


MEMORANDUM

TO: Honorable President and Members of the City Council  
Attention: Natawna Austin, Executive Secretary

FROM: William H. Cole, President and CEO 

DATE: February 27, 2017

SUBJECT: City Council Bill No. 17-0018  
Labor and Employment – City Minimum Wage

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City Council Bill 17-0018 proposes to establish a minimum wage rate for Baltimore City for the years 2019-2023. It creates exceptions that include tipped workers and small employers and it creates a wage commission and establishes penalties for noncompliance. The current bill has a longer implementation schedule, identifies small employers and places them on a separate wage and implementation schedule, and exempts employers of tipped workers from the same requirements as other businesses.

Initially, the Baltimore Development Corporation (BDC) took no position on City Council Bill 16-0655. Since its introduction, BDC has heard from more business, large and small, as to how the approval of this bill will adversely affect their businesses and ability to maintain and hire staff. BDC opposes the proposed bill as it is currently drafted, as its approval will have a negative impact on the Baltimore business environment. First the Wage Commission, as constructed, is unequally weighted. Second, the minimum wage requirement, absent an equivalent regional or State requirement, will have a disproportionate impact on Baltimore residents and Baltimore businesses. Third, the increase may provide a greater benefit to workers commuting into Baltimore City and substantially increase competition for hourly jobs in Baltimore City. Lastly, based upon a survey of Baltimore businesses (See Appendix) to this report, this bill would most likely lead to increased prices for goods and services, reduced employment opportunities and possible relocation or closure of some businesses.

***Minimum Wage Commission Authorization***

In our previous response, we outlined the construction of the Wage Commission as a point of concern. In this bill, this concern remains. Having only one representative from the business community as a member of the Commission is unbalanced and gives the perception that business concerns will not be equally considered. Business owners will ultimately be responsible for implementing the requirements and providing proof of such, and thus, should have equal representation on the Commission.

Additionally, the Commission has been granted certain rights in the form of oversight, investigation and penalty assessment. Given the unbalanced representation of the commission, such increased powers could be construed as highly intrusive and burdensome to business owners. Investigative powers should be limited to and governed by legislation, not through regulation.

***Wage Requirements***

While the proposed bill will raise the wages of people working in Baltimore City, it also will provide a greater benefit to people who commute into the City to work. The legislation does not take into consideration worker residency, only location of employment within Baltimore City. Currently, nearly 60% of those who work in the City live in the County

*The proposed bill, in isolation of a regional or State equivalent, will make jobs in Baltimore City more attractive not just to City residents, but to workers in surrounding counties, thereby increasing competition for these jobs, which could inadvertently impede employment for the exact audience it was intended to benefit. The increased competition for Baltimore City jobs could lead to more residents commuting outside the City for employment. The current legislation will effectively increase competition for Baltimore City residents seeking employment opportunities. As the minimum pay scale is increased in Baltimore City, comparable jobs within the City of Baltimore may pay as much as 48% more than the rest of the State.*

Job seekers, previously not inclined to travel to the City of Baltimore from the adjacent counties, will more likely to do so if the minimum wage proposed by this Bill goes into effect. The increase in the minimum wage will attract job seekers from surrounding counties, creating greater competition for Baltimore City jobs, and adversely affecting City residents, who are also seeking the same employment.

In addition, increasing the minimum wage will put a financial burden on small businesses, which could lead to a reduction in the overall number of jobs a business can maintain and hamper business growth and expansion. Businesses are also more likely to offset the increase in the price for labor by increasing the price of their goods and services, which will reduce the competitive position of Baltimore-based companies to those in the same industry in the surrounding counties. Cost of labor is one of the key factors in a business location decision. The adoption of this bill increases the likelihood of a business locating in one of Baltimore City's adjacent counties, rather than selecting a location within the City limits. In addition, the creation of additional business costs to submit annual proof of compliance will only drive businesses into other counties. Highly competitive sectors of retail, services and hospitality, both large and small, will feel the greatest negative impact of the minimum wage increase.

