



## **Testimony of Laura Huizar**

National Employment Law Project

# **Increasing the Minimum Wage in the City of Baltimore**

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## **Hearing before the Baltimore City Council**

March 1, 2017

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Good afternoon and thank you for the opportunity to testify today. My name is Laura Huizar, and I am a staff attorney at the National Employment Law Project (NELP).

NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country, and we partner with federal, state, and local lawmakers on a wide range of workforce issues.

Across the country, our staff are recognized as policy experts in areas such as unemployment insurance, wage and hour enforcement, and, as is relevant for today's hearing, the minimum wage. We have worked with dozens of city councils and state legislatures across the country and with the U.S. Congress on measures to boost pay for low-wage workers. NELP has worked with most of the cities in the United States that have adopted higher city minimum wages in recent years and is familiar with their economic experiences.

NELP testifies today in support of 17-0018, which would increase the City of Baltimore's minimum wage to \$15 per hour. The measure will help the City's workers meet basic needs and would follow a growing list of cities and counties across the country that have enacted or are pushing for a \$15 minimum wage.

Growing numbers of U.S. states and cities in just the last two years have adopted a minimum wage of \$15 per hour. California and New York approved a statewide \$15 minimum wage in 2016. SeaTac, Washington, which was the first city to do so, approved a \$15 minimum wage in 2013. San Francisco Mayor Ed Lee brokered an agreement between labor and business to place a \$15 minimum wage on the November 2014 ballot, which the voters overwhelmingly approved. The Los Angeles city council approved a \$15 minimum wage in 2015, along with a number of other California cities. Most recently, the Washington, D.C. City Council approved a \$15 minimum wage bill last summer and voters in Flagstaff, Arizona, approved a \$15 minimum wage through a ballot initiative in last November's election.

The most rigorous modern research on the impact of raising minimum wages shows that raises increase worker earnings with negligible adverse impact on employment levels. As more and more U.S. cities enact local minimum wages, the research has similarly shown that such local measures have no adverse effect on jobs, and implementation of higher local wages has proven manageable for employers. The benefits for low-wage workers and their families of higher wages have been very significant, raising wages in the face of broader economic trends that have led to stagnant and falling wages across the bottom of our economy, reducing economic hardship, lifting workers out of poverty, and improving other life outcomes.

Low-paying industries are disproportionately fueling job growth today, with more and more adults spending their careers in these positions. Low wages paid by large, profitable employers also present a significant cost to the public by forcing workers to rely on public assistance in order to afford basic necessities. Raising the wage floor, which has badly eroded over the decades even as corporate profits have skyrocketed, is urgently needed to ensure that local economies can rely on workers' spending power to recover and that the growing numbers of workers relying on low wages to make ends meet can contribute fully to this recovery.

For workers and communities to fully reap the benefits of raising the minimum wage, however, local minimum wage laws should provide protection to all low-wage workers. While some cities have opted to exempt certain younger workers for a limited period of time, the bill under

consideration at today's hearing, Bill No. 17-0018, includes an unprecedented and harmful total exemption for all workers under twenty-one years of age. NELP cannot support this exemption. It is arbitrary, mainly benefits big businesses with high-turnover staffing models, incentivizes businesses to adopt high-turnover models, and hurts older low-wage workers who may be replaced by younger, cheaper workers. The exemption also ignores the real economic needs and contributions of workers under twenty-one. And while business lobbyists may argue that a lower minimum wage for young workers avoids putting younger workers out of work, the economic evidence shows that this rationale does not hold up under closer scrutiny.

NELP encourages any city or state enacting a minimum wage increase to eliminate the subminimum wage for tipped workers so that they must be paid the full minimum wage from their employer. The typical tipped worker in the City of Baltimore struggles on barely more than the minimum wage and faces significant economic insecurity. The complex subminimum wage system is difficult to enforce and can result in widespread noncompliance. Tipped workers who are forced to rely on tips as their main source of income face wide pay fluctuations as tips vary from season to season, and even from week to week. The restaurant industry is strong in states that do not have a subminimum wage for tipped workers, and it can afford both a \$15 minimum wage and the gradual elimination of the subminimum wage for tipped workers in the City of Baltimore.

