or about 7% of Maryland’s wage and salary workers—will benefit from an increase to Maryland’s minimum wage.⁴ In particular, women and Black and Hispanic workers will benefit disproportionately from the minimum wage increase.

Due to occupational segregation, discrimination, and other impacts of systemic racism, racial pay disparities are one of the persistent, structural features of the U.S. labor market.⁵ Black and Hispanic workers are more likely to be found in lower-paid jobs in the Maryland economy. An increase to the Maryland minimum wage will significantly raise the pay of these historically marginalized workers.

As seen in **Figure A**, Black and Hispanic workers are almost twice as likely as white workers to experience gains from raising the Maryland minimum wage to \$15 in 2023. A \$15 minimum wage this year will raise the wages of about 63,900 Black workers and 26,700 Hispanic workers.

Since women are also more likely to occupy low-wage jobs, they are about 40% more likely than men to be affected by the increase in the minimum wage. Raising the Maryland minimum wage to \$15 this year will increase the wages of more than 101,000 women.

Research has shown that the highest national minimum wage in history—back in 1968—not only substantially raised wages for low-wage workers, but also significantly reduced Black–white earnings inequality.⁶ Similarly, because of the disproportionate impact on women and Black and Hispanic workers, increasing the Maryland minimum wage to \$15 in 2023 will likely narrow gender and racial pay gaps.

Higher minimum wages benefit adults in their career-building years who help support their families

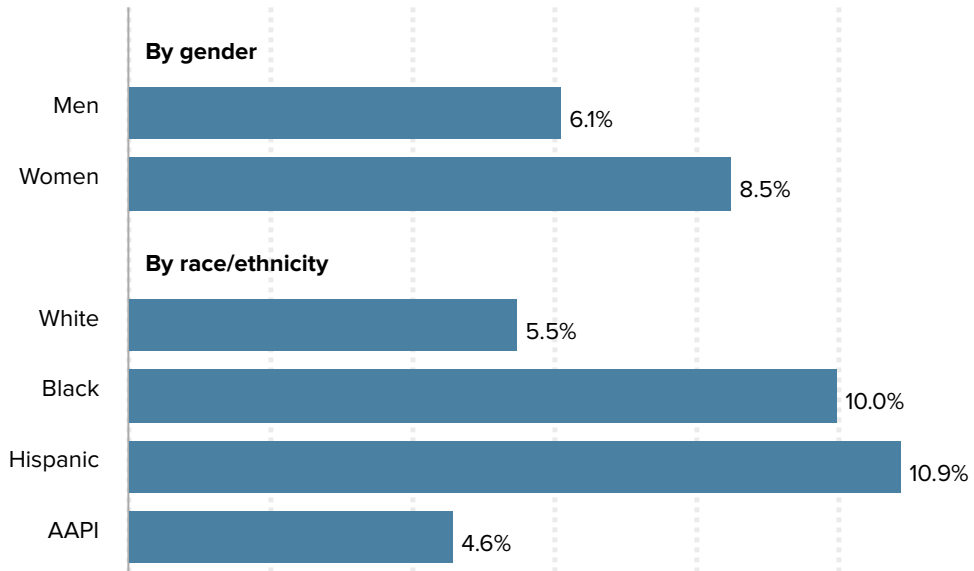
There is sometimes a perception that the workers who would benefit from a higher minimum wage are mostly teenagers in their first jobs. In fact, the data show that only 21% of affected workers are teenagers and 81% work at least 20 hours per week.

Over half of workers who would benefit from the Maryland minimum wage increase are in

Figure A

Increasing the Maryland minimum wage to \$15 in 2023 advances gender and racial justice

Share of workers in each demographic group who would get a direct or indirect pay raise under the Fair Wage Act of 2023



Notes: AAPI stands for Asian American and Pacific Islander. Race/ethnicity categories are mutually exclusive (i.e., white non-Hispanic, Black non-Hispanic, AAPI non-Hispanic, and Hispanic any race). Directly affected workers will see their wages rise to the new minimum wage; indirectly affected workers have wages just above the new minimum (up to 115% of the new minimum) and will receive a raise as employer pay scales are adjusted upward.

Source: Economic Policy Institute Wage Simulation Model; see [Technical Methodology](#) by Cooper, Mokhiber, and Zipperer (2019).

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families that make less than \$75,000 a year, and 23% live in families that are below the poverty line. Furthermore, 127,000 of Maryland's children live in families with at least one worker who would benefit from the increase in the minimum wage.

