




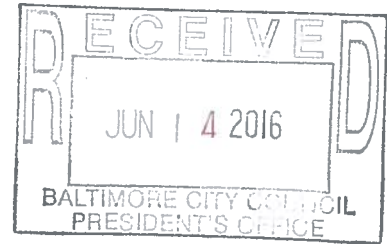
MEMORANDUM

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

FROM: William H. Cole, President and CEO 

DATE: June 14, 2016

SUBJECT: City Council Bill No. 16-0655
Labor and Employment – City Minimum Wage



Council Bill 16-0655 proposes the creation of a wage commission, establishment of wage requirements, enforcement and penalties for non-compliance.

The Baltimore Development Corporation (BDC) has no position on the proposed Bill, however its approval will have an 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

The proposed composition of the five member commission is heavily weighted towards recipients of the wage with Labor and community-based organizations each having two members. Providing only one seat to the business community gives the appearance that business concerns will not be equally considered with such an imbalanced representation.

As business owners and operators will bear the burden of implementation and compliance, they should have equivalent or representative weight on oversight. Increasing business's weight amongst the Commission membership would reduce the disparate representation of worker and employer.

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.

No position

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Wage Requirements

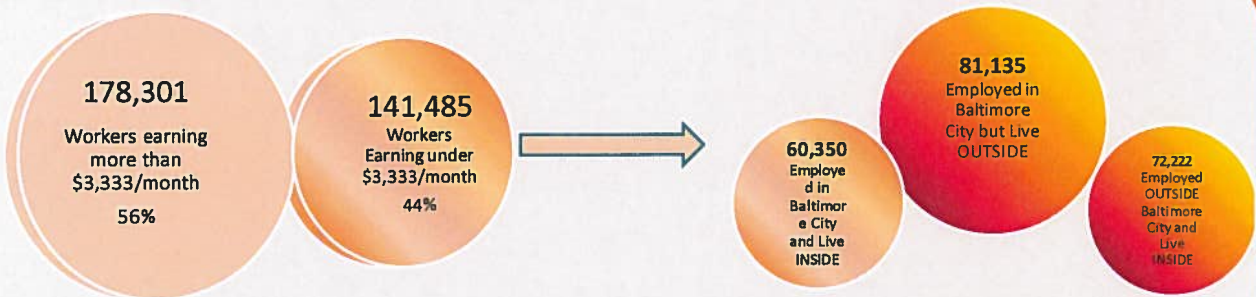
This bill advances the City’s minimum wage schedule to exceed the State standard by July, 2017, and increases the gap as the State wage reaches its cap of \$10.10 in 2018. The notable exceptions are Montgomery County and Prince Georges County in Southern Maryland, which are two counties closely tied to the economy of Washington D.C., which are two counties closely tied to the economy of Washington D.C., which has a higher cost of living and greater demand for labor. 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.

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.

There are currently 141,483 employees in Baltimore City, who earn less than \$3,333.00 per month, which is within 30% of the proposed minimum wage standard. Only 60,350 (42%) of these employees are also Baltimore City residents; the remaining are commuters from the adjacent counties.

Within Baltimore City, there are 118,922 residents, who earn less than \$3,333 per month. Considering only 60,350 of those residents work in the City of Baltimore, the balance of 72,222 (61%) commute outside of the City for employment which means that majority of residents earning less than the proposed minimum wage standard will not benefit from the proposed Bill.

Total Baltimore Workforce of 319,786 relative to \$3,333/Month in Income



In the diagram above, the total workforce of 319,786 is comprised of 178,301 workers earning outside the range of the proposed legislation and 141,485 or 44% in the affected range. The \$3,333 monthly earnings level is targeted as this is the monthly earnings of the legislation (\$15/hour = \$30,000 annually) plus 30% or \$40,000 annually the group that will have adjustments in value due to legislation. Secondly data is readily available at these levels.

- The legislation will affect 60,350 Baltimore residents that both live and work within the City of Baltimore.
- The legislation will also affect the 81,135 regional residents who commute into the City of Baltimore for work.
- The legislation *will not* directly impact the 72,222 Baltimore City residents who commute outside the City for work, who may indirectly benefit from the competitive environment created by the legislation.

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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 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. Highly competitive sectors of retail, services and hospitality, both large and small, will feel the greatest negative impact of the minimum wage increase.

Competitive Disadvantage

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.