NELP does not recommend special exemptions or provisions for small businesses. Bill No. 17-0018 subjects businesses with fewer than 50 employees or \$400,000 or less in annual gross income to a significantly slower phase-in of a \$15 minimum wage. As the economic research outlined in this testimony shows, one can increase the minimum wage for all businesses at the same time without a negative impact on employment. Excluding businesses with fewer than 50 employees excludes many large companies that can and should compensate their workers at a wage that allows workers to afford the basics. NELP encourages this Council to reconsider the current special treatment of businesses with fewer than 50 employees in order to protect more City of Baltimore workers.

Finally, NELP strongly supports the provisions in Bill No. 17-0018 designed to strengthen the enforcement tools of the Baltimore City Office of Civil Rights and Wage Enforcement (OCRWE). The OCRWE has long had the power and responsibility to enforce the City of Baltimore's local minimum wage law, and this bill would update the agency's enforcement powers to reflect many of the best policies that have been developed around the country for effective enforcement of local minimum wage laws. For example, the bill would encourage the OCRWE to partner with community-based organizations in enforcement. Given their close ties to neighborhoods and workers, community-based organizations can help the City better identify violations and help workers come forward with complaints. The bill also includes important, robust protections from retaliation and updates the complaint process to facilitate the efficient resolution of complaints.

Over the past four decades, the typical worker in this country has seen their pay stagnate or decline even as worker productivity rates have gone up and our economy has expanded. The vast majority of income growth has gone towards the top 1 percent. We can counter this trend with policies—including raising the minimum wage—to help ensure that prosperity is broadly shared.

## **The Growing List of Cities and States Enacting Minimum Wage Increases Reflects a Deepening Wage Crisis and Popular Support for Bold Change**

The U.S. economy has seen steady growth and improvement in the unemployment rate in recent years, but wages have been flat or declining for much of the labor force.<sup>1</sup> Averaged across all occupations, real median hourly wages declined by 4 percent from 2009 to 2014, and lower-wage occupations experienced greater declines in their real wages than did higher-wage occupations.<sup>2</sup> The worsening prospects and opportunities for low-wage workers have prompted a record number of cities, counties, and states to enact higher minimum wage rates for their residents.

Since November 2012, about 19 million workers throughout the country have earned wage increases through a combination of states and cities raising their minimum wage rates; executive orders by city, state and federal leaders; and individual companies raising their pay scales.<sup>3</sup> Of those workers, nearly 10 million will receive gradual raises to \$15 per hour.<sup>4</sup> More than sixty cities and states have raised their minimum wage since 2012.<sup>5</sup>

As the Fight for \$15 movement gathers strength, advocates in a rapidly growing list of localities and states are calling for a \$15 minimum wage. Los Angeles, San Francisco, Seattle, SeaTac, Washington, Flagstaff, and Washington, D.C., in addition to a number of other California cities, have already enacted a \$15 minimum wage for all workers.<sup>6</sup> New York and California approved a statewide \$15 minimum wage in 2016.<sup>7</sup> At least four cities are currently pushing for a \$15 minimum, and the list of states considering the same is rapidly expanding.<sup>8</sup> States now considering legislative proposals and/or ballot initiatives that would raise the statewide minimum wage to \$15 include New Jersey, Vermont, Massachusetts, Connecticut, Rhode Island, New Hampshire, Ohio, and Pennsylvania.<sup>9</sup>

Polling data shows that approximately two out of three individuals support a \$15 minimum wage, and support among low-wage workers is even higher.<sup>10</sup> A poll of low-wage workers commissioned by NELP found that approximately 75 percent of low-wage workers support a \$15 minimum wage and a union.<sup>11</sup> It also found that 69 percent of unregistered respondents would register to vote if there were a presidential candidate who supported raising the minimum wage to \$15 and making it easier for workers to join a union, and 65 percent of registered voters reported that they are more likely to vote if a candidate supports \$15 and a union for all workers.<sup>12</sup>

The trend in localities and states pushing for higher minimum wage rates will likely continue to intensify as wages continue to decline, inequality remains at historically high levels, and the federal government fails to take bold action to ensure that hard-working individuals can make ends meet.

