The Case for a $15 Minimum Wage in Maryland

The Maryland legislature is considering a bill that would gradually raise the state minimum wage from $10.10 (as of July 1, 2018) to $15 by 2023. The new bill would also gradually eliminate the subminimum tipped wage by 2026, bringing tipped workers up to the full minimum wage.

An analysis by the Economic Policy Institute finds that a $15 minimum wage would benefit 573,000 struggling workers in Maryland. The typical worker who would benefit is an adult woman who works full time but still cannot make ends meet. NELP analysis of cost of living data shows that throughout much of the state, even single workers without children already need more than $15 an hour just to cover the basics, and that workers with families to support need even more. The economic evidence from other states shows that, if phased in gradually, a $15 minimum wage would be manageable for employers.

A $15 Minimum Wage In Maryland Would Increase Earnings for 573,000 Workers (Nearly One-Quarter of the Workforce) by $4,600 on Average

According to analysis by the Economic Policy Institute (EPI), 573,00 workers in Maryland (22 percent of the workforce) would benefit from the proposal to raise the state’s wage floor to $15 by 2023. Of these, 468,000 workers (18 percent of the workforce) would be directly affected, and 105,000 (4 percent) would be indirectly affected.¹

The typical worker would see a cumulative income gain of $4,600 at the conclusion of the phase-in period—enough to make a significant difference in the lives of low-wage workers, including homecare, airport and fast food workers, who earn as little as $19,240 a year.

Workers Throughout Much of Maryland Already Need $15 per Hour to Cover the Basics, and by 2023 They Will Need Much More

Facing some of the highest costs of living in the nation, workers throughout Maryland need to earn at least $15 per hour today (or will soon need it), just to afford the basics.

- For example, even in Salisbury—one of the least expensive cities in the state—single workers without children need an hourly wage of $13.37 today just to afford housing, food, transportation and other basic needs.² By 2023, these workers will need $15.03.
Single parents raising just one child need to earn $25.05 today, and will need $28.17 by 2023. And each parent in a two-worker household raising two children needs to earn at least $16.71 today, and will need $18.79 by 2023. In high-cost regions, like the Maryland suburbs of Washington, D.C., which includes Prince George’s County, single workers and parents already need to earn substantially more than $15 today. Single workers need an hourly wage of $21.10 today, and will need $23.74 by 2023. Single parents currently need to earn $32.81, and each parent in a two-worker household needs $20.21 today. By 2023, these parents will need $36.91 and $22.73, respectively. (See Table 1 on page 3 for wage estimate in other regions).

In Maryland, the Typical Worker Who Would be Affected by a $15 Wage Floor Is an Adult Woman Working Full-Time; and Many Affected Workers Have Some Level of Post-Secondary Education and are Parents

Unlike claims by opponents of the minimum wage, the typical low-wage worker in Maryland who struggles on less than $15 is not a teenager but an adult. A majority of these workers are women, many of whom are responsible for dependent children. In addition, a significant number of affected workers have post-secondary education, and most work full-time.

- In the U.S., the average age of workers who would benefit from a $15 minimum wage is 36. In fact, adults 20 years or older make up an overwhelming 90 percent of all affected workers in Maryland, and 37 percent of workers who would benefit are 40 or older. Teens make up just 10 percent of affected workers.

- A majority (55 percent) of these workers are women.

- The majority (64 percent) work full-time.

- One-in-two (50 percent) are workers of color. Looking at each racial or ethnic group separately, EPI’s analysis shows that 25 percent of African-Americans, 28 percent of Latinos, 18 percent of Asian-Americans, and 27 percent of workers of all other backgrounds earn less than $15 and would benefit from the proposed policy.

- Nearly half of workers who would benefit from a $15 minimum wage have some level of post-secondary education. Thirty-four percent have some college experience or have earned an Associate’s degree, and an additional 15 percent have Bachelor’s degree or higher, for a total of 49 percent.

- Nearly one-third (31 percent) of affected workers are single or married parents raising 273,000 children (22 percent of Maryland’s total child population).

