

Minimum Wage

Problem:

Small businesses, ravaged by the COVID-19 pandemic, are struggling to keep their doors open and keep employees on payroll. More than doubling the federal minimum wage—which has been proposed—presents a significant obstacle to ailing small businesses trying to survive this pandemic. Lawmakers' well-intended efforts to increase the federal minimum wage will cause a hardship for many small firms, particularly those in highly competitive industries, and could lead to reduced work hours, lay-offs and stalled small-business growth.

- Minimum wage increases often exert upward pressure on all employees' pay, requiring an increase in overall prices.
- The Congressional Budget Office (CBO) prognosticated that raising the minimum wage to \$15 by 2025—up from its current \$7.25—would increase the pay of at least 17 million people, but also put 1.3 million Americans out of work.
- Most small businesses that do pay minimum wage are typically in highly competitive industries with low profit margins, and an increase for any employees could be financially devastating.
- To offset higher employee wages, small businesses may need to raise their prices on the goods and services they sell. This can lead to decreased sales, decreased revenues, and lower profits. With less money to spend, small-business owners may have to decrease or eliminate capital improvements, marketing, new hires, bonuses, debt service, and production.
- According to the Bureau of Labor Statistics (BLS) 2019 data, only 1.9 percent of hourly paid workers in the U.S. are paid the federal minimum wage or below, and of that, the majority are young workers not supporting families.

Solution:

Some states and cities have already legislated minimum wage hikes to \$15 per hour, and Congress is also debating enacting a federally mandated minimum wage hike, which will affect all states. Regardless, minimum wage increases and mandates affect small businesses when it comes to labor costs, and that affects hiring levels and hiring rates.

- Lawmakers should oppose the Raise the Wage Act of 2021 which would increase the federal minimum wage to \$15 per hour over five years, allow for annual automatic increases without the consent of Congress, and eventually eliminate the tipped wage.
- Policymakers must take caution in promulgating any kind of federal mandate on small businesses—particularly now under the weight of the pandemic and massive economic downturn.