



Long Beach Small Business Monitor

Small Business and the Minimum Wage

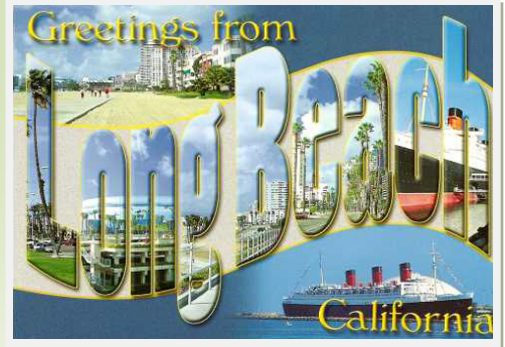
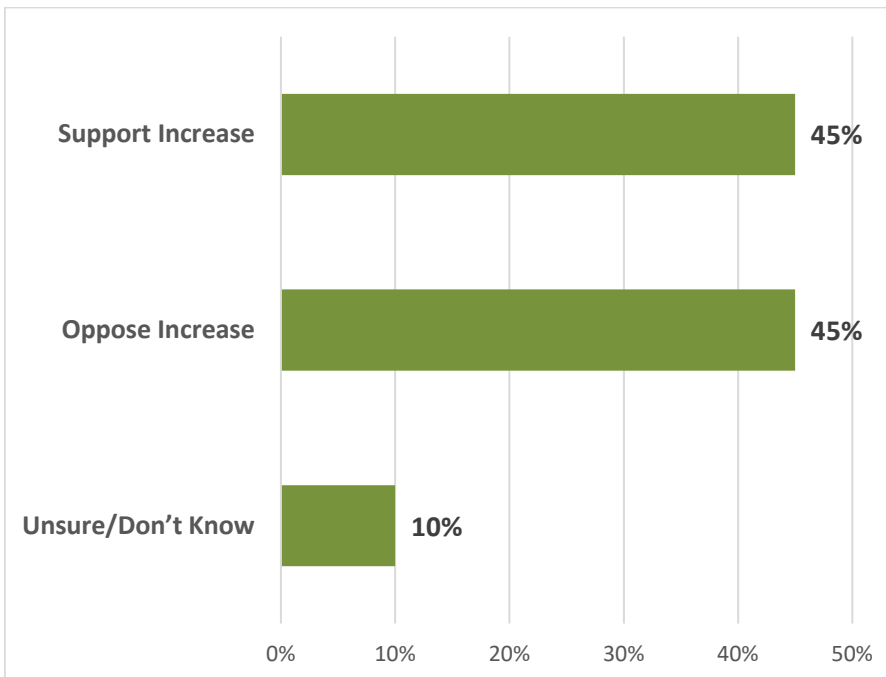
The Long Beach City Council recently voted to adopt a minimum wage policy consistent with the new CA state government statute. Under the new law, the minimum wage in Long Beach will increase from the current \$10 per hour to \$10.50 per hour at the beginning of 2017. It will then increase to \$11 in 2018 and then incrementally every year until reaching \$15 per hour in 2022. Smaller businesses (25 employees and under) will have an extra year to phase in the wage increases.

In our survey, we asked Long Beach Small Business Owners what they thought about the increase in the local minimum wage. Long Beach small business owners are split in their opinions. As shown in the chart below, 45% support, 45% oppose and 10% are undecided.

Small Business Owners in Long Beach and the Minimum Wage

Q: The current minimum wage is \$10 per hour.

Would you support or oppose a local ordinance to raise the minimum wage incrementally every year till reaching \$15 per hour?



In This Issue

In this issue, we look at the opinions of Long Beach Small Business toward the new minimum wage initiatives recently passed by the LB City Council and State Government in Sacramento.

The purpose of the Long Beach Small Business Monitor is to provide the greater Long Beach region an understanding of the expectations, struggles and desires of Long Beach Small Business owners.

Results are based on surveys of small business owners in Long Beach with 50 employees or less.

