



LEGISLATIVE POSITION:

Unfavorable

Senate Bill 555

Fair Wage Act of 2023

Senate Finance Committee

Thursday, March 2, 2023

Dear Chairwoman Griffith and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 6,400 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

As introduced, Senate Bill 555 would implement a statewide \$15/hour minimum wage effective October 1, 2023. Further, beginning July 1, 2025, and each subsequent year, the minimum wage would increase by the average percentage growth in the Consumer Price Index (CPI) for the Washington-Arlington-Alexandria, DC-VA-MD-WV area, subject to a 5% cap. SB 555 is a significant alteration to the previously negotiated minimum wage phase-in which would have taken full effect January 1, 2025 for employers with 15 or more employees and July 1, 2026 for employers with fewer than 15 employees.

As introduced, the Maryland Chamber of Commerce has several concerns and recommendations to ease the abrupt burden SB 555 places on Maryland businesses.

Consumer Price Index

SB 555 attaches a yearly increase in Maryland's minimum wage to the average percentage growth in a regional CPI. Attaching an annual minimum wage increase to CPI will set the state's labor costs on a perpetual increasing trajectory. According to the U.S. Bureau of Labor Statistics, the CPI increased during the COVID-19 shutdown, one of the worst economic situations in modern times.¹ Adopting a policy that would have automatically increased labor costs across the board during a time when businesses were forcibly closed is no less than extremely problematic.

Further, states possess little control over their economies as they lack the ability to influence monetary policy. Setting the state's labor costs on an ever-increasing track creates additional barriers when a future Governor or General Assembly must influence the state's economic conditions through spending alone, their only available tool.

¹ <https://www.bls.gov/opub/mlr/2021/beyond-bls/consumer-inflation-during-the-covid-19-pandemic.htm>

Finally, utilizing the Washington-Arlington-Alexandria, DC-VA-MD-WV CPI is problematic in that it is a D.C. area-based indicator that does not consider the very real wage differences commanded throughout Maryland's diverse economic regions. It would stand to reason that the wage markets in the Washington, D.C. suburbs should not drive the wage markets of Somerset County or Cumberland. **The Maryland Chamber recommends the committee remove the CPI attachment in SB 555.**

Minimum Wage Phase-in – Small Businesses

As members of the committee will likely recall, during the 2019 minimum wage negotiation a separate phase-in was put in place for businesses with fewer than 15 employees compared to those with 15 or more employees. As introduced, SB 555 does not take this difference into account. As a result, small businesses will experience a larger increase in labor costs than those with 15 or more employees. The current minimum wage for employers with less than 15 employees is \$12.80/hour, therefore, the jump to \$15/hour would represent a ~17% increase in labor costs compared to a ~13% increase for employers with 15 or more employees. **The Maryland Chamber strongly urges the committee to consider phasing in the \$15/hour minimum wage one year later for those employers with less than 15 employees.**

Board of Public Works – Poor Economic Conditions

When the previous minimum wage adjustment was passed during the 2019 legislative session, the General Assembly put in an economic “off-ramp” giving the Board of Public Works (BPW) authority to pause an annual increase in the minimum wage if certain economic conditions were met. During the height of the COVID-19 pandemic there were discussions about the BPW exercising this authority, however, that never came to fruition. The lesson learned during that time is that regardless of the economic conditions, it will never be politically popular or feasible for the BPW to exercise that authority. As such, **the Maryland Chamber firmly recommends the committee remove this “off-ramp” and replace it with an automatic switch whereby the minimum wage would pause instantly based on certain economic criteria.** There are other successful policy examples in Maryland statute where these triggers exist, most notably in the unemployment insurance program and other states utilize automatic triggers, like Michigan, to pause automatic increases in a states minimum wage. Implementing an automatic trigger would replace the current political decision with a policy based on real time economic data leading to a better climate for Maryland businesses.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report** on SB 555, as introduced.

