

Testimony of Leo Gertner

National Employment Law Project

On HB 166, Which Would Raise Maryland's Minimum Wage to \$15

Hearing before the Maryland Economic Matters Committee

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Thank you, Hon. Dereck Davis and members of the House Economic Matters Committee for the opportunity to submit written testimony on HB 166, “Labor and Employment – Payment of Wages – Minimum Wage and Enforcement (Fight for Fifteen),” which would gradually raise Maryland’s minimum wage to \$15 by 2023. This bill would also gradually eliminate the sub-minimum wage for tipped workers and eliminate exemptions that subject younger workers and agricultural workers to a lower minimum wage, guaranteeing one fair wage for all workers regardless of occupation or age. Moreover, starting in 2024, the bill would establish an indexing mechanism that would allow the state’s minimum wage to keep up with increases in the cost of living.

My name is Leo Gertner, and I am a staff attorney for 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 in Washington DC, and throughout the country. We partner with federal, state, and local lawmakers on a wide range of workforce issues including unemployment insurance, the on-demand economy, and—as is relevant for today’s hearing—the minimum wage.

NELP testifies in strong support of HB 166. As a high-cost of living state, Maryland’s current minimum wage of \$10.10 an hour, or \$21,000 a year for a full-time worker, is far too low for workers to make ends meet. According to an analysis by the Economic Policy Institute (EPI), a \$15 minimum wage would raise pay for at least 573,000 workers across the state—approximately 22 percent of the state’s workforce. The typical worker who would be affected by a minimum wage increase in Maryland is a woman over 20 years old, who works full-time, and is likely to be a worker of color and have at least some college experience. She may also be a mother to dependent children, doing her best to raise her family while living in or near poverty.

The impact of a gradually phased-in \$15 minimum wage would not only be positive for low-wage workers, but would also have a negligible impact on jobs and businesses, according to the most recent and sophisticated economic research, which I will review below.

The Benefits of Gradually Phasing in a \$15 Minimum Wage in Maryland Would Be Far-Reaching & Would Help Reverse Decades of Pay Inequality

- Due to flat or falling wages, today, approximately 573,000 workers in Maryland earn less than \$15 an hour and would benefit from legislation that would increase the state’s wage floor to that amount, according to the Economic Policy Institute (EPI). These workers comprise nearly one-fourth of all workers in Maryland—22 percent of its workforce.¹
- The average worker would see a raise of \$4,600 a year by 2023, when the higher wage floor is fully phased-in. That’s a life-changing difference for low-wage workers, such as home health aides, security guards, and cashiers, who are entitled to just \$21,000 a year working full-time under the state’s current minimum wage.²

The Typical Worker Earning Less than \$15 in Maryland is a Woman over 25 Who Works Full-Time, and is Likely to Have at Least Some College Experience

- The overwhelming majority (90 percent) of Maryland’s low-wage workers who would benefit from a \$15 minimum wage are 20 or older, and 37 percent are 40 or over.³
- More than half (55 percent) of low-wage workers in Maryland who would benefit from a \$15 minimum wage are women.⁴

- About 50 percent of low-wage workers in Maryland who would benefit from a \$15 minimum wage are workers of color. Looking at each racial or ethnic group separately, EPI finds that 25 percent of African-Americans, 28 percent of Latinos, 18 percent of Asian-Americans, and 27 percent of all other workers would benefit from a \$15 minimum wage increase.⁵
- The majority (64 percent) of low-wage workers in Maryland who would benefit from a \$15 minimum wage work full-time.⁶
- 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 a Bachelor's degree or higher—for a total of 49 percent.⁷
- Nearly one-third (31 percent) of workers who would benefit from a \$15 minimum wage are parents to 273,000 of Maryland's children.⁸
- About 800,000 (17 percent) of Maryland's working families live in or near poverty, and 13 percent receive Food Stamps.⁹

By Adopting a \$15 Minimum Wage, Maryland Would Join a Growing Number of States, Cities, and Counties that are Raising Their Wage Floors to \$15 per Hour

- Since the Fight for \$15 began in November 2012, more than 40 cities and counties,¹⁰ and more than 20 states have adopted minimum wage increases. These cities and counties include places like St. Paul, MN, Santa Fe, NM, Washington, DC, Chicago, IL, Portland, ME, and Flagstaff, AZ.¹¹ 22 million workers have won a staggering \$68 billion in raises to date.¹²
- In late 2017, Montgomery County joined two states (California and New York), Washington DC, and 24 other cities and counties that had adopted \$15 minimum wage laws by then.¹³ Once fully phased in, these measures will deliver annual increases between \$2,859 and \$6,614 for nearly 10 million workers.¹⁴
- More states and cities have now followed their lead. Notably, two more states have now adopted plans to phase-in a \$15 minimum wage. Last June, Massachusetts raised its minimum wage to \$15 and, just this week, the New Jersey governor signed legislation making it the fourth \$15 state in the country (also without carve-outs for youth workers).¹⁵ Legislators are now considering legislation that would raise the state's wage floor to \$15 and also gradually eliminate the sub-minimum tipped wage in several other states and localities, including Connecticut, Vermont, New Mexico, Illinois, Pennsylvania, , Virginia, and Hawaii.¹⁶