## **Higher Wages from Minimum Wage Increases Have Very Significant Beneficial Effects for Low-Income Individuals and Households**

The higher incomes that result from minimum wage increases have very direct and tangible impacts on the lives of the workers affected and their families. Significant increases in minimum wages have proven an effective strategy for addressing declining wages and opportunity for low-wage workers by raising pay broadly across the bottom of the city economy. For example, over the decade that San Francisco's strong minimum wage has been in effect, it has raised pay by more than \$1.2 billion for more than 55,000 workers, and it has permanently raised citywide pay rates for the bottom 10 percent of the labor force.<sup>13</sup> The widely recognized success of San Francisco's minimum wage led Mayor Ed Lee to broker an agreement with business and labor to place an increase to \$15 on the November 2014 ballot, which the voters overwhelmingly approved.<sup>14</sup>

The higher pay resulting from minimum wage increases translates to a range of other important improvements in the lives of struggling low-paid workers and their households. For workers with the very lowest incomes, studies show that minimum wage increases lift workers and their families out of poverty.<sup>15</sup> Similarly, higher incomes for low-wage workers and their households translate to improved educational attainment and health. For example, a study by the National Institutes of Health determined that “[a]n additional \$4000 per year for the poorest households increases educational attainment by one year at age 21.”<sup>16</sup> Another study found that raising California’s minimum wage to \$13 per hour by 2017 “would significantly benefit health and well-being.”<sup>17</sup> It stated that “Californians would experience fewer chronic diseases and disabilities; less hunger, smoking and obesity; and lower rates of depression and bipolar illness.”<sup>18</sup> Moreover, “[i]n the long run, raising the minimum wage would prevent the premature deaths of hundreds of lower-income Californians each year.”<sup>19</sup> Yet another study 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.<sup>20</sup>

### **The Most Rigorous Research Shows That Higher Minimum Wages Raise Worker Incomes without Reducing Employment**

The most rigorous research over the past 20 years—examining scores of state and local minimum wage increases across the U.S.—demonstrates that these increases have raised workers’ incomes *without* reducing employment. This substantial weight of scholarly evidence reflects a significant shift in the views of the economics profession, away from a former view that higher minimum wages 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.<sup>21</sup>

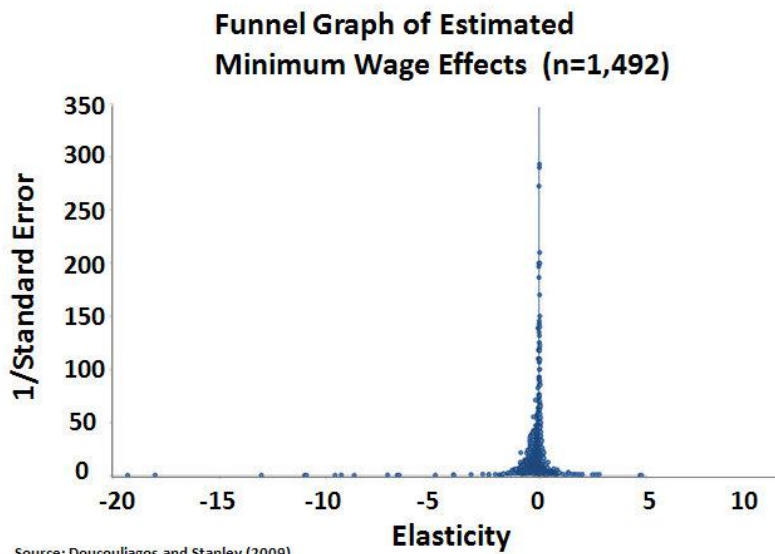
The latest research, released in December 2016 by the White House Council of Economic Advisors, examined states that have raised their minimum wages in recent years in the U.S. and found that they have contributed to substantial wage increases for workers without a negative impact on employment or hours worked.<sup>22</sup>

The most sophisticated of the new wave of minimum wage studies, “Minimum Wage Effects Across State Borders,” was published in 2010 by economists at the Universities of California, Massachusetts, and North Carolina in the prestigious *Review of Economics and Statistics*.<sup>23</sup> That 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. 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 has been lauded as state-of-the-art by the nation’s top labor

economists, such as Harvard’s Lawrence Katz, MIT’s David Autor, and MIT’s Michael Greenstone. (By contrast, studies often cited by the opponents of raising the minimum wage that 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.)

