



Economic Policy Institute

Working Economics | January 30, 2013

HOW RAISING MARYLAND'S MINIMUM WAGE WILL BENEFIT WORKERS AND BOOST THE STATE'S ECONOMY

BY DOUG HALL AND DAVID COOPER

Amid signs that the Maryland economy is slowly improving, lower-income earners continue to struggle. Maryland has now gained back more than four of every five jobs lost during the recession, yet 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] Raising Maryland's minimum wage would put much-needed money in the pockets of Maryland's low-income workers, particularly important in a state where low wages (i.e., wages at the 20th percentile) declined by a nation-leading \$1.20 between 2009 and 2011.^[ii] Senator Robert J. Gargiola and Delegate Aisha Braveboy have introduced legislation this year to raise Maryland's minimum wage **from the current \$7.25 per hour to \$10.00 in 2015**, increasing the tipped minimum wage from 50 percent to 70 percent of the full minimum wage, and indexing both wage rates to rise automatically with the cost of living. The data show that this proposal would improve the well-being of working families in Maryland, while injecting almost half a billion dollars into the economy.

This paper 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 an increase in the Maryland minimum wage to \$10.00.

Key findings include:

- Increasing the Maryland minimum wage to \$10.00 by July 2015 would result in raised wages for over half a million (536,000) Maryland workers—roughly one in five workers in the state. These workers would receive \$778 million in additional wages over the phase-in period.
- The increased wages would generate more than \$492 million in increased economic activity and would create or support 4,280 new jobs as businesses expand to meet increased consumer demand.
- Those seeing wage increases as a result of increasing the minimum wage to \$10.00 do not fit some of the stereotypes of minimum wage workers.
 - The increase would disproportionately affect women, comprising 55 percent of those who would benefit.
 - 87 percent of workers who would benefit are at least 20 years old.
 - Although workers of all races and ethnicities would benefit from the increase, non-Hispanic white workers comprise the largest share (44.7 percent) of those who would be affected.
 - About 46 percent of affected workers have at least some college education.
 - Almost three-fifths (56.7 percent) of affected workers work full time, more than half (53.8 percent) are in families with incomes of less than \$60,000, nearly a quarter (24.4 percent) are parents, and a third (33.5 percent) are married.
 - The average affected worker earns about 39 percent of his or her 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, a higher minimum wage also promotes growth and stimulates 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 per hour by 2015 will increase the wages of the state's lowest-paid workers by \$778 million. These higher earnings—after accounting for some change in labor costs for businesses and prices for consumers—will translate into \$492 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 4,300 new jobs.^[iii]

