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### The Fight for \$15 Versus Small Business in California

In modern America small businesses are the heart and soul of the economy and of the nation. With the current economic climate there are many obstacles and overbearing government regulations that one must overcome in order to succeed as an entrepreneur, but one change in particular is about to push the limits of what small businesses can handle. The Fight for \$15 movement. While this may seem like it will help many low income employees with little to no skills or education, it will have a profoundly negative effect on small businesses. This is especially true in California where a vast polar demographic disparity exists between many areas in the state, ranging from less populated areas such as Shasta County to exceedingly population dense cities like Los Angeles and San Francisco. While most national chains and corporations will be able to adjust for the changes, many smaller businesses will end up losing revenue, employees, or even fail all together. Once the minimum wage rises to \$15 per hour, this movement will likely be the tip of the spear that kills the American dream in California.

Before everyone starts throwing bricks through windows and flipping cars in the streets, realize that there are some benefits to a higher minimum wage. For the workers who are in poverty and are in need of higher household income, this will be beneficial. There will be a substantial rise in spending from the entry level job crowd which will help stimulate some businesses in the immediate area. This in turn will allow for businesses to maintain prices of goods and services without losing profit. While this sounds like a pretty big plus for the Fight for \$15 argument, this only applies to the organizations that are large enough to spread the cost of wages enough to keep all of their employees, and for the employees who actually get to keep their jobs. The reason this is relevant is because many businesses will have to evaluate the cost versus gain of each and every one of their employees. If a worker is worth \$9.50 an hour and you are forced to pay \$15 an hour, that person may no longer be cost effective and will be removed from the payroll. This increase in wages will also directly effect the cost of packaging and preparing raw materials for transport which will increase the prices of all goods and services. So the employees who get to keep their jobs will end up paying the same percentage of their paycheck for groceries as they did before, while the rest are unemployed and hungry. Many workers who are able to maintain their job will also find that their hours will be reduced to save the company money. Automated processes will begin to replace employees to maximize efficiency and reduce cost,

leading to even more hours lost for the remaining employees. In the end, larger corporations will be able to find ways to work around the rise in wages in order to maintain the bottom line. Small businesses don't have quite as many options.

Before getting too deep into the debate for wage change, let's look at the obstacles that businesses have to overcome simply to exist. The Affordable Care Act has completely changed the way that small business operates and how much they can grow before being pushed back by new laws. Many companies are known as "49ers" due to the fact that they cannot afford to hire 50 or more employees because of the Affordable Care Act mandate to provide full healthcare for all full time employees once a company reaches this size. This puts a cap on the size of many businesses and pushes them into hiring mostly part-time laborers, which in turn prevents growth and expansion. Companies need to have less than 25 employees for certain tax breaks, and the increased taxes needed to pay for the "Universal Care" is added on top of increased copay and premiums. Many entrepreneurs have to find another full time job just to pay for their own healthcare.

Obamacare is not the only overbearing government regulation that is strangling small businesses in this country, it is just one of the most publicized. The Department of Labor, Department of Transportation, OSHA, EPA, and countless other agencies have placed thousands of restrictions and regulations on commerce that prevent the free flow of business. Many large corporations violate these regulations on a regular basis and pay heavy fines without having any noticeable effect on the company, but smaller organizations cannot afford to make these mistakes. The problem that most entrepreneurs have is that they do not have the time or resources to keep up with every new regulation that stumbles from capitol hill and still be able to run a successful business. By the time it is all said and done, the burden of regulatory overhead costs thousands of dollars per employee every year. In addition to the federal mandates, California has her own special blend of economic constraints that hurt companies when it comes to energy and environmental regulatory bodies such as the California Air Resources Board, also known as CARB. On the topic of independent truck drivers Wesley Coopersmith writes, "The CARB regulation in California is costing truckers well over a year's wage. Small trucking companies and independent truckers can't possibly afford to stay in business if these regulations stand." (Coopersmith).

One of the main hurdles for a manageable minimum wage is the cost of living difference between metropolitan and rural areas. The average cost of a two bedroom apartment in San Francisco is \$4,500, while a comparable dwelling in Redding is about \$900. This has a direct correlation to the prices of goods and services in

those areas. Someone living in a major city may need higher pay to live than a person in a small town. This also means that small businesses in the less populated areas are making less money, but are spending less money as well. San Francisco already has a minimum wage of \$13 per hour, so the change to \$15 will not be nearly as detrimental to businesses in that specific area. This will, however, have much greater effects across the state where the cost of living is much lower. The Fight for \$15 movement started in urban areas with high populations and high cost of living, but with the help of certain political groups and a little mob mentality the rest of the state is being dragged into it as well.

The argument for a higher minimum wage seems valid in the eyes of many unskilled workers in today's economy. If a person is working for minimum wage and cannot make enough money to support themselves, then they will want more money. This makes sense, right? Well, it's not that simple. The problem with the minimum wage debate is that many assume that a full grown man or woman should be able to support themselves and their family with a minimum wage job for a prolonged period of time. On the [fightfor15.org](http://fightfor15.org) website the battle cry is "Fast food workers deserve \$15 an hour and a union so we can pay our rent and support our families," followed by, "we won't stop fighting until we turn every McJob into a REAL job" ([fightfor15.org](http://fightfor15.org)). In reality, if a person is working at an entry level job for more than six months and has not yet received a raise, then that person is probably not performing to a level that is deserving of more money. With minimum effort comes minimum wage. Many people are perfectly fine performing at the lowest required level of productivity, but still want to be paid more despite their lack of performance. Others work very hard and have earned their way to \$15 per hour within a very short period of time and will be returned back to minimum wage along with all of the employees that they had outshined not long ago. Today's manager was yesterday's cashier, but soon they will all be paid the same once again. This will also delay any raises for the people who do work harder, as businesses will not be able to afford the extra pay for the better workers. Minimum wage is not the same as living wage, and there is no reason to pay an unskilled worker the same amount of money as a skilled worker. Something to think about when looking at minimum wage is what it represents. The minimum. There is no job that you can get paid less for than a minimum wage job. A person with no skills, no education, and no experience can get a minimum wage job. So why do so many people want to push for a higher minimum? Well, the easy answer is that they don't want to work harder to make more money. Most businesses do not pay minimum wage, they pay more. And when employees work hard and show initiative they get raises and gain experience that will help them move up in the company. Minimum wage jobs are not meant to sustain a person for their entire life. They are called "entry level" for a reason. With an increased cost for entry level employees comes

