

The Case for Raising Baltimore's Minimum Wage to \$15 by 2022

A new campaign in Baltimore to raise the City's minimum wage to \$15 by 2022 pushes forward its historical commitment to a local wage that meets its residents' needs. A \$15 minimum wage in Baltimore would not only allow workers to meet actual living costs, but it would also begin to reverse the tilt in the City's economy towards poverty-wage jobs.

Economic evidence from jurisdictions currently implementing a \$15 minimum wage shows that a gradual transition to this wage level is feasible for businesses and has no tangible effect on employment. As a result, a growing number of local and state jurisdictions are adopting \$15 minimum wage legislation, and businesses of all sizes support raising the minimum wage to that level, or higher.

The City of Baltimore First Enacted a Local Minimum Wage in 1964 to Address the Economic Needs of Its Workers

- The City of Baltimore enacted one of the nation's first minimum wage ordinances in 1964 because it found that the federal and Maryland minimum wages were not high enough to enable working persons in the City to maintain a minimal standard of living and that those conditions adversely affected their well-being, as well as the economic and social welfare of residents.¹
- The City continued to raise its minimum wage above the state minimum wage throughout the 1960s, but eventually stopped updating it regularly—with the result that it fell into disuse.²
- With dozens of cities and counties across the U.S. today raising their minimum wage, this new campaign to increase the City of Baltimore's minimum wage to \$15 will push the City to again recognize and respond to the particular needs of its workers.

A \$15 Minimum Wage in Baltimore Could Raise Wages for a Significant Portion of the City's Workforce and Help Realign Wages with Living Costs

- According to analysis of a previous proposal³ to raise Baltimore's minimum wage to \$15 by 2020, this higher wage floor would have benefited 98,000 workers in the City—or

about 27 percent of its workforce. An updated analysis of the new proposal—\$15 by 2022—is forthcoming, but expected to be similarly significant.

- The Economic Policy Institute’s Family Budget Calculator estimates that a single worker in the Baltimore/Towson metro area needed to earn \$33,994 a year in 2014—approximately \$16 per hour—to cover basic living costs. A single worker supporting one child needed \$59,134 annually—translating to approximately \$28 per hour.⁴ By 2022, these workers will likely need \$19 and \$33 per hour, respectively. A \$15 minimum wage, therefore, would bring many City of Baltimore families much closer to meeting their basic needs.
- High numbers of City of Baltimore residents now live in poverty and rely on government assistance. Approximately 23 percent of City of Baltimore residents currently have an income below the poverty level, and nearly 35 percent of the City’s children live in households earning below the federal poverty level.⁵ Over one-quarter (26 percent) of City of Baltimore households receive food stamps/SNAP.⁶
- In addition, the wage crisis facing low-wage workers has been worsening over the years. A report by the National Employment Law Project found that real median hourly wages have been declining steadily for all workers and that low-wage workers have been hardest hit. Between 2009 and 2014, real median wages fell by four percent for all occupations—and by 5.7 percent for workers in the bottom 20 percent of earners.⁷

The City of Baltimore’s Campaign for \$15 Follows a Growing List of Cities and Counties That Are Pushing to Raise Their Minimum Wage to \$15

- Over the past three years, 17 U.S. cities and counties, including the District of Columbia, San Francisco and Los Angeles, have approved \$15 minimum wages.⁸
- At the state level, both California and New York approved minimum wage increases in 2016, which are expected to benefit as many as 9 million workers.⁹
- Over the next two years, even more states and localities—including Montgomery County, Maryland—are likely to follow.¹⁰

Economic Evidence and the Experience of Jurisdictions Phasing-In a \$15 Minimum Wage Show that Benefits Far Outweigh Costs

- More than 40 cities and counties in 13 states have enacted local minimum wages in recent years,¹¹ including neighboring Montgomery County and Prince George’s County. These local jurisdictions have found that they can raise local wage floors without jobs losses.¹²
- The experience of jurisdictions that have adopted a \$15 minimum wage have been similarly positive. Soon after Seattle began phasing in a \$15 minimum wage in 2015, initial economic observations indicated continued economic strength: the region’s unemployment rate declined to record lows,¹³ and the number of business licenses

increased to record highs.¹⁴ Furthermore, media reports suggested the restaurant industry's continued strength,¹⁵ and even business owners who had publicly opposed the \$15 minimum wage were in the process of expanding operations.¹⁶

