

# Maryland Legislators Should Reject Corporate-Backed Efforts to Exempt Younger Workers from the Full Minimum Wage

*Bill No. SB 543 (cross-filed with HB 664) would eliminate provisions in the state's current minimum wage law that allow employers to pay young adults a lower minimum wage simply based on their age. A memo leaked in December 2017 from a well-known corporate lobbyist revealed a proposal for a multi-million dollar corporate campaign to undermine the successful movement for higher wages nationwide by pushing for youth carve-outs in minimum wage laws. The proposed public relations campaign would attempt to create "sympathy" for "youth victims" supposedly harmed by higher wages. However, the memo makes it clear that the real impetus for a youth exemption or carve-out is what its author termed the "sobering ripple effect on all entry level wage rates"—in other words, that keeping youth wages low would help keep all wages low. This fact sheet offers details on the leaked memo and demonstrates why a lower minimum wage for young workers would harm all Maryland workers and should be rejected as a corporate-backed strategy to stall efforts to raise wages.*

## **SB 543 Would Eliminate the Exemption of Young Workers from the State's Full Minimum Wage**

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- SB 543 would eliminate provisions in the current state minimum wage law that allow employers to pay younger workers a lower minimum wage simply based on their age.
- Current Maryland law allows employers to pay employees who are 20 years of age or younger 85 percent of the full minimum wage for the first six months of employment.<sup>1</sup> For an employee working full-time for their first six months of work at the current minimum wage, this difference can amount to more than \$1,200.
- Current Maryland law allows employers to pay workers under the age of 20 85 percent of the full minimum wage if they work for certain amusement or recreational establishments.<sup>2</sup>

## **A Leaked Lobbyist Memo Reveals that the Push for a Lower "Youth" Minimum Wage Is a Corporate-Backed Strategy to Keep All Wages Low**

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- In December 2017, *The Intercept* [published a leaked memo](#) by the well-known corporate lobbyist Rick Berman.<sup>3</sup> A copy of the memo can be found [here](#).

- As *The Intercept* explained, Berman “is well-known for setting up groups that appear as authentic academic policy shops and grassroots organizations that are actually fronts for his business clients.”<sup>4</sup> His past clients and supporters include Philip Morris, which hired Berman to “downplay the risks of secondhand smoke,” as well as the alcohol, meat, soda, and processed food industries.<sup>5</sup>
- The leaked memo pitches a multi-million dollar campaign to corporations in order to undermine growing support for a higher minimum wage across the country. One of the key strategies it proposes is pushing for a lower “youth” minimum wage.
- The memo begins by acknowledging that “[t]here will be significant erosion in Republican-held state legislative seats in November 2018” and that “[s]upport for doubling the Federal minimum wage to \$15 and reducing tip credits does not trigger public concern.” The memo warns that “[w]ithout an ‘offense’ communications strategy, we will be overwhelmed by expensive legislation.”
- The memo goes on to explain that “[t]he industry response most likely to gain traction with the public is to emphasize the plight of low-skilled youth who have unemployment rates 4-5 times higher than the national rate and who are stranded on the sideline of the job market.” Berman explains that a “bipartisan public is receptive to lower ‘apprentice’ or ‘intern’ wage rates for young people,” and that a “‘youth’ wage will have a sobering ripple effect on all entry level wages.”
- The leaked memo shows that corporations view youth minimum wage exemptions not as a path to better wages for young workers, but as a way to undermine support for higher wages and keep wages low for all workers.
- Moreover, the memo shows that corporations are willing to spend millions of dollars to use the faces and stories of young, struggling workers to hurt *all* workers’ chance at a better future through a higher minimum wage.
- The truth is, as outlined below, research shows that (1) a lower minimum wage for young workers would hurt *both* young and older workers, and (2) any declines in teen employment are unrelated to minimum wage levels.

## **A Lower “Youth” Minimum Wage Would Hurt Young Workers from Struggling Households and Students Working Their Way through College**

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- Young workers in their late teens and early twenties constitute the typical targets of minimum wage “youth” exemptions or carve-outs. These workers work side-by-side with their older counterparts across industries, and they often perform the same work.
- Many young workers come from struggling low- and middle-income households, and their earnings provide essential household income.
- In Baltimore, for example, census data shows that workers who would benefit from a \$15 minimum wage, on average, contribute over half (54.6 percent) of their entire family’s income.<sup>6</sup>
- Young workers are also often college students who study hard and work long hours to try and cover at least some of their education expenses. 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>7</sup> A higher minimum wage would allow them to cover more of tuition costs, finish school more quickly, and take out fewer loans.

## State-of-the-Art Research Shows That Raising the Minimum Wage Does Not Cost Young Workers Their Jobs

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- 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>8</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>9</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>10</sup>
- As *Bloomberg News* wrote in summarizing the study, “[This study is part of] a wave of new economic research [that] 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>11</sup>

## Declines in Youth Employment Are Unrelated to Minimum Wage Levels

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- Opponents of a strong minimum wage for young workers sometimes argue that a higher minimum wage causes higher rates of youth unemployment. This is simply not the case.
- A review of the data shows that youth employment levels have been falling for decades, including a dramatic decline since 2000.<sup>12</sup> This trend is unrelated to the minimum wage and has continued regardless of whether the minimum wage has been flat or increasing, making it clear that this decline has nothing to do with the minimum wage.<sup>13</sup>
- There are multiple reasons for this decline, including the fact that 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>14</sup>

## Fast Food and Retail Chains with High-Turnover Staffing Models Would Be the Main Beneficiaries of a Youth Exemption

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- The main beneficiaries of a minimum wage exemption for young workers are low-wage employers who have chosen a high-turnover staffing model. These are chiefly fast-food and chain retail employers who have disproportionately high rates of employee turnover—as high as 120 percent on an annual basis, according to researchers from the Cornell University School of Hotel Administration (as cited by Robert Pollin and Jeannette Wicks-Lim, PERI).<sup>15</sup> This means that, on average, fast-food and chain retail employers often replace their entire staff more than once a year.
- A minimum wage exemption for young workers essentially creates a loophole that would allow fast food and chain retailers to pay young workers less simply because of their age, and it could incentivize employers to discriminate against older workers.

## Endnotes

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1. Md. Code Ann., Lab. & Empl. § 3-413(d).
2. Ibid.
3. Lee Fang & Nick Surgey, "Fearing 2018 Democratic Wave, Right-Wing Lobbyists Are Mobilizing Against a \$15 Minimum Wage Push," *The Intercept*, Dec. 14, 2017, <https://theintercept.com/2017/12/14/minimum-wage-rick-berman-democrats/>.
4. Ibid.
5. Ibid.
6. Will Kimball, Economic Policy Institute, Raising Baltimore's minimum wage to \$15 by July 2020 would lift wages for 98,000 working people (May 2016), <http://www.epi.org/publication/raising-baltimores-minimum-wage-to-15/>.
7. U.S. Department of Education, Profile of Undergraduate Students, 2011–2012 (Oct. 2014) at 5, <http://nces.ed.gov/pubs2015/2015167.pdf>.
8. Sylvia A. Allegretto, Arindrajit Dube and Michael Reich, "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data," *Industrial Relations* 50: 205-240, 2011, <http://irle.berkeley.edu/files/2011/Do-Minimum-Wages-Really-Reduce-Teen-Employment.pdf>.
9. Ibid.
10. Ibid.
11. Bloomberg View Editorial Board, "Raise the Minimum Wage," *Bloomberg*, April 18, 2012, <http://www.bloombergview.com/articles/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise>.
12. Teresa L. Morisi, Monthly Labor Review, Bureau of Labor Statistics, The Early 2000s: A Period of Declining Teen Summer Employment Rates (May 2010), <http://www.bls.gov/opub/mlr/2010/05/art2full.pdf>. See also Julia Dennett & Alicia Sasser Modestino, Federal Reserve Bank of Boston, Uncertain Futures? Youth Attachment to the Labor Market in the United States and New England (Dec. 2013), <http://www.bostonfed.org/economic/neppc/presentations/2013/sassermodestino120413.pdf>.
13. Sylvia Allegretto, Arindrajit Dube and Michael Reich, op. cit.
14. Anne Thompson, National Employment Law Project, What is Causing Record-High Teen Unemployment? (Oct. 2011).
15. Robert Pollin & Jeannette Wicks-Lim, "A \$15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs," *Political Economy Research Institute (PERI) Working Paper Series*, No. 373 (Jan. 2015), <https://www.peri.umass.edu/publication/item/602-a-15-u-s-minimum-wage-how-the-fast-food-industry-could-adjust-without-shedding-jobs>.