A disproportionately higher minimum wage isolated to Baltimore alone will put City businesses at a competitive disadvantage to those in other municipalities and counties in the immediate region. Businesses in the City already face substantially higher taxes than surrounding jurisdictions. A large gap in both taxes and wages puts Baltimore at a further disadvantage in the attraction of new businesses and the retention of existing businesses. That disadvantage is most apparent for those businesses near a jurisdictional line, which is almost half of the City's retailers with 50 or more employees.

***Competitive Disadvantage***

Despite its revisions, the bill in *Subtitle 3 Section 2B(B) Exception Not Applicable to Chains*: removes businesses with two (2) or more locations nationally from the protections of *Subtitle 3 Section 2B(A) Exceptions- Small Employers*. With this removal from the exception, any business with a second location regardless of whether they have fewer than 50 employees and/or generate less than \$400,000 in annual gross revenue would be required to pay their employees \$15 an hour by July 1, 2022 as opposed to July 1, 2026. For small employers, this requirement may discourage new development, business expansion and attraction.

Based on a survey of Baltimore businesses regarding the potential increase in the City's minimum wage, the majority of businesses, despite whether they supported the increase or not, cited that they would most likely have to raise prices and reduce staff.

cc: Kyron Banks

sandra.blake/ccbill17/17-0018

## Appendix

### ***Survey on Baltimore City Proposed Minimum Wage Increase – Key Findings***

A total of 322 firms located within 14 Baltimore City's RBDLs and Main Streets responded to the survey (a response rate of 15%).

Opinion of responding firms to the proposed legislation:

- 25% of firms surveyed supported increasing the minimum wage to \$15/hr
- 39% did not support the increase
- 36% did not take a position

Opinion of responding firms to the proposed legislation by industry:

- 61% of Clothing Retail support the increase
- 73% of Professional/Technical services did not support the increase
- 72% of Restaurants did not support the increase
- 72% of Food Retail/Grocery stores did not support the increase
- 52% of Personal Service firms (barbers, hair, nail salons, and drycleaners) support the increase

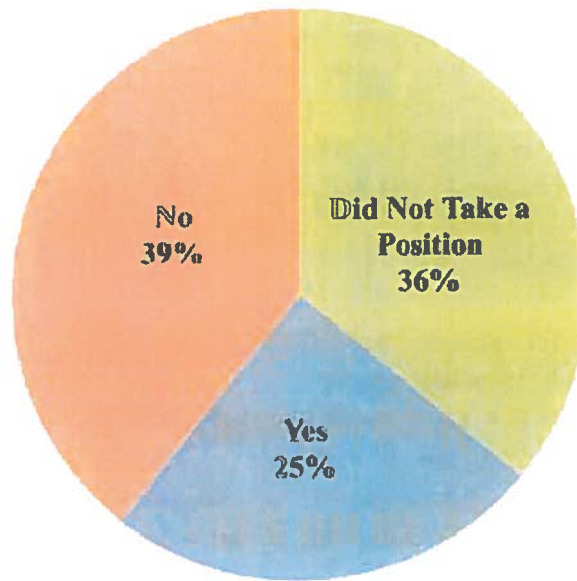
When asked the how the proposed legislation would impact their operations (total of 322 firms):

- 27% said the increase would have no impact on their operations
- 30% said they would reduce existing staff hours
- 29% would raise prices of goods and services
- 27% would hire fewer workers
- 21% would terminate current workers
- 17% would close their business
- 10 % would relocate their business out of the City