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Coming in Soon

* LB Small Businesses and Improving Neighborhood Quality of Life

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Business Outlook Drives Attitudes Toward Minimum Wage Increase

Conventional wisdom states attitudes toward the minimum wage are driven by ideology and partisanship. However, our surveys among Long Beach Small Business owners show this is not the case. Attitudes toward the minimum wage increase are shaped by the small business owner’s feelings about their ability to pay the new higher wages. As data below show, small business owners that are optimistic about new sales and revenues (table 1) and feel more positive about the economic well-being of the community (table 2) are more supportive of a minimum wage increase (51% and 50% respectively support the minimum wage increase). Conversely, those that expect a decline in sales and are pessimistic about growth in the local economy are more opposed to the increase in the minimum wage (85% and 72% respectively oppose the increase).

Table 1: Expect Company Sales to Increase, Decline or Stay the Same?				Table 2: Feel the Economy in Long Beach Will Get Better, Worse or Stay the Same in the Next 12 Mo?			
	<u>Expect Sales to Increase</u>	<u>Stay the Same</u>	<u>Expect Sales to Decline</u>		<u>Will Get Better</u>	<u>Stay the Same</u>	<u>Will Get Worse</u>
Support Increase	51%	41%	10%	Support Increase	50%	40%	24%
Oppose Increase	39%	36%	85%	Oppose Increase	34%	39%	72%
Unsure	10%	23%	5%	Unsure	6%	21%	5%

Business size also matters. Micro small business (1 to 10 employees) are less supportive of the minimum wage increase (35%), while larger small business (11 to 50 employees) are significantly more supportive (50%) (table 3). These findings support our view that attitudes toward a new minimum wage among Long Beach small business owners is based on perceived ability to pay for the increase and *not* on ideology or partisanship. Most small business owners tend to use wage increases as a reward for good work and to keep loyal and productive employees. However, some small businesses are better able to absorb these costs than others. Micro businesses with fewer employees, less revenue, and inconsistent cash flow are presumably at most financial risk and would be less able to absorb the new wage costs thus leading to greater opposition. Larger small businesses are better able to deal with increases in the minimum wage and are therefore more supportive. Interestingly, female small business owners are more supportive of the increase in the minimum wage than male small business owners as seen in table 4.