- Nearly 800,000 (17 percent) live in or near poverty, and 13 percent receive Food Stamps.
## Table 1. Hourly Wage Needed to Afford a Basic Household Budget in Maryland, by Family Size

<table>
<thead>
<tr>
<th>Region</th>
<th>Family Size a</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Baltimore / Towson MSA</strong></td>
<td>Single Adult</td>
<td>$17.32</td>
<td>$17.72</td>
<td>$18.15</td>
<td>$18.58</td>
<td>$19.03</td>
<td>$19.48</td>
</tr>
<tr>
<td></td>
<td>1 Adult 1 Child</td>
<td>$30.13</td>
<td>$30.83</td>
<td>$31.57</td>
<td>$32.33</td>
<td>$33.10</td>
<td>$33.88</td>
</tr>
<tr>
<td></td>
<td>2 Adults 2 Children</td>
<td>$18.96</td>
<td>$19.40</td>
<td>$19.86</td>
<td>$20.34</td>
<td>$20.83</td>
<td>$21.32</td>
</tr>
<tr>
<td><strong>Cecil County</strong></td>
<td>Single Adult</td>
<td>$16.57</td>
<td>$16.96</td>
<td>$17.36</td>
<td>$17.78</td>
<td>$18.20</td>
<td>$18.64</td>
</tr>
<tr>
<td></td>
<td>1 Adult 1 Child</td>
<td>$28.40</td>
<td>$29.06</td>
<td>$29.76</td>
<td>$30.47</td>
<td>$31.20</td>
<td>$31.94</td>
</tr>
<tr>
<td></td>
<td>2 Adults 2 Children</td>
<td>$18.15</td>
<td>$18.58</td>
<td>$19.02</td>
<td>$19.48</td>
<td>$19.94</td>
<td>$20.42</td>
</tr>
<tr>
<td><strong>Cumberland MSA</strong></td>
<td>Single Adult</td>
<td>$12.52</td>
<td>$12.81</td>
<td>$13.11</td>
<td>$13.43</td>
<td>$13.75</td>
<td>$14.08</td>
</tr>
<tr>
<td></td>
<td>1 Adult 1 Child</td>
<td>$22.01</td>
<td>$22.52</td>
<td>$23.06</td>
<td>$23.61</td>
<td>$24.18</td>
<td>$24.75</td>
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<tr>
<td></td>
<td>2 Adults 2 Children</td>
<td>$15.20</td>
<td>$15.55</td>
<td>$15.92</td>
<td>$16.31</td>
<td>$16.69</td>
<td>$17.09</td>
</tr>
<tr>
<td><strong>Hagerstown MSA</strong></td>
<td>Single Adult</td>
<td>$14.41</td>
<td>$14.74</td>
<td>$15.09</td>
<td>$15.46</td>
<td>$15.83</td>
<td>$16.20</td>
</tr>
<tr>
<td></td>
<td>1 Adult 1 Child</td>
<td>$26.13</td>
<td>$26.73</td>
<td>$27.37</td>
<td>$28.03</td>
<td>$28.70</td>
<td>$29.38</td>
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<tr>
<td></td>
<td>2 Adults 2 Children</td>
<td>$17.16</td>
<td>$17.56</td>
<td>$17.97</td>
<td>$18.41</td>
<td>$18.85</td>
<td>$19.30</td>
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<tr>
<td><strong>Maryland Suburbs of D.C.</strong></td>
<td>Single Adult</td>
<td>$21.10</td>
<td>$21.60</td>
<td>$22.11</td>
<td>$22.64</td>
<td>$23.19</td>
<td>$23.74</td>
</tr>
<tr>
<td></td>
<td>1 Adult 1 Child</td>
<td>$32.81</td>
<td>$33.58</td>
<td>$34.38</td>
<td>$35.21</td>
<td>$36.05</td>
<td>$36.91</td>
</tr>
<tr>
<td></td>
<td>2 Adults 2 Children</td>
<td>$20.21</td>
<td>$20.68</td>
<td>$21.17</td>
<td>$21.68</td>
<td>$22.20</td>
<td>$22.73</td>
</tr>
<tr>
<td><strong>Rural Maryland</strong></td>
<td>Single Adult</td>
<td>$16.44</td>
<td>$16.82</td>
<td>$17.23</td>
<td>$17.64</td>
<td>$18.06</td>
<td>$18.49</td>
</tr>
<tr>
<td></td>
<td>1 Adult 1 Child</td>
<td>$26.38</td>
<td>$26.99</td>
<td>$27.63</td>
<td>$28.30</td>
<td>$29.98</td>
<td>$29.67</td>
</tr>
<tr>
<td></td>
<td>2 Adults 2 Children</td>
<td>$17.17</td>
<td>$17.57</td>
<td>$17.99</td>
<td>$18.43</td>
<td>$18.87</td>
<td>$19.32</td>
</tr>
<tr>
<td><strong>Salisbury MSA</strong></td>
<td>Single Adult</td>
<td>$13.37</td>
<td>$13.68</td>
<td>$14.00</td>
<td>$14.34</td>
<td>$14.68</td>
<td>$15.03</td>
</tr>
<tr>
<td></td>
<td>1 Adult 1 Child</td>
<td>$25.05</td>
<td>$25.63</td>
<td>$26.24</td>
<td>$26.88</td>
<td>$27.52</td>
<td>$28.17</td>
</tr>
<tr>
<td></td>
<td>2 Adults 2 Children</td>
<td>$16.71</td>
<td>$17.10</td>
<td>$17.51</td>
<td>$17.93</td>
<td>$18.36</td>
<td>$18.79</td>
</tr>
</tbody>
</table>


