



# Sticking to the Facts on the Minimum Wage

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## What is the minimum wage in Maryland and other states?

- Maryland's minimum wage is currently just \$7.25 per hour, or just under \$15,000 per year for a full-time worker.
- For tipped workers – like waitresses, carwash attendants, and nail salon workers – the base minimum wage is even lower, just 50 percent of the full minimum wage, or \$3.63 per hour. Workers must then rely on tips to reach the full minimum wage. This can be unpredictable and tipped workers cannot rely on stable earnings.
- 19 states, and the neighboring District of Columbia, have minimum wages that are higher than \$7.25 per hour.
- 10 other states annually increase their state minimum wage to keep up with the rising cost of living.
- If the minimum wage had kept pace with inflation over the last 40 years, it would be over \$10.70 per hour today.<sup>1</sup>

## Who earns the minimum wage in Maryland?

- Women and people of color are more likely to be paid the minimum wage. In 2011, more than six in ten Maryland workers earning the minimum wage were women. Nationally black and Hispanic women are disproportionately represented among female minimum wage workers.<sup>2</sup>
- A woman working full time, year round in Maryland at the current minimum wage of \$7.25 per hour will earn a total salary of almost \$15,000 a year. That is more than \$3,600 below the federal poverty line for a mother with two children.<sup>3</sup>
- Increasing the minimum wage to \$10.10 per hour would boost the annual earnings of a full-time minimum wage earner to a little over \$20,000, which is an increase of \$5,500 per year– enough to lift a family of three out of poverty.<sup>4</sup>

## What is in the legislation that Raise Maryland is advocating?

- The proposed bill will raise Maryland's minimum wage to \$10.10 by 2016 in three steps:
  - to \$8.20 per hour 60 days after enactment,
  - to \$9.15 per hour on July 1, 2015,
  - and to \$10.10 per hour on July 1, 2016.
- Starting in 2017, it will "index" Maryland's minimum wage to the annual increase in the regional CPI (Consumer Price Index) so that it keeps pace with the rising cost of living.
- It will raise the minimum wage for tipped workers from 50 percent of the minimum wage to 70 percent.

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<sup>1</sup> "Inflation and the Real Minimum Wage: A Fact Sheet," Congressional Research Service, Craig K. Elwell, June 21, 2013. (<http://www.fas.org/sgp/crs/misc/R42973.pdf>)

<sup>2</sup> "Fair Pay for Women and People of Color in Maryland Requires Increasing the Minimum Wage and the Tipped Minimum Wage." National Women's Law Center, February 2013. (<http://www.nwlc.org/sites/default/files/pdfs/marylandstateminwagefactsheetfeb.pdf>)

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

## How does raising the minimum wage help Maryland?

- According to estimates by the Economic Policy Institute, raising the minimum wage will increase the pay for 455,000 working Marylanders, inject approximately \$456 million into Maryland's economy, and create an estimated 1,600 jobs.<sup>5</sup>

## Why is it important to raise the minimum wage now?

- More families than ever are relying on low-wage and minimum wage jobs to make ends meet. The Great Recession hit higher-wage sectors like construction, manufacturing and finance hard, while new job growth has been concentrated disproportionately in low-wage industries. Fifty-eight percent of all jobs created in the post-recession were low-wage occupations.<sup>6</sup>
- This is not a short-term trend. Six of the top ten occupations projected for growth over next decade are low-wage jobs, including home health aides, customer service representatives, food preparation and service workers, personal and home care aides, retail salespeople, and office clerks.<sup>7</sup>
- Minimum wage increases stimulate the economy by increasing consumer spending, without adding to state and federal budget deficits. Consumer spending drives the economy, and increasing demand is key for jumpstarting production and re-hiring. A raise in the minimum wage puts money into the pockets of low-income consumers, who spend it at local businesses, without increasing costs for taxpayers.

## How does raising the minimum wage affect employment?

- The best economic research confirms that raising the minimum wage does not cause job loss. Analyses of states with minimum wages higher than the federal minimum wage between 1998 and 2003 showed that job growth in those states was actually stronger overall than in states that used the lower federal minimum.<sup>8</sup>
- The most sophisticated minimum wage study to date compared employment data from each pair of neighboring U.S. counties that straddle a state border and had differing minimum wage levels at any time between 1990 and 2006. The study found that minimum wage increases did not decrease the number jobs in the jurisdictions studied.<sup>9</sup> A companion study published in April 2011 found that these results hold true even during periods of recession and high unemployment.<sup>10</sup>

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<sup>5</sup>“Raising the Maryland Minimum Wage Will Benefit Nearly Half a Million Workers and Modestly Boost the State's Economy.” Economic Policy Institute, David Cooper, January 31st, 2014 ([http://s4.epi.org/files/2014/MD\\_to\\_1010%201\\_31\\_14.pdf](http://s4.epi.org/files/2014/MD_to_1010%201_31_14.pdf))

<sup>6</sup>“The Low-Wage Recovery and Growing Inequality.” National Employment Law Project, August 2012. ([http://www.nelp.org/page/-/Job\\_Creation/LowWageRecovery2012.pdf?nocdn=1](http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1))

<sup>7</sup>“Occupations with the largest job growth.” U.S. Bureau of Labor Statistics. ([http://www.bls.gov/emp/ep\\_table\\_104.htm](http://www.bls.gov/emp/ep_table_104.htm))

<sup>8</sup>“States with Minimum Wages above the Federal Level have had Faster Small Business and Retail Job Growth.” Fiscal Policy Institute, March 30, 2006. (<http://www.fiscalpolicy.org/FPISmallBusinessMinWage.pdf>)

<sup>9</sup>“Minimum Wage Effect Across State Border: Estimates Using Contiguous Counties.” Arindrajit Dube, T. William Lester, and Michael Reich, Economics and Statistics, November 2010, 92(4). (<http://www.irle.berkeley.edu/workingpapers/157-07.pdf>)

<sup>10</sup>“Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data.” Sylvia A. Allegretto, Arindrajit Dube, and Michael Reich. Industrial Relations, April 2012, 50(2). (<http://www.irle.berkeley.edu/workingpapers/166-08.pdf>)