

# A \$15 Minimum Wage Offers Broad Benefits for Workers, Businesses, and Montgomery County's Economy

*Raising Montgomery County's minimum wage to \$15 by 2020 would have broad benefits for workers, small businesses and the local economy. It would benefit small businesses by leveling the playing field, ensuring that large companies pay fair wages, too. It would benefit low-wage workers, whose earnings would increase, allowing them to better afford the basics. And it would benefit businesses and the economy by generating new demand and consumer spending.*

## Raising Montgomery County's wage floor will level the playing field for small businesses, which already pay higher wages than large companies

Analysis of data for the retail industry – a sector which pays some of the lowest wages – shows that raising the minimum wage to \$15 would level the playing field for small businesses by requiring large companies to pay roughly the same hourly wage that their smaller counterparts are already paying.

In Montgomery County and throughout Maryland, it is large retailers – not small businesses – that employ the majority of workers earning less than \$15. Large businesses (with 500 or more workers) employ 65.4 percent of all retail workers in the state, but pay 24.3 percent below the average for smaller businesses.<sup>1</sup>

**Table 1. Large Businesses Employ the Majority of Retail Workers, but Pay the Least<sup>2</sup>**

	Number of Businesses	Number of Employees	Average Pay per Employee
All Maryland retail sector businesses with employees	10,330	284,273	\$25,474
Businesses with up to 499 employees	9,896	98,306	\$30,286
Large businesses with 500+ employees	433	185,965	\$22,930
<b>Large businesses share of total</b>	<b>4.19%</b>	<b>65.42%</b>	
<b>Large business average wage, relative to average for smaller firms</b>			<b>75.71%</b>

Source: 2012 Survey of Business Owners, U.S. Census Bureau.

As Table 1 shows, on average, smaller retailers pay \$30,286 annually, which translates to \$14.56 per hour for full-time, year round work. In comparison, large retailers pay significantly less: \$22,930 annually, or \$11.02 hourly.<sup>3</sup> By adopting a \$15.00 minimum wage, Montgomery County would ensure that smaller businesses are not put at a competitive disadvantage, relative to larger businesses.

Recent experience in cities like Seattle, San Francisco and San Jose with significant minimum wage increases, bear this out. There is no evidence that transitioning to higher wages have hurt small businesses<sup>4</sup> or changed the mix of large and small businesses. In Seattle, the unemployment rate hit an eight-year low of 3.6 percent in August 2015, four months after the city began phasing in its new \$15.00 minimum wage law. This unemployment rate was significantly lower than Washington State's unemployment rate of 5.3 percent for that same month. And around that same time, King County, where Seattle is located, broke the previous two years' records for the number of business permits issued to food service establishments.<sup>5</sup> In San Francisco, the unemployment rate dropped from 5.0 percent to 3.4 percent since the city adopted a \$15 minimum wage in 2014.<sup>6</sup> During that same time, the San Francisco restaurant sector sales grew from 5.4 percent to 6.6 percent, a faster pace than other comparable cities.<sup>7</sup> And in San Jose, "Fast-food hiring in the region accelerated once the higher wage was in place. By early [2014], the pace of employment gains in the San Jose area beat the improvement in the entire state of California," according to a report by the *Wall Street Journal*.<sup>8</sup>

This is why an overwhelming majority of businesses of all sizes support raising the minimum wage. According to a leaked poll by LuntzGlobal—an opinion research firm headed by leading Republican pollster Frank Luntz—on behalf of the Council of State Chambers, 80 percent of CEOs, business owners and executives at companies of all sizes support raising the minimum wage in their states, while only 8 percent opposed.<sup>9</sup> Among small business owners, a substantial majority (59 percent) favor raising the minimum wage according to a recent poll by Manta.com.<sup>10</sup>

## **Raising the minimum wage will put money back into the economy and trigger new consumer spending**

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Raising the wage floor for Montgomery County's lowest-paid workers will put more money into the pockets of struggling households, who are likely to spend that money right away – often at local businesses – to buy basics necessities, and even a few small luxuries like dinner at a local restaurant, an extra pair of jeans, or fresh fruit from the farmer's market. The increased consumption allowed by higher wages has the effect of boosting demand for goods and services<sup>11</sup> and keeping money circulating in the economy, creating a virtuous cycle that benefits a broad constituency.<sup>12</sup>

According to analysis of Census Bureau data, a \$15 minimum wage in Montgomery County could **benefit up to 107,000 workers**.<sup>13</sup> A separate analysis estimates that on average, individual workers in Maryland would receive an additional \$1,200 per year from an increase to \$12 by 2020. Cumulatively, these wages total \$659.5 million statewide,<sup>14</sup> a significant portion of which (roughly, 17 percent) would go to Montgomery County, the

state's most populous county.<sup>15</sup> When spent, these additional wages could provide a significant boost to the county's economy.

## Endnotes

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2. Ibid.
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6. U.S. Department of Labor, Bureau of Labor Statistics, *Metropolitan Area Employment and Unemployment (Monthly) News Release*, July 1, 2014, [http://www.bls.gov/news.release/archives/metro\\_07012014.htm](http://www.bls.gov/news.release/archives/metro_07012014.htm); June 29, 2016, [http://www.bls.gov/news.release/archives/metro\\_06292016.htm](http://www.bls.gov/news.release/archives/metro_06292016.htm). Both accessed July 15, 2016.
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9. Mitchell Hirsch, *Leaked Poll for Chambers of Commerce Shows Huge Business Execs' Support for Raising the Minimum Wage*, RaiseTheMinimumWage.com, April 12, 2016. Accessed July 15, 2016. <http://www.raisetheminimumwage.com/blog/entry/leaked-poll-chambers-of-commerce-shows-business-support-raise-minimum-wage/>.
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