PERSPECTIVES FROM MAIN STREET: RAISING THE WAGE

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT, INVESTIGATIONS, AND REGULATIONS

OF THE

COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES

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PERSPECTIVES FROM MAIN STREET: RAISING THE WAGE

WEDNESDAY, FEBRUARY 24, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON OVERSIGHT,
INVESTIGATIONS, AND REGULATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:01 a.m., in Room 2360, Rayburn House Office Building, Hon. Dean Phillips [chairman of the Subcommittee] presiding.

Present: Representatives Phillips, Craig, Chu, Evans, Davids, Van Duyne, Hagedorn, Meuser, Donalds, and Fitzgerald.

Also Present: Representatives Velázquez, Tenney, Luetkemeyer, Bourdeaux, and Young Kim.

Chairman PHILLIPS. Good morning, everybody. I want to call the meeting to order and thank everybody for joining us today. I also want to thank our witnesses in particular for taking time out of their busy schedules to be with us.

First, I want to go over some important requirements, most of which you already know. But beginning by saying that the standing House and Committee Rules and Practices will continue to apply during hybrid proceedings.

All members are reminded that they are expected to adhere to these standing rules, including decorum. House regulations require members to be visible through a video connection throughout the proceeding, so please keep your cameras on. Also, please remember to remain muted until you are recognized so that we can minimize background noise. If you have to participate in another meeting, please exit this one and log in later.

In the event that a member encounters technical issues that prevent them from being recognized for their questioning, I will simply move to the next available member of the same party and I will recognize that member at the next appropriate time slot provided that they have returned to the proceeding.

For those members physically present in the Committee room today, we will also be following the health and safety guidelines issued by the attending physician. That includes social distancing and especially the use of masks. Members and staff are expected to wear masks at all times while in the hearing room, and I thank you in advance for your commitment to a safe environment to all here today.

It is an honor to Chair this Subcommittee and to provide a platform for listening to and supporting small businesses across America. Though our members may disagree on occasion on matters of policy, I want to make it clear that we work for you, the small business owners present today, and the small business owners across the country pursuing the American Dream.

I look forward to conducting this hearing and this year's work in a productive and bipartisan manner with Ranking Member Van Duyne.

Since the implementation of the New Deal in the 1930s, Congress has been tasked with determining from our collective belief of what is fair and what is right, a standard of living under which no working American citizen should fall. An essential part of this floor is the minimum wage, which was intended to ensure that the least advantaged workers in America can provide for themselves, let alone for their families. But over the past decades, this floor has significantly eroded in value despite a modest increase to $7.25 per hour in 2009.

Meanwhile, Washington is caught in partisan gridlock and unable to provide the leadership so desperately needed to resolve the issue despite overwhelming public support for addressing it. It is my core belief that all working Americans who live on the wages that they earn be paid one on which they can survive. It is not just good for humanity, it is good for our economy because consumption is the engine of our economy and money in people's pockets is its fuel.

Unfortunately, the current minimum wage falls well below the poverty line for a family of two or more. I cannot imagine that anybody in this room or participating today would say that it is fair and just for any American relying on a full-time wage to survive to earn only $15,000 per year. That cannot make rent. That cannot pay for food. It cannot pay for healthcare. It cannot pay for childcare, and it surely cannot pay for education in any region of our country.

But, as I said during our markup just 2 weeks ago, I am troubled that the Raise the Wage Act was included in this COVID relief package without more opportunities for small business voices to be heard and thoughtful members of Congress on both sides of the aisle to offer constructive feedback and amendments.

And that is why we were here today, my friends. I am certain that all of us in this room have heard from small businesses and hard-working people in our districts about the impacts, both the positive impacts and the negative impacts that this policy change would have.

In my office, we heard from Ken, the owner of the original Pancake House in Plymouth, Minnesota, one of my favorite joints. Like so many businesses which rely on public gathering to succeed, he is barely hanging on. His restaurant, like all restaurants, runs on thin margins during even the best of times and Ken is deeply concerned that a $15 minimum wage will mean that he has to cut jobs if he hopes to stay open.

I take these concerns seriously, and they are guiding how we will conduct this hearing today. However, we cannot ignore the benefits that our economy would reap from raising the minimum wage. We often hear from small firms how hard it is to attract and retain skilled workers, and experts say that this policy could help. Studies also suggest it can make workers more productive and boost morale.

According to the CBO, the policy at it is written would likely raise wages for 27 million Americans, raise almost 1 million out of poverty, and increase the aggregate wages for low wage workers in American by over $300 billion over the next decade. These newly empowered workers will live in turn to support local businesses and our entire economy.

It is also essential that we address this through a racial and gender equity lens. Women and minorities would disproportionately benefit from a $15 minimum wage, which would close pay gaps based on both race and gender.

Unfortunately, the same CBO study also projects that this policy as it is written could cost up to 1.4 million American jobs, and intuition tell us it would also result in the loss of a number of small businesses, both of which are consequences which I find as unacceptable as they are preventable.

It is our duty on this Committee to listen to the voices of small businesses and support them accordingly. And while we may disagree on whether to increase the minimum wage or by how much or in what manner, I hope and I expect that we will come together for a cordial, productive, and even provocative hearing that will serve the best interests of small businesses, their employees, and our communities.

Lastly, and most importantly, I ask that we use our time today to identify ways in which we can mitigate the negative impacts of such a policy while maximizing the positive impacts of raising wages for millions of Americans. As I said 2 weeks ago and I will say it again right now, livable wages, thriving businesses, and job growth are not mutually exclusive options. So let's work together to achieve that trifecta beginning with today's hearing.

And with that, I will yield to the Ranking Member, Ms. Van Duyne for her opening statement.

Ms. VAN DUYNE. Thank you so much, Mr. Chairman.

Before I begin, I would like to thank Ranking Member Luetkemeyer and my colleagues on the Subcommittee for the opportunity to serve as Ranking Member on the Subcommittee of Oversight, Investigations, and Regulations, and I look forward to working with each and every one of you in this capacity.

Small businesses shuttered, American families struggling to pay their rent, livelihoods destroyed. These are the devastating consequences we witnessed as a result of this pandemic and along with it forced lockdowns all across the country. Fortunately, in my state of Texas, we were able to open back up quickly, giving millions of small business owners the opportunity to keep their doors open and to fight to protect the businesses that they have invested their lives in.

But what we are here to discuss today, a Federal, nationwide mandate to raise the minimum wage to $15 an hour will put us right back to where we were months ago—American jobs destroyed, small businesses forced to close their doors, and life savings gone to waste. I cannot think of anything more devastating in a time when our small businesses are barely getting back on their feet.

And Mr. Chairman, I want to thank you for your comments on wanting to take this slower, getting as much input from small businesses that will affect as possible, I really appreciate that. And you had actually quoted from the Congressional Budget Office, the nonpartisan Congressional Budget Office that estimated that an increase in the minimum wage to $15 an hour would lead to a loss of 1.4 million jobs by 2025. And of those 1.4 million workers displaced, the CBO estimated that 700,000, half of those workers, would fall out of the labor force entirely.

And make no mistake, this top down, "one size fits all" mandate will impact our small businesses the most. These "mom and pop" shops already operate on thin margins. The local Main Street restaurants, hardware stores, hair salons, and florists are the heartbeat of our communities, and they simply cannot absorb this mandated increase by any way.

And not to mention a wage mandate takes away any variation in discretion that an entrepreneur has to scale his or her business to the area in which it operates. Whether that is in my home state of Texas or the Chairman's home state of Minnesota, why should a waitress at a busy restaurant in the heart of New York City where the average rent for a one-bedroom apartment is $2,475 a month be forced to make the exact same amount as a waitress in Billings, Montana, where the average rent for a one-bedroom apartment is $678 a month?

The Federal government does not and cannot know what is best for each town across America, and this "one size fits all" mandate fails to recognize the diversity and uniqueness of our townships, towns, cities, and metropolitan communities.

What I cannot seem to wrap my head around is the American workers who will be impacted the most by this reckless policy. My colleagues who support this proposal claim this will help our lower to middle class, our single moms. And as a single mother myself who was a waitress back in the day, I sit here wondering what these single moms will do when the local restaurant or hair salon where they work is forced to close their doors because they simply cannot pay their employees $15 an hour. Or when businesses have to choose between shutting down or replacing their workers with automation.

As one of my colleagues across the aisle said over the weekend, we do not want those businesses. That is his message to our "mom and pop" shops struggling to keep their doors open right now—if you cannot afford to $15 an hour, we do not want you. Let that sink in for a minute.

After being selected to serve on this Committee, I was eager to sit down with local business owners across North Texas to hear firsthand what is working and what is not working. Where they need government to get out of the way. And they were all crystal clear. Increasing the minimum wage will have a disastrous impact on their business. In fact, many were confident they would have to close their doors immediately.

And what does that mean for American workers? From young workers to single moms, our working families will be hit hardest by this policy.

And do not just take my word for it. Over the last few weeks, our Committee has received testimony from small business owners all across the country explaining how this Federal mandate would decimate their businesses and their livelihoods along with it.

And I would like to ask for unanimous consent to be able to enter these statements into the congressional record.

Chairman PHILLIPS. Without objection.

Ms. VAN DUYNE. Thank you.

I would also like to take a moment to share testimony we received from Ian MacLean, president and owner of Highland Landscaping in my district of Southlake, Texas, and the Chair of the U.S. Chamber of Commerce's Small Business Council. Here is what he had to say about how legislation that would increase the Federal minimum wage from $7.25 an hour to $15 per hour would affect his business. Before we started hearing about Congress's plan to raise the Federal minimum wage, we had begun exploring solutions to growing wages in our industry such as robotic mowing systems and purchasing more machinery to do more of the labor work on the construction side. In order to mitigate the effects of a minimum wage hike, we would fast-track those solutions and eliminate most of our entry-level and less-skilled labor positions. Unfortunately, this would eliminate our ability to provide youth jobs, entry-level jobs, and summer jobs. And as a small business owner, I take great pride in creating and sustaining jobs for people who can then provide for their families. I believe most small business owners do as well. During the pandemic, I was able to create new jobs. With news of a potential wage hike, I am now making preparations to move in the opposite direction. Small business is the biggest job creator in the United States and the driving force of our economy. A wage hike to $15 per hour would cause small business owners like me to not only stop creating jobs but to eliminate jobs."

Mr. Chairman, I truly believe each and every one of us here, from our colleagues to our witnesses to our small business owners, want the same thing. We want to see our small businesses make it out of this pandemic. We want to see working families lifted up. And we want to advance policies that will give every American a shot at living their American Dream. I look forward to finding ways to work across the aisle to accomplish these goals, but a "one size fits all" minimum wage mandate is not the answer.

I thank all of the witnesses for joining us today, and I yield back.

Chairman PHILLIPS. Thank you, Ms. Van Duyne.

And I would like to take a moment before we begin to explain how this hearing will proceed. Each witness will have 5 minutes to provide a statement, and each Committee member will have 5 minutes for questions. Please ensure that your microphone is on when you begin speaking and that you return to mute when you are finished.

With that, I will begin by introducing our witnesses.

Our first today is Dr. Heidi Shierholz, senior economist and director of Policy at the Economic Policy Institute. From 2014 to 2017, she served the Obama administration as the chief economist at the Department of Labor where she and other department leaders worked to develop and execute initiatives to boost workers' rights, wages, and benefits. Her research and insights are routinely used to shape policy proposals and inform news coverage in many broadcasts, radio, print, and online news outlets. She received her M.A. and PhD in Economics from the University of Michigan, and her policy focuses include labor policy, wage inequality, unemployment insurance, minimum wage, and many others.

So a heartfelt welcome to Dr. Shierholz, and we look forward to your testimony today.

Our next witness is John Puckett, co-owner and CEO of Punch Neapolitan Pizza, an 11-store restaurant company headquartered in St. Paul, Minnesota that recently celebrated its 25th year in business. John has always been a fierce advocate for investing in his own employees and creating career path opportunities for everybody. In 2014, Punch was recognized by President Obama in the State of the Union Address for paying starting wages significantly above the industry average. Prior to Punch, John cofounded and grew Caribou Coffee into a significant retail brand across the country. He has an MBA from the Tuck School of Business and a BA from Dartmouth University.

Thank you, John, for being here today, and I look forward to your testimony as well.

Our third witness today is Ms. Rebecca Hamilton, a second generation owner and co-CEO at Badger, a natural and organic personal care manufacturer known for its unique company philosophy, pioneering family friendly benefits, and B Corp community engagement. In addition to her role as co-CEO, she has spoken at the White House, addressed the UN Convention on Biological Diversity, and testified before Congress on behalf of safer cosmetics. Recently, she was appointed to the National Women's Business Council, a nonpartisan Federal advisory Committee, and we thank you, too, Rebecca, for being here and look forward to your testimony.

With that I will yield to the Ranking Member to introduce our fourth and final witness.

Ms. VAN DUYNE. Thank you.

Our next witness is Rachel Greszler. Ms. Greszler is a research fellow in Economics, Budget, and Entitlements at the Grover M. Hermann Center for the Federal Budget at the Heritage Foundation. Since joining the staff at the Heritage Foundation in 2013, Ms. Greszler has concentrated her research and findings on numerous areas of labor, Social Security, pension, and employment policies. Given her extensive knowledge and research, she has also been a frequent witness on Capitol Hill providing testimony on many of these topics. Her latest research focuses on the minimum wage and its impact on childcare costs. Prior to joining the Heritage Foundation, Ms. Greszler was on staff at the Joint Economic Committee.

Ms. Greszler, welcome back to Capitol Hill. We appreciate you and the other witnesses for joining us today as we explore this critically important topic and we look forward to your testimony.

Chairman PHILLIPS. Thank you, Ms. Van Duyne.

And we will begin with Dr. Shierholz. You are recognized for 5 minutes for your opening statement.

STATEMENTS OF DR. HEIDI SHIERHOLZ, SENIOR ECONOMIST AND DIRECTOR OF POLICY, ECONOMIC POLICY INSTITUTE; JOHN PUCKETT, CO-CEO, PUNCH PIZZA; REBECCA HAMILTON, CO-CEO, W.S. BADGER COMPANY; RACHEL GRESZLER, RESEARCH FELLOW IN ECONOMICS, BUDGET AND ENTITLEMENTS, THE HERITAGE FOUNDATION

STATEMENT OF HEIDI SHIERHOLZ

Ms. SHIERHOLZ. Thank you. Chairman Phillips, Ranking Member Van Duyne, and members of the Subcommittee, thank you for the opportunity to testify on the importance of increasing the minimum wage to $15 an hour by 2025.