a. The “2 Adults 2 Children” category lists hourly wages per adult worker.
The Higher Income Resulting from a Minimum Wage Increase Can Lead to Improved Health and Outcomes for Workers and their Families

Studies show that by raising pay broadly across the bottom of the economy, substantial minimum wage increases can have very direct and tangible impacts on the lives of affected workers and their families, and can be effective strategies for addressing declining wages and opportunities for low-wage workers.

For example, analysis of San Francisco’s minimum wage policy—which, over the past decade has remained significantly above the California and federal minimum wage rates—shows that the City’s minimum wage boosted pay by more than $1.2 billion for more than 55,000 workers, and permanently raised citywide pay rates for the bottom 10 percent of its labor force.14 (San Francisco voters first approved an $8.50 minimum wage in 2003,15 which at the time was one of the highest in the nation. The success of this measure was widely recognized, and led San Francisco Mayor Ed Lee to broker an agreement with business and labor leaders to place a new increase—this time to $15—on the November 2014 ballot, which voters overwhelmingly approved).16

In addition to broadly increasing pay, research also shows that higher incomes resulting from a minimum wage increase can translate to a range of other important improvements in the lives of struggling low-paid workers and their households:

- **Decreased poverty:** For workers with the lowest earnings, a study by the University of Massachusetts shows that the additional pay can increase workers’ net incomes and lift them and their families out of poverty.17 A reduction in poverty can lead to a corresponding decrease in the use of taxpayer-funded social safety net programs such as food stamps and cash assistance, according to another study by the University of California and the Center for American Progress.18

- **Decreased rates of child abuse and neglect:** An analysis of child maltreatment rates found “evidence that increases in minimum wage reduce the risk of child welfare involvement, particularly for neglect reports and especially for young and school-aged children. Immediate access to increases in disposable income may affect family and child well-being by directly affecting a caregiver’s ability to provide a child with basic needs.”19

- **Improved infant health outcomes:** A study by researchers from Emory University, the University of North Texas and the University of Florida at Gainesville found that “a dollar increase in the minimum wage above the federal level was associated with a 1% to 2% decrease in low birth weight births and a 4% decrease in postneonatal mortality.”20

- **Improved adult mental health outcomes:** A study by researchers from the United Kingdom and the Netherlands found that increasing the minimum wage leads to improved mental health by lessening the strain of financial hardship. Specifically, they found that “[t]he intervention group, whose wages rose above the minimum wage, experienced lower probability of mental ill health compared with both control group
1 and control group 2. This improvement represents 0.37 of a standard deviation, comparable with the effect of antidepressants (0.39 of a standard deviation) on depressive symptoms.”

