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The Honorable Dereck E. Davis
Chairman, Economic Matters Committee
231 House Office Building
6 Bladen Street
Annapolis, MD 21401

Re: **HB295 - Maryland Minimum Wage Act of 2014 - SUPPORT**

Dear Chairman Davis:

On August 30, 2013, I was the first statewide elected official to call for raising the Maryland minimum wage to \$10.00 per hour by 2015, a measure that would grow the economy, provide economic stability for workers, and increase workplace performance and retention. As such, I am proud to express my strong support for House Bill 295, which raises the Maryland minimum wage to \$10.10 by 2016, increases the tip credit to 30 percent, and ties the minimum wage to the annual growth in the Consumer Price Index.

A full-time worker earning \$7.25 per hour makes about \$15,000 a year, several thousand dollars below the federal poverty line. Since 2009, real wages for Maryland low-wage workers have declined by a nation-leading \$1.24.¹ A worker earning minimum wage would have to work 135 hours a week to afford a 2-bedroom unit at fair market rent.² Moreover, two-thirds of women are either the breadwinners or co-breadwinners for their families, yet they comprise more than 62 percent of minimum wage workers.³ Tipped workers, specifically servers, experience almost three times the poverty rate of the workforce as a whole and are two times more likely to be food stamp recipients than the general population.^{4,5}

Currently, 21 states and the District of Columbia have a higher minimum wage than Maryland and 17 states have a higher tip credit rate. Thirteen states and the District of Columbia index their minimum wage to the cost of living. Moreover, our two most populous counties, Prince George's County and Montgomery County, have increased their local minimum wage rate to \$11.50 by 2017. Now is the time for Maryland to raise its minimum wage.

¹ David Cooper, ECONOMIC POLICY INSTITUTE, *Raising the Maryland Minimum Wage Will Benefit Nearly Half A Million Workers and Modestly Boost the State's Economy*, January 31, 2014.

² NATIONAL LOW INCOME HOUSING COALITION, *Out of Reach 2013*, March 2013.

³ David Madland & Nick Bunker, CENTER FOR AMERICAN PROGRESS ACTION FUND, *Women Are the Biggest Losers from Failure to Raise Minimum Wage*, June 20, 2012.

⁴ THE RESTAURANT OPPORTUNITIES CENTERS UNITED, *Tipped Over the Edge*, February 13, 2012.

⁵ Rajesh D. Nayak & Paul K. Sonn, NATIONAL EMPLOYMENT LAW PROJECT, *Restoring the Minimum Wage for America's Tipped Workers*, August 2009.

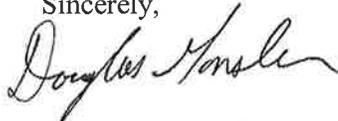
According to the Economic Policy Institute (EPI), “Increasing the Maryland minimum wage to \$10.10 by July 2016 would raise the wages of nearly half a million (455,000) Maryland workers. These workers would receive \$721 million in additional wages over the phase-in period. The increased wages would 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.”⁶ Moreover, EPI estimates that “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.”

Lastly, tipped workers report that “tip stealing”, whereby employers misappropriate tips for themselves or to pay non-tipped workers, is common.⁷ In other cases, employers fail to verify that their workers are receiving sufficient tips to bring them to the full minimum wage. By increasing the tip credit to 30%, tipped workers will receive a higher basic income less vulnerable to manipulation and abuse.

To be sure, there will be those who argue that raising the minimum wage could cost jobs; however, as Nobel Prize-winning economist Paul Krugman explained, “[M]inimum wage is one of the most studied issues in all of economics...[T]he great preponderance of the evidence...points to little if any negative effect of minimum wage increases on employment.”⁸ In fact, raising the minimum wage actually yields significant cost savings to employers through reductions in labor turnover.⁹ Moreover, 71 percent of all low-wage workers in Maryland are employed by businesses with 50 employees or more,¹⁰ many of which are seeing higher revenue, profits, operating margins, and cash holdings than before the recession.¹¹

Therefore, I strongly urge the Economic Matters Committee to give a favorable report for House Bill 295, which raises the Maryland minimum wage to at least \$10.10 by 2016, increases the tip credit to 30 percent, and ties the minimum wage to the annual growth in the Consumer Price Index. Raising the minimum wage for Maryland families is not simply an economic issue; it is an act of justice.

Sincerely,



Douglas F. Gansler
Attorney General

cc: Members of the Economic Matters Committee

⁶ David Cooper, ECONOMIC POLICY INSTITUTE, *Raising the Maryland Minimum Wage Will Benefit Nearly Half A Million Workers and Modestly Boost the State's Economy*, January 31, 2014.

⁷ Rajesh D. Nayak & Paul K. Sonn, NATIONAL EMPLOYMENT LAW PROJECT, *Restoring the Minimum Wage for America's Tipped Workers*, August 2009.

⁸ Paul Krugman, *Raise That Wage*, THE NEW YORK TIMES, February 17, 2013.

⁹ John Schmitt, CENTER FOR ECONOMIC & POLICY RESEARCH, *Why Does the Minimum Wage Have No Discernible Effect on Employment?*, February 2013.

¹⁰ NATIONAL EMPLOYMENT LAW PROJECT, *How Will Raising the Minimum Wage Affect Low-Wage Employers in Maryland?*, February 2013.

¹¹ NATIONAL EMPLOYMENT LAW PROJECT, *Big Business, Corporate Profits, and the Minimum Wage*, July 2012.