The Mayor's Small Business Advisory Committee recently reviewed the legislation. While the Committee was concerned about the expanded role of the Wage Commission and the escalation of the minimum wage far beyond the state wage, they expressed significant misgivings regarding the issue of competitive disadvantage Baltimore businesses would face as a result of this increase. The Committee noted the need to seek either a statewide or regional wage increase as the only way to prevent such a disadvantage.

cc: Andrew Smullian
Angela Gibson

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

Opinion of the responding firms to the proposed legislation by firm ownership:

- 29% of minority-owned firms supported the increase
- 35% of minority-owned firms did not support the increase
- 25% percent of women-owned firms supported the increase
- 44% women-owned firms did not support the increase

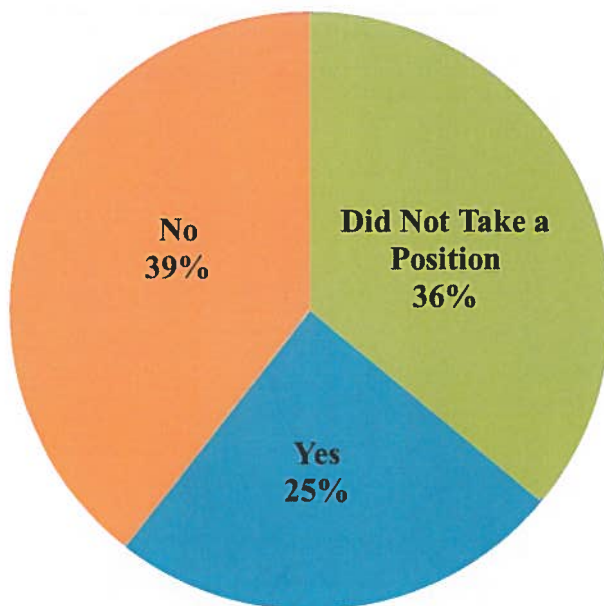
When asked the how the proposed legislation would impact their operations (total of 322 firms):

- 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

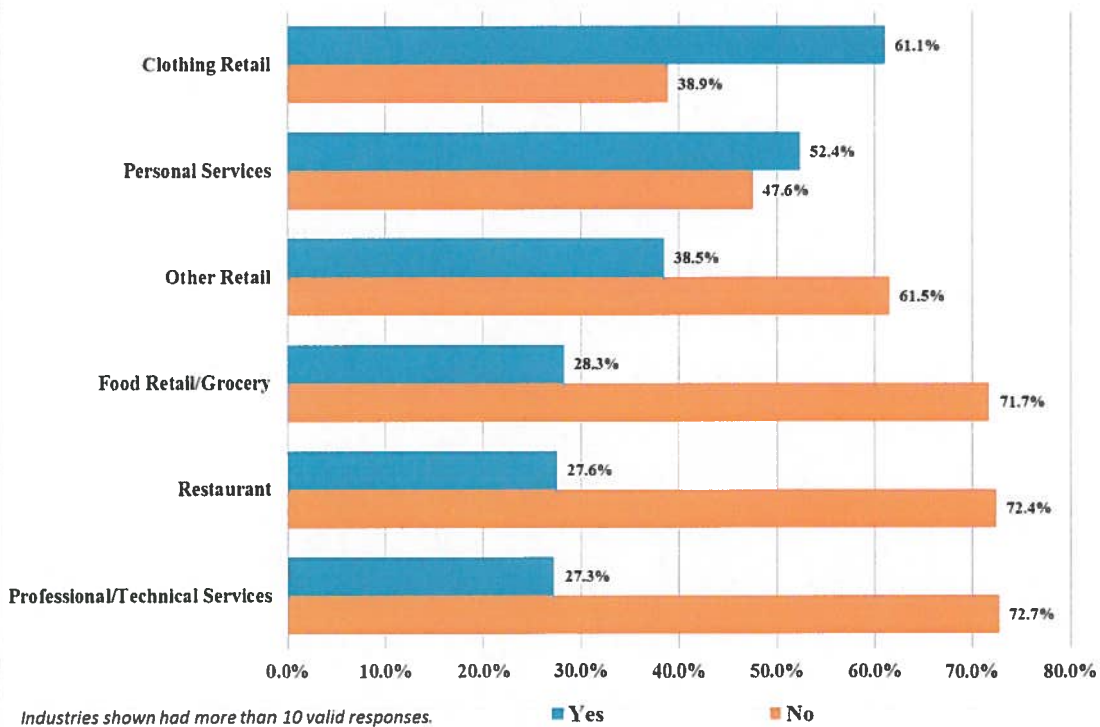
Impact of the proposed legislation if the business supports the increase (total of 79 firms):

- 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

| | Total | Don't Know | No Answer | Total Valid Responses | Yes | % of Total | No | % of Total |
|----------------|--------------|-------------------|------------------|------------------------------|------------|-------------------|------------|-------------------|
| Total | 322 | 36 | 80 | 206 | 79 | 38.3% | 127 | 61.7% |
| 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

| | Total | % of Total |
|--|--------------|-------------------|
| Total Firms | 322 | |
| 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.