- **Improved health and wellbeing:** A California study estimated that an increase in the state’s minimum wage to $13 per hour by 2017 “would significantly benefit [the] health and well-being” of Californians, and that they “would experience fewer chronic diseases and disabilities; less hunger, smoking and obesity; and lower rates of depression and bipolar illness. In the long run, raising the minimum wage would prevent the premature deaths of hundreds of lower-income Californians each year.”

- **Improved educational outcomes:** A National Institutes of Health (NIH) study determined that for children in low-income households, “[a]n additional $4000 per year for the poorest households increases educational attainment by one year at age 21.” Similar research analyzing the effects of small income boosts—between $1,000 to $3,000 (in 2005 dollars)—among low-income families shows that these small increases in household income can have modest but significant benefits for young children, whose educational achievement and performance were shown to increase, and their employment outlook (as adults) also improved.

- **Improved graduation rates:** A study by University of Massachusetts researchers found that high dropout rates among low-income children can be linked to parents’ low-wage jobs, and that youth in low-income families have a greater likelihood of experiencing health problems.

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**Employers of all sizes in Maryland, Washington D.C. and Across the Country Are Showing that Transitioning to a $15 Minimum Wage is Doable**

Employers of all sizes in Maryland, Washington, D.C. and across the country are showing that transitioning to a $15 minimum wage is doable.

- In Maryland and Washington, D.C., a number of employers have adopted a minimum pay of $15, including John Hopkins Hospital, the University of Maryland Medical Center Midtown, Well-Paid Maids, and others.

- Popeyes CEO Cheryl Bachelder told CNN Money, “Everybody in retail is dealing with an increase in minimum wage...We will adjust to increased costs just like we have before. Life will go on. There's been too much hubbub about it.”

- Fast-food franchise owner Dennis Kessler, who teaches at the University of Rochester's Simon School of Business, told the Washington Post last year, “This $15 thing is being phased in over quite a few years, so I don’t think it's going to have much of an impact...People are going to have to pay a little more. It really isn't too much more complicated than that.”
In Flagstaff, Arizona, where voters in November approved a $15 minimum wage, Ron Watkins, the director of operations for 16 McDonald’s restaurants throughout northern Arizona, told the Arizona Daily Sun that, “the minimum wage measure would not affect the company’s willingness to add locations or jobs in Flagstaff.”

In California, which approved and is phasing in a $15 minimum wage, Bill Phelps, CEO of Wetzel’s Pretzels with 100 stores statewide, and franchise owner Mike Jacobs report that they have already seen higher sales resulting from their customers having more money to spend.

Evidence from Early Adopters of High Wage Floors Shows Little Adverse Effects on Jobs, and that Implementation is Manageable for Employers

Beginning with SeaTac, Washington in 2012—and joined later by California, New York, and dozens of local jurisdictions across the country, including Montgomery County, the District of Columbia, Seattle, and San Francisco—the worker-led Fight for $15 has been winning pay increases for low-wage workers through ballot initiatives, legislation and wage boards decisions. Once these approved laws and wage orders are fully implemented, more than 15 million workers will have received income gains of more than $62 billion in total.

Academic studies and the media are beginning to report on the experience of these cities, documenting the positive effects these policies are having on local economies. To date, both research and business press reports suggest these measures are boosting pay with little negative impact on employment.

Seattle. A recent study by University of California economists explored the impact of Seattle’s higher minimum wage between 2015 and 2016, when the city’s $15 minimum wage ordinance began phasing-up. The study focused on the restaurant industry—the largest low-paying sector where any negative effects on jobs would first appear—and found that Seattle’s minimum wage, which ranged from $10.50 to $13 during the period analyzed, had raised pay for workers without evidence of a negative impact on jobs.

Another much-publicized Seattle study reached a conflicting conclusion, suggesting that the increase had cost jobs. But the conflicting study has come under fire for its serious methodological errors, which cast doubt on its findings. These problems include the fact that the study excluded 40 percent of the workforce from its analysis, and failed to control for Seattle’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.