Consistent with a long line of similar research, the Dube, Lester, and Reich study found no difference in job growth rates in the data from 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.<sup>24</sup>

However, it is not simply individual state-of-the-art 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 research in the field. For example, a meta-study of 64 studies of the impact of minimum wage increases published in the *British Journal of Industrial Relations* in 2009 shows that the bulk of the studies find close to no impact on employment.<sup>25</sup> This is vividly illustrated by a graph from the meta-study showing the results clustered around zero:



Another recent meta-study by Paul Wolfson and Dale Belman of the minimum wage literature demonstrates similar results.<sup>26</sup>

Further underscoring how minimum wage increases are simply not a major factor affecting job growth, economists at the Center for Economic & Policy Research and Goldman Sachs have noted that the U.S. states that have raised their minimum wages above the minimal federal level are enjoying stronger job growth than those that have not.<sup>27</sup>

## **The Evidence from Cities That Have Adopted Significantly Higher Local Minimum Wages Similarly Shows That They Have Not Cost Jobs and That Implementation Has Proven Manageable for Employers**

The experiences of cities with higher local minimum wages—and the most rigorous economic research on the impact of city wage laws—have shown that they have raised wages broadly without slowing job growth or hurting local employers.

The two U.S. cities that have had higher local minimum wages for the longest period are San Francisco, California, and Santa Fe, New Mexico. Both adopted significantly higher local minimum wages in 2003, and the impact of the minimum wages has been the subject of sophisticated economic impact studies. In San Francisco, a 2007 study by University of California researchers gathered employment and hours data from restaurants in San Francisco as well as from surrounding counties that were not covered by the higher minimum wage and found that the higher wage had not led San Francisco employers to reduce either their employment levels or employee hours worked.<sup>28</sup> A follow-up 2014 study examined the combined impact on San Francisco employers of the city's minimum wage ordinance and of other city compensation mandates that cumulatively raised employment costs 80 percent above the level of the federal minimum wage. The study again found no adverse effect on employment levels or hours, and found that food service jobs—the sector most heavily affected—actually grew about 17 percent faster in San Francisco than in surrounding counties during that period.<sup>29</sup>

In Santa Fe, a similar 2006 study conducted after the city raised its minimum wage 65 percent above the state rate compared job growth in Santa Fe with that in Albuquerque (which at that time did not have a higher city minimum wage). It determined that “[o]verall, . . . the living wage had no discernible impact on employment per firm, and that Santa Fe actually did better than Albuquerque in terms of employment changes.”<sup>30</sup>

A sophisticated 2011 study of higher minimum wages in San Francisco, Santa Fe, and Washington, D.C., compared employment impacts to control groups in surrounding suburbs and cities. It similarly found that “[t]he results for fast food, food services, retail, and low-wage establishments . . . support the view that citywide minimum wages can raise the earnings of low-wage workers, without a discernible impact on their employment . . . .”<sup>31</sup>

## **Low Wages Paid By Large Profitable Employers Present a Significant Cost to the Public by Forcing Workers to Rely on Public Assistance in Order to Afford Basic Necessities**

Nationally, nearly three quarters (73 percent) of enrollments in the U.S.'s major public benefits programs are from working families. With wages that leave their earnings below subsistence levels, these workers must rely on additional support from programs like the Supplemental Nutrition Assistance Program (SNAP), Medicaid, Children's Health Insurance Programs, and the Earned Income Tax Credit (EITC) in order to afford basics like food, housing, and health care.

Data available for some of the largest employers in the retail and fast-food industries indicate that the low wages paid by profitable companies like Walmart and McDonald's entail substantial costs for the public, as a whole.

A 2013 report from the Democratic Staff of the U.S. House Committee on Education and the Workforce estimates that low wages paid at a single Walmart supercenter cost taxpayers between \$900,000 and \$1.7 million on average per year.<sup>32</sup>

Similarly, a 2013 study from the University of California-Berkeley found that the low wages paid by companies in the fast-food industry cost taxpayers an average of \$7 billion per year.<sup>33</sup> A companion study from NELP found that the bulk of these costs stem from the ten largest fast-food chains, which account for an estimated \$3.8 billion per year in public costs.<sup>34</sup>

### **Excluding Workers Under Age 21 from the City of Baltimore's Minimum Wage Law Is Harmful and Unprecedented Policy**

The City of Baltimore should enact a strong \$15 minimum wage bill that does not discriminate against younger workers. Legislators in the City face pressure to include an exemption of all workers under age 21 in the City's local minimum wage law. No other jurisdiction has adopted such a broad exemption for youth and young adult workers. Adopting such an exemption would be harmful and unprecedented. It would set the City of Baltimore apart for the wrong reasons.

