A $15 Minimum Wage Would Benefit 1.3 Million Marylanders and Strengthen our Economy

Position Statement Supporting Senate Bill 962 with Amendment

Given before the Senate Finance Committee

Many hardworking families across Maryland struggle to pay the bills and put food on the table because they are not paid enough to cover the basics of life. Many of these families are forced to rely on public assistance to cover the gap between what they earn and what they need. Increasing Maryland's minimum wage to $15 per hour by 2022 (equivalent to $13.21 in today's dollars) will build greater economic security for hundreds of thousands of Maryland workers and their loved ones, as well as boost Maryland's local economies through increased spending.[i] The Maryland Center on Economic Policy supports Senate Bill 962 and urges that the bill be strengthened to ensure that it is implemented faithfully.

Far too many Maryland workers do not earn high enough wages to support their families, and the minimum wage currently does little to help. One in four working families in Maryland live on incomes that are not sufficient to support a basic standard of living in their area.[ii] This includes a quarter-million people struggling to make ends meet on family incomes less than the federal poverty line (about $24,000 for a family of four) despite having one or more workers in the family. The minimum wage does not do enough to support working families, leaving even a full-time worker without children short of a basic living standard in every part of the state.[iii] Raising the minimum wage to $15 per hour by 2022—an amount equivalent to $13.21 in today's dollars—would bring hundreds of thousands of workers closer to a true living wage.

In 2022, Senate Bill 962 is expected to raise wages for 892,000 Maryland workers, enabling them to earn an average of $3,500 in additional income over the course of a year.[iv] Nine out of 10 workers who will benefit from this bill are at least 20 years old, and 27 percent have children of their own to support. Nearly 400,000 children in Maryland have a parent who would get a raise thanks to Senate Bill 962, bringing the bill's total beneficiaries to 1.3 million. Two-thirds of those who would earn higher wages work full time, and they provide more than half of their families' incomes on average. In today's economy, families who rely on income from low-paying jobs are the chief beneficiaries of a higher minimum wage.

The bill would also fix two serious shortcomings in Maryland's current wage law. The bill would gradually phase out the subminimum wage for tipped workers, enabling these workers to earn the same wages as everyone else rather than the paltry $3.63 per hour they are guaranteed today. This provision alone would benefit at least 67,000 workers.[v] The bill would also tie the future minimum wage to the cost of living, ensuring that working families do not have to rely on the political process to prevent inflation from eating away at their livelihoods.

Raising the wage floor is a good 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] Moreover, a growing body of credible research shows that raising the minimum wage does not significantly reduce employment.[vii] Senate Bill 962 is designed to give businesses ample time to adjust to higher wages. All employers would have at least five years to bring wages up to $15 per hour, with an additional year for small businesses and two years for tipped workers.

Senate Bill 962 includes an additional "pause button" provision intended to minimize difficulties for businesses. Each year until the wage floor reaches $15, the Board of Revenue Estimates and the governor are permitted to temporarily suspend that year's scheduled increase if they deem it economically necessary to do so. This provision is reasonable in principle, but it currently contains a loophole that would allow the Board and the governor to permanently thwart the will of the General Assembly by suspending each year's increase regardless of economic conditions. The bill should be amended to clarify that this provision may not be used more than twice during the phase-in period.

Raising the minimum wage to $15 by 2022, an amount equivalent to $13.21 in today's dollars, would mean better pay for hundreds of thousands of Maryland workers, more security for their loved ones, and a stronger economy that works for all of us. It is high time to guarantee hardworking Marylanders a decent living—and to protect that guarantee from indefinite delay.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Finance Committee give Senate Bill 962 a favorable report after amending it to limit the number of times scheduled increases in the minimum wage can be suspended to two.

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[i] Minimum wage deflated using projected CPI-U from the Congressional Budget Office 10-Year Economic Projections, https://www.cbo.gov/about/products/budget-economic-data#4. Because inflation adjustment under would not begin until 2024, the long-term value of the minimum wage in today's dollars is $12.91.

[ii] MDCEP analysis of 2011–2015 American Community Survey Integrated Public Use Microdata Sample, University of Minnesota, https://usa.ipums.org/usa/. Basic living standard from the Economic Policy Institute Family Budget Calculator, http://www.epi.org/resources/budget/.

[iii] Even after the minimum wage rises to $10.10 per hour next year, it will leave a full-time worker in Allegany County with no children $3,560 short of the EPI basic living standard there—even before adjusting for inflation. This gap is larger in all other parts of Maryland.

[iv] MDCEP and EPI analysis of Current Population Survey Outgoing Rotation Group microdata (2016) and CBO Economic Projections (January 2017).

[v] Ibid.

[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] Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer, "Credible Research Designs for Minimum Wage Studies," IRLE WORKING PAPER #148-13, 2013, http://irle.berkeley.edu/files/ 2013/Credible-Research-Designs-for-Minimum-Wage-Studies.pdf.