Business press reports on Seattle’s economy and job market confirm that the city is continuing to thrive as the $15 minimum wage phases in. Today, Seattle has an unemployment rate of just 3.8 percent, lower than both, Washington State and the U.S unemployment rates. As Forbes reported last year, “Higher Seattle Minimum Wage Hasn’t Hurt Restaurant Jobs Growth After a Year.” Earlier reporting in the Puget
Sound Business Journal was titled “Apocalypse Not: $15 and the Cuts that Never Came.”

- **San Francisco.** Before SeaTac and Seattle, San Francisco was one of the first U.S. cities to adopt a significantly higher minimum wage in 2003. Four years later, a study published in Cornell University’s *Industrial and Labor Relations Review* found that the city had raised pay without costing jobs. Today, the city’s minimum wage is $14, and will rise to $15 in July of this year. While an updated study of the impact of the city’s higher wage floor is expected in the coming months, all indicators suggest that the implementation of the higher minimum wage has been going smoothly. According to the latest available data from the Bureau of Labor Statistics, the city’s unemployment rate dropped to 3.0 percent in October 2017 from 5.7 percent in July 2014—the year in which the city adopted its $15 minimum wage. In addition, its restaurant sector sales grew from 5.4 percent to 6.6 percent from 2014 to 2015, a faster pace than comparable cities like New York.

- **San Jose.** In 2012, voters in San Jose approved a $10 minimum wage by wide margins, despite predictions of economic doom and gloom by opponents. Four years later, the City Council, acknowledging the need for more robust wages, unanimously voted to adopt a $15 minimum wage. In 2016, University of California researchers released a study of the city’s $10 minimum wage policy. The authors found that the $10 minimum wage had raised pay without costing jobs, which confirmed earlier observations reported by the media. As The Wall Street Journal reported a year after full implementation of the new minimum wage and two years before the study was released, “[f]ast-food hiring in the [San Jose] region accelerated once the higher wage was in place. By early [2014], the pace of employment gains in the San Jose area beat the improvement in the entire state of California.”

**Decades of Rigorous Research Shows that Raising the Minimum Wage Boosts Workers’ Incomes Without Adverse Employment Effects**

The positive effects of minimum wage policies in Seattle, San Francisco and San Jose are not surprising. In fact, the substantial weight of the scholarly evidence from the past two decades, which examined scores of state and local increases across the U.S., has found that minimum wage increases raise workers’ pay without reducing employment. This reflects a significant shift in the views of the economics profession, away from the simplistic view that higher minimum wages invariably cost jobs. As Bloomberg News summarized in 2012:

> [A] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.
One of the most sophisticated studies coming out of this new wave of research, "Minimum Wage Effects Across State Borders," was published in 2010 by economists from the universities of California, Massachusetts, and North Carolina in the prestigious *Review of Economics and Statistics*. The study carefully analyzed minimum wage impacts across state borders by comparing employment patterns in more than 250 pairs of neighboring counties in the U.S. that had different minimum wage rates between 1990 and 2006. Consistent with a long line of similar research, the study found no difference in job growth rates in the 250 pairs of neighboring counties—such as Washington State’s Spokane County compared with Idaho’s Kootenai County where the minimum wage was substantially lower—and found no evidence that higher minimum wages harmed states’ competitiveness by pushing businesses across the state line.

The study's innovative approach of comparing neighboring counties on either side of a state line is generally recognized as especially effective at isolating the true impact of minimum wage differences, since neighboring counties otherwise tend to have very similar economic conditions. The study was lauded as state-of-the-art by three of the nation’s top labor economists: Lawrence Katz from Harvard University, and David Autor and Michael Greenstone from the Massachusetts Institute of Technology. (By contrast, the studies often cited by minimum wage opponents, which compare one state to another—and especially those comparing states in different regions of the U.S.—cannot as effectively isolate the impact of the minimum wage, because different states face different economic conditions, of which varying minimum wage rates is but one.)

However, it is not simply individual studies, but the whole body of the most rigorous modern research on the minimum wage that now indicates that higher minimum wages have had little impact on employment levels. This is most clearly demonstrated by several recent “meta-studies” surveying the entire field. For example, a meta-study of 64 individual studies on the impact of minimum wage increases, published in the *British Journal of Industrial Relations* in 2009 by economists Hristos Doucouliagos and T. D. Stanley, shows that the bulk of the studies find close to no impact on employment.