Higher minimum wages help Maryland workers cover the most basic family budget

Even at \$15 an hour, it is hard for workers in Maryland to support themselves, let alone a family. According to the Economic Policy Institute's Family Budget Calculator, there is no county in Maryland where \$15 per hour is enough to afford a modest yet adequate standard of living, even as a single adult with no children, with no time off, working 40 hours a week, 52 weeks a year.⁷

For example, it currently would cost a single individual with no children in Allegany County, Maryland (one of the least expensive counties in the state) \$36,527 annually to make ends meet.⁸ This equates to a full-time wage of \$17.56 per hour, far higher than the \$15 per hour

proposed in this legislation. Similarly, a single individual with no children in Washington County (another relatively low-cost area of Maryland) would need \$38,613 annually—the equivalent of \$18.56 per hour full time. Thus, \$15 per hour in October 2023, as proposed in this bill, is a conservative target for setting a wage floor that affords a decent quality of life, even in the lowest cost areas of Maryland. Of course, for many workers and families, especially those in more expensive parts of the state, \$15 per hour is even more woefully inadequate. In Charles County, for instance, a full-time minimum wage worker who is single with no children would earn less than half of what it takes to afford a decent quality of life.

Raising the minimum wage provides an economic boost to families without sacrificing employment

The immediate benefits of a minimum wage increase are in the earnings boost for the lowest-paid workers. Increasing the minimum wage to \$15 in 2023 and indexing it moving forward will lock in the gains low-wage workers have experienced and help secure those gains at times when the labor market weakens.

Even so, whenever any minimum wage increase is proposed, one concern is raised repeatedly: *Could such a policy change have an adverse effect on employment—and thereby hurt the workers it’s meant to help?* This is one of the most heavily studied questions in economics, and the resounding conclusion of empirical research over the past several decades is a clear “no.”

A comprehensive review of nearly all published minimum wage research over the past 30 years concludes that “the overall body of evidence suggests a rather muted effect of minimum wages to date on employment.”⁹ Even research on the highest minimum wages enacted at state or local levels has shown no evidence of any reduction in the total number of jobs for low-wage workers.¹⁰ Other research, using data from low-wage counties, where minimum wage increases have raised labor costs much more than in high-wage labor markets, has found that the minimum wage policies significantly reduced poverty and had essentially no employment impact.¹¹ Another study, of 21 city-level minimum wage increases, found that they raised wages in those cities with little effect on the number of low-wage jobs.¹²

Raising the minimum wage is a smart choice for Maryland

You have the opportunity to give Maryland workers a higher minimum wage to help low-wage workers keep up with higher prices, to advance gender and racial justice, and to enable workers and their families to make ends meet.

Thank you for taking the time to review the evidence supporting the Maryland Fair Wage Act of 2023. I respectfully urge you to seize the opportunity to pass this important legislation.

Notes

1. Labor and Employment – Payment of Wages – Minimum Wage (Fight for Fifteen), HB166/SB280, 2019 Regular Session.
2. Price differences are based on Congressional Budget Office’s [10-year Economic Projections](#) of the Consumer Price Index in January 2019 compared with February 2023.
3. Elise Gould and Jori Kandra, [Wages Grew in 2020 Because the Bottom Fell Out of the Low-Wage Labor Market](#), Economic Policy Institute, February 2021; Elise Gould and Melat Kassa, [Low-Wage, Low-Hours Workers Were Hit Hardest in the COVID-19 Recession](#), Economic Policy Institute, May 2021.
4. These estimates are based on EPI’s Wage Simulation Model; see David Cooper, Zane Mokhiber, and Ben Zipperer, [Minimum Wage Simulation Model Technical Methodology](#), Economic Policy Institute, February 2019.
5. Valerie Wilson and William M. Rodgers III, [Black-White Wage Gaps Expand with Rising Wage Inequality](#), Economic Policy Institute, September 2016.
6. Ellora Derenoncourt and Claire Montialoux, “[Minimum Wages and Racial Inequality](#),” *Quarterly Journal of Economics* 136, no. 1: 169–228 (February 2021).
7. The Economic Policy Institute’s [Family Budget Calculator](#), last updated in March 2022, reports monthly and annual household costs in 2020 dollars. We adjust these costs to 2023 dollars to reflect current cost of living, using the latest CBO economic projections of inflation.
8. In these examples, we adjust the 2020 [Family Budget Calculator](#) annual costs to 2023 dollars, using the latest CBO economic projections of inflation.
9. Arindrajit Dube, [Impacts of Minimum Wages: Review of the International Evidence](#), report prepared for Her Majesty’s Treasury (UK), November 2019.
10. Doruk Cengiz et al., “[The Effect of Minimum Wages on Low-Wage Jobs](#),” *The Quarterly Journal of Economics* 134, no. 3: 1405–1454 (August 2019).
11. Anna Godøy and Michael Reich, “[Are Minimum Wage Effects Greater in Low-Wage Areas?](#)” *Industrial Relations*, January 2021.
12. Arindrajit Dube and Attila Lindner, “[City Limits: What Do Local-Area Minimum Wages Do?](#)” *Journal of Economic Perspectives* 35, no. 1: 27–50 (Winter 2021).