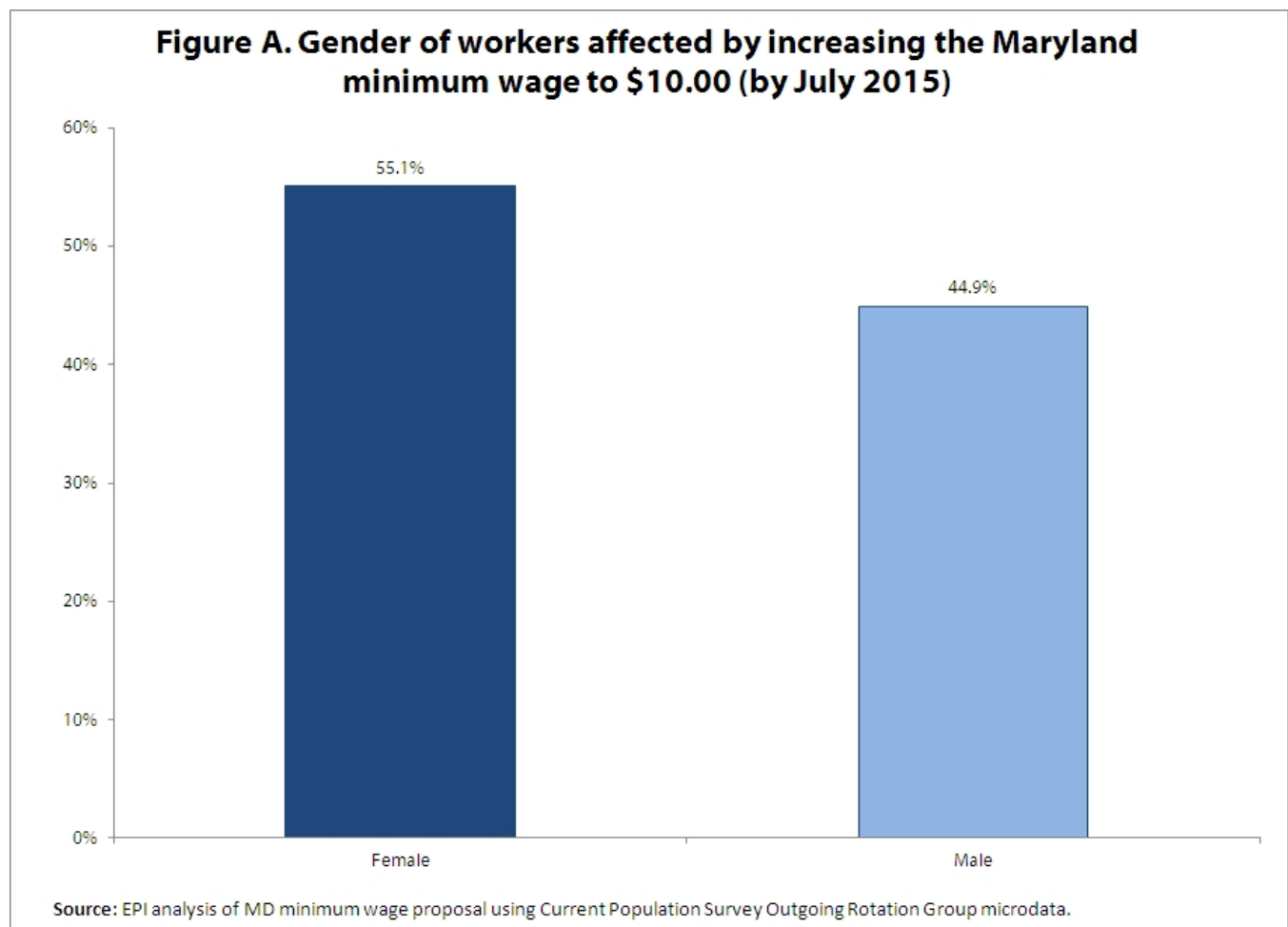
As wages continue to stagnate for workers in Maryland, raising the minimum wage will help counteract the downward pressure on earnings for low-paid workers and support new economic growth.

Demographic characteristics of affected workers

Increasing the minimum wage to \$10.00 would benefit more than half a million Maryland workers. 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. In the first year, with an increase in the minimum wage to \$8.25, more than a quarter million (256,000) directly and indirectly affected workers would see higher wages.^[iv] This number would rise to about 291,000 with the second incremental increase to \$9.00 in 2014, and to 536,000 with the third incremental increase to \$10.00 by July 2015. 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.

