

Bill: House Bill 1204 – “Labor and Employment - Maryland Wage and Hour Law - Payment of Wages”

Committee: House Economic Matters Committee
The Honorable Dereck E. Davis, Chair

Position: **SUPPORT**

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Organization: National Women’s Law Center

We thank Chairman Davis and the Members of the Committee for the opportunity to submit testimony today. The National Women’s Law Center strongly supports HB 1204, which represents an important step toward fair pay for women and people of color in Maryland.

The National Women’s Law Center (NWLC), www.nwlc.org, is a non-profit organization that has been working since 1972 to advance and protect women’s equality and opportunity. It focuses on major policy areas of importance to women and their families including economic security, education, employment, and health, with special attention given to the concerns of low-income women.

Women and people of color are more likely to be paid the minimum wage. Women represent over 60 percent of the workers struggling to get by on the minimum wage in Maryland,¹ and people of color are disproportionately represented among the minimum wage workforce as well.² These workers provide valuable services in our communities – providing care for children and elders, cleaning homes and offices, waiting tables – but a woman working full time, year round at the current minimum wage of \$7.25 per hour will earn just \$14,500 annually.³ That’s more than \$3,600 below the federal poverty line for a mother with two children.⁴

The minimum cash wage for tipped employees in Maryland is even lower, at \$3.63 per hour – just \$7,260 a year.⁵ While employers are responsible for making sure that their tipped employees are paid the minimum wage, many are paid less due to wage theft and other illegal practices.⁶ Nationally, women are nearly two-thirds of workers in tipped occupations.⁷

Raising the minimum wage and the tipped minimum wage would boost wages for working women and people of color in Maryland and help close the wage gap. If the minimum wage had kept up with inflation, it would now be nearly \$10.60 per hour.⁸ Increasing the minimum wage from \$7.25 to \$10.00 per hour over three years, as proposed by HB 1204, would ultimately boost annual earnings to \$20,000 – still low, but enough to lift a family of three out of poverty.⁹

HB 1204 would also gradually increase the minimum cash wage for tipped workers from 50 percent to 70 percent of the regular minimum wage. Raising this wage from \$3.63 per hour to 70 percent of \$10.00 per hour (\$7.00 per hour) would make a meaningful difference for many tipped workers in Maryland, increasing their earnings by up to \$6,740 per year.¹⁰ And HB 1204 would ensure that these gains are not erased as the cost of living rises by indexing both the minimum wage and the tipped minimum wage to keep pace with inflation.

The Economic Policy Institute (EPI) estimates that if Maryland's minimum wage were increased to \$10.00 per hour by 2015, more than half a million (536,000) workers would get a raise, over 55 percent of them women¹¹ – and higher pay for thousands of Maryland women could help close the wage gap.¹² In 2011, Maryland women working full time, year round were paid only 86 cents for every dollar paid to their male counterparts,¹³ and the gap was even wider for women of color: black women working full time, year round made only 68 cents, and Hispanic women only 46 cents, for every dollar paid to white, non-Hispanic male counterparts.¹⁴

Raising the minimum wage would strengthen Maryland's economy. Increasing the wages paid to low-wage workers results in lower turnover, boosts worker efforts, and encourages employers to invest in their workers.¹⁵ And raising the minimum wage does not cause job loss, even during periods of recession.¹⁶ In fact, a higher minimum wage can boost Maryland's economy because most minimum wage workers need all of their income to make ends meet and spend it quickly in their communities. Research indicates that for every \$1 added to the minimum wage, low-wage worker households spent an additional \$2,800 the following year.¹⁷ EPI estimates that raising Maryland's minimum hourly wage to \$10.00 by 2015 would generate more than \$492 million in additional economic activity and create or support nearly 4,300 jobs.

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For these reasons we ask the Committee give a **FAVORABLE** report to House Bill 1204.

For additional information, please contact Julie Vogtman at 202.588.5180.

¹ NWLC calculations based on unpublished U.S. Dep't of Labor, Bureau of Labor Statistics data. Figures are annual averages for 2011. Women represent 62 percent of people making the state minimum wage or less in Maryland (\$7.25 per hour).

² Nationally, black and Hispanic workers were about 11 percent and 14 percent of all workers in 2011, respectively. NWLC calculations from U.S. Dep't of Labor, Bureau of Labor Statistics. Figure for black women from Table 3, <http://www.bls.gov/cps/aa2011/cpsaat03.htm> (last visited Feb. 26, 2013). Figure for Hispanic women from Table 4, <http://www.bls.gov/cps/aa2011/cpsaat04.htm> (last visited Feb. 26, 2013). Among workers who made minimum

wage, just over 15 percent were black and nearly 19 percent were Hispanic. NWLC calculations based on U.S. Dep't of Labor, Bureau of Labor Statistics, Characteristics of Minimum Wage Workers, 2011, <http://www.bls.gov/cps/minwage2011tbls.htm> (Table 1). Figure refers to workers making the federal minimum wage or less.

