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RAISING THE MARYLAND MINIMUM WAGE WILL BENEFIT NEARLY HALF A MILLION WORKERS AND MODESTLY BOOST THE STATE'S ECONOMY

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Since the end of the Great Recession, Maryland's economy has slowly healed. The state has gained back all of the jobs lost in the downturn, and Maryland's unemployment rate of 6.1 percent is down significantly from its high of 8.0 percent in early 2010. Yet despite this improvement, there are still considerable challenges facing Maryland workers and families. Population growth since December 2007 means that the state needs to create more than 180,000 jobs just to get back to the unemployment rate preceding the recession.^[i] Furthermore, wages have fallen significantly for the majority of Maryland workers, particularly for low-wage workers – real wages at the 20th percentile declined by a nation-leading \$1.24 since 2009. Raising Maryland's minimum wage would combat these downward wage trends and put much-needed money in the pockets of low-income workers who are likely to spend that additional

income right away. Given current economic conditions, where tepid consumer demand is holding back employment growth, this additional consumer spending would provide a modest, but meaningful boost to Maryland's economy.

The **Maryland Minimum Wage Act of 2014** (SB 331 and HB 295), **similar to a proposal we analyzed last year**, would raise Maryland's minimum wage from the current \$7.25 per hour to \$10.10 per hour by 2016. It would also increase the tipped minimum wage from 50 percent to 70 percent of the full minimum wage, and index both wage rates to rise automatically with the cost of living. The data show that this proposal would improve the well-being of thousands of working families in Maryland, while injecting almost half a billion dollars into the economy.

This analysis provides an overview of the economic impact and demographic details of the workers who would benefit from the proposed increase in the minimum wage, examining their gender, age, race and ethnicity, educational attainment, work hours, family composition, and other characteristics. It also details the estimated economic activity and job-creation impacts that would result from raising the Maryland minimum wage to \$10.10.

Key findings include:

- Increasing the Maryland minimum wage to \$10.10 by July 2016 would raise the wages of nearly half a million (455,000) Maryland workers. These workers would receive \$721 million in additional wages over the phase-in period.
- The increased wages would generate more than \$456 million in new economic activity and would create or support 1,600 new jobs as businesses expand to meet increased consumer demand.
- Those seeing wage increases as a result of increasing the minimum wage to \$10.10 do not fit some of the stereotypes of minimum wage workers.
 - The increase would disproportionately affect women, comprising 58 percent of those who would benefit.
 - The average age of affected workers is 33 years old. Teenagers comprise only 13 percent of the workers who would see a raise.
 - Although workers of all races and ethnicities would benefit from the increase, non-Hispanic white workers comprise the largest share (42.5 percent) of those who would be affected.
 - About half (48.6 percent) of affected workers have at least some college education, and more than half (56.0 percent) work full time.
 - Nearly a quarter (23.2 percent) of affected workers are parents. In fact, there are roughly 210,000 Maryland children with at least one parent that would get a raise.
 - More than half (54.6 percent) of the workers who would get a raise come from families with total family incomes of \$60,000 or less. On average, affected workers earn about 39 percent of their family's total income.

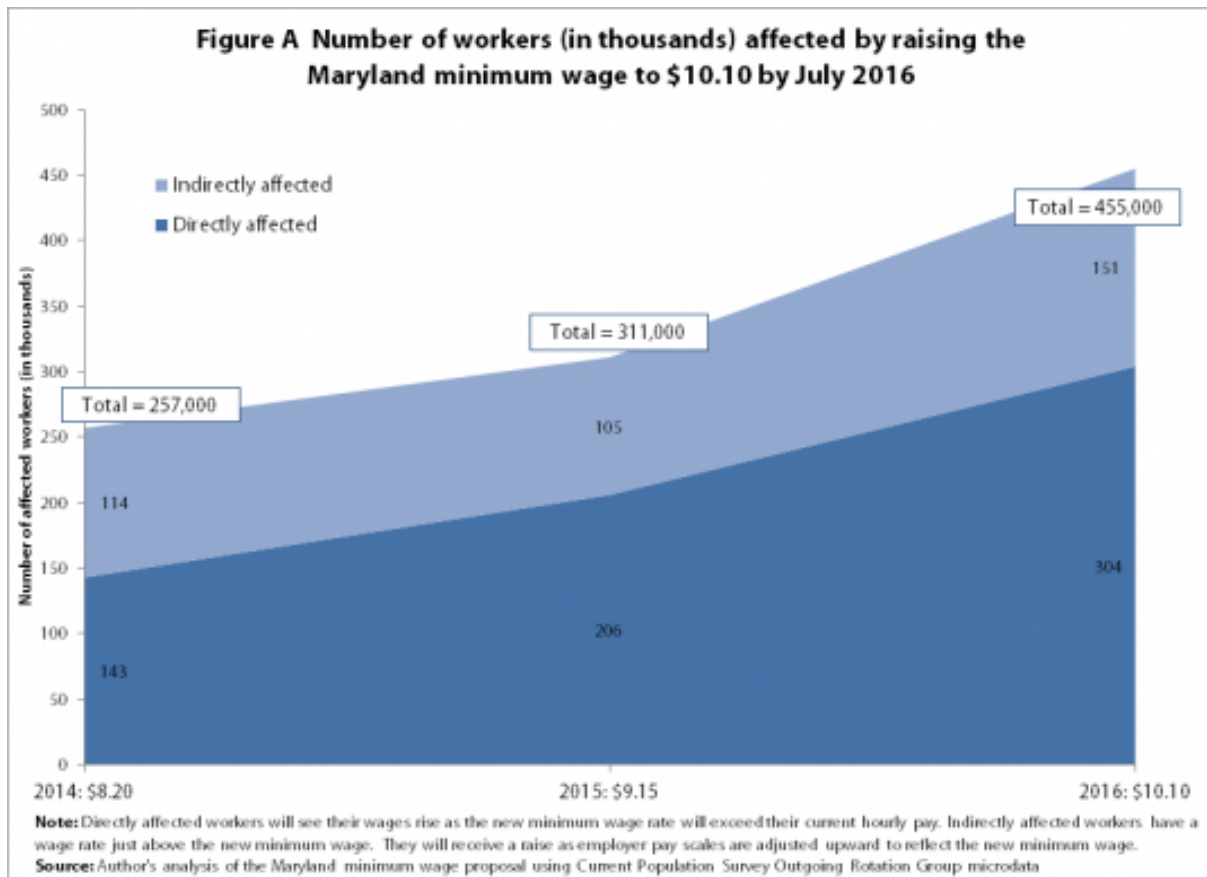
Economic impact of raising Maryland's minimum wage

While the immediate benefits of raising the minimum wage are the increased earnings of low-paid workers, raising the minimum wage during a period of depressed consumer demand and slack in the labor market can also promote growth and stimulate the economy more broadly. By boosting the purchasing power of low-income workers' paychecks, raising the minimum wage generates new consumer spending and supports modest levels of job growth as businesses expand to meet increased customer demand.

Raising Maryland's minimum wage to \$10.10 per hour by 2016 will increase the wages of the state's lowest-paid workers by \$721 million. These higher earnings—after accounting for some change in labor costs for businesses and prices for consumers—will translate into \$456 million in increased economic activity, as cash-strapped workers spend their increased pay on basic goods and services. This additional economic activity will generate or support approximately 1,600 new jobs.^[ii]

Demographic characteristics of affected workers

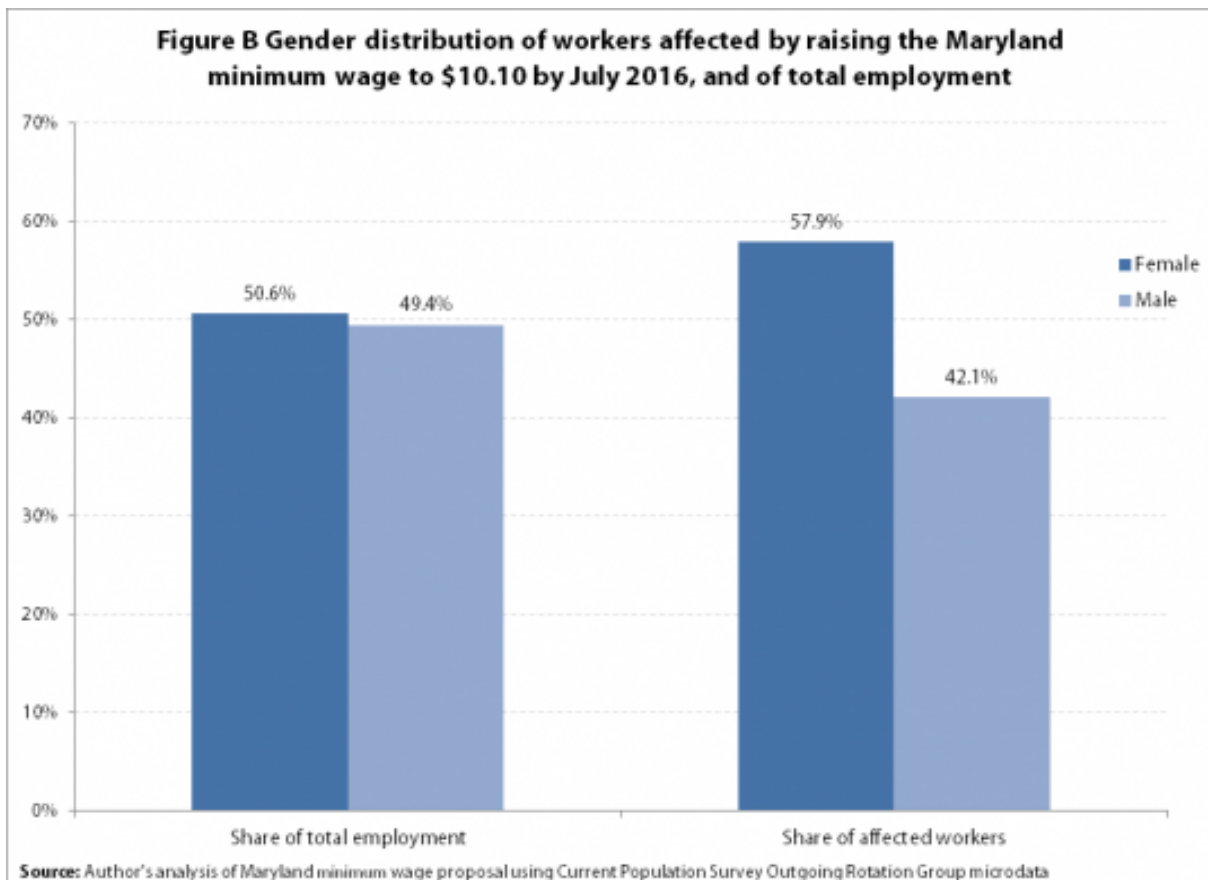
Increasing the minimum wage to \$10.10 would benefit nearly half a million Maryland workers after the higher minimum is fully phased in. **Figure A** depicts the number of workers affected in each phase of the proposed increase. In the first year, as the minimum wage is raised to \$8.20, more than a quarter million (257,000) workers would see higher wages, either directly—because the new minimum exceeds their current wage—or indirectly—because their current wage is just above the new minimum and employers are likely to preserve some internal wage ladder. This number would rise to about 311,000 with the second incremental increase to \$9.15 in 2015, and to 455,000 with the third incremental increase to \$10.10 by July 2016.



The characteristics of those affected—their gender, age, race and ethnicity, educational attainment, work hours, family income, and family composition—contradict many prevailing beliefs about minimum-wage workers. The vast majority of these workers are not teenage part-time workers: rather, most are at least 20 years old, over half work full time, and many are struggling to support their families.

