

**Testimony on
House Bill 1204
“Labor and Employment - Maryland Wage and Hour Law -
Payment of Wages”
before the
House Economic Matters Committee
The Honorable Dereck E. Davis, Chair
Position: SUPPORT
Margot Dorfman
Chief Executive Officer
U.S. Women’s Chamber of Commerce
February 27, 2013**

Thank you Chairman Davis and members of the House Economic Matters Committee for the opportunity to submit this testimony. My name is Margot Dorfman. I am the CEO of the U.S. Women's Chamber of Commerce. I represent women business owners in Maryland, and nationally, who support raising the minimum wage.

Introduction

The U.S. Women's Chamber of Commerce was founded to support the continued economic advancement of women in America. The Women's Chamber has more than 500,000 members – most of them small business owners. We have members in every state, including more than 7,500 members in Maryland.

The business owners with whom I talk every day believe that, far from hurting their businesses, raising the minimum wage in fact helps small businesses, women workers and the broader economy. Raising the minimum wage reinforces their business strategies, while leaving the minimum wage low undermines them.

It is vitally important to understand that the number one problem I hear from my members is that the recovery is slow because sales are still weak. Raising the minimum wage helps directly with that by putting more money in the pockets of customers who will spend it at our local businesses.

The migration of women from the workforce into business ownership has been one of the great economic achievements of the American dream. As women moved from employees to business owners, we have brought a new perspective to America's business leadership. Women now own over thirty percent of all firms in the United States and are exercising the decision-making authority that comes with that role to effect positive changes in the workplace.

My member business owners realize that most of the people working for low pay in Maryland and across the country – the waitresses, the health aides, and the cashiers – are women. Many of my members were once employees themselves; they know that raising the minimum wage helps working women and families in their struggle to make ends meet. Our members know that Maryland's minimum wage of \$7.25 an hour is too low. They don't think anyone should be paid just \$15,080 a year for full-time work. As a matter of fact, businesses that pay unfairly – disproportionately the national chains – may actually be competing unfairly with women-owned firms who work hard to assure that their employees receive fair pay. In short, keeping the minimum wage low keeps women and families down.

For these reasons and more, the U.S. Women's Chamber of Commerce supports raising Maryland's minimum wage to \$10 per hour by 2015 and then indexing it for inflation so that it doesn't erode again. And we also support raising the minimum wage for tipped workers in Maryland from 50 percent of the minimum wage to 70 percent.

Small Businesses Are Showing That Paying Higher Wages Is Economically Realistic

There are two roads to profitability: the high road and the low road. Businesses can invest in their workforces with decent wages and benefits, and enjoy the benefits of a dedicated workforce

with lower turnover, higher productivity and better customer service. Or businesses can pay poverty wages and churn through employees. These businesses may save on immediate payroll, but they experience the significant expense of higher turnover, constant recruitment and retraining, higher absenteeism, and a less experienced, less productive workforce.

Only one road to profitability delivers us a strong floor under our economy, a growing middle class, upward mobility and the promise of the American Dream. The business owners supported by the U.S. Women's Chamber of Commerce have chosen the high road strategy for building their businesses: they pay better wages and their businesses benefit as a result. They report to me that this approach attracts more stable, dependable, productive employees. That's not surprising since better wages enable workers to concentrate on their job without continually worrying about how they will put gas in their cars, pay for day care or keep up with their rent.

At small businesses, owners and employees work side by side on a daily basis, working together to offer the best goods and services to their customers. My members know they cannot generally compete with the big box stores or the chain restaurants on price. Instead, their competitive advantage is higher quality service and a connection to the community and its residents.

In our experience, workers who get paid poverty wages work overwhelmingly for the big chains, not for Main Street businesses. In fact, the big chains count on responsible employers and taxpayers to subsidize them by providing food stamps and public health assistance to their workers who can't make ends meet on poverty wages.

The reality is that my members and other Main Street businesses have a lot in common with low-wage workers: both are being squeezed by the national chains. The low wages that the big retailers and restaurant chains pay are one of many factors that contributes to their price advantage over small and local businesses. Raising the minimum wage to a more realistic level helps level the playing field for businesses like my members who believe in treating their workers fairly and investing in the communities they are rooted in.

Weak Consumer Spending Is Hurting Small Businesses and Raising the Minimum Wage Can Give It a Boost

My members see the stagnant wages and economic anxiety that most American families are facing as one of the major factors holding the economy back. And economists recognize that until we restore wage growth for working and middle class Americans, consumer spending will not be where we need it to be to help businesses thrive and grow.

Too many people forget that workers are also consumers. Consumer spending drives 70 percent of our economy, and we must repower consumer spending – backed by adequate wages rather than unaffordable debt – if we are going to repower our economy, create jobs and reverse the decline in our middle class. Raising the minimum wage boosts the economy from the bottom up, which is exactly what we need.

That's why local businesses support raising the minimum wage – because that additional money in the pockets of the lowest paid workers will be spent immediately in the local economy. These

workers are not taking fancy trips to Europe or making investments on Wall Street. They are spending it at the grocery store, the pharmacy, and the auto-repair in their communities.

In fact, since most low-wage workers work for the major chains, boosting the minimum wage means that rather than going to Wal-Mart or McDonald's bank accounts – whether in Bentonville or Chicago or in the Cayman Islands – more revenue from Maryland's customers will be paid back out to Maryland's workers who will spend it at local businesses.

Raising the Minimum Wage Helps Working Women

Finally, as a representative of women-owned businesses I want to emphasize that working women represent the greatest percentage of workers to benefit from increasing the minimum wage. The typical low-wage worker is an adult woman. Think of your waitress at Applebee's, or the cashier who rings you up at Wal-Mart. Think of the childcare center worker who takes care of your son or daughter, or the health aide who helps your mother or grandfather.

Many of the women business owners who belong to the U.S. Women's Chamber of Commerce left the workforce to start their own businesses because they felt that jobs where women worked were not being fairly paid. In building their own companies and becoming employers they have created working environments where they try to do better by paying and playing fairly. That's why women-owned businesses tend to pay above minimum wage. Women business owners understand and value security for families.

The bill that this committee is considering today is especially commendable. Raising Maryland's minimum wage to \$10 and indexing it to inflation so that it will not erode again would go a long way towards bringing the minimum wage back to a meaningful level. A \$10 minimum wage by 2015 would offer Maryland all of the benefits that I have outlined: it will help small businesses like my members by putting more money in the pockets of Maryland's workers, which will boost spending and job creation on Main Street; it will also level the playing field so small businesses that do better by their workers aren't pressured to lower pay to compete with the national chains; and it will bring fairer pay to Maryland's women, who hold the lion's share of the low-wage jobs that will see a raise. While some try to portray a minimum wage increase as a fight between business and workers, raising the minimum wage is in reality good for both.

It is for these reasons that the U.S. Women's Chamber of Commerce urges the Committee to give a favorable report to House Bill 1204.

Thank you.

Margot Dorfman
Chief Executive Officer
U.S. Women's Chamber of Commerce™
Phone: 888-418-7922
Email: notify@uswcc.org