- Although a much-hyped July 2016 analysis by economist Jacob Vigdor seemed to contradict these initial observations, the author quickly backed away from most of his findings in a November report. The July version of his findings suggested that while jobs continued to grow strongly in Seattle, the pace of growth slowed.¹⁷ Yet, in his revised November study, Vigdor acknowledged that the results of the previous analysis were not statistically significant.¹⁸ This is consistent with other recent data, showing continued strength in the restaurant industry in Seattle.¹⁹
- State-of-the-art economic modeling by University of California economists for the State of New York shows that a gradual phase-in of a \$15 minimum wage is manageable for employers and would raise business operating costs only moderately.²⁰ This study examined the net impact of all of the positive and negative effects on businesses, and found that, unlike small wage increases, a \$15 minimum wage generates billions in new consumer spending, which offset much of the impact of the higher wage costs on businesses.²¹ As a result, any net negative impact on jobs would likely be small – and would be vastly outweighed by the benefits of delivering large raises for low-wage workers, reversing decades of falling pay.
- A similar study for the city of Los Angeles also showed that the benefits of increasing the minimum wage to \$15 would substantially outweigh the likely modest costs to businesses—and would deliver \$4,800 in annual additional income to the average affected worker.²²
- More than 75 economists and researchers have endorsed the findings of the University of California study in New York,²³ and another 200 economists and researchers have endorsed a gradually phased-in \$15 federal minimum wage, finding that raising the minimum to \$15 an hour “will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy. The costs to other groups in society will be modest and readily absorbed.”²⁴

Businesses of All Sizes Benefit From, and Support a Higher Minimum Wage

- While some lobbyists for large business interests often argue that employers cannot adjust to a \$15 minimum wage, in reality, a growing number of employers of all sizes and organizations representing small businesses say that the higher minimum wage will be manageable—and even beneficial—and many have endorsed campaigns for a \$15 minimum wage:
 - In **Washington, D.C.**, the Restaurant Association of Metropolitan Washington²⁵ was among a number of businesses or business associations²⁶ which endorsed a \$15 minimum wage.

- In **Flagstaff, Arizona**, where voters approved a \$15 minimum wage in November 2016, 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.”²⁷
- In **New York**, business organizations representing more than 32,000 small businesses endorsed the campaign for a statewide \$15 minimum wage. These included the Greater New York Chamber of Commerce,²⁸ the Brooklyn Chamber of Commerce,²⁹ the Northeast Organic Farmers Association – New York Chapter,³⁰ and the Long Island and Westchester/ Putnam African-American Chambers of Commerce.³¹
- In **California**, which approved and is currently 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.³²
- The CEO of **Popeyes**, Cheryl Bachelder, told *CNN* that transitioning to a \$15 minimum wage is feasible: “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.”³³
- **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.”³⁴
- In fact, employers large and small—including Walmart, Target, Aetna, IKEA, and the Gap—have begun to raise their minimum pay above the applicable minimum wage,³⁵ as they recognize that higher wages can “benefit customer service and the bottom line as well as employees.”³⁶
- This is supported by academic research, which shows that higher pay reduces employee recruitment and training costs for low-wage industries currently plagued by high (and costly) turnover.³⁷ Turnover rates in the restaurants-and-accommodations sector, for example, exceed 60 percent per year, according to the National Restaurant Association.³⁸ For home health aides, the turnover rates are 40–65 percent per year.³⁹
- A higher minimum wage raises pay for low-wage workers, who are likely to spend the additional money right away, often at local businesses. As a result, businesses—in particular, small businesses, which tend to be locally based—benefit alongside their employees.⁴⁰
- The broad benefits of a strong minimum wage has led to its popularity among business owners. According to a leaked poll, conducted by LuntzGlobal on behalf of the Council of State Chambers, 80 percent of CEOs, business owners and executives at companies of all

sizes support raising the minimum wage in their states.⁴¹ Among small business owners, polls consistently find that large majorities of small employers also favor raising the minimum wage.⁴²

Endnotes

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