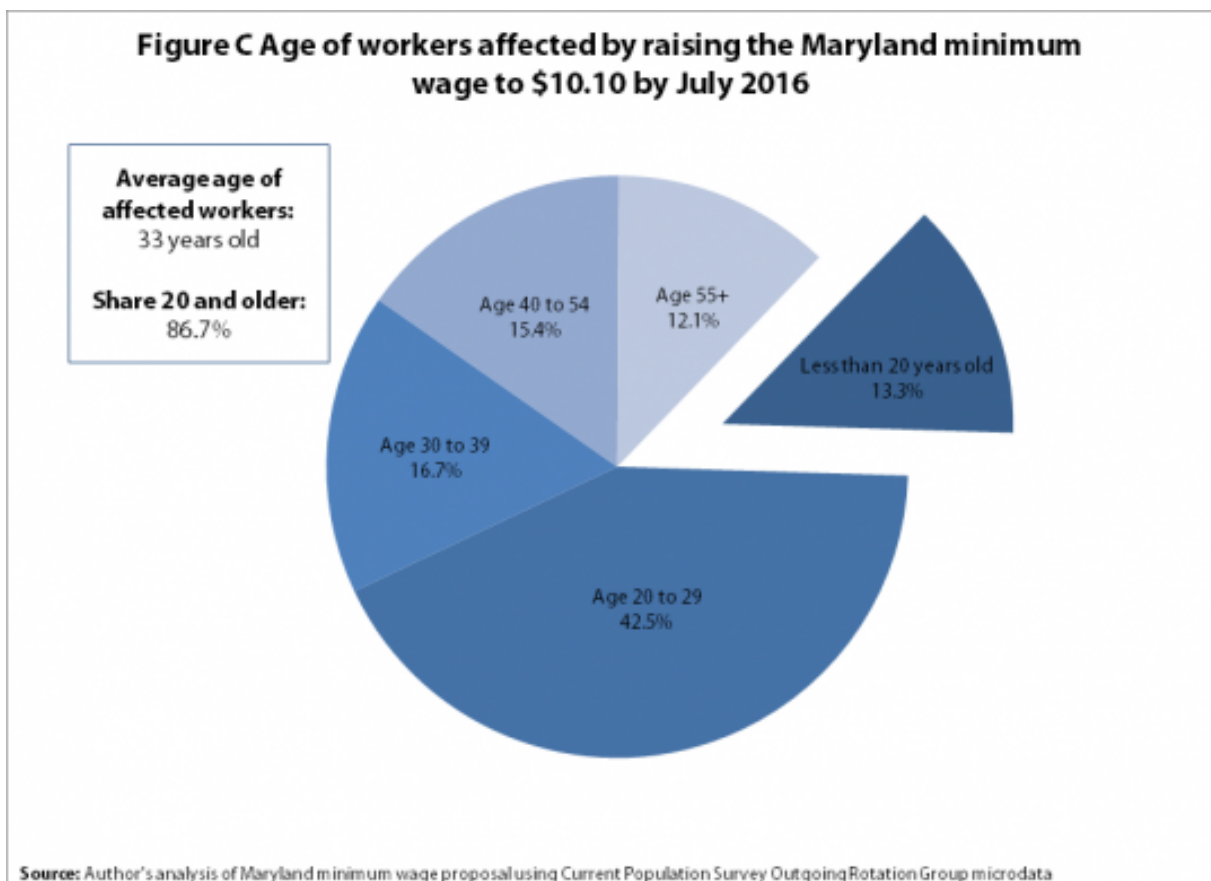
Gender

Increasing Maryland’s minimum wage would disproportionately affect women, who account for 57.9 percent of those affected (as seen in **Figure B**), despite being only 50.6 percent of the state workforce. Over 263,000 Maryland women would receive, on average, an additional \$2,000 in wage income after the full phase-in period to \$10.10 per hour. Roughly 191,000 men would also see similar income gains.



