

## The \$15 per hour minimum wage: Are we planning for success or division?

**M**ontgomery County's rapid growth has declined relative to our neighbors in Fairfax County, Virginia, and Howard County, Maryland. As a result, residents of Montgomery County have noticed a direct impact on our community and the public services provided. Our business community is also affected as it employs people, pays taxes and funds our schools. Indeed, to have a strong community in which to live and work, we need to have a successful business community.

In response to the influx of new residents with varying socioeconomic statuses, the discussion of raising the minimum wage has become a major legislative issue at our county council meetings. Raising the minimum wage sounds reasonable enough, doesn't it? Pay a higher minimum wage, and we advance the standard of living in Montgomery County for the least among us. But is that really the case?

In 2014, Montgomery County passed a bill increasing the minimum wage to \$11.50 by July 2017, and recently, a new proposal calls for annual increases to raise the minimum wage to \$15 by 2020. Proponents argue that this increase in minimum wage will

raise the quality of life for low wage earners. But will these laws, created by our local elected officials, result in our business owners leaving the community?

Over the past few years, county and state legislatures have enacted laws and regulations that negatively affect the ability for businesses to continue to prosper. Our businesses have been burdened with required vacation, medical and family leave policies. In May, the state of Maryland enacted laws requiring all employers with more than 10 employees to force mandatory retirement plan contributions to an IRA. And now, the county council is proposing a minimum wage increase that is 50 percent higher than our current minimum wage.

For many small and medium size businesses, such an increase could be the difference of staying in business with a small profit margin to permanently closing their doors. For many small, labor intense businesses such as restaurateurs, landscaping and cleaning services, the predicted labor rate hikes will immediately cause reduction in staff, hiring freezes and higher cost of goods and services to the underlying customers. Why? Because for businesses that compete in these highly competitive industries the underlying profit margin is very small.

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Higher labor costs, combined with lower revenue, result in disappearing salary and profits for business owners. A higher minimum wage will force some businesses to close permanently or relocate away from Montgomery County. If the marginal cost of employees increases, the simple solution is to decrease the number of employees. That answer may not only affect your college-age son or daughter who expects a summer job, but will adversely affect the service you receive when you patronize a restaurant or other business.

I asked three college students – these are all students that I mentor and who are working part time jobs at various employers in the county – for their thoughts on the minimum wage increase proposal. These students felt

very strongly that they would not be employed if the businesses for which they work had to pay them an additional 50 percent. Simply put, the hardware store will have fewer employees helping customers find the items they need, and the grocery store will have more self-checkout lines and fewer people to help with your bags.

The dividing line within Montgomery County is already apparent. According to recent statistics, approximately 18 percent of the county households make more than \$250,000 per year. Yet, at the same time, 35 percent of the students in our county school system receive free or subsidized lunches. With a higher minimum wage, a few low-skilled workers will earn more than they used to and, therefore, they will

be better off, but for the many who lose their jobs, they will be much worse off. The harm done to employees who lose their jobs will greatly increase the divide between the “haves” and the “have nots.”

You may be asking yourself, what is the solution to improving the quality of life in Montgomery County? The county should be looking at new laws and regulations to attract the smartest, brightest and most hard working individuals in the world to Montgomery County. If we have a community of well educated, highly motivated individuals and families, nature’s law of economics will work much better to raise the wages of all in our community because of the collective success of the overall community. <sup>[MM]</sup>

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