

A \$15 Minimum Wage In St. Paul: Broad Benefits For Workers, Small Businesses And The City's Economy

Adopting a \$15 minimum wage in St. Paul would have broad benefits for low-wage workers, small businesses and the local economy. In retail—one of Minnesota's largest low-wage sectors—a \$15 minimum wage would help small businesses by leveling the playing field and ensuring that large chains pay hourly wages similar to what small businesses are already paying. It would also deliver millions of dollars in raises for workers in the city, generating new consumer spending that will boost demand for goods and services, lifting St. Paul's economy.

A \$15 Minimum Wage in St. Paul Levels the Playing Field for Mom-and-Pop Retailers, Which Already Pay Higher Wages Than Large Chain Stores

The retail industry is one of Minnesota's fastest-growing¹ but lowest-paying sectors.² Analysis of U.S. Census data for the retail industry in the state shows that small retailers pay substantially more than the large retail chains. By raising the minimum wage to \$15, St. Paul would level the playing field for the city's small businesses by requiring large retailers to pay 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 nearly 60 percent of all retail workers in the state, but they pay 15 percent below the average for smaller businesses.³ (See Table 1).

Table 1. Large Businesses Employ the Majority of Retail Workers, But Pay the Least⁴

	Number of Businesses	Number of Employees	Average Pay Per Employee (2012 \$)	Average Pay Per Employee (2017 \$)
Small retailers with 5 to 499 employees ⁵	5,642	103,893	\$26,040	\$27,898
Large retailers with 500 or more employees	399	169,813	\$22,145	\$23,725
Large retail businesses' share of total	3.59%	59.61%		
Large retail businesses' average wage, relative to smaller firms			85.04%	

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

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.**⁶ By adopting a \$15 minimum wage, St. Paul would ensure that smaller businesses are not put at a competitive disadvantage relative to larger businesses in the city.

Research and Media Reports On U.S. Cities with High Minimum Wages—Including Chicago—Find That They Are Raising Pay Without Job Losses

Academic studies and the business press have begun to report on the experiences of the other U.S. cities that, like Minneapolis, are today phasing their minimum wages up to relatively high levels. To date, both research and business press reports suggest these measures are boosting pay with little negative impact on employment.

Chicago. A team of University of California economists are conducting the first multi-city study of the U.S. cities that are currently phasing their minimum wages up to the \$13-to-\$15 range. The series of studies will include Chicago, Seattle, San Francisco, Oakland and other cities that currently have some of the highest minimum wages in the country. The team recently previewed the findings on Chicago's minimum wage—which is now at \$11 and will be increasing to \$13 by 2019. Their study shows that **Chicago's higher minimum wage is boosting worker pay with no discernible job loss or slowing of job growth to date.**⁷ Moreover, Chicago continues to lead Illinois in job growth, and the city's job growth has not slowed down despite a minimum wage that is several dollars higher than the statewide rate.⁸

Seattle. This past June, the University of California economists released their study of Seattle's minimum wage, which this year hit the \$15 mark for large employers. The study focused on the restaurant industry—the largest low-paying sector where any negative effects on jobs would first appear. The study found that **Seattle's minimum wage, which ranged from \$10.50 to \$13 during the period analyzed, had raised pay for workers without any evidence of a negative impact on jobs.**⁹

Another much publicized Seattle study reached a conflicting conclusion, suggesting that the increase had cost jobs.¹⁰ But the conflicting study has come under fire for its **serious methodological errors, which cast doubt on its findings.**¹¹ These problems include the fact that the study excluded 40 percent of the workforce from its analysis, and failed to control for Seattle's booming economy, which was naturally reducing the number of low-paying jobs as employers raised pay independent of the minimum wage to compete for scarce workers.¹²

Business press reports on Seattle's economy and job market confirm that it is continuing to thrive as the \$15 minimum wage phases in. Today, Seattle has an unemployment rate of just 3.5 percent, one of the lowest on record for the area and lower than the Washington State and U.S. unemployment rates.¹³ As *Forbes* reported recently, "Higher Seattle Minimum Wage Hasn't Hurt Restaurant Jobs Growth After a Year."¹⁴ Earlier reporting in the *Puget Sound Business Journal* was titled "Apocalypse Not: \$15 and the Cuts that Never Came."¹⁵

San Francisco. San Francisco was one of the first U.S. cities to adopt a higher minimum wage in 2003. Four years later, a **study published in Cornell University's *Industrial and Labor***

Relations Review found that the city had raised pay without costing jobs.¹⁶ Today, the city's minimum wage is \$14 and will rise to \$15 next year. While an updated study of the impact of the city's higher wage floor is expected in the coming months, all indicators suggest that it is going smoothly. The city's unemployment rate dropped to 3.9 percent in July of this year¹⁷ from 5.7 percent in July 2014¹⁸—the year in which the city adopted its \$15 minimum wage—and its restaurant sector sales grew from 5.4 percent to 6.6 percent from 2014 to 2015, a faster pace than comparable cities like New York.¹⁹

San Jose. A 2016 study of San Jose's \$10 minimum wage found that the policy raised pay without costing jobs.²⁰ As *The Wall Street Journal* reported earlier, “[f]ast-food hiring in the [San Jose] 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.”²¹ The city is now phasing in a \$15 minimum wage over the next two years.²²

These positive economic experiences are some of the reasons that—despite what minimum wage opponents claim—most business owners and executives are actually comfortable with 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 oppose it.²³ Similarly, among small business owners, a substantial majority (59 percent) favor raising the minimum wage, according to a recent poll by Manta.com.²⁴

A \$15 Minimum Wage in St. Paul Will Raise Workers' Pay and Trigger New Consumer Spending That Will Boost the Economy

A \$15 minimum wage for St. Paul's lowest-paid workers will put millions of dollars into the pockets of struggling households. That is money that will go back into the economy—often benefiting 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 shoes, or fresh fruit from a St. Paul farmer's market. The increased consumer spending triggered by higher wages has the effect of boosting demand for goods and services²⁵ and keeping money circulating in the economy, creating a virtuous cycle that benefits workers, businesses and the economy.²⁶

In neighboring Minneapolis, researchers at the University of Minnesota conducted a study of the impact of a proposed \$15 minimum wage. The researchers found that a \$15 wage floor would **raise pay for 23 percent of the city's workforce.**²⁷ A similar impact is likely for St. Paul, which, by virtue of its proximity to Minneapolis, has a similar economy.

According to the Economic Policy Institute, the average Minnesota worker lifted by a \$15 wage floor would receive **an additional \$2,000 per year** once the minimum wage is fully phased in.²⁸ If the impact of a \$15 minimum wage in St. Paul is similar to what was estimated for Minneapolis²⁹, those \$2,000 per year would translate to over \$100 million in cumulative earnings for St. Paul workers—which, when spent at local businesses, could significantly boost the state's and the city's economies.

Endnotes

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