

## **Testimony of Laura Huizar**

National Employment Law Project

# **On SB 543, Which Would Raise Maryland's Minimum Wage to \$15**

---

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

March 8, 2018

**Laura Huizar**  
Staff Attorney

---

**National Employment Law Project**  
2040 S. Street, Lower Level  
Washington, D.C. 20009

(202) 640-6521  
lhuizar@nelp.org

Thank you, Sen. Thomas M. Middleton and members of the Senate Finance Committee for the opportunity to submit written testimony on SB 543, “Labor and Employment – Payment of the Minimum Wage Required (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 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 Laura Huizar, 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 support of SB 543. A \$15 minimum wage would raise pay for 573,000 low-wage Maryland workers. 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.<sup>1</sup>
- 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 \$19,240 a year working full-time under the state’s current minimum wage.<sup>2</sup>

## **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.<sup>3</sup>

- More than half (55 percent) of low-wage workers in Maryland who would benefit from a \$15 minimum wage are women.<sup>4</sup>
- 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.<sup>5</sup>
- The majority (64 percent) of low-wage workers in Maryland who would benefit from a \$15 minimum wage work full-time.<sup>6</sup>
- 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.<sup>7</sup>
- Nearly one-third (31 percent) of workers who would benefit from a \$15 minimum wage are parents to 273,000 of Maryland's children.<sup>8</sup>
- About 800,000 (17 percent) of Maryland's working families live in or near poverty, and 13 percent receive Food Stamps.<sup>9</sup>

### **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,<sup>10</sup> and more than 20 states have adopted minimum wage increases. These cities and counties include places like Santa Fe, NM, Washington, DC, Chicago, IL, Portland, ME, and Flagstaff, AZ.<sup>11</sup>
- Last year, Montgomery County joined two states (California and New York), Washington DC, and 24 other cities and counties that have adopted \$15 minimum wage laws.<sup>12</sup> Once they are phased in, these measures will deliver annual increases between \$2,859 and \$6,614 for nearly 10 million workers.<sup>13</sup>
- More states and cities are now looking to follow their lead. In Massachusetts, legislators are considering legislation that would raise the state's wage floor to \$15 and also gradually eliminate the sub-minimum tipped wage. Legislative leaders in several other states and localities, including Connecticut, Rhode Island, Vermont, New Jersey, Pennsylvania, Missouri, Nevada, Hawaii and St. Paul, Minnesota, are considering similar proposals.<sup>14</sup>

## 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

---

- In other states that have already approved \$15 minimum wages, business organizations representing more than 32,000 small businesses have endorsed the \$15 minimum wage or, in some cases, simply not opposed it. These include the Greater New York Chamber of Commerce (endorsed),<sup>15</sup> the Brooklyn Chamber of Commerce (endorsed),<sup>16</sup> the Northeast Organic Farmers Association – New York Chapter (endorsed),<sup>17</sup> the Long Island and Westchester/Putnam African-American Chambers of Commerce (endorsed),<sup>18</sup> the Restaurant Association of Metropolitan Washington (endorsed),<sup>19</sup> the Golden Gate Restaurant Association (did not oppose),<sup>20</sup> and others.
- 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.”<sup>21</sup>
- 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.”<sup>22</sup>
- In Flagstaff, Arizona, where voters in November 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.”<sup>23</sup>
- 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.<sup>24</sup>

## 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 \$62 billion in total.<sup>25</sup>
- 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.<sup>26</sup>
- **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.<sup>27</sup>

Another much-publicized Seattle study reached a conflicting conclusion, suggesting that the increase had cost jobs. But the conflicting study has come 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.<sup>28</sup>

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, Seattle has an unemployment rate of just 3.8 percent, lower than both, Washington State and the U.S unemployment rates. As *Forbes* reported last year, “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.”<sup>29</sup>