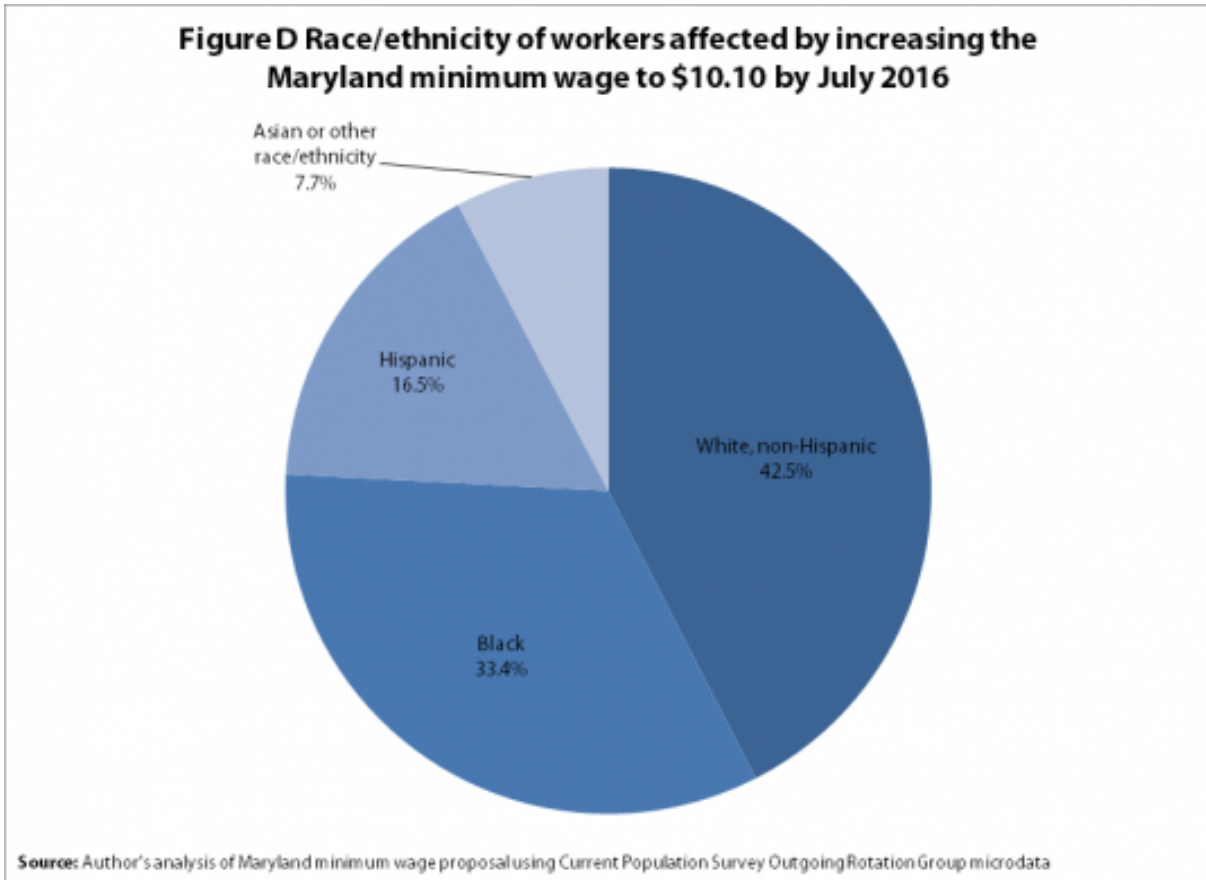
Age

Low- and minimum-wage workers are older and have greater family responsibilities than commonly portrayed. The facts do not support the perception of minimum-wage workers as primarily teenagers working for extra spending money (though, even if true, it would not justify paying teens subpoverty wages.) As seen in **Figure C**, 86.7 percent of workers who would be affected by increasing the Maryland minimum wage to \$10.10 are at least 20 years old. In fact, there are more workers ages 40 and older (27.5 percent of all affected workers) that would benefit than there are teens. The average age of affected workers is 33 years old. The median age is 28.



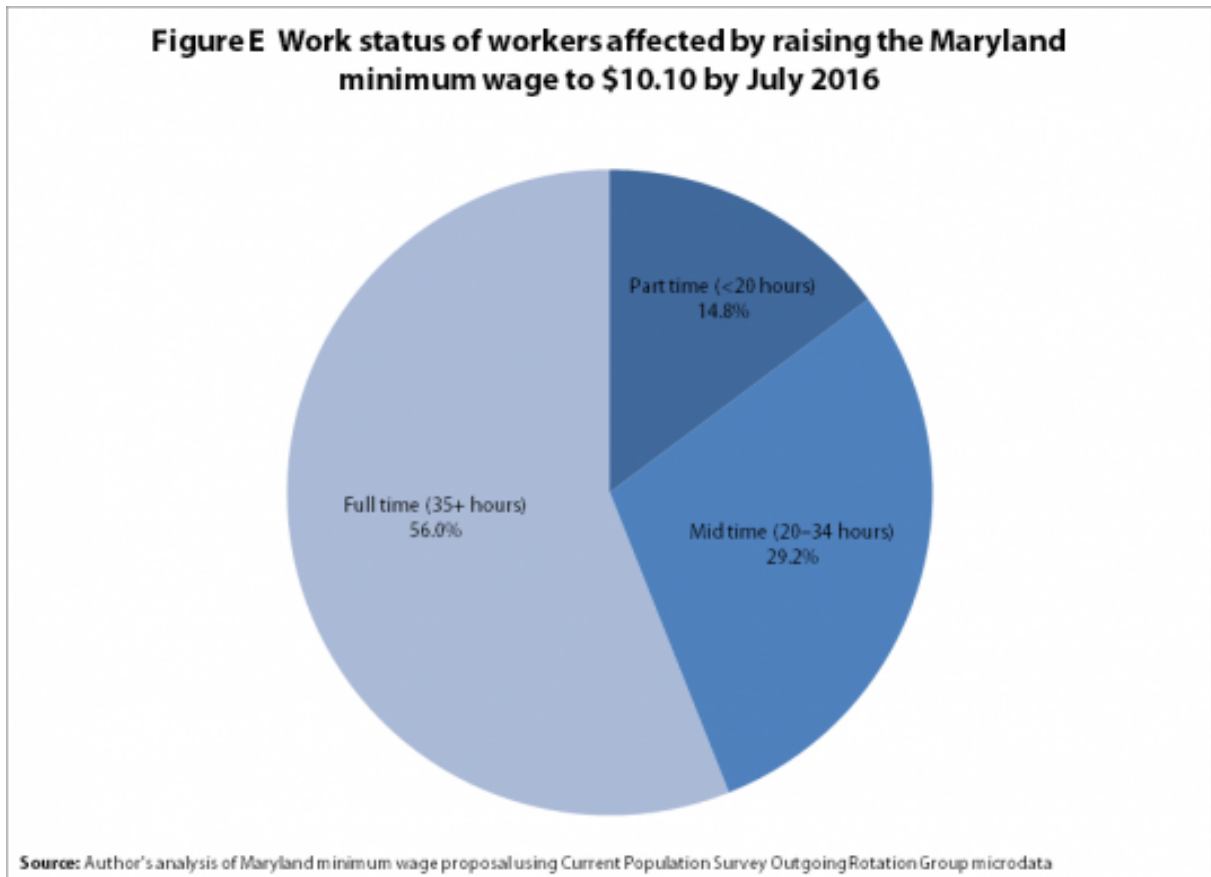
Race/ethnicity

Increasing Maryland’s minimum wage would substantially benefit both minority and non-minority workers. **Figure D** shows that 42.5 percent of those affected are white non-Hispanic workers, 33.4 percent are black, 16.5 percent are Hispanic, and 7.7 percent are Asian or of another race or ethnicity.



