HHS Item 1
December 7, 2016
Worksession 3

MEMORANDUM

December 5, 2016

TO: Health and Human Services Committee

FROM: Josh Hamlin, Legislative Attorney
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SUBJECT: **Worksession 3:** Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount - Annual Adjustment

Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Annual Adjustment, sponsored by Lead Sponsor Councilmember Elrich, and Co-Sponsors Councilmembers Leventhal, Riemer, Navarro and Hucker, was introduced on April 12. A public hearing on the Bill was held on June 21 and Health and Human Services Committee worksessions were held on July 11 and July 18, 2016.

Bill 12-16 would:

- increase the County minimum wage by a certain amount;
- require the Chief Administrative Officer to adjust the County minimum wage rate each year; and
- generally amend the laws governing the minimum wage

Background

In 2013, the Council enacted Bill 27-13,[1] which established a County minimum wage for private sector employees working in the County, unless the State or federal minimum wage is higher. The County minimum wage established under Bill 27-13, as amended, is phased in over several years. The rate was set at $8.40 per hour effective October 1, 2014, and increased to $9.55 per hour on October 1, 2015. It is $10.75 as of July 1 of this year, and will go to $11.50 per hour on July 1, 2017. The County minimum wage does not apply to a worker who is exempt from the State or federal minimum wage, is under the age of 19 years and is employed no more than 20 hours per week, or subject to an "opportunity wage" under the State or federal law. Employers of tipped employees may include in the computation of their wage amount a "tip credit" not exceeding the County minimum wage less $4.00 per hour.

In 2014, the Maryland General Assembly enacted a law raising the State's minimum wage from $7.25 to $10.10 per hour over four years, with incremental increases to $8.25 in 2015, $8.75 in 2016, $9.25 in 2017, and $10.10 in 2018. The federal minimum wage is $7.25 hour and has not

[1] The County minimum wage law has been amended twice since being established by Bill 27-13. Bill 59-14 modified some of the effective dates for increases, and Bill 24-15 modified the method for calculating the "tip credit" allowed to employers of tipped employees.

changed since 2009.[2] There is a nationwide effort to increase the minimum wage at the federal, state, and local levels to $15 per hour, which has thus far had some success.[3] California and New York[4] have enacted statewide laws that will increase the minimum wage for at least some workers to $15 per hour over a period of years. In the November 2016 election, voters in Maine, Arizona, and Colorado all voted to increase the minimum wage to $12 an hour by 2020, and Washington State voters approved a raise to $13.50 an hour by that year. Also in Arizona, voters in the city of Flagstaff approved an additional minimum wage initiative to increase the minimum wage in Flagstaff to $15.00 an hour in 2021 and index the minimum wage to increases in cost-of-living thereafter.

The New Jersey legislature passed a bill increasing the minimum wage there to $15 per hour, but the bill was vetoed by Governor Chris Christie.[5] The Massachusetts legislature is weighing a measure to increase the minimum wage to $15 per hour for some or all workers.[6] In this region, the District of Columbia enacted a law increasing the minimum wage to $15 per hour earlier this year, and Baltimore City is currently considering a similar bill.

State laws:

Under California's new law,[7] beginning January 1, 2017, the minimum wage for employers with at least 26 employees will increase annually until it reaches $15 per hour by January 1, 2022:

- January 1, 2017 through December 31, 2017: $10.50 per hour;
- January 1, 2018 through December 31, 2018: $11 per hour;
- January 1, 2019 through December 31, 2019: $12 per hour;
- January 1, 2020 through December 31, 2020: $13 per hour;
- January 1, 2021 through December 31, 2021: $14 per hour; and
- Beginning January 1, 2022: $15 per hour.

For employers in California who employ 25 or fewer employees, the same phased increases begin a year later, in 2018, and culminate in a $15 per hour minimum wage beginning January 1, 2023. The minimum wage will then be indexed annually for inflation (national CPI) beginning the first January 1 after small businesses are at $15 per hour. The indexing may result in increases of 0 percent (but no decreases) with a ceiling of 3.5 percent per year. The law also includes so-called "off-ramp" provisions that allows the governor to pause any scheduled increase for one year if certain economy or budget conditions are met.[8] Once the $15 per hour minimum wage has been reached, the "off-ramp" provision expires.

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[2] A chart showing the federal minimum wage rates from 1938-2009 is at http://www.dol.gov/whd/minwage/chart.htm

[3] A summary of jurisdictions approving some form of $15 minimum wage is at http://www.nelp.org/content/uploads/PR-Minimum-Wage-Year-End-15.pdf

[4] In March 2016, the Center on Wage and Employment Dynamics (CWED) prepared a Policy Brief examining potential impacts of a $15 per hour minimum wage in New York. That Policy Brief can be accessed at: http://irle.berkeley.edu/cwed/briefs/2016-01.pdf

[5] http://www.nj.com/politics/index.ssf/2016/08/christie_vetoes_democrats_15_an_hour_minimum_wage.html

[6] http://www.metrowestdailynews.com/article/20160605/NEWS/160607750

[7] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB3

[8] *Economy conditions*: the Governor has the ability to pause an increase if seasonally adjusted statewide job growth for either the prior 3 or 6 months is negative and retail sales receipts for the prior 12 months is negative.
Budget conditions: The Governor has the ability to pause an increase if any year from the current budget year to 2 additional years is forecasted to be in "deficit" when including the next scheduled increase. A "deficit" is if the

The New York law, enacted as part of the State's budget, does the following:

- For workers in New York City employed by large businesses (those with at least 11 employees), the minimum wage would rise to $11 at the end of 2016, then another $2 each year after, reaching $15 on 12/31/2018.
- For workers in New York City employed by small businesses (those with 10 employees or fewer), the minimum wage would rise to $10.50 by the end of 2016, then another $1.50 each year after, reaching $15 on 12/31/2019.
- For workers in Suburban New York City (Nassau, Suffolk and Westchester Counties), the minimum wage would increase to $10 at the end of 2016, then $1 each year after, reaching $15 on 12/31/2021.
- For workers in the rest of the State, the minimum wage would increase to $9.70 at the end of 2016, then another 70 cents each year after until reaching $12.50 on 12/31/2020 – after which it will continue to increase to $15 on an indexed schedule to be set by the Director of the Division of Budget (DOB) in consultation with the Department of Labor.
- Beginning in 2019, the State DOB Director will conduct an annual analysis of the economy in each region and the effect of the minimum wage increases statewide to determine whether a temporary suspension of the scheduled increases is necessary.

Minimum wage legislation in the region:

The District of Columbia enacted a law in June increasing the minimum wage to $15 by 2020.[9] The law passed unanimously, and was signed by Mayor Muriel Bowser on June 27. It would raise the District of Columbia minimum wage – currently $11.50 – in annual increments until it reaches $15.00 by July 1, 2020. Beginning on July 1, 2021, the minimum wage will increase further based on the increase in the Consumer Price Index for All Urban Consumers for the Washington Metropolitan Statistical Area. The DC bill will also increase the tipped minimum wage from the existing $2.77 per hour, where it has been since 2005, in annual increments of 56 cents (55 cents in 2020) to $5.00 on July 1, 2020, again with annual indexing in successive years.

The City Council of Baltimore is considering a bill that would raise the City's existing minimum wage of $8.25 per hour to $10 in January 2017, and then by $1.50 a year until it reaches $15 by 2020.[10] After reaching $15 per hour, the minimum wage will be adjusted each year to match increases in the cost of living using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The Baltimore Bill also includes the gradual elimination of the lower minimum wage for tipped employees (often called the "sub-minimum"), so that by July 2025, employers would be required to pay tipped employees the full minimum wage. The bill would phase-out the sub-minimum wage for tipped employees by increasing it from the current sub-minimum wage (under Maryland law) of $3.63 per hour as follows:

- January 1, 2017: $4.50 per hour
- July 1, 2017: $5.25 per hour
- July 1, 2018: $6.00 per hour

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operating reserve is projected to be negative by more than 1 percent of annual revenues, currently about $1.2 billion. The budget off-ramp can only be used twice.

9 http://lims.dccouncil.us/Legislation/B21-0712?FromSearchResults=true

10 https://baltimore.legistar.com/LegislationDetail.aspx?ID=2692688&GUID=F0B89A4C-DD59-42FF-B459-5B40DD8E8391&Options=ID%7CText%7C&Search=minimum+wage

- July 1, 2019: $7.50 per hour
- July 1, 2020: $9.00 per hour
- July 1, 2021: $10.50 per hour
- July 1, 2022: $12.00 per hour
- July 1, 2023: $14.00 per hour
- July 1, 2024: $15.00 per hour
- July 1, 2025 and thereafter: Full minimum wage

The Baltimore bill would also eliminate some exemptions under the City's existing law, and amend the enforcement provisions of the law. The bill was substantially amended in Committee, including extending the period of increases to reach $15 per hour in 2022, and exempting certain businesses. The amended bill went to the full City Council, but did not have the eight votes needed to pass. It was sent back to committee, but is expected to be considered again after the new City Council is seated.[11]

Bill 12-16

Bill 12-16 would extend the incremental increases set in County law to go up to $15 per hour effective July 1, 2020. Under the Bill's transition provisions, the County minimum wage would increase to $12.50 in 2018, $13.75 in 2019, and $15.00 in 2020. Additionally, the Bill would require, beginning in 2021, annual adjustments to the minimum wage by the annual average increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the previous calendar year.

Legal Authority

Montgomery County can set its own minimum wage by law even though the State of Maryland has a minimum wage law. In *City of Baltimore v. Sitnick*, 254 Md. 303 (1969), the Maryland Court of Appeals upheld a city ordinance establishing a minimum wage standard that was higher than the State standard. In that case, the plaintiffs argued that State law had preempted the field of minimum wage. In rejecting that argument, the Court held that the City of Baltimore could pass its own minimum wage law based on the city's exercise of concurrent power because the city law did not conflict with the State law.

Fiscal and Economic Impact

The OMB and Finance Fiscal and Economic Impact statement is at ©5-12. OMB estimates a total fiscal impact in fiscal years 2018 through 2022 of $6,483,575. This estimate is based on pay increases to employees on the minimum wage/seasonal salary schedule, assuming the current number of hours worked by affected employees. The Office of Finance notes that "there is no consensus among economists on the effects of the minimum wage on enforcement," and concludes that it is uncertain whether increasing the minimum wage would either increase or decrease employment among low-wage workers.

[11] http://www.baltimoresun.com/news/maryland/baltimore-city/bs-md-ci-minimum-wage-final-vote-20160815-story.html

Public Hearing

Forty-one people testified at the June 21 hearing, presenting a number of perspectives on the Bill. The Bill's supporters pointed out that the cost of living in Montgomery County is high, with a family of four needing $79,000 per year to independently maintain a modest standard of living (see ©13-14, SEIU and ©15-16, Community Action Board). Several supporters also requested an amendment to the Bill to increase wages paid by employers to tipped employees (see ©17-18, Progressive Maryland and ©19-20, UFCW1994). Supporters also said that increasing the minimum wage results in benefits for business, such as increased employee retention and productivity, which offset the additional fiscal burden (see ©21-23, AFL-CIO).

The Council heard from workers making at or near minimum wage and advocates of the positive effects of an increase in workers' lives (for example, see ©24-25, (Felix Kala), ©26, (Mekdes Sisay), and ©27-28, (CASA)). The benefit of increased money earned through higher wages circulating in the local economy was also cited in support of the Bill (see ©29, Boaz Young-El)

Opponents questioned whether it is necessary to legislate now a series of increases that would not begin until 2018 (see ©30-33, GGCC). Others questioned the adequacy of the Fiscal Impact Statement's estimate of the costs of an increase to the County (see ©34-35, GBCC). The Council heard from a small business employing home health aides to provide in-home care to seniors that rising labor costs would burden the business and result in seniors not getting needed care (see ©36-37, Wendy Johnson). The disproportionate impact of minimum wage increases on small businesses and young workers were also raised in opposition to the Bill (see ©38-39, Stacey Brown). Emily Bruno of Denizens Brewing Co. said the implementation of a $15 minimum wage would particularly threaten the viability of new businesses (©40-43).

The Maryland Restaurant Association said that the Bill would lead to the elimination of jobs in the restaurant industry (©44-45). Potential adverse effects on the regional competiveness of County businesses, and the cumulative impact of other worker protection mandates were also issues of concern (see ©46-49, MCCC). Another issue raised by opponents of the Bill was "wage compression," which occurs when lower-paid workers' (those making below a newly increased minimum) wages rise and the wages of workers paid at or above the new minimum do not. Jane Redicker of the Greater Silver Spring Chamber of Commerce pointed out that "increasing the minimum wage does not just impact those making minimum wage; it effects the entire salary structure." (©50-51) Afshin Abedi indicated that certain health care businesses could not pass on additional labor costs to consumers, because they are prohibited from charging Medicaid patients for services (©52-53).

Members of the County's nonprofit community pointed out that minimum wage increases would present a challenge to delivering the current level of service when State and local funding does not increase to cover additional costs. Brigid Howe of Nonprofit Montgomery said that "the choice between providing care to our most vulnerable neighbors and raising wages is a difficult one." (©54-55) The Montgomery Coalition for the Homeless offered support for the Bill, but indicated that this support is based on the assumption that the County would supply the $200,000 annual increase in labor costs (©56). Tim Wiens of Montgomery County Inter ACC/DD said that the organization shares the goal of the Bill, but estimated $20,558,048 in increased annual labor costs as a result of going from the $11.50 per hour minimum wage slated to take effect in 2017 to $15 per hour in 2020 as proposed in the Bill ©57-59).

Prior HHS Committee Worksession Discussion

The HHS Committee held two worksessions on the Bill, on July 11 and July 18, and considered many issues related to continuing to increase the County minimum wage. The Committee and other Councilmembers requested that staff research some matters further and provide additional information for the Committee's consideration. The issues considered in the earlier worksessions are below, and additional information requested during these worksessions is presented in the next section of this memorandum, beginning on page 20.

1. Is there a need to enact this Bill quickly?

As mentioned above, by Bill 27-13, the Council created the County minimum wage and provided for the wage to be phased in over a period of years. The County minimum wage is $10.75 on July 1 of this year, and under the provisions of Bill 27-13, as amended by Bill 59-14, will go to $11.50 per hour on July 1, 2017. This Bill would continue these annual increases in the minimum wage, beginning on July 1, 2018 and going through 2020, when the County minimum wage would reach $15 per hour, with increases indexed to inflation thereafter.

Because the first increase proposed in Bill 12-16 would not take effect for almost two years, the Council does have time to consider the possible impacts of the increases before deciding whether to enact the Bill. While giving notice well in advance of increases may be helpful for businesses in planning their expenses for future years, the Council heard from several members of the business community at the public hearing questioning the need to enact the Bill quickly without careful consideration of its ramifications to County businesses. In any event, the Bill has been introduced, and has five co-sponsors, so County businesses are certainly on notice that further increases in the County minimum wage are possible.

It is true that the District of Columbia, one of the County's "regional partners" in implementing the minimum wage in 2013,[12] has already enacted a law that will provide for future increases in its minimum wage to $15 per hour by 2020. However, there are two key distinctions between the circumstances in the District and those in the County. First, under the District's 2013 law, the last increase in the minimum wage took effect on July 1 of this year, making the DC minimum wage $11.50 per hour. In this regard, the District was in the position that the County will be in one year from now. Also, a ballot initiative likely to be voted on this fall would have increased the minimum wage to $15 per hour by 2020, and eliminated, by 2025, the reduced minimum wage that employers are required to pay tipped employees. The County does not face that outside pressure to act.

The move to a $15 per hour minimum wage is certainly gaining momentum nationwide, with several large cities, as well as the states of California and New York implementing increases to reach $15 over different periods of years. However, aside from SeaTac, Washington, population 27,875, no jurisdiction has yet reached that goal. The Council has the opportunity to carefully consider a number of issues related to further increases without delaying any such increases. While it is unlikely that this consideration will provide a certain, definitive path forward, it is nonetheless

[12] Council Chair Derrick Leon Davis of Prince George's County, the other "regional partner" in 2013, has indicated that it is unlikely that Prince George's will be providing for further increases at this time. *See*: https://www.washingtonpost.com/local/md-politics/this-large-dc-suburb-will-consider-a-15-an-hour-minimum-wage/2016/03/31/cfc0806a-f741-11e5-a3ce-f06b5ba21f33_story.html

worth taking the time to evaluate, as well as possible under the County's specific circumstances, what effects further minimum wage increases might have.

2. What is the rationale for a $15 per hour minimum wage?

The federal minimum wage was introduced in 1938, and throughout its history, has not been considered a "living wage." Increasing the County's minimum wage would move it closer to being a "living wage,"[13] but given the cost of living in Montgomery County, independently maintaining even a modest standard of living on 40 hours a week at $15 per hour would be challenging, if not impossible. In fact, the *2012* Self-Sufficiency Standard, representing the annual income required for a family of three (one adult, one preschooler, and one school-aged child) to live in Montgomery County without financial assistance, was $ 77,933.[14] Across the nation there has been an increasingly prevalent view that there is a need to guarantee a living wage, due to the shift in the economy away from mid-wage labor to low-wage labor.[15] This view is reflected in the draft 2016 platform for the Democratic Party, which includes a $15 federal minimum wage.[16]

Increasing the minimum wage would benefit working adults. According the most recent U.S. Bureau of Labor Statistics data (2014), 51.1% of workers making at or below the federal minimum wage were age 25 and older. In contrast, only 21.4 of these workers were between the ages of 16-19.[17] Increasing the minimum wage would also benefit a significant number of women, whose employment is highly concentrated in low-wage personal care and healthcare support occupations. According to a 2014 White House report, "women account for more than half (55 percent) of all workers who would benefit from increasing the federal minimum wage to $10.10."[18] It stands to reason, then, women would represent as large, and probably a larger, proportion of the beneficiaries of increasing the County minimum wage to $15.00 per hour.

The argument for increasing the minimum wage to $15 per hour posits that the increase would boost the economy by putting more money into the hands of workers who would spend it. This boost would offset increased labor costs to business, thereby reducing job losses or mitigating losses with the creation of new jobs.[19] Another rationale offered to support increasing the minimum wage is that it would reduce reliance on public assistance programs. In economic research, low wages have consistently been the leading predictor of enrollment in public assistance programs by working families.[20]

[13] The County has a living wage law, applying to County contractors, which requires them to pay their employees at least $14.47 per hour. This amount is adjusted every year based on the increase in the CPI-U.

[14] http://www.montgomeryplanning.org/research/housing/rental_housing_study/documents/MD12-SSS-Final-Print-012412.pdf

[15] https://www.washingtonpost.com/news/wonk/wp/2013/02/28/how-the-recession-turned-middle-class-jobs-into-low-wage-jobs/

[16] The draft reads "Democrats believe that the current minimum wage is a starvation wage and must be increased to a living wage. No one who works full time should have to raise a family in poverty. We believe that Americans should earn at least $15 an hour and have the right to form or join a union," See: http://www.politico.com/story/2016/07/dnc-platform-draft-225046

[17] http://www.bls.gov/opub/reports/minimum-wage/archive/characteristics-of-minimum-wage-workers-2014.pdf

[18] https://www.whitehouse.gov/sites/default/files/docs/20140325minimumwageandwomenreportfinal.pdf

[19] http://raisetheminimumwage.org/pages/stimulus

[20] See pages 14-15 of *Local Minimum Wage Laws: Impacts on Workers, Families and Businesses* at http://murray.seattle.gov/wp-content/uploads/2014/03/UC-Berkeley-IIAC-Report-3-20-2014.pdf

The reasons identified above are offered in support of minimum wage increases generally. The appropriate amount of a local minimum wage is another question. From 1960 to 1979, the federal minimum wage averaged 48% of the national median hourly wage, according to a recent Brookings Institution paper (*Designing Thoughtful Minimum Wage Policies at the State and Local Levels*, by Arindrajit Dube) (©60-72). Dube proposes using half of the local-area median wage as the starting point in setting an appropriate level for a local minimum wage, and then taking into account the local cost of living as a relevant consideration. In his paper he suggests that the appropriate level for a minimum wage in Maryland is between $10.85 and $11.69 per hour (in 2014$), and that the appropriate level for a minimum wage in the DC Metropolitan Statistical Area is between $11.73 and $13.51 per hour (in 2014$).

As with almost all aspects of the debate about the minimum wage, however, there is not consensus among experts. Economist Harry Holzer, in considering the then-proposed $15 minimum wage in the District of Columbia, cautioned that an increase of that magnitude may have negative consequences for workers.[21] Holzer expressed particular concern that setting the minimum wage at $15 would create incentives for businesses to move across local borders due to substantial differences in local minimum wages within the region.

3. How might the economy absorb an increase in the minimum wage to $15 per hour?

The information in this section is taken directly from the packet from Bill 27-13.[22] It provides a useful background and is equally applicable to the consideration of further increases in the County minimum wage to $15 per hour.

Some labor economists perceive that there is monopsonistic competition in the low-skill, low-wage labor market—the buyer (employer) has a disproportionate amount of power in the market for low-wage, low-skill labor.[23] Governments respond to this imperfect market by requiring employers to pay minimum wages—the results of which may include increased employment (by increasing an individual worker's incentive to work), increased economic activity, and reduced poverty. Other economists argue that the labor market is competitive, and that government interference in the labor market harms both employers and employees by requiring employers to pay a wage that exceeds the marginal value of labor. These economists argue that the minimum wage thereby results in reduced demand for labor, leading to reduced employment.

The following is a summary of the economic channels through which an increase in the minimum wage might flow:

Earnings: Hourly wages for individual employees earning below the new minimum wage would increase. Increasing the wage in 2018 from $11.50 to $12.50 would clearly increase the hourly wage of workers earning $11.50 by $1.00 (↑ 8.7%). Employers may respond to changes in

[21] http://www.brookings.edu/research/opinions/2015/07/15-dollar-minimum-wage-harm-economy-holzer

[22] A review of the entire packet for Bill 27-13 provides additional background. The packet can be accessed here: http://www.montgomerycountymd.gov/COUNCIL/Resources/Files/bill/2013/Packets/20131126_7.pdf

[23] If you tuned out at *monopsonistic* here is the short version: whereas in a monopoly a very small number of sellers enters a market place with many buyers, in a monopsony a very small number of buyers enters a market place with many sellers. In the low-wage, low-skill labor market there are many more or less interchangeable sellers of labor (potential workers), and relatively few buyers (employers). That under some circumstances employers have an advantage in this marketplace is an idea that is older than West Virginia—John Stuart Mill first opined on this topic in 1848.

the minimum wage by reducing the hours of their employees—if wages are increased by 8.7% and hours are reduced by 8.7% then the employee will not experience an increase in earnings.

Wage compression: While it is easy to calculate the increase in hourly wage for a worker earning the minimum wage, it is less clear what effect an increase in the minimum wage would have on those workers currently earning $12.25 (just below the 2018 minimum wage) or $12.75 (just above the 2018 minimum wage). Employers required to pay a higher minimum wage may compress wages for workers earning above the minimum wage. In their study of the impacts of the 2007-2009 increases in the Federal minimum wage on restaurants in Georgia and Alabama, Hirsch, Kaufman and Zelenska found that almost half of the employers that they interviewed said that they would delay or limit pay increases or bonus pay for more experienced employees as a result of the increase in the Federal minimum wage.[24] Broad empirical studies of US economic data have also indicated that the minimum wage compresses wage distribution (see, e.g. DiNardo, Fortin, and Lemieux 1996).[25]

Employment: There is substantial disagreement among labor economists with respect to the economic and employment impacts of a minimum wage. For example, one think tank (the Economic Policy Institute) projected that the 2013 Harkin-Miller proposal—to increase the Federal minimum wage to $10.10 per hour—would increase total employment in Maryland by 2,000 FTEs.[26] Another think tank (the Employment Policies Institute) projected that the 2012 Harkin-Miller proposal—to increase the Federal minimum wage to $9.80 per hour—would reduce total employment in Maryland by approximately 3,800 to 11,500 jobs.[27]

Teen employment: Neumark and Wascher observed that past studies of the impacts of the minimum wage found that employers respond to an increase in the minimum wage by decreasing employment of younger workers.[28] Critics of Neumark and Wascher's work tend to point to the subjectivity involved in selecting which studies to include in the analysis, and to the fact that many of the studies involved were measuring the effect of a statutory minimum wage in the UK rather than in the US. A different 2009 meta-study of 64 minimum wage studies published between 1972 and 2007 tried to measure the impact of minimum wages on teenage employment. The authors (Doucouliagos and Stanley) graphed employment estimates and found that the most precise estimates were heavily clustered at or near zero effects on teen employment.[29]

Workforce composition: Allegretto, Dube and Reich (2011), in their study of employment from 1990-2009, found no statistically significant effect of the minimum wage on teens as a whole or on white, black, or Latino teens.[30] In a separate study, Dube, Lester and Reich (2012) found no

[24] *Minimum wage channels of adjustment.* IZA DP 6132.
http://www2.gsu.edu/~ecobth/IZA_HKZ_MinWageCoA_dp6132.pdf
[25] *Labor market institutions and the distribution of wages: 1973-1992.*
http://www-personal.umich.edu/~jdinardo/Pubs/dfl1996.pdf
[26] *Raising the minimum wage to $10.10 would give working familes, and the overall economy, a much needed boost.*
http://www.epi.org/publication/bp357-federal-minimum-wage-increase/
[27] The impact of a $9.80 Federal minimum wage.
https://www.epionline.org/wp-content/uploads/2014/07/EPI_TheImpactof980FederalMinimumWage.pdf
[28] *Minimum wages and employment.* IZA DP No. 2570. http://ftp.iza.org/dp2570.pdf
[29] *Publication selection bias in minimum wage research: A meta-regression analysis.*
http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8543.2009.00723.x/full
[30] *Do minimum wages really reduce teen employment? Accounting for heterogeneity and selectivity in state panel data.* http://www.irle.berkeley.edu/workingpapers/166-08.pdf

evidence that employers changed the age or gender composition of the workforce in the restaurant sector in response to changes in the minimum wage.[31]

Efficiency: While the direct quantifiable evidence is sparse, Hirsch, Kaufman and Zelenska found in their interviews with restaurant managers in Georgia and Alabama that about 90% of managers planned to respond to the minimum wage increase with increased performance standards (requiring better attendance and punctuality, raising productivity expectations, faster termination of poor performers, etc.).

Turnover: Typically the turnover rate among low-wage employees is high and the cost to employers is high (in recruitment/screening costs, training, lost efficiency). Turnover is reduced when wages are higher. The savings that accrue to the employer as a result of reduced turnover may offset a portion of the cost of the wage increase. Dube, Lester, and Reich used a contiguous counties approach to study the effect of differences in minimum wages on teens and restaurant employees across US counties. They find "evidence that separations, new hires, and turnover rates for teens and restaurant workers fall substantially following a minimum wage increase."

Motivation: A higher minimum wage may motivate workers to work harder independent of any actions by employers to improve productivity. Because higher pay increases the cost to workers of losing their job, workers may work harder (increase productivity) to keep their job.

Non-wage benefits: Most low-wage workers receive few non-wage benefits. Card and Krueger, in their seminal study of the labor market behavior of restaurants in response to an increase in New Jersey's minimum wage in the 1990s, observed that the non-wage benefit most frequently offered was free or reduced price meals.[32] Their study indicated that restaurants did not respond to an increase in the minimum wage by changing their free or reduced price meal benefits. A more recent study by Simon and Kaestner (2004) found small or no effect on non-wage benefits.[33]

Training: There is no conclusive empirical evidence that an increase in the minimum wage affects the amount of training that employees receive or the amount that employers expend on training. Neumark and Wascher tend to find negative effects of minimum wages on training, but they acknowledge that most other recent research finds no evidence of an effect. Some economists have the perspective that employers might respond to an increase in the minimum wage by increasing training (i.e., to raise productivity to a level befitting the new higher wage).

Increased demand: The minimum wage has the effect of transferring income from employers, who generally have a high savings rate, to employees, who generally have a low savings rate. This transfer could spur additional consumer spending, with the result being an increase in GDP and employment.

Pricing: Some employers might choose to increase prices in response to an increase in the minimum wage. One review of studies (Lemos, 2008) concluded that "most studies

[31] *Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties.* http://escholarship.org/uc/item/86w5m90m#page-1

[32] *Minimum wages and employment: A case study of the fast food industry in New Jersey and Pennsylvania.* http://davidcard.berkeley.edu/papers/njmin-aer.pdf

[33] *Do minimum wages affect non-wage job attributes? Evidence on fringe benefits and working conditions. NBER Working Paper 9688.* http://www.nber.org/papers/w9688

reviewed…found that a 10% US minimum wage increase raises food prices by no more than 4% and overall prices by no more than 0.4%."[34] Other studies have reached different conclusions—for example, Dube, Naidu and Reich found that prices "increased significantly" at fast food restaurants, but not at table service restaurants.[35]

Profits: Firms could accept reduced profits in response to an increase in the minimum wage. There has been very little study of this in the United States, though a study of the impact of a British minimum wage law found that profitability was negatively affected by introduction of a minimum wage.

4. Which occupations are most likely to be affected by an increase in Montgomery County's minimum wage?

In 2015, more than 143,000 workers in Montgomery and Frederick counties earned less than $13.59 (the 25th percentile wage in the Silver Spring-Frederick-Rockville Metropolitan Division).[36] In total, there are 89 occupations with median wages of $15/hour or less and average wages of $16/hour or less. Total employment in those occupations is nearly 150,000. Four broad occupational categories have average hourly wages that are below $16 per hour: healthcare support; personal care and service; building and grounds cleaning and maintenance; and food preparation and serving. The median hourly wage in each category is below $15/hour in 2015, meaning at least half of the workers in each broad/major occupational category would be directly affected by setting the minimum wage at $15/hour. In total, there are more than 100,000 workers employed in these occupational categories in the Metropolitan Division (or 17.7% of total employees). Of course, employees in other occupations will also be affected, though in many of those occupations much smaller percentages of workers earn wages below the $15/hour level. A more accurate estimate of the number of affected employees in Montgomery County only will require additional analysis. For more information regarding the low-wage occupations, see BLS Data (OES Series) at ©73-75.

Major Occupational Category	# of employees	Average hourly wage
Healthcare Support Occupations	16,040	$15.94
Personal Care and Service Occupations	18,980	$14.40
Building and Grounds Cleaning and Maintenance Occupations	22,110	$13.64
Food Preparation and Serving Related Occupations	44,590	$11.78
Total	***101,720***	***$13.33***

Occupations that will be most affected (by both the scheduled 2017 increase and any subsequent increases to the minimum wage) are those that pay the lowest wages. Those occupations include shampooers, amusement and recreation attendants, lifeguards, dishwashers, prep cooks, ushers and ticket takers. For each of those occupations the average wage in 2015 for workers in Silver Spring-Frederick-Rockville was at or below $10.00/hour. Montgomery County workers in those occupations are likely to be making the current minimum wage of

[34] *The effect of the minimum wage on prices. IZA DP No. 1072.* http://ftp.iza.org/dp1072.pdf
[35] The economic effects of a citywide minimum wage. http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1293&context=ilrreview
[36] Prior to 2015, this was known as the "Bethesda-Rockville-Frederick Metropolitan Division.

$10.75/hour. More than 33,000 people are employed in these occupations in the Silver Spring-Frederick-Rockville Metropolitan Division.

5. What have been the effects of the increases implemented under Bill 27-13?

Data shows changes in several of the "economic channels" described above since the enactment of Bill 27-13. Due to certain limitations of data, including lack of geographic specificity and a relatively short evaluation period, it is difficult, if not impossible to say that a causal relationship exists between the changes and the minimum wage increases implemented since the Bill's enactment. However, a look at these changes may be useful in assessing potential impacts of continuing to increase the minimum wage up to $15 per hour.

How have consumer prices changed since the enactment of Bill 27-13?

Publicly available data from the Bureau of Labor Statistics (BLS) indicate that prices in the DC region generally are increasing more quickly than in US cities generally, and that the prices of food away from home are increasing more rapidly in the DC region than elsewhere. According to the BLS, from 2013 through May of 2016 prices for all urban consumers in the Washington, DC metro area increased by a total of 3.86% (prices for all urban consumers in US cities have increased by 3.08% during that time). Prices for "food away from home" increased more rapidly during that time, going up by 7.01% in the Washington, DC metro area, and by 6.84% across all US cities.

Limitations of the data include the following:

- The Washington, DC metro area includes jurisdictions that have increased the minimum wage, as well as those that have not.
- All US Cities includes cities that have increased the minimum wage, as well as those that have not (though given that multiple jurisdictions in the DC metro region have increased minimum wages, it is likely that the effect on all US Cities would be smaller than the effect on the DC metro region).
- It is not yet known whether price effects will become more evident over time (e.g. if business decisions to raise prices will lag, or will be driven by increases to labor costs above a certain level).

How has employment changed since the enactment of Bill 27-13?

The overall employment picture in Montgomery County has remained steady and strong over the past two years. Employment in the Silver Spring-Frederick-Rockville Metropolitan Division increased from 561,830 to 566,300 in 2014, and then to 574,560 in 2015. Of course, the actual effect of increasing the minimum wage is likely to be felt in specific industries—such as the fast food industry—in which workers are paid low wages, in which labor costs are significant, and in which capital investments can substitute for labor.

From 2014 to 2015, the number of fast food cooks in the Silver Spring-Frederick-Rockville Metropolitan Division and in the District of Columbia declined significantly (from 1,440 to 860 in Silver Spring-Frederick-Rockville and from 2,570 to 2,050 in the District of Columbia). In the same period, employment as fast food cooks rose significantly in Baltimore-Towson, Richmond, and also in the Washington-Arlington-Alexandria Metro Division (in spite of the decline in DC).

While there is always noise in the annual employment numbers for an occupation at the local level, these numbers merit further consideration. Longitudinal employment numbers for other low-wage occupations may indicate that this decline is anomalous (i.e. simply a blip in the 2015 numbers or related to something that affects fast food only) or may support the notion that employment in many low-wage occupations is affected by changes to the minimum wage.

- Employment of cashiers here has also declined, falling from 14,010 in 2013 to 13,340 in 2015. In contrast, employment of cashiers in Baltimore-Towson is up from 37,860 in 2013 to 39,210 in 2015.
- Employment in some low-wage occupational categories has not declined. One example is home health aides—demand is increasing, and capital substitutions for labor are less feasible.

Some employment effects will become more evident as the minimum wage increases are phased in. For example, Montgomery County's last scheduled increase is July 1, 2017. The employment effects, if any, of Bill 27-13 will be much clearer in May of 2019 when the Occupational Employment Statistics will reflect a full year of the July 2017 increase to $11.50/hour.

How have wages changed since the enactment of Bill 27-13?

Average wages of Montgomery County workers have increased over the past two years, from $28.89/hour in 2013 to $29.28/hour in 2014 and then to $29.89/hour in 2015. While average wages have increased, the increases are largest among those with the highest incomes. Incomes at the 90th percentile increased by 4.9% from 2013 to 2015 (from $57.39/hour to $60.20/hour). During the same period, incomes at the 10th percentile increased only modestly from $9.13 to $9.26/hour, or 1.4%.

Wages of fast food cooks were up sharply from 2013 to 2014 in the Silver Spring-Rockville-Gaithersburg Metropolitan Division, but wages for the same occupation dropped from 2014 to 2015. For example, at the 50th percentile (median), wages rose from $9.09/hour in 2013 to $10.62/hour in 2014 before falling back to $10.42 in 2015.

A quick review of wage data does indicate that there is some wage compression in low-wage industries. For example, the gap between the 10th percentile wages of cashiers and 50th percentile wages of cashiers fell from $1.52/hour in 2013 to $1.19/hour in 2015. Put differently, while wages at the 10th percentile did increase by $0.47/hour, wages at the 50th percentile increased by only $0.14/hour. As the phase-in continues, the effects of the wage compression will become more clear.

6. What has been the experience in other local jurisdictions that have increased their minimum wages to $15 per hour?

Because of the relative novelty of $15 minimum wage laws, it is hard to draw much guidance from other jurisdictions that have enacted them.[37] Other than SeaTac, which due to its

[37] In 2014, Michael Reich, a University of California, Berkeley economics professor with the Institute for Research on Labor and Employment said "Our data show that an increase up to $13 an hour has no measurable effect on

size and unique economic characteristics[38] doesn't offer a good comparison, none have reached the $15 target yet (see ©76-83). Most of these jurisdictions are on the west coast, in the San Francisco Bay Area, Silicon Valley, and Los Angeles in California, as well as the City of Seattle, Washington. In enacting its 2014 law raising the minimum wage to $15 per hour, the Seattle City Council also commissioned a study of the law's impacts, contracted with the University of Washington to conduct the study.[39] While it is likely more useful to look at local impacts of the increases in the County minimum wage since the enactment of Bill 27-13, the information gathered as part of the Seattle study may provide some guidance.

Seattle:

Seattle enacted its $15 minimum wage law in June 2014.[40] The law provides different phase-in periods for different "schedules" of employers, described below:

- *Schedule 1 employers* (more than 500 employees in the US) must pay an hourly minimum wage of at least: $11.00 by April 1, 2015; $13.00 by January 1, 2016; and $15.00 by January 1, 2017. The hourly minimum wage paid by a Schedule 1 employer will be increased to reflect the rate of inflation on January 1 of each year thereafter. *Schedule 1 employers* that pay toward an individual employee's medical benefits plan must pay an hourly minimum wage of at least: $11.00 by April 1, 2015; $12.50 by January 1, 2016; $13.50 by January 1, 2017; and $15.00 by January 1, 2018. Effective January 1, 2019, the minimum wage requirement will be the same for all Schedule 1 employers.

- *Schedule 2 employers* (500 or fewer employees in the US) must pay an hourly minimum wage that is the lower of the minimum wage required of a Schedule 1 employer or: $10.50 by January 1, 2016; $11.00 by January 1, 2017; $11.50 by January 1, 2018; $12.00 by January 1, 2019; $13.50 by January 1, 2020; $15.00 by January 1, 2021; $15.75 by January 1, 2022; $16.50 by January 1, 2023; and $17.25 by January 1, 2024. Effective January 1, 2025, the minimum wage requirements will be the same for all employers.

As noted above, Seattle commissioned a study to assess the impacts of the increases during the phase-in period. The first report of the study was presented to the Seattle City Council on April 18 of this year,[41] and found little impact on prices in the first year of the law's implementation. The study involved a survey of 567 randomly selected Seattle employers as well as 55 workers, asking their awareness of and feelings about its expected and actual effects, to establish a baseline for that information. While 62% of employers surveyed said that they expected to raise prices of goods and services to cover increased labor costs, an analysis of area prices over time did not reveal such price increases. As with the examination of local impacts of the County's minimum

employment," but added "we have not studied what would happen at $15." http://www.seattletimes.com/seattle-news/studies-look-at-what-happened-when-cities-raised-minimum-wage/

[38] According to the most recent US Census and Bureau of Labor Statistics data, SeaTac's population is 27,875, and there are 13,751 workers within the city. Nearly a third of the people who work within the city work at the Sea-Tac International Airport, which serves Seattle and Tacoma, Washington.

[39] http://evans.uw.edu/policy-impact/minimum-wage-study

[40] Prior to the enactment of the Seattle law, two studies on potential effects of a minimum wage increase were commissioned by the Inequality Advisory Committee convened by Mayor Ed Murray. These studies can be accessed here: http://murray.seattle.gov/wp-content/uploads/2014/03/Evans-report-3_21_14-+-appdx.pdf and here: http://murray.seattle.gov/wp-content/uploads/2014/03/UC-Berkeley-IIAC-Report-3-20-2014.pdf

[41] http://seattle.legistar.com/LegislationDetail.aspx?ID=2691005&GUID=7C839B99-302C-4F5C-AD39-2DFDE2CBEF87&Options=&Search

wage increases implemented thus far, this is early-stage analysis and not necessarily a good predictor of impacts of future increases.