- **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 \$14, and it will increase to \$15 in July of this year. While an updated study of the impact of the city’s higher wage floor is expected in the coming months, 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 3 percent in October 2017 from 5.7 percent in July 2014—the year in which the city adopted its \$15 minimum wage. 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.<sup>30</sup>
- **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.”<sup>31</sup>
- 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.<sup>32</sup>

- 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.<sup>33</sup>

## **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.<sup>34</sup>
- 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.<sup>35</sup>
- 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.”<sup>36</sup>
- Last year, 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.<sup>37</sup>
- Another 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. 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.<sup>38</sup>

## 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.<sup>39</sup> 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.<sup>40</sup> 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 workers<sup>41</sup> 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.<sup>42</sup> 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.<sup>43</sup>
- Last year, U.S. Senator Bernie Sanders, introduced a \$15 minimum wage bill, the Raise the Wage Act (S.1242), which was co-sponsored by 32 other Senators, including Senators Chris Van Hollen and Ben Cardin. Its companion bill in the U.S. House of Representatives (H.R.15) was similarly strongly received, with more than 160 co-sponsors, including Representatives Steny Hoyer, Jamie Raskin, Elijah Cummings, John Delaney, John Sarbanes, Anthony Brown, and C.A. Dutch Ruppersberger. The Raise the Wage Act, S.1242/H.R.15, would raise the federal minimum wage to \$15 and also gradually phase out the sub-minimum tipped wage nationwide.<sup>44</sup>
- 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.<sup>45</sup> During the period covered by the BLS data, the applicable minimum wage in Maryland was between \$7.25 and \$8.75 per hour,<sup>46</sup> 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 servers, 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.<sup>47</sup>
- 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.<sup>48</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 36 percent of non-tipped workers.<sup>49</sup> 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.

## **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.<sup>50</sup>
- 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.<sup>51</sup> 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.<sup>52</sup>

## **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 were expected to reach \$799 billion in 2017, a 4.3 percent increase over 2016.<sup>53</sup> In Maryland, restaurant sales were expected to reach \$12 billion this year. 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.<sup>54</sup>
- 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 10.6 percent during the 2017–2027 period.<sup>55</sup> In California, the minimum wage is now \$10.50 per hour for small employers (25 or fewer employees) and \$11.00 for large employers (26 or more employees), and the minimum wage will reach \$15 for all employers by 2023.<sup>56</sup> In Oregon, where the minimum wage is currently between \$10 and \$11.25 and will increase to between \$12.50 and \$14.75 by 2022,<sup>57</sup> and which has no tipped sub-minimum wage, restaurant employment is projected to grow by 13.2 percent during that same period.<sup>58</sup> And in Washington State, where the minimum wage is \$11.50<sup>59</sup> and will increase to \$13.50 by 2020,<sup>60</sup> restaurant employment growth during the same period is expected to grow by 11.8 percent.<sup>61</sup> 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.<sup>62</sup>
- 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.”<sup>63</sup>

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

---

- SB 543 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.<sup>64</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 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.<sup>65</sup>
- In December 2017, *The Intercept* published a leaked memo by the well-known corporate lobbyist Rick Berman.<sup>66</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 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.<sup>67</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>68</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**

---

- Economists from the University of California-Berkeley 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>69</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>70</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>71</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>72</sup>
- In 2015, the University of California-Berkeley economists published a follow-up paper<sup>73</sup> that analyzed wage and employment data for teens from 1979 to 2014 and responded to a critique of their work by economists David Neumark (a University of California-Irvine economist), Ian Salas, and William Wascher.<sup>74</sup> In a 2014 study, the latter had found that minimum wage increases led to large negative effects on teen employment.

But as the Berkeley economists demonstrate in their 2015 response (and in their 2017 update of the same, which was accepted for publication in the acclaimed peer-reviewed journal, *IRL Review*), these observations are the result of flaws in the methodology employed by Neumark, Salas and Wascher—namely, their use of a “two-way fixed-effects” model that incorrectly assumes parallel trends across states, without due consideration to regional variation.