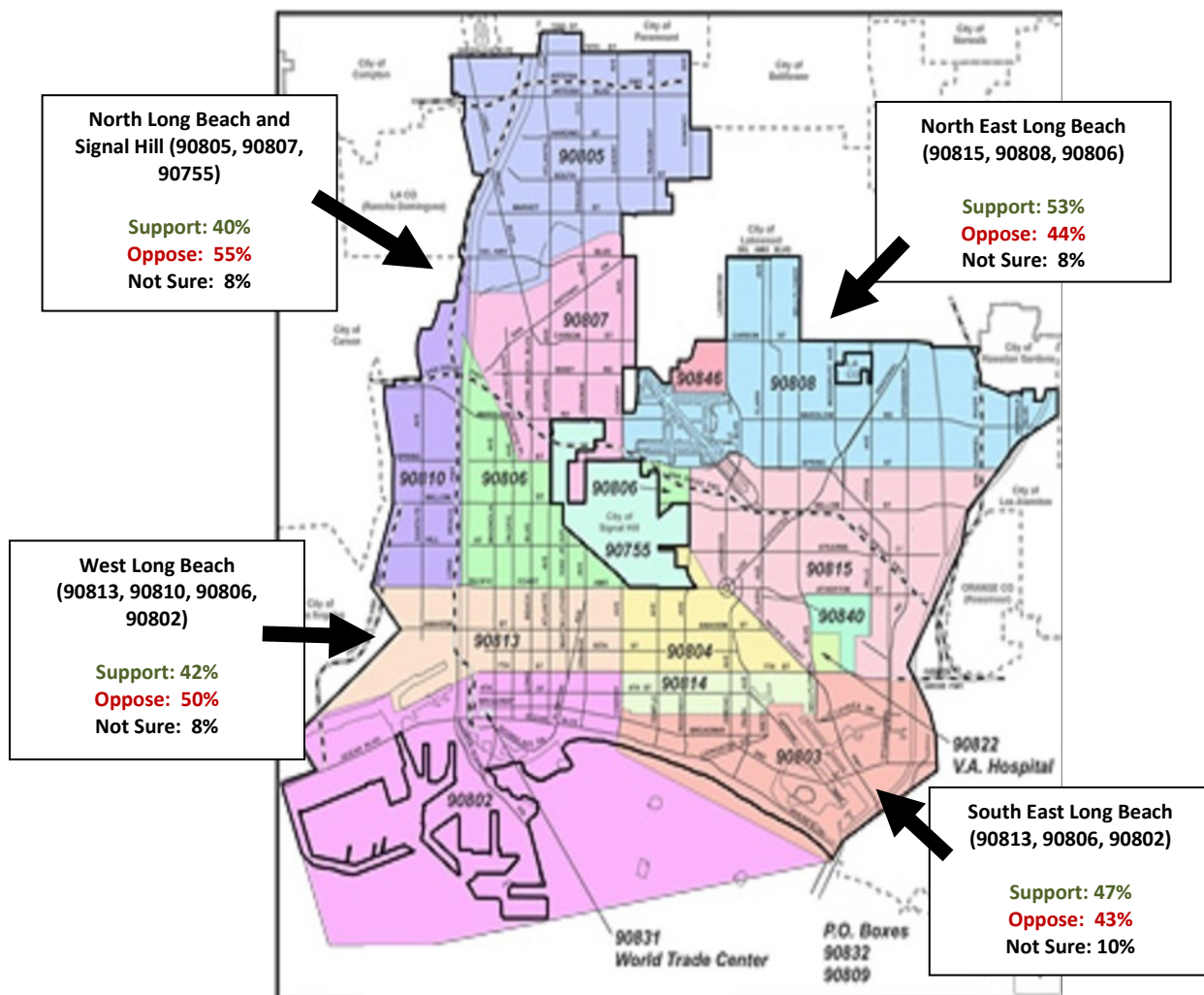
Table 3: How Many Employees Work at Your Company?			Table 4: Male vs Female Small Business Owners		
	<u>1 to 10 Employees</u>	<u>11-50 Employees</u>		<u>Male Owners</u>	<u>Female Owners</u>
Support Increase	35%	50%	Support Increase	32%	50%
Oppose Increase	56%	41%	Oppose Increase	62%	34%
Not Sure	9%	10%	Not Sure	6%	16%

Attitudes are Driven by Neighborhood Economic Conditions

Common expectations are that the more conservative areas of east Long Beach would be opposed, and more liberal areas of the west and north side of the City would support an increase in the minimum wage. *But, this is not the case.* Instead, there are more small business owners on the west and north sections of the City opposed to the increase than on the east side of Long Beach, where a majority *support* the minimum wage increase (see chart below).

The north and west areas are more economically challenged and presumably the small businesses located there are at most financial risk. They would be the least able to absorb the increase in the minimum wage which helps explain greater opposition to it. This is not the case in the east parts of the City, where a majority support the minimum wage hikes and where more positive economic conditions may help them feel they can manage the new labor costs.

In sum, owners of smaller businesses and those in more economically challenged parts of the City are most opposed to the minimum wage increases presumably because they are concerned about being able to pay for them. Focused support in the form of greater access to credit and cash flow, and marketing to help increase revenues, should help them better manage the wage increases that are coming.



Thank You to Our Respondents!

“THANK YOU!” To the more than 100 Long Beach small business owners, managers and supervisors that completed the 2016 Survey of Long Beach Small Business.

Methodology

Results are based on a probability sampling of small businesses in Long Beach, CA (50 employees or less). Under the direction of Dr. Flexo, Marketing Systems Group (www.m-s-g.com) generated a random sample from their frame of all small businesses with addresses in Long Beach. The sample was sent to Opinion Access Corporation a professional data collection facility (www.opinionaccess.com). Each record was called by a professionally trained interviewer at OAC. A final sample of 100 interviews with small business was collected using this industry standard procedure.

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