I want to start by talking about the well-documented, enormous benefits of a $15 minimum wage. My colleagues at EPI have estimated that increasing the minimum wage to $15 in 2025 will generate $107 billion in higher wages for low-wage workers. And CBO's recent analysis shows that $15 in 2025 will make low-income people as a group unambiguously better off. The total income of low-income people would rise, income inequality would shrink, and nearly a million people will be pulled out of poverty. And from a prior CBO analysis, we know that roughly half of those pulled out of poverty by a $15 minimum wage will be children.

Research also shows that by providing families with higher incomes, minimum wage increases have improved infant health, they have reduced child abuse, and they have reduced teen pregnancy.

And then particularly important in this moment, essential and frontline workers make up the majority of those who would benefit from a $15 minimum wage. More than a third of those working in residential or nursing care facilities would see their pay increase. Forty-two percent of workers in grocery stores would see a raise. More than four in 10 janitors and housekeeping cleaners would benefit. Ten million workers in healthcare, education, construction, and manufacturing would see a raise.

And $15 in 2025 would not just reduce overall income inequality; it will reduce inequality by race and gender as well. So due to things like occupational segregation, discrimination, and other impacts of structural racism and sexism, women and Black and Hispanic men are more concentrated in low-wage jobs and would see disproportionate gains from this increase.

Raising the minimum wage is long overdue. Workers today who are paid the current Federal minimum wage are paid more than 30 percent less in inflation-adjusted terms than their counterparts were paid 53 years ago. And this is despite the fact that the economy's capacity to deliver higher wages, which is measured by labor productivity, that capacity more than doubled over that period. Had the minimum wage kept pace with productivity growth since 1968, it would be over $23 in 2025. So a $15 minimum wage in 2025 simply means that low-wage workers are able to share in a small portion of the country's growth over the last half century.

Another key thing to note is that we can raise the minimum wage to $15 in 2025 with little to no job loss. Minimum wages are one of the most well-studied topis in economics, and although there sometimes appears to be a great deal of controversy about the size of employment effects on the minimum wage, the weight of the evidence clearly shows that minimum wage increases have worked exactly as intended by raising wages without big, negative consequences. So comprehensive reviews of the academic literature on the employment effects of minimum wage increases have found that the typical academic study of the employment effect of minimum wage increases finds little to no impact on employment. And relevant, for the increase that we are talking about now, research also shows that the highest Federal minimum wages the U.S. has ever experienced, the minimum wages of the late 1960s, they also significantly raised wages without reducing the employment of low-wage workers.

So that brings up the question, how is this possible? How can minimum wages be raised without causing employers to have to lay off workers? And I will list a couple of reasons here.

For one, businesses find that raising wages increases productivity. It improves morale and reduces turnover. Workers with more income have less chaos in their lives. They are more likely to have access to reliable transportation to work, to steady childcare, and to healthcare, and all of those things. Reduce absenteeism and turnover. Turnover is hugely expensive for firms. Research finds that a typical cost of turnover is 20 percent of the position's annual salary. So a reduction in turnover and an increase in productivity help businesses recoup some of the increased costs of the higher wages.

And another key thing is that businesses also see an increase in demand for their goods and services when the minimum wage goes up. Low-wage workers are those who are the most spending constrained. They cannot buy all the things they need. So when you raise the minimum wage, you are getting money into the hands of people who are the most likely to have no choice but to spend it, and that increases demand which is very good for business.

And I will leave it there for now and just end by saying that the failure to adequately raise the minimum wage has denied workers significant improvements in their standard of living. It has increased poverty and inequality. By raising the Federal minimum wage to $15 by 2025, we will finally deliver a much-needed boost to this country's lowest paid workers.

And I look very forward to answering any questions that you may have.

Chairman PHILLIPS. Thank you, Dr. Shierholz.

Mr. Puckett, you are now recognized for 5 minutes for your opening statement.

STATEMENT OF JOHN PUCKETT

Mr. PUCKETT. Thank you, Chairman Phillips. And good morning from sunny and warm Minneapolis, Minnesota this morning. We appreciate the chance to talk about what our company has learned from paying our employees more.

I am John Puckett. I am the co-owner of Punch. We are a 25-year-old business located in the Twin Cities in Minnesota. We employ almost 300 people at our company and we operate 11 pizzerias. Prior to joining Punch and helping grow that company, my wife and I started Caribou Coffee, which is today the second largest coffee retailer in the country, and I think of significance, we started

Caribou Coffee with an SBA loan 30 years ago. So thank you 30 years later for the support of Congress to help small businesses.

Everybody knows how competitive the pizza industry is. It may be the most competitive part of the restaurant business. And everybody thinks that is going to survive that their pizza is the best. Our pizza is made in a 1,000 degree wood-burning ovens. Our toppings melt in the oven—fresh mozzarella, crushed tomatoes, olive oil, sea salt. We think our pizza cannot be beat.

But our secret ingredient is our people, our fantastic employees. And when we ask our customers why they come back to Punch, they tell us two things. They say it is the quality of your food, but very closely or tied with that answer is it is our engaged employees, our friendly employees. And we think when you walk into a Punch store versus our competition, you can tell our employees like what they are doing and they feel a part of something that they are proud of.

Part of our strategy with people is to pay our employees more. As you mentioned, we were featured in the State of the Union Address in 2014 for paying our employees more, and today our average starting wage is $13 an hour and our average employee earns $15 an hour, and this excludes management, and earns an additional $5 an hour in tips. And we are really in the fast food, quick service industry. So that is a remarkable number when you add those two together. Our average hourly employee earns over $20 an hour at Punch Pizza. And we think it is one of the largest, if not the largest in the quick service industry.

Another key part of our people strategy, it is not just what they earn when they start. If we could, we would have everyone move on beyond starting wages. We offer several different skill levels and increased pay and make training and development a priority of our business. In addition, we promote most of our managers from our hourly workforce, and these are jobs that start at over $50,000 a year and grow up to $100,000 a year. And I think it is important to note that we have zero educational or accreditation requirements for these manager positions.

Our turnover is significantly better than the industry average and pay is a part of it, but it is not all part of it. Advancement opportunities are important. Employees need to believe in the leadership of their store and of the company and of the mission of the company, and we find that providing the best quality tools to do the job and having excellent work processes lead to higher retention as well as pay.

This strategy does come at a cost. We earn less money than the companies that we study that are publicly traded, that we can track their labor expense. So we are giving up profit margin in the short and near term, we think for our longer term strategy of having our business both survive and thrive in the future from having better employees and having more engaged employees.

To close, I just want to talk about the biggest challenge that small businesses like Punch face. We reconfigured our operations to have socially distanced and keep our employees safe. And we are very proud that we have had zero workplace infections. But that has come at a cost to sales. We lost over $1 million last year and we are losing tens of thousands of dollars a month this winter. And we expect to lose that until we are able to safely reopen our dining rooms. We are hopeful given the increased rate of vaccinations that the restaurant business and Punch will return to more normalcy later this spring and summer, but it has been a challenge like no business has ever faced in the restaurant industry in our lifetime.

To close, I would like to thank you all for the incredible lifeline Congress gave small businesses like Punch with the Paycheck Protection Program. There is not a doubt in my mind that Punch, nor most small, independent restaurants could have survived without that lifeline. So all of our employees greatly appreciate that.

And I look forward to answering any questions you have later in the meeting.

Chairman PHILLIPS. Thank you, Mr. Puckett.

And now, Ms. Hamilton, you are recognized for 5 minutes for your opening statement.

STATEMENT OF REBECCA HAMILTON

Ms. HAMILTON. Thank you, Chairman Phillips and distinguished members of the House Subcommittee on Oversight, Investigations, and Regulations for this opportunity to testify in support of raising the Federal minimum wage.

My name is Rebecca Hamilton, and I am the co-CEO and family owner of the W.S. Badger Company, a small cosmetic and drug manufacturer located in rural New Hampshire. I also serve on the National Women's Business Council, a nonpartisan Federal advisory committee advocating for women-owned businesses.

Badger was founded in 1995 in our family kitchen by my carpenter father who created a simple balm to soothe his cracked hands. Today, my sister and I lead the company alongside our mother, where we employ 90 people and manufacture over 100 body care products and sunscreens which are sold throughout the United States and in 26 countries worldwide.

Badger has been recognized by Forbes as a leading small company and as the New Hampshire Business of the Year.

Throughout our 25-year history, fair pay has helped our business to succeed and grow. Our lowest starting wage is $15 per hour. We also provide a range of benefits from day one, and I think that our fair pay business model has helped us to attract and retain excellent staff, while supporting the health of our community and keeping us successful into second generation family ownership, even as many other businesses in our region have struggled.

New Hampshire is unique, and that is one of the only states in New England still following the current Federal minimum wage of $7.25 per hour. For businesses, this low wage floor makes it harder to hire and retain employees, build our customer base, and grow. Furthermore, it undermines regional economic development.

We participated in a working group in New Hampshire of a number of businesses and healthcare providers examining the relationship between our region's low wage floor and poor health outcomes. We found that an hourly age below $15 was inadequate to maintain a safe and decent standard of living in our region, and that is in a rural region, and that it could not sufficiently meet a person's food, housing, transportation, and healthcare needs.

New Hampshire has struggled to attract and retain a young workforce. A 2018 survey found that younger workers see New Hampshire as lacking in job career opportunities. Several years ago we also participated in a series of workforce development meetings where business owners, educators, researchers, and local government officials examined a further concern with attracting a more qualified and talented workforce. And what we found was interesting. This is something that stood out to me is that Badger stood apart from many of these other businesses in our region because we did not struggle with developing our workforce. Our approach to paying a base wage of $15 an hour, combined with compelling benefits set us in a much stronger economic position. This approach has enabled us to spend virtually zero dollars on recruitment while retaining an engaged and committed workforce for the past 25 years.

Recruiting and training a new employee involves thousands of dollars and dozens of hours in nonproductive costs. It has been estimated that turnover costs are about 20 percent of an annual salary or higher. By retaining experienced staff, we see increased productivity, less waste, and fewer errors, which is very important in a manufacturing facility. This further saves us considerable money and time. The more we can retain already trained staff, the more money we save, the more reliable our staff, the better our productivity. The success of our business is directly tied to the dedication of our staff.

Good pay and benefits also boost morale. When we treat our employees well, they care more about our business success. In a recent employee engagement survey conducted by the Employee Engagement Group, 100 percent of employees surveyed at Badger felt that their managers respected their work-life balance and 82 percent reported feeling highly engaged. What we have seen is that having engaged in motivated staff has helped us to innovate for success in the long run.

Our experience in New Hampshire is an excellent case study for how low wages do not help small businesses in regions compete. Rather, low wages hold back businesses and economic growth and hamper employee and community health and well-being. Raising the minimum wage is vital to help us recover from the pandemic and build a stronger economy.

In our consumer-driven economy, businesses like mine depend on customers who can afford our products and services. Raising the minimum wage will put more money in the hands of working people who will spend it at businesses in New Hampshire and across the country. Raising the minimum wage to $15 an hour by 2025 will provide a more solid-level playing field for small and large companies. It will help small businesses succeed, and it is an investment in our Nation's workforce that will pay in great dividends now and in the future.

Thank you for your time.

Chairman PHILLIPS. Thank you, Ms. Hamilton.

And Ms. Greszler, you are now recognized for 5 minutes for your opening statement.

STATEMENT OF RACHEL GRESZLER

Ms. GRESZLER. Thank you. Good morning, and thank you for the opportunity to testify today.

As someone who started out my career earning the minimum wage washing dishes and making pizzas and then the sub-minimum wage waiting tables, I can attest to the value, especially for young workers, of minimum wage jobs. Minimum wage jobs are steppingstones, not careers, and that is why young workers fill most minimum wage jobs. $7.25 an hour is not sufficient to support a family, but fortunately, single parents earning the minimum wage make up only 0.1 percent of all workers, and in that case, the Earned Income Tax Credit brings the true minimum to about $10 per hour.

I think everyone here agrees that rising incomes are a great thing, especially for low-income workers. But lawmakers cannot create higher income; they can only redistribute it. And despite pretty clear evidence and basic laws of economics, there has been debate over whether a $15 minimum wage would cost jobs or have negative impacts. Those economic studies can be complicated, but for anyone who doubts that doubling the minimum wage will cause substantial disruption and harm, consider what would happen if your mortgage payment or rent were to double. That would likely require a lot of changes, and sometimes those changes end up hurting the people they are aiming to help.

For example, Mae Martinez's husband got a $4 per hour raise but then her family lost $2,200 per month in childcare subsidies, forcing Ms. Martinez to stop her daytime college classes and stay at home with her kids.

Families without subsidies would also be hurt. I estimate that a $15 per hour minimum wage would increase the cost of childcare by 21 percent on average across the U.S., with 30 percent or greater increases in 10 states. This can make childcare unaffordable for millions of families, especially those in low-cost areas.

And this is one example of why a "one size fits all" national minimum wage is unjust. It is one thing if high-cost areas like D.C. or Seattle want to hike their minimum wages. At least then workers can go outside the city as some have had to do. But what works in D.C. is unlikely to work in D'Iberville, Mississippi. In fact, $15 in Mississippi would be like a nearly $36 minimum wage in D.C.

I would like to now share some of the voice of Main Street employers who have aptly explained the unintended consequences of a $15 minimum wage. Bryn Hornsby is an Air Force veteran who owns two nursing homes in rural Mississippi. For him, a $15 minimum wage would require substantial, but unlikely increases in Medicare and Medicaid reimbursements. And even so, then their private customers cannot afford to pay any higher rates. As Mr. Hornsby said, "COVID has already brought us to our knees financially. Any increase in the minimum wage would be a death knell for us and many other small nursing home operators."

Gary Armstrong co-owns seven frozen yogurt shops across three states and he enjoys providing entry-level jobs for teenagers. He says, "We see ourselves as mentors in basic business operations and customer service skills." But Mr. Armstrong said that any significant minimum wage increase would cause them to eliminate many of those jobs and raise prices in an attempt to keep their doors open.

Susannah Koteen owns Lido Harlem and Bixi Harlem restaurants in New York City. Ms. Koteen explains, "The hospitality industry is one of the few careers left that one can make a good living and move up quickly without a college education." Think of the millions of jobs that are involved in this business from front of the house, in the kitchen, to farms, delivery drivers, sanitation companies, food and beverage distributors. Ms. Koteen has already had to cut hours and jobs because of New York's hike in the tipped minimum wage to $10 per hour, and she said that a $15 per hour minimum would force many small and independently-owned businesses to close their doors or completely change the way they do business.

Betsy LeRoy owns Pizza by Elizabeths in Delaware, and she served and staunchly supports President Biden. She explains, "It would be difficult to absorb any increase in labor costs right now, much less the steep increase Mr. Biden has proposed. Even in good times, our profit margins were low. Today, our profit margins are nonexistent, as is our ability to increase prices." She said a $15 minimum wage would be a death knell to her industry and she asked President Biden to "save my restaurant from the good intentions of progressive policymakers."

These examples show that policymakers cannot mandate higher wages into existence without hurting many of the people they want to help. But there are better ways to help workers achieve higher incomes without hurting others, such as expanding alternative education opportunities, like apprenticeships, reforming occupational licensing laws so that it is easier and less costly for workers to use their talents to earn an income, and by protecting workers' rights to contract and earn income through flexible and independent jobs. Thank you.

Chairman PHILLIPS. Thank you, Ms. Greszler. And thank you to all our witnesses. We appreciate everything you have shared with us and look forward to a thoughtful and productive hearing.

I will begin by recognizing myself for 5 minutes.

Dr. Shierholz, I will start with you. A report published by your colleagues at the Economic Policy Institute in January of last year, 2020, argued that policy discussions often treat the Earned Income Tax Credit (EITC) expansion and minimum wage increases as alternatives of which we should simply choose just one. But in reality, of course, the paper argues also that "the two policies are complementary and may be more effective in combination than either is on its own."

So before I move on, I would like to ask for unanimous consent to insert this report from EPI into the Committee record.

Without objection, the letter will be inserted.

So my question, Dr. Shierholz is, please speak to how tax provisions like the EITC and the Payroll Tax Credit can, and perhaps should be used to balance the burden placed on small businesses that would result from higher wages.

Ms. SHIERHOLZ. So this is a really important topic. For example, the EITC and strong minimum wages are often presented as being in opposition but they are absolutely companion pieces. The

EITC in particular is just an incredibly important program, but one fundamental issue with it is that because workers get the EITC, they will actually accept lower based wages from employers. And this means employers actually capture a meaningful chunk of expenditures on the EITC. So a strong minimum wage is hugely important in this context because it limits the amount of EITC expenditures that employers can capture. So it is just these two pieces go hand in hand. At this point it is definitely a both/and. We should both increase the EITC and increase minimum wages to $15 in 2025.

Chairman PHILLIPS. Okay, thank you.

I also want to follow up with Ms. Greszler. In your written testimony, you discuss how the EITC essentially ensures that parents do not earn a true minimum wage and that gains from the EITC would phase out as workers earn more. So could you expand a little bit on how those two notions, the two policies would interact and what conditions in the labor market would need to be present to maximize the EITC's usefulness and describe how it might be modified to boost the economic security of low wage workers?

Ms. GRESZLER. Yeah, I think this is an example where we have these good policy aims but then there are consequences to them as well. And so the consequence with the Earned Income Tax Credit is, of course, that it has to phase out eventually over time. And when you are phasing out, that is a lower rate that individuals are earning. And when you talk about increasing the minimum wage, that is going to impact a fair number of single parents who are earning lower wages. Even if it is above the $7.25, this could potentially push them into the phaseout zone of the Earned Income Tax Credit. And whereas they might have been getting a 35 or 40 percent subsidy on their wages previously, now they would be getting 21 percent lower than their actual stated wage because of that phaseout. And so it is tricky here to find the right balance between those things. But I think that the point is that we do have a program that is specifically aimed at working parents, and that is different than the minimum wage which affects everybody, including teenagers and the people who need to get their foot into the door. And that is kind of the basis here is that the minimum wage needs to be the bottom rungs on the career ladder so that people can step in and they can climb their way up. And we do not want to cut those off for tens of millions of Americans.

Chairman PHILLIPS. Okay, thank you.

I have got about a minute left. Mr. Puckett, one area that I think we have failed to investigate and consider much is how a policy like this will surely help millions, tens of millions of Americans at the lowest wage scale. But how would it affect an entity like Punch Pizza with 300 people, I think you mentioned seven tiers of pay. How would this increase ultimately affect the entire wage inflation issue, if you will, at a company like Punch?

Mr. PUCKETT. Thank you, Chairman Phillips. That is a good question. And we are really experiencing that today. As you probably know, about half our stores are in Minneapolis-St. Paul markets and both of those markets will be going to $15 an hour in the next 18 to 30 months. And we do offer a significant boost to wage above our starting wage. And thus far, we have handled that and encouraged that increase in our employee skills. But it is a significant inflation. Our total labor cost is about 40 percent of sales.

The flip side is we think advancement and giving our employees a chance to build a career. The alternative to that is not very good. A job with no career or no advancement. So we are trying to figure it out. And we look forward to having customers in our dining rooms and business restored so we can get back to more normalcy. But it is definitely a challenge. And as anything at Punch, we have a saying on our wall, "Figure it out." We are going to figure it out.

Chairman PHILLIPS. Here, here. Thank you, Mr. Puckett.

My time has expired, so now I will turn it to the Ranking Member, Ms. Van Duyne for 5 minutes.

Ms. VAN DUYNE. Thank you very much, Mr. Chairman.

Ms. Greszler, can you talk to us a little bit about the second and third layer effects of price increases due to an increase in the minimum wage?

Ms. GRESZLER. Certainly. So when employers have choices of how to respond to these higher wage increases, one of the most natural ones is to raise prices. And so there are some industries where they will be able to raise their prices—grocery stores, restaurants. The Heritage Foundation estimated that a $15 per hour minimum wage would increase prices at fast food restaurants by 38 percent. But then there are also other industries that cannot raise their prices. Childcare is one of those. It is highly regulated. There are very strict child-to-teacher ratios, square footage-to-child ratios. And there is really no room to reduce costs through labor, so they would have to strictly increase their prices. But we already know that childcare is extremely costly, even unaffordable to millions of families, and I have estimated that just raising the minimum wage to $15 per hour would increase the cost of childcare by 21 percent across the U.S. And as I said, 10 states would have 30 percent or larger increases. So we are talking about in some states families would face an extra $6,000 per year for two children to attend childcare. And of course, this leads to them having to make family decisions. One worker might need to stay home. Somebody might need to make more so that they can pay for childcare and then they are spending less time with their children. So all of these things just kind of spiral out of control.

And I think one other second order is that we are looking at the immediate job losses and thinking of them. You know, 1.4 million, 2.7 million, whatever it is, but you are talking about a lot of young workers who do not have an opportunity to get their foot in the door. And studies have shown that teens who are exposed to higher minimum wages have lower earnings in the future. And those who actually work and are employed in minimum wage jobs have higher earnings because there is so much value to that experience. And for some of them, it is the only way they get their foo tin the door.

As you pointed out, the CBO said that half of the people who lose their jobs are going to give up looking for work in a few years from now, and that is not what we want for society. I mean, the American Dream is not to come here and to live on government welfare benefits and to just be sedentary. People want to work and to produce things of value.

Ms. VAN DUYNE. I appreciate that.

The cost of a dollar in Middle America is different than the cost of a dollar on the Coasts. So how does creating a "one size fits all" minimum wage impact states differently?

Ms. GRESZLER. That is a great point is that the minimum wage really should be a local wage. Not even a state wage. I grew up in a very small town in Western New York State, 5 minutes from Pennsylvania where you can still buy a good home for $60,000. And so the cost of living just varies so much across the United States. And as I was talking to some business owners, you know, about their employees that are working there, some of them are very content earning the $10-$15 minimum wage range because that is a decent living in some places, especially if you are in a two-income household. And I just do not think that it is the role of lawmakers in D.C. to say that we picked this one size that fits everybody. You know, we saw in Seattle, they are already a high-cost area and they are better able to absorb these higher minimum wages, but even there, when they raised their minimum wage from $11 to $13 per hour, the studies showed that, yes, the employment effects were not huge. They were slightly negative. But the biggest thing was there was a shift. And so the lower experienced workers had to go outside the city to find their jobs, whereas the companies just started hiring and keeping the more experienced workers and it made it harder for entry level workers to get their foot in the door.

Ms. VAN DUYNE. One of the most popular case studies on minimum wage came out of Seattle, Washington. Can you just describe the impact that the minimum wage had on those Seattle workers?

Ms. GRESZLER. Yes. So it did slightly benefit the wages of the workers who kept their jobs, and those were the more experienced workers. But then there were less experienced workers who were pushed outside of their jobs or who maybe had their hours cut and had to go outside of Seattle to find more income and more job availability. And I think that that is an important thing to look at because when we are talking about on a national scale, that leaves nowhere else for these workers and these businesses to go. And we can look at websites like the Faces of 15 who document hundreds of small businesses who have been affected by rising wage increases, and a lot of them who have struggled to keep their doors open have sometimes moved somewhere else. And we are cutting off that opportunity by saying that $15 works across the entire U.S. And actually, we are advantaging those places who have already gotten to $15 per hour because they have already been there and they have higher costs of living, whereas, it is going to be the lower cost of living areas who would be most devastated by this.

Ms. VAN DUYNE. Great. Thank you very much, Ms. Greszler.

I yield back.

Chairman PHILLIPS. Now I would like to recognize the gentlelady from New York, Chairwoman Nydia Velázquez, Chairwoman of the Small Business Committee, for 5 minutes.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman. And thank you for holding this important meeting, and the Ranking Member.

Dr. Shierholz, the last time we raised the minimum wage was in 2007 and it was only by a mere 65 cents. Can you walk us through how the minimum wage has changed in value over time and what effect this has had on workers and the economy?

Chairman PHILLIPS. You have to unmute, please.

Ms. SHIERHOLZ. I am so sorry. I am that person in every room. I guess hearings are just no exception.

Chairman PHILLIPS. We have all been there.

Ms. SHIERHOLZ. I will just say, okay, I will go quickly. I know I am wasting time.

Workers today who earn $7.25 an hour are paid 30 percent less in real terms than their counterparts were paid 53 years ago. We have seen a dramatic erosion of the real value of the minimum wage. At the same time, productivity growth has kept marching on. Labor productivity has more than doubled over this period. And I think I mentioned this in my original comments, but if minimum wage increases just kept pace with productivity they would be over $23 in 2025. So what we are seeing is that low-wage workers have not shared in any of the country's growth over the last half century, meaning they have experienced much lower living standards and higher poverty rates than our economy could have afforded them. And a $15 minimum wage in 2025 would help reverse that.

Ms. VELÁZQUEZ. Thank you. And can you please expand on the positive impacts an increased minimum wage will have on small businesses?

Ms. SHIERHOLZ. Yeah. So this is a really important question. I think one of the things that we see with small businesses is they are the folks, small businesses are people who are most likely to work side by side with their low-wage employees. They know them. They know their families. They know their children. They hired them themselves. They really want to be able to give them a raise. But when the Federal minimum wage is very low, when the overall minimum wage is low, they cannot raise the minimum wages independently because it puts them at a big disadvantage, a competitive disadvantage to larger employers who can pay less. And so raising the minimum wage actually allows them to pay their workers more, to attract and retain the workers that they need. And also as I mentioned before, it means they will face lower turnover and a more productive workforce, not face high turnover costs. And then a higher minimum wage means greater demand for their goods and services. When you put money in the pockets of low-wage workers, those are the workers who are very likely to have no other choice but to immediately have to spend it. And that means an increased demand for goods and services which is good for business.

Ms. VELÁZQUEZ. Thank you.

Mr. Puckett, you mentioned that most of your management hires come from inhouse and you have a workforce development program for employees that show promise. How has this benefitted your business? And do you recommend that other businesses do similar, something similar?

Mr. PUCKETT. I think it has been a vital part of our business because it gives people a chance to build a career. We would like to reward our top employees with a great job that they can, you know, buy a house, send their kids to school, and being able to offer that in the restaurant business where we do not even require a high school GED to succeed. We just require passion, enthusiasm, and reliability. So it is very important to our culture.

I would not want to encourage my direct competition to do it. We think it is so important but I think obviously it is a great thing for businesses to offer a career from a starting hourly.

Ms. VELÁZQUEZ. Thank you. And many have suggested that an increase in the minimum wage is too much, too fast, but the Raise the Wage Act increased the wage gradually and over a period of 4 years. If the bill passes and the first raise is on June 1st to $9.50, will your business be impacted by this?

Mr. PUCKETT. Punch Pizza's business will not. And really, we are almost operating today like, I believe, your scheduled wages would be in 2023 and 2024 given the very strong economy in Minnesota to pay more than our competitors pay. We are really starting at $13 an hour already.

Ms. VELÁZQUEZ. Thank you.

Mr. Chairman, I yield back.

Chairman PHILLIPS. Thank you, Madam Chair.

And now I recognize the gentleman from Minnesota, my friend, Mr. Hagedorn, for 5 minutes.

Mr. HAGEDORN. Mr. Chairman and the Ranking Member, thank you. I appreciate that.

I just think this is the wrong approach. This "one size fits all" deal as a mandate from Washington is not good. It certainly is not good for a rural district like mine in southern Minnesota. And it seems like if we want to build up folks' wages and opportunities, we should just look at what we did in the last 4 years with President Trump and Republican policies that made sense and worked. Tax reform was excellent. Regulatory reform, less regulations, low-cost energy, trade deals like USMCA. We have the strongest economy in our Nation's history with the lowest recorded unemployment. And people who had "been left behind" in the past were doing better than ever. I mean, I would like to see us not have $15 minimum wage as our goal. Fifty thousand dollar jobs is the goal. And when you have like we did a year ago 1.2 million open jobs and not even the people to fill them, you can guess what happens. Wages go up. Businesses do everything they can to find good employees. And I think we just need to build the economy rather than mandate from Washington.

But I think about how this works in my hometown. I go to the grocery store there. There are a lot of young kids working in that grocery store getting their start. I think you do a $15 minimum wage in Blue Earth, Minnesota, you are going to be cutting some staff. You are going to be cutting some opportunities. And it is going to hurt that grocery store. It is going to put them in a position, they are probably struggling already, it is a small community. You know, they are not making the big bucks like some of the stores up in Minneapolis and St. Paul. And you close that grocery store in Blue Earth, Minnesota, you are going to destroy that city. You are going to really undermine the whole community. We cannot have that in our small communities. We need to defend them, not put them in a position where they can go out of business.

