

**Bill:** House Bill 295 – Maryland Minimum Wage Act of 2014

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

**Position:** **SUPPORT**

**Date:** Tuesday, February 11, 2014

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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 295, 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](http://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.<sup>1</sup> People of color are also disproportionately represented among the minimum wage workforce.<sup>2</sup> 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.<sup>3</sup> That's more than \$4,000 below the federal poverty line for a mother with two children.<sup>4</sup>

The minimum cash wage for tipped employees in Maryland is even lower, at \$3.63 per hour – just \$7,260 a year.<sup>5</sup> 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.<sup>6</sup> In Maryland, women are 60 percent of tipped workers and 66 percent of restaurant servers, the state's largest group of tipped workers.<sup>7</sup>

***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 over \$10.70 per hour.<sup>8</sup> Increasing the minimum wage from \$7.25 to \$10.10 per hour by 2016, as proposed by the Maryland Minimum Wage Act, would ultimately boost annual earnings to \$20,200 – still low, but enough to lift a family of three out of poverty.<sup>9</sup>

The Maryland Minimum Wage Act would also 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 \$10.10 per hour (\$7.07 per hour) would make a meaningful difference for many tipped

workers in Maryland, increasing their earnings by up to \$6,880 per year.<sup>10</sup> And the bill 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 \$10.10 per hour by 2016, nearly half a million (455,000) workers would get a raise.<sup>11</sup> Of the total affected workers, approximately 58 percent are people of color and 58 percent are women<sup>12</sup> – and higher pay for thousands of Maryland women could help close the wage gap.<sup>13</sup> In 2012, Maryland women working full time, year round were paid only 85 cents for every dollar paid to their male counterparts,<sup>14</sup> and the gap was even wider for women of color: black women working full time, year round made only 70 cents, and Hispanic women only 45 cents, for every dollar paid to white, non-Hispanic male counterparts.<sup>15</sup>

***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.<sup>16</sup> And raising the minimum wage does not cause job loss, even during periods of recession.<sup>17</sup> 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.<sup>18</sup> EPI estimates that raising Maryland's minimum hourly wage to \$10.10 by 2016 would generate more than \$456 million in additional economic activity and create or support approximately 1,600 jobs.<sup>19</sup>

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For these reasons we ask the Committee give a **FAVORABLE** report to House Bill 295.

**For additional information, please contact Julie Vogtman at 202.588.5180.**

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<sup>1</sup> NWLC calculations based on unpublished U.S. Dep't of Labor, Bureau of Labor Statistics (BLS) data. Figures are annual averages for 2012. Women represent 61 percent of people making the state minimum wage or less in Maryland (\$7.25 per hour).

<sup>2</sup> Nationally, people of color are 40.1 percent of all minimum wage workers. NWLC calculations based on U.S. Dep't of Labor, Bureau of Labor Statistics (BLS), *Characteristics of Minimum Wage Workers, 2012*, available at <http://www.bls.gov/cps/minwage2012tbls.htm> (last visited Table 1). This figure assumes 88.2 percent of Hispanics are white. See U.S. Census Bureau, 2012 Population Estimates, Annual Estimates of the Resident Population by Sex, Single Year of Age, Race, and Hispanic Origin for the United States: April 1 2010 to July 1, 2012 (for people of Hispanic origin in July 2012), [http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP\\_2012\\_PEPALL6N&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2012_PEPALL6N&prodType=table) (last visited Dec. 19, 2013). People of color are 33.5 percent of all workers in the U.S. NWLC calculations based on U.S. Census Bureau, CPS, 2013 Annual Social and Economic Supplement, Table PINC-05, [http://www.census.gov/hhes/www/cpstables/032013/perinc/pinc05\\_000.htm](http://www.census.gov/hhes/www/cpstables/032013/perinc/pinc05_000.htm) (last visited Feb. 7, 2013).

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- <sup>3</sup> NWLC calculation assuming 40 hours per week, 50 weeks per year at \$7.25 per hour.
- <sup>4</sup> U.S. Census Bureau, Poverty Thresholds for 2013, <https://www.census.gov/hhes/www/poverty/data/threshld/index.html> (last visited Feb. 4, 2013).
- <sup>5</sup> NWLC calculation assuming 40 hours per week, 50 weeks per year at \$3.63 per hour.
- <sup>6</sup> Sylvia A. Allegretto & Kai Filion, EPI, Waiting for Change, at 3-4 (Feb. 2011), *available at* <http://www.epi.org/page/-/BriefingPaper297.pdf>.
- <sup>7</sup> Steven Ruggles et al., *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010. Data are from the American Community Survey 2007-2011 five-year averages; refers to employed tipped workers.
- <sup>8</sup> 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/](http://www.epi.org/publication/increasing_the_minimum_wage_is_smart_for_families_and_the_economy/)) would be \$10.71 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](http://www.bls.gov/data/inflation_calculator.htm) (last visited Feb. 7, 2014).
- <sup>9</sup> NWLC calculation assuming 40 hours per week, 50 weeks per year at \$10.10 per hour.
- <sup>10</sup> NWLC calculations assuming 40 hours per week, 50 weeks per year at \$7.07 per hour.
- <sup>11</sup> David Cooper, EPI, Raising the Maryland Minimum Wage Will Benefit Nearly Half a Million Workers and Modestly Boost the State's Economy, at 3 (Jan. 2014), *available at* [http://s4.epi.org/files/2014/MD\\_to\\_1010%2013\\_14.pdf](http://s4.epi.org/files/2014/MD_to_1010%2013_14.pdf).
- <sup>12</sup> *Id.* at 4, 6.
- <sup>13</sup> 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](http://aysps.gsu.edu/isp/files/ISP_SUMMER_SCHOOL_2008_CURRIE_Swimming_Upstream.pdf)
- <sup>14</sup> NWLC calculations from U.S. Census Bureau, 2012 American Community Survey, <http://www.census.gov/acs/www/> (Tables R2001 and R2002).
- <sup>15</sup> NWLC calculations from U.S. Census Bureau, 2010-2012 American Community Survey Three-Year Estimates, <http://www.census.gov/acs/www/> (Tables B20017B, B20017H, B20017I).
- <sup>16</sup> 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](http://www.americanprogressaction.org/issues/2011/06/higher_minimum_wage.html).
- <sup>17</sup> 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>.
- <sup>18</sup> 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](http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf).
- <sup>19</sup> Cooper, *supra* note 11, at 3.