Small Business Owners' Perspectives on Raising the Minimum Wage in the Lewiston-Auburn Area

a class project by

Alexa Adams, Anan Ahmed, James Brown, Jacqueline Cooper,
Cora Hirschfeld, Gideon Ikpekaogu, Isabel Koyama, Detmer Kremer,
Kara Le, Bantu Mabaso, Gabriella O'Leary,
Madelene Santizo, and,Emilio Valadez

for

The Maine Small Business Coalition

and

AN339 Production and Reproduction

Bates College

Anthropology Department

Professor Elizabeth Anne Eames

December 27, 2015

Small Business Owners' Perspectives on Raising the Minimum Wage in Lewiston-Auburn

The purpose of our economic anthropology course's fieldwork project was to document the current wage structure of local enterprises as well as to understand the views of small business owners concerning the Fair Wage Maine initiative. Proponents of this initiative maintain the belief that the current minimum wage of $7.50 per hour is inadequate to support a 'living wage' above poverty levels. Since only seven businesses consented to sharing their information with the Maine Small Business Coalition (see the accompanying portfolio and multimedia presentation), this analytical paper will anonymously incorporate insights gained from all the interviews conducted by our class. We found that almost all of the business owners we interviewed already pay their workers above the minimum wage even at entry levels, ranging from $8 per hour to $20 per hour. Yet despite already paying their employees above the minimum wage, the small business owners we interviewed expressed wariness and skepticism in regards to the economic practicality of raising the minimum wage in Maine. While most business owners recognized that there could be a moral argument in favor of raising the minimum wage (it would benefit all employees and objectively work to eliminate poverty from the bottom up), their personal economic objections outweighed the moral argument. That is, often we found employers either did not believe that the minimum wage should be raised because it is economically unmerited or because its economic costs would prevent their own businesses from staying afloat. In other words, although the current minimum wage is unlivable for people generally, the prospect of raising it would be economically impractical for small business owners individually. Here we see that there are strong arguments to be made about how the economy is perceived, such that small business owners feel they must value the economy over the livelihood of their worker in most cases. The economy is what determines what they think can or cannot be done.

Methodology

Our class teamed up into small groups which each corresponded to a sector of the economy -- namely, professional services, contracting services, counter services, sit-in food services, retail services, and personal services. Each group reached out to a series of small business owners asking

whether or not they wished to participate in an interview. Upon receiving affirmation, the group would meet with the small business owner. The groups then acquired written consent to use the small business owners' interviews in this report. We documented interviews with audio recording devices and sometimes video footage, and took pictures of our interviewees and their storefronts when allowed. After the interview process we developed a business profile in a portfolio for the small subset of business owners who consented to have their information made public.

Economic Arguments

Our study found that small business owners in the Lewiston-Auburn community frequently cited the potential high economic cost of raising the minimum wage. One small business owner in the contracting service sector claimed that given a spike in the minimum wage, he would have to give up his "office and the overhead associated with it, stop paying workers comp insurance, not pay [himself], or pay everybody less." However, upon learning that according to the referendum the minimum wage would be raised incrementally rather than suddenly, he said even though it would most likely not affect him so harshly, he still doesn't trust any government mechanism to fix it. Here we see that the prospect of higher wages tends to raise issues of cost. The notion that there could be higher worker productivity is nonexistent; that is, the marginal benefits are not perceived to outweigh the marginal costs. However there seems to be agreement that, in the long run, an incremental rise in the minimum wage is possible because it does not force one to react quickly to a sharp increase in the cost of production.

The issue of backfire for the wage worker was also brought up. The owner of Rails restaurant made the point that although raising the minimum wage could be morally and socially justified, she felt unsure of whether raising the cost of employment would be sustainable for full time jobs in Lewiston-Auburn. Not only did she perceive higher costs for employers, she further argued that this would lead to full-time workers losing hours, as their employers would be unable to sustain their paychecks. The economic logic here is that in order to retain costs of production as they were before increasing the minimum wage, employers would necessarily have to cut jobs.

The owner of Boba restaurant made the related point that the biggest issue in Lewiston-Auburn is the rate of unemployment, not the lack of a sustainable living wage. Though he himself wouldn't mind raising it by a dollar or two, he told us that the cost of living in the Lewiston-Auburn area is

already relatively cheap making the current wage structure livable. He concluded that, when it comes to the Lewiston-Auburn area particularly, he thinks wages could and should stay low.

Another small business owner who operates a chain of retail stores anonymously said that employees would work fewer hours with their new wage *by choice,* thereby lowering productivity. He believes that this would force him to engage in the costly process of hiring more workers. This idea, too, seems to be based upon the notion that the current minimum wage is livable as it stands. Overall, we see in the voices of these employers that not only would there be negative effects for themselves, but that those effects would trickle down to their employee, creating a lose-lose scenario.

In contrast, one point of view that might be helpful for MSBC to consider is that since many of the business owners had previously worked for minimum wage, current employees should also be able to do so. However, this thought does not account for the cost of living increasing with time as wage rates stagnate. A personal service business owner who did not wish to be further identified stated that while she managed on minimum wage several years earlier she knows that it is no longer livable in relation to the cost of even a one bedroom apartment even in the relatively low cost area of Lewiston-Auburn.

Another primary argument we encountered was that changing the minimum wage would make it more difficult for small business owners who pay 'over the table' to compete with small business owners who, as the owner of Burnham Painting John argues, "pay 'under the table' and don't properly report (don't pay workers comp, social security, etc)." Hence, in his estimation, raising the minimum wage would increase 'under the table' employment in the informal economy due to employers' unwillingness to hire at the minimum wage. Here we identify a possible moral dilemma within the practices of small business owners: either an employer can pay 'under the table' wages for a competitive advantage or pay legitimate wages at a competitive disadvantage. According to John, raising the minimum wage would only perpetuate this dilemma.