³ NWLC calculation assuming 40 hours per week, 50 weeks per year at \$7.25 per hour.

⁴ NWLC calculations from U.S. Census Bureau, Current Population Survey, 2012 Annual Social and Economic Supplement, Table POV35, <http://www.census.gov/hhes/www/cpstables/032012/pov/toc.htm> (last visited Jan. 23, 2013).

⁵ NWLC calculation assuming 40 hours per week, 50 weeks per year at \$3.63 per hour.

⁶ Sylvia A. Allegretto & Kai Filion, EPI, Waiting for Change, at 3-4 (Feb. 2011), *available at* <http://www.epi.org/page/-/BriefingPaper297.pdf>.

⁷ NWLC calculations from U.S. Dep't of Labor, Bureau of Labor Statistics, Current Population Survey, Table 11, <http://www.bls.gov/cps/cpsaat11.pdf> (last visited Mar. 5, 2012). Includes: waiters & waitresses; bartenders; counter attendants, cafeteria, food, & coffee shop; dining room & cafeteria attendants & bartender helpers; food servers, nonrestaurant; taxi drivers & chauffeurs; parking lot attendants; hairdressers, hairstylists, & cosmetologists; barbers; personal appearance workers; porters, bellhops, & concierges; & gaming services workers.

⁸ At \$7.25 per hour, Maryland's minimum wage is the same as the federal minimum wage. The high-water mark for the federal minimum wage of \$1.60 in 1968 (see Doug Hall, EPI, Increasing the Minimum Wage Is Smart for Families and the Economy (May 2011), *available at* http://www.epi.org/publication/increasing_the_minimum_wage_is_smart_for_families_and_the_economy/) would be \$10.59 in 2013 according to the U.S. Dep't of Labor, Bureau of Labor Statistics inflation calculator, http://www.bls.gov/data/inflation_calculator.htm (last visited Feb. 26, 2013).

⁹ NWLC calculation assuming 40 hours per week, 50 weeks per year at \$10.00 per hour.

¹⁰ NWLC calculations assuming 40 hours per week, 50 weeks per year at \$7.00 per hour.

¹¹ Doug Hall & David Cooper, EPI, How Raising Maryland's Minimum Wage Will Benefit Workers and Boost the State's Economy (Jan. 2013), *available at* <http://www.epi.org/files/2013/benefits-raising-minimum-wage-maryland.pdf>.

¹² Under most circumstances a higher minimum wage would narrow the wage distribution, effectively narrowing the wage gap. Nicole M. Fortin & Thomas Lemieux, Institutional Changes and Rising Inequality, *Journal of Economic Perspectives*, Spring 1997, 75-96 at 78, *available at* <http://www.econ.ucdavis.edu/faculty/mepage/econ151b/Fortin%20and%20Lemieux.pdf>. See also Francine D. Blau & Lawrence M. Kahn, Swimming Upstream, *Journal of Labor Economics*, Jan. 1997, 1-42 at 28, *available at* http://aysps.gsu.edu/isp/files/ISP_SUMMER_SCHOOL_2008_CURRIE_Swimming_Upstream.pdf

¹³ NWLC calculations from U.S. Census Bureau, 2011 American Community Survey, <http://www.census.gov/acs/www/> (Tables R2001 and R2002).

¹⁴ NWLC calculations from U.S. Census Bureau, 2009-2011 American Community Survey Three-Year Estimates, <http://www.census.gov/acs/www/> (Tables B20017B, B20017H, B20017I).

¹⁵ T. William Lester, David Madland & Nick Bunker, Ctr. for Amer. Progress, An Increased Minimum Wage is Good Policy Even During Hard Times (June 2011), *available at* http://www.americanprogressaction.org/issues/2011/06/higher_minimum_wage.html.

¹⁶ Mary Gable & Douglas Hall, Econ. Policy Inst., The Benefits of Raising Illinois' Minimum Wage at 2-3 (Jan. 2012), *available at* <http://www.epi.org/files/2012/ib321.pdf>.

¹⁷ Daniel Aaronson, Sumit Agarwal & Eric French, Fed. Reserve Bank of Chicago, The Spending and Debt Responses to Minimum Wage Increases at 10 (Revised Feb. 2011), *available at* http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf.