TESTIMONY IN SUPPORT OF SB 280
Labor & Employment – Payment of Wages – Minimum Wage Enforcement (Fight for Fifteen)

February 21, 2019

TO: Hon. Delores G. Kelley, Chair, and Members of the Senate Finance Committee

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Thank you for the opportunity to submit this testimony on behalf of the National Women’s Law Center, a non-profit organization that has been working since 1972 to secure and defend women’s legal rights, and to help women and their families achieve economic security. The National Women’s Law Center strongly supports Senate Bill 280, which would raise Maryland’s minimum wage to $15 per hour by 2023, index it to rise annually with inflation thereafter, and gradually raise the minimum cash wage for tipped workers until 2027, at which point it matches the regular minimum wage—so that all workers are entitled to the same fair minimum wage, regardless of tips.

For the reasons set forth below, SB 280 represents a vitally important step toward equal pay for Maryland women and economic security for their families. We urge the Committee to approve this legislation as introduced and resist amendments or alternatives that would weaken the bill and reduce the number of working women, men, and families who will benefit from its provisions.

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Women—especially women of color—in Maryland are most likely to be paid low wages, and tipped workers are particularly vulnerable. Too many Marylanders work hard in important and demanding jobs—caring for children, cleaning homes and offices, serving food—but receive far too little pay to support themselves and their families. A large body of research shows that the strain of trying to meet basic needs on inadequate income can have detrimental and long-lasting effects, especially for children growing up in poverty. But a woman working full time, year round at the current minimum wage of $10.10 per hour earns $20,200 annually, right at the poverty line for a mother with two children in a state with an exceptionally high cost of living. And full-time work can be extremely difficult to secure in many low-wage jobs.

Women and people of color are especially likely to hold jobs that pay the minimum wage or close to it. Women represent approximately six in ten workers struggling to get by on the minimum wage in Maryland, and nearly two-thirds of the workforce in jobs that typically pay $11.50 per hour or less. Nearly 70 percent of women working in these low-wage jobs are over 25 years old, and among them, more than one in three (35 percent) are supporting children. One-fifth of Black women workers in Maryland and more than one-third of Latina workers (38 percent) are employed in low-wage jobs, compared to about one-eighth (12 percent) of white, non-Hispanic women.

Women, disproportionately women of color, are also nearly two-thirds of tipped workers in Maryland. Maryland allows employers to pay their tipped workers just $3.63 an hour—only $1.50 above the federal minimum of $2.13 an hour, and not currently scheduled to rise, as the tipped minimum wage was frozen in 2014 when the legislature last approved an increase to the regular minimum wage.
Although employers are obligated to ensure that their tipped employees receive at least the regular minimum wage—making up the difference when tips fall short—many fail to do so.¹⁰

As a result, tipped workers often must struggle to make ends meet on unpredictable tips with virtually no dependable income from a paycheck. Fifteen percent of Maryland’s women tipped workers live in poverty, triple the rate for working women overall.¹¹ In addition, workers relying on variable tips at the whim of customers for the bulk of their income—rather than set wages from their employer—are highly vulnerable to sexual harassment on the job.¹²

*Raising the minimum wage and tipped minimum wage will lift incomes for working women and people of color in Maryland and can help close the wage gap.* Increasing Maryland’s minimum wage to $15 per hour would boost a minimum wage worker’s annual full-time earnings to $30,000—and SB 280 would ensure that these gains are not erased as the cost of living rises by indexing the minimum wage to keep pace with inflation after it reaches $15. An analysis by the Maryland Center on Economic Policy and the Economic Policy Institute estimates that if Maryland’s minimum wage reaches $15 per hour by 2023, close to one-quarter of working people in Maryland (573,000) will get a raise.¹³ The vast majority of these workers are adults, and close to one-third (31 percent) are parents.¹⁴ About 273,000 children—22 percent of all children in Maryland—live in families in which at least one parent would get a raise.¹⁵

By 2023, affected workers’ incomes would increase by $4,600, on average—enough to cover, for example, about nine months of health insurance premiums or a little over five months of child care based on typical costs in Maryland.¹⁶ A total annual income of $30,000 in 2023 would enable many Maryland workers to lift their families out of poverty.¹⁷ It is important to recognize, however, that while a $15 minimum wage would make a meaningful difference for hundreds of thousands of working people across the state, it represents a very modest wage relative to the state’s cost of living; the Economic Policy Institute’s Family Budget Calculator estimates that a single adult without children in the Baltimore/Towson metro area needs more than $38,000 today to afford housing, food, transportation, and other basic necessities.¹⁸ Even in Salisbury—one of the least expensive cities in the state—a single adult in 2019 needs $35,000 to secure a basic standard of living.²⁰

Of the 573,000 working Marylanders who would benefit under SB 280, the majority (364,000/55 percent) are women.²¹ Working people of color, who are 44 percent of all workers in Maryland, are half of the workers who would get a raise.²² Nearly one-quarter (24 percent) of all working women and about one-quarter of Black and Latinx working people (25 percent and 28 percent, respectively) in Maryland will see bigger paychecks if SB 280 becomes law, compared to one-fifth of all working men and one-fifth of all white workers in Maryland.²³

Women working full time, year round in Maryland typically are paid only 86 cents for every dollar paid to their male counterparts, and women of color experience considerably wider wage gaps: Black women typically make 69 cents for every dollar white men make, while Latinas make just 46 cents—one of the largest wage gaps in the country.²⁴ By concentrating income gains among women and workers of color, raising the minimum wage to $15 per hour could help close the persistent gender wage gap that women—especially women of color—face in Maryland.²⁵

Moreover, in an important contrast to the last minimum wage increase enacted in Maryland, SB 280 would help tipped workers get ahead rather than leave them behind. By gradually phasing out the lower minimum cash wage for tipped workers, the bill ensures that tipped workers will be entitled to the full minimum wage before tips—a policy already in place in seven “One Fair Wage” states today, including every state on the West Coast.²⁶ Relative to states that have the $2.13 tipped minimum cash wage set
by federal law, working women fare notably better in One Fair Wage states: the poverty rate for women tipped workers is 26 percent lower—and the overall gender wage gap is 23 percent smaller—than in states that follow the federal standard.\textsuperscript{27} And these gains have not come at the expense of business; the states with one minimum wage for all workers have experienced higher restaurant sales per capita and greater growth in restaurant industry jobs than the states with lower minimum wages for tipped workers.\textsuperscript{28} Maryland would do well to join their ranks.

**A $15 minimum wage will significantly boost pay for people working in low-wage jobs, which can in turn boost the economy—without affecting employment.** Increasing the wages paid to low-wage workers results in lower turnover and higher productivity, benefiting employers.\textsuperscript{29} And raising the minimum wage could in fact strengthen Maryland’s economy, because most minimum wage workers need all of their income to make ends meet and spend it quickly in their communities: indeed, research indicates that for every $1 added to the minimum wage, low-wage worker households spent an additional $2,800 the following year.\textsuperscript{30}

Evidence from the jurisdictions that have begun to phase in a $15 minimum wage demonstrates that the wage increases are effectively boosting incomes for working people and their families with little or no negative impact on employment. For example, in both Seattle and San Francisco, the unemployment rate has fallen as the minimum wage has risen, and rigorous research has demonstrated that the minimum wage increases have raised pay for workers without costing jobs.\textsuperscript{31} These findings are precisely in line with the substantial weight of the scholarly evidence from the past two decades, which has employed sophisticated micro-level employment pattern analysis to examine a wide array of state and local minimum wage increases across the U.S. and consistently found a positive effect on workers’ pay without a negative effect on employment levels.\textsuperscript{32}

**SB 280 should be approved without amendments that would preempt local minimum wage laws or deny needed wage increases to tipped workers, young people, farmworkers, or any other class of Marylanders working in low-wage jobs.** We urge the Committee to support local communities that want to build upon the state’s minimum wage to address their particular needs and reject any effort to preempt local minimum wage laws. Cities and counties in Maryland—and in many other states—have, and have used, the power to adopt local minimum wage laws that provide for a higher minimum wage than state or federal law.\textsuperscript{33} Robust research demonstrates that local minimum wage increases have proven manageable for cities around the country.\textsuperscript{34} Local minimum wage laws play a key role in ensuring that working people can afford the basics in cities or counties where the cost of living is higher than in other parts of the state, and legislators should resist efforts to restrict these expressions of local democracy.

As explained above, the bill’s gradual elimination of the lower minimum cash wage for tipped workers is a critically important provision, and we urge Committee members to reject amendments or alternative proposals that would again leave tipped workers behind and perpetuate the unfair, two-tiered minimum wage system that has undermined economic security for women and their families in Maryland and across the country.

