

## **Testimony of Yannet Lathrop**

National Employment Law Project

# ***Support for Labor and Employment – State Minimum Wage Rate – Acceleration (SB721)***

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## **Hearing before the Maryland Senate Finance Committee**

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**The National Employment Law Project (NELP)** is a national nonprofit advocacy organization that for more than 50 years has sought to build a just and inclusive economy where all workers have expansive rights and thrive in good jobs. We partner with federal, state, and local lawmakers and local community-based groups on a wide range of workforce issues, including areas such as minimum wage, unemployment insurance, wage and hour enforcement and workplace protections for excluded and underpaid workers.

**NELP supports SB 721, which would accelerate the timeline for increasing Maryland's minimum wage to \$15 per hour by 2022-2023, and would remove the provision in current minimum wage law that allows the Board of Public Works to suspend wage increases.**

## **By adopting a faster timeline to a \$15 minimum wage, Maryland will join states at the forefront of the movement for higher wages**

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Accelerating the timeline for Maryland's minimum wage to reach \$15 is good policy in the face of rapid inflation that is quickly eroding workers' purchasing power, and would put Maryland in line with other high-cost states and cities that are reaching \$15 sooner, or even looking beyond \$15. The majority of workers in New York State are already covered by a \$15 minimum wage, with areas upstate projected to reach \$15 in the next couple of years. Connecticut and Massachusetts are set to reach \$15 an hour by 2023. In California, where the minimum wage is already \$15 an hour for employers with 26 or more employees,<sup>1</sup> voters will have a chance to vote on ballot measure that would raise that state's minimum wage to \$18 an hour.<sup>2</sup> And neighboring Washington D.C.'s minimum wage is already over \$15 an hour, and will be over \$16 an hour in July 2022.<sup>3</sup>

## **Eliminating the Board of Public Works authority to suspend wage increases helps ensure workers do not continue to fall further behind**

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NELP strongly supports eliminating the "pause button" provision from Maryland's minimum wage law that allows the Board of Public Works to suspend increases in the wage rate. As detailed below, a strong minimum wage floor is vital for workers' economic security, racial and gender justice, and especially now, helping workers weather rapidly rising costs that make it even harder to make ends meet. At all times, economic policy should be focused on improving workplace conditions like increasing wages, not providing an avenue through which the State can revoke on what workers won and expect. This is especially true now, as COVID-19 has forced front-line workers to bear the brunt of unsafe workplace conditions, unstable employment and inadequate compensation.

As a Maryland Center for Economic Policy analysis found, if Maryland had frozen its minimum wage rate last year, it would have cost the typical worker earning low wages more than \$7,000 in lost wages by 2026, or more than \$14,000 by 2027.<sup>4</sup> What's more, these harms would have had a disproportionate effect on workers of color, and would have weakened consumer spending.<sup>5</sup>

## **An accelerated timeline to a \$15 minimum wage will put Maryland on a faster path toward greater racial and gender justice**

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Although a \$15 minimum wage benefits workers of all racial, ethnic and gender categories, women and workers of color benefit the most. These workers are over-represented among those earning low wages,<sup>6</sup> and have been among the most impacted by the pandemic.<sup>7</sup> Hence, adopting a faster timeline to a \$15 minimum wage would put Maryland on a faster path to greater racial and gender equity.

In 2018, the Maryland Center on Economic Policy (MDCEP) estimated that workers benefiting from a \$15 minimum wage are:<sup>8</sup>

- 55 percent female.
- 50 percent workers of color—despite comprising only 44 percent of Maryland’s total workforce.
  - In fact, roughly one-quarter of *all* African American and Latinx workers would benefit, compared to just 20 percent of white workers.
- 90 percent adults 20 or older—and in fact, a full 70 percent are over 25 years old.
- 64 percent full-time workers.
- 50 percent graduates with a post-secondary degree, or workers with some college education but no degree.
- 31 percent single or married parents raising 273,000 of Maryland’s dependent children.
- 35 percent living in or near poverty.

## **Inflation is at its highest point in four decades, but wages have not been rising fast enough, leaving low-income families increasingly vulnerable to poverty**

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Much has been made about the “Great Resignation” and its positive impact on wages. But while workers’ wages have grown nominally during the pandemic, record-high inflation have erased those modest gains.