Now, we talked to Bonnie Vetter, the Fleet and Farm and Ace Supply in Fairmont and St. James, she says that this is going to hurt them. They are going to have to drop employees. They are going to have to cut staff. I would like to put her letter in the record if I could, Mr. Chairman with your consent.

Chairman PHILLIPS. Without objection.

Mr. HAGEDORN. And then, you know, I talked to my friend Wes Otto who owns Zanz Restaurant up in Mankato. Small restaurant, good tacos and all that stuff. And he writes they would have to reduce, with this $15 minimum wage, reduce staff by 20 percent and raise food prices by 25 to 30 percent. And then he adds this, other costs will more likely go up for our business such as vendor prices, cleaning services, and window washers because those employees are going to be paid more and those prices, those costs are going to be passed along to this restaurant and that is going to put him in a position of cutting staff or maybe going out of business. It is not all good stuff.

I would like to put Mr. Otto's letter in the record as well, Mr. Chairman.

Chairman PHILLIPS. Without objection.

Mr. HAGEDORN. So I would ask Ms. Greszler, what Mr. Otto says about driving up other costs, unintended consequences of this, it is not just the direct cost that he has for labor but maybe other costs for services. Does that square with you? Is that something you could see on the horizon for businesses?

Ms. GRESZLER. I think absolutely this is going to drive up all types of costs and that is clear when CBO said that it is not just the 17 million impacted workers who would have higher wages but 10 million more above that. And it is the same thing that I heard when talking to employers is it just cycles upward. And so while some of the employers we have here today have a competitive advantage from paying higher wages, you lose that competitive advantage when everybody is paying that wage. And so therefore, they have to increase their wages even higher to maintain those workers because the reality is if everybody that is below 15 is brought up to that 15 and you have some very experienced workers who are making just as much as an entry level person, and they are not going to want to keep that job anymore if they could go take an easier one. And this really just cycles out of control.

And to your point at the beginning of the differences here across the U.S., we are talking about an extremely high minimum wage for some areas. And I think that Puerto Rico is a good example of where we might be headed here. The $7.25 minimum wage for the U.S., which applies to Puerto Rico, is over 70 percent of the median wage there. Fifteen dollars per hour is the median wage in Mississippi. And across the entire U.S., we are getting close to that percentage that it would be for Puerto Rico at 15. Well, Puerto Rico has a 40 percent labor force participation rate. That is abysmally low and it is nowhere near where we would want to be. That is 30 percent lower than the U.S. has right now. We do not want to push all these people out of jobs and then have to supplement it with something like a universal basic income and just all these costs that are simply unaffordable. The economy will not work that way.

Mr. HAGEDORN. Thank you.

I just think the better approach is to build up our economy. Do the pro-growth policies that work. Help people that way. And these arbitrary standards that we are going to impose across the Nation are going to destroy areas like rural southern Minnesota. And I do not think it is in the best interest of the people. Thank you.

Chairman PHILLIPS. And now I recognize the gentlelady from Minnesota, another friend from Minnesota, Representative Angie Craig, for 5 minutes.

Ms. CRAIG. Thank you so much, Chairman Phillips. And congratulations on your leadership here of the Subcommittee. I am looking forward to working even more closely with my fellow Minnesotan here to help our small businesses across the state.

I am grateful for this hearing today and thank you for the witnesses for sharing your experiences and your expertise.

The data today to me is clear. Raising the minimum wage gradually over the next several years would lift nearly a million people out of poverty and significantly improve the quality of life for millions more.

As an advocate of small business, I do want to be sure we can increase the minimum wage in a sustainable way for our Main Street businesses, especially those that have been impacted by the COVID-19 pandemic, mainly restaurants. I am a proud cosponsor of the Restaurant Act and have pushed for the inclusion of a grant program for restaurants in the American Rescue Plan that we expect to vote on later this week. That bill would include $25 billion in grant money for a new SBA administered Restaurant Revitalization Fund.

With that, I want to turn my question to a leader in the restaurant industry and another fellow Minnesotan. It feels like it is Minnesota Day on the Small Business Committee. Mr. Puckett, thank you so much for being here today. Your positive contributions to the state of Minnesota and this industry are indisputable and really evident in your testimony today. And to me and my staff as well, we are all big fans of Punch Pizza back in Minnesota, especially your location in Eagan.

You talked in your testimony about the immense loss of revenue your business has experienced due to the pandemic, which we know is a trend across restaurants. Can you speak for just a minute on how restaurants receiving grant dollars through the SBA's Revitalization Fund would help assist the industry in recovering?

Mr. PUCKETT. Thank you so much for that good question. We appreciate all you and your staff's business as well back home in Minnesota.

The grant programs, similar to the Paycheck Protection Program, have enabled us to operate in this scary, frightening environment but keep our employees safe and withstand some just frightening losses. We never lost money. Punch even made money its first year of business. It was successful. So to just keep jobs, keep our employees, keep our stores operating, keep our landlords paid, operating at a loss until we get back to more normalcy, the comfort and the protection knowing that we are not going to go out of business because of the Paycheck Protection Program, and I hope that you are successful with the new restaurant program. That enables us to tolerate the losses in cashflow and make sure our vendors are being paid and our landlords and employees are being paid.

Ms. CRAIG. Mr. Puckett, let me follow up back a little bit closer to the topic and subject of this hearing today. I know Minnesota has gradually raised the minimum wage in the last few years and I know in your testimony you talked about the impact on talent that you are able to recruit to your restaurants.

Minnesota has done what we are attempting to do somewhat at the Federal level here already. Give us some sense of how you were impacted by Minnesota's minimum wage increase, and if so, what were some of the tactics you used to navigate those impacts?

Mr. PUCKETT. Thank you for the question. Yes, as you know, Minneapolis and St. Paul I believe were in the $10-$12 range at present for minimum wage. And so it has forced us to stay above that. And what we have also done is offer higher wages for cooks than cashiers. So we have a range. So we are ranging from $12-$15 an hour. And in general, for Punch, our cashiers are more part-time students and our cooks are more people that are household heads or their family is primarily responsible. So one of the ways we have done it is also look for ways to grow sales. And expanding digital sales, figuring out the takeout business has been one of the maybe unintended benefits of COVID-19 is that we have been able to survive with 100 percent takeout, and we think that coming out of the pandemic that we will be able to retain more of that business and hopefully continue to stay ahead of the minimum wage.

Ms. CRAIG. Mr. Puckett, thank you so much. Sadly, I am out of time. And so with that, Mr. Chairman, I yield back.

Chairman PHILLIPS. Thank you.

Now, I recognize the gentleman from Pennsylvania, my friend Dan Meuser for 5 minutes.

Mr. MEUSER. Thank you very much, Mr. Chairman. And I thank the Ranking Member. Thank you to the witnesses here with us today as well.

So we are hearing some theory, some data, and some from the real world. I think this issue, its intent is fine. The intent is to try to help. But the Federal government stepping in and saying I am here to help on a macro level for every business in town throughout the United States usually does not work out. The idea of helping employees by telling employers what to pay them, President Biden actually said that raising the minimum wage to $15 across the Nation, regardless of the economic situation of the area, somehow that is going to help businesses through this very difficult recovery.

So lets look at a little bit of the data. According to the Bureau of Labor, 392,000, .48 percent of employees of workers in the workforce make the minimum wage. Another 1.2 million are in that category as well but they earn tips. So they make more, much more than the minimum wage. Two-thirds of those who make minimum wage within 9 months are out of the minimum wage category. Eighty percent that make minimum wage are part time, and it is estimated, and there are lots of reports on this, we have to agree upon that, that nearly 67 percent of the job losses that occur, if we move to $15, are between the ages of 16 to 24. Sixteen years of age to 24. So that is when opportunity is being created. Right? So again, there are reports from the CBO. They say 1.4 million jobs. The NFIB states how damaging it will be. There was the Seattle report from a couple years back.

And I think all of us, I was in business for 25 years. Small business, large business. If this would work, I think we would all sign on and say lets go if this would actually do the things that theoretically we are hearing from economists that will take place. But there is a real world out there and I live in it, and I still live in it.

And Mr. Chairman, I have some testimony from the following small businesses: Boyer's Food, Knoebels Amusement Park in my district, Luigi's Brick Oven Pizza. Great pizza in Tamaqua. Klinger's Restaurants and Gary Seibert, who runs a Small Business Resource Association. And Boyer's Food has 374 full-time employees, 709 part-time. Their average wage is about $13. Supermarkets run on 1 percent margins. Okay? So doing this will force them to raise prices and have a more difficult time than they have already had. Knoebels is an amusement park that largely provides for summer jobs during the season, seasonal. Every kid within 60 miles, young person, wants to work for Knoebels during the summer because they sit at a pool and watch people come down on log flumes. And if we were to do this they would have to enormously cut back. They are in Central Pennsylvania, not Austin, Texas or, you know, New York City. Klinger, a restaurant, same sort of situation. They believe they would have 40 percent less business. They would have to increase their prices and lose customers. And Luigi's says the same thing. He would have to increase his prices which equals in the real world less customers. Increase the price, people want less of it.

So I will ask Ms. Greszler this. Since our restaurants have had the most difficult time during this pandemic and should be targeted in the upcoming so-called Relief Package, what will this do, Ms. Greszler, to restaurants applying this mandate on them?

Ms. GRESZLER. This is in the worst possible time that we could put a new mandate on restaurants. They have already reduced their employment by 20 to 30 percent during the pandemic. Dozens of restaurants have gone out of business completely. Big name restaurants. I mean, hundreds, if not thousands across the United States have. And so when Congress is looking at ways to help these restaurants and other small businesses, this is not throwing them a lifeline. This is throwing them a load of bricks. These businesses are out there struggling to survive and they have the hope, especially as the vaccines are rolling out, that there is a future there and that they will be able to recover. But jobs that are lost to a $15 per hour minimum wage will not come back. Those are the types of jobs that big companies like Amazon will be able to, you know, automate out of existence, outsource to other companies. I mean, these jobs will not come back and that is the sad reality here is that we are talking about a completely different environment where there are not opportunities for tens of millions of Americans, especially young workers, to get their foot in the door.

Mr. MEUSER. Thank you very much. I yield back, Mr. Chairman.

Chairman PHILLIPS. We will see if we cannot do a second round of questioning, too, and come back, Mr. Meuser.

Now I recognize the gentlelady from California, Ms. Chu, for 5 minutes.

Ms. CHU. Thank you.

Dr. Shierholz, your testimony discusses the importance of eliminating the subminimum wage for tipped workers. In my home state of California, tipped workers are paid the same minimum wage as nontipped workers, at least $14 an hour, arising to $15 an hour by next year. I am so proud of my state for leading the country by raising the wage to $15 and for eliminating the harmful and discriminatory subminimum wage for tipped workers. So these steps have been a success.

Now, before the pandemic, our restaurant industry was robust employing nearly 1.5 million people at over 75,000 establishments. That includes an estimated 1,700 restaurants in my district alone. What is the problem with the subminimum wage and what advantages do tipped workers in states like California have over those in states that have a subminimum wage, tipped wage which can be as low as $2.13 an hour?

Ms. SHIERHOLZ. The advantages in those seven states that do not have a subminimum wage for tipped workers is enormous. So one of the things we know is that tipped workers have much higher poverty rates than nontipped workers but that difference is substantially lower in those states that have phased out their subminimum wage for tipped workers. What that means is that the subminimum wage for tipped workers reduces living standards of tipped workers. It raises poverty of tipped workers and doing away with it could help reverse that.

I think one of the things that happens is people think of, you know, people typically think of tipped workers as being servers in fine dining establishments who actually bring in a lot of tips and those people exist but they are a very small slice of tipped workers. And we need to actually keep the big picture in mind.

Can I just make one little thing? There has been a lot of talk about teenagers in this hearing and I just think it is useful to bring some data to this. While people who would benefit from increasing the minimum wage are frequently characterized as teenagers, that stereotype is profoundly wrong. Only 1 in 10 people who would benefit from raising the minimum wage to $15 in 2025 is a teenager. I think teenagers should get decent wages but let's actually just be clear about who is really being impacted by this policy.

Ms. CHU. And I want to thank you for saying that because there are those who are saying we do not have to raise the minimum wage because these are just teens trying to earn extra money. But as you said, that is not true; only 10 percent of them are teens. But they also should earn a decent living from their work.

Ms. SHIERHOLZ. Yeah. More than half of the people who would see a raise are what are known as prime working age adults between the ages of 25 and 54 who provide a ton of the income that their family needs to make ends meet. These jobs matter for these people.

Ms. CHU. Exactly.

Dr. Shierholz, another thing that distresses me is the gender pay gap. And women earn just 81 percent of the median weekly pay earned by men. Women of color are even more disproportionately affected. Black women earn 61 cents for every dollar earned by men. Native American women, 58 cents. Latinas, 53 cents, and

AAPI women, while they earn 85 cents. But the thing is that we can close this wage gap. In California, women own 89 percent of the median wage earned by men. And in fact, those states with the smallest gender pay gap all have minimum wages that are above the Federal minimum wage of $7.25.

So can you explain to us why a $15 minimum wage will reduce the gender pay gap?

Ms. SHIERHOLZ. Yeah. No, that is a really important question. We know like the CBO's report shows that raising the minimum wage to $15 in 2025 will reduce overall income inequality but it will also reduce other kinds of inequality like gender pay gaps. What we know is that due to the impacts of structural sexism, women are more likely to be in jobs that are affected by a minimum wage increase. So that just mechanically mean that raising the minimum wage is going to reduce gender wage gaps. It is a very important tool to create a more equal economy along gender lines than we have right now which is deeply unequal.

Ms. CHU. Yes. And the states with the largest gender pay gap all follow the Federal minimum wage. I would point that out.

Ms. SHIERHOLZ. I did not know that.

Ms. CHU. And I yield back.

Chairman PHILLIPS. The gentlelady from New York, Ms. Tenney, is recognized for 5 minutes.

Ms. TENNEY. Thank you, Mr. Chairman. It is an honor to be on the Committee with you, and I hope to get to know you well.

I just wanted to speak as a small business owner, someone who has lived through this minimum wage and the negative effects, though well intentioned, it has been my experience as a business owner that although I would love to pay all my employees the highest wage I could possibly pay, I also had to deal in a competitive industry where my cost as a New York State business competing across state lines was significantly difficult.