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, the worker-led Fight for \$15 has been winning pay increases for low-wage workers throughout the country. Once these laws are fully implemented, 10 million workers will have received income gains of more than \$68 billion in total.¹⁷
- 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.¹⁸
- In September 2018, economists at the University of California, Berkeley released a study examining the impact of raising wages in Chicago, Washington, D.C., Oakland, San Francisco, San Jose, and Seattle.¹⁹ All six cities are implementing a \$15 minimum wage with the exception of Chicago, which adopted a \$13 minimum wage by 2019. The study focused on the food services industry as an indicator of the effect of wage increases on minimum wage workers. Instead of finding that increased wages hurt workers at the lower end of the economic ladder, the study found no significant negative effect on jobs and that a ten percent

increase in the minimum wage boosted earnings in the food services industry from 1.3 percent to 2.5 percent.

- **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 \$13.00 during the period analyzed, had raised pay for workers without evidence of a negative impact on jobs.²⁰ Another a much-publicized Seattle study reached a conflicting conclusion, suggesting that the increase had cost jobs. But the conflicting study came 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.²¹ The study’s own authors issued a follow-up study in late 2018 that all but retracted their earlier conclusions and also showed broad benefits to workers from the city’s minimum wage increase.²² 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, the Seattle area has an unemployment rate of just 3.4 percent, lower than both, Washington State and the U.S unemployment rates.²³ As *Forbes* reported in 2017, “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.”²⁴
- **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 \$15. 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 2.2 percent in December 2018, down from 3 percent in October 2017 and 5.7 percent in July 2014—the year in which the city adopted its \$15 minimum wage.²⁵ 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.²⁶
- **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.”²⁷
- **Chicago.** In 2014, Chicago adopted a plan to increase its minimum wage from the state minimum of \$8.25 to \$13 by July 2019, with surrounding suburban Cook County following in 2016 by adopting a plan to reach \$13 by 2020.²⁸ In a July 2018 op-ed, Chicago’s deputy mayor and the city’s commissioner of Business Affairs and Consumer Protection wrote that “wages are up and unemployment is down” and predictions that the minimum wage would hurt city small businesses and hospitality industries had proven to be “myths.”²⁹ Even after a nearly 50 percent increase in wages from 2014 to now, the Chicagoland Chamber of Commerce, which had predicted closures and job losses, found businesses optimistic about hiring. In other words, small businesses are thriving, while providing necessary income to working people.³⁰

- Other studies, which estimated the impacts of New York’s and California’s \$15 minimum wages, examined the net impact of all the positive and negative effects on businesses of a \$15 wage. They found that, unlike small wage increases, a \$15 minimum wage would generate billions in new consumer spending that would offset much of the impact of the higher wage costs on businesses. 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 more than 1 in 3 workers, reversing decades of falling pay.³¹
- The California study focused, in particular, on the impact of the state’s \$15 minimum wage in areas such as Fresno County—one of the poorest of the state, located in California’s agricultural Central Valley. It finds that even in Fresno County, the net impact is roughly the same: the large increase in worker spending power generated by a \$15 minimum wage offsets most of the higher costs to businesses.³²

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

- The Seattle, San Francisco, San Jose, Fresno, and New York studies are in line with the substantial weight of the scholarly evidence from the past two decades, which examined scores of state and local increases across the U.S., and found that minimum wage increases raise workers’ pay without reducing employment.³³
- This is most clearly demonstrated by several recent “metastudies” surveying the entire field of minimum wage research. 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.³⁴
- Drawing on the methodological insights of Doucouliagos and Stanley, a more recent metastudy 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.”³⁵
- In 2017, 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.³⁶
- Another cutting-edge 2017 study, which also examined nearly four decades of data (1979–2016), and used a different methodology comparing the number of jobs in various wage categories (rather than total employment) prior to and following a minimum wage increase (“bunching method”), also found that jobs were not adversely impacted. Even in the states with the largest increases, jobs were not adversely impacted. The researchers concluded that any observed “job losses” were in fact the disappearance of jobs paying at or below the old minimum wage, with an equivalent increase in jobs at or slightly above the new higher minimum wage. The researchers concluded that this “leaves the overall number of low-wage jobs essentially unchanged, while raising the average earnings of workers below those thresholds.”³⁷

Eliminating the Sub-Minimum Wage for Tipped Workers Is Crucial to Making a Real Difference in the Lives of Low-Wage Workers

- The gradual elimination of the sub-minimum wage for tipped workers is crucial to improving the lives and economic prospects of low-wage workers in Maryland. Without it, a significant share of the state's lowest-paid workers will become increasingly vulnerable to poverty. As inflation erodes the real value of the tipped wage, tipped workers will become progressively more dependent on the generosity of customers to earn their livelihoods and avoid poverty.
- A sub-minimum wage for tipped workers has not always existed. Until 1966, there was no federal sub-minimum wage for tipped workers.³⁸ But with the 1966 expansion of the Fair Labor Standards Act (FLSA) to cover hotel, motel, restaurant, and other leisure and hospitality employees who had previously been excluded by the FLSA, the law was amended to allow employers to pay tipped workers a sub-minimum wage of 50 percent of the full minimum wage.³⁹ In 1996, tipped workers' pay decreased further when a Republican-controlled Congress raised the federal minimum wage from \$4.25 to \$5.15, but froze the tipped minimum wage at \$2.13. This policy decoupled the tipped wage from the full minimum wage for the first time in the history of U.S. wage law, setting up over two decades of a frozen minimum wage for tipped workers⁴⁰ in most of the nation.
- If Maryland adopts a gradual elimination of the tipped sub-minimum wage, it would join the seven "One Fair Wage" states—Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington—that do not allow employers to pay their tipped staff a lower wage.⁴¹ Tipped workers in these One Fair Wage states receive the full minimum wage directly from their employers, and their tips function as gratuities should: As supplemental income over and above their wages, in recognition of good service. Although not technically a One Fair Wage state, Hawaii also abolished the sub-minimum wage for most tipped workers, preserving a very limited tip credit of just 75 cents for tipped workers who average at least \$7.00 an hour in gratuities.⁴² And many more states, including Arizona, Colorado, Connecticut, Florida, Hawaii, and Vermont, have increased their tipped subminimum wage rate closer to their states' full minimum wage rate and far above Maryland's paltry (and frozen) \$3.63 rate.⁴³
- This year, U.S. Senators Bernie Sanders and Patty Murray have introduced a \$15 minimum wage bill, the Raise the Wage Act (S.150), which has been co-sponsored by 30 other Senators, including Senators Chris Van Hollen and Ben Cardin. Its companion bill in the U.S. House of Representatives (H.R.582) was similarly strongly received, with more than 190 co-sponsors, including Representatives Steny Hoyer, Jamie Raskin, Elijah Cummings, John Sarbanes, Anthony Brown, and C.A. Dutch Ruppersberger. The Raise the Wage Act, S.150/H.R.582, would raise the federal minimum wage to \$15 and also gradually phase out the sub-minimum tipped wage nationwide.⁴⁴
- Although minimum wage opponents in the restaurant industry often claim that most tipped workers earn high incomes and do not need a raise, Bureau of Labor Statistics (BLS) data shows that the typical tipped worker in Maryland earns just a few dollars above the state minimum wage. According to the most recent BLS data, between November 2013 and May 2016, the median wage for restaurant servers in Maryland was \$9.38 per hour *including tips*, and the average was \$11.43 per hour, also including tips.⁴⁵ During the period covered by the BLS data, the applicable minimum wage in Maryland was between \$7.25 and \$8.75 per hour,⁴⁶ meaning that servers in the state earned between \$0.63 and \$4.18 above Maryland's wage floor—hardly the type of high incomes that the restaurant industry claims to be typical.
- In addition to restaurant serves, other tipped jobs include car wash workers, nail salon workers, and pizza delivery drivers—notorious sweatshop occupations where pay is often even lower than in the restaurant industry.⁴⁷

- Tipped work is inherently uneven and often unpredictable. 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. For example, restaurant servers can earn substantially more on Friday or Saturday nights, but much less on other days of the week. Bad weather, a sluggish economy, the changing of the seasons, a less generous customer, and a host of other factors can also cause sudden drops in their tipped income and lead to economic insecurity. Not surprisingly, tipped workers face poverty at twice the rate of non-tipped workers, with waiters and bartenders at even higher risk of poverty.⁴⁸
- 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 36 percent of non-tipped workers.⁴⁹ Ultimately, shifting the responsibility to pay workers' wages to customers under the tipped sub-minimum wage system allows employers in a few select industries to benefit from a customer-funded subsidy at the expense of workers' economic security.

Excluding Agricultural Workers from the Minimum Wage Perpetuates a Historically Racially-Based Exclusion from Basic Worker Protections

- Many agricultural workers, including workers in freezing, canning, and processing operations, have long been excluded from the minimum wage in Maryland. This exclusion must be abolished to ensure that all workers are treated equally.
- This exclusion is rooted in the more shameful chapters of our country's history. Federal minimum wage law originally excluded most agricultural workers from its protections. This exclusion is widely acknowledged to have been race-based, when deals were made in the New Deal era to exclude African-Americans, who were the predominant workforce in Southern agriculture at the time.⁵⁰ Federal law was since modernized to end this exclusion, though farmworkers are still excluded from federal overtime and collective bargaining rights.
- The current trend across the country is to extend greater protections to agricultural workers. More than a dozen states already extend state minimum wage protections to agricultural workers.⁵¹ A current proposal in Congress, led by Senator Kamala Harris, would phase-in full federal overtime protections to farmworkers by 2022.⁵² In California, lawmakers have already passed legislation that would extend state overtime pay requirements to farmworkers in that state under that state's \$15 minimum wage law ensuring that farmworkers are treated just as other workers are.⁵³
- Agricultural workers are the backbone of the state's agricultural economy and perform difficult, back-breaking work. They should be treated with dignity and respect on the job. They must be included in any increase of the minimum wage.

Local Power to Raise the Minimum Wage Is Important for High-Cost-of-Living Communities and Preserving Local Democracy

- Opponents of higher wages around the country are also pressing to prevent cities and counties from enacting local minimum wages above the statewide minimum—no matter what local residents' preferences or needs are.
- Local power to raise the minimum wage allows higher-cost-of-living communities in a state to adopt wages that better match their higher housing and living costs. Fifteen dollars per hour is the bare minimum workers across Maryland need to survive—and local governments—particularly those in higher cost-of-living areas—should keep their ability to go over it.
- Many state preemption laws around the country that have passed in recent years have been pushed and adopted as a response to successful local campaigns to raise the minimum wage.⁵⁴ Big business, which generally opposes minimum wage increases, have pushed for these laws.

- Across the country, voters across party lines believe that local governments are well- positioned to craft and adopt policies that correspond to local needs.⁵⁵ State legislators must trust communities to respond to the unique needs of workers in cities and counties where the federal and state minimum wages do not cover basic needs.
- Maryland advocates, workers, and legislators must reject efforts to take away Maryland cities' and counties' existing local control over wages.

The Exemption of Young Workers from the State's Full Minimum Wage Harms All Maryland Workers

- HB 166 eliminates provisions in the current state minimum wage law that allow employers to pay younger workers a lower minimum wage simply based on their age. 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.
- 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.⁵⁶ 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 also 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.⁵⁷
- In December 2017, *The Intercept* published a leaked memo by the well-known corporate lobbyist Rick Berman.⁵⁸ 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 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.
- 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.⁵⁹
- 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.⁶⁰ A higher minimum wage would allow them to cover more of tuition costs, finish school more quickly, and take out fewer loans.

The Complex Sub-Minimum Wage System for Tipped Workers Is Difficult to Enforce and Results in Widespread Noncompliance

- The sub-minimum tipped wage system is complex, difficult to implement, and plagued by noncompliance. For example, both employers and employees find it difficult to track tip earnings, a task that is often complicated by tip sharing arrangements amongst workers. In addition, when tipped workers' earnings fall short of the full minimum wage, many will forego asking their employers to make up the difference—as

employers are legally required to do—for fear that the employer may retaliate by giving more favorable shifts to workers who do not make such demands.⁶¹

- Given the implementation challenges inherent in the sub-minimum wage system, it is not surprising that a 2014 report by the Obama Administration’s 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.⁶² A survey found that more than 1 in 10 workers employed in predominantly tipped occupations earned hourly wages below the full federal minimum wage, including tips.⁶³

Maryland’s Restaurant Industry is Strong and Can Afford to Adapt to a \$15 Minimum Wage without a Tip Credit