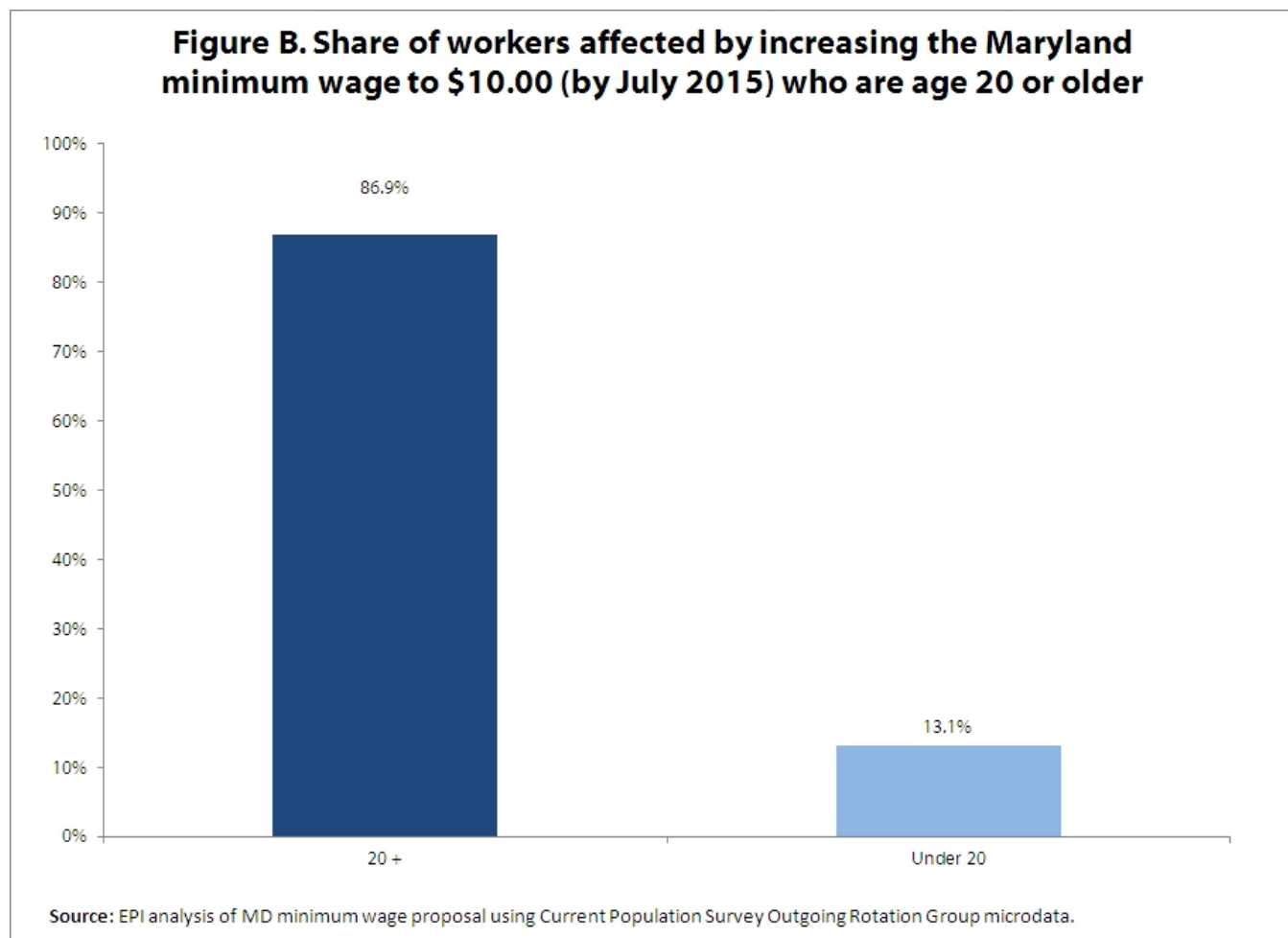
Gender

Increasing Maryland’s minimum wage would disproportionately affect women, who account for 55.1 percent of those affected (as seen in Figure A). Nearly 300,000 Maryland women would receive, on average, an additional \$1,974 in wage income after the full phase-in period to \$10.00 per hour (compared with \$1,889 for 240,000 affected men).