- As the Berkeley economists show, Neumark et al err when they make a simple comparison between states that increased the minimum wage and states that did not, in order to gauge the effects of minimum wage policy on teen employment. As a result, the Irvine economists do not effectively control for employment trends that are observable at the regional rather than the state level, and which had already been taking place in the years before minimum wage increases occurred. Without effective controls for those variables, pre-existing economic trends can be confused for the true effects of minimum wage policy, leading to the false conclusion that minimum policies are the cause of any observed disemployment effects.
- Having identified the problems with the analysis by Neumark et al, the Berkeley economists avoid making similar mistakes by assuming regional variations and adopting a richer set of controls, including local controls to address the analytical challenges posed by non-random regional wage policy patterns and economic trends. Moreover, they check the accuracy of their findings by employing differing controls and techniques, in order to ensure that their conclusions are, in fact, reflective of the true effects of minimum wage policies on employment. Using this diversity of methods, controls, and accuracy checks, the Berkeley economists are able to again conclude with confidence that the “employment effect of U.S. minimum wage policies on low-wage employment to date have been fairly small.”<sup>75</sup>

## **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.<sup>76</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>77</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>78</sup>

## **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).<sup>79</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

---

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).
11. Raisetheminimumwage.com, Minimum Wage by State, <http://raisetheminimumwage.com/minimum-wage-state/> (last viewed Feb. 23, 2018).
12. Ibid.
13. For California (including cities and counties), New York, Washington, DC, SeaTac, Washington, and Seattle, Washington, see Tables 4 and 5 of National Employment Law Project, *Fight for \$15: Four Years, \$62 Billion*, Dec. 2016, <http://www.nelp.org/content/uploads/Fight-for-15-Four-Years-62-Billion-in-Raises.pdf>. For Minneapolis, see David Cooper, *Estimated Effects of Minneapolis Minimum Wage Increase to \$15 by 2022*, Economic Policy Institute, Dec. 2017, <http://www.epi.org/chart/minneapolis-minimum-wage-table-1-estimated-effects-of-minneapolis-minimum-wage-increase-to-15-by-2022/> (based on these estimates, NELP calculates that affected Minneapolis workers will receive a total annual increase of \$4,480 at the end of the phase-in period).
14. Yannet Lathrop, *Raises from Coast to Coast in 2018: Workers in 18 States and 19 Cities and Counties Seeing Minimum Wage Increases on January 1, Many of Them to Rates of \$12 to \$15 an Hour*, National Employment Law Project, Dec. 2017, <http://www.nelp.org/publication/raises-from-coast-to-coast-in-2018-minimum-wage-increases/>. See also Associated Press, "Connecticut Democrats Plan to Push for Higher Minimum Wage," *WTNH News 8*, Feb. 6, 2018, <http://wtnh.com/2018/02/06/connecticut-democrats-plan-to-push-for-higher-minimum-wage/>; Steve Ahiquist, "Announcing the Campaign for a \$15 Minimum Wage and Fair Wages," *Uprise RI*, Jan. 30, 2018, <https://upriseri.com/news/economics/minimum-wage/2018-01-30-minimum-wage-fair-wage/>; Bob Kinzel, "Vermont Senate to Vote on Bill Boosting State Minimum Wage to \$15 and Hour," *VPR News*, Feb. 6, 2018, <http://digital.vpr.net/post/vermont-senate-vote-bill-boosting-state-minimum-wage-15-hour#stream/0>; "Legislation would Raise Pennsylvania's Minimum Wage," *Gant News*, Feb. 7, 2018, <https://gantdaily.com/2018/02/07/legislation-would-raise-pennsylvanias-minimum-wage/>.
15. Office of the Governor of New York, *Governor Cuomo, Joined by Vice President Biden, Announces Push to Raise New York's Minimum Wage to \$15 an Hour*, Sept. 10, 2015, <https://www.governor.ny.gov/news/governor-cuomo-joined-vice-president-biden-announces-push-raise-new-yorks-minimum-wage-15-hour>.
16. Paula Katinas, "Chamber Brings Brooklyn Business Concerns to Albany," *Brooklyn Daily Eagle*, Mar. 16, 2016, <http://www.brooklyneagle.com/articles/2016/3/16/chamber-brings-brooklyn-business-concerns-albany>.
17. Elizabeth Henderson, "\$15 Minimum: Good for Farmers," *Morning AgClips*, Mar. 22, 2016, <https://www.morningagclips.com/15-minimum-good-for-ny-farmers/>.
18. Phil Andrews, "A \$15 Minimum Wage is Good for Long Island Businesses," *The Huffington Post*, Mar. 24, 2016, [http://www.huffingtonpost.com/phil-andrews/long-island-15-minimum-wage\\_b\\_9538916.html](http://www.huffingtonpost.com/phil-andrews/long-island-15-minimum-wage_b_9538916.html).