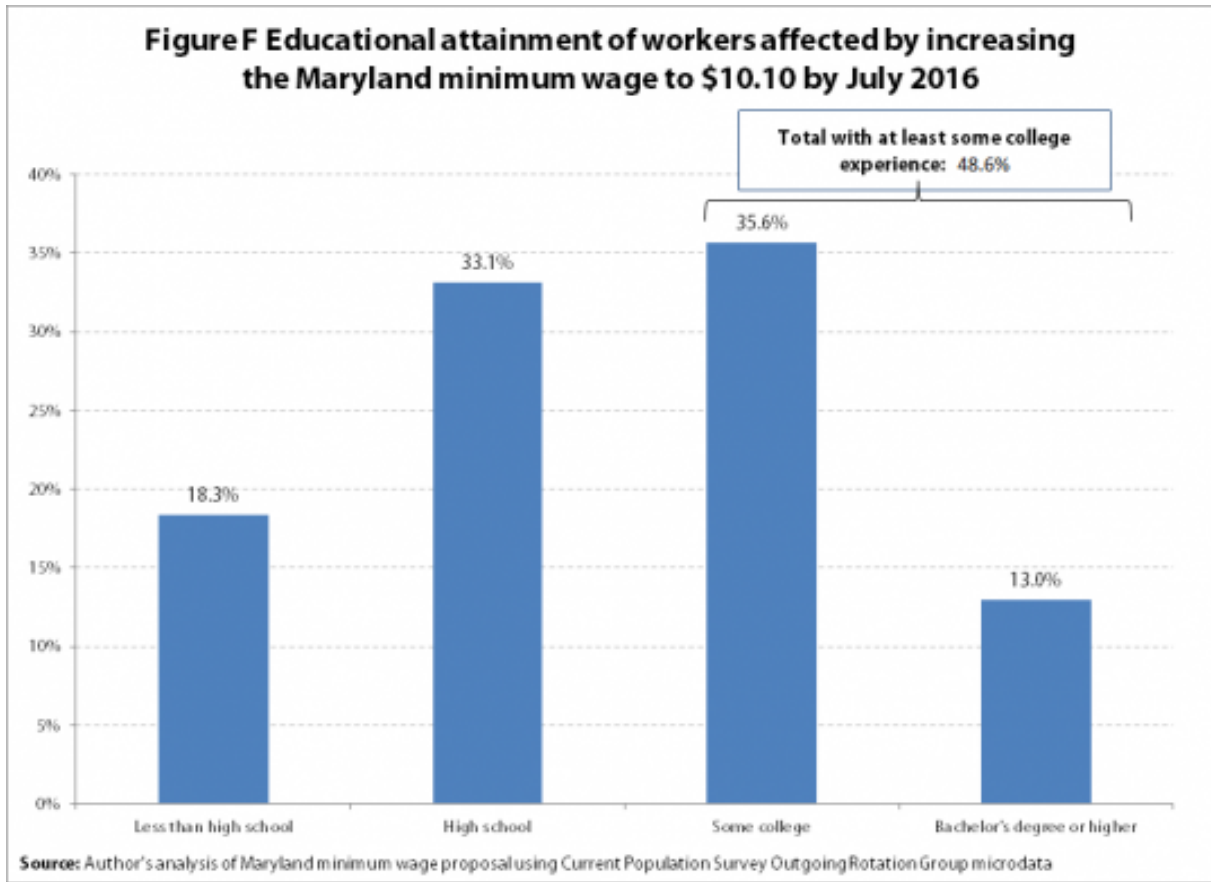
Work status

Among those who would be affected by increasing the Maryland minimum wage to \$10.10, only 14.8 percent are part-time workers (defined as those working less than 20 hours per week). More than half (56.0 percent) work full time (35 or more hours per week), while 29.2 percent work mid time (between 20 and 34 hours per week), as seen in **Figure E**.



Educational attainment

Data on educational attainment of those who would be affected by a minimum wage increase further dispel the misperception of minimum-wage workers as high school students working in low-wage jobs for spending money. In fact, just 18.3 percent of those affected have less than a high school degree, while nearly half—48.6 percent—have some college education, an associate degree, a bachelor's degree or higher (shown in **Figure F**.)