In the 12 months through January (the latest available data), the consumer price index rose 7.5 percent for all items<sup>9</sup>—a 40-year high.<sup>10</sup> During the same time, *real hourly earnings*—earnings that account for inflation—in the private sector *fell 1.7 percent* for all workers, and 1.3 percent for production and non-supervisory workers.<sup>11</sup> This is despite an increase in nominal average wages in the private sector from \$29.93 percent in January 2021 to \$31.63 in January 2022 for all workers,<sup>12</sup> and from \$25.18 to \$26.92 for production and non-supervisory workers.<sup>13</sup>

Inflation affects us all, but it is particularly harmful to low-income households, whose already tight budgets leave no room for adjustments. While energy prices have been leading the recent spike in inflation (rising 27.0 percent since last January), the price of groceries has tracked overall inflation, rising 7.4 percent over the same period,<sup>14</sup> leading to reports of higher food insecurity.<sup>15</sup> Rents have also increased at a fast pace in many regions of the country<sup>16</sup>—including Baltimore, where it rose by nearly 11 percent over the past year<sup>17</sup>—further squeezing budgets and putting families at risk of homelessness.

The full impact of inflation on low-income families is yet to be determined. But pre-pandemic research suggests that it may lead to higher levels of poverty—particularly among people of color<sup>18</sup>—and to the widening or reinforcing of income inequality.<sup>19</sup>

## **Decades of research on the minimum wage shows that higher wage floors boost workers’ incomes without adverse employment effects**

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Decades of pre-pandemic research shows that the minimum wage raises the incomes of underpaid workers without affecting their employment. In fact, two meta-analyses—the analysis and synthesis of independent studies—on minimum wage research found close to zero impact on employment.<sup>20</sup>

The pandemic has not called this near consensus into question. In fact, during the early months of the pandemic, we witnessed jobs numbers drop to record lows as state and local governments imposed lockdowns to contain the spread of the virus. And as economies began to open back up in mid-2020, we saw more and more employers attempt to rebuild their workforce by raising wages<sup>21</sup>—showing in real time that higher pay does not automatically lead to disemployment effects, and in fact, they can be a boon to workers and employers alike.

## **The pandemic has shown that businesses can afford to pay more and still be profitable; and that raising the wage floor helps ensure that small businesses are not at a competitive disadvantage**

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Before the pandemic, large corporations and their lobbyists fought tooth and nail to defeat even the most modest of minimum wage proposals.<sup>22</sup> Today, many of those same businesses are offering higher hourly wages—as high as \$25 in some instances<sup>23</sup>—in the attempt to recruit and retain workers in an upended labor market. Far from suffering adverse effects due to higher labor costs, many of these employers are posting healthy profits.<sup>24</sup>

The contrast between powerful employers' advocacy against higher minimum wages and their actions shows that employers can pay more, but many choose not to do so unless compelled. And recent data on earnings and profits shows that higher wage floors are compatible with thriving businesses. This is true for large employers as for small ones.

The advocacy group, Business for a Fair Minimum Wage (BFMW), warns that “Small businesses using lower minimum wage rates would have a harder time hiring and retaining employees, and see an increase in costly turnover. Lower minimum wages for small businesses would undermine the customer service that helps keep small businesses competitive.”<sup>25</sup> BFMW also warns that lower wages would also reduce worker productivity and morale, and limit the purchasing power of workers (who are also customers), thereby impacting the viability of small businesses.<sup>26</sup> While businesses of any size can experience the adverse effects of low wages, the impacts seem to be greater for small businesses—as the pandemic is making it clear<sup>27</sup>—in great part because small businesses have fewer resources than large businesses to cope with the unintended consequences of adopting a low-wage business model.<sup>28</sup>

## **Recommendations**

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For the reasons discussed above, NELP supports SB 721 and urges a FAVORABLE report.

## **Endnotes**

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<sup>1</sup> Yannet Lathrop, “Raises from Coast to Coast in 2022,” National Employment Law Project (December 2021), available at <https://www.nelp.org/publication/raises-from-coast-to-coast-in-2022/>, also showing that, in all, 33 cities and counties now have wages above \$15 an hour, and 11 more will surpass \$15 later in 2022.