And I wanted to put into the record, Mr. Chairman, some testimony and a letter from Amanda Potter, who runs a women-owned business that she started with her husband. It is called AP Master Images in Utica, New York. Mr. Potter had a really tough lifestyle growing up in foster care and his wife Amanda led the charge to really put forth this wonderful business. And has expressed deep concern about raising the minimum wage and the effects it could have on their company. She cites a few specific things. If I could get that in the record I would greatly appreciate it.

Chairman PHILLIPS. Without objection.

Ms. TENNEY. Thank you so much.

Among those, as I think many people do not realize, is that once the minimum wage is increased, that also increases a lot of the other expenses that go along with maintaining competitiveness and having employees, such as the taxes, the healthcare insurance, paid leave in New York State, and many other items. Ms. Potter indicated to me in her testimony, and I will just summarize that it costs them over $100,000 over the next 2 years just by the increase in minimum wage in New York State. This made them less competitive and unable to compete across state lines. But also, unable to compete for employees in some ways and also give advantages to employees who, for reasons, you know, are part-time and just looking for part-time work.

And that is something I wanted to bring up and I wanted to ask Dr. Shierholz if she could answer a question for me.

Ms. SHIERHOLZ. Yes, wait, sorry. What was the question?

Ms. TENNEY. Yeah, I wanted to just ask you a question. You indicated in your testimony that the $15 is the ideal wage that we should move to now. And you also alluded to the fact that $23 per hour is what the wage should be. And based on your testimony, can you tell me why the wage should not go to $23 an hour instead of just $15? And what economic reasons would you argue that we do not need to go to $23 an hour today?

Ms. SHIERHOLZ. That is a really good question. So one thing obviously that even the $15 does not go to $15 today. It goes in five steps by 2025. What that, $23, I am actually not suggesting that that is necessarily where the minimum wage should be. What it says to me is that there is a lot of wiggle room. Even above 15 where the economy could still afford to pay workers that little if it had just kept up with productivity growth——

Ms. TENNEY. Just to reclaim my time for a minute. Can you tell me, yeah, just I want to get a more precise answer. Why are you not advocating for a $23 minimum wage, or even a $50 if it is such a benefit? And why would it not be good either way? I mean, $50 would be even better, $23 would be even better. Twenty-three or 50 would be even better than a 15. So why would you not advocate for those if it is going to be such a boon to the economy and it would make it even across the board?

Ms. SHIERHOLZ. I do not think that it would. I think we have two key programs or two key things that deal with the issue of low wages in this country. It is the minimum wage in broad terms, the minimum wage and the EITC. Those things work together to make sure that low-wage workers actually have enough to make ends meet. And so a $15 minimum wage combined with a strong EITC is the program that I would go for instead of trying to make it all up with increasing the minimum wage.

Ms. TENNEY. Okay. So thank you. So let me just summarize your answer is that government needs to come in and determine wages as opposed to the free market.

I just wanted to suggest another issue in terms of issues with the minimum wage. There are also people who serve in a part-time capacity who now would lose their wages. One of the most compelling testimonies I received from people on this issue before was from a group of students who now would lose their summer jobs because of the increase in minimum wage and less of them would be able to work. So those were government-paid jobs. And I just want to emphasize that we would love to all pay our employees more, but unfortunately, inflation and the economy have prevented us from being able to do that. But I want to thank the Chairman, and I look forward to further discussion on this issue. Thank you so much.

Chairman PHILLIPS. Now I recognize the gentleman from Pennsylvania, Mr. Evans, for 5 minutes.

Mr. EVANS. Thank you, Mr. Chairman. And I am going to have to visit Minnesota to get some of Mr. Puckett's pizza. I want to ask him a question.

Do you think that retention rate would be 2.5 percent longer than the industry average if you did not pay your workers more than the minimum wage? And what are the benefits in terms of it on the turnover rate, since you are in the real world?

Mr. PUCKETT. Thank you for our question, Representative Evans.

I think pay is a key part of it. I think when you pay your people well, it makes them feel valued. And that is why the pressure is on Punch to figure out with the minimum wage increasing, can you pay more than the minimum wage? Because I think there is a very positive feedback loop of treating your people better than your competitors are treating them. But pay is not it. Pay is not everything. You need to have a company culture that they believe in. They need to like their boss of the store or their boss in the office, like myself. They need to believe in the product and think they are making something great versus something average. All those things I think contribute to people staying. But I think without a doubt, when people feel good about their employer and feel well taken care of, whether it is pay and benefits, retention increases.

Mr. EVANS. Ms. Hamilton, can you explain how using the Fair Pay model has helped you retain employees and the fiscal benefit it has brought?

Ms. HAMILTON. Absolutely. Well, we also, like Punch Pizza, have a good starting base salary, and that is the basis of how we structure our employment benefits here. And what we have found is that by treating our employees well, by paying everyone a living wage, people here are really engaged and we have an extremely high retention rate. We have a lot of employees who have been here between 10 and 20 years. Our average employee time here is 7-1/2 years. And what that allows us to have is to have a workforce who is experienced. We have low error rates. We do not have to invest money in recruitment. We have a productive workforce that helps us to be creative, innovative, and successful.

Mr. EVANS. Thank you.

This is my last question. Dr. Shierholz, can you describe how a large amount of income inequality might hurt the growth of the economy?

Ms. SHIERHOLZ. Yeah, no, that is a very good question. So income inequality hurts the growth, overall economic growth because it means there is more money in the pockets of people who are not spending constrained. They already have everything they want. And so when you give them another dollar it does not actually boost the economy and lead to an increase in demand for business services. So if income inequality rises and you shift money from low-wage workers who do spend every extra dollar they have because they have no choice, if you shift that money, redistribute it through rising income inequality to highly-paid workers who are less likely to spend it, it holds back the economy.

Mr. EVANS. Thank you.

Mr. Chairman, I yield back. And we have to go have some pizza there in Minnesota.

Chairman PHILLIPS. I do not think there would be any objection, Mr. Evans.

And with that I recognize the Ranking Member of the Small Business Committee, Mr. Luetkemeyer from Missouri, for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman. And it is great to be with everybody today. I think it is paramount we have this debate and actually listen to small businesses on the ground that they will be impacted by this type of mandate.

I would like to insert two letters from my constituents who are small businesses themselves, the 54th Street Bar and Grill who have written to us, as well as Rosebud Tractor from Rosebud, Missouri, who is a tractor and implement dealer. They detail in their letters the disaster that this thing is going to be to their businesses which we will go into shortly.

I would also like to put into the record the report from the Congressional Budget Office, which I think Congressman Meuser noted, but I think it is important we put it in the record because it gives the budgetary effect of the Raise the Wage Act, which is what we are talking about, as well as the latest study from the MFIB Research Center as of June 25th that talks about the effects of the Wage Act on small business.

Chairman PHILLIPS. Without objection.

Mr. LUETKEMEYER. Thank you.

Ms. Greszler, in your testimony you describe that there has been a steep decline in workers earning a minimum wage. You mentioned that pro-growth policies assisted in this area. According to a vast amount of research, small businesses are projecting optimism and confidence prior to COVID-19. The unemployment rate was at historic low levels before we were hit with the pandemic. Can you describe in more detail how pro-growth policies assist workers?

Ms. GRESZLER. Yes, thank you. I think this is a good point. While the minimum wage has not risen for more than a decade, the proportion of people who are earning the minimum wage has dramatically declined, 65 to 80 percent because most people are earning above that. And it is this combination of reducing unnecessary regulations on businesses, allowing them to keep more of their hard-earned dollars. When they have those extra resources, they invest them in their workers. They can raise wages. They can provide additional training. They can provide additional benefits, things like paid family leave. And all of this is why we saw just over 3 years, between 2016 and 2019, the wages of the lowest income earners, the 10th percentile of people who are making about $10 per hour, their wages increased almost 15 percent over 3 years. And that was far more than the median, and it was more than the highest earners as well. And that is because when you have a positive environment that keeps opportunities open for people, that allows the businesses to run their businesses as they see best and not as policymakers in D.C. tell them they should do them, then you see these rising wage gains, especially at the bottom.

Mr. LUETKEMEYER. Thank you for that.

You know, the letters I have from my constituents really point out, I think, the problem with the minimum wage situation here in that the Rosebud Tractor folks, they have a tractor and implement store where they not only sell new tractors but fix them. Fifty-seven percent of their expenses are employee payroll, which points to the fact when you increase over half of your expenses significantly, it is going to amount to something. And for them it is going to amount to about $190,000 more, even though they pay an average wage in their business of $18.56.

With regards to the 54th Street Bar and Grill, they are going to wind up losing about $425,000 after they raise the wages to the minimum wage here which means they are going to have to raise everything on their menu or go out of business. And we have already stressed the restaurant business with the COVID problem enough. And in fact, here is an article out of Roll Call of all places back on January 26th which says the restaurant industry already wracked by COVID-19 now faces a minimum wage hike in which they talk about one more blow to our restaurants. One more blow to people who cannot afford one more blow. So why are we thinking about this?

So I guess, Ms. Greszler, do you think this is a responsible thing to do to put another burden on businesses like this that are really struggling to add a minimum wage, another blow to them? How would you react to that?

Ms. GRESZLER. No, I think this is reckless and tone deaf to the realities and the struggles that these small businesses are facing out there. And to potentially decimate entire industries by implementing a "one size fits all" $15 minimum wage does not make any sense. As some of the business owners here have attested to, a lot of individuals work for small employers and there is real value in that to having that relationship and feeling like you are a part of something. And a lot of the restaurants and industry people are working for smaller, independently-owned restaurants, and they have that upward mobility opportunity. But as I said before, if we implement a $15 minimum wage now, those jobs that are lost will not be coming back and you are completely just devastating that industry and those opportunities that are out there for people to get their foot in the door and potentially stay in that industry and be able to have a good career.

Mr. LUETKEMEYER. Thank you for that. And I appreciate the extra time by the Chairman. And I also would like to welcome Congresswoman Tenney to the Committee. We are excited to have her back in Congress, have her back on this Committee to be a very valuable member, and I look forward to working with her over the next 2 years.

Thank you, Mr. Chair, and I yield back.

Chairman PHILLIPS. Thank you, Mr. Luetkemeyer.

And now I recognize the gentlelady from Kansas, Ms. Davids, who is the Chairwoman of the Subcommittee on Economic Growth, Tax, and Capital Access, for 5 minutes.

Ms. DAVIDS. Good morning. Thank you, Chairman.

Well, I am glad we are holding this hearing today. I represent the 3rd Congressional District in Kansas, which is the Kansas City Metro area. And we have a pretty vibrant entrepreneurial ecosystem in our area. And that is part of the reason that during my time in Congress I have been committed to working on the Federal minimum wage issues that we are getting a chance to talk about today so that we can help our hardworking Kansans, their families, and also be mindful about our small business community.

We have heard it multiple times it has been over a decade since we raised the minimum wage and the cost of living for folks has certainly increased over that time. I do continue to be concerned about the impact that our policy decisions that we make here in Congress related to the minimum wage, what those impacts will be on our small businesses who right now are facing an unprecedented economic crisis. And last Congress I pushed for a tax credit to be included to help our small businesses cover increased expenses. I was disappointed to see that it was excluded, but I was also proud to support an amendment that was included commissioning the study for what the impacts of the bill that we passed would have so that we can get a clear understanding and make decisions based on the evidence. So I am really glad that we are getting the chance to hear from experts and small business owners about an increased minimum wage today.

I want to start off with Mr. Puckett and Ms. Hamilton. I am curious about your thoughts on the impacts that the tax credits we have been talking about would have on small businesses and, you know, how helpful that might be in transitioning as the minimum wage starts to go up.

Mr. PUCKETT. Go ahead, Ms. Hamilton.

Ms. HAMILTON. Thanks.

Well, I want to start by saying that with or without the tax credit, I believe that raising the minimum wage would be beneficial for our business and for our community here in New Hampshire where we still follow the Federal minimum wage of $7.25. That said, if there is a tax credit that can support our business and businesses in our community in making that transition and it does not harm the community members and employees then I think that would be an all-around beneficial thing.

Mr. PUCKETT. I second that. Anything that can be done to help small businesses weather this storm and make it through to the other side, because small businesses really did not have the capital structure that the big, big chain businesses did in our industry. So anything that helps small businesses like Punch would be really appreciated.

Ms. DAVIDS. And then I heard both of you talked a little bit about the kind of longer term impacts, whether it is retention, training, these kinds of things. Could you talk a little bit more about just I guess how you envision, are these things that you talk to your employees about when they come on board? Because I imagine folks might even actually wonder why you are maybe paying the wages that you are paying at entry level jobs.

Mr. PUCKETT. One of the things that we are just starting to use is the technology like we are using today to do job fairs. And we are doing internal job fairs to explain all the opportunities our employees have from opening, from starting to grow. And then we also do HR Week every 6 months and sit down with every employee and talk about how they can grow with the company.

Ms. HAMILTON. Yeah, at Badger as well, when we onboard new employees we talk about our pay structure and how that is integral to the decisions we make in our company and that we are committed to treating our employees fairly and to creating a good work-life balance and supporting them to grow in our company.

And then additionally what I would say is that I had mentioned earlier we have a really low attrition rate so that we have employees who stay here for a very long time and that has helped us to be successful. We are now a second generation owned family business. We have not ever had to take outside investing and that comes from being a successful business, and a lot of the success really comes back to the structure that we have created and how we treat our employees.

Ms. DAVIDS. Thank you. I appreciate that. Just curious based on some of the relationship conversation that was happening earlier.

Chairman, I appreciate the hearing today and I yield back.

Chairman PHILLIPS. Thanks, Ms. Davids.

And now I recognize the gentleman from Florida, Mr. Donalds, for 5 minutes.

Mr. DONALDS. Thank you, Mr. Chairman.

Really what I want to do here is read in a statement from a business owner in my district. Her name is Stephanie Figueroa. She owns three restaurants in Florida in my district called Fernandez the Bull. Fernandez the Bull is a family-owned restaurant since 1985 that features traditional Cuban cuisine with a unique flair. I go there often. It is amazing. I recommend it to anybody who comes down. The quality, the consistency and the customer care that has been at their establishment has made it one of Naples most popular restaurants. Fernandez the Bull is more than just a small business; it is the American Dream. It started in the restaurant industry basically out of love for Cuban food. The owner actually started as a server and she is now the proud owner of three restaurants. She employs 85 incredibly talented people throughout southwest Florida. Some of these career servers, some of them started as entry-level students and some of them are, yes, single parents. All of them are family.

When she started her business, she had a pride of knowing many of the opportunities that the company had created. It has been the place where people have shared their griefs over meals, celebrated victories over drinks, and proposed to love their life and so much more. She loves to tell the story of one of her most treasured employees who started as a dishwasher and worked his way up to being a manager. She thinks that young people who have come there to work have learned customer service skills, problem-solving skills, or they have learned that they had a passion for management or the culinary arts.

Members of the Committee may not be aware but in the last election cycle a constitutional amendment barely passed in the State of Florida that puts us on a trajectory similar to the proposal. The owner is a proud member of the Sunshine State and she is actually quite thankful that even during that election process that I opposed the minimum wage that was on our ballot even though it barely passed.

And her concerns are very clear. A Federal mandate of a $15 minimum wage is unreasonable and out of touch. It would actually shut down Main Street America. She believes that what it will actually do is that it will actually make some of her servers leave the industry because of what it will do to the tip environment. Many of her servers already make more than $15 an hour. The mandate will intentionally cost many of her employees to lose income.

In short, Mr. Chairman, her belief is not only will it cause her employees to lose this income, but it will also cause her to raise prices in her establishment. It will increase the costs from vendors in her establishment. And all that is going not be borne by the consumer.

And I would like to enter in this letter from my constituent in the record, Mr. Chairman.

Chairman PHILLIPS. Without objection.

Mr. DONALDS. Thank you so much, Mr. Chairman.

One of my questions I really had, and I was watching the testimony from my office before I made it down to the Committee room, but could any member, any one of the witnesses today, could they actually speak to the actual costs a business would have to bear with an artificial raising of the Federal minimum wage in such a drastic manner as being purported in the proposal? Is there a witness that can speak to that?

Ms. GRESZLER. I would be happy to. When we were talking I think earlier there was a mention of the grocery store and their small profit margins and so I just quickly did a calculation there. If you have a 1 percent profit margin and you go from a $7.25 wage to a $15 per hour minimum wage, that employee, just paying them that extra amount of money each day, they have to sell over $6,000 more in food. Maybe if it is a smaller percentage margin or a larger percentage margin, we are still talking about thousands of dollars more. And as you pointed out, Mr. Donalds, the tipped industry, this is a 600 percent increase in the tipped minimum wage. And make no mistake; there is no subminimum wage in the United States. If you are making the "subminimum" wage and you earn less than the actual minimum wage, your employer has to bring those wages up. But the reality is that those tipped workers have fought to overturn increase in the tipped minimum wage because it has actually reduced their incomes in those areas. And so this is just drastic assumptions that we are making that these employers can raise their prices or somehow pull this money out of who knows where. But to say that we are going to allow employers to pay their workers $15 per hour by mandating it, where is that money coming from? Where are the thousands of dollars per worker in new sales going to come from?

Mr. DONALDS. Thank you so much.

And with the last 15 seconds, Mr. Chairman, what I will say is one of my closest friends was in Seattle after they raised their minimum wage. A Subway sandwich that was $6.63 in Florida was $11.83 in the City of Seattle. So the prices will go up on all Americans.

I yield back.

Chairman PHILLIPS. Thank you, Mr. Donalds.

Now I recognize the gentlelady from Georgia, Ms. Bourdeaux for 5 minutes.

Ms. BOURDEAUX. Thank you so much, Chairman Phillips and Ranking Member Van Duyne for holding this hearing to examine the benefits and challenges to small businesses of raising the Federal minimum wage.

I firmly believe that we do need to raise the minimum wage in this country to get it to a living wage. The current Federal minimum wage has not been raised since 2009 and at $7.25 an hour it amounts to just around $15,000 per year. I personally have worked for a minimum wage back in the 1980s when it was $3.25 an hour and I know how incredibly difficult it is to make ends meet when you are working for this kind of very low wage and work two jobs to try to just pay for rent and food and keep going. Luckily, I was single and young at the time and so it was not catastrophic, but if I had children this would be almost impossible to survive. And now, far too many hardworking Georgians are working two jobs, 60-plus hours a week, and really cannot make ends meet.

That being said, I definitely understand that we are increasing this quickly and we need to think carefully about our small businesses and the "mom and pop" shops in particular throughout my district. More than doubling the current Federal minimum wage over the next 5 years, we are asking small businesses to really bear the entire burden of getting us to a living wage. So I am very, very interested in some of the proposals that are out there to try to soften the burden on small businesses for doing this. One of the proposals reported to be under consideration by some senators is to complement the Federal minimum wage increase with a package of small business tax cuts. I know we have some academic experts here on this and I wanted to just ask, Dr. Shierholz, in your opinion, are there policy proposals that we should be considering to complement the wage hike and soften the blow to small businesses? Are there any strategies in this respect that would be preferred one versus another?

Ms. SHIERHOLZ. So there are certainly plenty of targeted investments for small businesses in the COVID relief legislation, so some of that is already totally on track. It has additional PPP funds, targeted relief through the Economic Injury Disaster Loan Program, targeted relief for restaurants, targeted relief for shuttered venues. So there is a lot already in there.

But I will say that minimum wage increases have certainly been coupled with things like small business tax cuts in the past. I am assuming that is under consideration here, too, though it is actually worth nothing that we saw a lot of business tax cuts in the TCJA without a minimum wage increase.

Ms. BOURDEAUX. So some of those have already happened.

Just to follow up on that, the PPP and these Shuttered Venues operations grants, things like that, those are temporary mainstays, right, to get us through the COVID period. Are there longer term policies that we should be looking at, you know, as we go about increasing the minimum wage?

Ms. SHIERHOLZ. That is a very fine question and I do not have a complete answer so if others do I am totally up for hearing about that. But I do think it is important to loop back around, that what we know the literature shows us is that increasing the minimum wage actually does not cause meaningful job loss. So keeping that as a backdrop, I think it does underscore that businesses in this country are able, the empirical evidence shows they are able to absorb these costs. So I love all the stuff that is in the COVID relief legislation. The efforts we talked about are a really good idea but I do not think that we have to really go too far down that road because what we know is that businesses are able to increase these wages, that is what the data show without negative consequences on that.

Ms. BOURDEAUX. Okay, I have got a few more minutes. One quick question about that. Why is that? You would assume, right, if you are increasing wages in that way, but also, I think people need to realize this feeds back into the economy because people now have more money to spend and so they are buying new things. Right? And you have this kind of circular benefit to raising the wage. But do you have other insights on sort of why it is that this does not lead to those kinds of problems?

Ms. SHIERHOLZ. Yes. I am glad you asked that. So we have talked about a couple of things. Like, it reduces turnover and turnover is very expensive. So some of it is recouped that way. What you just said, it boosts demand for goods and services. So that is good for business. It increases revenues.

Another thing that is clear, and I think there has been a lot of confusion about this in this hearing, is it is true that some of the impact of minimum wage increases are passed along in the form of higher prices. So that is another way that businesses help absorb the impact of the higher labor costs.

But I just want to put that in context a little bit. Increasing the minimum wage to $15 in 2025 will increase the total wages going to low-wage workers by $107 billion. That is a lot, but total personal consumption expenditures annually in this country are over $14 trillion. So that $107 billion is well under 1 percent of total personal consumption expenditures. So even if the entire amount were passed on in the form of higher prices which will not happen, it would still have a barely perceptible effect on the overall price level as it was phased in. And then after the phase-in happened when we just had regular indexing, it would have zero effect on the overall price level. So it is one way that businesses can absorb some of the minimum wage costs but it is not at all a larger macro problem.

Ms. BOURDEAUX. Thanks so much for your insights.

And I yield back the balance of my time.

Chairman PHILLIPS. And now the gentleman from Wisconsin, Mr. Fitzgerald is recognized for 5 minutes.

Mr. FITZGERALD. Thank you, Mr. Chair.

First of all, thank you to Mr. Puckett and Ms. Hamilton. You are running much different types of businesses, are you not? One involved obviously in pizza and the other one in hand balm and lotions. So my question would be, and I think it is really negligent of us not to continue to talk about this is a proposal that has come up in the middle of the pandemic. And I think a lot of the studies and any of the research that you have had, and I have seen many of these going back to my days in the state legislature, you know, have all been turned on their head as a result of COVID. So the idea that, you know, while small businesses are literally closing day by day that this would even come up at this point is kind of amazing to me. But here we are.

I was just going to say, in Wisconsin, the big three for us are tourism, agriculture, and manufacturing. And for the most part, small manufacturing, all very susceptible to changes in wages. And I think that is not the case, obviously, in many other states. So it is another thing that we have to be aware of.

The other industry I just say that could be directly affected, because there are always questions about trying to increase wages without losing employees is assisted living. It is something that we had worked on for many years in our state budgets, and it just feels like that is another, you know, it is a necessary industry, obviously, to take care of those individuals, but at the same time it is susceptible to the back and forth of a small business. And these are all things I think that need to be considered. And like I said, just underscore the idea, we are in the middle of a pandemic and businesses are completely in trouble right now. And the idea that we would be talking about an increase in the minimum wage is kind of ridiculous to me.

So I yield back. Thank you.

Chairman PHILLIPS. Now I recognize the gentlewoman from California, Ms. Kim, for 5 minutes.

Ms. Kim?

Ms. KIM. Yes. I just unmuted myself. Thank you. Thank you, Chairman Phillips and Ranking Member Van Duyne for hosting this important hearing today. I look forward to working with both of you and everyone else in the Committee to ensure our small businesses have the tools and resources to overcome this pandemic.

This proposal to increase the minimum wage comes at a time when many small businesses in California's 39th District are struggling to keep their doors open due to our state's heavy-handed lockdown.

So Chairman, I have a statement from Steven and Patricia Bangos of Eureka Pizza. They are small business owners in my 39th District and I had a chance to visit with them and speak with them. They are already running a razor think line with micro thin margins for profit. And COVID-19 has already had a major impact ranging from cost of goods to food costs. I would like to ask their full statement to be entered into the record.

Chairman PHILLIPS. Without objection.

Ms. KIM. Thank you.

According to a study, approximately 62 percent of all small businesses think the worst of the pandemic is ahead of them, not behind them. Instead of increasing costs for small businesses, we should be looking to decrease costs and restore some of the economic certainty that was lost due to the pandemic.

I would like to pose a question to Ms. Greszler. As a former business owner myself and mother of four, I was troubled by the findings in your study estimating that a $15 minimum wage would increase the cost of childcare by an extra $3,728 in costs for a family with two children. So can you please elaborate on how would an increase of the Federal minimum wage to $15 result in higher childcare costs?

Ms. GRESZLER. Certainly. And so childcare is a little bit of a unique industry in that they cannot use other options of reducing the staff because of ratios and those things, and so they have to pass all of those higher wages onto the customers. As I said, 21 percent across the U.S. but as high as 43 percent increase in costs in Mississippi. And California, where you are, has actually already dealt with this to some degree, and California's Department of Education looked at this impact and they said, while we agree that $15 per hour, especially for childcare workers is morally the thing that we should be doing, nevertheless, this is going to be devastating for the childcare industry because childcare workers tend to make lower than $15 per hour on average. And so you are in this catch-22. You increase the prices and then people can no longer afford childcare. And there has also been an experience in California whereas a result of getting a wage increase, a family earns more and now they lose hundreds, if not thousands of dollars in childcare subsidies, as well as you have had the impact on the childcare providers, those who accept subsidized clients will no longer accept those lower rates when they have even higher costs. And so this is an example where you are hurting the exact people that we want to be helping.

Ms. KIM. Thank you for that.

I have another question to Ms. Greszler. In one of your reports you mentioned that there are better ways to help workers achieve lasting income gains. From your point of view, are there ways to boost income without mandating an increase in the Federal minimum wage? And can you please elaborate on some of the ideas that you propose?

Ms. GRESZLER. Yeah, and really the only way that you can boost someone's income permanently to have actual long-term gains is to help them become more productive, to create more things of value. And a $15 minimum wage creates an artificial wage gain by taking it away from somebody else, but we would rather just see these opportunities out there for people to have alternative education, things like the apprenticeship programs that you do not have to incur six figures of debt and get a 4-year college degree. But nonetheless, will have a great career ahead of you. Reducing the occupational licensing laws, things that say you have to pay hundreds of dollars and go through all this training to be able to arrange flowers or to braid hair. There is no reason that we should have those barriers out there.

And then also, just keeping the opportunity out there for individuals of all income levels, all education levels to use their skills to go out and to be independent workers and to contract in whatever way they would like. And I know this is particularly relevant as well in California with AB5 shutting opportunities for a lot of workers.

Ms. KIM. Thank you.

One last question. We often talk about the 1.4 million jobs that could be lost——

Chairman PHILLIPS. Ms. Kim——

Ms. KIM.—but the CBO study.

Chairman PHILLIPS.—your time is expired. We are going to go to a second round, so perhaps if you want to stick around, but our time is expired for right now.

Ms. KIM. Sure. Thank you. I yield back.

Chairman PHILLIPS. And with that, we are going to move to a second round of questioning. And I am going to begin by recognizing myself for 5 minutes.

First, I have enjoyed this discussion, and it is exactly what I believe we needed. I also want to point out some facts. That of the OECD countries, the United States currently ranks 14th of all the countries with a minimum wage of $7.25. We are just below Slovenia and just ahead of Poland. Our neighbors to the north, Canada, each province has a higher, significantly higher minimum wage than we do in the United States, including Ontario at $14.25 Canadian, which based on current exchange rates is about $11.40. They also make certain exceptions for students, for servers, and for those who work from home.

My question is to Ms. Greszler. I am curious how research relative to how the minimum wage in Canada affects the Canadian economy vis-a-vis our very low wage here in the U.S.

Ms. GRESZLER. I have not looked specifically at that but I would just point out that regardless of what the minimum wage is, what matters is what people are actually making. And we have seen in the United States that not only are people having higher incomes and earning more but that we have also had a lower unemployment rate. And so there are fewer people who are not able to find jobs.

Chairman PHILLIPS. Do you have a sense of what the median wage is in the United States versus Canada?

Ms. GRESZLER. I do not know Canada's.

Chairman PHILLIPS. Okay.

Ms. GRESZLER. I believe the U.S. is around $25 per hour.

Chairman PHILLIPS. Okay. Perhaps the most important question is, my hope was that this hearing results in some ideas and ways to mitigate any potential policy effects. So if in fact, Ms. Greszler, that this policy were to be instituted as written, what would you argue would be the most important mitigating policies that could prevent job losses and ensure that small businesses do not close if this was enacted as written?

Ms. GRESZLER. I think the most important thing would be to not implement a "one size fits all." And so to have a provision in there, much like the Federal government does for the general schedule pay scale that has locality-based adjustments and to allow state and local governments to tie it to their median wage in that area so that you do not disproportionately impact those lower cost areas.

Chairman PHILLIPS. But if it is enacted as written, which does not provide for any of those opportunities, what would you propose we consider to mitigate the effects?

Ms. GRESZLER. I do not have any good proposal there because I think that the mitigation measures would be so large and consequential for the long-term economy that it is not something that we would want to do. We are talking about pitting small businesses against big businesses, lower cost areas of living against higher cost areas of living. This is just not simply something that would work well across the United States.

Chairman PHILLIPS. Okay. I will close my questioning back to Mr. Puckett. Mr. Puckett, you are already paying essentially close to this minimum wage, and by the time this was fully in effect 5 years hence, you would probably be over it. But based on your experience in business, building Caribou, building Punch, what would you argue we should be looking at as we reflect on the potential consequences? I think we would all agree that there are some benefits and there will be some consequences. What would you like to see us consider as some potential mitigating policies if we were to enact this wage scale based on its current construct?

Mr. PUCKETT. Thank you for the question. We are blessed to be operating in a great environment in the Twin Cities, very competitive. So it has made us adapt and stay ahead of that for our people strategy. I have sympathy for small businesses all across the country in areas that this would be potentially a much bigger jump than what Punch faces. So I do not have any specific policy recommendations but I think considering the different needs and rural versus urban, different parts of the country is certainly an idea. I was curious how Canada's system works. I do not know if it is possible to differentiate people that are household heads or this is their main source of living as a differentiation between someone that is doing that or a part-time student. But those are things that could be considered, I assume.

Chairman PHILLIPS. Well, thanks, Mr. Puckett. And I agree. I think we should look to best practices as practice by some of our peers around the world.

And with that, I will yield to Ms. Van Duyne, our Ranking Member, for 5 minutes.

Ms. VAN DUYNE. Thank you so much, Mr. Chairman.

I want to read just a quote from a letter that we had gotten from Casey Watts, who is a business owner from Loaf'n Dog and Burger Bar in Cleburne. He said, "COVID-19 crushed us at the Loaf'n Dog. We were shuttered for most of the year until we could get deliveries going and curbside pickup, but this was not enough. I did receive a PPP loan which allowed me to keep my employees but only by the skin of our teeth. Now our business is facing a new ominous challenge, a call for the $15 per hour minimum wage mandate. In order to keep the doors open with a wage increase like this I would have to raise many prices at least 100 percent across the board. Perhaps in Destin or Houston, or D.C. or New York, a local joint can charge $11 for a chili cheese dog but that is not going to fly in Cleburne."

According to the most recent data from the Bureau of Labor Statistics, 392,000 workers made the prevailing minimum wage. So these workers represent .48 percent of the hourly paid workers. According to the U.S. Bureau of Labor Statistics, 17 percent were teenagers, 26 percent were between the ages of 20 and 24, so a total of 43 percent of those were under the age of 24. I think even more enlightening is that single parents, single working parents, hardly any of them actually earn the minimum wage. According to a 2017 report by the GAO's office, only .15 percent of workers in the U.S. are single parents earning at or below the minimum wage.

That is really important because I think a lot of the testimony that we have heard today talks about having a living wage, a living wage for families. But we have talked about increase. We have talked about increases in food costs, at restaurants, increase in healthcare. And I guess Ms. Greszler, with the impact of COVID-19, the unstable school schedule over the last year, it just seems like America's single working parents, but more specifically single working moms, are facing some real challenges. With all of these different increases outside of just the minimum wage increase, how do you think that this increasing the minimum wage would impact working single moms?

Ms. GRESZLER. I think that one of the biggest impacts is going to be on that childcare cost. For single mothers, it is not an option whether or not to work, and yet, when you would be facing thousands of dollars more in childcare costs per year, that is going to put these women in a bind, all these working parents out there. And it is just going to negate any of the potential benefits of having those higher wages. And it is not just childcare, but there are reasons that we have more targeted programs in the United States, whether it is through food stamp benefits, childcare subsidies, these things are aiming to help working parents who need them, and the minimum wage is not aiming at those working parents. And so the reality is that you just end up hurting the people that you are trying to hurt out there. And also, you were bringing up the small businesses out there who are being crushed. And I think it is important to point out that these smaller businesses, they are the same as households out there. And so if we were faced with twice the rent or the mortgage payment, we would have to make adjustments. The notion that these business owners can just dig deep in their pockets and pay all this additional money is ludicrous. And I have heard from small business owners they are taking out lines of credit because they care so much about their workers and they do not want to lay them off. They do not want to have that single mother unable to pay her bills each month. And they care about their workers. And these are not the businesses that we want to be shutting down with a $15 "one size fits all" Federal minimum wage.

Ms. VAN DUYNE. Thank you so much.

And Chairman, I yield back my time.

Chairman PHILLIPS. Thank you, Ms. Van Duyne.

Any other members wish to ask questions before we proceed to closing?

Not seeing any, we will proceed.

I want to thank everybody. I want to thank our witnesses for joining us today and my fellow members. This was the kind of discussion that we need more of. I think it is fair to say that we all agree we want to see Americans' wages go up. We want to see more jobs created, not fewer. And we want to see businesses thrive, especially small businesses that are the backbone of our economy and the backbone of our communities.

And as many of you know, I have built businesses, some very successful larger ones and currently own a small business that does pay a $15 minimum wage. Not because the law requires it, not because it is easy; rather, it is a principle in which my partners and

I believe. But I hear small businesses every single day. They are concerned about this policy and I understand their concerns. I know we all do. And I am grateful that we were able to give voice to some of those concerns in today's hearing.

We have got to consider options for raising wages for the least advantaged in our country. I believe they have been denied that for far too long and we have a responsibility. So I am committed to working together with all of my colleagues, Democrats and Republicans in a bipartisan fashion to build a better economy for our small businesses and for the people that build them, employees and owners.

I talk about the trifecta—higher wages, more jobs, and more businesses. So I ask that we focus on that, not just obstruct and not just demand that we not proceed; rather, come up with solutions on how we can achieve all three because I do not believe they are mutually exclusive. And I want to see American once again be at the forefront. I want to see us be the fastest growing economy and a country to which our peers look to for the best policy in the world.

So with that I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without any objection, so ordered.

And if there is no further business before the Committee, we are now adjourned. Thanks, everybody.

[Whereupon, at 12:08 p.m., the subcommittee was adjourned.]

APPENDIX

Testimony before the
U.S. House of Representatives
Committee on Small Business
Subcommittee on Oversight, Investigations, and Regulations
at a hearing titled "Perspectives from Main Street: Raising the Wage"

Heidi Shierholz, Ph.D.
Senior Economist and Director of Policy
Economic Policy Institute

February 24, 2021

Chairman Phillips, Ranking Member Van Duyne, and members of the subcommittee, thank you for the opportunity to testify today on the importance and necessity of increasing the minimum wage to $15 per hour. My name is Heidi Shierholz and I am a senior economist and the director of policy at the Economic Policy Institute (EPI) in Washington, D.C. EPI is a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-wage workers in economic policy discussions. EPI conducts research and analysis on the economic status of working America, proposes public policies that protect and improve the economic conditions of low- and middle-wage workers, and assesses policies with respect to how well they further those goals. I was also the Chief Economist at the U.S. Department of Labor from mid-2014 to early 2017. I have particular expertise in the minimum wage and low-wage labor markets.

My testimony establishes that:

- Gradually raising the federal minimum wage to $15 by 2025 would lift pay for nearly 32 million workers—21% of the U.S. workforce.
    - Affected workers who work year-round would earn an extra $3,300 a year—enough to make a tremendous difference in the life of a supermarket clerk, home health aide, or fast-food worker who today struggles to get by on less than $25,000 a year.
    - A majority (59%) of workers whose total family income is below the poverty line would receive a pay increase if the minimum wage were raised to $15 by 2025.
    - Essential and front-line workers make up a majority (60%) of those who would benefit from a $15 minimum wage.
    - A $15 minimum wage by 2025 would generate $107 billion in higher wages for workers and would also benefit communities across the country. Because underpaid workers spend much of their extra earnings, this injection of wages will help stimulate the economy and spur greater business activity and job growth.
- Minimum wage workers, and low-wage workers generally, are mostly adults and are also disproportionately women and Black and Hispanic men. Due to the impacts of structural racism and sexism, women and Black and Hispanic men are concentrated in low-wage jobs and would see disproportionate gains from this increase in the minimum wage. A $15 minimum wage will reduce gender and racial pay gaps.
- A $15 minimum wage would begin to reverse decades of growing pay inequality between the most underpaid workers and workers receiving close to the median wage, particularly along gender and racial lines. For example, minimum wage increases in the late 1960s explained 20% of the decrease in the Black–white earnings gap in the years that followed, whereas failures to adequately increase the

minimum wage after 1979 account for almost half of the increase in inequality between women at the middle and bottom of the wage distribution.[1]

- Workers in every county of the U.S., not just in places with a relatively high cost-of-living, need $15 per hour to maintain a modest but adequate standard of living.
- The weight of the economic research on the minimum wage, as well as the best scholarship, establishes that increases in the minimum wage have raised the pay of the low-wage workforce without causing meaningful job loss.

We can afford to gradually increase the minimum wage to $15 in 2025

Raising the federal minimum wage is long overdue. Workers today who are paid the federal minimum wage of $7.25 an hour are, after adjusting for inflation, paid more than 30% less per hour than their counterparts were paid 50 years ago. This is despite the fact that the economy's capacity to deliver higher wages has more than doubled in the last 50 years, as measured by labor productivity, or the amount of output produced by workers. *Businesses can afford to pay the most underpaid worker in the U.S. today substantially more than what her counterpart was paid half a century ago.* As **Figure A** shows, had the minimum wage kept pace with labor productivity growth since 1968, the minimum wage would have been $21.69 in 2020, and give projected productivity growth, would $23.53 in 2025.

FIGURE A

The economy can afford a much higher national minimum wage

Real and nominal values of the federal minimum wage, and its real value if it had risen with total economy productivity, 1938–2020, and projected values under the Raise the Wage Act of 2021, 2021–2025

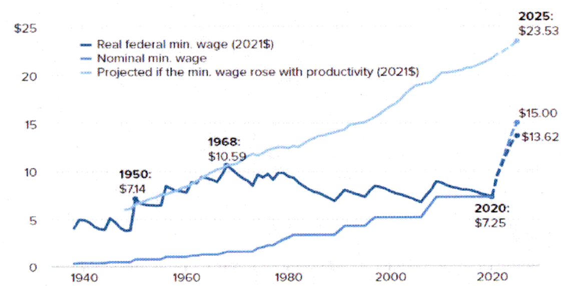

Chart Data

Notes: Inflation measured using the CPI-U-RS. Productivity is measured as total economy productivity net depreciation.

Sources: EPI analysis of the Fair Labor Standards Act and amendments and the Raise the Wage Act of 2021. Total economy productivity data from the Bureau of Labor Statistics Labor Productivity and Costs program. Average hourly wages of production nonsupervisory workers from the Bureau of Labor Statistics Current Employment Statistics.

[1] Ellora Derenoncourt and Claire Montialoux, "Minimum Wages and Racial Inequality," *Quarterly Journal of Economics* 136, no. 1 (February 2021); David Autor, Alan Manning, and Christopher L. Smith, "The Contribution of the Minimum Wage to U.S. Wage Inequality over Three Decades: A Reassessment," *American Economic Journal: Applied Economics* 8, no. 1 (January 2016).

Increasing the national minimum wage to $15 by 2025, as proposed in the *Raise the Wage Act of 2021 (H.R. 603)*, is an important corrective to our failure to raise the minimum wage. A $15 minimum wage by 2025 would ensure that a portion of the country's labor productivity gains are translated into higher living standards for low-wage workers. At the same time, the proposal does not raise the minimum wage to $15 immediately, but instead gradually phases in, in five steps, so that employers can adjust to the new standard.

Raising the minimum wage to $15 by 2025 would lift the pay of about 32 million workers, or 21 percent of the U.S. workforce. Affected workers who work year-round would receive a raise on the order of $3,300 a year.[2] This is enough to make a tremendous difference in the life of a supermarket clerk, home health aide, or fast food worker. Were it enacted, for the first time the lowest-wage workers would make more in real terms than they did in 1968, the last high point of the minimum wage. While this would be a bold step, the resulting pay increase would be relatively modest compared with the economy's capacity to deliver improvements in living standards. A $15 minimum wage in 2025 would have 29% more purchasing power than the minimum wage did at its 1968 high point, but over that time period, the economy's potential for higher living standards, as reflected in labor productivity, will have grown by 122%. Moreover, because of the gradual phase-in, a $15 minimum wage in 2025 is not the same as $15 per hour today, but equivalent to about $13.62 per hour in 2021 dollars, after adjusting for projected inflation.

The proposed legislation also indexes the minimum wage to median wages so that low-wage workers will share a common trajectory of wage growth with the broader labor market. By establishing regular, predictable increases to the minimum wage that are linked to overall wage growth, the proposed legislation improves the ability of the minimum wage to reduce inequality. A rise to $15 an hour would reverse decades of growing pay inequality between the lowest-paid workers and the middle class, and indexing future increases would prevent any future growth in that gap.

The proposed legislation also gradually phases out the outdated subminimum wage for tipped workers, which Congress has frozen at a meager $2.13 per hour since 1991, *thirty years ago*. Establishing a single wage for tipped and nontipped workers alike is long overdue and will help raise the total take-home pay for workers in tipped occupations. Having a lower minimum wage for tipped jobs results in dramatically higher poverty rates for tipped workers. In states that use the federal $2.13 tipped minimum wage, the poverty rate among servers and bartenders is 13.3%—5.6 percentage points higher than the 7.7% poverty rate among servers and bartenders in states that have eliminated their lower tipped minimum wage. Further, eliminating the lower tipped minimum wage has not harmed growth in the restaurant industry or tipped jobs. From 2011 to 2019, states with no subminimum wage for tipped workers had stronger restaurant growth than states that had a lower tipped minimum wage—both in the number of full-service restaurants (17.5% versus 11.1%) and in full-service restaurant employment (23.8% versus 18.7%).[3] Further, because under current policy they are not paid an adequate regular wage, tipped workers' economic security is precarious given that they are especially vulnerable to wage theft. Additionally, the current, separate subminimum wage for tipped workers is likely to increase their income volatility and also perpetuate racial discrimination.[4]

[2] Why the U.W. needs a $15 minimum wage, Economic Policy Institute, January 2021
[3] Why the U.W. needs a $15 minimum wage, Economic Policy Institute, January 2021
[4] Sylvia Allegretto and David Cooper, *Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage*, Economic Policy Institute, July 2014

Economic research justifies bold minimum wage increases

Minimum wages are one of the most well-studied topics in economics. Although there sometimes appears to be much controversy about size of the employment effects of the minimum wage, the weight of evidence shows that minimum wage increases have worked exactly as intended, by raising wages without substantial negative consequences on employment. High-quality academic scholarship confirms that modest increases in the minimum wage have not led to detectable job losses. In a review of the research of the employment effects on low-wage employment, Arindrajit Dube found that the median employment effect for a given wage increase was essentially zero across studies.[5] Sylvia Allegretto and coauthors found that studies using the most high-quality, credible research designs also found little to no employment effects.[6] Taken together, this research suggests that both the typical study as well as the highest-quality research show that there has been little downside to raising minimum wages.