Age

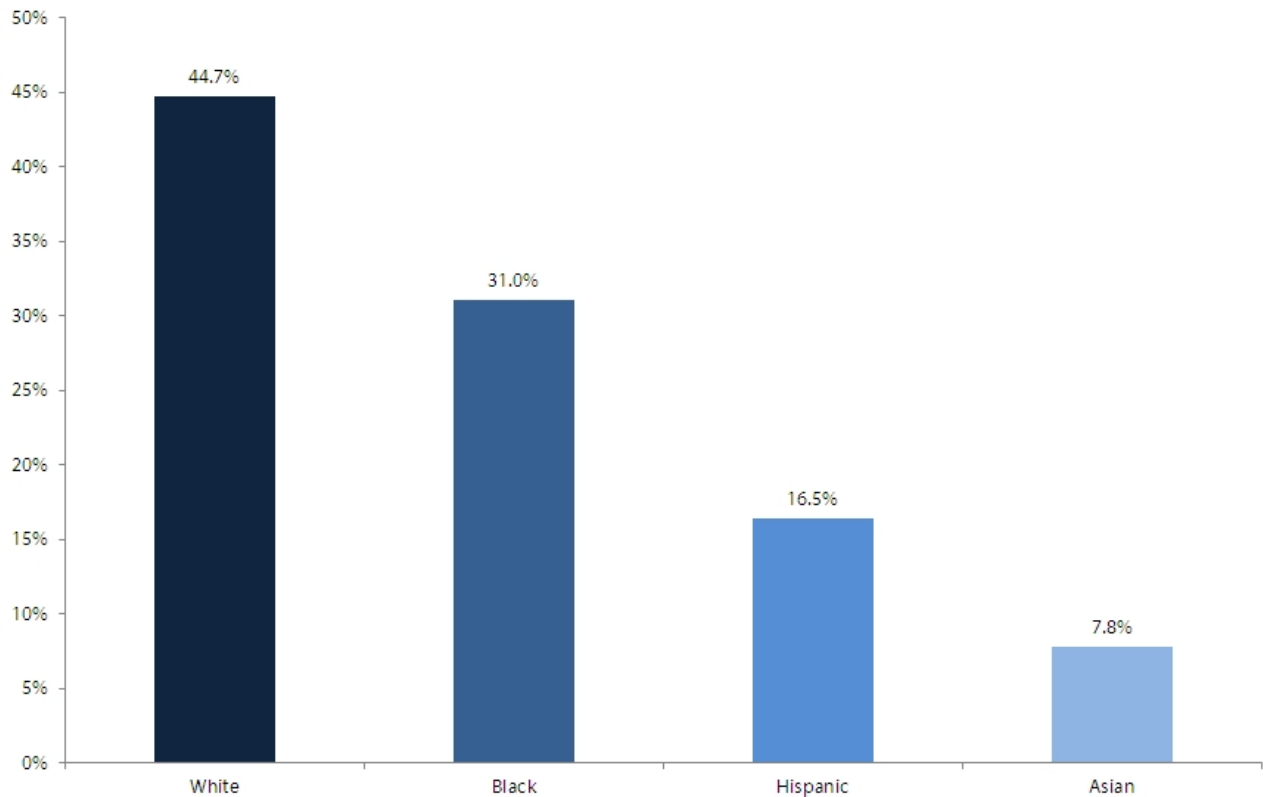
Minimum-wage workers are older and have greater family responsibilities than commonly portrayed. The facts do not support the perception of minimum-wage workers as primarily teenagers working for spending money (though, even if true, it would not justify paying teens subpoverty wages, especially when young people are struggling with increasing tuition payments). As seen in **Figure B**, 86.9 percent of workers who would be affected by increasing the Maryland minimum wage to \$10.00 are at least 20 years old. Their average wage increase after the 3-year phase-in period would be \$2,014 (compared with \$1,614 for those under 20 years of age).



Race/ethnicity

Increasing Maryland's minimum wage would substantially benefit minority and non-minority workers. **Figure C** shows that 44.7 percent of those affected are white non-Hispanic workers, 31.0 percent are black, 16.5 percent are Hispanic, and 7.8 percent are Asian or of another race/ethnicity.

Figure C. Race/ethnicity of workers affected by increasing the Maryland minimum wage to \$10.00 (by July 2015)

