

# A \$15 Minimum Wage in Minneapolis: Broad Benefits for Workers, Small Businesses and the City's Economy

*Raising Minneapolis' minimum wage to \$15 would have broad benefits for low-wage workers, small businesses and the local economy. In retail—the state's largest low-wage sector—a \$15 minimum wage would help small businesses by leveling the playing field and ensuring that large chains pay similar hourly wages to what small business are already paying. It would also deliver a \$140 million raise for workers in the city, generating new consumer spending that will boost demand for goods and services, lifting the city's economy.*

## Raising the minimum wage in Minneapolis will level the playing field for mom and pop retailers in the city, which already pay higher wages than the large chain stores

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Analysis of U.S. Census data for the retail industry—one of Minneapolis's lowest-paying sectors— shows that **small retailers in Minnesota already pay substantially higher wages than the large retail chains**, which employ the majority of retail workers in the state. Raising the minimum wage to \$15 would level the playing field for small businesses in Minneapolis and require large companies to do their part by paying wages more in line with what their smaller counterparts are already paying.

In Minnesota, **it is large retailers—not mom-and-pop businesses—that employ the majority of workers earning less than \$15**. According to analysis of the latest available data from the U.S. Census Survey of Business Owners, large businesses (defined here as those with 500 or more workers) employ 60 percent of all retail workers in the state, but pay 15 percent below the average for smaller businesses employing 499 or fewer workers.<sup>1</sup>

As Table 1 shows, on average, **smaller retailers pay \$27,898 annually, which translates to \$13.41 per hour for full-time, year-round work. By comparison, large retailers pay significantly less: \$23,725 annually, or just \$11.41 hourly.**<sup>2</sup> By adopting a higher minimum wage, Minneapolis would ensure that smaller businesses are not put at a competitive disadvantage relative to larger businesses in the city.

**Table 1. Large Businesses Employ the Majority of Retail Workers, but Pay the Least<sup>3</sup>**

	Number of Businesses	Number of Employees	Average Pay Per Employee (2012 \$)	Average Pay Per Employee (2017 \$)
All Minnesota retail sector businesses with employees	11,119	284,888	\$23,502	<b>\$25,179</b>
Retail businesses with up to 499 employees	5,642	103,893	\$26,040	<b>\$27,898</b>
Large retail businesses with 500+ employees	399	169,813	\$22,145	<b>\$23,725</b>
<b>Large retail businesses' share of total</b>	<b>3.59%</b>	<b>59.61%</b>		
<b>Large retail businesses' average wage, relative to average for smaller firms</b>			<b>85.04%</b>	

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

## Research and media reports on U.S. cities with high minimum wages—including a rigorous study of Chicago and other cities raising their wage floors to \$13-\$15—find that they are raising local pay without job loss

Research and business press reports on U.S. cities with high minimum wages find that they are raising local pay without costing jobs.

University of California researchers recently completed the first multi-city study examining the on-the-ground impacts of the U.S. cities that in recent years have been raising their minimum wages to robust levels. The new study focused on Chicago's minimum wage—now at \$10.50 and increasing to \$13 by 2019—and those of a group of other U.S. cities, including Seattle, San Francisco and Oakland, California, that currently have the highest minimum wages in the country. **The new study compares job growth in Chicago and other high-wage cities, with job growth in other economically comparable regions of the U.S., and finds that higher minimum wages boosted worker pay with no discernible loss of jobs or slowing of job growth to date.**<sup>4</sup>

These findings are consistent with past research and business press reports on the impact of city minimum wages in U.S. cities in recent years. For example, a new study of the impact of San Jose's minimum wage found it similarly raised pay with costing jobs.<sup>5</sup> And a report by *The Wall Street Journal* found that “[f]ast-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.”<sup>6</sup>

### **Julie Kearns, Owner and Founder, Junket: Tossed & Found**

“Like many small business owners, I pay well above the current minimum wage, and I support a \$15 minimum wage for Minneapolis to ensure that all employers do the same. This matters because a \$15 minimum wage would enable more people in our community to move beyond survival mode—and when basic needs are met and people can make decisions based on factors other than cost, the increase in discretionary income helps small business owners and local job creators like me.”

In Seattle—the first U.S. city to approve a \$15 minimum wage and where the wage level reached \$15 in January for large employers—restaurant job growth has continued to be strong, and unemployment hit a record low of 2.9 percent in April 2017.<sup>7</sup> As *Forbes* reported this month, “Higher Seattle Minimum Wage Hasn’t Hurt Restaurant Jobs Growth After a Year.”<sup>8</sup> Earlier reporting in the *Puget Sound Business Journal* was titled “Apocalypse Not: \$15 and the cuts that never came.”<sup>9</sup> Although a July 2016 initial analysis had suggested that while jobs continued to grow strongly in Seattle, the pace of growth might have slowed slightly on account of the minimum wage,<sup>10</sup> in November, the study’s author backed away from those findings, concluding that they were not statistically significant.

Similarly, in San Francisco, the unemployment rate dropped to 3.5 percent in March 2017 from 5.0 percent in March 2014—the year in which the city adopted a \$15 minimum wage,<sup>11</sup> and its restaurant sector sales grew from 5.4 percent to 6.6 percent, a faster pace than other comparable cities like New York.<sup>12</sup>

This is part of why polling consistently shows that most business owners and executives actually support raising the minimum wage. According to polling conducted 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 it.<sup>13</sup> Similarly, among small business owners, a substantial majority (59 percent) favor raising the minimum wage, according to a recent poll by Manta.com.<sup>14</sup>

## **Raising the minimum wage to \$15 in Minneapolis will raise workers’ pay by \$140 million a year, and trigger new consumer spending that will boost the economy**

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A \$15 minimum wage for Minneapolis’ lowest-paid workers will, once fully phased in, put **an extra \$140 million a year into the pockets of struggling households**. That’s money that will **go right back into the economy**—often at local businesses—as workers spend their larger paychecks on necessities, and even a few small luxuries like dinner at a restaurant, an extra pair of jeans, or fresh fruit from the farmer’s market. The increased consumer spending triggered by higher wages has the effect of boosting demand for goods and services<sup>15</sup> and keeping money circulating in the economy, creating a virtuous cycle that benefits workers, businesses, and the economy.<sup>16</sup>

### **Charles Thorton, *Wendy’s Worker & CTUL Member***

“I have been working for decades trying to make ends meet. But with the low wages I earn, it’s hard to pay my bills. And since my wife has been sick, her mounting medical bills make it even harder to survive on low wages, so we struggle even more. Things have gotten so bad that I had to get a second job, and now I’m working 72hrs a week. I have been on strike 5 times to win as part of the Fight for \$15. I believe it’s time to raise the Minneapolis minimum wage to \$15, and give hardworking families a chance to get ahead!”

According to a study by the Humphrey School of Public Affairs at the University of Minnesota, a \$15 minimum wage in Minneapolis would **raise pay for an estimated 71,000 workers, or 23 percent of the city's workforce**.<sup>17</sup> According to the Economic Policy Institute, the average worker lifted by a \$15 minimum wage in Minnesota would receive **an additional \$2,000 per year** once the minimum wage is fully phased in.<sup>18</sup> That translates to **an extra \$140 million each year in higher wages for Minneapolis workers** that, when spent, could provide a significant boost to the state's and to Minneapolis' economies.

## Endnotes

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