An update to the Seattle study, examining the effects of the minimum wage increases through 2015, was released in July of this year.[42] Two key findings of the study, noted economist Jared Bernstein, were: (1) "the pay of affected workers went up almost 12 percent, compared to a 5 percent increase for workers in nearby, similar places that weren't bound by the increase;" and (2) "relative to historical trends, the rate at which low-wage workers affected by the increase stayed employed rose by about three percentage points."[43]

The Bay Area and Silicon Valley:

In California, a number of jurisdictions have approved minimum wage increases that reach the $15 level earlier than 2022, as is required under the recently enacted State law. On November 4, 2014, San Francisco voters passed Proposition J, raising the minimum wage to $15.00 by 2018.[44] Proposition J provided for minimum wage increases according to the following schedule: (1) effective May 1, 2015, $12.25 per hour; (2) effective July 1, 2016, $13 per hour; (3) effective July 1, 2017, $14 per hour; (4) effective July 1, 2018, $15 per hour; and (5) each July 1 thereafter, adjusted for inflation.[45]

Since 2014, the minimum wage in San Francisco has risen 21 percent. During this period, unemployment in San Francisco County has dropped from five percent to 2.9 percent. In the same period, the labor force has grown from 522,300 to 549,800. However, according to the Executive Director of the Golden Gate Restaurant Association, many restaurants have raised prices this year, and one local fast-casual restaurant plans to raise menu prices seven percent. According to the Association, an accumulation of labor compliance costs has forced the increase in prices, as restaurant owners have to account for minimum wage, increased health care spending and mandatory paid parental leave.[46]

In addition to San Francisco, the Bay Area city of Emeryville, in Alameda County has enacted a $15 minimum wage law. In Emeryville, employees of large employers (more than 56 employees) will earn at least $15 per hour as of July 1, 2017, while employees of employers with 56 or fewer employees will reach the $15 minimum wage as of July 1, 2018.[47] Also in Alameda County, the City of Berkeley, which has a minimum wage slated to go to $12.53 in October, will have two $15 ballot measures on the ballot this fall. The City Council recently approved placing on the ballot a measure that would raise the minimum wage to $15 in 2019; a citizens' ballot initiative that would raise the minimum wage to $15 next year will also be on the ballot.[48]

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[42] http://evans.uw.edu/sites/default/files/MinWageReport-July2016_Final.pdf

[43] https://www.washingtonpost.com/posteverything/wp/2016/08/10/so-far-the-seattle-minimum-wage-increase-is-doing-what-its-supposed-to-do/?utm_term=.62525381b954

[44] CWED analyzed the potential impacts of the proposed increase prior to the November vote. The analysis can be accessed at: http://www.irle.berkeley.edu/cwed/briefs/2014-04.pdf

[45] http://sfgov.org/olse/minimum-wage-ordinance-mwo

[46] *SF's Minimum Wage Hike Took Effect July 1, but Changes Little*: http://www.sfchronicle.com/business/article/SF-s-minimum-wage-hike-took-effect-July-1-but-8335408.php

[47] http://www.ci.emeryville.ca.us/1024/Minimum-Wage-Ordinance

[48] http://www.berkeleyside.com/2016/06/15/berkeley-council-approves-alternative-minimum-wage-measure-for-ballot/

In Santa Clara County, Mountain View[49] and Sunnyvale[50] have enacted laws raising the minimum wage to $15 per hour. In each of these jurisdictions, the minimum wage will reach $15 per hour as of January 1, 2018, with future annual increases tied to inflation.

The Los Angeles Area:

On May 19, 2015, the Los Angeles City Council approved a measure providing annual minimum wage increases for employees in the City of Los Angeles up to $15.00 in 2020.[51] The measure applies to all employers, but implementation is delayed for employers having no more than 25 employees. Non-profits with more than 25 employees may apply for a waiver if they meet certain conditions. The Los Angeles County Board of Supervisors approved a measure that will increase the minimum wage for unincorporated areas in the County each July over five years in identical increments, starting at $10.50/hour on July 1, 2016, then $12.00 (2017), $13.25 (2018), $14.25 (2019), and $15.00 (2020). Following 2020, minimum wage will adjust according to the cost of living. In both the City and County, compliance of businesses with under 26 employees on payroll will be required a year later.

7. What are the potential effects of having a minimum wage substantially higher than most other jurisdictions in the region?

While an increase of the County minimum wage to $15 per hour by 2020 would be generally synchronized with the District of Columbia, it would create significant disparities between the County and other neighboring jurisdictions in the region. In the absence of further federal, State, or local action, the County's minimum wage would be roughly twice the minimum wage of Fairfax County and other suburban Virginia jurisdictions, nearly 50% higher than Frederick and Howard Counties, and 30% higher than Prince George's County. While there has been research done on the impacts of disparities in minimum wages in neighboring jurisdictions, the disparities studied did not approach those that will likely result from the enactment of Bill 12-16. It is possible that a substantial disparity will increase the number of non-County residents seeking low wage employment in the County, increasing competition for these jobs and possibly negatively impacting employment of County workers.[52]

It is exceedingly unlikely, given the results of the November 8 elections, that the federal minimum wage is going to increase during at least the first two years of the Trump administration. It is also unlikely that Maryland's sitting Governor would sign a bill increasing the State minimum wage, but there is a gubernatorial election in 2018, so it is technically possible that another statewide increase could occur before the increases proposed in Bill 12-16 are fully implemented. This possibility may be enhanced by the success of ballot initiatives in Arizona, Colorado, Maine and Washington in this year's elections and the apparent political momentum building in East coast states such as Massachusetts, Connecticut, and New Jersey.

[49] http://www.mountainview.gov/depts/comdev/economicdev/city_minimum_wage.asp
[50] http://sunnyvale.ca.gov/DoingBusiness/EconomicDevelopment/MinimumWage.aspx
[51] CWED prepared a report for the Los Angeles City Council analyzing potential impacts of the City's then-proposed increase. The report can be accessed at:
http://irle.berkeley.edu/files/2014/The-Mayor-of-Los-Angeles-Proposed-City-Minimum-Wage-Policy.pdf
[52] For an illustration of increased commuting for low-wage jobs, see:
http://www.nytimes.com/2014/02/16/us/crossing-borders-and-changing-lives-lured-by-higher-state-minimum-wages.html?_r=0

8. How will the increase in the minimum wage impact non-profits and other businesses that are not able to pass along increased labor costs to consumers?

At the public hearing, the Council heard from representatives of non-profits and service providers that cannot pass along increased labor costs to consumers. Jurisdictions raising their respective minimum wages are increasingly having to grapple with this issue. The organizations that addressed the Council expressed support for the idea of increasing the County minimum wage, but indicated that it would result in additional costs that they would not be able to pass on to consumers.

Nonprofit Montgomery recognized increasing the minimum wage as a tool to address poverty, and that workers "deserve a wage that leads to self-sufficiency." They asked however, that the Council consider several items concerning the implementation of any increase (see ©55), first among them ensuring that funding and reimbursement rates for County nonprofit contracts match increased labor costs as a result of the increases. Similarly, the Montgomery County Coalition for the Homeless offered support for the Bill, but indicated that increasing the wages of its 44 case aides to $15 per hour would result in an additional $200,000 in annual costs (see ©56).

Montgomery County Inter ACC/DD, a coalition of about 30 agencies serving adults with intellectual and other developmental disabilities, indicated it would support the Bill if it included language requiring the County to provide funding necessary to keep its member agencies' pay to staff at 125% of the minimum wage. Inter ACC/DD estimated that the additional cost to maintain that pay rate, over the $11.50 per hour already provided for in law, would be $20,558,048 per year (see ©57-59). Maryland Association of Adult Day Services, while not necessarily representing non-profits indicated that some of its member businesses are contractually prohibited from charging Medicaid patients for services reimbursed through the Medical Assistance Program. As such, these businesses, which provide a necessary service, would be unable to recover increased labor costs associated with a minimum wage increase. The Association requested consideration of an amendment exempting such businesses.

Around the country, jurisdictions are increasing their respective minimum wages while many nonprofit service organizations are struggling to maintain funding levels. Because the non-profit organizations represented at the public hearing, and likely others providing services in the County, rely largely on public (County, State, and federal) funding sources, those sources would be expected to increase their contributions or possibly accept some degradation or reduction in the services provided. In the face of increased costs but without a corresponding increase in funding, these organizations may resort to reducing staff or service hours, may cut back services offered or scale back service areas, or, where possible serve only clients who can afford higher fees.

9. Will there be a fiscal impact on the County beyond that estimated in the Fiscal Impact statement?

As noted above, the fiscal impact estimate is based entirely on a projection of the minimum wage/seasonal salary schedule (see ©84) to assess the cost of the Bill's proposed increases due to increases. It is not clear whether any adjustment to the County's other salary schedules[53] was considered, whether to raise in-schedule minimums to or above the minimum level or to avoid wage compression. For example, in the FY2016 General Salary Schedule (see ©85), the minimum

[53] The County Salary Schedules can be accessed at http://www.montgomerycountymd.gov/HR/classcomp.html

salaries in Grades 5 through 9 fall below the roughly $31,200 that would be earned under a $15 per hour minimum wage. Certainly, these minimums will be adjusted upward in the years that any increase to $15 will be phased-in, but likely not at the pace proposed in Bill 12-16. A look at what may be a shrinking gap between the lowest paid salaried County employees illustrates the wage compression problem; it would be helpful to understand the likelihood and cost of an additional upward adjustment in some or all of these grades.

Also, as previously discussed, certain non-profits that depend largely on County funding have indicated that they will face significant additional expenses should the minimum wage be increased to $15 per hour. Because they are mostly unable to pass along these additional costs to consumers, these organizations would be looking to their funding sources, including the County, for the necessary increased resources.

Finally, it is worth noting that one anticipated effect of increasing the minimum wage is reduced dependence among low-wage workers on social safety net programs. The County's earned income tax credit supplement is one program that is specifically designed to benefit low-income workers. Finance projects that the number of recipients of that tax credit supplement in FY17 will continue to increase, reaching nearly 12% above the number of recipients in FY14. It is not known at this time whether the increase in the number of eligible recipients would have been larger without Montgomery County's legislated increase in the minimum wage.

WORKING FAMILIES INCOME SUPPLEMENT NDA (EITC)						
Fiscal Year	County Match	Admin. Cost	Cost of EITC Refunds	Total Cost	Total Recipients	Average EITC
2000	100.00%	$11,813	$2,199,592	$2,211,405	12,322	$178.51
2001	125.00%	$9,740	$2,544,412	$2,554,152	10,917	$233.08
2002	100.00%	$10,921	$3,952,062	$3,962,983	14,122	$279.86
2003	100.00%	$10,732	$4,585,128	$4,595,860	14,814	$309.51
2004	100.00%	$12,910	$6,012,089	$6,024,999	18,074	$332.64
2005	100.00%	$14,109	$7,907,451	$7,921,560	20,805	$380.08
2006	100.00%	$25,376	$10,236,647	$10,262,023	20,789	$492.40
2007	100.00%	$16,027	$9,970,176	$9,986,203	20,210	$493.33
2008	100.00%	$17,577	$12,910,993	$12,928,570	26,584	$485.66
2009	100.00%	$15,361	$9,000,906	$9,016,267	19,559	$460.19
2010	100.00%	$19,448	$15,063,537	$15,082,985	30,189	$498.97
2011	72.50%	$32,726	$12,920,388	$12,953,114	33,840	$381.81
2012	68.90%	$33,231	$12,805,177	$12,838,409	34,290	$373.44
2013	75.50%	$34,058	$14,686,507	$14,720,565	34,876	$421.11
2014	85.00%	$38,663	$16,847,181	$16,885,860	37,281	$451.90
2015 Act.	90.00%	$40,811	$18,916,413	$18,960,549	38,824	$488.37
2016 Est.	95.00%	$41,650	$21,359,150	$21,400,800	40,076	$534.01
2017 CE Rec.	100.00%	$44,600	$24,229,900	$24,274,500	41,610	$583.38

source: Montgomery County Department of Finance, Division of Treasury

10. Should the County minimum wage be indexed to the CPI-W?

Bill 12-16 provides that, beginning in 2021, the County minimum wage is to be adjusted annually by the annual percentage increase, if any, in the CPI-W. Providing for an annual adjustment to the minimum wage would largely depoliticize the regular increases, and would ensure a measure of predictability to employers. However, annual increases in the minimum wage could result in wage compression being a yearly problem for employers, as employers would be required to increase wages for workers making the minimum wage without regard to whether the business could provide corresponding raises up the wage scale. In addition, the State minimum wage is not indexed to inflation, so the already significant spread between the County minimum wage and the State minimum wage will continue to grow.

Indexing to inflation does not, however, result in higher real wages each indexed year. Since 1990, the real value of the minimum wage has been as low as $6.58 (in 2007) and as high as $7.89 (in 2009). See ©86-88, Congressional Research Service, 2013 *"Inflation and the Real Minimum Wage: A Fact Sheet."* Similarly, indexing the minimum wage to inflation does not mean that hourly wages at the minimum wage will keep up with total economic productivity, the earnings of the top earners, or the average or median wages of all non-supervisory employees.[54]

For a thorough explanation of the issue, please see attached statement by Arindrajit Dube, Ph.D. to the U.S. Senate Committee on Health, Education, Labor and Pensions for a hearing on indexing the minimum wage. See ©89-109.

11. Should an increase in the minimum wage to $15 per hour be phased-in over a longer period?

As described above, different jurisdictions have implemented different timelines for reaching the $15 per hour minimum wage. Some have provided longer phase-in periods for small employers. Doing so may mitigate some of the impact on small businesses, but may complicate enforcement.

12. Should the Bill include mechanisms to "pause" scheduled increases based on economic conditions?

As previously noted, California and New York have included in their State laws "off ramps" or "pause" mechanisms that would allow scheduled increases in the minimum wage to be delayed due to certain adverse economic conditions. Aside from the fact that such mechanisms would tend to hurt those who least can afford it in hard economic times, there may also be significant challenges to implementing these provisions at the county-level.

13. Should the application of the minimum wage and "tip credit" to tipped employees be changed?

[54] For example, the Economic Policy Institute compared the change in the minimum wage since 1968 (the year in which the real value of the minimum wage was the highest in the history of the minimum wage) to changes in other economic indicators— if the minimum wage had increased at the same rate as economic productivity it would be $18.72; if the minimum wage had increased at the same rate as the wages of the top 1% of earners it would be $28.34; if the minimum wage had increased at the same rate as real average wages since 1968 the minimum wage would be $10.46.

At the public hearing, a number of speakers in favor of the Bill urged the Council to also increase the amount that employers must pay tipped workers. Currently, County law allows an employer to apply a "tip credit" equal to the County minimum wage less $4.00, in calculating a tipped employee's compensation. What this means, is that an employer is effectively only required to pay tipped employees $4.00 per hour. Tipped employees are guaranteed to earn the minimum wage when employer pay and tips are combined, and an employer must make up any shortfall. To increase the amount earned by tipped employees, the law could be amended to simply reduce the amount of the allowed tip credit. Under the current method, there is no increase in the employer pay corresponding to future increases in the minimum wage. If the minimum wage is indexed as proposed in the Bill, the Council could include a mechanism to index tipped employees' pay-from-employer as well.

Additional Information for Committee Consideration

As noted above, at the prior worksessions on the Bill, Committee members and other Councilmembers requested additional information and discussion from staff on several matters related to the proposed increase in the minimum wage. These requests can be divided into three general categories: (1) economic and demographic data; (2) potential impacts of an increase; and (3) possible implementation issues. Additional information gathered by staff, by category, is presented below.

Economic and Demographic Data

1. Cost-of-Living Comparisons

At the July 18, worksession, the Committee requested additional information about where the cost-of-living in the County stands relative to other jurisdictions that have committed to raising their local minimum wage to $15 per hour. While this information is generally only available at a regional level, staff has identified two resources which both seem to indicate that the Washington D.C. region is similarly situated to the regions containing these jurisdictions.

The U.S. Office of Personnel Management (OPM) sets the "locality payment" for different Federal Pay Areas to adjust for "pay gaps" between Federal and non-Federal pay. OPM uses the National Compensation Survey conducted by BLS so that Federal employees are earning comparable salaries to their counterparts in their region. While these locality adjustments are not directly connected to cost-of-living, they can provide a comparison for regional differences in wages.

OPM 2016 GSS Locality Payment for Select Regions

Region	Locality Payment
San Francisco-Oakland-San Jose	35.75%
New York-Newark, NY-NJ-CT-PA	29.20%
Los Angeles-Long Beach, CA	27.65%
Washington-Balt., DC-MD-VA-WV	24.78%
Seattle-Tacoma, WA	22.26%

Source: www.opm.gov, 2016 GSS tables ; Locality Payment is applied equally to all grades.

Also, the Council for Community and Economic Research (C2ER) generates a cost-of-living index to compare different metro areas in the U.S. This measure weighs several different factors in coming with a composite ranking. A recent comparison was published by the Greater Houston Partnership (see ©110), where the D.C. region had the third highest index of the top 20 metro areas in the U.S. In conjunction with the OPM data above, it is reasonable to conclude that the D.C. region is one of the more expensive metro areas to live in but not the most. While less expensive than New York City and San Francisco, the D.C. region is slightly more expensive than Seattle and Los Angeles in the C2ER ranking.

2. Projection of Area Median Wage

After discussing the proposal by economist Arindrajit Dube that 50% of area median wage is an appropriate local minimum wage (see ©60-72), the Committee requested projections of the area median wage. Data for projecting the area median wage is limited. The Maryland Department of Labor, Licensing, and Regulation (DLLR) updates occupation and wage data for the different workforce regions in Maryland. Montgomery County is its own workforce region, which makes it easier to analyze County-only data. DLLR shows that the median wage in 2015 for Montgomery County was $24.50 (see ©111). Montgomery County's median wage increased by 2.2% from 2013 to 2014 and by 2.1% from 2014 to 2015. Given the limited data points, it is difficult to estimate the likely increase in area median wage in the coming years. The table below provides estimates for an increase at 1.5% to 2.0% in the County's median wage.

Projecting Area Median Wage (rounded to the nearest cent)

Year	1.5% Annual Increase	2.0% Annual Increase
2015	$24.50	$24.50
2016	$24.87	$24.99
2017	$25.24	$25.49
2018	$25.62	$26.00
2019	$26.00	$26.52
2020	$26.39	$27.05

3. Differences Between CPI-U and CPI-W, and Likely Impacts on Future Increases

As discussed above, Bill 12-16 provides that the County minimum wage be adjusted annually by the increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The CPI-W applies to all households in which more than one-half of the household's income comes from clerical or wage occupations. In February 2014, the CPI-W represented about 28% of the U.S. population. The CPI-W was the standard index published by BLS until 1978. Starting in 1978, BLS published the CPI-U (All Urban Consumers) to capture a larger percentage of the U.S. population. BLS planned to discontinue the CPI-W series after three years of the CPI-U publication, but the CPI-W was not discontinued for several reasons. However, due to budget and workload issues, BLS did not maintain two separate indexes. Instead, BLS tracks the spending and prices for the CPI-U and then adjusts that index for the CPI-W based on weights to reflect the different spending habits of the wage earner.[55]

BLS published weights for 2013-2014 in December 2015 (see ©112). The CPI-W is weighted heavier for the categories Food and Beverage (+1.677) and Transportation (+2.765) but

[55] http://www.bls.gov/opub/btn/volume-3/why-does-bls-provide-both-the-cpi-w-and-cpi-u.htm

weighted less for the categories Medical Care (-1.533) and Housing (-1.466)[56] compared to the CPI-U. Future fluctuations to the CPI-W would be based on the changes in prices compared to the weights that BLS uses to calculate that index. Currently, the minutes from the September 20-21, 2016 meeting for the Board of Governors of the Federal Reserve System estimates the inflation will be approximately 2.0% in the short term (2017 – 2019) and longer run (beyond 2019)[57]. The Federal Reserve only projects inflation in general terms and does not offer separate projections for the CPI-U compared to the CPI-W.

For discussion purposes, below is a table comparing how the County's minimum wage would fluctuate using the CPI-U or CPI-W. Since inflation projections don't provide separate estimates for the CPI-U or CPI-W, the table assumes that: 1) the County's minimum wage was $11.50 in 2013 (i.e. Bill 27-13 required the minimum wage to be $11.50 immediately and indexed it to the CPI); 2) 2016 uses the half-year estimates for both CPI-U and CPI-W; and 3) 2017 – 2019 uses a flat 2.0% for both indexes.

Hourly Minimum Wage Indexed to CPI-U and CPI-W

Year	CPI-U	CPI-U Wage	CPI-W	CPI-W Wage
2013	152.500	$11.50	153.006	$11.50
2014	154.847	$11.68	155.151	$11.66
2015	155.353	$11.72	155.211	$11.67
2016	156.770	$11.82	156.492	$11.76
2017	159.905	$12.06	159.622	$12.00
2018	163.104	$12.30	162.814	$12.24
2019	166.366	$12.55	166.071	$12.48
2020	169.693	$12.80	169.392	$12.73

Source: BLS for 2013 – 2016; base year = 1996; 2017 – 2020 data is a 2.0% annual increase starting with the 2016 index.

Indexing to the CPI-U or the CPI-W has a marginal impact to the overall growth in the minimum wage, resulting in an additional $0.07 for the CPI-U during that time period. Though the CPI-U generated a minimum wage that is greater than the CPI-W, it is cautioned that this may not always be the case. Given the assumptions and utilizing the CPI-W as the index, the minimum wage would be $12.73 in 2020. This is about 15.1% less than the amount proposed in Bill 12-16. As discussed in previous packets, indexing minimum wage to CPI may have several complications (e.g. annual wage compression and greater spread between County and State minimum wage) and may not achieve higher real wages.

4. Montgomery County Worker Demographics

The Committee requested additional demographic information on County workers likely to be affected by the minimum wage increases proposed in the Bill. The tables below provide selected demographics for the various breakdowns requested by the Committee from the previous worksession.

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[56] The Housing component for Clerical and Wage Consumers is less than All Urban Consumers because of BLS's Rental Equivalency index. This index tries to estimate the value of owner-occupied units based on their potential income from rent instead of assessment value.

[57] It is important to note that this meeting occurred prior to the 2016 Presidential election.

Select Demographic Information – All Occupations in Montgomery County

Age			Gender		Race			
14-18	19 – 24	25 and greater	Female	Male	Black or African Amer.	Hispanic	White	All others
1.7%	8.6%	89.7%	51.8%	48.2%	24.5%	11.9%	52.7%	10.9%

Source: EMSI, Inc., 2016.4, QCEW only.
For race, "All others" includes American Indian or Alaska, Asian, Native Hawaiian or Other Pacific, and Two or More Races.

Select Demographic Information – Occupations with hourly median wage of $15 or less in Montgomery County

Age			Gender		Race			
14-18	19 – 24	25 and greater	Female	Male	Black or African Amer.	Hispanic	White	All others
5.2%	17.3%	77.5%	56.9%	43.1%	28.7%	19.6%	41.1%	10.6%

Source: EMSI, Inc., 2016.4, QCEW only.
For race, "All others" includes American Indian or Alaska, Asian, Native Hawaiian or Other Pacific, and Two or More Races.

Select Demographic Information for Occupations with hourly median wage less than $11.50 (Bill 27-13)

Age			Gender		Race			
14-18	19 – 24	25 and greater	Female	Male	Black or African Amer.	Hispanic	White	All others
7.3%	21.1%	71.6%	58.9%	41.1%	25.1%	18.7%	43.5%	12.7%

Source: EMSI, Inc., 2016.4, QCEW only.
For race, "All others" includes American Indian or Alaska, Asian, Native Hawaiian or Other Pacific, and Two or More Races.

5. Commuting Patterns of Low-Wage Workers (including County residents)

At the prior worksessions, the Committee discussed which workers would likely be affected by the Bill's provisions, and specifically inquired as to commuting patterns of likely affected workers. This information indicates that a significant number of these workers do not live in the County, and illustrates one of the challenges to implementing local minimum wage laws in a regional economy.

Approximately 172,999 workers in Montgomery County earned less than $3,333 per month (~$19.23 per hour at 2,080 hours per year) in 2014, according to the U.S. Census Bureau's "ontheMap" tool. Of that total, 51.0% were residents of Montgomery County. Most of those workers (49.0%) traveled 10 miles or less to their place of employment. Conversely, there were 166,020 County ***residents*** that earned less than $3,333 per month in 2014. The top three locations that County residents traveled for employment were within the County (53.1%), to Prince George's County (8.7%), and to D.C. (4.9%). Similar to those employed in the County, 53.9% of low-wage earners living in Montgomery County traveled less than 10 miles for employment.[58]

[58] As a point of reference, a ten-mile radius (not by road distance) from the COB in Rockville, MD would include only employment options in Montgomery County, except for a small portion just across the American Legion Bridge in Virginia.

Montgomery County Workers by Place of Residence

	Less than \$1,250	% of total	\$1,250 to \$3,333	% of total	Greater than \$3,333	% of total
Montgomery County	32,128	51.7%	56,051	50.5%	123,774	47.5%
Prince George's County	7,663	12.3%	15,622	14.1%	22,796	8.7%
District of Columbia	2,695	4.3%	5,227	4.7%	13,193	5.1%
All other	19,615	31.6%	33,998	30.7%	100,885	38.7%
Total	62,101		110,898		260,648	

Source: onthemap.ces.census.gov, U.S. Census Bureau, primary jobs only (i.e., 1 job per worker).

Montgomery County Residents by Place of Employment

	Less than \$1,250	% of total	\$1,250 to \$3,333	% of total	Greater than \$3,333	% of total
Montgomery County	32,128	53.2%	56,051	53.0%	123,774	46.4%
District of Columbia	6,675	11.1%	1,466	1.4%	63,350	23.8%
Prince George's County	5,281	8.8%	9,129	8.6%	17,071	6.4%
All other	16,268	26.9%	39,022	36.9%	100,885	23.4%
Total	60,352		110,898		260,648	

Source: onthemap.ces.census.gov, U.S. Census Bureau, primary jobs only (i.e., 1 job per worker).

Potential Impacts of an Increase

1. Wage compression

The issue of "wage compression," the shrinking gap between the lowest paid workers and those earning more, was raised by opponents of the Bill, and is discussed briefly above. The Committee asked for more information on the potential impacts of wage compression, both on County businesses and on the County itself. Wage compression, as discussed above, is not a hypothetical problem, and poses a question of fairness and may threaten morale within a workplace. Estimating the economic and fiscal impacts of wage compression is a complicated matter, as the impact is generally felt when an employer increases wages to *relieve* the compression that occurs due to an increase in the wages of its lowest paid employees.

Economic impact of wage compression on an employer is realized when the employer increases wages to workers other than the lowest paid workers to maintain a pay scale when the lowest paid workers get a raise. As illustrated in a recent Wall Street Journal article,[59] an employer may realize a certain cost solely due to an increase in the minimum wage (20% of profits in the article), but a substantially higher cost to preserve the current wage scale "with veteran workers earning more than newcomers" (more than 50% of profits in the article). Because profit margins and the number of directly-affected workers varies substantially from business to business, and each employer may or may not choose whether, or to what degree, to maintain existing wage scales, estimating costs across a local economy is beyond staff's capacity.

The issue of wage compression, and the cost to relieve it, relative to the County's existing salary schedules, was also raised as a possible fiscal impact on the County. As noted above, Grades 5 through 9 in the FY16 General Salary Schedule, include minimum salaries that fall below the

[59] http://www.wsj.com/articles/push-for-15-raises-payand-tensions-1462491407

roughly $31,200 that would be earned under a $15 per hour minimum wage. Staff confirmed with OMB that there are not full-time, permanent County employees that are paid below what the minimum wage would be under the phase-in schedule of the Bill, so there would not be an immediate direct impact on County payroll in this regard. However, since future salary schedules will be bargained for, there is a significant probability that there could be indirect costs incurred by the County in the future.

2. Cumulative Impact of "Worker Protection" Laws on County Businesses

In addition to the minimum wage increases already provided for under Bill 27-13, the County's recently enacted Sick and Safe Leave law will have some impact on County businesses. The Sick and Safe Leave law, which just went into effect on October 1, requires employers to provide certain employees with a specified amount of paid leave, subject to some limitations. In addition to these County laws, a rule promulgated by the U.S. Department of Labor under the Fair Labor Standards Act took effect on December 1 and will extend overtime protections to 4.2 million workers who are not currently eligible under federal law. Under this rule, workers who do not earn at least $47,476 a year ($913 a week) will have to be paid overtime, even if they're classified as a manager or professional.

Staff was asked to assess the cumulative impact of these recent changes on County businesses. As with estimating the costs of dealing with wage compression, though for different reasons, such an assessment is beyond the capacity of Council staff. With regard to the Sick and Safe Leave law and the FLSA overtime rule, the limited time during which the provisions have been in effect presents a serious challenge to estimating their impact. With the minimum wage increases implemented thus far under Bill 27-13, it is extremely difficult to isolate the impacts on County businesses attributable to the minimum wage increases.

This task is further complicated, at least concerning effects on employment, by broad employment trends. Overall employment in the County has steadily increased each year since 2010, and County unemployment has decreased in each of those years, going from 5.7% in FY10 to 3.7% in FY16. With time it may become easier to identify a causal relationship between minimum wage increases and certain outcomes related to employment, business viability and consumer prices, but at this point, we are quite limited in this area.

Essentially, information available on this point is anecdotal; the Chambers of Commerce in the County have consistently stated the concern of their membership that continuing to go up to a $15 per hour minimum wage by 2020 will be "too much, too fast." Specifically articulated concerns include: (1) concern that increased wage costs will be passed on to clients, many of whom are on fixed incomes (this is particularly true in the home health care sector); and (2) concerns of larger companies that costs of goods and services procured from smaller local businesses will go up, adding to their cost of doing business in Montgomery County.

In addition to concerns from the Chambers, Council staff has heard from representatives in the landscaping industry who will likely be affected by Bill 12-16's increases. These concerns highlight the limits that landscapers face in the amount of additional costs that they can pass along to consumers. Licensed County landscapers may lose business to illegal, unlicensed landscapers, or landscapers based outside of the County who do work in the County. Each of these concerns is an enforcement issue as much as a wage issue, but given the challenges of enforcement, may be well-founded.

3. Impact on Competitiveness of County Businesses with Businesses in Neighboring Jurisdictions with Significantly Lower Minimum Wages

As has been noted the absence of federal, State, or other local action, the County's minimum wage under the Bill would be roughly twice the minimum wage of Fairfax County and other suburban Virginia jurisdictions, nearly 50% higher than Frederick and Howard Counties, and 30% higher than Prince George's County. Staff was asked to provide additional information about potential competitive disadvantages to County businesses resulting from this disparity.

There have been studies that have examined employment patterns across borders of jurisdictions with different minimum wages. A 2010 study by economists from the Universities of California, Massachusetts, and North Carolina analyzed minimum wage impacts across state borders. The authors compared employment patterns in more than 250 pairs of neighboring counties in the U.S. that had different minimum wage rates between 1990 and 2006 and generally concluded that higher minimum wages did not reduce employment and did not put states with higher minimum wages at a significant competitive disadvantage.

A 2011 study by Center for Economic and Policy research looked at the first three city-specific minimum wages in the United States –San Francisco, Santa Fe, and Washington, D.C., and reached similar conclusions.[60] Because the disparities analyzed in these studies were not of the magnitude of those that may be created by the enactment of Bill 12-16, however, the studies' utility as a predictor of the Bill's impacts may be limited. While the impact of relatively modest differences may be negligible, until substantial disparities have been realized and studied, it will be difficult to predict the Bill's effects with a large degree of certainty.

4. Fiscal/Economic Impact on Nonprofits

As discussed above, the Council heard at the public hearing from some nonprofit service providers that further increases in the minimum wage will have significant impacts on them, and that unlike private sector, for-profit businesses, they are not able to pass these costs along to customers. As a result, there is almost certain to be a substantially greater need for County funding to make up the difference. If the County maintains the same formulas for funding (*e.g.*, 125% of minimum wage for Inter ACC/DD, etc.), that need will be great.

Nonprofit Montgomery conducted two surveys on the impacts of a minimum wage increase, in spring and fall of 2016 (see ©113-115). Twenty-one organizations responded to the Nonprofit Montgomery surveys, representing a range of budget sizes. Of these, seven described potential service disruptions if funding is not increased to cover additional wage costs. Montgomery County is not unique in facing this dilemma. As previously noted, mitigating substantial wage-related increases in operating costs for these organizations is a problem with which all jurisdictions implementing a $15.00 per hour minimum wage are grappling. Staff has not identified an established program or solution, beyond committing to increasing funding to offset the costs. In fact, one of the issues tracked by the study commissioned by Seattle to study

[60] http://cepr.net/documents/publications/min-wage-2011-03.pdf

the implementation of its minimum wage increases is "do nonprofit service organizations respond to higher wage rates by cutting back on services to vulnerable families?"

Locally, Prince George's County has struggled with this issue, and recently passed a bill which provides the option for direct service providers who work with individuals with disabilities under contract with the state Developmental Disabilities Administration (DDA) to apply for a waiver from the county's minimum wage law.[61] The Prince George's County waiver only applies during the time between the County's final increase on Oct. 1, 2017 (up to $11.50 per hour) and when the State's minimum wage reaches $10.10 on July 1, 2018. Even the temporary waiver provoked an impassioned debate, with advocates for the employees of such organizations saying that it sends employees a message that their services are not valued.

As the Council heard at the public hearing, it is not only County-funded nonprofits that are likely to see increases in costs that they are unable to pass along to customers. Medicaid-funded caregivers are in a similar situation, and a waiver from County minimum wage requirements is probably undesirable in that it would essentially value the work of these employees at less than that of employees in virtually all other types of work. Absent a waiver, a further increase in the County minimum wage, the County may need to take steps to assist these businesses as well.[62]

5. Effect of Increasing the Minimum Wage on Worker Eligibility for Social Service and Other Benefit Programs

The Committee asked staff to provide more information on how increasing the minimum wage might affect workers' eligibility for social programs. Potential savings on such programs is often offered by supporters of an increase as an offset to potential wage-related increases in government costs. Each social services program has its own maximum income eligibility levels. If a low-wage worker receives a higher wage due to a new County minimum wage, that person's eligibility for such programs may change. Although there are too many variables to predict how many County residents would lose eligibility due to a higher County minimum wage, we can make some general observations. A spreadsheet showing the maximum income levels for the different social services programs is at ©116-118.

For example, if a worker earns the 2017 minimum wage of $11.50 per hour for 2000 hours in a year (roughly full-time work), the worker would have an annual gross income of $23,000. If the worker receives a raise to $13.50 per hour, the annual gross income would grow to $27,000. A raise to $15.00 per hour would bring the annual gross income up to $30,000. A raise from $11.50 to $13.00 per hour would not affect Medicaid eligibility, but an increase to $15.00 per hour would cause households with fewer than four people to lose eligibility. Similarly, the maximum income to be eligible for the Montgomery Cares Program is $29,700 for an individual. The same worker would lose eligibility (as an individual) for Montgomery Cares if paid $15.000 per hour. Other variables include number of hours worked and other family income, so for workers who work more than 2,000 hours per year, or households with more than one low-wage worker, the impacts would be magnified. While one might reasonably conclude that a significantly higher

[61] http://www.thesentinel.com/pgs/index.php?option=com_k2&view=item&id=3182:county-waives-minimum-wage-for-service-providers&Itemid=766

[62] For a recent discussion on the problems of low wages in the nonprofit sector, with some mention of minimum wage impacts, see: "Nonprofit Wage Ghettos and What We Should Do about Them" https://nonprofitquarterly.org/2016/11/18/nonprofit-wage-ghettos/

County minimum wage would reduce the number of residents eligible for different social services programs, Council staff did not find any studies that could be used to predict the effect.

The cost of child care is another area likely to be affected by an increase in the minimum wage. The 2015 OLO report, "Child Care in Montgomery County," included the following:

> Currently, wages of child care workers are significantly lower than those of school teachers (even when comparing those with similar levels of education) and in many cases barely above the poverty level. A University of California, Berkeley study reported that the average hourly wage for a child care worker in 2013 was $10.33, only slightly higher than that for fast food cooks ($9.07) and significantly lower than that of kindergarten teachers ($25.40). From 2007 to 2011, an estimated 46% of child care workers' families were enrolled in public support programs such as Medicaid, food stamps, or the Federal Earned Income Tax Credit annually.[63]

An increase in the County minimum wage would likely mean a raise for many of the County's child care workers. This increase, would, however, probably result in an increase in the cost of child care in the County. This increase, combined with the likelihood that some low-wage workers that currently qualify for State child care subsidies will become income ineligible, presents a potential issue that should be anticipated. While the County offers a County-level child care subsidy for parents with limited income that do not qualify for the State subsidy, there is a waiting list for this subsidy. An increase in costs, combined with losing eligibility for a subsidy, could be very challenging for affected households.

The federal and State earned income credits, as well as the County supplement, is another program likely to be impacted by an increase in the minimum wage to $15.00 per hour. If a Maryland resident receives credits through the Federal EITC Program, Maryland will provide credits equal to 50% of the Federal EITC. Montgomery County residents receive additional tax credits based on 10 times the income tax rate for the County. At the current rate of $0.032 per $100, County residents will receive an additional 32% in tax credits based on their Federal EITC. For example, a Montgomery County resident receives $500 in Federal EITC. Maryland will provide a $250 tax credit and Montgomery County will provide $160 in tax credits, for a combined $410 in tax credits for their Maryland tax return.

In addition to tax credits, Maryland and Montgomery County provide refunds for tax credits that are greater than a resident's tax liability. However, the refund rate for the State of Maryland is different than the natural tax credit. For 2015, Maryland's rate was 25.5% of the Federal EITC. Montgomery County matches the State's refund at 100%.

The U.S. Internal Revenue Service allows any user to estimate their eligibility and potential EITC for previous tax years. The table below compares the value of EITC, Maryland ETC and Montgomery ETC for the current minimum wage required by Bill 27-13 ($11.50/hour) to the proposed wage in Bill 12-16 ($15.00/hour). This is based on the 2015 tax schedule.

[63] https://www.montgomerycountymd.gov/OLO/Resources/Files/2015_Reports/Report2016-3ChildCare.pdf

Minimum Wage	Earned Income	Federal EITC	Maryland ETC	County ETC
$11.50	$23,920	$4,323	$2,162	$1,383
$15.00	$31,200	$2,786	$1,393	$919
Difference	+$7,280	-$1,537	-$769	-$464

Assumptions: Single parent and two eligible children, with one full-time job (2080 hours per year) at minimum wage.

Increasing the minimum wage to $15.00 per hour will impact the value of assistance received from the Federal EITC program; however, an individual in the above scenario will still earn more than what is lost in tax credits. Additionally, the tax credits represent a deduction in tax liability, not actual dollars refunded and at the disposal of the individual. Using the same data and assumptions for the table above, this table details the impact to an individual's refund, if eligible.

Minimum Wage	Earned Income	Federal EITC	Maryland ETC Refund	County ETC Refund
$11.50	$23,920	$4,323	$1,102	$1,102
$15.00	$31,200	$2,786	$710	$710
Difference	+$7,280	-$1,537	-$392	-$392

Assumptions: Single parent and two eligible children, with one full-time job (2080 hours per year) at minimum wage.

As before, an individual will receive more income at the $15.00/hour minimum wage to offset any reductions in the Federal EITC and State/County ETC programs.

Implementation Issues

1. Possible Different Phase-in Periods and "Off-Ramp" Provisions

Staff was directed to provide the Committee with additional information on different phase-in periods used in other jurisdictions, as well as so-called "off-ramp" provisions. Three jurisdictions generally illustrate the options in both regards. California and New York State have implemented increases that provide for different schedules for small employers. In California, employers with 25 or fewer employees get an additional year to reach $15.00 per hour, while in New York, New York City employers with 10 or fewer employees get an additional year. Seattle takes a somewhat different, and more complicated approach, requiring very large employers (500+ employees nationwide) to pay $15.00 per hour by January 1, 2017.[64] Seattle employers with fewer than 500 employees must pay $15.00 per hour by 2021.

Both California and New York also have "off-ramps" to pause increases if economic circumstances so warrant. California's is based on specific statewide economic indicators, and gives the Governor the discretion to temporarily suspend scheduled increases up to twice during the phase-in if certain conditions exist. New York has a more general provision allowing suspension of increases based on a broader analysis of the State economy. Seattle's law does not include an "off-ramp" provision, nor does any local jurisdiction that has enacted a minimum wage

[64] Large employers in Seattle that provide medical benefits to employees get an extra year, to 2018, to pay $15.00 per hour.

increase thus far. This may be due to the challenges of getting sufficient economic data at a local level to determine whether a suspension of increases is warranted.

The California, New York, and Seattle implementation schedules are described below:

California statewide phase-in:

Minimum Wage	26 or more employees	25 or fewer employees
$10.50/hour	January 1, 2017	January 1, 2018
$11/hour	January 1, 2018	January 1, 2019
$12/hour	January 1, 2019	January 1, 2020
$13/hour	January 1, 2020	January 1, 2021
$14/hour	January 1, 2021	January 1, 2022
$15/hour[65]	January 1, 2022	January 1, 2023

- **Off-Ramp Provisions**
  Governor can choose to pause any scheduled increase for one year if either economy or budget conditions are met. The increase to $10.50/hour is not subject to off-ramps. Initial determination of Governor by August 1 of each year prior to a January increase. The Governor makes the final determination by September 1.
  1. **Economy**
     Governor has the ability to pause an increase if seasonally adjusted statewide job growth for either the prior 3 or 6 months is negative and retail sales receipts for the prior 12 months is negative.
  2. **Budget**
     Governor has the ability to pause an increase if any year from the current budget year to two additional years is forecasted to be in deficit when including the next scheduled increase. Pursuant to Proposition 2, a multiyear forecast is adopted as part of the annual Budget Act. A deficit is if the operating reserve is projected to be negative by more than 1 percent of annual revenues, currently about $1.2 billion. The budget off-ramp can only be used twice.