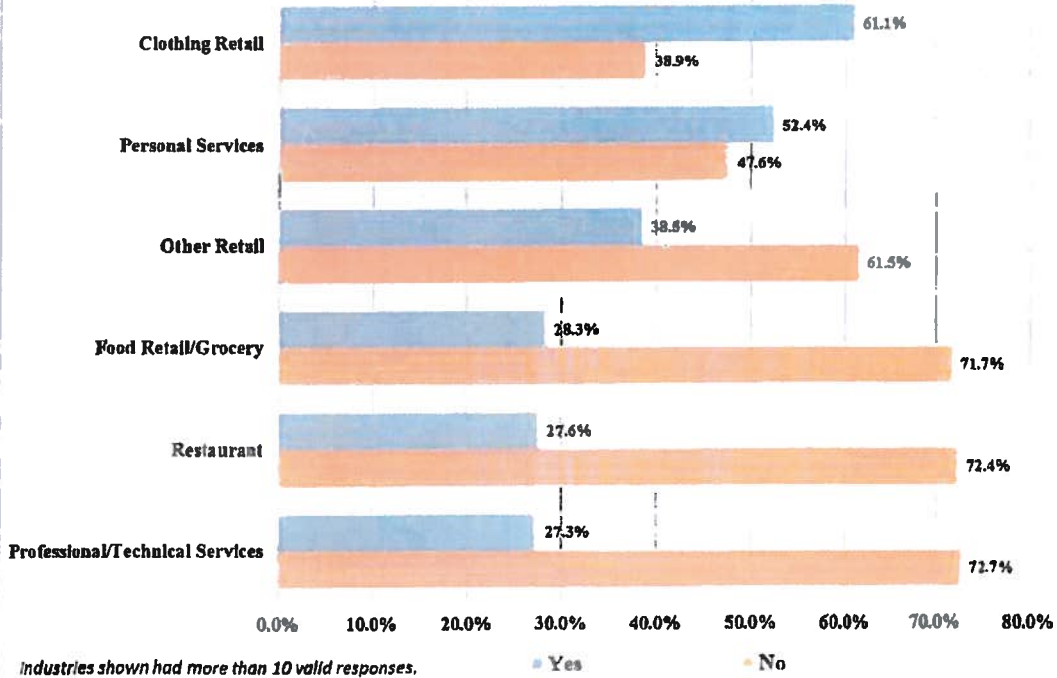
Impact of the proposed legislation if the business supports the increase (total of 79 firms):

- 48% said the legislation would have no impact
- 24% would raise their prices
- 20% would reduce existing staff hours
- 13% would hire fewer workers

**Do You Support Paying a Minimum Wage of \$15/hr?**  
(All Responses)



**Percentage of Firms Supporting Minimum Wage of \$15/hr by Industry**  
(Out of Total Valid Responses)



**Does Firm Support Paying Minimum Wage of \$15/hr by Firm Location**

	<b>Total</b>	<b>Don't Know</b>	<b>No Answer</b>	<b>Total Valid Responses</b>	<b>Yes</b>	<b>% of Total</b>	<b>No</b>	<b>% of Total</b>
<b>Total</b>	<b>322</b>	<b>36</b>	<b>80</b>	<b>206</b>	<b>79</b>	<b>38.3%</b>	<b>127</b>	<b>61.7%</b>
Belair Edison	21	3	10	8	6	75.0%	2	25.0%
East Monument	41	5	14	22	4	18.2%	18	81.8%
Federal Hill	31	4	6	21	6	28.6%	15	71.4%
Fells Point	28	3	3	22	7	31.8%	15	68.2%
Govanstown	9	2	0	7	4	57.1%	3	42.9%
Hamilton	13	0	4	9	7	77.8%	2	22.2%
Highlandtown	31	2	2	27	14	51.9%	13	48.1%
Market Center	47	9	6	32	9	28.1%	23	71.9%
Mt. Washington	9	1	3	5	0	0.0%	5	100.0%
Oldtown Mall	12	2	8	2	0	0.0%	2	100.0%
Penn Ave	16	1	4	11	3	27.3%	8	72.7%
Pigtown	9	0	1	8	3	37.5%	5	62.5%
Pimlico	16	1	8	7	3	42.9%	4	57.1%
Waverly	39	3	11	25	13	52.0%	12	48.0%

**Impact of Minimum Wage of \$15/hr on Firms**

	<b>Total</b>	<b>% of Total</b>
<b>Total Firms</b>	<b>322</b>	
Reduce Staff Hours	97	30.1%
Raise Prices	93	28.9%
No Impact	86	26.7%
Hire Fewer Workers	86	26.7%
Lay off Current Workers	69	21.4%
Close My Business	56	17.4%
Don't Know What Will Happen	47	14.6%
Relocate My Business	33	10.2%
Raise Wages for Staff Currently Making More than \$15/hr	15	4.7%
Other	43	13.4%

Note: Firms were allowed to select multiple responses.