Adopting an arbitrary threshold of 21 years old treats younger workers differently from the rest of the workforce despite the fact that these employees work side-by-side with their older counterparts. The proposed exemption would mainly benefit big businesses that rely on high turnover staffing models. These are largely fast-food and retail chain employers who have disproportionately high rates of employee turnover—as high as 200 percent on an annual basis, according to some measures.<sup>35</sup> And for businesses that do not currently employ a high-turnover model, the proposed exemption would incentivize a shift to high turnover in order to consistently benefit from the work of employees under 21 years of age, a shift that will harm older workers who will be more likely to find themselves without a job.

The proposed exemption ignores the real economic needs and contributions of younger workers. Low-wage young adult workers are likely to come from struggling households who depend on these workers' additional income to make ends meet. Census data shows that the average low-wage worker in Baltimore who would benefit from a \$15 minimum wage contributes over half (54.6 percent) of her or his entire family's income.<sup>36</sup> Additionally, in the U.S., nearly 50 percent of students pursuing a 2-year degree, and over 40 percent of students pursuing a 4-year degree work more than 35 hours per week.<sup>37</sup> These workers, and all others, regardless of family income, deserve a higher minimum wage.

Lobbyists for low-wage industries argue that a lower minimum wage for young workers is needed to avoid putting younger workers out of work, but the economic evidence does not support this. Economists from the University of California reviewed the impact of the minimum wage on teen employment in a state-of-the-art, peer reviewed study, "Do Minimum Wages Really Reduce Teen Employment?"<sup>38</sup> The study carefully examined the impact of all U.S. minimum wage increases between 1990 and 2009 on teen workers—including minimum wage increases implemented during times of high unemployment, such as the national recessions of 1990-1991, 2001 and 2007-2009.<sup>39</sup> The study 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 is the same:



negligible.<sup>40</sup>

Although youth employment levels have been falling for decades, this trend is unrelated to the minimum wage and has continued regardless of whether the minimum wage has been flat or increasing.<sup>41</sup> There are multiple reasons for the decline, including the fact that, today, more teens and other young workers are full-time students than in the past, and those seeking work face increasing competition from adult workers over 55, many of whom cannot afford to retire and are turning to low-wage jobs.<sup>42</sup>

### **Eliminating the Subminimum Wage for Tipped Workers Forms a Crucial Part of any Minimum Wage Legislation That Seeks to Make a Significant Difference in the Lives of Low-Wage Workers**

For any minimum wage initiative to make a significant difference in the lives of low-wage workers, it must also eliminate the subminimum wage for tipped workers. The subminimum wage system leads to high rates of poverty and economic insecurity. It is also a system that is difficult to implement and leads to high rates of noncompliance. Although the restaurant industry opposes the elimination of the subminimum tipped wage, the evidence shows that the restaurant industry is strong, including in jurisdictions that have already eliminated the subminimum wage.

In the City of Baltimore, the subminimum wage is currently just \$3.63 an hour.<sup>43</sup> The typical tipped worker in the City earns a little more than the state's minimum wage, even once tips are factored in. According to 2015 data from the Bureau of Labor Statistics (BLS), the median wage for tipped restaurant waiters and waitresses—one of the largest shares of tipped workers—was just \$9.08 an hour during the 2012-2015 period.<sup>44</sup> This median wage includes both the base wage plus tips.

In addition to low wages, tipped workers face especially difficult economic insecurity. While most of us expect to be paid the same for every day or hour we work, for tipped workers, this is often not the case. Bad weather, a sluggish economy, the changing of the seasons, a less generous customer, an employer that only gives you less-desirable shifts, and a host of other factors can cause sudden drops in tipped income and lead to economic insecurity. Nationally, tipped workers face poverty rates that are about double those for non-tipped workers, and the poverty rate for waiters and bartenders is even higher.<sup>45</sup> Tipped workers across the country are also significantly more likely to rely on public assistance to make ends meet. Close to half (46 percent) of tipped workers and their families rely on public benefits compared with 35.5 percent of non-tipped workers.<sup>46</sup>

When it comes to implementation, employers and employees find it difficult to track tip earnings, a task that is often complicated by tip sharing arrangements amongst workers. Workers also often fear asking an employer to make up the difference between their earnings and the full minimum wage—an employer might choose to give more favorable shifts to workers who do not make such demands. There is evidence of considerable abuse of the system. In its investigations of over 9,000 restaurants from 2010 to 2012, the federal Department of Labor found that roughly 84 percent of investigated restaurants were in violation of the federal Fair Labor Standards Act, including millions of dollars' worth of tipped minimum wage violations.<sup>47</sup> Similarly, a 2014 report by the White House National Economic Council and the U.S. Department of Labor found that one of the most prevalent violations amongst employers is failing to properly track employees' tips and make up the difference between an employee's base pay and the full minimum wage when tips fail to fill that gap.<sup>48</sup>

While some in the restaurant industry argue that eliminating the tipped subminimum wage would hurt the restaurant industry and/or restaurant workers, the facts belie those claims. Eight states—California, Nevada, Oregon, Washington, Minnesota, Montana, Alaska, and, most recently, Maine—do not have a subminimum wage for tipped workers.<sup>49</sup> Neither do the cities in California and Washington that have raised their wages to \$15 an hour, such as Los Angeles, Seattle, and San Francisco. Tipped workers in these states and cities receive the full minimum wage directly from their employer and their tips function as a gratuity should—not as customers subsidizing wages that an employer should be paying, but as supplemental income over and above their wages in recognition of good service. Between 1995 and 2014, these states (except Maine for which data is not yet available since voters approved a ballot initiative to eliminate the subminimum wage in November 2016) experienced slightly faster employment growth in the hospitality industry (the industry with the highest concentration of tipped workers) than the states where tipped workers are paid a lower minimum wage.<sup>50</sup>

Moreover, the overall restaurant industry is strong. The National Restaurant Association (NRA) estimated that in 2016, restaurant job growth would outpace the overall economy, adding more than 300,000 jobs.<sup>51</sup> Restaurant sales were expected to reach \$783 billion in 2016, according to the latest NRA Industry Forecast.<sup>52</sup> The year 2015 marked the sixteenth consecutive year in which the restaurant industry's job growth outpaced the overall U.S. economy.<sup>53</sup> And a 2015 *Cornell Hospitality Report* looked at the impact of minimum wage increases on restaurant employment and business growth levels over twenty years across the United States. It found that raising the regular and tipped minimum wage will raise restaurant industry wages but will not lead to “large or reliable effects on full-service and limited-service restaurant employment.”<sup>54</sup>

Ultimately, the evidence above shows that shifting the responsibility to pay workers' wages to customers under the subminimum wage system unnecessarily allows employers in a few select industries to benefit from a customer-funded subsidy at the expense of workers' economic security.

### **Small Businesses in the City of Baltimore Do Not Need a Slower Phase-in of a \$15 Minimum Wage**

NELP does not recommend special exemptions or provisions for small businesses. Bill No. 17-0018 subjects businesses with fewer than 50 employees or \$400,000 or less in annual gross income to a significantly slower phase-in of a \$15 minimum wage. Under the proposed bill, businesses with 50 or more employees will be subject to a gradual increase of the minimum wage until it reaches \$15 per hour in 2022. Thereafter, the minimum wage will be indexed to account for cost of living increases. Businesses with fewer than 50 employees will not be subject to a \$15 minimum wage until 2026, almost ten years after the bill goes into effect.

As the economic research outlined above shows, one can increase the minimum wage for all businesses at the same time without a negative impact on employment. Moreover, excluding businesses with fewer than 50 employees excludes many large companies that can and should compensate their workers at a wage that allows workers to afford the basics. NELP encourages this Council to reconsider the current special treatment of businesses with fewer than 50 employees and seek to protect more City of Baltimore workers.

## **Strong Local Enforcement of a City Minimum Wage Law Is Crucial**

In order for the City of Baltimore's workers to fully benefit from a higher minimum wage, the City should enforce the law to the fullest extent possible.

Wage theft is widespread across the country and across industries, costing workers and local economies billions of dollars each year.<sup>55</sup> A seminal 2009 study by NELP and other academic partners surveyed over 4,000 workers and found that 26 percent were paid less than the required minimum wage in the previous work week, and nearly two thirds experienced at least one pay-related violation in the previous week, such as failure to pay overtime, not being paid for all hours worked, and stolen tips.<sup>56</sup> The report estimates that workers surveyed lost an average of 15 percent, or \$2,634, of their annual wages due to workplace violations.<sup>57</sup>

The City of Baltimore has long recognized the need for local enforcement of its minimum wage, and research shows that local enforcement can be even more effective than state-level enforcement. The City's original minimum wage law in the 1960s established a minimum wage along with a local commission to carry out and enforce that law. That commission is today the OCRWE. Thus, the OCRWE has long had the power and responsibility to enforce the City's minimum wage law. As researchers from the UCLA Labor Center and the Berkeley Center for Labor Research and Education highlighted in a 2015 report, San Francisco "has both the oldest local minimum wage ordinance in the state and the most robust local enforcement agency," and the "record in San Francisco suggests that local enforcement agencies can collect unpaid wages at a higher rate than the state agency."<sup>58</sup>

This bill would update the agency's enforcement powers to reflect many of the best policies that have been developed around the country for effective enforcement of local minimum wage laws.

In particular, NELP supports the amendments in Bill No. 17-0018 designed to encourage the OCRWE to work with community-based organizations to increase its capacity and ensure that the City effectively reaches out to both employers and employees about their minimum wage rights under the City's law. Community-based organizations are crucial partners for enforcement agencies. Their ties to workers in specific industries and sectors, as well as their roots in certain racial or ethnic communities, can assist enforcement through outreach and education; detection and reporting of violations; filing complaints; and identifying high-violation industries and employers for proactive investigations.<sup>59</sup>

Cities enacting minimum wage laws have begun to issue grants to local community groups to enlist their assistance with tasks such as education, outreach, and preparing complaints. San Francisco alone issues \$482,000 to immigrant and low-income community organizations for these activities.<sup>60</sup> Los Angeles plans to allocate \$700,000 annually to community groups for outreach and education, and Seattle recently awarded contracts to community groups amounting to \$1 million.<sup>61</sup>

The bill's amendments geared towards strengthening anti-retaliation protections are also crucial for effective enforcement of the City's minimum wage. Workers need strong protection so they will not be vulnerable to employer harassment and retaliation when they report a violation. This is especially important because enforcement relies heavily on workers coming forward and filing complaints. Retaliation is common—a national survey found that 43 percent of workers who complained to their employer about their wages or working conditions experienced retaliation.<sup>62</sup> The survey also found that 20 percent of workers never made a complaint because they feared retaliation or thought it would not make a difference.<sup>63</sup>

Finally, NELP especially supports the amendments that update, simplify, and expedite the complaint process for workers seeking unpaid wages. For example, the bill specifies that the OCRWE must establish a system to receive complaints in writing, online, and by phone, including complaints in English, Spanish, and other languages spoken by significant numbers of City employees. The bill also updates the procedures for appealing the determinations of the OCRWE.

Ultimately, the success of the City of Baltimore's minimum wage will depend significantly on a strong commitment to educate employers and employees, as well as robust enforcement through a local agency like the OCRWE that can gradually adapt to the City's and workers' needs.

Thank you so much for the opportunity to testify today. I would be happy to answer any questions that you may have.

*For more information, please contact NELP Staff Attorney Laura Huizar at [luhizar@nelp.org](mailto:luhizar@nelp.org). For more about NELP, visit [www.nelp.org](http://www.nelp.org) or [www.raisetheminimumwage.org](http://www.raisetheminimumwage.org).*

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<sup>1</sup> National Employment Law Project, Occupational Wage Declines Since the Great Recession (Sept. 2015), *available at* <http://www.nelp.org/content/uploads/Occupational-Wage-Declines-Since-the-Great-Recession.pdf>.

<sup>2</sup> *Id.*

<sup>3</sup> National Employment Law Project, Fight for \$15: Four Years, \$62 Billion (Dec. 2016), *available at* <http://www.nelp.org/content/uploads/Fight-for-15-Four-Years-62-Billion-in-Raises.pdf>.