We have observed many perceived economic barriers to raising the minimum wage, namely, that it harms small-businesses' competitive abilities, that it has negative consequences for employees, and that it raises the cost of production. Despite these objections, virtually all of the small business proprietors interviewed either had a starting wage that increased over time by increments, or,

significantly, *always payed above the minimum wage anyway*. Boba, Burnham Painting, and Rainbow Bicycle pay above minimum wage, and other (for this report anonymous) businesses were found to pay similarly high wages. For more information concerning our data on wages, please refer to the accompanying Portfolio.

Employers' Notions of Autonomy, 'Hard Work,' and Merit

A commonly shared perspective amongst the small business owners we interviewed was that minimum wage should not be regulated by the government, but that small businesses should be able to monitor their own wage increases themselves. A number of employers cited that they already increase the wages of their employees based on merit. The perceived merit of employees was based on various factors such as dedication, performance, experience, and the level of training required for the particular job. In some instances, the wages of family members were determined independently from these factors.

The wages at Boba, for example, were determined through the following process: 1 employee receives an hourly wage of $9 and was not a family member while the other employee (a sister of the owner) did not receive a determined hourly wage, but received her pay at the end of each week depending on how much she worked and how much the restaurant earned. Here we observe that, due to familial bonds, family members have a more flexible wage structure than most workers. We observed a commonly shared value amongst business owners that wages should be determined autonomously by the business owner, and this is legally practiced on employees who are family members of the business owner.

We also found that opposition to government regulation of minimum wages stemmed from the value placed on 'hard work' in these communities. A majority of employers cited that they had started by working in minimum wage jobs at the beginning of their own careers. There was a prevailing belief that their hard work in minimum wage jobs was adequately rewarded at that time and that the work ethic instilled at that time subsequently led directly to their later ability to afford their own businesses. There was also a common perception that if individuals continue to work in minimum wage jobs after a certain age, those individuals are at fault for not having worked harder to attain higher paying jobs. Because of the value placed on hard work, many of these employers

objected to the automatic raising of the minimum wage due to their perception that unskilled laborers are being rewarded without cause.

We interpret the felt need to maintain employer autonomy as partially stemming from the social pressure to maintain a hierarchy within the workplace, which in turn places a greater economic burden on the employer. Hierarchical organization in the workplace provides a sense of order and security for employers. Distinctions in rank have the practical benefit of creating a chain of command. These distinctions also serve as incentives to improve performance because of the psychological need to associate oneself with those who are 'powerful.' Here we observe the cultural emphasis in the United States on power attainment. Hierarchical ranking is justified using the concept of hard work as seen in the belief that those who achieve 'The American Dream' worked hard to earn it and therefore deserve their socio-economic prosperity while those who live in poverty earned their low socio-economic rank by not working hard enough. In the American workplace, hierarchical organizational patterns are reproduced every day by the employees themselves as they maintain their own positions by controlling those with lower rank.

Here we observe that differentiated wages are perceived as a measure of merit in the workplace, allowing small business owners to compensate workers accordingly based on their best judgment. Retaining the authority to evaluate performance and reward merit allows owners to perform their authority, strengthening their sense of belonging at the top of the workplace hierarchy.

As the owner of Burnham Painting explained, "If I take my lowest paid painter and bring him up to $15, I would have to correspondingly raise all rates." Their argument is that if the base wage is increased, employers will also need to raise the wages of employees who already receive higher wages in order to maintain the different monetary values assigned to different positions. Given our culturally shared notions of merit, to sustain this difference is essential, so when the employer has to increase the wages of the less skilled workers, they have to do the same for their highly skilled workers. This is believed to place a greater economic burden on the employer.

Conclusion

It is important to note that there was a prevalent misconception in the Lewiston-Auburn community about the process of raising the minimum wage incrementally as has been proposed by

the Fair Wage Maine initiative. Based upon recent events in nearby Portland Maine and in other municipalities around the country, most employers responded under the impression that the minimum wage would be raised immediately from $7.50 an hour to $15.00. Many of the objections to the initiative undoubtedly stemmed from the economic concerns surrounding a sudden, steep increase. When our informants were notified that the suggested increase in wages was incremental, several employers stated their support, but many still expressed hesitancy towards raising the minimum wage above $10 per hour.

The low cost of living in the Lewiston-Auburn area was cited by many employers as an objection against the argument that $7.50 per hour does not provide a 'livable wage.' Since objections to a government-regulated increase in the minimum wage were being expressed by employers who are already paying their employees well above the minimum wage, we interpreted it as a perceived need to maintain autonomy. This appeared to stem from the social and logistical preference for a hierarchy among different staff positions. In addition, we also found that the value placed on 'hard work' in these communities shaped the perspectives of employers concerning wages. Here we observe that the employer is perhaps overlooking the reality of the employee's situation. Within their cost/benefit analysis, employers prioritize the efficiency of the work over the livelihood of employees. As noted above, their sense is that the reality of competition makes it difficult for the employers to concern themselves with the moral implications of the situation.

We have observed that many economic and cultural factors play a role in the observed discontent surrounding the issue of raising the minimum wage. The most significant finding is perhaps the disconnect that appears to exist between the economic realities of employers and their employees. The biggest flaw of our investigation is our lack of knowledge of the livelihoods of those working minimum wage jobs in the Lewiston-Auburn community. Due to the fact that we received conflicting views with respect to the livability of the current wage structure, perhaps more education is needed concerning the situation as it manifests itself particularly in the Lewiston-Auburn area. It might, therefore, be of interest to the Maine Small Business Coalition to facilitate conversation between employers and employees on the economic realities and concerns of both wage workers and their employers.