New York statewide phase-in:

Date	NYC <11 emp.	NYC 11+emp.	Suburban NYC*	Rest of State
12/31/2016	$10.50/hour	$11.00/hour	$10.00/hour	$9.70/hour
12/31/2017	$12.00/hour	$13.00/hour	$11.00/hour	$10.40/hour
12/31/2018	$13.50/hour	$15.00/hour	$12.00/hour	$11.10/hour
12/31/2019***	$15.00/hour		$13.00/hour	$11.80/hour
12/31/2020			$14.00/hour	$12.50/hour
12/31/2021			$15.00/hour	**

* Nassau, Suffolk and Westchester Counties
** After 2020, the minimum wage in the rest of the State will continue to increase to $15 on an indexed schedule to be set by the Director of the Division of Budget (DOB) in consultation with the Department of Labor.

[65] As mentioned above, both the City of San Francisco and the City and County of Los Angeles have local minimum wage laws that provide for a $15 per hour minimum wage in 2018 (San Francisco) and 2020 (Los Angeles).

*** **Off-Ramp Provisions:** Beginning in **2019**, the State DOB Director will conduct an annual analysis of the economy in each region and the effect of the minimum wage increases statewide to determine whether a temporary suspension of the scheduled increases is necessary.

City of Seattle phase-in:

Date	Schedule 1 (500+ emp. nationwide)	Schedule 1 (500+ emp. nationwide) with med. benefits	Schedule 2 (<500 emp. nationwide)**	Schedule 2 (<500 emp. nationwide)***
April 1, 2015	$11.00/hour	$11.00/hour	$10.00/hour	$10.00/hour
January 1, 2016	$13.00/hour	$12.50/hour	$10.50/hour	$12.00/hour
January 1, 2017	$15.00/hour	$13.50/hour	$11.00/hour	$13.00/hour
January 1, 2018*		$15.00/hour	$11.50/hour	$14.00/hour
January 1, 2019			$12.00/hour	$15.00/hour
January 1, 2020			$13.50/hour	$15.75/hour
January 1, 2021****			$15.00/hour	
January 1, 2022			$15.75/hour	
January 1, 2023			$16.50/hour	
January 1, 2024*****			$17.25/hour	

* Effective January 1, 2018, the hourly minimum wage paid by a Schedule 1 employer to any employee shall be increased annually on a percentage basis to reflect the rate of inflation and calculated to the nearest cent on January 1 of each year thereafter.
** Effective January 1 of 2016 and each year thereafter, Schedule 2 employers shall pay each employee an hourly minimum wage that is the **lower** of (a) the applicable hourly minimum wage for Schedule 1 Employers or (b) the hourly minimum wage shown in the above schedule.
*** Effective January 1 of 2016 and each year thereafter, Schedule 2 employers shall pay each employee an hourly *minimum compensation* that is the lower of (a) the applicable hourly minimum wage for Schedule 1 Employers or (b) the hourly minimum wage shown in the above schedule. "*Minimum compensation*" means the minimum wage in addition to tips actually received by the employee and reported to the Internal Revenue Service, and money paid by the employer towards an individual employee's medical benefits plan.
**** Effective January 1, 2021, the hourly minimum compensation paid by a Schedule 2 employer to any employee shall equal the hourly minimum wage applicable to Schedule 1 employers.
***** Effective January 1, 2025, minimum compensation will no longer be applicable as defined in the law.

2. Tipped Employees

At the July 18 worksession, Council staff was asked to look into whether the existing law's reporting requirement for employers of tipped employees could be modified for more proactive enforcement. As described above, the law currently allows an employer to apply a "tip credit" equal to the County minimum wage less $4.00, in calculating a tipped employee's compensation, as long as the employees combined earnings (employer paid plus tips) equals or exceeds the minimum wage. The law further requires each employer who employs a tipped employee to submit a quarterly wage report to the Director certifying that each tipped employee was paid the required minimum wage.

Because current law requires only a certification that each tipped employee is paid the required wage, and not specific information about individual employees, it would require substantial revision in order to allow for proactive enforcement (see OHR "Minimum Wage Reporting Form at ©119). To enable OHR to determine that a particular employee was not receiving the minimum compensation, employers would seemingly need to report each employee's hours worked, compensation paid by the employer, and tips received. Expanding the reporting requirement to this extent would likely present a significant burden to employers that employee a substantial number of tipped employees. It would also essentially require an employer to self-report violations.

Proposals and Requests Since the Prior Worksessions

1. County Executive Memorandum

The County Executive sent a memorandum dated November 22, 2016 to Council President Floreen, stating his "support [for] the effort to move toward $15 per hour over an appropriate time frame and under certain conditions." (see ©120-121) The Executive expressed specific concerns about the Bill and stated his opposition to it as introduced. The Executive expressed specific concerns about both economic impacts on businesses and adverse impacts on employment opportunities, as well as the likely additional fiscal impact on the County due to increased costs of contracts with nonprofits. In view of these concerns, he urged the Council to consider a longer time frame for raising the minimum wage and to include a provision to give the Executive authority to keep a scheduled increase from happening in the event of an economic downturn. He also urged the Council to consider exemptions such as those included in the bill sent to the Baltimore City Council from the Labor Committee.

2. Councilmember Katz Memorandum

Councilmember Katz sent a memorandum to Councilmembers dated November 30, 2016 stating his concerns about the Council taking action on the Bill without adequate information about potential impacts on businesses and workers. In concluding the memorandum, Councilmember Katz asked Councilmembers to undertake a "robust economic impact study" before enacting any further increases in the minimum wage. The memorandum is at ©122-123.

3. Councilmember Floreen Memorandum

By memorandum to OLO Director Chris Cihlar dated December 1, 2016, Council President Floreen requested that "OLO contract with outside experts as soon as possible in order to conduct an economic impact analysis of Bill 12-16. This memorandum is at ©124.

4. Possible Amendments

Councilmember Berliner may offer a set of amendments that would: (1) create separate phase-in schedules for large (26 or more employees), medium (between 6 and 25 employees, and small (5 or fewer employees) employers; (2) extend the phase-in schedule to 2022 for medium employers and 2023 for small employers; and (3) create a mechanism by which scheduled increases during the phase-in period may be temporarily suspended if certain economic circumstances exist. These draft amendments are at ©125-127.

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Bill No. 12-16
Concerning: Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment
Revised: 03/29/2016 Draft No. 2
Introduced: April 12, 2016
Expires: October 12, 2017
Enacted:
Executive:
Effective:
Sunset Date: None
Ch. _____, Laws of Mont. Co.

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Elrich
Co-Sponsors: Councilmembers Leventhal, Riemer, Navarro and Hucker

AN ACT to:

(1) increase the County minimum wage by a certain amount;
(2) require the Chief Administrative Officer to adjust the County minimum wage rate each year; and
(3) generally amend the laws governing the minimum wage

By amending

Montgomery County Code
Chapter 27, Human Rights and Civil Liberties
Article XI. County Minimum Wage
Section 27-68

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec 1. Section 27-68 is amended as follows:

27-68. Minimum Wage Required.

(a) *County minimum wage.* Except as provided in Subsection (b), an employer must pay wages to each employee for work performed in the County at least the greater of:

(1) the minimum wage required for that employee under the Federal Act;

(2) the minimum wage required for that employee under the State Act; or

(3) [$11.50] $15.00 per hour.

(b) *Annual adjustment.* The Chief Administrative Officer must adjust the minimum wage rate required under Subsection (a)(3), effective July 1, 2021, and July 1 of each subsequent year, by the annual average increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers, CPI-W, or a successor index, for the previous calendar year. The Chief Administrative Officer must calculate the adjustment to the nearest multiple of five cents, and must publish the amount of this adjustment not later than March 1 of each year.

(c) *Exclusions.* The County minimum wage does not apply to an employee who:

(1) is exempt from the minimum wage requirements of the State or Federal Act;

(2) is under the age of 19 years and is employed no more than 20 hours per week; or

(3) is subject to an opportunity wage under the State or Federal Act.

[(c)](d) *Retaliation prohibited.* A person must not:

(1) retaliate against any person for:

(A) lawfully opposing any violation of this Article; or

(B) filing a complaint, testifying, assisting, or participating in any manner in an investigation, proceeding, or hearing under this Article; or

(2) obstruct or prevent enforcement or compliance with this Article.

Sec. 2. Transition.

Notwithstanding Section 27-68, as amended in Section 1, the County minimum wage, until July 1, 2020, must be the greater of the minimum wage required under the Federal or State Act or:

(a) effective July 1, 2017, $11.50 per hour;

(b) effective July 1, 2018, $12.50 per hour;

(c) effective July 1, 2019, $13.75 per hour.

Sec. 3. Effective Date.

This Act takes effect on October 1, 2016.

Approved:

____

Nancy Floreen, President, County Council Date

Approved:

____

Isiah Leggett, County Executive Date

This is a correct copy of Council action.

____

Linda M. Lauer, Clerk of the Council Date

LEGISLATIVE REQUEST REPORT

Bill 12-16

Human Rights and Civil Liberties – County Minimum Wage – Amount - Annual Adjustment

DESCRIPTION:	The Bill would increase the County minimum wage that must be paid to certain employees working in the County for a private sector employer or the County government to $15.00 per hour by 2020. It would also require annual adjustments to the County minimum wage each year beginning in 2021.
PROBLEM:	The existing County minimum wage of $9.55 per hour, which will increase to $10.75 on July 1 of this year and $11.50 on July 1, 2017, is insufficient to support a full-time worker in the County, and existing law does not provide for annual increases based on inflation.
GOALS AND OBJECTIVES:	To maintain a reasonable living wage for workers in the County when the State and federal minimum wage is insufficient.
COORDINATION:	Human Rights Commission, Office of Management and Budget, Department of Finance
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Josh Hamlin, Legislative Attorney, 240-777-7892
APPLICATION WITHIN MUNICIPALITIES:	To be researched.
PENALTIES:	Class A civil citation and equitable relief.

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ROCKVILLE, MARYLAND

MEMORANDUM

May 2, 2016

TO: Nancy Floreen, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance

SUBJECT: FEIS for Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Joseph F. Beach, Director, Department of Finance
Shawn Y. Stokes, Director, Office of Human Recourses
Jim Stowe, Director, Office of Human Rights
David Platt, Department of Finance
Corey Orlosky, Office of Management and Budget
Alex Espinosa, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement
Bill 12-16 Human Rights and Civil Liberties-County Minimum Wage-Amount-Annual Adjustment

1. **Legislative Summary.**

   Bill 12-16 would increase the County minimum wage to $15.00 per hour effective July 1, 2020. Under the bill's transition provision, the County minimum wage would increase from $11.50 effective July 1, 2017 to $12.50 per hour July 1, 2018, $13.75 per hour July 1, 2019, and $15.00 per hour July 1, 2020.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

   This proposed legislation would not change any County revenues or expenditures in the County Executive's recommended FY17 budget. The changes in this proposed legislation would have an impact beginning in FY19.

   The fiscal impact of this bill has been estimated using the current minimum wage law establishing a minimum wage of $11.50 effective July 1, 2017 as the baseline. To determine the impact, a projection of the minimum wage/seasonal salary schedule was used to discover that the changes to minimum wage would impact grades S1 through S5 in FY19 and beyond. The County currently utilizes an estimated 565,258 hours of work in grades S1 through S5. Additionally, once the minimum wage reaches $15.00 per hour, this legislation would provide an annual adjustment to the minimum wage by the annual increase in the CPI. This adjustment is used in the 6-year fiscal year projection in #3, and would continue to have an impact beyond 6 years.

   Specifically for the Office of Human Rights, a person may file a complaint against their employer for non-compliance with the law and in violation of the wage requirements in this bill with the Maryland Department of Labor, Licensing and Regulations Employment Standard Service. It is unknown whether an increase in the minimum wage rate would affect the number of complaints filed each year from Montgomery County so case processing and closure estimates are difficult to determine at this time. These variables should not impact revenues or expenditures in the foreseeable future. The Office of Human Rights estimates a minimum cost will be required to print new minimum wage posters for the county employment community.

3. **Revenue and expenditure estimates covering at least the next 6 fiscal years.**

   The current minimum wage law provides for incremental changes to achieve a minimum wage of $11.50 in FY18. The proposed legislation would add additional minimum wage increases beyond FY18, leading to an estimated additional fiscal impact of $6,483,575 to the County over the next 6 years. This estimate represents the increases proposed to take effect in FY19-FY22, assuming the current number of hours worked by County employees in the affected grades on the minimum wage/seasonal salary schedule.

	FY18	FY19	FY20	FY21	FY22
Minimum wage	$11.50	$12.50	$13.75	$15.00	$15.41
Hours worked	565,258	565,258	565,258	565,258	565,258
Cost	$6,997,758	$7,606,259	$8,366,885	$9,127,511	$9,373,954
Impact	$0	$608,501	$1,369,127	$2,129,753	$2,376,195
Note: cost estimate includes payroll tax of 7.65%				**Total impact**	$6,483,575

The Office of Human Rights estimates a minimum cost will be required to print new minimum wage posters for the county employment community.

4. **An actuarial analysis through the entire amortization period for each regulation that would affect retiree pension or group insurance costs.**

   Not applicable.

5. **Later actions that may affect future revenue and expenditures if the regulation authorizes future spending.**

   Any substantive changes to the utilization of employees on the minimum wage/seasonal salary schedule would have an impact on the estimate for the next 6 fiscal years.

6. **An estimate of the staff time needed to implement the regulation.**

   There would be minimal impact to the Office of Human Rights staff in regards to processing complaints submitted to and enforced by the Maryland Department of Labor, Licensing and Regulations Employment Standards Service. The Office of Human Rights staff would continue to address questions and provide clarification of the requirements of the law and provide educational outreach to the general community.

7. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   Not applicable.

8. **An estimate of costs when an additional appropriation is needed.**

   No additional appropriation is needed.

9. **A description of any variable that could affect revenue and cost estimates.**

   Cost estimates could be affected by changes in the utilization of employees on the minimum wage/seasonal salary schedule.

There is no impact for the Office of Human Rights as the Maryland DLLR will enforce the law and process complaints.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable.

11. If a regulation is likely to have no fiscal impact, why that is the case.

Not applicable.

12. Other fiscal impacts or comments.

Not applicable.

13. The following contributed to and concurred with this analysis.

James Stowe, Office of Human Rights
Corey Orlosky, Office of Management and Budget
Lori O'Brien, Office of Human Resources

JHughes
Jennifer A. Hughes, Director
Office of Management and Budget

5/2/16
Date

Economic Impact Statement
Bill 12-16, Human Rights and Civil Liberties –
County Minimum Wage – Amount – Annual Adjustment

Background:

This legislation would:

- Increase the minimum wage set in County law to $15.00 per hour effective July 1, 2020, and
- Beginning in 2021, the minimum wage would be adjusted by the annual increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the previous calendar year.

The County's minimum wage would be phased in over several years. The minimum wage would increase to $12.50 per hour beginning on July 1, 2018, increase to $13.75 per hour beginning on July 1, 2019, and increase to $15.00 per hour beginning on July 1, 2020.

1. **The sources of information, assumptions, and methodologies used.**

The sources of information include economic research papers and data that analyzed the effects of increasing the minimum wage on employment. Those papers and data include the following:

- David Neumark, "The Effects of Minimum Wages on Employment", Federal Reserve Bank of San Francisco (FRBSF) Economic Letter, December 21, 2015,
- Robert Pollin and Jeannette Wicks-Lim, "A $15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs", Working Paper Series, Political Economy Research Institute, University of Massachusetts Amherst, January 2015, and
- Bureau of Labor Statistics (BLS), U.S. Department of Labor, "Characteristics of Minimum Wage Workers, 2013", BLS Reports, March 2014.

According to Neumark, "researchers offer conflicting evidence on whether or not raising the minimum wage means fewer jobs for low-skilled workers." These conflicts are based on four models:

- The "neoclassical" model or standard model of competitive labor markets predicts that a higher minimum wage will lead to job loss. This model assumes a labor market for a single type of labor. According to this model, a minimum wage that is set above the competitive equilibrium reduces employment. Employers may substitute low-skilled labor for other factors of production such as equipment or other types of capital resources. Second, higher wages and fixed factors of production imply higher prices, thereby reducing product and labor demand.

- However, since the labor market is more complex than the "neoclassical mode" suggests, an alternative model is the "labor-labor substitution" framework that may not result in total job losses but will result in a shift in hiring from fewer low-skilled workers to more high-skilled workers.

- A third conceptual model as an alternative to either the "neoclassical" or the "labor-labor substitution" model is that employers have significantly more *market power* than consumers. This monopsony could be the result of pricing power by the employer, that is, he or she is able to pass along the increase in the wage rate through higher prices. This ability to pass on the wage increase is attributed to the *elastic/inelastic* demand for the product by the consumers.

- Finally, a paper by Pollin and Wisk-Lim suggest that "there are four primary ways for businesses to adjust to cost increases other than reducing employment." The four ways include: 1) an increase in the minimum wage would reduce absenteeism, lower turnover and training costs, and yield higher productivity, 2) cover a share of the increase in the minimum wage by raising prices (the monopsony model), 3) allocate a share of the business revenue generated by economic growth to cover the increase in the minimum wage, and 4) redistribute overall revenues within the firm from profits to the wages of their lowest-paid workers.

Alan Blinder, former Vice Chairman of the Board of Governors of the Federal Reserve System, posits three reasons minimum wages do not affect employment similar to the Pollin/Wisk-Lim study: higher wages may reduce turnover and therefore training costs, raising the minimum wage may eliminate the problem of recruiting workers at a higher wage than current workers, and minimum wage earners represent a small portion of the employer's cost such that an increase is relatively insignificant to the employer's total cost of production.

In Neumark's paper, he provides the research estimates of the responsiveness (elasticity) of raising the minimum wage to jobs losses. He reports elasticities ranging from -0.1 to -0.2 depending on the makeup of the labor force and business such as teenagers in restaurant industry to geographical locations. Based on review of the research, Neumark suggests a reasonable estimate based on his reviews that *current* minimum wages "have directly reduced the number of jobs *nationally* by about 100,000 to 200,000 relative to the period before the Great Recession." He also suggests that this small decline in aggregate employment should be "weighed against increased wages for still-employed workers because of higher minimum wages."

Based on 2013 data from the Bureau of Labor Statistics (BLS), there were 66,000 employees in Maryland out of a total of 1.334 million hourly-paid workers (4.95%)

earning at or below the minimum wage as measured by the labor force series data. Of that percentage, 2.2 percent workers were at the minimum wage and 2.7 percent were below the minimum wage. Since the 2013 data are based on a survey of households nationwide, there are no specific data on minimum wage employees in Montgomery County. Based on BLS data, minimum wage employees are concentrated in the leisure and hospitality industry, retail, and education and health services. In terms of occupations, nearly 44% are in food preparation and serving related occupations nationwide.

2. **A description of any variable that could affect the economic impact estimates.**

- The ability of the employer to pass the increase of the minimum wage to his or her customers;
- The share of minimum wage earners to total employment for a particular business;
- The elastic/inelastic demand for the business's product or service;
- The elasticity of raising the minimum wage and the effects on employment;
- The costs of retraining workers, and
- The extent to which higher minimum wages induce greater spending in the local economy.

3. **The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.**

As stated previously, there is no consensus among economists on the effects of the minimum wage on employment. Based on the review of the research, it is not certain whether an increase in the minimum wage would either increase or decrease employment. This uncertainty is based on the following factors presented in Section 2:

- The ability of the employer to compensate for the increase in the minimum wage by passing such increase onto customers with higher prices;
- The proportion of the wage costs among workers earning the minimum wage to the total costs of production; and
- The multiplier effect of increasing the minimum wage on the local economy.

Finally, in the research studies presented above, the conclusions are based on datasets used to determine the effect of the minimum wage on employment, the statistical methods used to reach those conclusions, and the model used as the theoretical framework to conduct the analysis.

Economic Impact Statement
Bill 12-16, Human Rights and Civil Liberties –
County Minimum Wage – Amount – Annual Adjustment

4. **If a Bill is likely to have no economic impact, why is that the case?**

   It is uncertain whether increasing the minimum wage would either increase or decrease employment among low-wage workers. As stated in Section 3, the economic impact would be based on the assumptions and the characteristics and location of those businesses that would be required to raise the minimum wage.

5. **The following contributed to and concurred with this analysis**: David Platt, Mary Casciotti, and Robert Hagedoorn, Finance.

Joseph F. Beach, Director
Department of Finance

5/1/16
Date

Testimony of Jaime Contreras, Vice President 32BJ SEIU 2

Council Public Hearing on:

Bill 12-16, Human Rights and Civil Liberties - County Minimum Wage - Amount - Annual Adjustment

June 21 2016

32BJ SEIU
Stronger Together

SERVICE EMPLOYEES INTERNATIONAL UNION CTW, CLC

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Executive Vice President

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New Jersey District
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Western Pennsylvania District
412.471.0690

www.seiu32bj.org

Good evening Council President Floreen and Council members. My name is Jaime Contreras and I am Vice President of 32BJ SEIU and Director of the Capital Area District.

Thank you for the opportunity to testify here today on behalf of our members.

32BJ represents over 155,000 men and women in 11 states on the East Coast, as well as Washington, DC. We have over 18,000 members here in the Capital Area which encompasses Montgomery County.

Our members' lives reflect the experience of tens of millions of Americans. We hail from 64 different countries and speak 28 different languages. Our members fight to support their families in jobs that form the backbone of the property service industry – cleaners, janitors, security officer and other building service workers.

Workers in Montgomery County and across America need a raise.

The Economic Policy Institute estimates that the cost of providing a modest standard of living for a family of four in Montgomery County is over $79,000 a year.[i] This means a wage of over $19 an hour *with two income earners* in a household.

For low-wage workers, an increase in the minimum wage to $15 does not mean luxury – but it will mean a stride forward on the path towards earning a family sustaining income.

Opponents of this bill will say that raising the minimum wage will cost too much.

But we know that it is poverty level wages that cost too much.

A recent analysis by the UC Berkeley Center for Labor Research and Education, found that between 2009 and 2011, poverty level wages cost the State of Maryland $628 Million Dollars a year in Medicaid and TANF spending on working families, and the Federal Government another nearly $2 Billion.[ii]

Poverty level wages cost our community through foregone investment in schools, hospitals and infrastructure.[iii]

Poverty wages cost our local businesses through weaker consumer demand and the reduced spending potential of underpaid local workers.[iv]

And poverty wages cost the families and children of low-wage households that deal with the stresses of multiple jobs and the burden of educational and health disadvantages.[v]

This bill, with a staggered increase to $15 an hour in 2020, will stand Montgomery County alongside other cities and states across the Country that are doing the right thing by giving low-wage workers and their families a fair shot at a life with dignity. Importantly, it will move the wages of Montgomery County workers alongside those of workers in DC – allowing economic justice to cross state borders along with economic activity.

By indexing the minimum wage to the consumer price index beginning in 2021, the bill will ensure the minimum wage does not fall behind the cost of living and maintains its real value over time.

We strongly encourage the council to expand the scope of this bill to ensure it benefits are fully realized for tipped workers. Without adjusting the tipped credit, as the minimum wage moves to $15, tipped workers will be required to off-set an increasingly larger portion of their wage out of their earned gratuities.

We support a significant reduction in the disparity between the tipped base wage and the full minimum wage, as well as the indexation of the tipped base wage to make sure tipped workers are not left behind.

It is well overdue that we restore the capacity of all workers to care for their families and support their lives based on the income from their job. Your vote can begin to rebuild this most basic deal here in Montgomery County.

I reiterate our support for Bill 12-16 and urge the Council to pass it into law.

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[i] 2014 Dollars. See, EPI's Family Budget Calculator: http://www.epi.org/resources/budget/

[ii] 2013 Dollars. See pp. 7-8, Jacobs, K, Penny, I, MacGillvray, J (2015). The High Public Cost of Low Wages. UC Berkeley Labor Centre: http://laborcenter.berkeley.edu/pdf/2015/the-high-public-cost-of-low-wages.pdf

[iii] At any given level of fiscal deficit or surplus, spending on programs that subsidize poverty level wages occurs in place of other programs such as education, health and infrastructure investment. See Cooper, D (2016). Balancing Pay Checks and Public Assistance. http://www.epi.org/files/2015/balancing-paychecks-and-public-assistance.pdf

[iv] Low wages act as a drag on consumer spending and aggregate demand within the economy. Increasing wages for low income workers, who have a higher propensity to spend, can stimulate demand and promote growth and employment. See pp 6, Ruestschlin, C (2012). Retail's Hidden Potential. Demos. http://www.demos.org/sites/default/files/publications/RetailsHiddenPotential.pdf

[v] See pp. 1, Dobson, L, Albeda, R (2012). How Youth Are Put At Risk by Parents' Low-Wages Jobs. Center for Social Policy, University of Massachusetts, Boston. https://www.umb.edu/editor_uploads/images/centers_institutes/center_social_policy/Youth_at_RiskParents_Low_Wage_Jobs_Fall_121.pdf

10

Montgomery County Community Action Board's
County Council Testimony
Bill 12-16 Human Rights and Civil Liberties – County Minimum Wage
Tuesday, June 21, 2016

Laurie-Anne Sayles
Community Action Board Member

Good evening President Floreen, Vice President Berliner, and members of the Montgomery County Council. My name is Laurie-Anne Sayles and I am a member of the Community Action Board.

FDR once said, "No business which depends for existence on paying less than living wages to its workers has any right to continue in this country."

I am here this evening to express the Board's strong support for increasing the County minimum wage to $15. Just as the Board previously supported the 2013 increase, we continue to believe that increasing the minimum wage will help more low-income residents move towards self-sufficiency. This increase is in keeping the Council's previous support for progressive policies and programs that support workers, including paid sick leave, the Working Families Income Supplement, and child care subsidies.

Through its Volunteer Income Tax Assistance (VITA) Program and the Takoma-East Silver Spring Center, the Community Action Agency works directly with many County residents who would benefit from the $15 minimum wage. Many of the participants in our Board's poverty forums last year told us specifically that one of the biggest challenges they face is finding a job that pays a living wage. A $15 minimum wage will help these residents by ensuring appropriate compensation for their work.

The Board acknowledges that the new minimum wage may pose a hardship for emerging small businesses. While the research is inconclusive on the ultimate impact on small businesses of raising the minimum wage, we are open to innovative ideas that will assist small business owners with transitioning to the new law.

While the higher minimum wage will have a tremendous effect on workers, we must keep in mind that it is only one step in the process. Increasing the minimum wage will help low-income residents but due to the incredibly high cost of living in Montgomery County, many residents will still struggle to achieve self-sufficiency. For example, while the proposed minimum wage increase will result in an annual income of about $31,200, the Self-Sufficiency Standard for a single parent with two young children is $85,926. I bring this to your attention only to highlight the significant challenges faced by our low-income neighbors. This comparison also shows why the Community Action Board has been a longtime proponent of the Self-Sufficiency Standard as a more accurate measure of poverty in the County. The Self-Sufficiency Standard examines the cost of necessities such as housing, transportation, and child care in a given area, and uses these costs to determine the true cost of living there. I am happy to report that this year, the Community Action Agency will work with its partners to update the Maryland Self-Sufficiency Standard for 2016.

In addition to the $15 minimum wage, our Board also encourages the Council to consider other ways to address the needs of low-income residents, including expanded affordable housing programs, increased support for early childhood education programs, and additional tax credits to support low-wage workers.

While the federal minimum wage remains at the shockingly low amount of $7.25/hour, we strongly encourage Montgomery County to pass this bill and place itself, once again, at the forefront of local jurisdictions taking real steps to reduce inequality. On behalf of the Community Action Board, thank you for your ongoing commitment to low-income residents.

Progressive Maryland

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Silver Spring, Maryland 20915

301.494.4998 phone
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8

Testimony on Montgomery County Bill 12-16

To: Montgomery County Council
Date: June 21, 2016
Position: Support

Thank you for the opportunity to testify on bill 12-16. I am here on behalf of Progressive Maryland, one of the largest grassroots advocacy organizations in the state representing working families. We have over 120,000 members and affiliates statewide, including over 36,000 here in Montgomery County. We ask the Council to support bill 12-16 to raise the minimum wage to $15.

The $15 minimum wage is quickly becoming the national standard. At least 16 jurisdictions including DC, New York state and California have passed legislation to raise wages to at least $15. Fifty-three members of Congress and 200 economists have expressed support for a national minimum of $15 because the simple reality is workers are being priced out of their communities.

This bill would continue the pay raise that was implemented in 2013 until it reaches $15 in 2020 and would then be indexed to inflation. Montgomery County is consistently ranked as one of America's most expensive regions with an area median income of $109,000. By comparison, a full-time minimum wage worker only earns $19,864 per year. Increasing the minimum wage to $15/hour would mean a raise for struggling workers while also benefiting businesses and the local economy. We know that minimum wage workers spend most of their incomes on everyday goods and services. That means more money going into retail businesses and restaurants and is consistent with evidence we see in cities that have already adopted this increase.

Progressive Maryland is also concerned about the plight of tipped workers and would like to see an amendment to include them in the minimum wage increase. Tipped workers–including servers, bussers, and bar-backs–earn a subminimum wage of $4/hour making them almost solely dependent on tips to meet their basic needs.

We've talked to dozens of workers in Montgomery County and continue to hear the same stories with regard to tipped workers. They never know how much money they'll earn in a week and rarely is their pay reflective of the level of service they provide. According to the Restaurant Opportunity Center, 70% of tipped workers in Montgomery County are people of color, nearly 60% are women, and a third are parents. This two-tiered wage system only serves to widen the gender and racial pay gap, making it harder for Montgomery County's most vulnerable workers to provide for their families and achieve a decent standard of living.

Even though employers are supposed to compensate their tipped workers for any amount under the minimum wage not earned in tips, we consistently hear stories of wage theft in which employers simply do not pay workers what they are due. Workers are often fearful of losing their jobs or being assigned fewer shifts and therefore do not challenge their employers over stolen wages. It is also common practice for servers to pay a portion of their tips to bussers and other back-of-house staff, meaning what they earn is not actually what they take home.

Progressive Maryland

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Relying on tips makes workers economically insecure and makes for an unsafe work environment. Research shows that 90% of women working as servers have experienced sexual harassment on the job from either a customer or a supervisor. But because any challenge to the status quo may mean being assigned to a slower shift or fewer hours, these women feel forced to choose between tolerating workplace harassment or the prospect of not being able to feed their families.

This is a critical issue for working families in Montgomery County. I strongly urge you to support this bill with an amendment to provide a significant raise for tipped workers. Thank you.

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Bill 12-16

Testimony: UFCW Local 1994 MCGEO

Raising the County Minimum Wage

Testimony of UFCW Local 1994 MCGEO

Senior Field Representative Erin Yeagley

The recent passage of legislation raising the county's minimum wage was the right thing to do, but the failure to include an indexing mechanism has brought us together once again to ensure that wages keep pace with the true cost of living in Montgomery County. Raising the minimum wage to $15 an hour and indexing it for the future is the right thing to do for our community, which will fail to thrive if we fail to ensure a living wage.

There are in fact county employees who would be positively affected by this change. UFCW Local 1994 MCGEO represents county temporary employees in a limited scope. But without full union rights or merit status, many of the temporary employees that provide services to the community, in our recreation centers, our health centers, and throughout county government, struggle to pay the bills on less than a living wage. They cobble together multiple part time jobs to make rent. Passage of this bill would give them some much needed relief in the coming years.

Our union local does not want to see this bill weakened by extensions and exemptions. We stand with the rest of the progressive community in pushing for a living wage that is not put on pause when times get even tougher, a living wage that supports workers regardless of size of their employer. There's a reason we refer to it as a "living wage", and all workers need it.

UFCW Local 1994 MCGEO also strongly urges the County Council to take action to increase the base wage for tipped workers. Washington DC recently doubled their base wage for tipped workers, and we urge you to do the same. The larger the gap between the base wage and the minimum wage that tips must fill, the more workers are hurt when employers don't abide by the rules. Workers have little recourse in such situations, afraid to speak out, and unable to effectively use the weak enforcement system. Raising the base wage for tipped workers, just as raising the wage for other workers, will not have the disastrous effect some claim. Seven States currently require the base minimum wage for their tipped workers, and according to the National Restaurant Association's projections, restaurant employment in those seven states will grow in the next ten years by an average rate of more than 10%, and sales during 2016 in those states are projected exceeds the national average.

Each time the minimum wage is raised here or elsewhere in the country, the alarm bells start ringing. Each time, the exact same arguments are made by the opposition, with some insisting that we will lose jobs and businesses if the wage is raised. But we've been here before, and over and over, these fears are shown to be false. Washington D.C. is conquering its fears, let us do the same. $15 may be a new number, but this is not a new kind of legislation. We have been at this fork in the road before, so let's move forward again together to strengthen working families.

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Metropolitan Washington Council, AFL-CIO

888 16th Street, NW, Suite 520 • Washington, DC 20006 • (202) 974-8150 • Fax (202) 974-8152

Testimony of Carlos Jimenez,

Executive Director

In Support of Bill 12-16

Before the Montgomery County Council

Honorable Nancy Floreen, President
21 June 2016

Good evening President Floreen and distinguished members of the Montgomery County Council.

My name is Carlos Jimenez. I'm the executive director of the Metropolitan Washington Council, AFL-CIO. We represent almost 200 affiliated unions across the region, which includes over 40,000 members who call Montgomery County home, and are tasked with representing their interest and those of all working people who work and live in our jurisdiction. The AFL-CIO takes great pride in being able to call ourselves a partner in efforts to raise standards and efforts that contribute towards increased opportunity and prosperity for working people. We believe that all working people – whether they work in retail, fast food, home care, or restaurants – deserve to be paid fair wages for their work.

It is because we firmly believe that those that work for a living ought to be able to make a living that we come before this Council today and express our support for Bill 12-16. We believe that increasing the minimum wage to $15.00 per hour will be an effective means of improving living standards for low-wage workers and their families across Montgomery County, and that is good for our overall economy.

It should come as no surprise to anyone that it's getting more expensive to live in the County and the region. MIT's Living Wage Calculator found that one adult supporting one child needs to make $27.77 an hour to have a living wage in Montgomery County. We know that parents of children in daycare in our region are paying some of the highest costs in the country. Given rising costs for housing, living expenses, and other basic needs, it's critical we raise the minimum wage to $15 dollar an hour.

I have no doubt that we will hear opponents of this reasonable proposal argue that taking this action will mean fewer employment opportunities for Montgomery County residents because business owners will be unable to afford hiring at the increased minimum wage rate. But we know that there is a historical body of research that shows that argument to simply not be true – there is no scientific evidence to support that claim when increasing the minimum wage is done in reasonable increments. While there are of course modest increases to overall business costs, they are generally manageable and offset by some of the tangible benefits that result from raising the minimum wage. We know that raising wages helps with employee retention and productivity, which ultimately leads to lower labor costs. We know that a large portion of the increase in earnings translate to an increase in purchasing power for working people, which translates to a boon for our local economy. Moreover, Small Business Majority, a national small business advocacy organization, found that nationally the majority of small business owners support increasing the minimum wage and adjusting it annually to the cost of living.

While we'd like to see the minimum wage go up higher and on a faster timeline, particularly for tipped workers, we believe this is a step in the right direction and one we strongly support. Montgomery County has always been ahead of the curve and played a leadership role in setting wages that allow its residents to work and live in the region. We believe that we need to continue to play a leadership role in the region and the country in this national movement for economic justice. We must do everything we can to address our County's needs and ensure we are setting standards that allow those that work here to live and thrive in this great county that we all call home.

Thank you for your time and the opportunity to speak before you today.

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CASA | WE ARE CASA
SOMOS CASA

June 21st, 2016

Montgomery County Council
Third Floor
100 Maryland Ave
Rockville MD 20850

Re: Testimony in SUPPORT of Bill 12-16- Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

CASA de Maryland, Inc. ("CASA") writes to register testimony in support of Bill 12-16

Good evening President and Councilmembers:

My name is Felix Kala, a day laborer and leader of a group of workers in Montgomery County through one of CASA workers center. I support Bill 12-16 to raise the minimum wage to $15.00 and I stand in solidarity with Tipped Workers.

As a day laborer, I work in anything related to general maintenance that comes my way, such as landscaping, cleaning, and maintenance, and get paid $10.00 an hour. When there is a lot of work opportunities, the $10 rate allows me to pay for my bus ride to and from my home, food, and especially my medication that I need as I have gotten older.

My brother-in-law Philip graciously received me with open arms into his home since the day that I came to the United States from Cameroon. I would like to help him with the rent and utilities, but the money is not enough.

When the minimum wage gets raised to $15 in Montgomery County, I will be able to start helping Philip with rent and utilities, I'll be able to save money for a rainy day, and eventually I might save up enough money to finally take a vacation in America!

My experience is not unique but it is shared among workers of the group I lead. Raising the minimum wage will allow the workers to have security of their homes because they will be able to pay their rent on time. They will also have healthy families because they'll be able to afford good meals and a better life.

As day laborers, we might not have much security for the day of tomorrow but with your support of Bill 12-16, we will be able to sleep better at night.

Thank you for your support for Bill 12-16.

Sincerely,

Felix Kala
Montgomery County Day Laborer and Leader of Day Laborer Group

June 21, 2016

Montgomery County Council
100 Maryland Ave
Rockville, MD 20850

Testimony in Support of Bill 12-16

Hi, my name is Mekdes Sisay and I am a minimum wage worker in Montgomery County.

I want to thank you for taking up this issue. Working in Montgomery County for minimum wage has taught me that customer service work is significantly undervalued. The pay that minimum wage workers receive is not equal to the amount of work that I put in each day, it does not reflect the value I contribute to my employer, and it does not match the increasing costs of living my coworkers and I face.

As the daughter of immigrant working class parents, I have a firsthand understanding of what it means to be immigrant and working class. My father is a taxi and uber driver in the DC/MD area and my mother has worked several customer service low wage jobs since her arrival in this country. Growing up, I watched them struggle tirelessly to provide for me and my siblings. Providing for us meant giving up their dreams, free time, and even their own self care. Now that my parents are reaching elderly years, and I am nearing adulthood I understand that this lifestyle is unsustainable for them. Both suffer from health problems and cannot continue to work at the rate they do. I would like to become self sufficient so that the burden is removed from them, but at the current minimum wage, that's not possible. As my siblings and I are all in college, a 15 dollar minimum wage would mean the ability to contribute to my education and survival and remove that burden from my parents.

I believe every person is of equal value, but everyday I see how I am undervalued as a woman and a low-wage worker. A 15 dollar minimum wage would be a step towards acknowledging the value women of color workers contribute in the workplace. As a woman of color minimum wage worker, I have experienced rude, harassing behavior from customers and witnessed my fellow female co workers go through the same ordeal. A $15 minimum wage would go a long way toward creating more gender and racial equity and a society where each person is valued.

I ask that you please support this bill to raise the minimum wage to 15 dollars so that workers like me can better provide for ourselves. Thank you.

CASA | WE ARE CASA
SOMOS CASA

June 21st, 2016

Montgomery County Council
Third Floor
100 Maryland Ave
Rockville MD 20850

Re: Testimony in SUPPORT of Bill 12-16- Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

CASA de Maryland, Inc. ("CASA") writes to register testimony in support of Bill 12-16

Dear President and Councilmembers:

My name is Ana Martinez, I am the Domestic Worker's organizer for CASA, the largest immigrant advocacy organization in the region. I am here today to testify on behalf of our 80,000 members in support of Bill 12-16, we support a minimum wage increase including the wages of tip workers. As a community organizer I engage directly with our members and hear their stories on how low wages impacts them and their families.

Just this past weekend, I held a community meeting with members of CASA's Women Seeking Justice Committee. At this meeting I asked our members, if their wages would increase to $15 an hour, what would they do with that extra income?

Claudia mentioned that it would help her not worry about the rent, that it would assure that she had enough income so that she would not be scrabbling at the end of the month to pay her bills. Claudia used to work for a cleaning company until last month. She has three children and has to assure she is able to keep up with the bills as well as still be able to spend time with her family.

Maria told me that if she earned more, she would be able to sign her children up for after school activities such as Taekwando or math programs. Maria is a domestic workers and she is a devoted mother to two children in which she wants to assure they have the best education and access to other opportunities.

Evelyn mentioned that it would help pay off her mortgage for a condo. Since the HOA fee has gone up at her condo, she has been struggling to make sure she doesn't lose her home. Evelyn is a Domestic Worker and since her husband cannot work because of health reasons, she is the one supporting them both.

Candelaria told me that it would help her pay for childcare and transportation. Candelaria's husband usually provides for the family but because of recent financial difficulty, Candelaria had to return to work. Even though she was working, all her income ended going into childcare and transportation since she has three kids including an infant who she is still breast feeding. Now her oldest son who is in High School, just got his first summer job so he can help his family out.

This is what we are fighting for, we are fighting for the dignity of hard working individuals. We are fighting so they have the income to pay for their basic expenses such as rent, mortgage, childcare, and opportunities for their children. We are fighting so that they are not struggling to make ends meet, especially since Montgomery County has a high cost of living. We are fighting for the Domestic Workers, for the single moms, and for all low wage workers so that they too, can provide a decent life for their families.

As you consider this bill, please remember the stories of Claudia, Maria, Evelyn, and Candelaria as they represent the realities of the working families in Montgomery County. We urge the council to increase the minimum wage to $15 an hour and to increase the wages of tip workers.

Thank you for your time.

Sincerely,

Ana Martinez
Community Organizer

TESTIMONY IN SUPPORT OF Bill 12-16:
Minimum Wage Adjustment of 2016

TO: President Floreen and Members of the Montgomery County Council
FROM: Boaz Young-El, Political Representative, United Food and Commercial Workers Local 400
DATE: June 21, 2016

Mrs. President and members of the council, thank you for the opportunity to testify today on this important bill. My name is Boaz Young-El and I am the political representative for the United Food and Commercial Workers Local 400. We represent nearly 4,000 members Montgomery County, MD, mostly in the retail and grocery industries. UFCW Local 400 strongly supports Bill 12-16, Minimum Wage Adjustment of 2016and we urge you to favorably report it without amendment.

Our members in Montgomery County enjoy the protections and wage increases due to them per their collective bargaining agreements that we have worked hard to secure over the years with their companies. However, even with collective bargaining agreements in place, there is still more room for improving the lives of our members economically as well as the lives of their family members, and bill 12-16 would be a huge step in that direction. Bill 12-16 calls for a min wage increase to $15 per hour for all residents working in Montgomery County, and an increase for tipped employees to $5 per hour, to be phased in by July 1, 2020. Under the Bill's transition provisions, the County minimum wage would increase to $12.50 in 2018, $13.75 in 2019, and $15.00 in 2020. Additionally, the Bill would require, beginning in 2021, annual adjustments to the minimum wage by the annual average increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPIW) for the previous calendar year.

It does not help employers or employees or the economy when employees work full time jobs, or more than one job, and still cannot make ends meet economically. Eventually raising the minimum wage to $15 per hour would result in an employee earning $30,000 dollars a year, and that is if they work 40 hours every week, and we all know that even that amount would still leave many families struggling to live and provide for their families in Montgomery County.

If the wage is increased to $15 per hour, employers would benefit over the long run from an increase in the County Minimum wage; for we see that when consumers are economically viable they spend more in their surrounding communities which in turn helps to drive business, as well as lead to a better quality of life for not only our members but their families and communities as well.

This is a fair and common sense policy that will benefit employers, workers, and the economy of Montgomery County. On behalf of all of our members in Montgomery County, we urge a favorable report on Bill 60-14. Thank you for your time.
Please contact Boaz Young-EL, 301-332-6612, if you have any additional questions.

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Gaithersburg-Germantown Chamber of Commerce, Inc.

910 Clopper Road, Suite 205N, Gaithersburg, Maryland 20878 (301) 840-1400, Fax (301) 963-3918

Bill 12-16, Human Rights and Civil Liberties - County Minimum Wage - Amount - Annual Adjustment - Public Hearing

Marilyn Balcombe

June 21, 2016

Thank you for the opportunity to comment on Bill 12-16 which will increase the County's minimum wage. The Gaithersburg-Germantown Chamber of Commerce represents 400 businesses, most of which are small business owners and many of whom have questions and concerns about the proposed increase.

1. Why Now?

In 2013 the Montgomery County Council approved an unprecedented increase in the minimum wage. That wage increase has yet to be fully implemented. There are two more wage increases already scheduled in July 2016 and July 2017. We believe that it is ill advised to approve another increase in the minimum wage without understanding the impact of the prior increase. Any change proposed by the new Bill won't take effect until 2018 through 2020, so why do it now? All of you will have the opportunity to make this change in 2017 and 2018. Other than jumping on the band wagon, there is no compelling reason to take up this legislation in 2016.

2. What is the collective impact on business to legislative changes impacting employee compensation?

There have been a number of recent significant changes in the structure and level of employee compensation for businesses in Montgomery County. These changes will have a cumulative impact on existing and future business. Recent changes include:

- Two more annual increases in the County's minimum wage scheduled in 2016 and 2017, respectively. In addition to the wage increase, there are additional costs associated with social security, worker's compensation, and all benefits tied to wages.
- Mandatory Safe and Sick Leave in Montgomery County scheduled to take effect in October 2016.
  The change in the Federal Overtime Regulations to take effect in December 2016 which may have a major impact on personnel costs.

It is difficult to predict the cumulative effect of these changes on businesses large and small. There are too many balls in the air for businesses to have a good understanding of how the various legislated changes will impact their overall budgets. I understand that there is a rush to join Los Angeles, San Francisco, & New York in the Fight for $15, but to do so at the risk of harming our own local economy is not prudent.

3. Will increasing the minimum wage increase or decrease employment among low-wage workers?

The Fiscal Impact Statement for Bill 12-16 reached the following conclusion: "It is uncertain whether increasing the minimum wage would either increase or decrease employment among low-wage workers." To put it simply - we don't have a clue what effect this Bill will have on employment.

Before the County mandates another increase in the mandatory minimum wage, it is important to have a good understanding of who the winners and losers will be. As we've stated in the past, there will be some employers who cannot pass the increased cost on to the consumer (they will be priced out of the market) or they do not have the sufficient revenue to absorb the additional cost. In those cases, some employers will have to cut staff. We have made this argument before to no avail. Either it wasn't believed, or a conscious decision was made that there will be some winners (those who keep their jobs and get a pay increase) and there will be some losers (those who lose their jobs to afford the pay increase for their former colleagues).

Given the data presented by the County Executive's office, raising the minimum wage to $15 is not a clear victory for all.

4. **How much will this Bill cost the tax payers of Montgomery?**

The fiscal note for this Bill estimates the direct cost increase for the County will be almost $6.5M. Which, based on the discussions we've had about privatizing DLC, is a lot of money.

My biggest concern about the fiscal note is that it does not address the full cost of the proposed wage increase. For example, it does not include the increased cost of County contracts or County grants. The current mandatory minimum wage for contracts of $14.40 per hour will increase to $15. How much will that increase the cost for the County?

This Bill will also have an impact on non-profits in the County that provide vital services to our community and often pay employees at the lower end of the pay scale. Many non-profits rely on County grants for those services. Will the County provide additional funds for the grantees or will the grantees be forced to cut necessary services? During the 2017 County budget hearings, some non-profit groups are already requesting additional funds to cover the upcoming mandatory sick and safe leave.

To me, the most profound impact that this Bill will have on the County personnel cost will be the inevitable change in the overall salary structure. If the lowest pay grade in the County (including MCPS) is elevated to $15 hour, there will be a ripple effect resulting in a corresponding increase throughout the salary structure.

Salary structures are complicated systems based on education, experience, supply and demand, relative value of the work being done, responsibility, etc. There is a reason why an administrative assistant makes $40,000 a year and a County Councilmember makes $120,000. If you raise the lower end of the pay scale by 50% in five years, it will have an impact on the rest of the pay scale.

When the County decides how much it will pay certain employees or when the County negotiates the terms of a bargaining agreement, there is a difference between individuals currently earning the base wage and those currently making $15 hour, again based on skill, experience, job requirements, etc. What is the plan for County employees who are currently making $15/hour? Will they be getting a corresponding raise? Please see Page 4 for an example of the potential impact on the County's pay scale.

At this point, we don't know how the increased expense in County personnel, County contracts, and County grants will be accommodated in future County budgets. Because we don't know the real extent of the fiscal note for the County, we don't know what additional revenue will be needed. The FY 2017 County budget saw an increase in property tax and an increase in recordation tax. Can we expect annual property tax increases to pay for the annual increases in minimum wage throughout the County personnel structure?

5. **How will this increase impact our competitiveness in the region?**

When the County passed its increase in minimum wage in 2013, it did so in conjunction with Prince Georges County and the District of Columbia. We know that DC just past the increase, but Prince Georges County has been clear that they will not move forward at this time.

In a Washington Post article (March 31, 2016) Prince George's County Council Chairman Derrick Leon Davis (D-Mitchellville) said it is unlikely that his jurisdiction will join the latest effort. ***The county, he said, is currently facing too many economic uncertainties to justify another increase. Moreover, nonprofit providers of services to the developmentally disabled are already saying that without more help from the government, they will be unable to keep pace with the current schedule of wage increases. "Our realities are catching up with us right now," Davis said. "At this time, it would be imprudent to take another step in that direction."***

We know that other jurisdictions (Frederick, Howard, Virginia) have no plan to change their minimum wage. It is also unlikely that the State will pass another minimum wage increase in the near future. Adding an increased minimum wage to the mandatory sick leave requirements puts businesses in Montgomery County at a disadvantage. Now, some may argue that the higher wages in Montgomery County will be an advantage in terms of recruiting and retaining the best and the brightest. There are two competing flaws with that argument. The first is that many businesses cannot afford to pay increased wages regardless of how great the talent pool is. The second flaw is that if a company is now required to pay $15 an hour and can attract a higher skilled, more experienced work force, the lower skilled, less experience workers will not be able to compete and instead of getting a pay raise, they are shown the door.

6. **What is the long-term impact of tying future increases to the CPI-W?**

This Bill is already one of the most significant minimum wage increases in the Country. We have no idea what the state of the economy is going to be in 2020. We have no idea what a $15 minimum wage will do to employment and the local economy. We don't know what the State or our surrounding jurisdictions are going to do in regards to minimum wage. What happens when the CPI goes down, like it did in 2009 and 2015? Will there be a decrease in mandatory minimum wage? Again, there is far too much uncertainty to mandate annual increases in the out years. Not to mention putting the tax payers on the hook increases in the County's payroll.

7. **Is the proposed mandatory minimum wage of $15 too large for businesses to absorb?**

We have heard from our businesses on this legislation and many of them will be greatly impacted. I'm not talking about the large employers who already pay well beyond minimum wage. I'm talking about our small employers who study their cash flow on a weekly / daily basis, often making decisions about which vendor they won't pay this week just so they can make payroll. Some of them will need to reduce staff, some of them will forgo expansion, some might leave the County, and unfortunately some will go out of business They are working very hard to build a business, create jobs, and raise a family. And they count too.

MONTGOMERY COUNTY GOVERNMENT
GENERAL SALARY SCHEDULE

PROPOSED FISCAL YEAR 2017

EFFECTIVE JULY 10, 2016

GRADE	MINIMUM	$15 Hour
5	$26,489	$31,200
6	$27,504	$31,200
7	$28,575	$31,200
8	$29,687	$31,200
9	$30,860	$31,200
10	$32,098	$32,098
11	$33,395	$33,395
12	$34,749	$34,749
13	$36,180	$36,180
14	$37,684	$37,684
15	$39,257	$39,257
16	$40,935	$40,935
17	$42,792	$42,792
18	$44,753	$44,753
19	$46,863	$46,863
20	$49,068	$49,068

Once Bill 12-16 goes in effect, will everyone in Grades 5,6,7,8, 9 make the exactly same or will there be a corresponding increase at all levels?

Grade 10 is currently paid 17% higher than Grade 5. Will Grade 10 get an increase or remain only 3% higher than Grade 5?

Grades 5 through 20 shown here.

THE GREATER BETHESDA
CHAMBER of COMMERCE
Smart Business, Bright Future

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TESTIMONY BY JENNIFER RUSSEL ON EXPEDITED BILL 12-16 HUMAN RIGHTS AND CIVIL LIBERTIES – COUNTY MINIMUM WAGE – ANNUAL ADJUSTMENT BEFORE THE MONTGOMERY COUNTY COUNCIL JUNE 21, 2016

Good evening. I am Jennifer Russel speaking this evening on behalf of The Greater Bethesda Chamber of Commerce.

I am testifying in opposition to Bill 12-16, which would increase the County's minimum wage to $15 by 2020. Since the increases from your previous minimum wage Bill 27-13 don't conclude for another two years, please seriously consider answering these questions during your upcoming worksessions:

1. Why now? What's the rush in passing legislation that clearly has not been vetted with the businesses that will be affected?

2. Why you? Why are we doing this alone? We have always contended that the mandatory minimum wage is a State issue and you should, too. As the County isn't even responsible for enforcing this legislation, you shouldn't be mandating what the minimum wage should be – that should be the State's responsibility. As you know, a bill was introduced at the State level in 2016, which would raise the minimum wage to $15 by 2022. Although it didn't pass, we expect this bill to be introduced again in 2017. Why should our County be the lone jurisdiction in Maryland with the highest minimum wage? What kind of distinction is that? Have you considered how this will impact our competitiveness in the region?

3. Do you know what the impact has been on business from the last time you raised the minimum wage? Have you conducted research to find out what the impact will be this time around? Businesses large and small have been hit with numerous mandated changes in compensation (Affordable Care Act, sick leave, minimum wage, and soon Federal overtime regs), in addition to the persistent energy tax, and recently increased property taxes. Just this month, restaurants have seen a major increase in costs from the DLC for beer and wine – with just a few days' notice. Many of our members haven't had a chance to determine the impact of the current changes, let alone another wage increase. Montgomery County should study and better understand what the impact is on local employers from the most recent minimum wage increases before adding more on. We urge you to direct the OLO to conduct a study on the impact Bill 27-13 has had on County businesses before implementing add-on legislation.

4. What is the impact on the County's personnel costs? According to the Fiscal Note provided to the County Council on May 3rd by the Montgomery County Department of Finance, "the proposed legislation would add additional minimum wage increases beyond FY18, leading to an estimated additional fiscal impact of $6,483,575 to the County over the next 6 years." This fiscal impact statement does not address whether there will be a corresponding increase throughout the Montgomery County government's salary structure (wage compression). Nor does the statement address whether increases in payroll taxes and other related benefits were included in this impact statement. The statement doesn't mention the impact on County employees, County Contracts, and County Grantees.

The County Council just approved an increase in both the property tax and the recordation tax. Should we expect that there will be an additional tax increase to pay for the increase in County personnel costs? The Montgomery County School System recently agreed to scale back negotiated wage increases for its teachers, to allocate money elsewhere in the school system. The minimum wage increase would ignore the economic reality that the Council already seems to understand.

A local or "regional" minimum wage increase is certainly well intentioned, and probably good for politics, but at this time and in this form it is bad for business. We believe the County should instead focus its efforts on attracting and incentivizing new and existing businesses to create a more vibrant local economy.

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Ladies and gentlemen of the council

I am here before you as the owner of a small business. In fact, my entire family is here because we want you to see the face of a small employer. You are considering raising the minimum wage to $15.00 an hour. This will hurt businesses and citizens including the most vulnerable. Senior Helpers, provides in-home care to Seniors. We employ Home Health Aides and help people live in their homes. Home care is out of pocket.

Home care in Maryland averages $21.00 an hour. Average CNA wages at a home care agency is $11.60. Increasing the minimum wage from the already scheduled rate increases (up to $11.50) would add an additional 29% increase to salary costs. This means – to keep our business viable, we will have to increase home care costs with a corresponding percentage. What does this mean to our clients...?

Weekly hours	Daily Hours	Annualized Increase
168	24	$ 52,416.00
84	12	$ 26,208.00
56	8	$ 17,472.00
28	4	$ 8,736.00

A few folks have LTC insurance, but often times it does not cover more than a few hours of care a day. Increase costs and they will skip care, or hire people under the table – this means they lose the protection of an agency (who carries insurance, and does background checks), it also means the county and state lose taxes from the employee who works illegally, and the employer's income won't be taxed.

Here are two real stories that will become more common if home care costs increase.

Mrs. G. turned 100 years old while our client. At first she was at home and had a helper a few hours a week. She needed more care and moved to an assisted living. Her dementia progressed and she kept falling so the facility required a sitter. Her assets dwindled and they cut coverage. After a cut in care, she was left alone in her room; she stood up, fell back, and broke her neck. Mrs. G. moved to a nursing home and within 30 days died of an infection.

Mr. T., who came to us out of a rehab and had long term care insurance, but had over $300,000 stolen from him due to dementia. He needed total bed care. His wife engaged us for all his LTC insurance would cover... 3 hours a day. He developed bed sores from laying in the same position all day. He lingered, for months, in pain, because his family didn't have the resources to pay for enough care.

We pay over minimum wage, we pay overtime, and we provide benefits. We have not hired an office position because our profit margin does not allow for that. Raising the minimum wage to $15.00 will burden businesses. We are considering a lease extension, but have held off because of this proposal.

Maryland wages should be state wide. MC is so close to PG county that people will just choose to move to facilities in PG county who can keep their prices lower because staff costs are lower. Montgomery county will lose residents and the taxes from business in MC who aren't serving them.

According to the Alzheimer's Foundation of America...

About Alzheimer's Disease

Cost

- The national tab for caring for individuals with Alzheimer's disease is estimated at $100 billion annually.
- Alzheimer's disease costs U.S. businesses more than $60 billion a year, stemming from lost productivity and absenteeism by primary caregivers, and insurance costs.
- The annual cost of caring for one individual with Alzheimer's disease ranges from nearly $18,500 to more than $36,000, depending on the stage of the disease.

Long-Term Care Statistics

1. About 70 percent of individuals older than age 65 will require at least some type of long-term care services during their lifetime.

2. Among those currently receiving long-term care services, 40 percent are people aged 18 to 64.

3. More than 40 percent will need care in a nursing home for some period of time.

4. Among those individuals 65+ who need long-term care, 20 percent will need services for more than five years.

5. Women need care for longer (on average 3.7 years) than men (on average 2.2 years).

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Minimum Wage Testimony – Stacey Brown, Owner, Signarama, Silver Spring

President Floreen, Councilmembers, good evening. My name is Stacey Brown.

I am here this evening, as a mother and as a small business owner, to express my deep concern and opposition to the proposed minimum wage increase.

As a mother, I'm worried about my two sons, young African American men ages 15 and 18. My 18-year-old son currently works with me part-time in my business. As I was preparing this testimony, he wanted to know what I was working on. When I told him that the County was looking to raise the minimum wage to $15 per hour, his immediate response with a smile was "awesome!" He then immediately changed his facial expression, and said, "That's a big increase. So who would hire me with so little work experience for $15? Would you even hire me, Mom?"

To which I sadly replied, "No, son, probably not. As much as I love you -- and would love to – probably not."

According to the Youth and Work in Montgomery County report prepared by the Office of Legislative Oversight in December 2013, youth employment here has declined over several decades, and the Great Recession flattened demand even further. In 2008, about a third of teens like my sons, aged 16 to 19, and two-thirds of young adults (aged 20-24) were employed. By 2011, these rates fell to only a quarter of teens and about 60% of young adults. The same report said that during the summer, when youth employment peaks, only half of all young people age 16 to 24 held a job.

County unemployment rates for black and Latino male teens and young adults tell a similar story. In 2011, nearly half of black male teens were unemployed, as were more than a quarter of Latino teens, male and female.

Clearly, these populations of Montgomery County youth are already unemployed or severely underemployed. And the current bill you're considering does not offer any incentives for employers like me to give this population the much needed job experience that they need to be successful.

Which is a great segue for me to put on my other hat – the hat of a small business owner here in Montgomery County.

As owner of Signarama in Silver Spring, I actively look for, and employ, young people of African American and Latino backgrounds. I have believed in young people ever since I opened my business in 2010, and since then, I've hired young interns and employees as well as folks with disabilities from organizations like Transcen and Cornerstone Montgomery.

I have done so for two reasons: Number one, I believe in it; and number two, it hasn't created an economic hardship for me.

This past year, I have been working with Edison School of Technology and its Graphic Design department on various classroom projects and feedback on the curriculum details. Most recently, we have been jointly working on ways to create job shadow and employment opportunities. I recently hired a new graduate from the school, Ignacio Rodriguez, on whom I will be spending a good deal of financial and human resources, and providing management. I have hired him at the current minimum wage rate, which creates a win-win as I can afford to train him and to pay my existing associate a little more to manage him, plus he gets experience that he would probably have a hard time getting elsewhere. At $15 per hour, I would not have been able to hire Ignacio.

For small businesses like mine, we are currently nimble enough to engage the underserved. But it has to make economic sense. These young folks have a lot of potential but they also require more training, more development and more oversight than more skilled workers. Right now, it works because I can offset the additional training and management costs with a lower pay rate that frankly works for my cost structure. But I am here to tell you, at $15 per hour, I would no longer be able to afford to employ the underserved and the underemployed.

Here is the math: it would be less costly and more productive for me to hire a more skilled worker for a bit more per hour, than it would be for me to hire two kids at a lower minimum wage.

While I am here before you on behalf of myself and my own situation, neither my story nor my dilemma are unique. In my role as the co-chair of the Economic Development Committee of the Silver Spring Citizens Advisory Committee, I know that we have made youth development and employment a priority this year, for a reason. And I know that numerous other small business people, like me, are not looking forward to the change in policy that I hope you will NOT make.

The Montgomery County report I mentioned earlier said that, in addition to more education, a productive pathway to reducing youth unemployment involves early employment experiences.

The bottom line for Montgomery County youth is clear: Those with limited work experience in their late teens and early twenties face limited earnings later in life. And being out of work and out-of-school in their late teens and early twenties substantially increases the chances of our young being jobless, poor, unmarried, and economically dependent in their mid- twenties.

I have read various articles and research that indicates that the minimum wage will not impact employment. And Councilmembers, I've read your views which downplay the notion that raising the minimum wage will have any effect.

But take it from a Montgomery County mother and a small business owner: when you peel back the onion and start to look at the impact on young people – particularly those who are minority and already underserved and underemployed -- they will be even more negatively affected as employers must opt for more educated, more experienced workers to manage and grow their businesses.

Nearly a third of Montgomery County residents are under the age of 24. Our minority youth unemployment is approaching 50%. Councilmembers, I ask that you consider them, and I ask that you consider small business owners, like me – who want to lend them a hand – as you contemplate this dramatic increase in the minimum wage.

Thank you.

Respectfully Submitted,

Stacey Brown
Signarama Silver Spring

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Denizens Brewing Co Written Testimony on the Proposed Minimum Wage Increase
June 21, 2016

My name is Emily Bruno, and I am an owner of Denizens Brewing Company.

Small business owners across Montgomery County take risks that most people would not even consider in order to create opportunity for themselves and others. It's a tremendously scary endeavor. Business owners need greater understanding and cooperation from the local government than we experience today. I'm here to speak on behalf of Denizens Brewing Co and the many other small business owners in Montgomery County.

Please consider:

+ Not all business owners refuse to pay higher wages because they are greedy. Debt incurred to start a business influences what folks can afford to pay, and government should not rush a business to pay more than it can afford.
+ Businesses like ours increase pay as we can, and as the labor market demands. Business owners deserve the right to decide when they can afford to increase their pay rates.
+ Individuals are empowered to advocate for themselves in the labor market, and many do very successfully, regardless of skill level.
+ Forcing businesses to increase pay prematurely will result in a contraction or closure of businesses like ours, as well as adding yet another barrier to entry for new businesses because of the increase to operating costs. We would not have opened with a $15 minimum wage.

To open Denizens Brewing Co, we borrowed close to $1 million dollars, which we will spend the next 5-7 years paying back. Additionally, we made deep personal sacrifices; Jeff Ramirez moved across the country, and Julie Verratti and I left six figure salaries, as well as put our home and literally everything we own up as collateral for our debt. A million dollars is a huge sum of money for individuals like ourselves to personally guarantee - which is always the requirement for small business financing - and we took this risk for ourselves, for our community in Silver Spring, and for our future employees. Through this testimony, we aim to share some of the realities of our experience as a startup in order to inform a more nuanced public policy that balances growth in wages with growth of small businesses in Montgomery County.

Denizens Brewing Co disagrees with $16.15 as a minimum, which is what we pay per hour when employer payroll taxes are included in the $15 / hour base pay. We do, however, support treating our employees with respect as well as paying them a competitive wage and providing benefits.

In the bar and restaurant industry, we participate in a highly competitive labor market that already regulates us. Folks have a lot of options of where they can work, and we compete hard to recruit and retain the best among the pool. We reward high performing employees with regular pay increases and bonuses. We will continue to increase the pay of our employees as we have the financial ability to do so as our debt burden lessens, not only because it is the right thing to do, but also because it is what we have to do in order to keep the best talent on our team.

We are not Walmart. We know our employees well, and we invest in everyone on our team like they are family - not because we have to, but because we want to. Barely two years old, we pay all employees above the current minimum wage (and by the end of 2016 will pay all employees above the October 2017 minimum wage of $11.50). As of last month, we provide vacation pay and sick pay for all full time salaried and hourly employees, and since August 2015 we offer health insurance to all full time salaried and hourly employees. Additionally, we provide a set of non-monetary benefits such as a free meal during a shift and deep discounts on our products.

Although very expensive, we are eager to provide these benefits not because we have to, but because we want to, and, more importantly, because now we can. Offering these benefits at our opening would have been impossible. As we work ourselves out of the debt of our startup and expand our business, we can afford to roll out benefits over time. We are ahead of others in this industry on many benefits, and we are proud to be leading on employee compensation. It really matters. One employee who never had health insurance was able to go to the dentist to address a long-standing issue, and that was great for her and for us. But the government telling us we have to do something takes away not only our ability to decide when we can afford to do it, but also some of the pride we feel in making the right choice on our own. Running a business – especially a bar or restaurant – is grueling, thankless work. These small victories are what we celebrate, and we deserve the right to make these decisions for ourselves and our team.

Increasing the minimum wage does not just increase the wage of the lowest paid employees; it increases the wage of all employees making above the minimum in order to keep pay structures aligned with skill levels, responsibility, and time with the company. For example, someone currently making $16 / hour while $11.50 is the minimum, would have a new pay rate of $21 / hour with $15 as the minimum. While you might think this is a great public policy outcome for your re-election campaign, what this means for small businesses is a massive and debilitating increase in payroll. At Denizens Brewing Co, the expected increase to our payroll to move everyone up to $15 and everyone else up in relation to that, would increase our payroll over $300,000 dollars per year or up 30% from our current levels. This increase would wipe out the profit we made in 2015, which we reinvested in the business to pay off debt, purchase new equipment such as our canning line, and hire more people to grow the business this year.

The bar and restaurant industry is highly competitive and is not one of great profit margins. Profits are made by using resources efficiently and wisely and, at the end of the day, by counting pennies. We do this while also providing exceptional value to customers so that they become regular guests. Managers and I remind staff on a daily basis how much this business costs to run. Spending a day behind the scenes you would hear the constant reminders of the cost of the food that was burned because someone was not paying attention, the plates or glasses that are broken by customers or staff who were moving too quickly, the stack of napkins left on a table unused and then discarded – these small costs all add up to what makes our profit. The more waste or mistakes, the lower the profit, and ultimately, the lower the incentive to start or stay in this business. Businesses like ours are lucky if they make a profit at all, let alone a profit significant enough over a long enough period of time to pay off that initial $1 million investment. Facing all of these existing challenges, a dramatic increase in payroll operating costs like the ones we predict would mean there is no reason to keep our doors open in the long term.

Forcing businesses to pay employees so much that it makes it difficult to earn a profit means locally-owned, small business will not be worth pursuing at all. Small businesses owners, like all individuals, are interested in increasing the compensation they receive for their time and investments. If you have ever asked for a raise, then you understand that. Given that small business owners take so much risk, they deserve the right to earn a profit.

Importantly, an increase to $16.15 / hour for tipped employees would be catastrophic for the restaurant industry. You have done so much to improve the nighttime economy - don't turn your back on the progress made by forcing bars and restaurants to pay tipped employees $16.15 as a base wage. My tipped employees currently earn $5 / hour base pay and make $25-$30 / hour on average with tips, but this pay would likely go down and costs would certainly go up for customers if their base wage increases three fold. If you impose a much higher floor, you may be inadvertently creating an artificial ceiling.

Ultimately, an increase to $16.15 / hour would mean that we would be forced to make the difficult decision to not only raise prices and cut staff (which inevitably hurts service and quality of the products we deliver to customers with ever increasing expectations), but also a cut other benefits, such as paid vacation and health insurance coverage for our hourly employees. In the longer term, it may mean that we change our business model entirely to focus only on production with a much smaller staff and payroll, and close our taproom doors.

This is not about being progressive or conservative or standing up for workers or not - it's about math. We are an extremely progressive company, and we know how to do math. The numbers just don't add up for small businesses, and it's not fair to ask us to bear the burden of a public policy experiment. This debate needs to be about doing what is right by those who have jobs <u>and</u> doing right by the entrepreneurs who <u>create</u> those jobs and take risks so we can have vibrant main streets.

Montgomery County elected officials need to think long and hard about what kind of business climate you want to foster for entrepreneurs and young people. You can start by considering who you solicit input from during these hearings. When I attempted to register, there was no option to select 'business owner.' Instead, I could choose between 'attorney,' 'civic interest,' 'lobbyist', 'parent', 'property owner,' 'student,' 'teacher,' or 'other.' Business owners should be a core constituency, not an 'other.'

Please do not gamble with business owners' livelihoods, home, and life savings. A mandated $16.15 wage would absolutely create a barrier to entry for new businesses – which are the proven catalyst of economic growth and all net job creation in this country. It would take small and vulnerable businesses to the brink of closure. This is particularly true for main street businesses like mine - bars and restaurants, fitness studios, retail stores, and similar small, public-facing entities. Young businesses need time to work themselves out of the early period of debt, and we need the flexibility to do this without being forced to pay higher wages than we can afford. I urge you to stick with the existing law and allow businesses and their employees to make the right choices for themselves.

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RESTAURANT

ASSOCIATION

MARYLAND

Council Bill 12-16

Human Rights and Civil Liberties – County Minimum Wage –

Amount – Annual Adjustment

June 21, 2016

Position: OPPOSE

Council President and Members of the Montgomery County Council:

On behalf of our members, we strongly oppose CB 12-16. Passage of this legislation would significantly increase local labor costs, which are already higher than most of Maryland. We fear that this will drive some businesses out of the County and deter others from opening here.

Employers typically use minimum wage as a starting wage to provide job opportunities to unskilled, entry-level workers. Many of these employees are soon rewarded with incremental pay raises after developing the skills and experience that offer more value to the employer. Minimum wage was never intended to be a long-term wage to cover the costs of living or supporting a family. Passage of this legislation will force many employers to eliminate jobs because paying such high minimum wages to unskilled workers will be unsustainable for businesses that utilize such labor.

In addition to the substantial labor cost increase for entry-level workers, passage of this legislation would also force employers to increase wages for existing employees, as starting wages would approach the wage levels of more experienced staff. To maintain good employee morale, employers would be forced to increase hourly wages across-the-board, as experienced employees will expect comparable raises. This reality compounds the higher labor costs associated with this legislation.

Contrary to popular belief, price increases cannot fully offset the significant hike in labor costs proposed by this legislation because customers are very price sensitive. If we could raise our prices in order to cover the costs of measures like this, we would have done so already. Industry research shows that as prices increase, foot traffic into restaurants decreases.

Measures like this also diminish business growth and job creation. Investors, landlords and banks are becoming less supportive of opening restaurants in Montgomery County because of the ever-increasing costs associated with doing so.

We recently reviewed federal Bureau of Labor Statistics (BLS) data for the restaurant industry sector in Montgomery County (NAICS Code 722) and found that industry employment growth in the County has slowed since 2012 and remains flat. Year-over-year employment growth in our industry has been cut almost in half, decreasing from 4.3 percent in 2012 to 2.4 percent in 2015. Industry employment growth for 2015 is also low in Prince George's County (only 1.8 percent), which also increased its minimum wage in recent years. Meanwhile, neighboring Frederick and Fairfax Counties enjoyed industry employment growth of 5.4 percent and 6 percent respectively for 2015.

Restaurant Association of Maryland 6301 Hillside Ct Columbia, MD 21046 410.290.6800 FAX 410.290.6882

Given that we do not yet know the business impact of the $11.50 minimum wage increase, which will not be fully phased in until July 2017, the passage of additional increases at this time would be imprudent. Moreover, County employers must also absorb the costs associated with the new paid sick and safe leave legislation that takes effect in October 2016. While passed individually, multiple labor mandates have a compound effect on businesses and need to be thoroughly evaluated to minimize unintended consequences, especially before passing an even higher wage mandate.

For these reasons, we oppose this legislation and urge the Council to reject it.

Sincerely,

Melvin R. Thompson

Melvin R. Thompson
Senior Vice President

THE VOICE OF MONTGOMERY COUNTY BUSINESS

Public Hearing on Bill 12-16, Human Rights and Civil Liberties –
County Minimum Wage Amount – Annual Adjustment
June 21, 2016
Testimony by Ilaya Hopkins, Vice President Public Affairs
Montgomery County Chamber of Commerce

According to the bill sponsors, the proposed legislation intends to address the stated problem that current State and federal minimum wage is insufficient to support a full-time worker in Montgomery County.

On behalf of the MCCC Board of Directors* and member companies who employ over 80,000 full-time employees and hundreds of part-time employees in our region, we are concerned that the proposed legislation will not address the stated problem effectively.

Our mission is to accelerate the success of our members. In so doing, we help to create access to opportunities for self-sufficiency for all residents in our community. The proposed legislation makes that goal more difficult.

The specific concerns with regard to this proposed legislation are as follows:

#1 What are the implications of the one-size-fits-all approach in the proposed legislation?

As reflected in our membership, Montgomery County has tremendous diversity in the types, sizes and ages of business. MCCC member companies make business decisions every day to be competitive in a complex marketplace, to attract and retain key talent, and to create an organizational culture that invests in their key asset: their employees. These decisions vary for each organization depending on industry, size, stage of growth, strategic plan, other federal, state and local mandates and costs of doing business. It is critical to allow for flexibility to ensure greater growth and success that benefits the community. A 'one-size-fits-all' approach limits that flexibility and impedes business success.

#2 How does the proposed legislation impact a Montgomery County business's ability to compete regionally and nationally?

This law impacts employers in Montgomery County only. Montgomery County businesses operate in close proximity to other jurisdictions in Maryland and Virginia. The higher the cost to do business here, the less competitive Montgomery County becomes as a location to start, run and grow a business.

Montgomery County Chamber of Commerce 51 Monroe Street, Suite 1800, Rockville, MD 20850
301-738-0015 www.montgomerycountychamber.com

Specifically, Montgomery County has the second highest number of businesses that sell to the federal government. Many compete in a Lowest Price Technically Acceptable (LPTA) environment. Increased direct and indirect operating costs (see below) make businesses less competitive and will force them to leave Montgomery County to survive.

#3 What kind of analysis has been conducted to compel the County Council to act on this measure now?

A thorough analysis of the broad reaching impact of this proposal has not been conducted. In fact, we do not know the impact of existing legislation because it has yet to be fully enacted. Baltimore City has determined that they need more time to thoroughly review a similar proposal and the intended and unintended consequences before extending and expanding their minimum wage. This is not the time to extend and expand the legislation in Montgomery County and certainly not without more thorough review.

#4 What is the direct impact to a business?

In addition to impacts on payroll tax and unemployment insurance, many salaries are pegged to minimum wage and wage compression will occur. There are numerous other business and employment related costs, exacerbating the cumulative impact that businesses continue to absorb including:

- Earned Sick and Safe Leave
- Administering Mandatory Retirement
- Overtime regulations
- Affordable Care Act
- Rent/property tax increase

There is little recognition of and no relief offered for this real burden in terms of time and resources for a business, especially a small, new or non-profit business.

#5 What are the indirect impacts?

The indirect impact on businesses, including large employers with hundreds of people earning well above minimum wage, is also significant. These businesses rely on a vendor network of small business that will be forced to pass on increased costs to their customers, thereby increasing the cost of doing business in Montgomery County. This proposal will have significant unintended consequences for businesses of all sizes.

#6 How does a mandate like this impact the County's budget (operational costs, grants, capital projects etc.) that are ultimately paid with tax payer dollars?

This law will also commit the county to wage increases and wage compression for county employees as well as grantees and contractors. There is a real concern about how the anticipated increases in the operating and capital budgets will be managed.

7 Who does the proposed legislation serve?

It is important to note that this bill helps minimum wage workers who work in Montgomery County but who do not necessarily reside in Montgomery County. These entry level jobs will be attractive to workers around the region since they will be among the highest paid low-skill jobs. Will county residents with limited or no skills be able to compete and find employment here in Montgomery County? This is just one aspect of the 'go-it-alone' approach that is not in the best interest of Montgomery County residents and businesses.

#8 Are we missing the bigger picture?

As Don Fry, President and CEO of the Greater Baltimore Committee, noted in a recent article about the Baltimore City minimum wage proposal, which also applies here, the proposed legislation does not:

- increase the caliber of our school system
- help businesses create jobs
- provide access to workforce training
- create pathways for workers in middle-skilled employment opportunities
- help entrepreneurs start and build businesses
- create more affordable housing [or promote housing affordability – which is different]
- provide a better transit system so workers can access available jobs
- help connect returning citizens to employment opportunities

The MCCC Business Environment Council advocates for economic competitiveness and engages on these issues and more.

As we've heard from our members, a particular challenge is attracting the right talent in order to remain relevant and competitive. An abundant supply of housing choices – especially middle-market housing options for young professionals, empty nesters and young families – is a necessity along with a robust transportation network and stellar school system. We look forward to working with the Montgomery County Council to address these critical issues for the success of our community which benefits all residents. We believe that policy discussions and decisions around these issues will have more profound impact on the local economy to the benefit of all our residents.

The business community and MCCC have a vested interest in the success and sustainability of the community and in helping individuals achieve self-sufficiency. We ask that you address the questions and concerns raised here before extending and expanding the local minimum wage.

We look forward to continuing to work with you to create access to more opportunities for more Montgomery County residents.

*2016-2017 MCCC Board of Directors

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About MCCC

The Montgomery County Chamber of Commerce (MCCC) accelerates the success of our members by advocating for increased business opportunities, strategic investment in infrastructure and balanced tax reform to advance Metro Maryland as a regional, national and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and is proud to be a Montgomery County Green Certified Business.

GREATER SILVER SPRING
CHAMBER OF COMMERCE

The Greater Silver Spring Chamber of Commerce
Public Hearing – Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage
Montgomery County Council
Thursday, June 21, 2016

Good evening. My name is Jane Redicker and I am President of the Greater Silver Spring Chamber of Commerce. Our Chamber represents more than 430 employers, mostly small businesses, and several non-profit organizations in the greater Silver Spring area. I am here this evening to express the Chamber's opposition to, and raise questions about, Bill 12-16, which would increase the minimum wage in Montgomery County to $15 per hour by 2020 and incrementally every year thereafter.

To anyone who has never owned a business with more than a couple of employees, or had to make a payroll in the private sector, increasing the minimum wage may seem like good economic and social policy. Low income workers make more money, have more resources to provide for their families, are able to spend more in local businesses, and thus contribute to growing the economy. That's the theory.

However, in reality, increased wages mean increased costs for businesses and for the many non-profit organizations in our community, especially those that are already running on very thin profit margins. In reality, business owners and non-profit managers will have no choice but to find ways to offset the increased costs. The businesses might be able to increase their prices. Non-profits might be able to raise more donations. But more likely, both will look to reduce the size of their workforces, cut un-mandated benefits, possibly look to automate certain low-skill functions, or all of the above.

It's worth noting that the most recent annual report of the White House Council of Economic Advisors noted that automation could lead to some low-skilled workers being replaced by computers. Further, an official from the Federal Reserve Bank of Cleveland, interviewed last year, pointed out that that lower skilled workers performing routine tasks are increasingly being replaced with machines and software – evident by announcements from a few fast food companies that employees who once took food orders will be replaced by self-service kiosks. It is fair to assume that an increased minimum wage would only fuel that trend.

Concerns about automation aside, the County's Fiscal Impact Statement acknowledges that it is uncertain whether an increase in the minimum wage would either increase or decrease employment. Likewise, there is much disagreement among economists – often based on their individual political or social points of view – whether or not increasing the minimum wage is will benefit the overall economy.

The simple reality is, we believe, no one knows for sure.

We have experienced only two of the increases put in place by legislation passed in 2013. What has the County done to empirically assess the impact of this increase on our overall economy? Do you know how many jobs were lost, how many jobs were not created? Do you know how many minimum wage earners live in Montgomery County v. elsewhere?

Have you looked at the industries most impacted by the 2013 increase, and this proposal, to study both potential job loss, and potential price increases that may send patrons to spend their dollars elsewhere – in Virginia, or Prince Georges and Howard Counties, where no new minimum wage increases are being proposed?

Have you assessed the cumulative impact of all these factors on the County's economy as a whole?

8601 Georgia Avenue, Suite 203, Silver Spring, Maryland 20910

What has been the cumulative impact on business and our economy of other recent employment regulations – expanded sick leave, changes in Federal overtime regulations, ever-rising health insurance costs?

Has the County looked at how businesses are being affected by wage compression?

Increasing the minimum wage does not just impact those making minimum wage; it effects the entire salary structure. There is a reason why some people make more money than others. Whether it is based on education, experience, skill, working conditions, risk, supply and demand, or other factors. Salary schedules take all those characteristics into consideration. Arbitrarily moving starting salaries will have an impact on the entire system. Did the County's Fiscal Impact Statement take this into account?

What is the impact on the organizations in our non-profit community – many of which depend on both County funding and business contributions? Our non-profit members have told us that it is becoming more difficult to raise private dollars, and public funding is tighter. What is the impact on the County Government's contracting obligations with the non-profits that provide needed services in the community? Does the County plan to step up its contributions to its non-profit partners in order to cover the increase? Has this been taken into account in the fiscal note? If so, where will these public dollars come from?

So many questions remain unanswered about the true impact of the previous minimum wage increase – and subsequent other regulatory measures – on both the businesses regulated and the County's overall economy.

Our chamber has long advocated that before enacting any new legislation or regulations, Council should not only assess the fiscal impact on the County's budget, but also on the businesses, groups, and others affected by the proposed legislation, as well as the impact on the overall County's economy.

Increasing the County's minimum wage – again – irrespective of the State wage and that in most surrounding jurisdictions, will indeed result in countless unintended consequences. This is a complex matter that should demand much study and much discussion before any action is taken.

The good news is, there is time. This bill wouldn't even take effect until 2018, so why now? Instead of rushing to get on a nationwide progressive "bandwagon," we suggest that Council spend the next year doing a thorough study the impact of the wage increase adopted previously and on the potential impact of a further increase.

Thank you for considering the views of our chamber.

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MARYLAND ASSOCIATION OF ADULT DAY SERVICES

And

LOVING CARE ADULT MEDICAL DAY CARE

06/21/2016

Honorable Members of the
Montgomery County Council

Re: Bill 12-16; Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

Good Evening;

My name is Afshin Abedi and I'm the CFO and Co-Founder of Loving Care Adult Medical Day Care in Gaithersburg, MD and a member of the Board of Directors of the Maryland Association of Adult Day Services (MAADS) which represents 16 Centers in Montgomery County and over 120 Centers State-wide providing much needed care and services to thousands of patients per day. I appreciate the opportunity to present our strong concerns in regards to unintended consequences of the proposed Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment.

Due to the time constraints of this testimony and in the interest of brevity I like to summarize two key concerns that the Council should carefully consider in order to achieve proper balance between reaching the bill's intended Goals and Objective, and preventing the bill from unintentionally hurting other (just as important) goals and objectives that the County should uphold.

Concern Areas:

A) **Not all businesses are able to pass the increased costs due to Bill 12-16 to their consumers.** Of particular importance are **health care businesses** that are contractually prohibited to charge their **Medicaid** patients for services reimbursed through the MA (Medical Assistance) program. These businesses are facing stagnant budgets from one side, and rising labor and other costs from another. The proposed rate hikes associated with Bills 27-13 and 12-16 are simply unsustainable under the current or forecasted reimbursement rates by the State, and will undoubtedly drive these organizations out of business. This clearly is an unintended consequence that deserves special consideration as I'm sure the Council does not intend to stop care and services for the most needy subset of the County's populations consisting of seniors who are unable to independently perform their Activities of Daily Living (ADL) and the adults who suffer from physical and/or mental disabilities. **The Council is urged to consider an amendment to the Bill 12-16 to exempt**

organizations that obtain majority (e.g., 60% +) of their annual revenue from Medicaid programs. These organizations are best tied to the State or Federal labor rates since their budget is tied to such. As it stands, the proposed increases in the labor cost will exceed 35%+ of the budget of such organizations and will drive them deep into the Red. I'll be glad to provide more details as needed.

B) **Montgomery County should incentivize Small Business Generation as opposed to pushing them to other neighboring counties.** Small businesses old and new face tremendous risks and odds in today's competitive world. Despite this fact, the "NEW" small business faces a slew of additional challenges that justifies allowance for a helping hand. Creating new business while facing the aggressively increased labor rates proposed by Bills 27-13 and 12-16 make it more attractive for new businesses to plant their seed of innovation and creativity in Counties with lower labor costs. **The Council is urged to consider an amendment to the Bill 12-16 to exempt New Businesses (e.g., operating for less than 5 or 10 yrs) from the proposed County labor rates, and instead to impose the State Labor Rates during this time period.** This ensures that Montgomery County will not be disadvantaged when new small businesses are considering where to invest and begin their services. Clearly the Bill 12-16 is not intended to push businesses to other Counties. This amendment may help eliminate this unintended consequence.

I very much appreciate your time and attention to these matters and will be glad to offer additional information shall you find it necessary.

Many thanks in advance;

Afshin Abedi, Ph.D.

CFO
Loving Care Adult Medical Day Care
17051 Oakmont Ave, Suite A
Gaithersburg, MD 20877
Phone: 240-543-6572

Additional information regarding Adult Medical Day services can be obtained at the following locations:

http://www.maads.org/

http://www.LovingCareMaryland.com

http://dhmh.maryland.gov/ohcq/amdc/Pages/home.aspx

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nonprofit montgomery

Nonprofit Montgomery Testimony
Bill 12-16, Human Rights and Civil Liberties -
County Minimum Wage – Amount - Annual Adjustment
June 21, 2016

Good evening. My name is Brigid Howe and I am representing Nonprofit Montgomery.

Thank you for allowing me to share local nonprofit sector perspective about Councilmember Elrich's Bill 13-16, which proposes increasing the minimum wage to $15 an hour over the next four years.

Nonprofit Montgomery is an alliance of nonprofit organizations serving Montgomery County, MD. Together we provide food, shelter, affordable housing, clothing, diapers, counseling, medical, dental, and mental health care, job training, legal services, after-school programs, and much more to our neighbors, and the nonprofit sector employs 10% of the county's workforce. If you were to survey all 127 members of Nonprofit Montgomery, you would get a variety of differing views on this subject, some of which you have heard directly from our members. But I am here tonight to share some overarching perspectives.

Nonprofit Montgomery agrees with the principle of an increased minimum wage, and that workers deserve a wage that leads to self-sufficiency. Raising the threshold of wages is one policy tool to address poverty in our community and one that will provide economic relief to many of our residents served by nonprofit organizations.

However, implementation of this policy as written creates a dilemma for nonprofit organizations, which operate on lean margins that grow leaner as demands for service increase and funding stays flat or is only minimally increased. The choice between providing care to our most vulnerable neighbors and raising employee wages is a difficult one. We want to pay our employees fairly, but meeting payroll or continuing services at current levels once the wage is increased is a real concern for many organizations, especially those who rely on state and local funding to deliver essential services.

With hundreds of nonprofits operating in partnership with Montgomery County, we ask that the Council consider the following if you vote to increase the minimum wage:

- Ensure that funding and reimbursement rates for all eligible county nonprofit contracts are indexed to account for the increased minimum wage and the upward increase for other wages. For example, the City of Seattle set aside funding for nonprofits when they passed a $15 minimum wage bill in 2015.
- Proactively collaborate with nonprofit partners to help them attract and obtain additional state, federal, and philanthropic support and investment to cover the costs of county-mandated wage increases. This kind of support will be vital to ensure the continuation of nonprofit services.
- Work with the nonprofit sector on phase-in timing in order to provide time for government contracts to be negotiated, allowing nonprofits to maintain delivery of critical services. Some municipalities like the City of Seattle have legislated an additional year or more for nonprofits and small businesses to "catch-up".
- Re-examine the fiscal impact of this increase to the county and its nonprofit partners, keeping in mind the Council's history of approving supplemental funds to cover some direct service employees wages.
- Recognize that increasing the minimum wage means that other wages and salaries will increase in proportion as well. This creates additional pressures on nonprofits, as does the recent FLSA regulation raising the threshold for exempt employees.
- Provide a legislative mechanism to pause the increases should there be an economic downturn.

In preparation for this testimony, I learned that while there is evidence that raising the minimum wage decreases enrollment in some federally-funded public benefit programs, there has not been a comprehensive assessment of the impact on nonprofit organizations who deliver essential services, many of which serve residents who are outside the labor markets. If the County moves forward as one of a handful of localities in the country to implement a $15 minimum wage, a comprehensive economic impact study of minimum wage increases on the nonprofit sector, which employs 10% of our workforce, would be a valuable addition to the scholarship on the topic.

Thank you.

Brigid Howe
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Nonprofit Montgomery
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montgomery county
coalition for the homeless

Written Testimony
Given by Susie Sinclair-Smith, Executive Director of Montgomery County Coalition for the Homeless
In Support of Bill 12-16
Human Rights and Civil Liberties - County Minimum Wage - Amount - Annual Adjustment

Good evening. On behalf of our staff and our clients, I am here to express Montgomery County Coalition for the Homeless' (MCCH) support of Bill 12-16 that would increase the minimum wage in Montgomery County to $15 per hour by 2020.

We have 44 staff who would be affected by this increase. They earn an average of $12.36 per hour and serve as case aides in our emergency shelter programs. The clients they serve are truly the county's most vulnerable, due to age, medical frailties and/or disabilities. Our case aides do the most difficult jobs – assisting clients with daily tasks of living, including helping people shower and dealing with lice, amongst other challenging situations. They deserve a true living wage, given their choice to do such difficult and essential jobs vs. less challenging jobs that pay similar wages.

We would incur $200,000 annually to increase salaries for our 44 case aides to $15/hour. Given that 82% of these staff are paid partially or fully by funds from our contracts with Montgomery County, our support of Bill 12-16 is based on the assumption that our county contracts will increase to cover this mandated salary increase.

Even with this level of increase, a lack of affordable housing in Montgomery County means our staff will continue to be forced to live outside of the County. At the current minimum wage rate, staff working full time can only afford $420 per month in rent assuming 30% of their income is spent on housing. But the average rent for a 2 bedroom apartment in Montgomery County is $1,469. The County must continue to prioritize affordable housing as part of its efforts to reduce poverty.

Increasing the minimum wage also affects our clients, many of whom earn minimum wage. Increasing the minimum wage would help them remain stably housed by giving them more money each month to meet other basic needs including food. However, I urge you to review and adjust eligibility scales as needed for SNAPS and other entitlement benefits in coordination with the timing of Bill 12-16. Though I appreciate that part of the intent of this bill is to decrease people's dependency on entitlement benefits as their earnings increase, our clients will be increasingly vulnerable without this critical step.

I urge you to support Bill 12-16 so that we can create a community where everyone has a safe, stable and affordable place to call home and that everyone who works in Montgomery County can afford to live here if they so choose.

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Montgomery County InterACC/DD

(Jubilee Assn) 10408 Montgomery Ave. Kensington, Md. 20895
Voice 301-949-8628 x 105
Chair; Tim Wiens (twiens@Jubileemd.org)

Testimony
Montgomery County Council
June 21, 2016
Bill 12-16, Human Rights and Civil Liberties- County Minimum Wage – Amount – Annual Adjustment

My name is Tim Wiens, and I currently serve as Chair of Inter ACC/DD, a coalition of about 30 agencies serving adults who have intellectual and other developmental disabilities in Montgomery County. We employ over 2,100 FYE direct service professional (DSP). We oppose the law as it is currently drafted. We would support the bill if it included a provision to provide supplemental funding to pay our direct service professional staff an hourly rate of 125% above the county minimum wage.

We share the goal of this legislation to increase the wages of low income workers. It is an issue of economic justice for our employees. Our direct service employees earned an average of $12.68 an hour in FY15 the most recent County wage survey. 125% of $11.50 the next step of the County minimum wage is $14.37, and 125% of $15 is $18.75. This is clearly where we would like to be in the future. The source of our funding is primarily the State of Maryland (an estimated $137,581,832 in FY16 for our 30 agencies) with a subsidy from Montgomery County of about 8.5% in FY17. We have prescribed staffing ratios for much of what we do and fund raising helps but is a small percentage of our budgets. We really have no place to go other than the State and the County to meet a higher minimum wage.

We have worked with the State and the County to increase wages of our employees under the current minimum wage law that will increase the minimum wage to $11.50 on 7/1/17. You included an additional $2.1m in the FY17 budget so that we could stay at 125% of minimum wage on average. Most of the money to help get us to that level came from the State Developmental Disabilities Administration, since the State minimum wage law included language increasing our rates by 3.5% a year for four years, FY16 -19.

Although there will likely be legislation to increase the State minimum wages beyond its current requirements, it is far from certain that this will become law.

As part of our work with the Montgomery County Health & Human Services (HHS) and to comply with Montgomery County Council requirements, our members have submitted data outlining how many direct support professional we employee and what their wages were last year (FY15). I have included as part of my testimony a chart done by HHS showing the total hours of direct support professional hours worked in FY15, with projected growth rates of 6.3% resulting in a projected number of hours worked in FY18 of 5,873,728.

Abilities Network/EFCR, The Arc of Montgomery County, CALMRA, CHI Centers, Community Support Services, Inc., Compass Inc., Full Citizenship, CSAAC, Head Injury Rehab and Referral, Jewish Foundation for Group Homes, J.P. Kennedy Institute, Jubilee Assn., R.O.I., SEEC, TransCen, The Rock Creek Foundation, Treatment and Learning Centers and other providers and government agencies serving individuals with developmental disabilities.

Montgomery County InterACC/DD

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Assuming that we stay at 125% of minimum wage next year, the final year of the current minimum wage increase, our goal would be to stay at 125% of minimum wage going forward. To increase the minimum wage from $11.50 to $15 is $3.50 if you multiply this time our projected number of hours in FY18, 5,873,728 you get $20,558,048 per year once the $15 an hour minimum wage bill is passed and fully implemented. It would of course grow from there as our services continue to expand and as the bill is indexed for future growth. This is a large number.

If the legislation included language requiring the County to provide the funding necessary to keep our member agencies at 125% of minimum wage we would gladly support the bill.

Abilities Network/EFCR, The Arc of Montgomery County, CALMRA, CHI Centers, Community Support Services, Inc., Compass Inc., Full Citizenship, CSAAC, Head Injury Rehab and Referral, Jewish Foundation for Group Homes, J.P. Kennedy Institute, Jubilee Assn., R.O.I., SEEC, TransCen, The Rock Creek Foundation, Treatment and Learning Centers and other providers and government agencies serving individuals with developmental disabilities.

DRAFT UPDATED Impact of County Minimum Wage Increase on Value of DD Supplement (4/19/16)

$	129,974,130.03	FY15 Amount DD providers received from the State
	62%	Estimated % Salaries
$	80,583,960.62	Total Estimated Amt for Salaries
$	(10,475,914.88)	Less Administrative Personnel (Est at 13%)
$	(11,281,754.49)	Less Other Non Direct Service Personnel (1st Line Sup, Nurses, etc) Est at 14%
$	58,826,291.25	Total Estimated Amt for Direct Service Salaries
	5,870,887.35	Total Estimated Hours for Direct Service Providers (Salaries/$10.02)
	6,633,920.71	Projected Hours for Direct Service Providers for FY17 (assumes 6.3% increase in FY16 and FY17)
	6,683,085.82	FY17 Estimated Hours using CSAAC hours as a base

PER WAGE SURVEY	
4,890,058	**FY15 hours per Wage Survey**
5,198,132	FY16 projection (assumes 6.3% increase)
5,525,614	FY17 projection (assumes 6.3 % increase)
5,873,728	FY18 projection (assumes 6.3% increase)

For FY18 projection

7,051,857.71	Projected hours for FY18 (assumes a 6.3% increase from FY17)
7,104,122.54	Estimated hours using CSAAC hours as a base

[redacted]

Year	County Min Wage	County Min Wage*125	DDA Wage Factor *	Hrly Increase County Min Wage	Supplement to Maintain Min Wage	Supplement Provided	Add' $/hr Funded by Supplement	% Above County Min Wage		
7/1/2016	10.75	13.44	10.94	2.50	16,568,217	11,644,322	1.76	18.1%	**FY17 CE RECOMMENDED**	**Additional funding needed in FY17**
7/1/2017	11.50	14.38	11.32	3.05	21,522,975	11,644,322	1.65	12.8%	**FY18 projection**	**4,923,895**

*Assumes a 3.5% increase in the DDA Wage Factor in FY17 (per InterACC)

[redacted]

Year	County Min Wage	County Min Wage *125	DDA Wage Factor *	Hrly Increase County Min Wage	Supplement to Maintain Min Wage	Supplement Provided	Add' $/hr Funded by Supplement	% Above County Min Wage		
7/1/2016	10.75	13.44	10.94	2.50	16,691,007	11,644,322	1.74	18.0%	**FY17 CE RECOMMENDED**	**Additional funding needed in FY17**
7/1/2017	11.50	14.38	11.32	3.05	21,682,492	11,644,322	1.64	12.7%	**FY18 projection**	**5,046,685**

*Assumes DDA Wage Factor increases to 10.94 (per InterACC and Maryland Association of Community Services (MACS)

883,504	CSAACs estimated FY17 direct service hours
13.22%	% of overall DD Supplement CSAAC represents
6,683,085.82	Use CSAAC's to get overall total # of hours

[redacted]

Year	County Min Wage	County Min Wage*125	DDA Wage Factor *	Hrly Increase County Min Wage	Supplement to Maintain Min Wage	Supplement Provided	Add' $/hr Funded by Supplement	% Above County Min Wage		**Additional funding needed in FY17**
7/1/2016	10.75	13.44	10.94	2.50	13,800,221	11,644,322	2.11	21.4%	**FY17 CE RECOMMENDED**	**2,155,899**
7/1/2017	11.50	14.38	11.32	3.05	17,927,204	11,644,322	1.98	15.7%	**FY18 projection**	

Proposal 13: Designing Thoughtful Minimum Wage Policy at the State and Local Levels

Arindrajit Dube
University of Massachusetts Amherst

Introduction

Rising wage inequality and stagnant real wages have contributed to inequality in family incomes during the past three decades. While the expansion of the Earned Income Tax Credit (EITC) and the Supplemental Nutrition Assistance Program (SNAP) have helped mitigate the impact on low-income families (Bitler and Hoynes 2010), federal minimum wage policy has not contributed to the solution. The federal minimum wage has failed to keep pace with both the cost of living and the median wage in the labor market. As a consequence, working full-time at the minimum wage does not allow many families to escape poverty, or to attain economic self-sufficiency.

State and local governments can set minimum wages in excess of the statutory federal minimum wage.[1] Indeed, state and local governments have played an important role in establishing minimum wages across the country; as a result, thirty-seven states had state minimum wages exceeding the federal level in 2007 prior to the most recent federal increase. Cities, too, have begun setting higher minimum wages, as evidenced by city-level wage minimums in Albuquerque, San Francisco, San Jose, Santa Fe, Seattle, and Washington, DC; other cities are actively exploring possibilities of raising minimum wages.

In this policy memo, I propose a framework for effective state and local minimum wage policy. First, I propose using half the local-area median wage as an important gauge for setting an appropriate level of the minimum wage. Second, I propose that state and local governments take into account the local cost of living as a relevant consideration in setting a minimum wage, and I provide estimates of how state minimum wages would vary if they reflected cost-of-living differences. I also recommend the use of regional consumer price indexes (CPIs) to index the local minimum wage. Finally, I propose that cities and counties coordinate regional wage setting to mitigate possible negative effects of local mandates.

The implementation of the state and local framework does not override the need for reform at the federal level. Thoughtful reforms to the federal minimum wage can help reduce poverty and mitigate inequality. The federal minimum wage has been the focus of substantial debate by academics and policymakers; this proposal focuses on state and local reforms that have received substantially less attention. These state and local reforms can be an important part of the policy portfolio for reducing the incidence of poverty and for helping low-income families support themselves as they strive toward the middle class. In particular, although the federal minimum wage serves as a floor in the labor market, there is some room for additional increases in higher-wage areas.

The Challenge

RISING INEQUALITY AND STAGNANT WAGES

For much of the past three decades, the wages of those at the bottom of the wage distribution have failed to keep up with overall economic gains. Most of the wage increase has occurred among the top half of the wage distribution, especially since

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the 1990s. Wages in the lower half rose only during the period of low unemployment in the late 1990s. As a result, the 90th percentile real wage grew by over 30 percent between 1973 and 2011, while the median and 10th percentile real wages grew by less than 5 percent over the same period.

Many factors spurred this dramatic rise in wage inequality, including technological change, de-unionization, increased trade and offshoring, and deregulation (Autor, Katz, and Kearney 2008; Firpo, Fortin, and Lemieux 2011; Philippon and Reshef 2012). However, there is also evidence that a falling real minimum wage has contributed to this growth in inequality. In particular, Autor, Manning, and Smith (2014) find that movements in the minimum wage played an important (though not predominant) role in determining the 50/10 wage gap—a measure that highlights wage inequality in the bottom half of the distribution by comparing how middle earners (50th percentile) fared relative to the lowest earners (10th percentile). The decline in the value of the minimum wage has also had a larger effect on inequality for female workers since they tend to be paid less than male workers.

A DECLINE IN THE MINIMUM WAGE

The federal minimum wage, which has not kept up with the cost of living, reached its high-water mark in 1968. While the specific value varies with the price index used, all measures point toward the real minimum wage falling over time.[2] Using the CPI-U-RS—a revised inflation index that uses current methods for computing inflation—the minimum wage in 2014 dollars stood at $9.59 per hour in 1968 and $8.58 per hour in 1979. During the 1980s, the real minimum wage declined substantially, and over the intervening twenty years it has largely treaded water, reaching a historical low of $6.07 per hour in 2006 prior to the last federal increase. It now stands at $7.25 per hour.

The failure of the minimum wage to keep up with inflation means that, for workers earning the minimum wage, each hour of labor purchases fewer goods and services. And since measures of poverty are indexed to inflation, an unindexed minimum wage means that these workers must work more hours to stay above poverty. Recent evidence suggests that workers earning close to the minimum wage are increasingly those who rely on their earnings to support necessary household consumption, as opposed to those who are dependents of workers with higher earnings. For example, between 1979 and 2011, the share of low-wage workers—defined as those with hourly wages of $10.00 or less in 2011 dollars—who are younger than twenty-five fell from 47.1 percent to 35.7 percent (Schmitt and Jones 2012).

These concerns are exacerbated in states and localities with high costs of living. In these areas, workers earning the minimum wage are especially challenged to pay for food and housing, or obtain other necessary goods and services. Effectively, to escape poverty these workers must earn significantly more than their counterparts in low-cost areas. Workers in areas with high median wages, which are often those with high costs of living, are also subjected to greater levels of local income inequality. In short, the problems associated with a stagnant and inadequate minimum wage are exacerbated in high-cost, high-wage areas.

Low minimum wages are also problematic when they deviate too far from the median wage because they are a reflection of the bottom of the wage distribution falling behind the rest of the distribution. For this reason, economists often consider the ratio of the minimum to the average or median wage, also known as the Kaitz index. There are three reasons to pay attention to this measure, especially using the median as the reference wage. First, a comparison of the minimum wage to the median offers a guide for how binding a particular minimum wage increase is likely to be, and what type of wage the labor market can bear. When this ratio is low—say around 0.2—minimum wage policy is not raising the wages of many workers. In contrast, a high ratio—say around 0.8—indicates a highly interventionist policy where the minimum wage is dramatically compressing differences in wages for nearly half the workforce. Second, this comparison also provides us with a natural benchmark for judging how high or low a minimum wage is across time periods or across countries that vary in terms of their labor markets and wage distributions. Third, the median wage also provides a natural reference point for judging what is a reasonable minimum wage level: no one expects that the minimum wage should be set equal to the median wage, but fairness may become a factor when the minimum wage falls below, say, one-fourth or one-fifth of the median wage.

A natural target is to set the minimum wage to half of the median full-time wage. This target has important historical precedence in the United States: in the 1960s, this ratio was 51 percent, reaching a high of 55 percent in 1968. Averaged over the 1960–1979 period, the ratio stood at 48 percent. Approximately half the median full-time wage is also the norm among all OECD countries with a statutory minimum wage. For OECD countries, on average, the minimum wage in 2012 (using the latest data available) was equal to 49 percent of the median wage; averaged over the entire sample between 1960 and 2012, the minimum stood at 48 percent of the median (OECD 2013). In contrast, the U.S. minimum wage now stands at 38 percent of the median wage, the third-lowest

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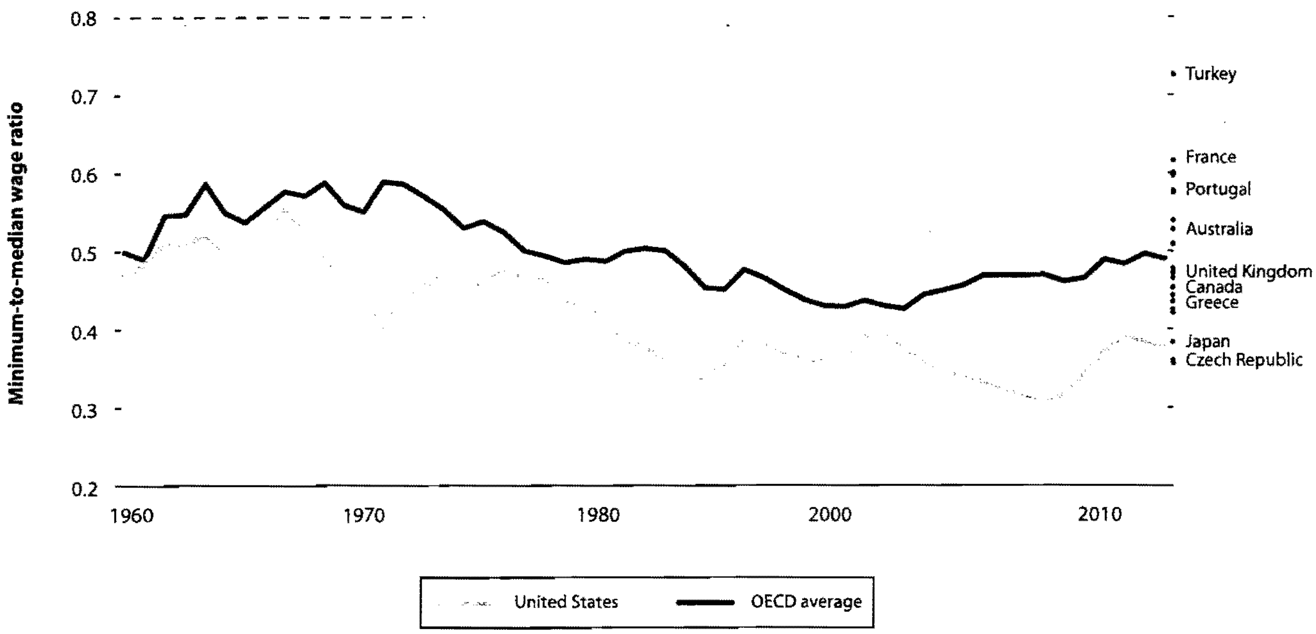
FIGURE 13-1.

The Ratio of Minimum to Median Full-Time Wage: United States and OECD Countries, 1960–2012



Sources: OECD 2013; author's calculations.
Note: Data were not available for the full period between 1960 and 2012 for each country. For that reason, the OECD average for each year is derived using the individual country ratios that were available for that year.

among OECD countries after Estonia and the Czech Republic (ibid.). (See figure 13-1.)

A New Approach

Adequate state and local minimum wages play an important role in the antipoverty agenda and can compensate for inaction at the federal level. To ensure that wages sufficiently support the lowest-paid workers, I propose that state and local governments gauge their minimum wage to half the local-area median wage. In addition, I propose that states consider the local cost of living when establishing a minimum wage, and that the statutory minimum wage be automatically indexed to inflation to protect against real declines in the wage floor. Finally, I propose that local governments engage in regional wage setting to protect against the unintended consequences of raising the minimum wage.

STATE-LEVEL POLICIES

State initiatives are a sensible strategy in many places with particularly high wages. One way to gauge what constitutes a reasonable target level is to consider the ratio of the minimum to the median wage: a value of 50 percent is in line with the international average and with the U.S. historical average during the 1960s and 1970s. For the purpose of national and international comparability, table 13-1 shows the value of one-half the median full-time wage in 2012 for each state, adjusted to 2014 dollars. Since wages vary substantially by state, the median-adjusted target minimum wage ranges between $12.45 (Massachusetts) and $7.97 (Mississippi). Fourteen states—mostly those in the Northeast and on the West Coast—would see their minimum wage rise above $10.00 per hour with this proposal. In contrast, eighteen states would see their minimums set below $9.00 per hour. It is important to note that the proposed minimum wage would exceed the current federal minimum of $7.25 in all states.

State-level add-ons to the minimum wage thus seem to be a sensible strategy in these high-wage states. Indeed, many states are already doing this: as of now, eleven of the fourteen states whose target minimum wage exceeds $10.00 per hour currently have state minimums exceeding $7.25 per hour. When we factor in current and planned minimum wage increases by states, raising the minimum wage to half the median full-time wage in each state by 2016 would entail a 26.2 percent increase in the statutory minimum wage. (This estimate is a population-weighted average over all fifty states

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TABLE 13-1.

Target Minimum Wage by State, Adjusted Based on Median Wage and Regional Price Parity

	Median Wage–Adjusted (in dollars)	Regional Price Parity–Adjusted (in dollars)		Median Wage–Adjusted (in dollars)	Regional Price Parity–Adjusted (in dollars)
Massachusetts	12.45	10.45	**Indiana**	9.41	8.88
Connecticut	12.01	10.67	**Missouri**	9.35	8.59
Maryland	11.69	10.85	**Iowa**	9.30	8.73
New Jersey	11.45	11.12	**Arizona**	9.27	9.56
New Hampshire	11.20	10.35	**North Dakota**	9.21	8.81
Alaska	10.96	10.44	**Hawaii**	9.07	11.43
Rhode Island	10.96	9.62	**Florida**	9.06	9.63
Virginia	10.83	10.06	**Nevada**	8.99	9.57
Washington	10.76	10.06	**New Mexico**	8.96	9.24
New York	10.46	11.25	**Ohio**	8.96	8.70
Minnesota	10.36	9.51	**Kansas**	8.85	8.77
California	10.21	11.01	**Texas**	8.82	9.41
Colorado	10.18	9.91	**Idaho**	8.77	9.13
Illinois	10.07	9.81	**Montana**	8.71	9.18
Delaware	9.96	9.97	**Nebraska**	8.71	8.78
Michigan	9.96	9.20	**Oklahoma**	8.71	8.77
Pennsylvania	9.96	9.62	**South Carolina**	8.71	8.84
Utah	9.96	9.44	**Tennessee**	8.71	8.84
Oregon	9.69	9.63	**North Carolina**	8.64	8.93
Wyoming	9.62	9.40	**Alabama**	8.54	8.59
Wisconsin	9.60	9.06	**Kentucky**	8.37	8.66
West Virginia	9.54	8.64	**South Dakota**	8.30	8.60
Georgia	9.46	8.97	**Louisiana**	8.14	8.91
Maine	9.46	9.58	**Arkansas**	7.97	8.54
Vermont	9.46	9.84	**Mississippi**	7.97	8.42

Sources: Unicon Research Corporation 2012; Bureau of Economic Analysis n.d.; author's calculations.

Note: Median wage–adjusted values are half of the median real wages (in 2014 dollars) for each state in 2012 for full-time, non-self-employed workers using the March Supplement of the Current Population Survey. Regional price parity–adjusted wages use the Bureau of Economic Analysis regional price parity index for each state.

using the maximum of the state or federal minimum wage for each state.) Some states (e.g., California, Nevada, Oregon, and Vermont) would need only small adjustments to their baseline policy (under 10 percent). In contrast, higher-wage states (e.g., Maryland, Massachusetts, New Hampshire, and Virginia) would require substantial increases, exceeding 50 percent. When implementing as substantial an increase as in this latter group of states, a longer phase-in period may be desirable.

While the median wage is a good measure of how binding a minimum wage would be, an additional consideration is cost of living, which tends to be greater in urban areas. To provide an alternative adjustment, table 13-1 also reports the level of minimum wage that would prevail in a state if a $9.75 federal minimum wage—chosen because that is half the median full-time wage nationally—were adjusted using the regional price parity index for that state. To make this an apples-to-apples comparison, both methods entail a similar overall increase in the minimum wage, letting the exact pattern vary across states based on the median wage, as opposed to just on the cost of living.

There is considerable similarity in the target minimum wage constructed using the two methods. This is to be expected since high-wage states also tend to have higher costs of living. Nine states show up in both top ten lists, for example, and for all but five states, the two methods produce a target minimum wage that differs by less than 10 percent.

The overlap is imperfect, however. For example, whereas Massachusetts has the highest median wage of all states, it ranks sixth in terms of the cost of living. Similarly, California ranks twelfth based on median wage, but third based on cost of living. More generally, while the recommended increase in the minimum wage is similar under the two approaches when averaged across all states (i.e., 26.2 percent versus 22.5 percent average increase in the statutory minimum wage), the regional price adjustment produces a narrower range: between $8.42 and $11.43 instead of between $7.97 and $12.45.

Under my proposal, state policymakers should put the greatest emphasis on how binding the minimum wage would be as proxied by half the median wage. This is an important metric for gauging the extent of an intervention in the functioning of the labor market. Often this will also reflect cost-of-living differences across areas. When the regional price parity–adjusted minimum wage differs considerably from the median wage–adjusted value, however, policymakers would do well to also consider the regional price information—perhaps splitting the difference between the two approaches.

Finally, my proposal would index the state minimum wages to the regional CPI. This practice is attractive since the annual adjustment makes the process predictable and also responsive to local conditions. Importantly, it eliminates the need for revisiting a contentious policy issue year after year. As it stands, twelve states already have indexed their minimum wages, paving the way for more to do the same. A few states, including Nevada and Oregon, have adopted practices that are very close to my recommendations: they have set the minimum wage close to half the median wage, and have also indexed their wage to the CPI.

CITY-LEVEL POLICIES

While state-level minimum wages have been the most common means of allowing for regional variation, city-level policies have become increasingly important in policy discussions. Since major metropolitan areas tend to have both higher wages and higher costs of living, minimum wage add-ons may make sense for large cities.

Table 13-2 considers the twenty largest metropolitan areas in the country. Similarly to the state-level policies, I construct both a median wage–adjusted and a regional price parity–adjusted level of the minimum wage for each of these areas.

As table 13-2 reports, DC, San Francisco, Boston, New York, and Seattle are high-wage metropolitan areas where half of the 2012 full-time median wage was at least as large as $11.85 per hour in 2012 (in 2014 dollars). In another eight metropolitan areas, half the full-time median wage exceeded $10.00 per hour. These metropolitan areas represent a second tier of possible laboratories for experimenting with local supplements. Some of these cities are in areas where local wage standards are preempted, but others are free to pursue policies.

Washington, DC and San Francisco already have local minimum wages, and Seattle recently enacted a city-wide minimum wage policy. New York is actively exploring possibilities. The San Francisco experience has been studied and documented extensively (Dube, Naidu, and Reich 2007, 2014). That city currently requires a minimum wage of $10.55 per hour for all workers within city limits and this new minimum wage has raised pay in the bottom of the distribution. Yet employment growth does not appear to have been adversely affected in that city relative to its surrounding areas, even in a high-impact sector like restaurants. Furthermore, Reich, Jacobs, and Dietz (2014) review the literature on four city minimum wage standards, and find that they were implemented without evidence of adverse effects.

A final consideration for local wage setting is regional coordination. Although existing evidence does not indicate substantial movements of businesses across policy borders to avoid a higher minimum wage, such movements may be more likely at higher levels of the minimum wage. Regional coordination in wage setting across economically connected areas can reduce these risks.

One possibility is a regional collaboration in wage setting, as exemplified in the Washington, DC metropolitan area. DC, Prince George's County (Maryland), and Montgomery County (Maryland) coordinated on a simultaneous minimum wage increase, though the extent of the increase varied by overall wage levels. Similarly, in the San Francisco Bay area, the cities of San Francisco and San Jose have both instituted citywide

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TABLE 13-2.

Target Minimum Wage by Metropolitan Area, Adjusted Based on Median Wage and Regional Price Parity.

Metropolitan Area	Median Wage–Adjusted (in dollars)	Regional Price Parity–Adjusted (in dollars)	Population (in millions)
Washington, DC–Arlington–Alexandria, DC–VA–MD–WV	13.51	11.73	5.64
San Francisco–Oakland–Hayward, CA	13.37	11.81	4.34
Boston–Cambridge–Newton, MA–NH	12.85	10.87	4.55
New York–Newark–Jersey City, NY–NJ–PA	12.25	11.90	19.57
Seattle–Tacoma–Bellevue, WA	11.85	10.42	3.44
Baltimore–Columbia–Towson, MD	11.66	10.66	2.71
Philadelphia–Camden–Wilmington, PA–NJ–DE–MD	11.59	10.62	5.97
Minneapolis–St. Paul–Bloomington, MN–WI	11.23	10.03	3.35
Chicago–Naperville–Elgin, IL–IN–WI	10.79	10.38	9.46
Detroit–Warren–Dearborn, MI	10.42	9.53	4.30
San Diego–Carlsbad, CA	10.36	11.59	3.10
Los Angeles–Long Beach–Anaheim, CA	10.24	11.51	12.83
St. Louis, MO–IL	10.11	8.66	2.79
Atlanta–Sandy Springs–Roswell, GA	9.85	9.31	5.29
Riverside–San Bernardino–Ontario, CA	9.62	10.35	4.22
Dallas–Fort Worth–Arlington, TX	9.59	9.84	6.43
Houston–The Woodlands–Sugar Land, TX	9.50	9.81	5.92
Phoenix–Mesa–Scottsdale, AZ	9.39	9.71	4.19
Tampa–St. Petersburg–Clearwater, FL	9.07	9.68	2.78
Miami–Fort Lauderdale–West Palm Beach, FL	8.55	10.23	5.56

Sources: Ruggles et al. 2010; Bureau of Economic Analysis n.d.; author's calculations.

Note: Median wage–adjusted values are half of the median real wages (in 2014 dollars) for each metropolitan area in 2010–2012 for full-time, non-self-employed workers using American Community Survey data. Regional price parity–adjusted wages use the Bureau of Economic Analysis regional price parity index for each metropolitan area.

wages; Oakland, Berkeley, and Richmond are currently considering following suit. This type of policy coordination makes both economic and political sense because it reduces cross-jurisdictional competition and the possibility of business relocations.

COSTS AND BENEFITS

The framework for reforming state and local minimum wages would have various positive economic benefits, including higher wages and lower poverty. The costs, such as negative employment effects, are expected to be minimal.

Impact on Wages

Under my proposal, the average minimum wage in 2016 across fifty states would rise from $7.71 per hour to $9.73 per hour in 2014 dollars—a 26.2 percent increase (see table 13-3). An increase in the binding minimum wage would benefit a substantial number of workers: those whose wages would be

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TABLE 13-3.

Impact on Poverty by 2016 of Raising State Minimum Wages to Half of the State Median Wage

	Estimate		
	Low	Preferred	High
Baseline statutory minimum wage (in dollars)	7.71	7.71	7.71
Statutory minimum wage under proposal (in dollars)	9.73	9.73	9.73
Change in statutory minimum wage (in percent)	26.2	26.2	26.2
Baseline nonelderly poverty rate (in percent)	15.8	15.8	15.8
Nonelderly poverty rate under proposal (in percent)	15.4	15.0	14.6
Change in poverty rate (in percentage points)	–0.4	–0.8	–1.2
Change in population living in poverty (in thousands)	–1,061	–2,238	–3,366

Source: Dube 2014.

Note: All dollar figures are in 2014 dollars. The statutory minimum wage in this table refers to the population-weighted average minimum wage over all fifty states using the maximum of the state or federal minimum wage for each state. The details of the calculations are available at www.arindube.com/THP_projections.pdf.

directly raised by a higher wage floor, and those whose wages would rise through a ripple effect extending beyond the new wage floor by around 50 percent of the wage increase. For example, if a state raised its minimum wage by $2.00 from $7.25 per hour to $9.25 per hour, workers earning up to $10.25 per hour—$1.00 above the new minimum, or 50 percent of the wage increase—would see their wages rise.

Rises in the minimum wage would affect many workers who are not dependents of older, higher-paid workers. Estimates of a raise in the federal minimum wage to $10.10 per hour indicate that the average age of the impacted worker would be thirty-five, and that the majority (51 percent) of those impacted by a wage increase would be aged thirty or older, while only 13 percent would be aged twenty or younger (Cooper 2013). More than half (55 percent) of those affected by a federal increase would be women, and about the same number (54 percent) would be full-time workers. While only 19 percent of all workers have family incomes less than twice the official poverty line, 50 percent of workers affected by a minimum wage increase would be in such families (CBO 2013). These trends at the federal level would likely persist at the state and local levels as well. In sum, the evidence strongly contradicts the suggestion that the typical affected worker is a teenager working for pocket money. While the minimum wage does not explicitly target individuals from families with very low incomes, most of the gains from the policy will accrue to those with low and moderate incomes.

Impact on Employment

A concern with raising the minimum wage is that businesses will respond by cutting back on hiring, thereby reducing jobs. My review of the academic evidence suggests that this impact will likely be small.

In the 1990s, groundbreaking work by Card and Krueger (1994, 2000) built a case-study approach to studying minimum wages. These authors relied on comparing adjacent states like New Jersey and Pennsylvania when one state increased the minimum wage. In the past decade, the Card and Krueger approach has been generalized and refined. Dube, Lester, and Reich (2010) considered all adjacent counties straddling state borders for which data were available continuously for the full period between 1990 and 2006, and found no evidence of job losses for high-impact sectors such as restaurants and retail. In follow-up work, Dube, Lester, and Reich (2013) used the same cross-border methodology to study the effect on teens and found no discernible impact on their employment; Dube and Zipperer (2014) confirm these findings using a "synthetic control group approach," which is a recent innovation in empirical labor economics. Other researchers have obtained similar results. Addison, Blackburn, and Cotti (2009, 2012) found that once they accounted for trends in sectoral employment, there was no evidence of job loss in the retail or restaurant sectors; recent work by Hoffman (2014) finds no evidence of teen job losses using state-level case studies during the 2000s.

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To be sure, some studies in the literature do suggest more-sizable job losses. These include estimates using the state-panel approach pioneered by Neumark and Wascher (1992), as recently discussed in Neumark, Salas, and Wascher (2013). My own view is that this approach is less empirically compelling than the cross-border methodology and other more-sophisticated ways of constructing comparison groups that I have used in my own work, as described above and discussed in Allegretto and colleagues (2013). Overall, I believe the best evidence concludes that the net impact of the proposed increase in the real statutory minimum wage would be likely small, and likely too small to be meaningfully different from zero. In addition, there is growing evidence that increased minimum wages reduce job turnover (see Brochu and Green 2013 and Dube, Lester, and Reich 2013). This finding is largely driven by a reduction in vacancies that result from fewer workers leaving jobs and the easier recruitment of workers into higher-paying jobs.

Impact on Poverty

Minimum wage policies tend to increase incomes of low- and moderate-income families. However, the antipoverty aspect of the minimum wage is limited because many families under the poverty line do not have substantial attachment to the labor force. A review of past research finds that, on average, a 10 percent increase in the statutory minimum wage leads to a 1.5 percent reduction in the number of individuals in poverty (Dube 2014).

My own analysis uses more and more-recent data, along with a wider range of statistical techniques than the existing studies, and finds that a 10 percent increase in the minimum wage would reduce the poverty rate among the nonelderly population by between 1.2 and 3.7 percent, with the best estimate suggesting a reduction of 2.4 percent (Dube 2014). In particular, robust evidence shows that an increase in the minimum wage raises family incomes for the bottom 20 percent of the family income distribution. Strong evidence also finds that not just the incidence of poverty but also the depth of poverty would be reduced, as measured by the poverty gap.

Overall, the evidence suggests that the poverty reduction effects are somewhat larger in magnitude for African-American or Hispanic individuals, and for children under age eighteen. The effects are somewhat smaller for single mothers and for younger adults. However, the impacts are larger in magnitude for young adults with no more than a high school diploma.

As mentioned above, the statutory minimum wage averaged over all fifty states would rise 26.2 percent by 2016 under my proposal. Dube (2014) provides a range of estimates for how the poverty rate responds to a higher minimum wage. These estimates, along with state-by-state projected increases in the minimum wage, suggest that the poverty rate among the nonelderly would fall by anywhere between 0.4 and 1.2 percentage points, representing between 1.1 and 3.4 million fewer individuals in poverty. The best estimate suggests that the national nonelderly poverty rate would decline from 15.8 percent to 15.0 percent, and 2.2 million fewer people would live in poverty.

Questions and Concerns

What about the federal minimum wage?

The federal minimum wage plays an important role in setting a nationwide standard. However, a one-size-fits-all approach creates avoidable trade-offs: states as dissimilar as Massachusetts and Mississippi have different capacities to absorb a minimum wage of, say, $11.00 per hour, and a single minimum wage has to balance the needs of states at both ends of the spectrum. By allowing some variation across states, we can raise, say, the Massachusetts minimum wage to a reasonably high level while not putting, say, Mississippi at risk. Leaving minimum wage setting altogether to states, however, will mean that patterns will reflect the vagaries of politics across fifty states. For example, in spite of the popularity among voters of raising the minimum wage, state legislatures do not do so in a regular fashion, and many states have implemented such policies only via costly ballot initiatives. Therefore, the lack of a federal standard can subject low-wage workers in many states to a substantial amount of risk. A moderate level of federal minimum wage, coupled with state-level add-ons, offers a judicious balance.

Are there more-efficient or generally better ways to alleviate poverty?

Increases in the minimum wage have been shown to substantially aid low-income families; most of the gains from the policy accrue to low- and moderate-income families. At the same time, it is also true that the policy specifically targets low-wage workers and not individuals in poverty. Were we to assess public policies based only on their efficacy in reducing poverty, we should prefer more-targeted policies like cash transfers, SNAP, and programs that raise the employment rate for highly disadvantaged groups. The EITC, in particular, is well-targeted at those with very low incomes. It is important to point out, however, that as currently structured, the EITC provides only minimal assistance to adults without children, and may hurt some childless adults through a negative incidence on wages. Because the EITC increases the labor supply, 27 cents of every dollar of EITC spending accrue to employers as lower wages (Rothstein 2010; Lee and Saez 2012). Moreover, raising funds for the EITC by taxing higher-income individuals also entails efficiency costs, which suggests an additional rationale for raising pretax earnings for low-wage workers (Hendren 2014). For these reasons, it makes sense to combine programs like the EITC with a minimum wage increase.

Is there enough empirical evidence to support increasing the minimum wage to half the full-time median wage?

The proposed increase of the minimum wage to half the full-time median wage does go somewhat above the range from which we can draw the best empirical evidence. This obstacle is difficult to avoid given the rather low levels of minimum wages since 1980. A number of additional factors make it reasonable to apply the existing estimates when evaluating this proposal, however. First, an increase in the minimum wage from 41 percent to 50 percent of the median full-time wage, while substantial, is still cautious. It maintains the ratio within both historical and international bounds. Second, existing U.S. evidence that suggests small employment effects is based on a number of states (e.g., Nevada, Oregon, Vermont) that have all raised their state minimum wages to levels that surpass 46 percent of their median full-time wage. Finally, evidence from the United Kingdom suggests that raising the minimum wage close to the median full-time wage is not associated with sizable effects on employment (Manning 2012).

Would raising the minimum wage affect prices?

A higher minimum wage could lead to higher prices, especially for industries that employ high levels of low-wage labor. To date, the clearest evidence on the effects on prices comes from Aaronson, French, and MacDonald (2008), who find that a 10 percent minimum wage increase would raise fast-food prices by around 0.7 percent. On average, my proposal would raise fast-food prices by under 2 percent. While restaurant prices will see likely increases from minimum wage increases, the overall price level (e.g., the CPI) is unlikely to be noticeably affected by minimum wage hikes.

Conclusion

Minimum wage policies are not an antipoverty panacea. They do, however, tend to raise wages for America's lowest-paid workers—making an adequate minimum wage an important pillar of a national antipoverty agenda. Under my proposal, the poverty rate would likely decline by a little under 1 percentage point, meaning that 2.2 million fewer individuals would live in poverty.

Setting the state and local minimum wages close to half the median full-time wage is a well-balanced policy option. Such a target is close to both U.S. experiences during the 1960s and 1970s and to current practice in advanced industrialized countries. While it pushes the minimum wage beyond the experience over the recent period in this country, it does so in a measured fashion. In addition, states and localities should consider the local cost of living when setting minimum wage policy and should index wage levels for inflation. Incorporating all of these criteria into minimum wage laws would lead to substantially higher wage floors in a subset of states: based on a half-median wage standard, fourteen states would have a minimum exceeding $10.00 per hour, while based on cost-of-living considerations, ten states would do so.

Possible negative impacts of a higher minimum wage can be mitigated with regional wage coordination—localities can cooperate to set adequate minimum wage policies. This strategy, combined with minimum wage laws that set the wage floor based on local economic conditions, can lead to lower poverty, reduced inequality, and more-adequate wages, all while mitigating the potential negative impacts on employment.

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Endnotes

1. A statutory minimum wage is a binding, broad-based minimal pay standard set by legal statute, as opposed to by collective bargaining or other voluntary agreements. Some countries (e.g., Sweden and Switzerland) do not have a statutory minimum wage, but do have sectoral pay standards set by collective bargaining.
2. Had the minimum wage been indexed to inflation in the same manner as the IRS tax code or Social Security payments (i.e., using the CPI-U), it would have been $10.93 per hour in 2014. The CPI-U-RS is a more reliable gauge of past cost of living, however. Conversely, if we were to use the Personal Consumption Expenditure deflator, the 1968 value of the minimum wage would be $8.56 per hour. In all cases, however, the real minimum wage has fallen since the 1960s and 1970s.

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Table: Low-wage Occupations, Employment and Hourly Wages

Occ. Code	Occupation Title	Total Employment	Mean Hourly Wage	10th Percentile Hourly Wage	25th Percentile Hourly Wage	50th Percentile (Median) Hourly Wage	75th Percentile Hourly Wage	90th Percentile Hourly Wage
39-5093	Shampooers	490	$9.24	$8.18	$8.45	$8.89	$9.36	$10.89
39-3091	Amusement and Recreation Attendants	3,020	$9.25	$8.15	$8.38	$8.76	$9.13	$10.67
33-9092	Lifeguards, Ski Patrol, and Other Recreational Protective Service Workers	620	$9.46	$8.20	$8.50	$9.00	$9.84	$11.48
35-9021	Dishwashers	2,650	$9.64	$8.21	$8.52	$9.04	$10.18	$12.60
35-3021	Combined Food Preparation and Serving Workers, Including Fast Food	10,670	$9.71	$8.20	$8.49	$8.98	$9.91	$12.48
39-3031	Ushers, Lobby Attendants, and Ticket Takers	430	$10.00	$8.25	$8.62	$9.23	$10.69	$11.87
35-9031	Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	1,680	$10.22	$8.30	$8.75	$9.49	$11.28	$13.44
35-9011	Dining Room and Cafeteria Attendants and Bartender Helpers	2,300	$10.24	$8.27	$8.68	$9.39	$11.41	$13.60
37-2019	Building Cleaning Workers, All Other	**	$10.30	$8.24	$8.60	$9.20	$11.69	$14.30
51-6021	Pressers, Textile, Garment, and Related Materials	140	$10.31	$8.38	$8.95	$9.90	$11.20	$12.70
35-2011	Cooks, Fast Food	860	$10.44	$8.59	$9.45	$10.42	$11.39	$12.20
53-6021	Parking Lot Attendants	320	$10.45	$8.46	$9.15	$10.22	$11.33	$12.04
35-3031	Waiters and Waitresses	8,800	$10.76	$8.21	$8.53	$9.06	$10.88	$16.51
53-3031	Driver/Sales Workers	1,180	$10.80	$8.21	$8.53	$9.07	$9.66	$19.17
33-9091	Crossing Guards	220	$10.86	$8.35	$8.88	$10.36	$12.66	$14.37
31-9095	Pharmacy Aides	**	$10.91	$8.29	$8.72	$9.43	$11.74	$16.26
41-2011	Cashiers	13,340	$11.11	$8.29	$8.71	$9.48	$12.00	$17.23
35-9099	Food Preparation and Serving Related Workers, All Other	90	$11.15	$8.46	$9.14	$11.03	$13.06	$14.37
39-3093	Locker Room, Coatroom, and Dressing Room Attendants	140	$11.31	$8.65	$9.53	$10.86	$12.56	$14.65
51-6093	Upholsterers	**	$11.39	$8.25	$8.63	$9.27	$14.11	$16.57
51-6011	Laundry and Dry-Cleaning Workers	670	$11.41	$8.42	$9.04	$10.81	$13.46	$15.80
41-9041	Telemarketers	190	$11.61	$8.27	$8.67	$9.35	$13.15	$19.71
53-7061	Cleaners of Vehicles and Equipment	910	$11.64	$8.37	$8.91	$10.17	$12.06	$14.85
35-2021	Food Preparation Workers	3,260	$11.77	$8.33	$8.83	$10.44	$13.97	$17.71
37-2012	Maids and Housekeeping Cleaners	3,330	$11.79	$8.47	$9.18	$11.25	$13.91	$16.63
53-6031	Automotive and Watercraft Service Attendants	260	$11.86	$8.45	$9.12	$11.04	$13.97	$17.32
39-7011	Tour Guides and Escorts	30	$11.89	$9.69	$10.31	$11.33	$12.94	$15.93
53-7064	Packers and Packagers, Hand	1,360	$11.92	$8.35	$8.86	$10.64	$14.18	$17.87
35-3041	Food Servers, Nonrestaurant	1,040	$11.99	$8.59	$9.59	$11.62	$13.92	$16.34
31-1011	Home Health Aides	2,760	$12.08	$8.87	$10.45	$12.42	$13.79	$14.62
35-2015	Cooks, Short Order	640	$12.15	$8.38	$8.94	$10.46	$14.32	$19.73
39-6011	Baggage Porters and Bellhops	180	$12.18	$9.17	$10.30	$11.88	$13.79	$14.92
35-3022	Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	2,300	$12.26	$8.38	$8.95	$10.73	$14.88	$18.89
39-9021	Personal Care Aides	2,460	$12.26	$8.68	$9.69	$11.25	$14.86	$17.64
49-3093	Tire Repairers and Changers	360	$12.30	$8.47	$9.17	$10.86	$15.03	$18.58
51-3099	Food Processing Workers, All Other	70	$12.32	$8.69	$9.82	$11.89	$14.53	$17.23
39-5092	Manicurists and Pedicurists	750	$12.45	$8.59	$9.58	$11.10	$13.68	$16.88
35-2014	Cooks, Restaurant	3,630	$12.52	$8.88	$10.00	$11.95	$14.21	$17.38
43-4081	Hotel, Motel, and Resort Desk Clerks	680	$12.61	$9.93	$10.73	$12.14	$14.19	$16.28

Table: Low-wage Occupations, Employment and Hourly Wages

Occ. Code	Occupation Title	Total Employment	Mean Hourly Wage	10th Percentile Hourly Wage	25th Percentile Hourly Wage	50th Percentile (Median) Hourly Wage	75th Percentile Hourly Wage	90th Percentile Hourly Wage
47-3013	Helpers--Electricians	220	$12.61	$8.73	$9.78	$11.60	$14.89	$17.90
37-3011	Landscaping and Groundskeeping Workers	4,570	$12.93	$9.02	$10.34	$12.16	$14.54	$18.55
31-1015	Orderlies	170	$12.98	$10.31	$11.85	$12.98	$14.17	$15.30
43-5081	Stock Clerks and Order Fillers	6,730	$13.01	$8.43	$9.08	$11.45	$16.27	$20.49
43-4121	Library Assistants, Clerical	500	$13.07	$8.23	$8.58	$9.17	$16.60	$24.65
37-2011	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	10,940	$13.08	$8.45	$9.12	$11.87	$15.62	$20.78
39-9032	Recreation Workers	1,210	$13.15	$8.47	$9.17	$11.15	$14.36	$21.13
53-7062	Laborers and Freight, Stock, and Material Movers, Hand	4,870	$13.18	$9.17	$10.40	$12.29	$15.02	$18.32
39-2021	Nonfarm Animal Caretakers	740	$13.26	$8.54	$9.37	$12.07	$15.14	$20.56
53-3041	Taxi Drivers and Chauffeurs	1,220	$13.30	$9.25	$10.81	$13.06	$15.02	$18.23
35-3011	Bartenders	1,620	$13.34	$8.34	$8.85	$10.05	$16.46	$25.43
51-3092	Food Batchmakers	230	$13.35	$9.35	$10.43	$12.55	$16.34	$18.18
51-9198	Helpers--Production Workers	550	$13.57	$9.70	$11.22	$13.23	$15.06	$17.89
41-9011	Demonstrators and Product Promoters	110	$13.75	$8.38	$8.94	$10.63	$18.85	$23.94
49-9098	Helpers--Installation, Maintenance, and Repair Workers	750	$13.76	$8.82	$10.25	$13.24	$16.83	$19.05
51-9111	Packaging and Filling Machine Operators and Tenders	**	$13.78	$9.50	$10.69	$12.78	$15.61	$19.27
43-4171	Receptionists and Information Clerks	5,030	$13.79	$8.70	$9.97	$13.22	$16.80	$20.01
51-6052	Tailors, Dressmakers, and Custom Sewers	100	$13.82	$8.44	$9.11	$12.48	$17.67	$21.35
39-9011	Childcare Workers	2,080	$13.95	$8.83	$10.18	$12.85	$17.09	$21.53
41-2031	Retail Salespersons	15,850	$14.03	$8.45	$9.12	$10.83	$14.66	$22.23
51-6031	Sewing Machine Operators	**	$14.10	$9.38	$12.11	$14.50	$16.78	$18.13
27-1023	Floral Designers	210	$14.13	$8.31	$8.77	$14.13	$18.31	$22.29
47-3011	Helpers--Brickmasons, Blockmasons, Stonemasons, and Tile and Marble Setters	190	$14.15	$9.51	$12.44	$14.03	$16.24	$18.07
51-9121	Coating, Painting, and Spraying Machine Setters, Operators, and Tenders	40	$14.15	$10.53	$12.20	$13.82	$16.06	$18.50
51-9199	Production Workers, All Other	360	$14.27	$9.94	$11.47	$13.57	$16.05	$19.69
43-3071	Tellers	1,800	$14.35	$10.62	$12.15	$14.25	$16.70	$18.34
39-9041	Residential Advisors	1,050	$14.41	$9.05	$10.94	$13.58	$17.59	$20.77
39-6012	Concierges	260	$14.43	$12.01	$12.80	$14.11	$16.26	$17.98
31-1014	Nursing Assistants	5,950	$14.50	$10.33	$11.83	$13.99	$16.87	$18.96
51-3011	Bakers	510	$14.53	$9.57	$10.76	$13.38	$18.04	$22.01
35-2019	Cooks, All Other	70	$14.59	$10.24	$11.71	$13.91	$17.27	$20.81
45-2092	Farmworkers and Laborers, Crop, Nursery, and Greenhouse	**	$14.60	$9.78	$10.76	$13.65	$17.81	$21.37
35-2012	Cooks, Institution and Cafeteria	810	$14.65	$8.68	$10.14	$14.74	$17.54	$20.69
53-7063	Machine Feeders and Offbearers	**	$14.91	$12.10	$13.21	$15.02	$17.03	$18.26
27-1026	Merchandise Displayers and Window Trimmers	**	$14.99	$10.48	$12.59	$13.74	$14.88	$23.38
47-3019	Helpers, Construction Trades, All Other	210	$15.00	$10.70	$12.47	$14.80	$17.34	$18.88
39-4021	Funeral Attendants	110	$15.01	$8.65	$10.48	$14.21	$19.97	$22.12
37-3013	Tree Trimmers and Pruners	**	$15.04	$12.25	$12.82	$13.79	$14.75	$21.57
51-9151	Photographic Process Workers and Processing Machine Operators	60	$15.06	$8.71	$10.95	$14.37	$18.31	$23.07
47-3012	Helpers--Carpenters	370	$15.12	$8.70	$9.88	$15.85	$19.54	$22.51
47-3015	Helpers--Pipelayers, Plumbers, Pipefitters, and Steamfitters	130	$15.21	$11.90	$13.09	$14.97	$17.20	$18.54

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Table: Low-wage Occupations, Employment and Hourly Wages

Occ. Code	Occupation Title	Total Employment	Mean Hourly Wage	10th Percentile Hourly Wage	25th Percentile Hourly Wage	50th Percentile (Median) Hourly Wage	75th Percentile Hourly Wage	90th Percentile Hourly Wage
43-5041	Meter Readers, Utilities	**	$15.22	$10.23	$11.23	$13.03	$15.00	$28.00
39-2011	Animal Trainers	50	$15.34	$8.30	$8.75	$10.00	$22.93	$27.52
47-2061	Construction Laborers	4,240	$15.63	$9.32	$12.30	$15.44	$18.10	$21.97
45-2093	Farmworkers, Farm, Ranch, and Aquacultural Animals	80	$15.64	$10.64	$12.11	$14.08	$20.40	$22.37
49-9031	Home Appliance Repairers	60	$15.72	$10.53	$13.03	$15.37	$18.10	$20.88
41-2021	Counter and Rental Clerks	2,160	$15.74	$8.88	$11.51	$14.17	$18.20	$25.40
31-9093	Medical Equipment Preparers	260	$15.78	$10.28	$11.53	$15.59	$19.35	$22.59
51-2092	Team Assemblers	360	$15.89	$11.23	$12.99	$15.10	$18.11	$21.75
53-3021	Bus Drivers, Transit and Intercity	60	$15.94	$12.58	$13.45	$15.04	$18.24	$21.27

Source: Occupational Employment Statistics, May 2015, Silver Spring-Frederick-Rockville Metropolitan Division (Bureau of Labor Statistics)

entory of Local Minimum Wage Ordinances (Cities and Counties)
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		Minimum wage increase schedule											
		1st step		2nd step		3rd step		4th step		5th step		6th step	
:ality (year enacted)	**Wage before first increase**	**New minimum wage**	**Date of increase**	**New minimum wage**	**Date of increase**	**New minimum wage**	**Date of increase**	**New minimum wage**	**Date of increase**	**New minimum wage**	**Date of increase**	**New minimum wage**	**Date of increase**
ouquerque, NM (2006)	$5.15	$6.75	1/1/07	$7.15	1/1/08	$7.50	1/1/09						
ouquerque, NM (2012)	$7.50	$8.50	1/1/13										
ngor, ME (2015)	$7.50	$8.25	1/1/17	$9.00	1/1/18	$9.75	1/1/19						
rkeley, CA (2014)[1]	$9.00	$10.00	10/1/14	$11.00	10/1/15	$12.53	10/1/16						
rnalillo County, NM (2013)	$7.50	$8.00	7/1/13	$8.50	1/1/14								
icago, IL (2014)	$8.25	$10.00	7/1/15	$10.50	7/1/16	$11.00	7/1/17	$12.00	7/1/18	$13.00	7/1/2019		
Cerrito, CA (2015)	$10.00	$11.60	7/1/16	$12.25	1/1/17	$13.60	1/1/18	$15.00	1/1/19				
neryville, CA (2015) *ge businesses (more than employees)*	$9.00	$14.44	7/1/15										
neryville, CA (2015) *all businesses (55 or fewer nployees)*	$9.00	$12.25	7/1/15	$13.00	7/1/16	$14.00	7/1/17	$15.00	7/1/18	Same rate as large businesses	7/1/19		
nnson County, IA (2015)	$7.25	$8.20	11/1/15	$9.15	5/1/16	$10.10	1/1/17						
; Cruces, NM (2014)	$7.50	$8.40	1/1/15	$9.20	1/1/17	$10.10	1/1/19						
kington, KY (2015)[2]	$7.25	$8.20	7/1/16	$9.15	7/1/17	$10.10	7/1/18						
ng Beach, CA (2016)[3, 4] *ge employers (more than 25 nployees)*	$10.00	$10.50	1/1/17	$12.00	1/1/18	$13.00	1/1/19	$14.00 [3]	1/1/20	$15.00 [3]	1/1/21		
ng Beach, CA (2016) *all businesses (25 nployees or fewer) and nprofits*	$10.00	$10.50	1/1/18	$12.00	1/1/19	$13.00	1/1/20	$14.00 [3]	1/1/21	$15.00 [3]	1/1/22		

Locality (year enacted)	Wage before first increase	Minimum wage increase schedule											
		1st step		2nd step		3rd step		4th step		5th step		6th step	
		New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase
Los Angeles, CA (2015) *large businesses (more than 25 employees)* [5]	$10.00	$10.50	7/1/16	$12.00	7/1/17	$13.25	7/1/18	$14.25	7/1/19	$15.00	7/1/20		
Los Angeles, CA (2015) *small businesses (25 or fewer employees)*	$10.00	$10.50	7/1/17	$12.00	7/1/18	$13.25	7/1/19	$14.25	7/1/20	$15.00	7/1/21		
Los Angeles County, CA (2015) *large businesses (more than 25 employees)*	$10.00	$10.50	7/1/16	$12.00	7/1/17	$13.25	7/1/18	$14.25	7/1/19	$15.00	7/1/20		
Los Angeles County, CA (2015) *small businesses (25 or fewer employees)*	$10.00	$10.50	7/1/17	$12.00	7/1/18	$13.25	7/1/19	$14.25	7/1/20	$15.00	7/1/21		
Louisville, KY (2014)	$7.25	$7.75	7/1/15	$8.25	7/1/16	$9.00	7/1/17						
Montgomery County, MD (2013)	$7.25	$8.40	10/1/14	$9.55	10/1/15	$10.75	10/1/16	$11.50	10/1/17				
Mountain View, CA (2015)	$10.30	$11.00	1/1/16	$13.00	1/1/17	$15.00	1/1/18						
Oakland, CA (2014)	$9.00	$12.25	3/1/15										
Palo Alto, CA (2015)	$9.00	$11.00	1/1/16										
Pasadena, CA (2016) *large businesses (26 or more employees)* [6,7]	$10.00	$10.50	7/1/16	$12.00	7/1/17	$13.25	7/1/18						
Pasadena, CA (2016) *small businesses (25 or fewer employees)*	$10.00	$10.50	7/1/17	$12.00	7/1/18								
Portland, ME (2015)	$7.50	$10.10	1/1/16	$10.68	1/1/17								
Prince George's County, MD (2013)	$7.25	$8.40	10/1/14	$9.55	10/1/15	$10.75	10/1/16	$11.50	10/1/17				

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		Minimum wage increase schedule											
		1st step		2nd step		3rd step		4th step		5th step		6th step	
cality (year enacted)	Wage before first increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase
chmond, CA (2014)[8]	$9.00	$9.60	1/1/15	$11.52	1/1/16	$12.30	1/1/17	$13.00	1/1/18				
cramento, CA (2015)[9] *rge employers (more than 00 employees)*	$9.00	$10.50	1/1/17	$11.00	1/1/18	$11.75	1/1/19	$12.50	1/1/20				
cramento, CA (2015)[9] *nall employers (100 or fewer nployees)*	$10.00	$10.50	1/1/18	$11.00	1/1/19	$11.75	1/1/20	$12.50	1/1/21				
n Diego, CA (2014)	$9.00	$9.75	1/1/15	$10.50	1/1/16	$11.50	1/1/17						
n Francisco, CA (2014)	$11.05	$12.25	5/1/15	$13.00	7/1/16	$14.00	7/1/17	$15.00	7/1/18				
n Jose, CA (2012)	$8.00	$10.00	3/11/13										
nta Clara, CA (2015)	$10.00	$11.00	1/1/16										
nta Fe, NM (2003) *rge businesses only (at least 5 employees); nall businesses covered via 007 amendment*	$5.15	$8.50	6/24/04	$9.50	Date of increase								
nta Fe County, NM (2014)	$7.50	$10.66	4/26/14										
nta Monica, CA (2016) *rge businesses (26 or more nployees)* [10]	$10.00	$10.50	7/1/16	$12.00	7/1/17	$13.25	7/1/18	$14.25	7/1/19	$15.00	7/1/20		
nta Monica, CA (2016) *nall businesses (25 or fewer nployees)*		$10.50	7/1/17	$12.00	7/1/18	$13.25	7/1/19	$14.25	7/1/20	$15.00	7/1/21		
eattle, WA (2014)[11] *rge businesses (more than 00 employees)*	$9.54	$11.00	4/1/15	$13.00	1/1/16	$15.00	1/1/17						
eattle, WA (2014)[11] *nall businesses (500 or fewer nployees)*	$9.54	$11.00	4/1/15	$12.00	1/1/16	$13.00	1/1/17	$14.00	1/1/18	$15.00	1/1/19	$15.75	1/1/20
nnyvale, CA (2014; nended 2016)	$9.00	$10.30	1/1/15	11.00	7/1/16	$13.00	1/1/17	$15.00	1/1/18				
coma, WA (2015)	$9.47	$10.35	2/1/16	11.15	1/1/17	$12.00	1/1/18						
ashington D.C. (2014)	$8.25	$9.50	7/1/14	$10.50	7/1/15	$11.50	7/1/16						

Berkeley's minimum wage law exempts nonprofit organizations for the first year.

Lexington's minimum wage exempts agricultural workers.

Long Beach's minimum wage allows employers to pay "new working interns" 85% of the minimum wage for 480 hours or 6 months, whichever comes first.

Pending results of a study in 2019 on the economic impacts of the minimum wage, the Long Beach minimum wage may increase to $14.00 on 1/1/2020 and to $15.00 on 1/1/2021, with small businesses and nonprofits provided with a one-year delay.

Los Angeles's minimum wage law allows nonprofit organizations with more than 25 employees to apply for coverage under the small business schedule.

Pasadena's minimum wage law allows nonprofit organizations with more than 26 or more employees to apply for coverage under the small business schedule.

Pending results of a minimum wage impact study by the City Manager presented to City Council no later than 2/18/2019, the City Council may request amendments to the ordinance to increase the wage to $14.25 by 7/1/2019 and to $15.00 on 7/1/2020.

Richmond's minimum wage law allows employers that derive more than 50% of their income from transactions where goods and services produced in Richmond are

Sacramento's minimum wage law exempts from coverage participants, up to 25 years of age, in a youth job training program operated bya nonprofit corporation or a government agency.

10 Santa Monica's minimum wage law allows nonprofit organizations with more than 25 employees to apply for coverage under the small business schedule.

11 Seattle's minimum wage law has four wage schedules, based on employer size and whether or not non-wage compensation is counted. See murray.seattle.gov/minimumwage/.

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t updated: 06/08/2016

	Law details*					
ocality (year enacted)	Is the minimum wage indexed?	Index details	Is there a subminimum wage for tipped employees?	Details on subminimum wage for tipped employees	Do other forms of compensation count toward minimum wage?	Details on other forms of compensation
lbuquerque, NM (2006)						
lbuquerque, NM (2012)	yes	U.S. CPI-W	yes	45% of MW in 2013; 60% starting in 2014	yes	MW is $1.00 less for employers who provide healthcare and/or childcare benefits of an annualized cost of at least $2,500
angor, ME (2015)	yes	U.S. CPI-U	yes	50% of MW	no	n/a
erkeley, CA (2014)[1]	no	n/a	no	n/a	no	n/a
ernalillo County, NM (2013)	yes	U.S. CPI	yes	Federal tipped worker minimum wage ($2.13)	yes	MW is $1.00 less for employers who provide healthcare and/or childcare benefits of an annualized cost of at least $2,500
hicago, IL (2014)	yes	U.S. CPI; capped at 2.5%; no increase if Chicago unemployment rate is ≥ 8.5%	yes	$5.45 in 2015; $5.95 in 2016; indexed to CPI thereafter	no	n/a
l Cerrito, CA (2015)	yes	S.F. CPI-W	no	n/a	no	n/a
meryville, CA (2015) *arge businesses (more than 55 mployees)* / **meryville, CA** (2015) *mall businesses (55 or fewer mployees)*	yes	S.F. CPI-U	no	n/a	no	n/a
ohnson County, IA (2015)	yes (starting 7/1/2018)	Midwest CPI	yes	40% of MW	no	n/a
as Cruces, NM (2014)	yes	West CPI-W	yes	40% of MW	no	n/a

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Locality (year enacted)	Is the minimum wage indexed?	Index details	Is there a subminimum wage for tipped employees?	Details on subminimum wage for tipped employees	Do other forms of compensation count toward minimum wage?	Details on other forms of compensation
Lexington, KY (2015)[2]	no	n/a	yes	Federal tipped worker minimum wage ($2.13)	no	n/a
Long Beach, CA (2016)[3, 4] *large employers (more than 25 employees)* **Long Beach, CA** (2016) *small businesses (25 employees or fewer) and nonprofits*	yes (beginning 2023)	L.A. CPI-W	no	n/a	no	n/a
Los Angeles, CA (2015) *large businesses (more than 25 employees)*[5] **Los Angeles, CA** (2015) *small businesses (25 or fewer employees)*	yes	L.A. CPI-W	no	n/a	no	n/a
Los Angeles County, CA (2015) *large businesses (more than 25 employees)* **Los Angeles County, CA** (2015) *small businesses (25 or fewer employees)*	yes	CPI over previous 20 years	no	n/a	no	n/a
Louisville, KY (2014)	yes	South urban CPI; capped at 3%	yes	Federal tipped worker minimum wage ($2.13)	no	n/a
Montgomery County, MD (2013)	no	n/a	yes	$4.00 (*tip credit* must not exceed County MW less 50% of state MW)	no	n/a
Mountain View, CA (2015)	yes	S.F. CPI-W	no	n/a	no	n/a
Oakland, CA (2014)	yes	S.F. CPI-W	no	n/a	no	n/a
Palo Alto, CA (2015)	yes	U.S. CPI-W	no	n/a	no	n/a

ocality (year enacted)	Is the minimum wage indexed?	Index details	Is there a subminimum wage for tipped employees?	Details on subminimum wage for tipped employees	Do other forms of compensation count toward minimum wage?	Details on other forms of compensation
asadena, CA (2016) *irge businesses (26 or more mployees)* [6, 7] **asadena, CA** (2016) *mall businesses (25 or fewer mployees)*	yes (starting 2022)	L.A. CPI-W	no	n/a	no	n/a
ortland, ME (2015)	yes	U.S. CPI-U	yes	$3.75 (same as state law	no	n/a
rince George's County, MD 2013)	no	n/a	yes	$3.63 (same as state law	no	n/a
ichmond, CA (2014)[8]	yes	S.F. CPI-W	no	n/a	yes	MW is $1.50 less for employers who pay at least $1.50/hr per employee for employer-compensated health care
acramento, CA (2015)[9] *arge employers (more than 100 employees)* **acramento, CA** (2015)[9] *small employers (100 or fewer employees)*	yes (starting 1/1/2022)	CPI-W West - Size Class B/C	no	n/a	yes	Healthcare credit: --$.50/hr when MW is $10.50 --$1.00/hr when MW is $11.00 --$1.50/hr when MW is $11.75 --$2.00/hr when MW is $12.50 --On 1/1/2022, credit to be adjusted in proportion to change in CPI-W West - Size Class B/C
an Diego, CA (2014)	yes	U.S. CPI-W	no	n/a	no	n/a
an Francisco, CA (2014)	yes	S.F. CPI-W	no	n/a	no	n/a
an Jose, CA (2012)	yes	U.S. CPI-W	no	n/a	no	n/a
anta Clara, CA (2015)	yes	U.S. CPI-W	no	n/a	no	n/a
anta Fe, NM (2003) *arge businesses only (at least 25 employees); small businesses covered via 2007 amendment*	yes (starting 2008)	West CPI-W	yes	Federal tipped worker minimum wage ($2.13)	yes	The value of health and childcare benefits shall be considered as an element of wages
anta Fe County, NM (2014)	yes	West CPI-W	yes	30% of MW	no	n/a
anta Monica, CA (2016) *arge businesses (26 or more employees)* [10] **anta Monica, CA** (2016) *small businesses (25 or fewer employees)*	yes (starting 7/1/2022)	L.A. CPI-W	no	n/a	no	n/a

Locality (year enacted)	Is the minimum wage indexed?	Index details	Is there a subminimum wage for tipped employees?	Details on subminimum wage for tipped employees	Do other forms of compensation count toward minimum wage?	Details on other forms of compensation
Seattle, WA (2014)[11] *large businesses (more than 500 employees)*	yes	U.S. CPI-W	no	n/a	yes (temporary)	Large employers who provide toward an individual's medical plan pay reduced minimum wage for the years 2016, 2017, and 2018
Seattle, WA (2014)[11] *small businesses (500 or fewer employees)*	yes	U.S. CPI-W	yes (temporary)	Until 2025, small employers may count tips toward minimum compensation requirement	yes (temporary)	Until 2021, tips and employer payments toward medical benefits can be applied toward the minimum compensation requirement
Sunnyvale, CA (2014; amended 2016)	yes	S.F. CPI-W	no	n/a	no	n/a
Tacoma, WA (2015)	yes	U.S. CPI-W	no	n/a	no	n/a
Washington D.C. (2014)	yes	D.C. CPI-U	yes	$2.77	no	n/a

* This table does not summarize all provisions of the laws; see law text for additional details.

1 Berkeley's minimum wage law exempts nonprofit organizations for the first year.

2 Lexington's minimum wage exempts agricultural workers.

3 Long Beach's minimum wage allows employers to pay "new working interns" 85% of the minimum wage for 480 hours or 6 months, whichever comes first.

4 Pending results of a study in 2019 on the economic impacts of the minimum wage, the Long Beach minimum wage may increase to $14.00 on 1/1/2020 and to $15.00 on 1/1/2021, with small businesses and nonprofits provided with a one-year delay.

5 Los Angeles's minimum wage law allows nonprofit organizations with more than 25 employees to apply for coverage under the small business schedule.

6 Pasadena's minimum wage law allows nonprofit organizations with more than 26 or more employees to apply for coverage under the small business schedule.

7 Pending results of a minimum wage impact study by the City Manager presented to City Council no later than 2/18/2019, the City Council may request amendments to the ordinance to increase the wage to $14.25 by 7/1/2019 and to $15.00 on 7/1/2020.

8 Sacramento's minimum wage law exempts from coverage participants, up to 25 years of age, in a youth job training program operated bya nonprofit corporation or a government agency.

10 Santa Monica's minimum wage law allows nonprofit organizations with more than 25 employees to apply for coverage under the small business schedule.

11 Seattle's minimum wage law has four wage schedules, based on employer size and whether or not non-wage compensation is counted. See murray.seattle.gov/minimumwage/.

MONTGOMERY COUNTY GOVERNMENT
MINIMUM WAGE / SEASONAL
SALARY SCHEDULE

FISCAL YEAR 2016

EFFECTIVE SEPTEMBER 20, 2015

	MINIMUM		MAXIMUM	
GRADE	**ANNUAL**	**HOURLY**	**ANNUAL**	**HOURLY**
Grade S1*	$19,864	$9.55	$20,023	$9.63
Grade S2*	$19,864	$9.55	$22,515	$10.82
Grade S3	$20,457	$9.84	$25,191	$12.11
Grade S4	$22,515	$10.82	$27,866	$13.40
Grade S5	$25,260	$12.14	$31,432	$15.11
Grade S6	$30,746	$14.78	$38,562	$18.54
Grade S7	$36,316	$17.46	$45,808	$22.02
Grade S8	$42,067	$20.22	$53,282	$25.62

FY16 Notes:

* The Montgomery County minimum wage, beginning October 1, 2015, will be $9.55.

The following job classes are assigned to the Minimum

County Government Aide (MW) (S1)
Recreation Assistant 1 (S1)
Community Correctional Intern (S1)
County Government Assistant (S1)
Library Page (S2)
Recreation Assistant II (S2)
Public Service Guide (S3)
Nutrition Program Aide (S3)
Recreation Assistant III (S3)
Recreation Assistant IV (S4)
Recreation Assistant V (S5)
Recreation Assistant VI (S6)
Recreation Assistant VII (S7)
Gilchrist Center Office Assistant (S7)
Recreation Assistant VIII (S8)

MONTGOMERY COUNTY GOVERNMENT
GENERAL SALARY SCHEDULE

FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

GRADE	MINIMUM	MIDPOINT	MAXIMUM	PERFORMANCE LONGEVITY MAXIMUM*
5	$26,357	$33,536	$40,715	$41,529
6	$27,367	$34,890	$42,412	$43,260
7	$28,433	$36,330	$44,226	$45,111
8	$29,539	$37,889	$46,238	$47,163
9	$30,706	$39,530	$48,354	$49,321
10	$31,938	$41,288	$50,637	$51,650
11	$33,229	$43,124	$53,019	$54,079
12	$34,576	$45,050	$55,524	$56,634
13	$36,000	$47,079	$58,157	$59,320
14	$37,497	$49,212	$60,926	$62,145
15	$39,062	$51,442	$63,822	$65,098
16	$40,731	$53,802	$66,872	$68,209
17	$42,579	$56,326	$70,072	$71,473
18	$44,530	$58,982	$73,434	$74,903
19	$46,630	$61,794	$76,958	$78,497
20	$48,824	$64,744	$80,663	$82,276
21	$51,138	$67,845	$84,551	$86,242
22	$53,557	$71,097	$88,636	$90,409
23	$56,106	$74,519	$92,931	$94,790
24	$58,778	$78,102	$97,425	$99,374
25	$61,578	$81,866	$102,153	$104,196
26	$64,530	$85,826	$107,121	$109,263
27	$67,601	$89,969	$112,337	$114,584
28	$70,637	$94,224	$117,811	$120,167
29	$73,823	$98,690	$123,557	$126,028
30	$77,173	$103,385	$129,597	$132,189
31	$80,690	$108,312	$135,933	$138,652
32	$84,376	$112,235	$140,094	$142,896
33	$88,252	$116,255	$144,257	$147,142
34	$92,323	$120,373	$148,422	$151,390
35	$96,600	$124,592	$152,584	$155,636
36	$101,090	$128,920	$156,749	$159,884
37	$105,798	$133,353	$160,908	$164,126
38	$110,745	$137,677	$164,609	$167,901
39	$115,939	$141,486	$167,033	$170,374
40	$121,395	$145,425	$169,454	$172,843

*A one-time 2.0 percent performance-based longevity increment is provided to employees who received performance ratings of "exceptional" and/or "highly successful" for the two most recent consecutive years, are at the maximum of their grade, and have completed 20 years of service.

FY16 Notes:

FY16 GWA is 2.0% for General Salary Schedule employees

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Inflation and the Real Minimum Wage: A Fact Sheet

Craig K. Elwell
Specialist in Macroeconomic Policy

January 8, 2014

Congressional Research Service
7-5700
www.crs.gov
R42973

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The Fair Labor Standards Act (FLSA) of 1938 established the hourly minimum wage rate at 25 cents for covered workers.[1] Since then, it has been raised 22 separate times, in part to keep up with rising prices. Most recently, in July 2009, it was increased to $7.25 an hour. Because there have been some extended periods between these adjustments while inflation generally has increased, the real value (purchasing power) of the minimum wage has decreased substantially over time.

The Real Minimum Wage

The minimum wage is not indexed to the price level. It has been legislatively increased from time to time to make up for the loss in its real value caused by inflation. In nominal (current dollar) terms, the minimum wage has risen steadily from 25 cents to $7.25 an hour, where it has remained since its effective date of July 2009. As the legislated adjustments to the minimum wage standard have occurred at irregular intervals—sometimes increasing annually, other times not for several years—while prices have generally risen each year, the purchasing power (real or constant dollar value) of the minimum wage has varied considerably since its enactment.

For each time the minimum wage was changed, **Table 1** presents its nominal and real value. The inflation adjustments to the minimum wage are made using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Real values of the minimum wage are expressed in terms of July 2013 dollars, the latest month for which the index is available at the time of the fact sheet's preparation. Data on average hourly earnings in nominal and constant (July 2013) dollars are displayed for comparison purposes. The last column of the table shows levels of the CPI-W since the inception of the federal minimum wage. The U.S. Bureau of Labor Statistics calculates the earnings series[2] and the CPI-W.[3]

The peak value of the minimum wage in real terms was reached in 1968. To equal the purchasing power of the minimum wage in 1968 ($10.69), the current minimum wage's real value ($7.25) would have to increase by $3.44 (or 47%). Although the nominal value of the minimum wage was increased by $5.65 (from $1.60 to $7.25) between 1968 and 2009, these legislated adjustments did not enable the minimum wage to keep pace with the increase in consumer prices, so the real minimum wage fell.

In addition to comparing the rate of increase in the minimum wage with prices, the level of the minimum wage also has been compared with the average hourly earnings of most workers in the private nonfarm economy—which also peaked in 1968 at 54% (see footnote a in the table). In no other year did the minimum wage exceed half of average hourly earnings. The legislated adjustments that occurred after 1968 resulted in the minimum wage ranging from 34% to 47% of average hourly earnings.

[1] For the minimum wage's legislative history and other information on the labor standard, see CRS Report R42713, *The Fair Labor Standards Act (FLSA): An Overview*, by Gerald Mayer, Benjamin Collins, and David H. Bradley.

[2] The earnings series are available at http://stats.bls.gov/ces/home.htm#tables.

[3] The CPI is available at http://stats.bls.gov/cpi/data.htm.

Table 1. The Statutory Minimum Wage, Hourly Earnings, and Inflation

(real values expressed in July 2013 dollars)

Effective Date	Statutory Minimum Wage (Nominal $)	Statutory Minimum Wage (Real $)	Average Hourly Earnings in the Private Sector[a] (Nominal $)	Average Hourly Earnings in the Private Sector[a] (Real $)	Minimum Wage as a Percentage of Average Hourly Earnings	CPI-W (1982-1984=100)
Oct. 1938	$0.25	$4.06	n.a.	n.a.		14.1
Oct. 1939	0.30	4.88	n.a.	n.a.		14.1
Oct. 1945	0.40	5.04	n.a.	n.a.		18.2
Jan. 1950	0.75	7.25	n.a.	n.a.		23.7
Mar. 1956	1.00	8.49	n.a.	n.a.		27.0
Sept. 1961	1.15	8.73	n.a.	n.a.		30.2
Sept. 1963	1.25	9.27	n.a.	n.a.		30.9
Feb. 1967	1.40	9.69	2.81	19.53	50%	33.1
Feb. 1968	1.60	10.69	2.95	19.85	54	34.3
May 1974	2.00	9.39	4.39	20.68	46	48.8
Jan. 1975	2.10	9.18	4.61	20.23	46	52.4
Jan. 1976	2.30	9.41	4.91	20.18	47	56.0
Jan. 1978	2.65	9.67	5.68	20.78	47	62.8
Jan. 1979	2.90	9.67	6.16	20.64	47	68.7
Jan. 1980	3.10	9.07	6.61	19.43	47	78.3
Jan. 1981	3.35	8.77	7.22	18.99	46	87.5
Apr. 1990	3.80	6.84	10.15	18.37	37	127.3
Apr. 1991	4.25	7.31	10.47	18.11	41	133.3
Oct. 1996	4.75	7.00	12.18	18.00	39	155.5
Sept. 1997	5.15	7.45	12.64	18.32	41	158.3
July 2007	5.85	6.58	17.45	19.71	34	203.700
July 2008	6.55	6.94	18.02	19.10	36	216.304
July 2009	7.25	7.89	18.52	20.19	39	210.526
Nov. 2013[b]	7.25	7.25	20.31	20.31	36	229.133

Source: Minimum wage levels in nominal dollars from the U.S. Department of Labor. Nominal earnings and the CPI from the U.S. Bureau of Labor Statistics. Real minimum wage and earnings levels calculated by CRS.

Notes: n.a. = not available.

a. The not seasonally adjusted earnings data cover production and nonsupervisory employees in the private sector of the nonfarm economy who in recent years have made up about 82% of all private nonfarm employees. Earnings data for all private sector employees in the nonfarm economy were not calculated until 2006.

b. Latest earnings and price data available at the time of the fact sheet's preparation.

Statement by

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before the

U.S. Senate Committee on Health, Education, Labor & Pensions

Hearing on

"Keeping up with a Changing Economy: Indexing the Minimum Wage,"

March 14, 2013

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Executive Summary

1) The minimum wage has failed to keep pace with productivity, while top pay and corporate profitability have grown rapidly.
   - A falling minimum wage has contributed to rising inequality, explaining around half of the rise in inequality in the bottom half of the pay distribution, and more so for women.
   - Raising and indexing the minimum wage would reduce the gap between those at the bottom and the rest of the workforce.
2) Minimum wages have not kept pace with cost of living.
   - Adjusted for inflation, the real minimum wage has fallen from a high of $10.60 in 1968 to $7.25 in today's dollars.
   - Harkin-Miller would bring minimum wages up to $9.38 in today's dollars.
   - Indexation makes the adjustment process much more predictable. Even some economists who are skeptical about minimum wage policies support indexation.
3) Minimum wages have also lost ground in comparison to median wages.
   - The minimum fell from a high of 55% of the median wage in 1968 to 37%.
   - Harkin-Miller would likely raise the minimum to 50% of the median wage—close to the average for other OECD countries, and the U.S. historical norm during the 1960s and 1970s.
4) For the range of minimum wage increases we have seen in the U.S. over the past two decades, recent evidence based on credible methodologies do not find job losses of any sizable magnitude.
   - The academic disagreements are over no job losses or small job losses for highly impacted groups.
   - While some studies continue to find negative effects, these are often artifacts of regional trends and other factors unrelated to minimum wage increases.
   - Studies comparing similar neighboring areas right across the border account for these problems and find no impact on jobs either for sectors like restaurant and retail, or groups like teens.
   - Employment effects do not seem to vary by the phase of the business cycle or whether the state indexes its minimum wage to inflation.
   - Most surveys and meta-analyses have also concluded that employment effects are small.
   - This is why more economists today tend to support increasing and indexing than oppose it—even though there is scholarly disagreement on the precise impact.
5) While employment may not fall from moderate increases in minimum wages, both separation and hires fall, lowering the turnover rate.
   - In the increasingly popular economic models with search frictions, lower quits and layoffs, along with increased search activity by the unemployed, can explain why employment response is small.
   - Lower turnover can also increase productivity.
   - Outside of the simple Econ 101 type environment, increasing workers' pay can improve the functioning of the low wage labor market.
6) Based on existing evidence, we can expect some increases in restaurant prices from a minimum wage increase. However, the overall price level is unlikely to change noticeably, and there is little risk of wage-price spirals from indexation.
7) The best evidence suggests that minimum wage increases lead to moderate reductions in the poverty rate, especially together with the Earned Income Tax Credit.
   - There are strong theoretical rationales—and empirical confirmation—that minimum wages and EITC are complementary policies when it comes to helping low-income families.
   - A high minimum wage prevents wage reductions that can result from an EITC.
   - Since the EITC is indexed to the CPI, minimum wage indexation will prevent erosion of EITC benefits for minimum wage workers.

Thank you Chairman Harkin, and the members of the Committee for the opportunity to speak here today.

My name of Arindrajit Dube, and I am an Assistant Professor of Economics at the University of Massachusetts Amherst. My area of expertise is on labor market policies, with an emphasis on low-wage workers. I have done extensive research on minimum wage laws over the past 8 years, as well as research on other types of employer mandates. I welcome this opportunity to share with you findings from both my own research as well as the sizeable body of evidence that economists have marshaled on the question of increasing minimum wages.

Today I want to highlight some of the key economic factors to consider when deciding on an appropriate adjustment to the minimum wage. I will discuss how the minimum wage adjustment process has worked in the context of the overall economy, keeping in mind movements in inequality and cost of living. I will specifically consider the role of indexation of the minimum wage to the consumer price index. And I will also share with you what we know about how the economy adjusts to such changes in minimum wages.

I. The Economic Context

A. Rising Inequality

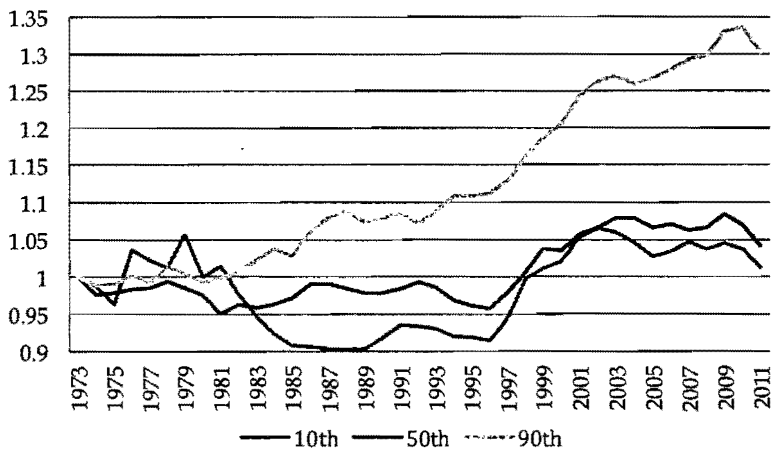
Summary: The minimum wage has failed to keep pace with productivity, while top pay and corporate profitability have grown rapidly.

- *A falling minimum wage has contributed to rising inequality, explaining around half the rise in inequality in the bottom half of the pay distribution, and more so for women.*
- *Raising and indexing the minimum wage would reduce the gap between those at the bottom and the rest of the workforce.*

For much of the past three decades, we have seen a sharp rise in income inequality—fueled by both a rising dispersion in wages, as well as a reduction in labor's share of income. The bottom of the labor market has failed to keep up with overall economic gains.

Wage inequality has grown substantially over the past 30 years, beginning around 1980. As shown in Figure 1, most of this increase has been in the top half of the wage distribution, especially since the 1990s. The only time we saw an increase in the wages of the lower half of the distribution was during the period of low unemployment in the late 1990s. As a result, the 90th percentile real wage grew by over 30 percent between 1973 and 2011, while the median and 10th percentile real wage grew by less than 5 percent over the same period (see Figure 1).

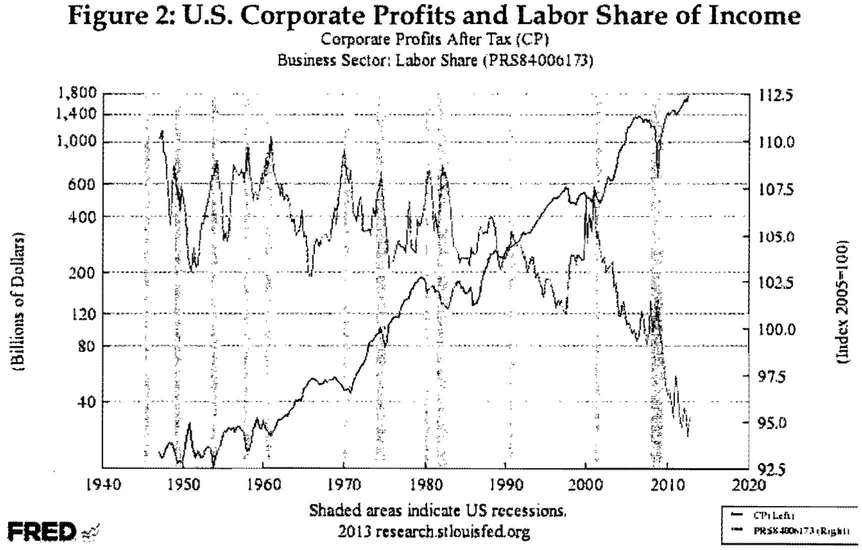
Figure 1: Wages in the U.S. by Percentiles (Index=1 for 1973)



Source: CPS Merged Outgoing Rotation Groups data as reported in State of Working American 2011.

During the past three decades, we have also seen a general downward trend in labor's share of income—interrupted only by the late '90s boom. The shift towards capital income has shrunk the size of the pie going to workers as a whole. Today, the share of income going to labor as opposed to capital stands at a post-war near-low. Meanwhile, corporate profitability has been growing at a steady clip and has been restored during the current recovery. These two factors—increased wage inequality and a fall in labor's share—have kept those at the bottom end of the labor market from sharing in our economic progress.

Figure 2: U.S. Corporate Profits and Labor Share of Income



As a way to see how the gap between a minimum wage worker and others in our economy has grown, in Figure 3, I plot how the minimum wage would have changed over the past 30 years had it grown at the same rate as productivity. And how it would have evolved if it had kept pace with the income going to the top 1 percent of the income distribution. For comparison, I also show the actual inflation-adjusted minimum wage (using the CPI-W).

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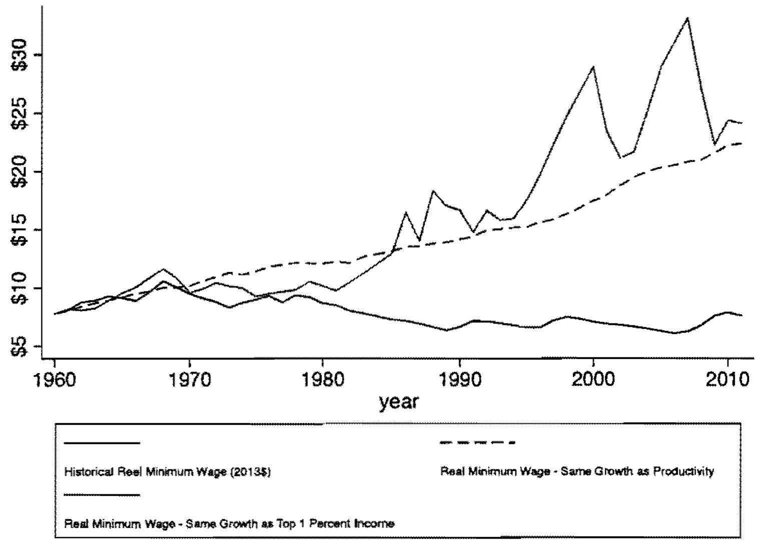
Figure 3: Real Minimum Wages Actual versus Counterfactual Using Productivity or Top 1 Percent Income Growth



It is quite remarkable that had the minimum wage kept up with overall productivity, it would have been $22 per hour in 2011. Had it kept up with the growth in income going to the top 1 percent, it would have been even higher, at $24 per hour; and the wage would have exceeded $33/hour at its peak in 2007.

This evidence does not suggest that the minimum wage should be increased to $22 or $24 per hour. Rather, the exercise demonstrates how different the growth rates have been for incomes going to those at the bottom of the labor market as compared to the economy as a whole, and to those at the top end of the distribution. Of course, there are many reasons behind this dramatic rise in inequality, including technological change, falling rates of unionization, de-industrialization, increased trade, deregulation and more. And we certainly cannot expect minimum wages alone to solve the challenge of growing inequality. However, there is also substantial evidence showing that a falling real minimum wage has contributed to this growth in inequality.

Lee (1999) was one of the first papers to take a comprehensive look at the effect of minimum wages on wage inequality. He found a sizeable spillover effect—whereby the fall in the minimum lowered wages of those higher up in the ladder. He argued that nearly all of the growth in inequality in the bottom half of the wage distribution during the 1980s could be explained by the erosion of minimum wage through inflation. Considering the 50/10 gap—the ratio of the median wage to the wage at the 10th percentile—Lee found that 70% the increase for men, and between 70 and 100% of the increase for women, could be explained by the decline in the value of the minimum wage.

A more recent paper by Autor Manning and Smith (2010) uses a more refined methodology, and finds somewhat smaller spillover effects. However, they too find that minimum wages played an important role in determining the 50/10 gap—which is a measure of wage inequality in the bottom half of the distribution. Table 1 below reproduces their key findings, and shows that maintaining the minimum wage at the 1979 level in real terms would have staved off somewhere between half and three-quarters of the overall increase in the bottom-half wage inequality depending on the period in question. Moreover, the minimum wage has a larger effect on inequality for female workers, who tend to be lower paid.

Table 1: Effect of the Minimum Wage on Wage Inequality: the 50/10 Wage Ratio

	Actual	*Counterfactual with 1979 Minimum Wage (2SLS)*	*Difference*	*Proportion due to MW*
A. 1979 – 1991				
Female	22.40	9.65	12.75	56.9%
Male	11.20	9.5	1.70	15.2%
Pooled	*7.10*	*1.65*	*5.45*	*76.8%*
A. 1979 – 2009				
Female	25.20	10.98	14.23	56.4%
Male	5.30	5.43	-0.13	-2.4%
Pooled	*11.40*	*6.28*	*5.13*	*45.0%*

Notes: Calculated using Autor Manning and Smith (2010) Table 5. The Counterfactuals with 1979 use an average of the two 2SLS estimates reported by the authors.

Both Lee and Autor et al. use state-level variation in minimum wages over time, and a modeled counterfactual wage distribution, to reach their conclusion. A different approach using decomposition methods such as Dinardo Fortin and Lemieux (1996) and Chernozhukov Fernandez-Val and Melly (2013) tend to find even larger impacts of minimum wage on inequality. The latter set of authors, using cutting edge distributional decompositions find that the minimum wage can explain nearly all of the increase in the pooled 50/10 ratio between 1979 and around 1/3 of the increased standard deviation in log wages (a measure of overall inequality).

To sum up, while there is some scholarly disagreement about the exact magnitudes of the impact of minimum wages on inequality, we know that the decline in the real minimum has played an important role in increasing inequality in the bottom half of the wage distribution, especially for women.

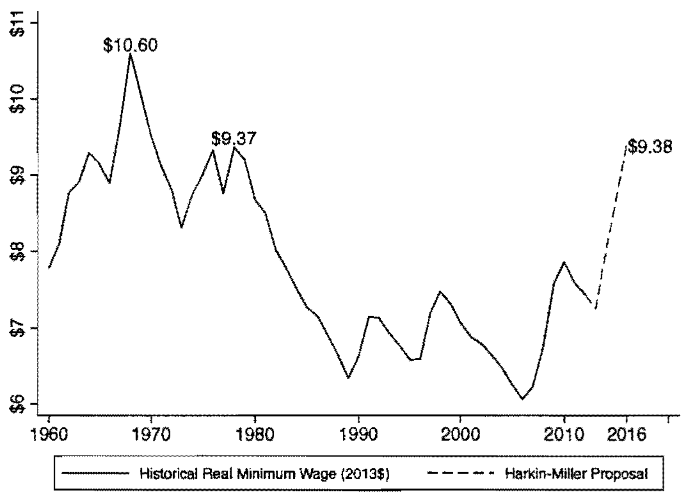
B. Minimum Wages Have Not Kept Up with Cost of Living

Summary: Minimum wages have not kept pace with cost of living.

- *Adjusted for inflation, the real minimum wage has fallen from a high of $10.60 in 1968 to $7.25 in today's dollars.*
- *Harkin-Miller would bring minimum wages up to $9.38 in today's dollars.*
- *Indexation makes the adjustment process much more predictable. Even some economists who are skeptical about minimum wage policies support indexation.*

Over the last three decades, the minimum wage has failed to keep up with cost of living. Figure 4 shows the value of the federal minimum wage in 2013 dollars spanning from 1960 to 2016—with projected values using the Harkin-Miller proposal. These projections are based on a passage of the bill in 2014, with the full phase in by 2016. I am using the CPI-W to adjust for inflation, and also assuming a 2.5% annual inflation rate over the next 3 years (roughly the average over the past 3 years). While the details of the discussion that follows will differ from using a different CPI, or different timing of passage, or different inflation assumptions, the main message would not change substantially.

Figure 4: Evolution of the Real Minimum Wage in the U.S. (2013 dollars)

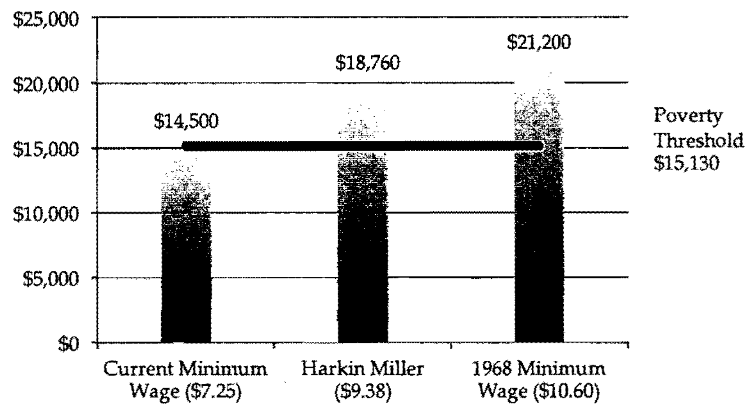


The high water mark for the minimum wage was in 1968, when it reached $10.60/hour in 2013 dollars. The next highest peak was in 1978, when the real minimum wage reached $9.37. During the 1980s the real minimum wage declined to below $7/hour, and over the past 20 years, the minimum wage has largely treaded water, reaching a historical low of $6.06/hour in 2006 prior to the last increase, which brought it to $7.25/hour in today's dollars.

Under Harkin-Miller, with the full adjustment by 2016, the minimum wage will likely reach $9.38/hour in today's dollars. This is a substantial increase, bringing it up to the level in 1978. However, it will still be somewhat lower than the high water mark in 1968.

The fall in the value of the minimum wage has not only increased relative deprivation (inequality), but also increased absolute deprivation. Today, a single parent with one child, working full time at the minimum wage, would earn $14,500 in pre-tax income—below the official poverty line in 2012 ($15,130). With Harkin-Miller phased in, in 2016 her earnings would rise to $18,760. At the 1968 level minimum wage, her pre-tax earnings would have been $21,200. (All these figures are in 2013 dollars.)

Figure 5: Pre-tax Income of Single Parent with One Child Under Alternative Minimum Wages



Finally, the sharp swings in the real minimum wage shows some of the inefficiencies of current practices, where the nominal minimum wage stagnates for years, only to be followed by sharp increases. Regardless of what level we set the real minimum wage, pegging it to the cost of living makes it a much more rational and predictable process, which has value to both workers and employers. This is why even some economists who are skeptical about minimum wage policies nonetheless support indexation.[1]

C. Minimum Wages Have fallen Behind Median Wages

Summary: Minimum wages have also lost ground in comparison to median wages.

- *The minimum fell from a high of 55% of the median wage in 1968 to 37%.*
- *Harkin-Miller would likely raise the minimum to 50% of the median wage – close to the average for other OECD countries, and the U.S. historical norm during the 1960s and 1970s.*

When analyzing the strength of minimum wage policies, economists typically use the ratio of the minimum to the median wage, also known as the Kaitz index. There are three reasons to pay attention to this measure. First, a comparison of the minimum wage to the median offers us a guide to how binding a particular minimum wage increase is likely to be, and what type of wage the labor market can bear. Second, a comparison also provides us with a natural benchmark for judging how high or low a minimum wage is across time periods or across countries that vary in terms of their labor markets and wage distributions. Third, the median wage also provides a natural reference group for judging how reasonable a minimum wage level is: most people would not think fairness concerns dictate that the minimum wage should be set equal to the median wage, but they may find it objectionable if it is much lower (say a fourth or a fifth as large). Green and Harrison (2010) argue that voter preferences over minimum wages are likely to track the median wage as an indicator of a reference market wage.

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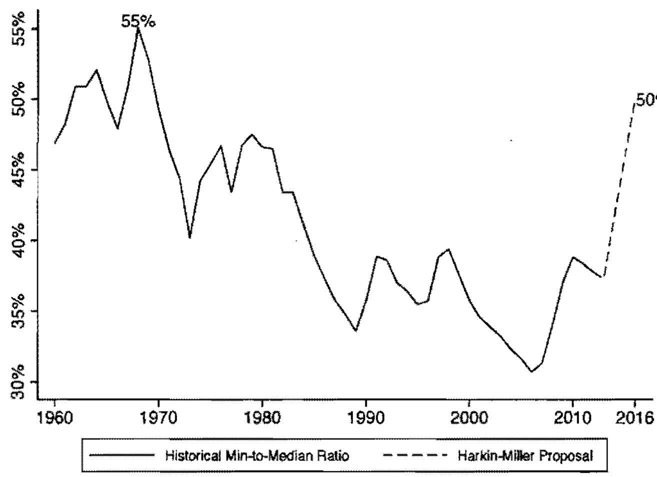
[1] Well-known labor economist Daniel Hammermesh, for example, has supported indexation even though he is critical of minimum wages. http://www.utexas.edu/know/2012/02/09/daniel_hamermesh_minimum_wage_election/

A natural target is to set the minimum wage to half of the median wage. This target has important precedence historically here in the US. In the 1960s, this ratio was 51%, reaching a high of 55% in 1968. Averaged over the 1960-1979 period, the ratio stood at 48%.

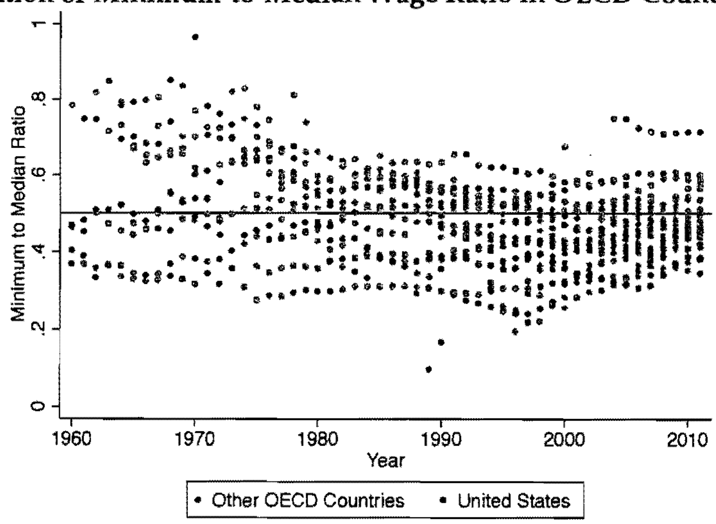
Figure 6: Evolution of the Minimum-to-Median Wage Ratio in the U.S.



Around half the median wage is also the norm among all OECD countries with a statutory minimum. For this group of countries, on average, the minimum wage in 2011 (latest data available) was equal to 49% of the median wage, while averaged over the entire sample between 1960 and 1991, the minimum stood at 48% of the median (see Figure 7). It is important to note that many countries such as France and New Zealand today have minimum wages at or close to 60% of the median.

In contrast, today the US the minimum wage clocks at 37% of the median wage, and has the lowest minimum wage in relation to the median of all OECD countries save the Czech Republic (see Figure 8).

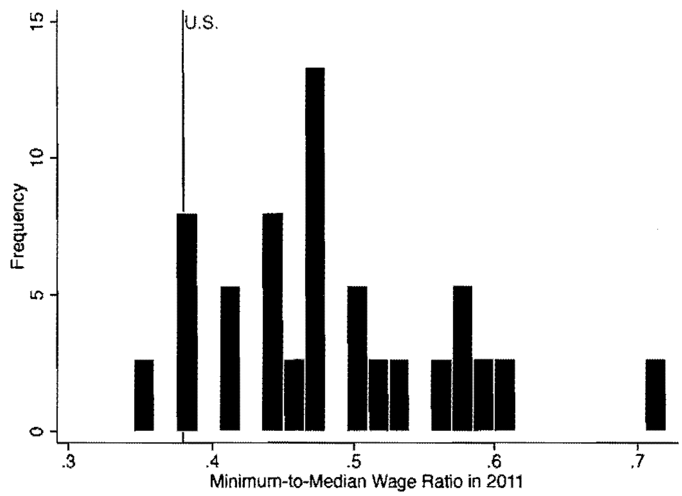
Figure 7: Evolution of Minimum-to-Median Wage Ratio in OECD Countries (1960-2011)



Source: OECD Statistics on Minimum and Median Wages

97

Figure 8: Distribution of Minimum-to-Median Wage Ratio in OECD Countries (2011)



Source: OECD Statistics on Minimum and Median Wages

What would be the impact of the proposed legislation on the minimum-to-median ratio? I estimate that under Harkin-Miller, after the 3 steps have been implemented by 2016, the minimum wage would stand at around 50% of the median wage, assuming nominal increases in the median wage at the same rate as the past 3 years. Such a change would bring the U.S. just above the OECD average and the historical norm prior the 1980.

A comparison to the median wage also clarifies why something around $10/hour is reasonable while $20/hour is not. The median wage today is around $20/hour. There are no known cases where the minimum wage was set equal to the median in a capitalist economy. However, there are many cases, including here in the United States, where it was set at or slightly above half the median wage.

II. How are Increases in the Minimum Wage Absorbed?

A. Employment Effects

Summary: For the range of minimum wage increases we have seen in the U.S. over the past two decades, recent evidence based on credible methodologies do not find job losses of any sizable magnitude.

- *The academic disagreements are over no job losses or small job losses for highly impacted groups.*
- *While some studies continue to find negative effects, these are often artifacts of regional trends and other factors unrelated to minimum wage increases.*
- *Studies comparing similar neighboring areas right across the border account for these problems and find no impact on jobs either for sectors like restaurant and retail or groups like teens.*
- *Employment effects do not seem to vary by the phase of the business cycle or whether the state indexes its minimum wage to inflation.*
- *Most surveys and meta-analyses have also concluded that employment effects are small.*
- *This is why more economists today support an increase than oppose it – even though there is scholarly disagreement on the precise impact.*

When it comes to the literature on minimum wages' impact on jobs, it is useful to think of several distinct phases. Until the early 1990's, economists largely relied on time series evidence—correlating changes in the national level unemployment rate for teens to changes in the federal minimum wage. This older generation literature was shown to have numerous problems, and economists today largely discount these findings today because there are many factors affecting the national unemployment rates for teens that have nothing to do with minimum wages.

Beginning in the early 1990's, a second generation of work (sometimes called the "new minimum wage" research) started exploiting the state-level variation in minimum wages that emerged in the 1980s and grew in the 1990s due to the stagnating federal minimum wage. The two leading approaches were the state panel approach pioneered by Neumark and Wascher (1992) and case study approach pioneered by Card and Krueger (1994). The state-panel approach used more data, but implicitly assumed "parallel trends" ... that the low-wage employment trajectories in high minimum wage states like Massachusetts and Oregon were the same as low minimum wage states like Texas and Georgia. As it turns out, this is not a good assumption.

In contrast, the case study approach of Card and Krueger (1994, 2000), as well as Card (1992), focused on looking at individual cases with a focus on getting reliable control groups. In their highly celebrated work published in 1994, they found that an increase in the minimum wage in New Jersey did not reduce employment in fast food restaurants in that state as compared to a neighboring state, Pennsylvania. Although these results were questioned by Neumark and Wascher (2000)—who collected their own data—the core findings (lack of job loss) held up when Card and Krueger used official employment data

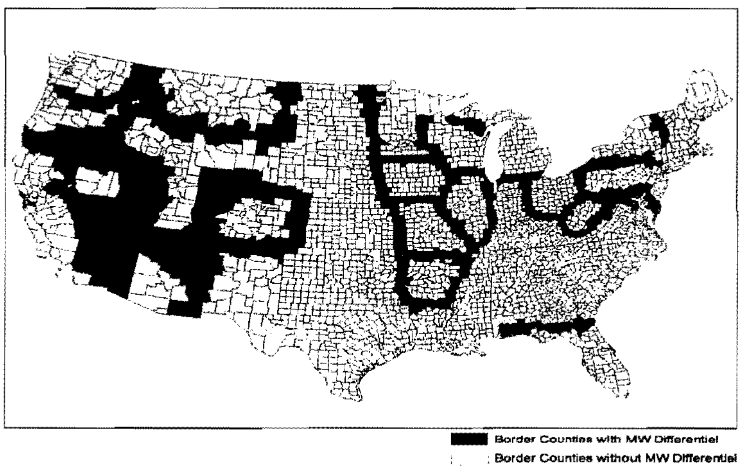
(99)

covering nearly the entire workforce using Unemployment Insurance rolls. However, the challenges with the case study approach are that: (1) it is difficult to draw firm inference from single cases, (2) they typically use only a short time horizon, and (3) results may be difficult to generalize.

Over the past 5 years, we have made a lot of progress in synthesizing the results using these two approaches. The local case study approach has the virtue of using similar controls groups: adjacent control counties are much more alike in terms of observed characteristics than non-adjacent ones (Allegretto, Dube, Reich, Zipperer, forthcoming). This is of particular concern given how regionally clustered high minimum wage states have been over the past 20 years.

In a series of papers with Michael Reich and T. William Lester, we combined the virtues of these two approaches by embedding the local comparisons within a long panels using detailed county level data. In a 2010 paper published in the *Review of Economics and Statistics*, Lester, Reich and I considered *all* adjacent counties straddling state borders for which data was available continuously for the full period between 1990 and 2006 - a total of 504 counties. The following figure shows the border counties in the U.S.

Figure 9: Map of Border Counties Used to Study Minimum Wage Policies



Of these, 337 counties in 288 pairs had some difference in minimum wags. Comparing across these neighboring counties, we showed that there was no evidence of job losses for high impact sectors such as restaurants and retail. This was true even considering four or more years after the minimum wage hike. In follow up work, we used the same cross-border methodology to study the effect on teens—a high impact demographic group (Dube Lester Reich 2012). Again, we found no discernible impact on employment. In yet another paper, we used a different dataset and less fine-grained regional controls and again replicated our findings that minimum wages did not reduce teen employment during the 1990s and 2000s. (Allegretto Dube Reich 2011).

Our studies also helped explain why researchers have sometimes found a negative effect on jobs from the policy. Over the past two decades, the variation in minimum wages has been highly regionally selective: the states that have seen greater increases in the minimum wage— typically in the northeast and the west—have tended to be those with lower underlying growth in demand for low-wage workers. Failure to account for these factors will lead us to mistakenly attribute the low growth in employment to higher minimum wages, instead of the real cause (deindustrialization, technological change, bad weather, etc.) For example, we showed that the apparent job losses in the state panel models tend to occur *before* the minimum wage increase occurs, a telltale sign of a spurious effect.

In all, we have by now replicated these findings in 4 papers using 5 datasets and 6 different ways of accounting for comparability of areas. These are summarized in Table 2. For high impact groups such as restaurant workers and teens, we find that a 10% increase in minimum wage raises average wages or earnings by 1.5% to 2%. Employment changes are usually close to zero, never more negative than -0.5%, and sometimes positive in sign. In all cases, there is clear evidence that minimum wage increases raise total pay going to low-wage workers after factoring in both wage and employment changes.[2]

Table 2: Response to a 10% Increase in the Minimum Wage

Teens:	(1)	(2)	(3)	(4)
Earnings	1.5%*	1.5%*	1.6%*	
Employment	0.5%	1.3%	-0.4%	
Turnover Rate			-1.9%*	
Restaurant Workers:				
Earnings			2.1%*	2.0%*
Employment			-0.6%	0.6%
Turnover Rate			-2.6%*	
Data Sets:	CPS	ACS/Census	QWI	QCEW
Paper:	Allegretto Dube Reich (2011)	Allegretto Dube Reich (2009)	Dube Lester Reich (2012)	Dube Lester Reich (2010)

Notes: Column (1) controls for spatial heterogeneity using census divison-specific time effects and state-linear trends; column (2) uses commuting-zone specific time effects; columns (3) and (4) both use county-pair specific time effects. CPS stands for Current Population Survey; ACS stands for American Community Survey; QWI stands for Quarterly Workforce Indicators; QCEW stands for Quarterly Census of Employment and Wages.

Other researchers have also obtained similar results. In independently produced work, Addison Blackburn and Cotti (2009, 2012) found that once they accounted for trends in

[2] In a very recent paper, Neumark Salas and Wascher (2013), hereafter NSW, criticize our work and question the value of using local controls. By now there is a large body of research that shows why local controls and cross-border research design produce more reliable control groups—including many papers outside of the minimum wage literature. NSW seems to ignore this literature, and instead claim that an alternative technique called "synthetic control" picks controls that are not always nearby. However, as we show in a forthcoming paper, they misinterpret their own findings: control states that are within the same census division receive 4 times as large weights than states outside, confirming that nearby areas are indeed more similar (Allegretto Dube Reich and Zipperer, forthcoming). Moreover, using the synthetic control method, we show that a control state that is 100 miles away on average gets a weight that is 7 times as large as a state that is 2000 miles away - again validating our strategies. Finally, we show that when we use the synthetic control method to estimate the effect of minimum wages on teens using all usable state-level minimum wage changes between 1997 and 2007, we do not detect any evidence of job losses for teens, with an average employment elasticity close to zero. These findings show that NSW's claims are not borne out in the data, including when we apply their own preferred technique. We also show that the results from one synthetic control case study that found negative employment effect Burkhauser Sabia Hansen 2012, which studies the impact of New York's minimum wage) was an outlier.

sectoral employment, there is no evidence of job loss in the retail or restaurant sectors. And that failure to account for such trends generates misleading estimates suggesting job losses. Neither our work (Allegretto Dube Reich 2011), nor others (Addison Blackburn Cotti 2011) found evidence that minimum wages cause more job losses during economic downturns or periods of higher overall unemployment. This is relevant for the current discussion of raising the minimum wage during a time with an elevated unemployment rate.

Since there are 10 states that index their minimum wage to the CPI we can also test whether the employment effects are different in these states. In Allegretto Dube and Reich (2011) we did not find systematic differences in employment response by the states' indexation status.

Leaving the most recent evidence aside, a broader look at the literature also tends to go against the view of large job losses. A review by Charles Brown in 1999 for the *Handbook of Labor Economics* had concluded based on the first round of "New Minimum Wage Research" that employment effects of minimum wages were likely to be small, though the results varied depending on the methods. Similarly, a meta analysis by Doucouliagos and Stanley (2009) concluded that the even prior to the most recent work, the literature as a whole (between 1972 and 2007) did not show evidence of job loss. An up-to-date survey of the more recent evidence by Wolfson and Belman (forthcoming) corroborate this finding, and conclude that it was unlikely that the minimum wage increases under study led to statistically or economically meaningful job losses. And when we take into account the demonstrated failings of papers using the state-level approach, this conclusion is strengthened. [3]

While 20 or 30 years ago most economists believed that minimum wage increases invariably cause some job loss, as the data has come in, the profession has updated its beliefs. Recently, the IGM Forum panel of 41 leading economists organized by the Booth School of Business at the University of Chicago was asked their opinion about the desirability of raising the minimum wage to $9/hour as proposed by the President, and indexing it to inflation.[4] The IGM Forum panel is widely seen as representing the pulse of the profession.

Only 34% of the economists on the panel agreed with that proposition that the minimum wage hike "would make it noticeably harder for low-skilled workers to find employment." The rest disagreed or where uncertain. It is instructive to compare this with older evidence. Surveys of AEA members in 2000 found 46% agreeing with a similar proposition, while surveys concluded in 1992 and 1978 revealed 79% and 90% of economists agreeing with similar statements (Klein and Dompe 2007). While we should be cautious when comparing across different surveys, the belief that minimum wages necessarily cause job loss no longer appears to be a majority position within the profession.

Even more importantly, overall support for raising the wage and indexing it was strong among the panelists. 47% supported the policy, while only 14% opposed it, while the rest were uncertain. The IGM panel also reports the responses weighted by the confidence the

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[3] One review to conclude there is evidence of job loss is Neumark and Wascher (2008). However, as I discuss in Dube (2010), this is a subjective reading of the evidence based on a selective set of papers, and excludes the evidence from the past 5 years. John Schmitt (2013) also provides a useful summary of the key articles, surveys and meta analyses, including many of the ones discussed here.

[4] http://www.igmchicago.org/igm-economic-experts-panel/poll-results?SurveyID=SV_br0IEq5a9E77NMV

panelists reported in their answers. Weighted by confidence, the proportion expressing support and opposition were 62% and 16%, respectively. The third of the panel that expected job losses were split on their support for the policy, while the third that were sure that there would not be job losses were unanimous in their support. (Those who were uncertain broke in favor of an increase.) Today, more economists appear to support a moderate increase in the minimum wage and indexation to cost of living than oppose it.

B. Turnover and job flows

Summary: While employment may not fall from moderate increases in minimum wages, both separation and hires fall, lowering the turnover rate.

- *In the increasingly popular economic models with search frictions, lower quits and layoffs, along with increased search activity by the unemployed, can explain why employment response is small.*
- *Lower turnover can also increase productivity.*
- *Outside of the simple Econ 101 type environment, increasing workers' pay can improve the functioning of the low wage labor market.*

In contrast to employment levels, there is growing evidence that increased minimum wages reduce employment flows—i.e, turnover. In Dube Lester Reich (2012), we used the same border county methodology to estimate the impact on separations, hires, and turnover rate (turnover rate is the average of the separation and hires rates). We found that for the low-wage groups we considered (teens, restaurant workers), there was a sharp reduction in both separations and hires, even though the number of jobs remained stable. As a result, the turnover rate fell substantially. As Table 2 reports, for a 10% increase in the minimum wage, the turnover rate falls by 1.9% for teens, and 2.1% for restaurant employees, which are substantial magnitudes. In an independent study using Canadian data, Brochu and Green (2012) also find substantial reductions in turnover following a minimum wage increase.

The reduction in separations and hires, concurrent with a steady employment level, offers some clues as to how minimum wages may be absorbed in the low-wage labor market. One explanation is that by reducing frictional wage inequality, an increased minimum wage reduces job-to-job transitions. Put simply, if McDonald's pays a better wage, fewer of its workers will leave to take better paying jobs—say at the higher wage chain In-and-Out Burgers. A higher statutory minimum reduces vacancies at McDonald's, and makes it more likely that the vacancy at the In-and-Out Burgers is filled from the ranks of the unemployed. These two factors tend to help with maintaining the employment level. Second, as Brochu and Green show, a higher minimum wage may also reduce employers' desire to lay off workers in some situations, pushing less people into unemployment.

Overall, even if a minimum wage increase somewhat reduces the number of desired jobs from the employer's perspective, reduced quits and layoffs can compensate and help keep the overall employment relatively stable. Models with search frictions in the labor market—which have become increasingly popular—can help explain this pattern of small effect on employment coupled with larger effect on turnover. Of course this cannot be true at all levels of the minimum wage—with a sufficiently large increase, employment levels will most likely fall as well.

Finally, there are other channels through which minimum wages may positively impact employment. A higher minimum wage can spur those who are unemployed to search more intensely for jobs, as the value of a job rises. It can also bring in workers who previously were not searching because the wage was too low. In models with search friction, job creation is not simply determined by how many vacancies are posted; rather it is a function of both the number of vacancies as well as how many workers are searching for jobs, and how hard they are searching. Generally speaking, workers' bargaining power may be insufficiently low for the purposes of efficiency. By increasing workers' pay, a minimum wage policy can improve the functioning of the low wage labor market.

There are other implications from reduced turnover as well. Dube, Freeman and Reich (2010) finds that replacement costs are around 8% of annual salaries, and are sizable even for blue collar and service workers. Reduced turnover can, therefore, increase productivity through reducing recruitment and training expenses.

These additional channels of adjustment can help explain why moderate increases in minimum wage seem to have small employment effects.

C. Prices, Inflation and Indexation

Summary. Based on existing evidence, we can expect some increases in restaurant prices from a minimum wage increase. However, the overall price level is unlikely to change noticeably, and there is little risk of wage price spirals from indexation.

An additional channel for absorbing a minimum wage adjustment is through increases in the price of the product. The extent to which this occurs depends on how sensitive the demand for the product is to price. Lemos (2008) reviews this evidence, and argues that there is evidence of moderate increase in prices of high impact sectors like restaurants following a minimum wage increase. To date, the clearest evidence on price increase in the U.S. case comes from Aaronson French MacDonald (2008), who find that a 10% increase in minimum wage would raise restaurant prices by around 0.7%. These estimates would suggest that the proposed Harkin-Miller adjustment would increase restaurant prices by around 2.7%. (This is likely an over-estimate because the real minimum wage increase in Harkin-Miller is less than the nominal increase of 39% over 2 years.)

While restaurant prices will see likely some increases, the overall price level (e.g., the Consumer Price Index) is unlikely to be noticeably affected by minimum wage hikes. For example, Neumark and Wascher (2008, p. 248) points out: "Both because of the relatively small share of production costs accounted for by minimum wage labor and because of the limited spillovers from a minimum wage increase to wages of other workers, the effect of a minimum wage increase on the overall price level is likely to be small." (Neumark and Wascher 2008, p. 248.)

In a recent op-ed, Aaronson and French (2013) suggest that the overall price level increase from the President's proposal would be around 0.3%; analogous calculations would suggest that the Harkin-Miller proposal would increase the overall price by less than 0.5%.

The small impact on the overall price level has relevance for indexation. One concern sometimes raised by indexation is that it feeds a wage-price spiral. These concerns stem from the experience in the 1970s, when there was widespread use of escalator clauses in union contracts. However, in the case of minimum wages, the relatively small number of affected workers and the small share of production costs from minimum wage workers limits the scope for feedback into prices. Therefore, worries about "wage price spirals" from an increased minimum wage are misplaced and not typically shared by researchers on the topic, regardless of their opinion about the desirability of the minimum wage.

III. The Minimum Wage, Poverty, and the EITC

Summary: The best evidence suggests that minimum wage increases lead to moderate reductions in the poverty rate, especially together with the Earned Income Tax Credit

- *There are strong theoretical rationales – and empirical confirmation – that minimum wages and EITC are complementary policies when it comes to helping low-income families.*
- *A high minimum wage prevents wage reductions that can result from an EITC.*
- *Since the EITC is indexed to the CPI, minimum wage indexation will prevent erosion of EITC benefits for minimum wage workers.*

Minimum wages tend to increase income going to working class and poor families. However, the anti-poverty aspect of minimum wage is limited by the fact that many families under the poverty line do not have substantial attachment to the labor force.

To date, there have been a handful of comprehensive studies of minimum wage on family income, and the evidence is mixed on the strength of the anti-poverty impact. There are some studies that find clear anti-poverty effects (Addison and Blackburn 1999) while others find more small and/or imprecise estimates (Burkhauser and Sabia 2007, Sabia and Burkhauser 2010). However, all of these studies are plagued by numerous methodological problems such as use of aggregate data, lack of sufficient controls, and short time horizons. Many of the estimates are imprecise.

The study with fewest problems is probably Neumark and Wascher (2011), who look specifically at the interaction of minimum wage and EITC on family incomes. Although they do not report an overall estimate for the impact of minimum wages on poverty, their findings show that a 10% increase in minimum wages would reduce poverty by around 3% for the widest group they studied (18-44 year old adults and family heads). They find even stronger reductions in the proportion of families with income less than half the poverty threshold.[5] While the impact may differ by particular subgroups, the indication is that minimum wages tends to decrease poverty moderately.

In new work, I find very similar results using a 22 year period and all individuals under 65 years of age. I, too, find that a 10% increase in minimum wages would reduce poverty by around 3% (Dube, forthcoming). To put this in perspective, this suggests that the Harkin-Miller bill would reduce the official poverty rate from by around 1.8 percentage points, from 15.1 percent to 13.3 percent--a moderate-sized reduction that would mostly reverse the increases in poverty we have seen since the onset of the 2007 recession.

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[5] There is only one study that I am aware of that finds a poverty-increasing role of the minimum wage (Neumark Schweitzer and Wascher 2005). They use an unconventional methodology that has not been used before or since this paper, including by the authors. In contrast, Neumark and Wascher 2011 uses standard methodology to estimate impact on family incomes, and tends to find more beneficial results.

Critics of minimum wages often point to the Earned Income Tax Credit (EITC) as an alternative policy that is better able to aid the poor. However, this is a false dichotomy. The EITC is an important program that likely held the poverty rate down by as much as 1.6 percentage points in 2010.[6] However, a problem with the EITC is that while it encourages work (a good thing), tends to push down wages by increasing supply, passing on some of the taxpayer-funded benefits to employers. EITC tends to lower wages by pushing out labor supply, lowering wages.

Rothstein (2010) shows that after accounting for this leakage, beneficiaries get about 73 cents on the dollar. When we factor in the impact on non-beneficiaries, it suggests that the majority of the EITC expenditures are captured by employers. A minimum wage mitigates this leakage by limiting the wage reductions from an increase in labor supply. Lee and Saez (2012) show how in a wide range of situations, the optimal policy package includes a form of minimum wage and something like EITC. They conclude in that "our results imply that the minimum wage and subsidies for low-skilled workers are complementary policies."

Results from Neumark and Wascher (2011) also indicate that for families with kids (i.e., the primary beneficiaries of EITC) - minimum wage and EITC complement each other in reducing poverty.

Finally, an erosion of the real value of minimum wages reduces EITC benefits for minimum wage workers, since the EITC (unlike the minimum wage) is tied to inflation. The indexation of minimum wages will tend to better harmonize these complementary programs.[7]

[6] http://www.census.gov/prod/2007pubs/p60-232.pdf
[7] http://www.taxpolicycenter.org/UploadedPDF/311401_Minimum_Wage.pdf

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GREATER HOUSTON PARTNERSHIP

Living Cost Comparison

Cost of Living Comparisons 20 Most Populous U.S. Metros* (Average for 260 Urban Areas = 100)							
Urban Area	**Composite**	**Groceries**	**Housing**	**Utilities**	**Transpor-tation**	**Health Care**	**Misc. Goods & Services**
New York (Manhattan), NY	232.0	127.4	482.3	123.1	122.5	114.7	147.6
San Francisco, CA	181.9	132.8	334.4	107.3	133.1	118.2	119.9
Washington, D.C.	151.6	114.3	243.7	121.8	97.9	100.1	122.5
Boston, MA	146.4	107.9	203.2	150.2	113.3	132.7	125.3
San Diego, CA	145.7	114.7	235.1	117.4	127.0	108.0	102.3
Los Angeles, CA	143.6	112.9	225.2	106.7	130.6	110.0	106.8
Seattle, WA	143.1	122.3	179.0	126.5	131.0	126.3	132.4
Chicago, IL	117.6	103.5	140.9	87.1	133.0	103.3	109.7
Philadelphia, PA	115.9	115.8	130.2	118.5	108.4	105.7	106.7
Denver, CO	112.6	110.4	134.3	94.7	104.1	107.8	104.2
Miami, FL	108.7	101.7	129.1	96.3	104.6	101.1	100.4
Minneapolis, MN	104.8	106.6	107.7	93.8	101.5	106.8	106.0
Dallas, TX	103.2	110.3	96.4	98.9	100.7	108.3	107.7
Houston, TX	**99.4**	**86.9**	**106.1**	**109.8**	**94.7**	**90.2**	**98.4**
Phoenix, AZ	98.6	94.6	98.6	95.2	102.1	95.3	100.5
Atlanta, GA	97.6	101.6	84.9	104.8	101.1	110.2	101.7
Detroit, MI	97.2	93.4	86.6	107.7	108.3	96.7	100.9
Tampa, FL	92.2	94.6	77.7	113.2	98.9	98.5	93.9
St. Louis, MO	89.7	102.2	69.5	110.7	94.9	97.5	92.4

*Metro areas represented by most dominant urban area. Riverside, California, is among the 20 most populous MSAs, but did not submit COLI data.

Source: Council for Community and Economic Research (C2ER), *Cost of Living Index*, Q3/16 (Data based on a survey of 260 urban areas, published October 2016).

Maryland

Occupational Wage Estimates

Montgomery Workforce Region ▼ | 00-0000 --TOTAL ALL OCCUPATIONS ▼

Montgomery Workforce Region
All-industry

Establishments reporting	3,120
Estimated employment	469,930
Mean wage	$31.25
Entry wage	$12.00
Experienced wage	$41.00

Total all occupations (00-0000)
Median Wage History

	This Occupation	Compared to Occupational Group	Difference
2015	$24.50	$24.50	$0.00
2014	$24.00 +2.1%	$24.00 +2.1%	$0.00
2013	$23.50 +2.2%	$23.50 +2.2%	$0.00

	This Occupation	Compared to All Occupations	Difference
2015	$24.50	$24.50	$0.00
2014	$24.00 +2.1%	$24.00 +2.1%	$0.00
2013	$23.50 +2.2%	$23.50 +2.2%	$0.00

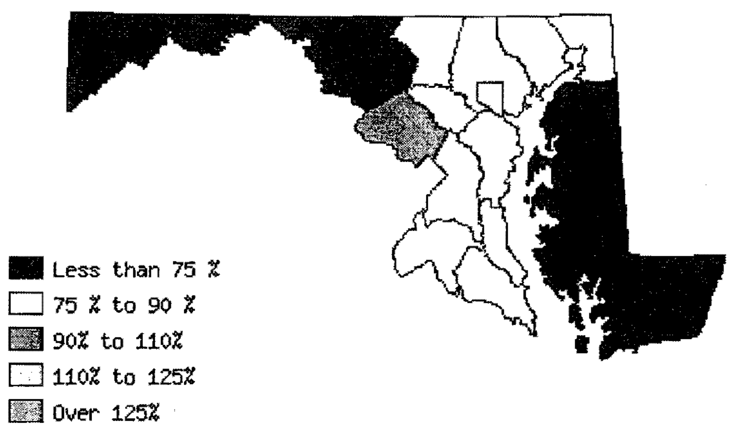
Top Areas For This Occupation

Best Pay

	Median Wage	Employ-ment
Montgomery Workforce Region	$24.25	469,930
Baltimore City Workforce Region	$21.75	350,610
Prince George's Workforce Region	$20.75	306,660

Highest Employment

	Median Wage	Employ-ment
Montgomery Workforce Region	$24.25	469,930
Baltimore County Workforce Region	$19.00	375,270
Baltimore City Workforce Region	$21.75	350,610



Maryland Department of Labor, Licensing and Regulation
Office of Workforce Information & Performance Occupational Employment Statistics Program

Last updated April 2016

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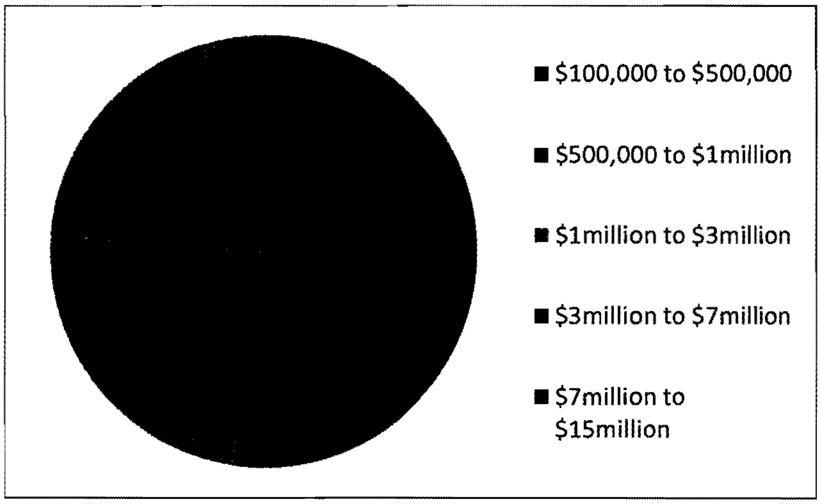
Table 2 (2013-2014 Weights). Relative importance of components in the Consumer Price Indexes: Selected metropolitan areas, December 2015 (Cities normally published in November)-Continued

(Percent of all items)

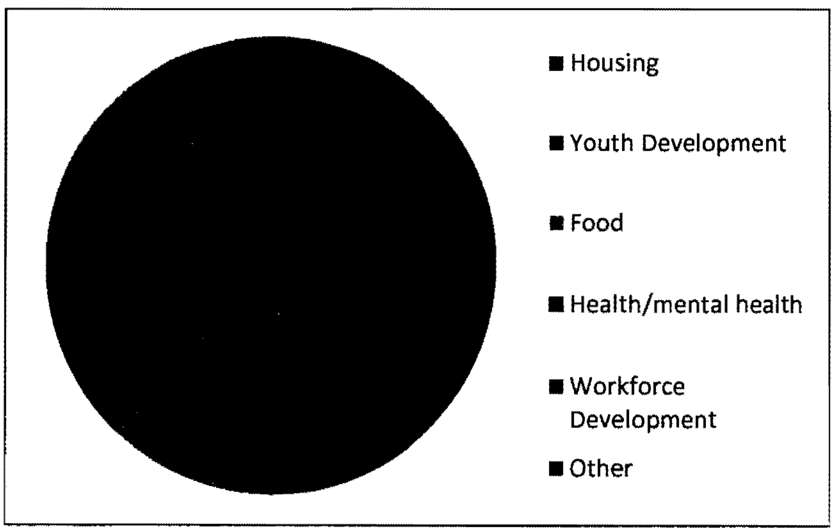
Item and group	Portland-Salem, OR-WA		San Diego, CA		Tampa-St. Petersburg-Clearwater, FL		Washington-Baltimore, DC-MD-VA-WV	
	CPI-U	CPI-W	CPI-U	CPI-W	CPI-U	CPI-W	CPI-U	CPI-W
Expenditure category								
All items	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
Food and beverages	16.031	17.069	14.803	17.790	16.254	21.037	13.075	14.752
Food	14.742	16.142	13.569	17.130	15.368	19.852	12.297	14.177
Food at home	8.413	10.194	7.447	11.175	9.305	12.583	6.701	8.279
Food away from home	6.329	5.947	6.122	5.955	6.062	7.269	5.596	5.899
Alcoholic beverages	1.289	.927	1.233	.660	.887	1.185	.778	.575
Housing	44.073	43.064	46.303	44.911	42.408	40.910	43.637	42.171
Shelter	35.523	35.067	38.039	36.981	33.504	30.704	35.640	34.226
Rent of primary residence	9.781	15.220	10.381	15.218	7.343	11.659	7.294	12.142
Owners' equivalent rent of residences	24.897	19.224	26.607	20.786	24.674	18.120	26.853	21.438
Owners' equivalent rent of primary residence	23.867	18.968	25.782	20.625	23.791	17.850	26.015	21.164
Fuels and utilities	4.441	4.847	3.669	4.236	4.640	4.959	4.184	4.802
Household energy	2.926	3.282	2.302	2.787	3.522	3.880	3.332	3.773
Energy services	2.863	3.195	2.244	2.707	3.437	3.815	3.181	3.649
Electricity	2.260	2.642	1.764	2.183	3.276	3.622	2.623	3.108
Utility (piped) gas service	.603	.553	.480	.524	.161	.193	.559	.540
Household furnishings and operations	4.109	3.150	4.596	3.694	4.265	5.247	3.814	3.143
Apparel	2.934	3.654	3.339	4.228	3.207	3.867	2.719	2.801
Transportation	12.592	14.343	13.318	13.322	15.048	13.221	16.696	19.461
Private transportation	11.244	13.361	12.018	12.079	13.974	12.486	15.291	18.254
Motor fuel	3.117	4.025	3.262	4.380	3.130	3.677	2.429	3.135
Gasoline (all types)	3.063	3.950	3.236	4.341	2.962	3.438	2.384	3.100
Medical care	8.015	6.237	7.670	6.575	8.027	5.891	7.611	6.078
Recreation	6.102	6.196	5.285	4.441	5.912	5.885	5.108	4.007
Education and communication	6.988	6.511	6.366	5.829	6.279	5.363	8.170	7.853
Other goods and services	3.266	2.926	2.916	2.905	2.865	3.827	2.984	2.876
Commodity and service group								
All items	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
Commodities	36.364	40.481	33.885	38.726	38.194	43.252	33.320	37.637
Commodities less food and beverages	20.333	23.412	19.082	20.936	21.939	22.214	20.245	22.884
Nondurables less food and beverages	12.223	14.059	11.524	13.725	12.711	15.230	10.037	11.070
Durables	8.110	9.354	7.558	7.211	9.228	6.984	10.207	11.815
Services	63.636	59.519	66.115	61.274	61.806	56.748	66.680	62.363
Special aggregate indexes								
All items less medical care	91.985	93.763	92.330	93.425	91.973	94.109	92.389	93.922
All items less shelter	64.477	64.933	61.961	63.019	66.496	69.296	64.360	65.774
Commodities less food	21.622	24.339	20.315	21.596	22.826	23.400	21.023	23.459
Nondurables	28.254	31.127	26.327	31.515	28.965	36.268	23.112	25.822
Nondurables less food	13.512	14.985	12.757	14.385	13.598	16.416	10.816	11.645
Services less rent of shelter	28.367	24.727	28.292	24.435	28.699	26.416	31.358	28.378
Services less medical care services	57.427	54.813	59.823	55.887	55.611	52.242	60.432	57.375
Energy	6.043	7.307	5.563	7.167	6.652	7.557	5.761	6.908
All items less energy	93.957	92.693	94.437	92.833	93.348	92.443	94.239	93.092
All items less food and energy	79.215	76.552	80.867	75.703	77.981	72.592	81.942	78.915

2016 Minimum Wage Survey Summary

21 organizations responded to two surveys in spring and fall 2016, representing a range of budget sizes, with a plurality of small nonprofits.



Their focus areas are:



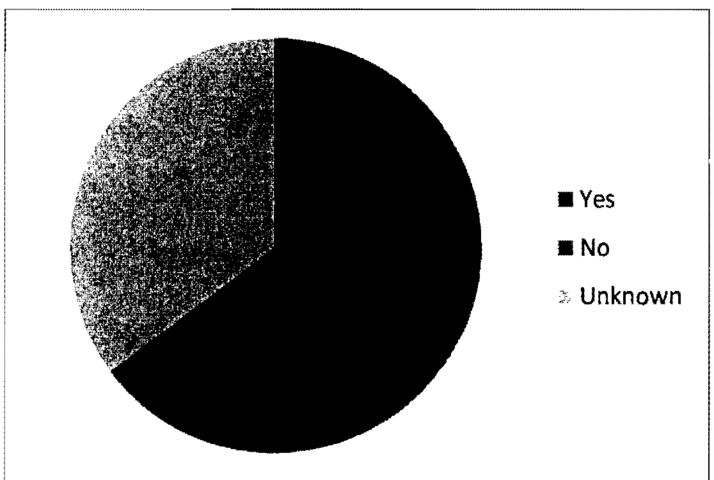
Six of the 21 respondents indicated they would experience increased personnel costs directly attributable to the minimum wage increase. Their total estimates are $350,000, with two larger organizations with many hourly workers (Montgomery County Coalition for the Homeless and Interfaith Works) accounting for about $320,000 of that estimate.

Three organizations specifically forecast wage adjustments for employees currently making at or just above minimum wage totaling about $70k, with an additional organization hesitant to commit to a number due to uncertainty about how an increased minimum wage may affect the living wage.

Seven organizations described potential service disruptions if funding doesn't increase to help address wage increases:

- Less ability to pay teachers to prepare ahead of time
- Reduction in benefits for staff outside of paid leave and healthcare
- Less time for administrative oversight
- Reduction of numbers of clients served in a health program
- Serving fewer individuals experiencing homelessness
- Reduction in food distribution services
- Shorter hours of operation for social services

When asked if a minimum wage increase would improve clients' lives, responses were divided:



Stated reasons for choosing no or unknown:

- It may lift clients out of poverty but may remove their eligibility for services
- The service disruptions they will experience
- Few of our clients would experience improvement because most are retired, unemployed, or underemployed
- For some of our clients, the increase in income will be offset by their loss of income support services, such as food stamps and child care assistance. At the end of the day, our families will still be struggling due to the high cost of living in Montgomery County.

Responding organizations include:

Aspire Counseling
Adventist Community Services of Greater Washington
The CareerCatchers, Inc.
CollegeTracks, Inc.
Community Health and Empowerment through Education and Research
Cornerstone Montgomery
Crossroads Community Food Network
Interfaith Works
Lead4Life
Literacy Council of Montgomery County
Madison House Autism Foundation
Manna Food Center
MCCPTA EPI dba Big Learning
Meals on Wheels of Takoma Park
Montgomery County Coalition for the Homeless
Montgomery Housing Partnership
Nonprofit Village
Passion For Learning
Primary Care Coalition
Real Food for Kids – Montgomery
Upper Montgomery Assistance Network

CC HHS Committee Work session - 12-01-16					
Maximum Eligible Incomes for Safety Net Programs					
	Maximum Eligible Income *				
# of members in Household	1	2	3	4	
Program Name					
Medicaid	16,394	22,108	27,821	33,534	New guidelines effective January 1, 2014
Montgomery Cares	29,700	40,050	50,400	60,750	Eligibility based on 250% of the Federal Poverty Level (FPL) guidelines; set by the County Council.
Care for Kids	29,700	40,050	50,400	60,750	Eligibility based on 250% of the Federal Poverty Level (FPL) guidelines; set by the County Council.
Food Stamps	1,287	1,736	2,184	2,633	see tab titled Food Supplemental for additional guidelines
Temporary Assistance for Needy Families (TANF)	478	646	813	981	[redacted]
State Purchase of Care (Child Care)	n/a	24,277	29,990	35,702	see below
Working Parents Assistance Program	n/a	51,360	57,780	64,200	Families may be eligible for the WPA Program up to the maximum income limits depending on the number of children in child care, type of child care needed and the family composition.
County Pre-K	n/a	29,637	37,296	44,955	Eligibility is based on the FARMS (Free and Reduced Meals) rate, which is 185% of the Federal Poverty Level (FPL) guidelines.
Head Start	n/a	16,020	20,160	24,300	Eligibility is based on family income being 100% or less of the FPL. Other automatic eligibility factors include TANF receipt and homelessness.
Linkages to Learning	n/a	n/a	n/a	n/a	Linkages to Learning (LTL) does not have maximum eligible income criteria; however if a family has health insurance coverage for mental health services and is able to access this benefit outside of the school, they cannot receive LTL mental health services.
Rental Assistance Program	38,250	43,700	49,150	54,600	Capped at 50% of the Area Median Income (AMI) per HUD
Housing Initiative Program					HIP maximum income is capped at 30% of AMI as determine by HUD to be eligible for program. Once participants are accepted into the program they continue to be eligible until their income reached 50 % of AMI.
30% of AMI	22,550	25,800	29,000	32,200	
50% of AMI	37,600	42,950	48,300	53,650	
* The numbers for Food Stamps and TANF are monthly income; all others are annual income					

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Food Supplement Household Size	Maximum Gross Monthly Income X 130% of Poverty	Maximum Net Monthly Income X 100% of Poverty	Monthly Income Elderly/Disabled Separate Household X 165% of Poverty	Maximum Monthly Allotment
1	$1,287	$990	$1,634	$194
2	1,736	1,335	2,203	357
3	2,184	1,680	2,772	511
4	2,633	2,025	3,341	649
5	3,081	2,370	3,911	771
6	3,530	2,715	4,480	925
7	3,980	3,061	5,051	1,022
8	4,430	3,401	5,612	1,169
Each additional member	451	347	573	146

Temporary Assistance to Needy Families			
Household Size	Allowable Monthly Payment	Maximum Monthly Income-50% of Poverty Level	Total Children with One Needy Caretaker
A	B	C	D
1	$282	478	(1 child only)
2	559	646	1
3	624	813	2
4	755	981	3
5	875	1148	4
6	962	1316	5
7	1081	1483	6
8	1191	1651	7
9	1285	1818	8
10	1389	1986	9
11	1516	2153	10
12	1586	2321	11
13	1683	2488	12
14	1782	2656	13
15	1884	2823	14
16	2006	2991	15
17	2125	3158	16

OFFICE OF HUMAN RIGHTS

Isiah Leggett
County Executive

James L. Stowe
Director

Minimum Wage Reporting Form

Prototype 3-24-16

Please complete form, print the completed form and sign it, and then send it to the Office of Human Rights. The form must be submitted within 30 days after the end of each quarter.

Business Information

Company Name

Address

City

State, ZIP

EIN

Contact Information

Name

Title

Phone

Email

Certification

Year / Quarter being reported /

Number of Tipped workers

Payroll for Tipped Workers

☐ "I certify that each tipped employee under my employment was paid the minimum wage during the quarter being reported as required by Montgomery County Code, Chapter 27 - Human Rights and Civil Liberties, Section 27-69 - Tipped Employees." The willful falsification of any of the above information may subject employers to penalities and fines as outlined in the Montgomery County Code. Verification of report data shall be at the discretion of the Montgomery County Office of Human Rights.

Signature ____________________

Date ____________________

Please mail completed form to: Office of Human Rights
21 Maryland Ave, Suite 330
Rockville, MD 20850
Attention: Minimum Wage Reporting

Or e-mail scanned completed form to: Wages@MontgomeryCountyMD.gov

OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

November 22, 2016

TO: Nancy Floreen, President, County Council

FROM: Isiah Leggett, County Executive

SUBJECT: Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

While I support the effort to move toward $15 per hour over an appropriate time frame and under certain conditions, I am writing today to express my concerns with the bill, and my opposition to it, as originally introduced.

The Health and Human Services Committee will consider Bill 12-16 in early December. The bill, introduced in April of this year, would extend the incremental increases in the County minimum wage, established in 2013, to go up to $15 per hour effective July 1, 2020. The bill would also require annual adjustments to the minimum wage by the annual average increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Montgomery County has already put itself in the lead on the minimum wage issue. In 2013, the County Council enacted, and I signed into law, Bill 27-13, which established a County minimum wage for private sector employees working in the County, unless the State or federal minimum wage is higher. The rate was set at $8.40 effective October 1, 2014, has increased incrementally each year since, and will be $11.50 beginning July 1, 2017.

Montgomery County's minimum wage is, and will continue to be, higher than both the federal and State minimum wage, as well as that in all surrounding jurisdictions except the District of Columbia. I am concerned about the County being put in a competitive disadvantage relative to our neighboring jurisdictions. While there is debate among experts as to the economic impact of an increase in the minimum wage, at least some believe it could lead to businesses moving across local borders, taking tax revenue with them and making it more difficult for local employees to find jobs.

I am also concerned about, and urge the Council to carefully consider, the economic impacts to the County's businesses of raising the minimum wage. The increase in the minimum wage will have a direct and indirect impact on private employers' bottom lines. Not only would employers be faced with increased payroll costs; they would also face increased costs in their contracts. For example, the cost of a cleaning contract would increase because the cleaner, faced with rising payroll of his own, would pass that cost on through his contract.

There is also likely to be an additional fiscal impact to the County. In addition to increased payroll costs based on the minimum wage/seasonal salary schedule noted in the fiscal impact statement, the cost of County contracts would rise due to the many nonprofits who contract with the County and who often cannot pass those additional costs on to their consumers.

Based on my concerns outlined above, I urge the Council to consider a longer time frame for raising the County minimum wage. For example, under California's new minimum wage law, the State would not reach $15 until 2022.

Further, it is imperative that any automatic increases envisioned in Bill 12-16 be accompanied by a provision that gives the Executive the authority to keep an automatic increase from taking effect in the event of an economic downturn.

Finally, before enacting Bill 12-16, I urge the Council to consider seriously amendments to limit the impact of the bill. As you know, Baltimore City recently considered legislation to raise the minimum wage to $15/hour. The Baltimore City Council Labor Committee adopted several amendments that would stretch out the implementation of the increase to reach $15 in 2023; exempt from the minimum wage requirement certain tractor and truck operators, participants in youth job programs, certain full-time students, students enrolled in work-study programs; and exempt employers with fewer than 25 employees or that have an annual gross income of $500,000 or less.

Although I support an increase in the minimum wage to $15, I cannot support Bill 12-16 in its current form and urge the Council to carefully consider the aforementioned suggestions for amendments to the bill.

IL:bk

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

SIDNEY A. KATZ
COUNCILMEMBER - DISTRICT 3

MEMORANDUM

TO: Health and Human Services Committee Members

FROM: Councilmember Sidney Katz SAK

DATE: November 30, 2016

RE: Bill 12-16, Human Rights and Civil Liberties - County Minimum Wage

In my opinion, the key to a successful minimum wage is balance; where wages move toward livability while not exceeding what businesses can absorb. I am concerned that we are discussing an increase of the minimum wage in Montgomery County without the benefit of sufficient economic analysis. This balance is one that should be guided by as much information as possible and I am fearful that we are preparing to act without the benefit of such. On this issue, there is data available that will guide us toward more insight into this complex matter.

An economic impact study will help us better foresee the potential fiscal consequences that this legislation might bring. The increased burden to our local budget appears significant but has not been adequately calculated. For example, the Interagency Coordinating Council for Developmental Disabilities (InterACC/DD) is projecting that a $15/hour minimum wage will increase the county's portion of payments to workers with the developmentally disabled by *$20 million per year*. Other direct service provider contracts will also need to be similarly increased, the amounts of which have not yet fully been assessed. Just one provider, Montgomery County Coalition for the Homeless, projects that the county's additional burden will be *$200,000 per year* for just that one organization.[1]

There might also be unintended consequences that an economic impact study could bring to light. For example, we're learning that low-income parents in Seattle are being particularly pressured by the new minimum wage when their own pay increases don't keep up with child care costs.[2] For our local budget, an increased minimum wage could push more families out of eligibility for state child care subsidies and drive them toward the county program, which is unable to keep up with demand even now.

100 MARYLAND AVENUE, 6TH FLOOR • ROCKVILLE, MARYLAND 20850
240-777-7906 • TTY 240-777-7914 • FAX 240-777-7989 • COUNCILMEMBER.KATZ@MONTGOMERYCOUNTYMD.GOV

Economic impact studies are not uncommon and other jurisdictions which have contemplated a $15 minimum wage have engaged in this type of research. Specifically, the City of Seattle commissioned a study by the University of Washington[3] and the University of California – Berkley has studied the State of New York's increase.[4] Montgomery County has already implemented historic changes to our minimum wage and, yet, has made no effort to look at the impacts of what we have already applied, much less the potential implications of further increases.

Like all of my colleagues, my work to improve the lives of Montgomery County residents is paramount and I have been focused on how best to do this. But, minimum wage is a policy that focuses on people who work within our borders, and not necessarily those who live here.[5] We should understand the differences between the impacts of minimum wage and programs that focus on county residents, like the Earned Income Tax Credit. Our recent major increase was part of a regional effort and it is important to understand the impacts of acting without those same partners. Especially in an area with such porous borders, increasing our minimum wage from 30% to almost 100% higher than our neighbors will have consequences.[6]

Similarly, I have spoken with several county businesses who love operating here and would like to stay and, hopefully, expand. However, because of elements like wage compression, this increase will impact employers at all pay scales. Some will either need to close their doors or relocate over county lines – taking their jobs with them. Others will be forced to lay off some existing employees or hire fewer people than planned because these businesses cannot afford the additional payroll. Without striking the right balance, we will increase the wage for some individual workers, while also potentially reducing the overall number of jobs. In an area like ours, where moving a business just a few miles down a road can take you into a new jurisdiction, this is a concern we cannot ignore.

In sum, it is always incumbent on this Council to act with the benefit of as much information as possible. Undertaking a robust economic impact study is the most responsible way for us to proceed and I ask my colleagues to pursue one before enacting any legislation.

cc: Councilmembers
Confidential Aides

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[1] http://www.montgomerycountymd.gov/COUNCIL/Resources/Files/agenda/cm/2016/160711/20160711_HHS1.pdf
[2] http://m.kxly.com/news/childcare-costs-skyrocket-after-minimum-wage-hike-passes/42473272
[3] http://www.washington.edu/news/2016/07/25/minimum-wage-study-effects-of-seattle-wage-hike-modest-may-be-overshadowed-by-strong-economy/
[4] http://news.berkeley.edu/2016/03/10/study-sees-positive-impact-of-raising-new-yorks-minimum-wage-to-15-an-hour/
[5] https://oaklandnorth.net/2016/09/20/east-bay-workers-commute-for-higher-wages/; local census data to this point will be included in the staff packet for the HHS Committee's December 7, 2016, meeting.
[6] http://www.montgomerycountymd.gov/COUNCIL/Resources/Files/agenda/cm/2016/160711/20160711_HHS1.pdf

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

MEMORANDUM

NANCY FLOREEN
COUNCIL PRESIDENT

December 1, 2016

TO: Chris Cihlar, Director
Office of Legislative Oversight

FROM: Nancy Floreen, Council President

SUBJECT: **Economic Impact Analysis Request – Minimum Wage**

The Office of Legislative Oversight's (OLO) FY17 Work Program includes an assignment in which Councilmembers can ask OLO to contract with outside experts to provide economic impact analysis that addresses questions on specific legislation.

Currently the Council is considering Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment. How the bill impacts employers and the job market in Montgomery County may have a significant economic impact on the County.

Therefore, I am requesting that OLO contract with outside experts as soon as possible in order to conduct an economic impact analysis of Bill 12-16.

cc: Councilmembers

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Berliner amendments

These amendments would: (1) create separate phase-in schedules for large (26 or more employees), medium (between 6 and 25 employees, and small (5 or fewer employees) employers; (2) extend the phase-in schedule to 2022 for medium employers and 2023 for small employers; and (3) create a mechanism by which scheduled increases during the phase-in period may be temporarily suspended if certain economic circumstances exist.

Amend lines 33-39 as follows:

Sec. 2. Transition.

Notwithstanding Section 27-68, as amended in Section 1 **[[,]]**:

(a) for an employer who employs 26 or more employees, except when the scheduled increases are temporarily suspended under subsection (d), the County minimum wage, until July 1, 2020, must be the greater of the minimum wage required under the Federal or State Act or:

(1) effective July 1, 2017, $11.50 per hour;

[[(b)]](2) effective July 1, 2018, $12.50 per hour; and

[[(c)]](3) effective July 1, 2019, $13.75 per hour.

(b) for an employer who employs between 6 and 25 employees, except when the scheduled increases are temporarily suspended under subsection (d), the County minimum wage, until July 1, 2022, must be the greater of the minimum wage required under the Federal or State Act or:

(1) effective July 1, 2017, $11.50 per hour;

(2) effective July 1, 2018, $12.25 per hour;

(3) effective July 1, 2019, $13.00 per hour;

(4) effective July 1, 2020, $13.75 per hour; and

(5) effective July 1, 2021, $14.50 per hour.

(c) for an employer who employs 5 or fewer employees, except when the scheduled increases are temporarily suspended under subsection (d), the County minimum wage, until July 1, 2023, must be the greater of the minimum wage required under the Federal or State Act or:

(1) effective July 1, 2017, $11.50 per hour;

(2) effective July 1, 2018, $12.00 per hour;

(3) effective July 1, 2019, $12.50 per hour;

(4) effective July 1, 2020, $13.00 per hour;

(5) effective July 1, 2021, $13.75 per hour; and

(6) effective July 1, 2022, $14.50 per hour.

(d) (1) On or before January 31 of each year beginning in 2018 through 2023, to ensure that economic conditions can support a minimum wage increase, the Director of Finance must make a determination and certify to the Executive and Council whether each of the following conditions is met:

(A) total private employment for Montgomery County decreased by 1.5% over the period from April 1 to June 30 of the previous year. The calculation must compare total private employment in June to total private employment in April, as reported by the Maryland State Department of Labor, Licensing, and Regulation's Quarterly Census of Employment and Wages data series;

(B) total private employment for Montgomery County decreased by 2.0% over the period from January 1 to June 30 of the previous year. The calculation must compare total private employment in June to total private employment in January, as reported by the Maryland State

Department of Labor, Licensing, and Regulation's Quarterly Census of Employment and Wages data series;

(C) the Gross Domestic Product of the United States, as published by the U.S. Department of Commerce, has experienced negative growth for the preceding two quarters; and

(D) the National Bureau of Economic Research has determined that the United States economy is in recession.

(2) If, in any year, the Director of Finance certifies that a condition in subparagraphs (A) through (D) of paragraph (1) is met, the Executive may, on or before February 10 of that year, temporarily suspend the minimum wage increases scheduled under subsections (a), (b), and (c) for that year.

(3) If the Executive temporarily suspends the scheduled minimum wage increases for a year, all dates specified in subsections (a), (b), and (c) that follow the suspension must be postponed by an additional year.

(4) The Executive must not temporarily suspend scheduled minimum wage increases under this Section more than two times.