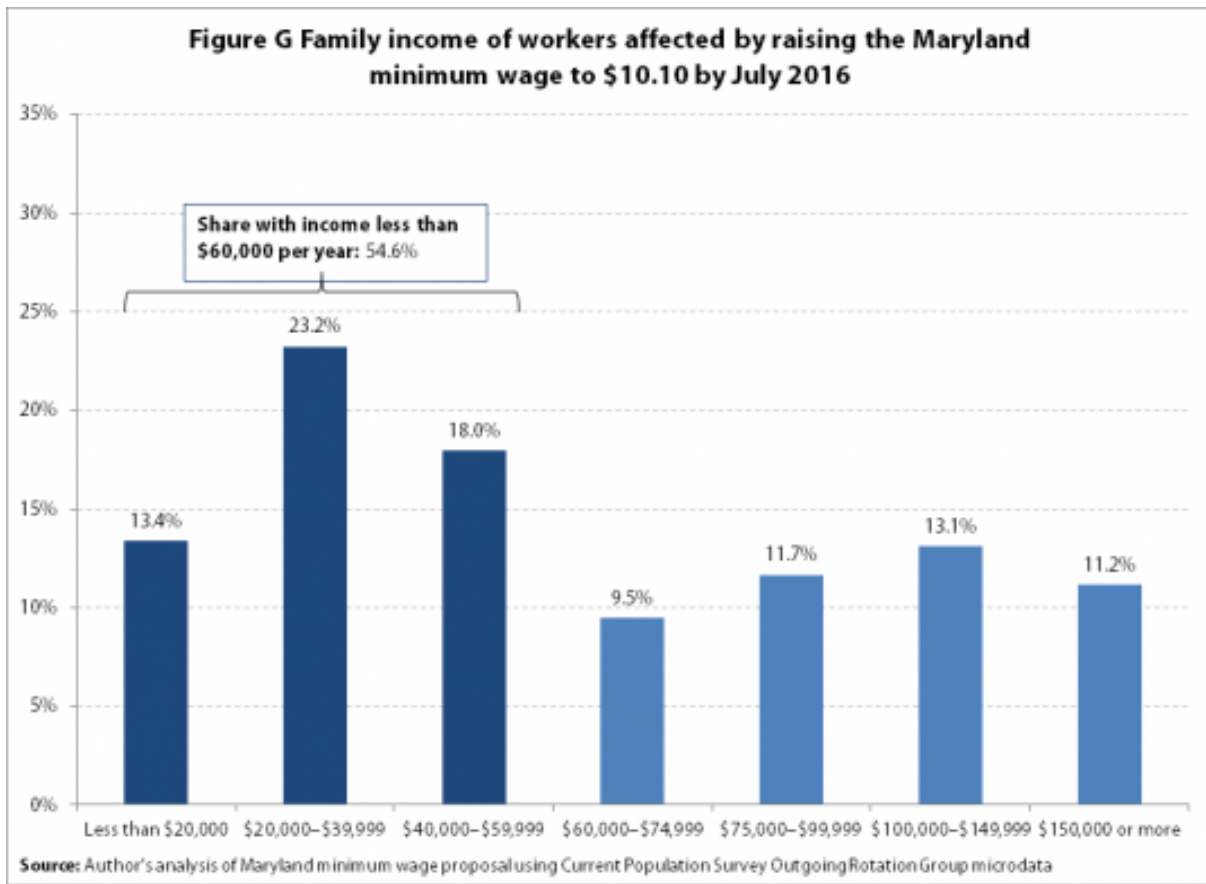


Family income

Those who would be affected by increasing the Maryland minimum wage to \$10.10 have low-to-moderate family incomes. As seen in **Figure G**, over half (54.6 percent) of Maryland workers affected by increasing the minimum wage to \$10.10 have family incomes of less than \$60,000.

Family composition

Nearly a quarter (23.2 percent) of those affected by increasing the Maryland minimum wage to \$10.10 are parents, and more than a quarter (27.7 percent) are married. Moreover, raising the minimum rate to \$10.10 would benefit 210,000 Maryland children with at least one parent affected by the increase, thereby improving child well-being. On average, the families of affected workers with children rely on those workers for nearly half (49.6 percent) of their total family income, compared with 39.1 percent of family income in all affected families.



Conclusion

With persistent high unemployment continuing to put downward pressure on wages, and sluggish demand holding back further improvement in Maryland's labor market, raising the Maryland minimum wage to \$10.10 by 2016 would have a demonstrably positive impact on the Maryland economy. Such an increase would improve the well-being of hundreds of thousands of Maryland workers, the characteristics of whom dispel many prevailing beliefs about who gains from increasing the minimum wage. At the same time, raising the state minimum wage would strengthen consumer demand, providing the increased economic activity businesses need to support new job growth.

[i] Author's analysis of Local Area Unemployment Statistics (LAUS) data from the Bureau of Labor Statistics

[ii] For a full explanation of the GDP and jobs impact methodology, see Cooper, David. 2013. Raising the Federal Minimum Wage to \$10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost. Washington, D.C.: Economic Policy Institute. <http://www.epi.org/publication/raising-federal-minimum-wage-to-1010/> and Bivens, Josh L. 2011. Method memo on estimating the jobs impact of various policy changes. Washington, D.C.: Economic Policy Institute. <http://www.epi.org/publication/methodology-estimating-jobs-impact/>