Similarly, we want to emphasize the importance of maintaining SB 280’s provision eliminating the subminimum wage currently permitted for teenage workers during their first six months of employment (or longer if they work for certain amusement or recreational establishments).\textsuperscript{35} Set at 85 percent of the full minimum wage, this subminimum wage can yield a loss of more than $1,200 for a young employee working full-time for her first six months on the job—a significant loss for anyone, and especially for the many young people who are working to help their families make ends meet or to pay for their own
education.\textsuperscript{36} And the argument that raising the minimum wage can actually harm teens by reducing youth employment is unfounded; for example, a comprehensive study by economists from the University of California, which carefully examined the impact on teen workers of all U.S. minimum wage increases between 1990 and 2009, found that “even during downturns in the business cycle and in regions with high unemployment, the impact of minimum wage increases on teen employment is the same: negligible.”\textsuperscript{37}

In reality, the effect of the minimum wage exemption for young workers is to create a loophole that allows low-wage employers who have chosen a high-turnover staffing model—e.g., fast food and chain retailers—to pay young workers less simply because of their age, which can in turn incentivize employers to discriminate against older workers. A memo leaked in December 2017 from a well-known corporate lobbyist affirms that the goal driving efforts to establish youth carve-outs in minimum wage laws is not to help young people and their families, but to generate a “sobering ripple effect on all entry level wage rates”—that is, to keep all wages low by keeping youth wages low.\textsuperscript{38} We trust that the Committee does not share this goal.

Likewise, it is critical to finally end the unjust exclusion of many agricultural workers—those who pick, pack, freeze, can and process our food—from Maryland’s minimum wage protections. Farm workers have often been carved out of minimum wage and overtime protections ever since the New Deal, when Southern Democrats secured exclusions from the federal Fair Labor Standards Act to keep farm labor—most of it performed by African-Americans—as cheap as possible.\textsuperscript{39} We should not allow vestiges of that racist history to continue in Maryland today. All working people in Maryland deserve to work with safety, equity, and dignity—and all should be entitled to the same fair and adequate minimum wage.

Finally, we ask the Committee to preserve the phase-in schedule proposed by SB 280, which is sufficiently gradual to work for businesses large and small, and to retain the bill’s provisions adjusting the state’s budget annually to ensure that it can accommodate wage increases for the people—mostly women—employed by community-based agencies and programs that provide essential services for individuals with developmental disabilities.

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Raising Maryland’s minimum wage to $15 per hour for all workers—tipped and non-tipped, of all ages and in all jobs—would benefit more than half a million working people and their families. By 2023, almost one-quarter of all working women in Maryland would get a raise, allowing them to better afford necessities from housing and child care to reproductive health care and groceries. A large body of research demonstrates—and Maryland can expect to see—that the income boost provided by a minimum wage increase decreases poverty, improves health and well-being for affected workers, and enhances health and educational outcomes for their children.\textsuperscript{40}

We urge the Committee to pass SB 280 as introduced to ensure that hundreds of thousands of working people in Maryland receive the raise they need and deserve. We respectfully request a favorable report.


\textsuperscript{2} Calculations of annual full time earnings in this document assume 40 hours per week, 50 weeks per year at the specified wage rate.


5 NWLC calculations based on unpublished U.S. Dep’t of Labor, Bureau of Labor Statistics (BLS) data for all wage and salary workers. Figures are annual averages for 2017 and are therefore calculated based on the minimum wage in effect in 2017. Available data do not permit a precise calculation of the percentage of women making the state minimum wage in Maryland due to the increments by which wages are reported; estimate is based on the share of workers who are women at or below the reported wage levels immediately above and below the state’s minimum wage. “Minimum wage workers” refers to workers making the state minimum wage or less.


7 Id. 68 percent of Maryland women in jobs that paid a median hourly wage of less than $11.50 in 2017 were over 25 years old; 92 percent were over 18. Among Maryland women in low-wage jobs, 29 percent of those over 18 and 35 percent of those over 25 were supporting children under 18 in 2017. Id.

8 NWLC calculations based on ACS 2017 One-Year Estimates using IPUMS.

9 Women of color represent 29 percent of the tipped workforce, compared with 23 percent of the overall workforce, in Maryland. NWLC calculations based on U.S. Census Bureau, ACS 2012-2016 five-year averages using IPUMS. Figures are for employed workers. NWLC defines tipped workers as all workers in a set of predominantly tipped occupations, consistent with the methodology employed by the Economic Policy Institute (EPI). See EPI, Minimum Wage Simulation Technical Methodology (forthcoming Feb. 2019).


11 NWLC calculations based on ACS 2017 One-Year Estimates using IPUMS. The poverty rate for working women in Maryland is 4.9 percent. Id.