<sup>4</sup> *Id.*

<sup>5</sup> Raise the Minimum Wage, Campaigns, <http://raisetheminimumwage.com/> (last viewed Feb. 28, 2017).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> National Employment Law Project, 25 States & Localities Approved Minimum Wage Increases in 2016, More Than Any Year Since Fight for \$15 Began (Dec. 21, 2016), *available at* <http://www.nelp.org/content/uploads/PR-Minimum-Wage-Increases-New-Year-2016-2017.pdf>.

<sup>9</sup> *Id.*

<sup>10</sup> Hart Research, Support for a Federal Minimum Wage of \$12.50 or above (Jan. 2015), *available at* <http://www.nelp.org/content/uploads/2015/03/Minimum-Wage-Poll-Memo-Jan-2015.pdf>.

<sup>11</sup> Victoria Research, Results of National Poll of Workers Paid Less than \$15 Per Hour (Oct. 2015), *available at* <http://www.nelp.org/content/uploads/Low-Wage-Worker-Survey-Memo-October-2015.pdf>.

<sup>12</sup> *Id.*

<sup>13</sup> Michael Reich et al. (eds.), University of California Press, *When Mandates Work: Raising Labor Standards at the Local Level* (2014), *available at* <http://irle.berkeley.edu/publications/when-mandates-work/>.

<sup>14</sup> Marisa Lagos, "S.F. to put \$15 minimum wage on ballot," Jun. 11, 2014, *SFGate*, *available at* <http://www.sfgate.com/bayarea/article/S-F-to-put-15-minimum-wage-on-ballot-5542191.php>; Ben Rooney, "San Francisco votes in \$15 minimum," Nov. 5, 2014, *CNN Money*, *available at* <http://money.cnn.com/2014/11/05/news/san-francisco-increased-minimum-wage/>.

<sup>15</sup> Arindrajit Dube, Minimum Wages and the Distribution of Family Incomes (Dec. 2013) at 31, *available at* [https://dl.dropboxusercontent.com/u/15038936/Dube\\_MinimumWagesFamilyIncomes.pdf](https://dl.dropboxusercontent.com/u/15038936/Dube_MinimumWagesFamilyIncomes.pdf) ("I find robust evidence that minimum wages tend to reduce the incidence of poverty, and also proportions with incomes under one-half or three-quarters of the poverty line").

<sup>16</sup> William Copeland et al., *Am. Econ. J. Appl. Econ.*, Parents' Incomes and Children's Outcomes: A Quasi-Experiment (Jan. 2010) at 1.

<sup>17</sup> Rajiv Bhatia, Human Impact Partners, Health Impacts of Raising California's Minimum Wage (May 2014) at 3, *available at* [http://healthpolicy.ucla.edu/publications/Documents/PDF/2014/SB935\\_HealthAnalysis.pdf](http://healthpolicy.ucla.edu/publications/Documents/PDF/2014/SB935_HealthAnalysis.pdf).

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> Lisa Dodson et al., Center for Social Policy, Univ. of Mass., Boston, *How Youth Are Put at Risk by Parents' Low-Wage Jobs* (Fall 2012) at 9–13.

<sup>21</sup> Editorial Board, "Raise the Minimum Wage," Apr. 18, 2012, *BloombergView*, *available at* <http://www.bloomberg.com/news/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise.html>.

<sup>22</sup> Sandra Black et al., The minimum wage, employment levels and earnings. A view from the US, Dec. 6, 2016, *World Economic Forum*, *available at* [https://www.weforum.org/agenda/2016/12/the-minimum-wage-employment-levels-and-earnings-a-view-from-the-us?utm\\_content=bufferdfb88&utm\\_medium=social&utm\\_source=plus.google.com&utm\\_campaign=buffer](https://www.weforum.org/agenda/2016/12/the-minimum-wage-employment-levels-and-earnings-a-view-from-the-us?utm_content=bufferdfb88&utm_medium=social&utm_source=plus.google.com&utm_campaign=buffer).

<sup>23</sup> Arindrajit Dube et al., *The Review of Economics and Statistics*, Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties (Nov. 2010) at 92(4): 945–964. A summary of the study prepared by NELP is available at [http://nelp.3cdn.net/98b449fce61fca7d43\\_j1m6iizwd.pdf](http://nelp.3cdn.net/98b449fce61fca7d43_j1m6iizwd.pdf).

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