This is vividly illustrated in Figure 1, which arrays the 1,492 different findings from the 64 individual studies, mapping their conclusions on employment impacts against the statistical precision of the findings. As economist Jared Bernstein summarized, “the strong clumping around zero [impact on jobs] provides a useful summary of decades of research on this question [of whether minimum wage increases cost jobs]."
Figure 1. Research Overwhelmingly Finds that Minimum Wage Increases Have Little to No Effects on Employment

Drawing on the methodological insights of Doucouliagos and Stanley, a more recent meta-study by Dale Belman and Paul Wolfson reviews more than 70 studies and 439 distinct estimates to come to a very similar conclusion. They found that, “[I]f negative effects on employment are present, they are too small to be statistically detectable. Such effects would be too modest to have meaningful consequences in the dynamically changing labor markets of the United States.”

Last year, a study by University of California economists analyzed over three decades (1979 to 2014) of teen and restaurant employment data, comparing states with high average minimum wages and those with low average minimum wages (typically, equal to the federal minimum wage). The analysis did not find disemployment effects among restaurant workers—who comprise a large share of the low-wage workforce affected by a minimum wage policy—while the effect on teen employment was only a fraction of the already negligible impact claimed by minimum wage opponents.

Previously, in 2011, this same team of economists from the University of California had analyzed the impact of the minimum wage on teen employment in a peer-reviewed study, “Do Minimum Wages Really Reduce Teen Employment?” The study carefully examined the impact of all U.S. minimum wage increases between 1990 and 2009—including those implemented during the recessions of 1990–1991, 2001, and 2007–2009—and found that the even during downturns in the business cycle, and in regions with high unemployment, the impact of minimum wage increases on teen employment was negligible.

Similarly, in an analysis released near the end of the Obama Administration by the White House Council of Economic Advisors, economists examined all U.S. minimum wage increases since the Great Recession. Like the lion’s share of recent rigorous research on the minimum
wage, they found that the post-recession increases delivered significant raises to low-wage workers with little negative effect on job growth.62

Endnotes

2. Ibid.
4. Ibid.
5. Ibid.
7. EPI and MDCEP analysis, op. cit.
8. Ibid.
9. Ibid.
10. Ibid.
11. Ibid.
12. Ibid.
17. Arindrajit Dube, Minimum Wages and the Distribution of Family Incomes, IZA Institute of Labor Economics, Discussion Paper Series (No. 10572), February 2017. The author writes, “I find robust evidence that higher minimum wages shift down the cumulative distribution of family incomes at the bottom, reducing the share of non-elderly individuals with incomes below 50, 75, 100, and 125 percent of the federal poverty threshold.”
24. This research analyzed the benefits of an income boost from cash transfer programs—namely, the Earned Income Tax Credit and the Child Tax Credit. Nonetheless, it is likely that the same improvements in educational attainment and employment outlook would be seen if low-income families experienced an income boost from a raise in the minimum wage. See Chuck Marr, Jimmy Charite and Chye-Ching Huang, Earned Income Tax Credit Promotes Work, Encourages Children’s Success at School, Research Finds, Center on Budget and Policy Priorities, April 9, 2013; and Yannet Lathrop, Raising the Minimum Wage: Good for Working Families, Good for Michigan’s Economy, Michigan League for Public Policy, October 2013.
27. 1199SEIU, Baltimore Hospital Workers Win Big in New Contract, September 22, 2016.


47. Office of the City Manager, City of San Jose, Minimum Wage Ordinance, (accessed September 15, 2017).


52. Ibid.

53. Similar new research has also focused in particular on teen workers—a very small segment of the low-wage workforce affected by minimum wage increases, but one that is presumed to be especially vulnerable to displacement because of their lack of job tenure and experience. However, the research has similarly found no evidence that minimum wage increases in the U.S. in recent years have had any adverse effect on teen employment. See Sylvia Allegretto et al., “Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data,” Industrial Relations, Vol. 50, No. 2 (April 2011). NELP Summary available here.

54. Ibid.


57. Ibid.


61. Ibid.