13 Christopher Meyer, Maryland Ctr. on Econ. Policy, What a $15 Minimum Wage Would Mean for Maryland (Feb. 2018), http://www.mdeconomy/wp-content/uploads/2018/02/MDECEP_FF15_report-2.pdf. See also NELP, The Case for a $15 Minimum Wage in Maryland, at 1 (Jan. 2018), http://www.nelp.org/content/uploads/Case-for-15-in-Maryland-January-2018.pdf. Estimates include directly affected workers, who will see their wages rise as the new minimum wage rate will exceed their current hourly pay, and indirectly affected workers, who have a wage rate just above the new minimum wage and will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage.

14 Meyer, supra note 13, at 4, 12. 90 percent of estimated beneficiaries are at least 20 years old. Id.

15 Id.

16 Id. at 4.
The average monthly employee contribution for employer-based family coverage in Maryland is $504. Data come from U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey: 2017, Table II.D.2, Average total employee contribution (in dollars) per enrolled employee for family coverage at private-sector establishments that offer health insurance by firm size and state: United States, 2017. Average costs for child care in a center in Maryland for a 4-year-old is $10,010 annually or $843 monthly. Child Care Aware of America, The US and the High Cost of Child Care: 2017, Appendix I.

For example, for a family with one adult and two children, $30,000 is above both today’s poverty line ($20,231) as well as the estimated poverty line for 2023, which NWLC calculates to be less than $23,000 based on the Congressional Budget Office’s predictions regarding the CPI-U for 2016 through 2023.


NWLC calculations based on U.S. Census Bureau, 2012-2016 ACS 5-year sample using IPUMS. Gender wage gap figure compares median earnings for men and women working full time, year round.

See ROC United, The Impact of Raising the Subminimum Wage on Restaurant Sales & Employment (March 2014), http://rocnunited.org/wp-content/uploads/2014/03/ROC-United_FactSheet-on-TMW.pdf. See also Michael Paalberg & Teofilo Reyes, *Paying Tipped Workers Better Wouldn’t Lead to Fewer Restaurant Jobs*, Wash. Post (Jan. 16, 2018), https://www.washingtonpost.com/news/posteverything/wp/2018/01/16/paying-tipped-workers-better-wouldnt-lead-to-fewer-restaurant-jobs/?tid=ss_tw-bottom&utm_term=.4a37acbc35a1 (summarizing study comparing restaurant industry performance in bordering counties in New York (where the tipped minimum wage rose from $5 to $7.50 per hour in 2015) and Pennsylvania (where the tipped minimum wage has not risen in 20 years), which found that, in the year following the tipped wage hike, counties on the New York side of the border saw restaurant workers’ take-home pay go up an average of 7.4 percent and employment go up 1.3 percent, while Pennsylvania border counties saw an average pay increase of only 2.2 percent and a decline in employment by 0.2 percent); Elise Gould & David Cooper, EPI, Seven Facts About Tipped Workers and the Tipped Minimum wage (May 31, 2018), https://www.epi.org/blog/seven-facts-about-tipped-workers-and-the-tipped-minimum-wage/.


31 See generally NELP, supra note 13, at 6-7 and sources cited therein. In Seattle, one of the first jurisdictions to phase in a $15 minimum wage, a recent study by University of California economists focused on the restaurant industry—the lowest-paying sector where any negative effects on jobs would first appear—found that Seattle’s minimum wage, which ranged from $10.50 to $13 during the period analyzed (between 2015 and 2016), had raised pay for workers without evidence of a negative impact on jobs. While another much-publicized Seattle study reached a conflicting conclusion, the findings of the conflicting study have been called into question due to its serious methodological errors; for example, the study excluded 40 percent of Seattle’s workforce from its analysis and failed to control for the city’s booming economy, which was naturally reducing the number of low-paying jobs as employers raised pay independent of the minimum wage to compete for scarce workers. See Michael Reich et al., Ctr. on Wage & Employment Dynamics, Univ. of Ca., Berkeley, Seattle’s Minimum Wage Experience 2015–16 (June 2017), http://irle.berkeley.edu/files/2017/Seattles-Minimum-Wage-Experiences-2015-16.pdf, and Ben Zipperer & John Schmitt, EPI, The “High Road” Seattle Labor Market and the Effects of the Minimum Wage Increase (June 2017), https://www.epi.org/files/pdf/130743.pdf.


35 See Md. Code Ann., Lab & Empl. § 3-413(d).


40 See generally NELP, supra note 13, at 4-5 and sources cited therein.