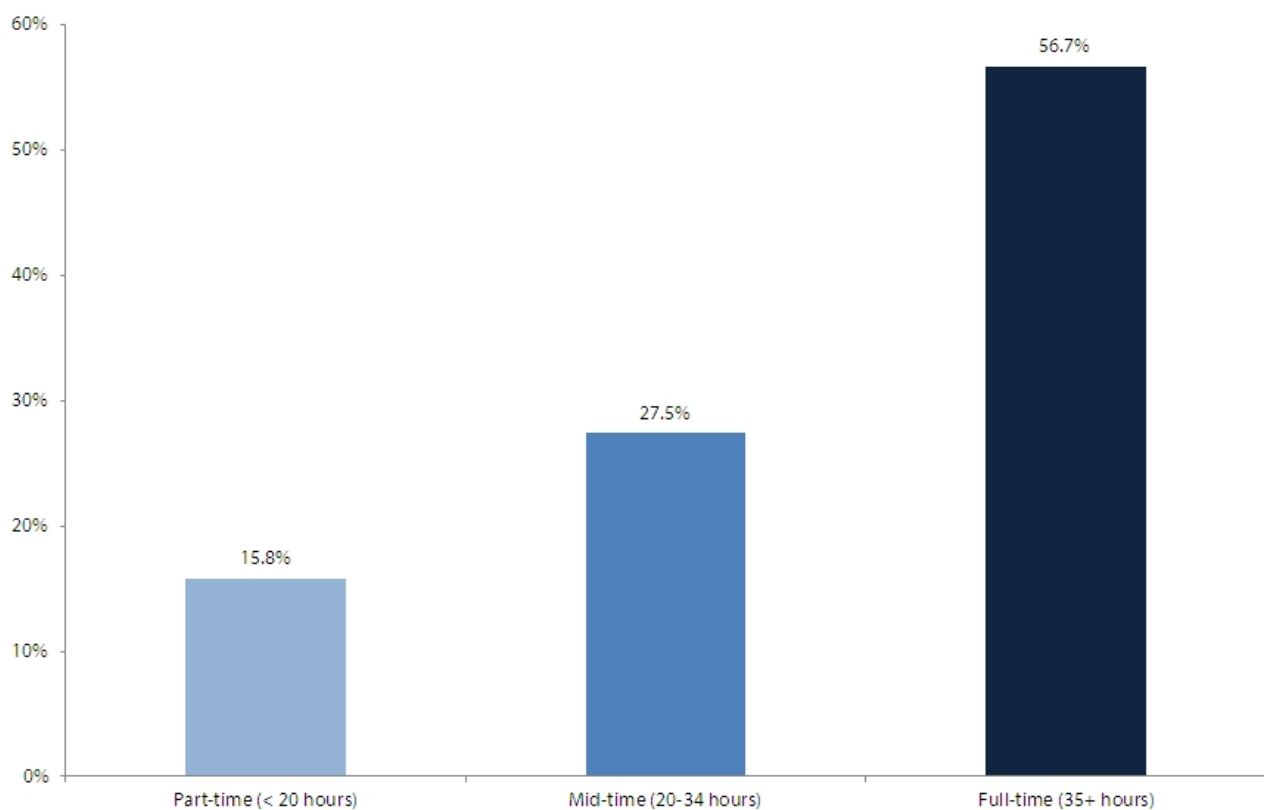


Source: EPI analysis of MD minimum wage proposal using Current Population Survey Outgoing Rotation Group microdata.

Work hours

Among those who would be affected by increasing the Maryland minimum wage to \$10.00, only 15.8 percent are part-time workers (defined as those working less than 20 hours per week). More than half (56.7 percent) work full-time (35 or more hours per week), while 27.5 percent work mid-time (between 20 and 34 hours per week), as seen in **Figure D**.

Figure D. Work hours of workers affected by increasing the Maryland minimum wage to \$10.00 (by July 2015)



Source: EPI analysis of MD minimum wage proposal using Current Population Survey Outgoing Rotation Group microdata.

