

Minimum Wage

NSBA opposes raising the federal minimum wage.

Small businesses comprise more than 99.7 percent of all employers, employ more than half of all private sector employees and create 64 percent of all net new jobs. Unfortunately, small businesses are facing increasingly-tough competition from large corporations, expansion of big-box entities, and a fiercely competitive global market.

When it comes to hindering small business competitiveness, an increase to the federal minimum wage is one of the most worrisome for business owners. Minimum wage increases, while perceived to address the nation's problem of the working poor, will actually force small business owners into the difficult choice of reducing hours or layoffs. Studies have shown that for the economy as a whole, a 5 percent increase in the minimum wage leads to a loss of roughly 2.5 percent of all minimum-wage jobs.

According to the Bureau of Labor Statistics (BLS), only five percent of workers in the U.S. are paid minimum wage. Of that five percent, the majority are young workers not supporting families. Furthermore, the Employment Policies Institute estimates that of all workers aged 30 and above, only 2.8 percent are at the minimum wage level.

Most small businesses that do pay minimum wage are typically in highly-competitive industries with low profit margins. A key to their survival and ability to prosper is to keep a flexible business model free of federal one-size-fits-all policies. Of the NSBA members surveyed in a recent minimum wage poll, 73 percent give their minimum-wage employees a raise within five months. Any federally mandated increases in pay could stifle the ability of small businesses to create more jobs and grow the economy.

Small business would be impacted by myriad indirect costs. An increase in wage for one set of workers can lead to a false sense of entitlement that the wages for all workers should be increased, which is simply not sustainable for many small businesses. If small businesses wish to remain competitive both nationally and globally, they must maintain a strong workforce.

The recent economic recession and high unemployment rates should deter lawmakers from increasing the federal minimum wage and threatening the delicate and marginal economic growth the nation has observed in recent months. Nonetheless, some lawmakers continue to revert to minimum wage increase arguments as the solution to our nation's economic woes. Most recently, the House passed legislation that increased the federal minimum wage from \$5.15 to \$7.25.

NSBA has testified on the issue and urges caution in promulgating any kind of federal mandate on small businesses. An increase to the federal minimum wage could have a very significant, negative impact on small businesses, and in turn, the U.S. economy.