- 
19. Martin Austermuhle, "D.C. Takes First Step Towards \$15 Minimum Wage," *WAMU 88.5*, June 7, 2016, [http://wamu.org/story/16/06/07/dc\\_takes\\_first\\_step\\_towards\\_15\\_minimum\\_wage/](http://wamu.org/story/16/06/07/dc_takes_first_step_towards_15_minimum_wage/).
  20. Samantha Higgins, Golden Gate Restaurant Association, "The State of the Industry: An Update from GGRA's Executive Director," Apr. 20, 2016, <http://ggra.org/the-state-of-the-industry-an-update-from-ggras-executive-director/>.
  21. Benjamin Snyder, "The CEO of Popeyes Has a Surprising Stance on the \$15 Wage," *Fortune*, Nov. 13, 2015, <http://fortune.com/2015/11/13/popeyes-minimum-wage-fast-food/>.
  22. Lydia DePillis, "Businesses are Getting Steamrolled on the Minimum Wage. Here's why," *Washington Post*, July 24, 2015, [https://www.washingtonpost.com/news/wonk/wp/2015/07/24/businesses-are-getting-steamrolled-on-the-minimum-wage-heres-why/?utm\\_term=.378b0204cb4e](https://www.washingtonpost.com/news/wonk/wp/2015/07/24/businesses-are-getting-steamrolled-on-the-minimum-wage-heres-why/?utm_term=.378b0204cb4e).
  23. Emery Cowan, "Slim Margins: Higher Wages Would Benefits Restaurant Workers, but Force Tough Cuts for Owners," *Arizona Daily Sun*, Aug. 28, 2016, [http://azdailysun.com/news/local/slim-margins-higher-wages-would-benefit-restaurant-workers-but-force/article\\_760314d0-6293-59f1-99e5-5382ade5b815.html](http://azdailysun.com/news/local/slim-margins-higher-wages-would-benefit-restaurant-workers-but-force/article_760314d0-6293-59f1-99e5-5382ade5b815.html).
  24. Sam Harnett, "Fast Food CEO Says Higher Minimum Wage Boosts Business," *KQED News*, Jan. 3, 2017, <https://ww2.kqed.org/news/2017/01/03/minimum-wage-goes-up-and-so-does-business-thats-what-this-fast-food-ceo-says-happened/>.
  25. Yannet Lathrop, op. cit.
  26. National Employment Law Project, *The Case for a \$15 Minimum Wage in Maryland*, op. cit.
  27. Ibid.
  28. Ibid.
  29. Ibid.
  30. Ibid.
  31. Ibid.
  32. Ibid.
  33. Ibid.
  34. Ibid.
  35. Ibid.
  36. Ibid.
  37. Ibid.
  38. Doruk Cengiz, Arindrajit Dube, Attila Lindner, Ben Zipperer, *The Effect of Minimum Wages on the Total Number of Jobs: Evidence from the United States Using a Bunching Estimator*, Society of Labor Economists, Apr. 2017, <http://www.sole-jole.org/17722.pdf>. (Updated Dec. 2017 version can be accessed from the American Economic Association, <https://www.aeaweb.org/conference/2018/preliminary/1530>).
  39. William G. Whitaker, *The Tip Credit Provisions of the Fair Labor Standards Act*, Congressional Research Service, Report for Congress, Order Code RL33348, Mar. 24, 2006, <http://www.mit.edu/afs.new/sipb/contrib/wikileaks-crs/wikileaks-crs-reports/RL33348.pdf>.
  40. Ibid.
  41. Ibid.
  42. Restaurant Opportunities Centers United (ROC) and the National Employment Law Project (NELP), *The Case for Eliminating the Tipped Minimum Wage in Washington, D.C.*, May 2016, <http://www.nelp.org/content/uploads/Report-Case-Eliminating-Tipped-Minimum-Wage-Washington-DC.pdf>.
  43. Hawaii currently allows employers to take a 75 cent tip credit when employees earn \$16.25 or more an hour in base wage plus tips. In 2018, the minimum wages plus tips threshold will rise to \$17.10. See State of Hawaii Department of Labor and Industrial Relations, *Notice to Employees: Tip Credit under the Hawaii Wage and Hour Law*, June 2014, <http://labor.hawaii.gov/wsd/files/2014/06/Tip-Credit-Notice-with-exhibits-June-2014.pdf>.
  44. *Raise the Wage Act*, S.1242, 115<sup>th</sup> Congress (2017-2018), <https://www.congress.gov/bill/115th-congress/senate-bill/1242/cosponsors>. See also *Raise the Wage Act*, H.R.15, 115<sup>th</sup> Congress (2017-2018), <https://www.congress.gov/bill/115th-congress/house-bill/15/cosponsors>.
  45. Bureau of Labor Statistics, U.S. Department of Labor, *May 2016 State Occupational Employment and Wage Estimates, Maryland*, revised Mar. 31, 2017, [https://www.bls.gov/oes/current/oes\\_md.htm](https://www.bls.gov/oes/current/oes_md.htm).
  46. Wage and Hour Division, U.S. Department of Labor, *Changes in Basic Minimum Wages in Non-Farm Employment Under State Law: Selected Years 1968 to 2016*, revised December 2016, <https://www.dol.gov/whd/state/stateMinWageHis.htm>.
  47. ROC and NELP, *The Case for Eliminating the Tipped Minimum Wage in Washington, D.C.*, op. cit.
  48. Sylvia A. Allegretto and David Cooper, *Twenty-three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage*, Economic Policy Institute, July 2014, <https://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/>. According to this analysis, the poverty rate of non-tipped workers is 6.5 percent, while it is 12.8 percent for tipped workers and 14.9 percent for waiters and bartenders. Ibid.
  49. Ibid.
  50. ROC and NELP, *The Case for Eliminating the Tipped Minimum Wage in Washington, D.C.*, op. cit.
  51. National Economic Council, the Council of Economic Advisers, the Domestic Policy Council, and the Department of Labor, *The Impact of Raising the Minimum Wage on Women: And the Importance of Ensuring a Robust Tipped Minimum Wage*, Mar. 2014, <https://obamawhitehouse.archives.gov/sites/default/files/docs/20140325minimumwageandwomenreportfinal.pdf>.
  52. Ibid.

- 
53. National Restaurant Association, *2017 National Restaurant Association Restaurant Industry Outlook*, [https://www.restaurant.org/Downloads/PDFs/News-Research/2017\\_Restaurant\\_outlook\\_summary-FINAL.pdf](https://www.restaurant.org/Downloads/PDFs/News-Research/2017_Restaurant_outlook_summary-FINAL.pdf).
  54. National Restaurant Association, *Maryland: Restaurant Industry at a Glance*, [http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/MD\\_Restaurants2016.pdf](http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/MD_Restaurants2016.pdf).
  55. National Restaurant Association, *California: Restaurant Industry at a Glance*, [http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/CA\\_Restaurants2016](http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/CA_Restaurants2016).
  56. Department of Industrial Relations, State of California, *Minimum Wage*, December 2016, [https://www.dir.ca.gov/dlse/faq\\_minimumwage.htm](https://www.dir.ca.gov/dlse/faq_minimumwage.htm).
  57. Bureau of Labor and Industries, State of Oregon, *Oregon Minimum Wage*, <http://www.oregon.gov/boli/WHD/OMW/Pages/Minimum-Wage-Rate-Summary.aspx>.
  58. National Restaurant Association, *Oregon: Restaurant Industry at a Glance*, [http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/OR\\_Restaurants2016](http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/OR_Restaurants2016).
  59. Washington State Department of Labor and Industries, *Minimum Wage*, <http://www.lni.wa.gov/WorkplaceRights/Wages/Minimum/default.asp>.
  60. Washington State Department of Labor and Industries, *Initiative 1433: An Overview of the New Minimum Wage and Paid Sick Leave Requirements*, <http://www.lni.wa.gov/WorkplaceRights/Wages/Minimum/1443.asp>.
  61. National Restaurant Association, *Washington: Restaurant Industry at a Glance*, [http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/WA\\_Restaurants2016](http://www.restaurant.org/Downloads/PDFs/State-Statistics/2016/WA_Restaurants2016).
  62. ROC and NELP, *The Case for Eliminating the Tipped Minimum Wage in Washington, D.C.*, op. cit. Refers to the period, 2016–2026.
  63. Michael Lynn and Christopher Boone, *Have Minimum Wage Increases Hurt the Restaurant Industry? The Evidence Says No!*, Cornell Hospitality Report, Vol. 15, No. 22 (2015), <http://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1000&context=chrreports>.
  64. Md. Code Ann., Lab. & Empl. § 3-413(d).
  65. Ibid.
  66. Lee Fang & Nick Surgey, "Fearing 2018 Democratic Wave, Right-Wing Lobbyists Are Mobilizing Against a \$15 Minimum Wage Push," *The Intercept*, Dec. 14, 2007, <https://theintercept.com/2017/12/14/minimum-wage-rick-berman-democrats/>.
  67. 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/>.
  68. U.S. Department of Education, *Profile of Undergraduate Students, 2011–2012 (Oct. 2014)* at 5, <http://nces.ed.gov/pubs2015/2015167.pdf>.
  69. 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>.
  70. Ibid.
  71. Ibid.
  72. Bloomberg View Editorial Board, "Raise the Minimum Wage," *Bloomberg*, Apr. 18, 2012, <http://www.bloombergview.com/articles/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise>.
  73. Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer, *Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas and Wascher*, IRLE Institute for Research on Labor and Employment, Sept. 2015, <http://irle.berkeley.edu/files/2015/Credible-Research-Designs-for-Minimum-Wage-Studies.pdf>.
  74. David Neumark, J. M. Ian Salas and William Wascher, "Revisiting the Minimum Wage and Employment Debate: Throwing out the Baby with the Bathwater?," *Industrial and Labor Relations Review*, 67 (Supplement): 608-48, 2014a.
  75. Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer, op. cit.
  76. 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>.
  77. Sylvia Allegretto, Arindrajit Dube and Michael Reich, op. cit.
  78. Anne Thompson, National Employment Law Project, *What is Causing Record-High Teen Unemployment?*, Oct. 2011.
  79. 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>.

© 2018 National Employment Law Project. This report is covered by the Creative Commons "Attribution-NonCommercial-NoDerivs" license fee (see <http://creativecommons.org/licenses>). For further inquiries, please contact NELP ([nelp@nelp.org](mailto:nelp@nelp.org)).