increased requirements for applicants. A high school graduate with no work experience might be able to get a \$9.50 an hour job, but for \$15 employers are going to want more training and experience to make the new addition worth the extra money. The unskilled, uneducated, poverty stricken workers who are hoping to gain from the increased paycheck will be very disappointed when they find out that they are no longer qualified for the job that they already had.

The most immediate impact that a \$15 minimum wage will have on small businesses in California will be the loss of any competitive edge against larger commercial entities. Most small businesses and entrepreneurs are working with a very small profit margin, and forcing them to take even more money out of that profit will push those businesses to make changes. Any small business that fabricates their own goods will be harmed even more when large corporations outsource manufacturing to other states or even other countries. This will create an even more pronounced price gap between small business and large chains, defeating any hope of having a product with a competitive price. Without the ability to compete, small businesses will fail.

Cutting hours and laying off employees will be the most immediate response to shift the ledgers out of the red. With less employees, customer service will begin to suffer. Service will be diminished and fewer customers will want to spend money at these establishments. Add in the necessity of raising prices as well, and you are left with a shop that is expensive, has slow service, and is no longer competitive in today's market. The small businesses will slowly begin to fail one by one, and then the job market will be filled with more workers fighting for minimum wage jobs. This is the part that the Fight for \$15 crowd likes to leave out. There has been such an intense focus on the titanic fast food industry that all other occupations have been ignored in every one of their studies. While there may not be a huge impact overall on state wide unemployment percentage due mostly to the fact that much of the population is in the major cities, the unemployment of small business laborers will be catastrophic. Just because "McDonald's can easily afford to give us a raise" doesn't mean that everyone can (McCray).

Many of the people who are strong supporters for the Fight for \$15 are the same people who occupied Wall Street with the 99% crowd, and they feel that they are sticking it to the 1%. This is not the case. While it will cost the larger corporations to increase the pay of their entry level employees, it is not likely that there will be any substantial change to their financial situation as an organization. The rich will still be rich and the poor will still be poor, and those who demand the wage floor be raised will never be satisfied. Like many of the Occupy movements and other protests over the last decade, there has been a flood of misinformation and misguided studies to sway the opinion of

the proletariat masses who, for the most part, already earn more than minimum wage. Instead of waiting for a million likes on Facebook to tell them what to think, maybe a protestor should ask a small business owner, "Could you afford to hire me?" The answer may displease them.

So what should we expect over the next few years as the minimum wage actually makes its way to the \$15 mark? First there will be praise of the Fight for \$15 campaign and their statewide and eventual nationwide success, and many McPlebeians will buy iPhones with their new found riches. Small businesses will be given a longer grace period than large corporations to adhere to the new regulations, but slowly they will fall in line. As the burden of the new minimum wage weighs on small businesses they will begin to raise prices and lose workers. Competition will die, small business will die, and the same empire of commerce that has been the enemy this entire time will come in to take their place. Less competition and higher wages will cause the price of goods and services to go up, and inflation will rear its ugly head. The person who took your order for \$9 an hour will now be replaced by a kiosk that will give you the same \$3.99 cheeseburger for \$7. In places like San Francisco it will basically be life as usual, everything is expensive and everything keeps moving. In places like Redding the artisans and entrepreneurs will be closing their doors and looking for work within the same job field, but for a much larger enterprise. New pioneers of commerce will be hard pressed to get started, unless everyone on their staff agrees to be volunteers until the company can afford to pay them minimum wage. High school graduates will no longer be able to get a job at the corner market down the street because they are not experienced and therefore not worth \$15 an hour. Smaller towns will start to look like strip malls, as all of the locally run businesses will be gone. The only place to get coffee will be Starbucks, the only place to buy clothing will be Walmart.

Once all of the dust has settled and the cost of living reaches equilibrium with the new minimum wage the small businesses will start to come back. Like a forest regrowing after a great fire, the small businesses will begin to bloom. Then, when everything has gone back to normal... \$15 won't be a liveable wage. There will be protesters lining the streets demanding justice and increased wages. The Fight for \$30 is here! But what if we didn't have to wait for that day. What if we didn't have to see it at all? In a market that is supposed to be free, why is the minimum dictated to us by the government at all? I say that the solution to our problem is not to raise, lower, or even keep the minimum wage, but to get rid of it entirely. When a McDonald's asks for people to work for \$7.75 an hour and everyone says no, then they will raise their wage rate because they need workers. When a high school student wants to gain experience and is willing to work for \$5 an hour for a small business, let him do it so that he can learn. Instead

of the government determining the wages of the state, let the free market do it for us. Any system will always try to find equilibrium, and the more you try to control that system, the more violent and uncontrollable the reaction is going to be. We need to be patient and think about the big picture instead of only thinking of ourselves. Give California a chance to work it out on her own, and watch the small businesses that are the heart of our state flourish.