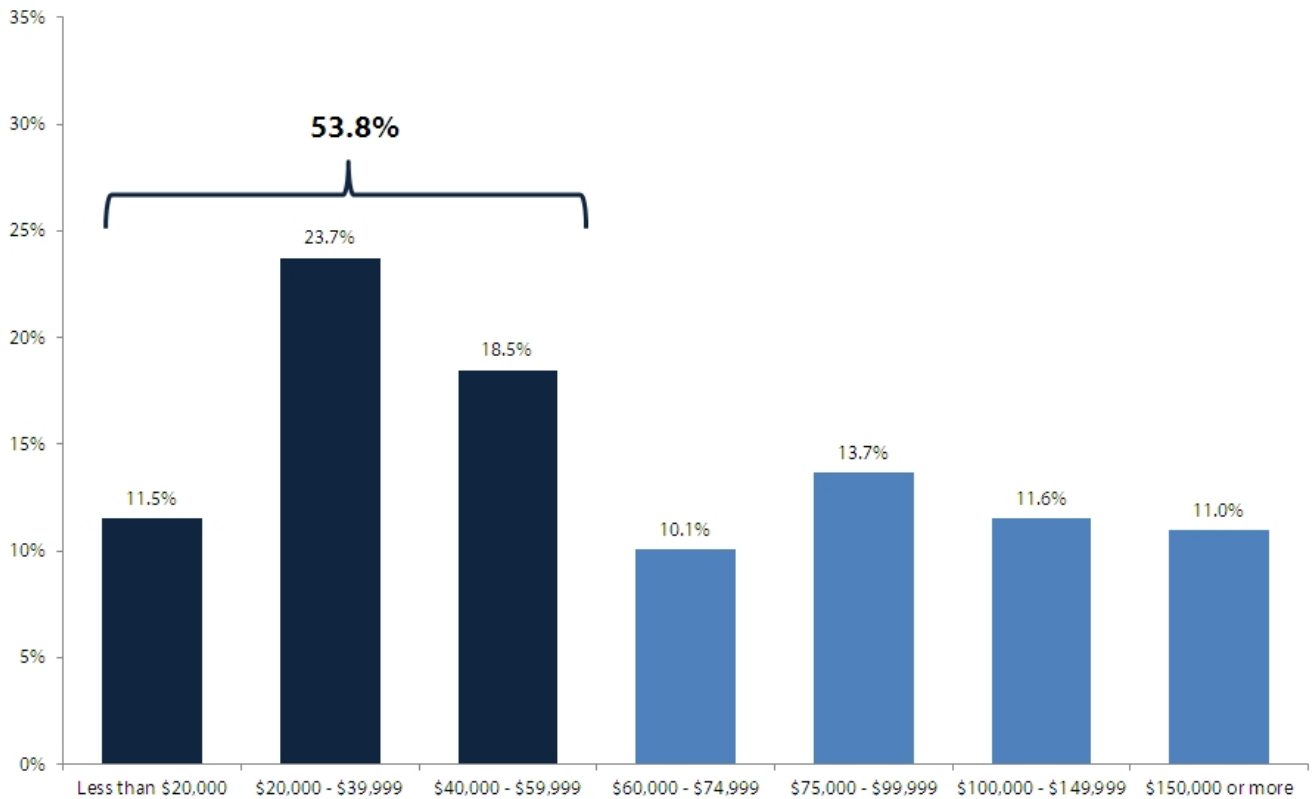
Educational attainment

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 18.2 percent of those affected have less than a high school degree, while nearly half—46.3 percent—have some college education, an associate degree, or a bachelor’s degree or higher.

Family income

Those who would be affected by increasing the Maryland minimum wage to \$10.00 have low-to-moderate family incomes. As seen in **Figure E**, over half (53.8 percent) of Maryland families affected by increasing the minimum wage to \$10.00 have family incomes of less than \$60,000.

Figure E. Family income of workers affected by increasing the Maryland minimum wage to \$10.00 (by July 2015)



Source: EPI analysis of MD minimum wage proposal using Current Population Survey Outgoing Rotation Group microdata.

Family composition

Nearly a quarter (24.4 percent) of those affected by increasing the Maryland minimum wage to \$10.00 are parents, and about a third (33.5 percent) are married. Moreover, raising the minimum rate to \$10.00 would benefit 350,000 Maryland children with at least one parent affected by the increase, thereby improving child well-being. On average, the families of affected workers rely on those workers for nearly half (48.9 percent) of their income, compared with 38.9 percent of family income in all affected families.

Conclusion

Increasing the minimum wage to \$10.00 per hour by July 2015 will have a demonstrably positive impact on the well-being of Maryland workers and the overall Maryland economy. The characteristics of those benefiting most from increasing the minimum wage dispel many prevailing beliefs about who gains from increasing the minimum wage.

[i] EPI Analysis of Local Area Unemployment Statistics (LAUS) data from the Bureau of Labor Statistics

[ii] Author's analysis of Current Population Survey Outgoing Rotation Group Microdata

[iii] For a full explanation of the GDP and jobs impact methodology, see Hall, Doug and Cooper, David. 2012. How raising the federal minimum wage would help working families and give the economy a boost. Washington, D.C.: Economic Policy Institute. <http://www.epi.org/publication/ib341-raising-federal-minimum-wage/> 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/>

[iv] “Directly affected” workers are those who will see their wages rise as the new minimum wage rate will exceed their current hourly pay. “Indirectly affected” workers have a wage rate just above the new minimum wage (between the new minimum wage and the new minimum wage plus the dollar amount of the increase in the previous year’s minimum wage). They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage.