



A minimum wage compromise for Maryland

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Maryland's House of Delegates just voted to raise the state's minimum wage, and the legislation now moves to the Senate for consideration. If you're thinking, "Didn't we just raise the minimum wage?" You're right — it rose to \$10.10 per hour last July. That follows increases in 2017, 2016 and two in 2015 in accordance with a 2014 state law.

The new legislation would raise the wage to \$15 an hour by 2025 — the latest amount that proponents say will lift Marylanders out of poverty and promote social justice. Opponents respond that such an increase will increase unemployment for low-skilled workers who already face heavy disadvantages. Proponents, in turn, deny that will happen.

As a long-time follower of economic research on the minimum wage, I'm weary of these political disputes. The consensus empirical understanding of the effects of minimum wage increases is clear on three points in particular:

First, increases tend to result in an immediate decrease in employment, but it's slight — sometimes not even statistically significant — and mainly concentrated on young black males.

Second, other low-wage workers receive a much-appreciated one-time boost in wages, but it is not enough to affect poverty rates. This makes sense; poverty typically is the result of no wages, not low wages.

And finally, a new but promising vein of research indicates that minimum wage increases have a more significant negative effect on employment long-term. This is not because employers fire workers but because employers slow their hiring and realign their use of labor in light of its higher cost. Employers may, for instance, hire two higher-skilled employees for work that would have gone to three lower-skilled, cheaper workers. Or employers may use equipment to do tasks that would have gone to employees, such as restaurant food-order kiosks and apps, self-service stations and checkouts, and retailer use of robots to clean floors and monitor shelves.

This economics literature is robust, and the negative employment effect is broadly accepted across the field. The issue is much like climate change — the expert consensus is clear, and those who say otherwise commit the equivalent of "economics denial."

However, that consensus doesn't decide whether minimum wage increases are good policy. That is a matter of values, not economics. Reasonable and honorable arguments can be made both for a low minimum wage (or none at all) that promotes a large number of low-paying jobs to complement the many higher-paying jobs in the economy, and for a higher minimum wage that forces a shift to higher-paying, albeit fewer jobs.

Personally, I strongly advocate there be no minimum wage at all. Society is better off having many entry-level jobs so that new workers can more easily gain experience and build work

histories that lead to better-paying employment. Still, I appreciate the values choices of people who believe differently.

Because this difference in opinion is reasonable, I submit it would be best for Maryland and its jurisdictions to embrace a compromise minimum wage law that supports different values choices, rather than forcing a single choice on the entire state. Specifically, lawmakers should consider implementing specific minimum wages for each of Maryland's counties and Baltimore City, set by those jurisdictions' legislative delegations.

If, say, Baltimore City's delegation believes the moral and economic tradeoffs favor a \$15-an-hour minimum wage (or \$20 or \$25), then they should be able to write that into the law for their jurisdiction and not have other parts of the state force a different wage on them. Likewise, if Washington County's delegation believes a minimum wage of only \$10 is acceptable (or \$6 or even \$0), they too should be able to write that into the law for their jurisdiction and not have other parts of the state force a different wage on them.

In both cases, if the legislative delegations make a bad choice, they will be directly responsible to their electorates. In contrast, a single state-wide minimum wage would be approved mostly by lawmakers who are not directly responsible to each jurisdiction's voters.

This proposal should sail through the Maryland General Assembly because it would give each jurisdiction the minimum wage its delegates say it wants. In this era when politicians seem incapable of compromising for the good of the people, such a law would be a welcome change and improvement in politics. If Maryland's lawmakers are committed to their constituents and to better governance, this is the minimum wage law they would approve.

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