<sup>2</sup> Ballotpedia, *California \$18 Minimum Wage Initiative (2022)*, [https://ballotpedia.org/California \\$18 Minimum Wage Initiative \(2022\)](https://ballotpedia.org/California_$18_Minimum_Wage_Initiative_(2022)). Accessed March 9, 2022.

<sup>3</sup> District of Columbia Department of Employment Services, Office of Wage-Hour Compliance, <https://does.dc.gov/service/office-wage-hour-compliance-0>. Accessed March 9, 2022.

<sup>4</sup> Maryland Center for Economic Policy, “We Must Keep Our Promises to the Low-Wage Workers Who Keep Maryland Communities Going,” (June 2020), available at <http://www.mdeconomy.org/wp-content/uploads/2020/06/MDCEP-Minimum-Wage-Freeze-Memo-.pdf>.

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<sup>5</sup> Ibid.

<sup>6</sup> Economic Policy Institute and the National Employment Law Project, *Why the U.S. Needs a \$15 Minimum Wage*, January 26, 2021, <https://www.epi.org/publication/why-america-needs-a-15-minimum-wage/>.

<sup>7</sup> Hye Jin Rho, Hayley Brown, and Shawn Fremstad, *A Basic Demographic Profile of Workers in Frontline Industries*, Center for Economic and Policy Research, April 2020, <https://cepr.net/wp-content/uploads/2020/04/2020-04-Frontline-Workers.pdf>.

<sup>8</sup> Christopher Meyer, *What a \$15 Minimum Wage Would Mean for Maryland*, Maryland Center on Economic Policy, February 2018, [http://www.mdeconomy.org/wp-content/uploads/2018/02/MDCEP\\_FF15\\_report-2.pdf](http://www.mdeconomy.org/wp-content/uploads/2018/02/MDCEP_FF15_report-2.pdf).

<sup>9</sup> Bureau of Labor Statistics, “Consumer Prices Up 7.5 Percent Over Year Ended January 2022,” *TED: The Economics Daily*, February 16, 2022, <https://www.bls.gov/opub/ted/2022/consumer-prices-up-7-5-percent-over-year-ended-january-2022.htm>.

<sup>10</sup> Andrew Van Dam and Rachel Siegel, “Prices Climbed 7.5% in January, Compared with Last Year, Continuing Inflation’s Fastest Pace in 40 Years,” *The Washington Post*, February 10, 2022, <https://www.washingtonpost.com/business/2022/02/10/cpi-inflation-january/>.

<sup>11</sup> Bureau of Labor Statistics, “Real Average Weekly Earnings Down 3.1 Percent Over the 12 Months Ending January 2022,” *TED: The Economics Daily*, February 17, 2022, <https://www.bls.gov/opub/ted/2022/real-average-weekly-earnings-down-3-1-percent-over-the-12-months-ending-january-2022.htm>.

<sup>12</sup> Bureau of Labor Statistics, “Table B-3. Average Hourly and Weekly Earnings of All Employees on Private Nonfarm Payrolls by Industry Sector, Seasonally Adjusted,” *The Employment Situation—January 2022* [News Release], February 4, 2022, <https://www.bls.gov/news.release/pdf/empsit.pdf>.

<sup>13</sup> Ibid., “Table B-8. Average Hourly and Weekly Earnings of Production and Nonsupervisory Employees on Private Nonfarm Payrolls by Industry Sector, Seasonally Adjusted.”

<sup>14</sup> Bureau of Labor Statistics, Consumer Price Index Summary [Economic News Release], February 10, 2022, <https://www.bls.gov/news.release/cpi.nr0.htm>.

<sup>15</sup> National Public Radio, “How Inflation Affects Food Insecurity,” *All Things Considered*, January 16, 2022, <https://www.npr.org/2022/01/16/1073505129/how-inflation-affects-food-insecurity>.

<sup>16</sup> Abha Bhattarai, “Rents Are Up More than 30 Percent in Some Cities, Forcing Millions to Find Another Place to Live,” *The Washington Post*, January 30, 2022, <https://www.washingtonpost.com/business/2022/01/30/rent-inflation-housing/>.