- While restaurant industry lobbyists often argue that eliminating the tipped sub-minimum wage would hurt restaurants and its workers, the facts belie those claims. In particular, the restaurant industry in One Fair Wage states is strong and projected to grow faster than in many of the states that have retained a sub-minimum tipped wage system.
- According to projections by the National Restaurant Association (NRA), restaurant sales projected sales in 2018 were \$825 billion, a 3.25 percentage increase over 2017 sales.⁶⁴ In Maryland, restaurant sales were projected at \$12.1 billion in 2017, the most recent year the NRA made data available. Restaurant and food service jobs currently make up 9 percent of employment in the state, and are expected to grow by a healthy 9 percent over the next ten years.⁶⁵
- Many of the states with the strongest restaurant job growth do not allow a tipped minimum wage for tipped workers, and require employers to pay tipped workers some of the country’s highest base wages. For example, restaurant employment in California—which has no sub-minimum wage for tipped workers and is phasing in a \$15 minimum wage—is projected to grow by 10.0 percent during the 2018–2028 period.⁶⁶ In California, the minimum wage is now \$11.00 per hour for small employers (25 or fewer employees) and \$12.00 for large employers (26 or more employees), and the minimum wage will reach \$15 for all employers by 2023.⁶⁷ In Oregon, where the minimum wage is currently between \$10.50 and \$12.00 and will increase to between \$12.50 and \$14.75 by 2022,⁶⁸ and which has no tipped sub-minimum wage, restaurant employment is projected to grow by 12.9 percent during that same period.⁶⁹ And in Washington State, where the minimum wage is \$12.00⁷⁰ and will increase to \$13.50 by 2020,⁷¹ restaurant employment growth during the same period is expected to grow by 11.4 percent.⁷² According to the NRA’s own projections, restaurant employment in the seven states without a tipped minimum wage will grow in the next decade at an average rate of 10.7 percent.⁷³
- Moreover, 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 minimum wage (including the tipped wage) will raise restaurant industry wages but will not lead to “large or reliable effects on full-service and limited-service restaurant employment.”⁷⁴

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

- 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?”⁷⁵ 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 2007–2009.⁷⁶

- 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.⁷⁷
- 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.”⁷⁸

Declines in Youth Employment Are Unrelated to Minimum Wage Levels

- 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 2000.⁷⁹ 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.⁸⁰
- 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.⁸¹

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

- 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).⁸² 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.

While Business Lobbyists Argue that Employers Cannot Adjust to \$15, Growing Numbers of Employers and Small Business Organizations in Other States Say That It Will Be Manageable—and Even Beneficial

- A diverse range of business leaders confirm that transitioning to a \$15 minimum wage is feasible. “Everybody in retail is dealing with an increase in minimum wage,” said Popeyes CEO Cheryl Bachelder to *CNN Money*, further stating, “We will adjust to increased costs just like we have before. Life will go on. There’s been too much hubbub about it.”⁸³

- As fast food franchise owner Dennis Kessler who teaches at the University of Rochester's Simon School of Business told *The Washington Post*, "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."⁸⁴
- In Flagstaff, Arizona, where voters in 2016 approved a \$15 minimum wage, Ron Watkins, the director of operations for 16 McDonald's restaurants throughout northern Arizona, told the *Arizona Daily Sun*, "the minimum wage measure would not affect the company's willingness to add locations or jobs in Flagstaff."⁸⁵
- In California, 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.⁸⁶

Endnotes

1. National Employment Law Project, *The Case for a \$15 Minimum Wage in Maryland*, January 2018, <http://www.nelp.org/content/uploads/Case-for-15-in-Maryland-January-2018.pdf>.
2. Ibid.
3. Ibid.
4. Ibid.
5. Ibid.
6. Ibid.
7. Ibid.
8. Ibid.
9. Economic Policy Institute and Oxfam America, *Maryland*, June 2016, <https://policy-practice.oxfamamerica.org/work/poverty-in-the-us/low-wage-map/scorecard/?state=MD>.
10. Several of these local minimum wage laws were subsequently invalidated by preemption legislation adopted by the state legislature. These include: Birmingham, Alabama (preempted by Ala. Code § 25-7-41); St. Louis, Missouri (preempted by Mo. H.B. 1193, 1194 (Mar. 2017)); Linn County, Iowa, Polk County, Iowa, and Wapello County, Iowa (preempted by Ia. H.F. 295 (Mar. 2017)). Of the more than 40 local minimum wage laws enacted recently, only the ordinances passed in Louisville and Lexington, Kentucky, were found preempted by a court. *Kentucky Restaurant Association v. Louisville/Jefferson County Metro Government*, 501 S.W.3d 425, 426 (Ky., 2016). The City of Miami Beach has appealed a decision by a trial court and an appellate court invalidating the Miami Beach minimum wage ordinance adopted in 2016 based on the interpretation of a 2003 state law preempting local minimum wages and a 2004 constitutional amendment establishing the state's minimum wage. *City of Miami Beach v. Florida Retail Federation, Inc. et al.* (Fl. Sup. Ct., filed Dec. 27, 2017) (No. SC17-2284).
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