

# Position Statement Supporting Senate Bill 331

Given before the Senate Finance Committee

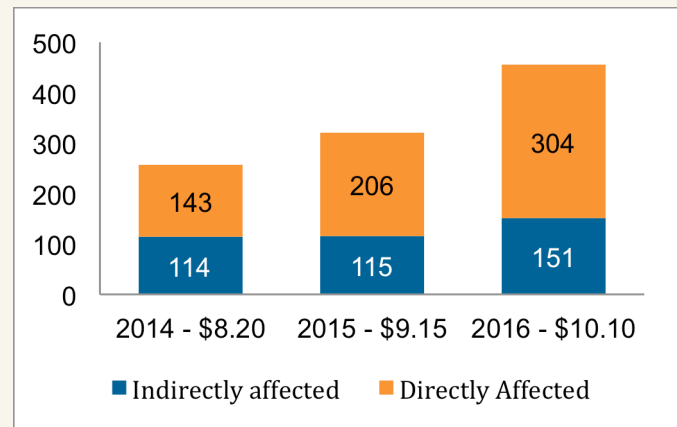
## Raising Maryland's Minimum Wage Benefits Workers and Economy

The Maryland Center on Economic Policy supports Senate Bill 331, which would raise the minimum wage in Maryland incrementally to \$10.10 per hour by 2016. The bill would also increase the tipped minimum wage from 50 percent to 70 percent of the full minimum wage, and index both wage rates to inflation, helping the minimum wage keep up with the cost of living.

As Maryland continues its slow recovery from the Great Recession, an increase in the minimum wage is needed to help workers' earnings keep pace with a rising cost of living amid declining wages. This is particularly true for Maryland residents in the lowest 20 percent income bracket, where wages have declined by \$1.24 per hour since 2009, according to the Economic Policy Institute.<sup>1</sup>

### NUMBER OF MARYLAND WORKERS AFFECTED BY INCREASING THE MINIMUM WAGE TO \$10.10 BY 2016

In thousands



Source: Economic Policy Institute

But raising the minimum wage would have a widely-shared, real impact on the earnings of Maryland workers. And because Senate Bill 331, would raise the minimum wage incrementally over a three year period, these benefits would accrue progressively each year. In the first year of enactment, when the minimum wage is increased to \$8.20, 257,000 workers would benefit either because their wage is directly increased or because employers are also likely to increase the wages of those making just above the minimum. In 2015, when the minimum increases to \$9.15 per hour, 311,000 workers would benefit, while 455,000 workers would bring home higher paychecks when the minimum wage is increased to \$10.10 per hour in 2016. In total, Maryland workers would receive \$721 million in additional wages over the phase in period.<sup>2</sup>

<sup>1</sup> Cooper, David. "Raising the Maryland Minimum Wage Will Benefit a Million Workers and Modestly Benefit the State's Economy," Economic Policy Institute, January 31, 2014, <http://www.epi.org/blog/raising-maryland-minimum-wage-benefit-million>

<sup>2</sup> Ibid.

Further, these benefits would go to a wide variety of working Marylanders. Far from the stereotype that most minimum wage workers are teenagers looking to make a little extra money, 86.7 percent of workers that would benefit from a minimum wage increase in Maryland are at least 20 years old, and 56 percent work full time. The average age of affected workers in Maryland is 33 years, while teenagers comprise only 13 percent of the workers who would see a raise. Nearly a quarter (23.2 percent) of Marylanders that earn the minimum wage are parents, and 58 percent are women. As a result of an increase in the state minimum wage, 210,000 children would benefit from at least one parent's increased earnings.

Some argue that increasing the minimum wage will lead to job losses, but these concerns are overblown. A review of the latest economic research on the relationship between the minimum wage and employment show that increasing the minimum wage either has no impact on employment, or a very small effect on employment that is eclipsed by the positive impact on workers and the economy that occurs when wages increase.<sup>3</sup>

In this regard, increasing the minimum wage not only directly increases the earning of workers whose income is at or near the minimum wage, but will provide a needed boost to Maryland's economy more broadly. Because low-wage workers are more likely to spend their increased earning on basic necessities, those who will benefit from an increase in the minimum wage are also likely to channel these benefits to the broader economy as well. This is supported by a recent study by the Federal Reserve Bank of Chicago, which shows that when the minimum wage is increased, households with at least one worker making the minimum wage increase their yearly spending.<sup>4</sup> This also means that these workers will spend their increased earnings locally. Increased wages would generate more than \$456 million in new economic activity and would create or support 1,600 new jobs in Maryland as businesses expand to meet increased consumer demand according to an analysis by the Economic Policy Institute.<sup>5</sup>

Numerous other states have higher minimum wages than Maryland. This year, 13 states raised their minimum wages, increasing the earnings of 4.5 million workers. Further, 9 of these states (Arizona, Colorado, Florida, Missouri, Montana, Ohio, Oregon, Vermont, and Washington) did so automatically, as their minimum wage is indexed to inflation. In total, 21 states and the District of Columbia have minimum wages that are higher than the federal minimum wage, and that of Maryland. Indexing is important to make sure that the minimum wage keeps pace with changes in the economy without requiring action from policymakers. At its high point in 1968, when the minimum wage was about \$10 per hour in today's dollars, one worker making the minimum wage could support a family of two or three and remain above the poverty line, but this is not the case today.<sup>6</sup> Indexing the minimum wage to inflation will allow Maryland workers' earning to automatically keep up with changes in prices. Further, indexing will provide employers with more certainty regarding their annual labor costs; annual inflation adjustments will be much smaller than the wage hikes triggered by the haphazard history of minimum wage increases.

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<sup>3</sup> See for example Bernstein, Jared and Sharon Parrott, "Proposals to Strengthen the Minimum Wage Would Help Low-income Workers, with Minimal Impact on Employment, Center on Budget and Policy Priorities, January 7, 2014, <http://www.cbpp.org/cms/index.cfm?fa=view&id=4075> ; and John Schmitt, "Why Does the Minimum Wage Have No Discernible Effect on Employment?" Center for Economic and Policy Research, February 2013, <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>.

<sup>4</sup> Aaronson, Daniel, Sumit Agarwal, and Eric French. "The Spending and Debt Response to Minimum Wage Hikes." (2008)

<sup>5</sup> Cooper, 2014.

<sup>6</sup> Cooper, David. "The Minimum Wage Used to Keep Workers Out of Poverty – It's Not Anymore." Economic Policy Institute, December 4, 2013. <http://www.epi.org/publication/minimum-wage-workers-poverty-anymore-raising/>

Finally, raising the minimum wage has strong support from Maryland residents, with 83 percent in favor.<sup>7</sup> This is similar to nationwide polling, which finds that 76 percent of the country supports raising the minimum wage.<sup>8</sup>

**The Maryland Center on Economic Policy therefore respectfully requests that the Senate Finance Committee make a favorable report on Senate Bill 331.**

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<sup>7</sup> Gonzales Research and Marketing Strategies, Inc. Survey conducted for Progressive Maryland, October 2013, <http://progressivemaryland.org/reports/2013/2013-11Poll-MinWage+CorpTax-Gonzales-pm.pdf>

<sup>8</sup> Dugan, Andrew. "Most Americans for Raising the Minimum Wage," Gallup, November 11, 2013, <http://www.gallup.com/poll/165794/americans-raising-minimum-wage.aspx>