<sup>17</sup> Lily Katz and Tim Ellis, *Rental Market Tracker: Rents Rise 14% in December—Biggest Jump in Over Two Years*, Redfin, January 21, 2022, <https://www.redfin.com/news/redfin-rental-report-december-2021/>.

<sup>18</sup> Christopher Wimer, Sophie Collyer and Xavier Jaravel, *The Costs of Being Poor: Inflation Inequality Leads to Three Million More People in Poverty*, Groundwork Collaborative and the Center on Poverty and Social Policy at Columbia University, November 2019, <https://groundworkcollaborative.org/wp-content/uploads/2019/11/The-Costs-of-Being-Poor-Groundwork-Collaborative.pdf>.

<sup>19</sup> Adewale Maye, *How Inflation Reinforces Economic Disparities*, The Center for Law and Social Policy, November 7, 2019, <https://www.clasp.org/blog/how-inflation-reinforces-economic-disparities>.

<sup>20</sup> See summary of minimum wage research in Yannet Lathrop, “Overview of the Economic Research on the Impact of Minimum Wage Increases,” *In Support of a \$15 Minimum Wage in New Hampshire* [Testimony],

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National Employment Law Project, February 20, 2019, <https://s27147.pcdn.co/wp-content/uploads/NELP-Testimony-in-Support-of-15-New-Hampshire.pdf#page=14>.

<sup>21</sup> Yannet Lathrop, op. cit., available at <https://s27147.pcdn.co/wp-content/uploads/Raises-From-Coast-to-Coast-in-2022-report.pdf#page=17>.

<sup>22</sup> Yannet Lathrop, “The Fight for \$15: Past, Present, and Future,” *The Forge*, April 14, 2021, <https://forgeorganizing.org/article/fight-15-past-present-and-future>.

<sup>23</sup> Yannet Lathrop, “Table 4. Employers That Raised Wages to \$15 or More During COVID-19 Pandemic (April 2020 to Present),” *Raises from Coast to Coast in 2022*, National Employment Law Project, December 2021, <https://s27147.pcdn.co/wp-content/uploads/Raises-From-Coast-to-Coast-in-2022-report.pdf#page=17>.

<sup>24</sup> See for example, Karen Weise, “Amazon’s Profit Soars 220 Percent as Pandemic Drives Shopping Online,” *The New York Times*, April 29, 2021 [updated May 12, 2021], <https://www.nytimes.com/2021/04/29/technology/amazons-profits-triple.html>; Amanda Holpuch, “Pandemic Profits: Top US Health Insurers Make Billions in Second Quarter,” *The Guardian*, August 6, 2021, <https://www.theguardian.com/us-news/2021/aug/06/us-healthcare-insurance-covid-19-coronavirus>; John Cassidy, “Wall Street’s Pandemic Bonanza,” *The New Yorker*, January 18, 2022, <https://www.newyorker.com/news/our-columnists/wall-streets-pandemic-bonanza>; Matt Phillips, “Corporate America’s Incredibly Profitable Pandemic,” January 14, 2022, <https://www.axios.com/corporate-america-earnings-profit-wall-street-8ddf9e3a-4f41-4f51-a002-312b27b3a35d.html>; and Molly Kinder, Laura Stateler and Julia Du, “Windfall Profits and Deadly Risks: How the Biggest Retail Companies are Compensating Essential Workers During the COVID-19 Pandemic,” *Brookings Institute*, November 2020, <https://www.brookings.edu/essay/windfall-profits-and-deadly-risks/>.

<sup>25</sup> Holly Sklar and Alissa Barron-Menza, *Raising the Minimum Wage to \$15 Helps Small Businesses*, Business for a Fair Minimum Wage, February 24, 2021, <https://www.businessforafairminimumwage.org/sites/default/files/BFMW%20Raising%20Min%20Wage%20Helps%20Small%20Business%20Feb%2024%202021.pdf>.

<sup>26</sup> Ibid.

<sup>27</sup> Score, “Small Businesses Struggle to Hire and Retail Employees as Pandemic Impacts Linger,” *PR Newswire*, September 21, 2021, <https://www.prnewswire.com/news-releases/small-businesses-struggle-to-hire-and-retain-employees-as-pandemic-impacts-linger-301381236.html>.

<sup>28</sup> Holly Sklar and Alissa Barron-Menza, op. cit.