Further, scholarship by Ellora Derenoncourt and Claire Montialoux found that the highest minimum wages the United States has ever experienced—the minimum wages of the late 1960s—significantly raised wages without reducing the employment of low-wage workers.[7] And, multiple studies conclude that total annual incomes of families at the bottom of the income distribution rise significantly after a minimum wage increase.[8] Workers in low-wage jobs and their families benefit the most from these income increases, reducing poverty and income inequality. Finally, by providing families with higher incomes, minimum wage increases have improved infant health and also reduced child abuse and teenage pregnancy.[9]

Because the evidence shows there has been little downside both to minimum wages in general and to minimum wages at their highest points in U.S. history, larger increases are economically justified. Modest and infrequent increases to the minimum wage leave money on the table that otherwise could have been earned by low-wage workers. In other words, by failing to enact bold increases in the minimum wage, we will have deprived low-wage workers of wage increases they could have had without costing them much in terms of reduced employment.[10]

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[5] Arindrajit Dube, "Impacts of minimum wages: review of the international evidence," November 2019.
[6] Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer, "Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas, and Wascher," *ILR Review* 70, no. 3 (May 2017): 559–592, https://doi.org/10.1177/0019793917692788.
[7] Ellora Derenoncourt and Claire Montialoux, "Minimum Wages and Racial Inequality," *Quarterly Journal of Economics* 136, no. 1 (February 2021).
[8] Arindrajit Dube, "Minimum Wages and the Distribution of Family Incomes," *American Economic Journal: Applied Economics* 11, no. 4 (October 2019); Kevin Rinz and John Voorheis, "The Distributional Effects of Minimum Wages: Evidence from Linked Survey and Administrative Data." U.S. Census Bureau Center for Administrative Records Research and Applications Working Paper 2018-02, 2018.
[9] George L. Wehby, Dhaval M. Dave, and Robert Kaestner, "Effects of the Minimum Wage on Infant Health," *Journal of Policy Analysis and Management* 39, no. 2 (Spring 2020); Kerri M. Raissian and Lindsey Rose Bullinger, "Money Matters: Does the Minimum Wage Affect Child Maltreatment Rates?" *Children and Youth Services Review* 72 (January 2017); Lindsey Rose Bullinger, "The Effect of Minimum Wages on Adolescent Fertility: A Nationwide Analysis," *American Journal of Public Health*, March 2017.
[10] For a broader version of this argument, see David Cooper, Lawrence Mishel, and Ben Zipperer, *Bold Increases in the Minimum Wage Should Be Evaluated for the Benefits of Raising Low-Wage Workers' Total Earnings: Critics Who Cite Claims of Job Loss Are Using a Distorted Frame*, Economic Policy Institute, April 2018.

By 2025, workers in every region of the country will need at least $15 an hour to makes ends meet

By 2025, in every single county across the United States, even a single adult with no children will need to be earning more than $15 per hour on a full-time, full-year basis in order to achieve a modest but adequate standard of living.[11] Those with children need even more.

For example, in rural Missouri, a single adult without children will need $39,800 (more than $19 per hour for a full-time worker) by 2025 to cover typical rent, food, transportation, and other basic living costs. In larger metro areas of the South and Southwest—where the majority of the Southern population live—a single adult without children will also need more than $15 an hour by 2025 to get by: $20.03 in Fort Worth, $21.12 in Phoenix, and $20.95 in Miami. In more expensive regions of the country, a single adult without children will need far more than $15 an hour by 2025 to cover the basics: $28.70 in New York City, $24.06 in Los Angeles, and $23.94 in Washington, D.C.

While the Family Budget Calculator identifies what we call "adequate standard of living," it's worth noting that the budgets are very conservative. In particular, they do not include any amount for entertainment of any kind, nor any amount for saving for retirement or buying a home, or even for emergencies. They simply describe the minimum amount of money a family needs in wage income in order to pay for a limited number of necessities on a month-to-month basis. The Fair Labor Standards Act was enacted in 1938 "to protect this Nation from the evils and dangers resulting from wages too low to buy the bare necessities of life."[12] *Anything less than a $15 minimum wage by 2025, all across this country, will not adequately carry out this purpose.*

Most low-wage workers are adults, and they are disproportionately women and Black and Hispanic men

While minimum wage workers are frequently characterized as mostly teenagers working after school jobs for extra spending money, this stereotype is profoundly wrong. More than half (51%) of workers who would benefit from increasing the minimum wage to $15 by 2025 are "prime working age" adults, between the ages of 25 and 54; only one in 10 is a teenager. More than half (54%) work full time, and more than a quarter (28%) have children.[13] The typical worker in a family who will benefit from increasing the minimum wage increase earns about half of their family's total income.[14]

Low-wage workers are much more likely to be a woman or a Black or Hispanic male than the average worker. Due to occupational segregation, discrimination, and other factors related to structural racism and sexism, women and Black and Hispanic men are concentrated in low-wage jobs and would see disproportionate gains from this increase in the minimum wage. A $15 minimum wage in 2025 will reduce gender and racial pay gaps.

Nearly six in 10 (59%) of those who would benefit from a $15 minimum wage in 2025 are women. Our failure to maintain higher minimum wages has greatly worsened hourly wage inequality among women. In an important study, David Autor, Alan Manning, and Christopher Smith found that the failure to adequately increase the

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[11] Economic Policy Institute, Family Budget Calculator, March 2018
[12] S. Rep. No. 75-884, at 4 (1937)
[13] Why the U.W. needs a $15 minimum wage, Economic Policy Institute, January 2021
[14] https://www.epi.org/publication/minimum-wage-testimony-feb-2019/

minimum wage has accounted for 48 percent of the increase in inequality between women at the middle and bottom of the wage distribution since 1979.[15]

Nearly one-third (31%) of black workers would receive a wage increase, as would about one-quarter (26%) of Hispanic workers. Just as the minimum wage can be an important tool for reducing inequality among women, increases in the minimum wage have led to large reductions in earnings inequality between Black and white workers. Derenoncourt and Montialoux find that the increases and coverage expansions of the late 1960s were responsible for more than 20 percent of the fall in the black–white income gap during the Civil Rights Era.[16]

Workers in essential jobs would benefit from a $15 minimum wage

Essential and front-line workers make up a majority (60%) of those who would benefit from a $15 minimum wage. The median pay is well under $15 an hour for many essential and front-line jobs; examples include substitute teachers ($13.84), nursing assistants ($14.26), and home health aides ($12.15).[17] More than one-third (35%) of those working in residential or nursing care facilities would see their pay increase, in addition to home health aides and other health care support workers. One in three retail-sector workers (36%) would get a raise, including 42% of workers in grocery stores. More than four in 10 (43% of) janitors, housekeepers, and other cleaning workers would benefit. Nearly two-thirds (64%) of servers, cooks, and other food preparation workers would see their earnings rise by $5,800 on a year-round basis. Ten million workers in health care, education, construction, and manufacturing would see a raise.

Conclusion

The failure to adequately raise the federal minimum wage has denied American workers significant improvements in their standard of living and a fair share of productivity gains. As a result, the lowest-wage workers today earn significantly less than what their counterparts did five decades ago, after adjusting for inflation.

By raising the federal minimum wage to $15 by 2025, we will finally deliver a much-needed boost in wage income and increase the value of the minimum wage to a level that ensures the lowest wages we pay workers are not poverty wages. In addition, by automatically indexing future minimum wage increases to median wage growth, low-wage workers will share a common trajectory of wage growth with the broader labor market. Finally, gradually phasing out the separate lower wage for tipped workers will help to eliminate disparities in labor protections between tipped workers and the rest of the labor force.

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15 David H. Autor, Alan Manning, and Christopher L. Smith, "The Contribution of the Minimum Wage to US Wage Inequality over Three Decades: A Reassessment," *American Economic Journal: Applied Economics* 8, no. 1: 58–99, https://doi.org/10.1257/app.20140073.

16 Ellora Derenoncourt and Claire Montialoux, "Minimum Wages and Racial Inequality," *Quarterly Journal of Economics* 136, no. 1 (February 2021).

17 Why the U.W. needs a $15 minimum wage, Economic Policy Institute, January 2021

Testimony to the Committee on Small Business Subcommittee on Oversight, Investigations, and Regulations

John Puckett Co CEO and Co Owner Punch Neapolitan Pizza February 24, 2021

Thank you Chairman Phillips for inviting me to testify today about our company's experience with paying higher than industry average and governmental minimum wages.

I am honored to share the Punch Pizza story. Punch has historically not taken specific policy positions but shared our story for others to learn from.

My name is John Puckett and I'm the co-owner of Punch Neapolitan Pizza. We are a 25 year old restaurant company that owns and operates a dozen quick service Neapolitan pizzerias in Minneapolis and St. Paul. Prior to growing Punch, my wife and I founded Caribou Coffee which is now one of the largest coffee chains in the United States with over 500 stores.

Punch's service model is termed "quick casual", like Chipotle, Noodles and other more national brands. Our style of pizza uses 900 degree wood burning ovens and traditional Neapolitan ingredients such as artisanal dough, fresh mozzarella and simple whole ingredients. We have been recognized over the years as having one of the best pizzas in the country and we attribute that success to our basic business philosophy of constant improvement. We currently use the Baldrige quality process to help our company improve and are committed to become only the third restaurant company to win the National Baldrige Quality Award.

A key part of our company's success has been our fantastic employees. When we ask customers why they return to Punch the top two answers, closely ranked, are the quality of our pizza and our engaged, friendly employees. One of our key business strategies has been to recruit and hire the best employees. Central to that strategy has been paying more than our competitors (and well above legal minimums) to ensure we attract and retain the best people. Punch was recognized by President Obama in the 2014 SOTU address for our pay well above minimum wage. Today, Punch's starting wage averages $13/hour with a range of $11/hour for cashiers and $14.50 for cooks. Our average hourly wage for all employees is $15/hour (excluding salaried managers). Each employee also receives on average an additional $5 per hour in tips bringing total average compensation of our hourly employees to $20/hour.

In addition to offering a higher starting wage, we emphasize training and encourage attractive advancement opportunities to all of our employees. We offer training for seven incremental skill and pay levels increasing hourly pay to over $17/hour. Punch also internally promotes its managers from our hourly workforce with more than 75% of our salaried manager positions coming from former hourly employees. On average an employee at Punch can move into management within three years of employment and earn more than $50,000 per year. Our most senior store managers at Punch make over $100,000 a year; this position requires no accreditation, credentials or minimum education levels. Our training systems teach interested employees the skills necessary to be effective managers and leaders.

Punch's employee retention is about two and half times longer than industry average. While offering higher pay is part of our better retention we believe other equally important factors are the strong culture of our company, the quality of leadership in the stores, the pride in making great pizza and having the proper tools and processes to get the job done. Studies about turnover in our industry, which our experience confirms, have long shown that pay alone isn't enough to retain great employees. You need leadership, sense of purpose, effective management and advancement opportunities.

Our people strategy does come at a cost. Our store level labor cost (as a percentage of sales) is about 35% which is significantly higher than industry average. Including the compensation of our office and support staff, Punch total compensation is more than 40% of company sales. In general, Punch earns less profit than other successful companies in our industry. But since our business strategy is not to maximize short term profit but to build a company that will last generations, we think the extra money we spend on labor is money well spent.

To close, I'd like to discuss two challenges Punch and other restaurants face today: the pandemic and inflation.

The pandemic has caused our company to lose money for the first time in our 25 year history. While we have kept our employees safe with zero workplace infections, the reduced sales from closing our dining rooms has come at a cost. Our company has lost approximately $1 million in 2020 and we continue to lose about $50,000 a month. Without the disaster aid provided by the federal government (PPP loans and SBA EIDL) I don't think Punch or most other independent small restaurant companies could have survived. We are hopeful once vaccinations are more widely available that our business and our industry will get back some sort of normalcy.

The other challenge facing our industry is inflation of the two largest cost components: labor, and ingredients (COGS). We mentioned that labor at our company consumes 40 cents of every dollar in sales. The restaurant business is much more labor intensive than other retail businesses. As a comparison, the average restaurant business generates about $65,000 in sales for every employee (National Restaurant Association). Target and Amazon, who both have been in the news recently with their increase in starting wages to $15/hour, generate approximately $250,000 and $500,000 per employee respectively or 400-800% more (Company filings). This makes the impact of labor cost much greater for the restaurant industry than any other major industry we are aware of. We are also seeing an increase in prices for our food ingredients. Commodity increases along with new safety process costs are being passed along to restaurants. The current business environment has never been more challenging, especially for small business.

On behalf of everyone at Punch, thank you all for your interest in hearing from small businesses. We really appreciate the lifeline you gave us and 1,000's of small business like us with the covid related disaster aid.

Hearing on Perspectives from Main Street: Raising the Wage
Subcommittee on Oversight, Investigations and Regulations
House Committee on Small Business

Written Testimony of Rebecca Hamilton, Co-CEO and Family Owner,
W.S. Badger Company, Gilsum, New Hampshire

February 24, 2021

Thank you, Chairman Phillips and distinguished members of the House Subcommittee on Oversight, Investigations and Regulations, for the opportunity to testify in support of raising the federal minimum wage as called for in the Raise the Wage Act of 2021.

My name is Rebecca Hamilton and I am the Co-CEO and Family Owner of W.S. Badger Company (Badger) in Gilsum, a rural community in the Monadnock region of New Hampshire. I also serve on the National Women's Business Council, a nonpartisan federal advisory committee.

Badger was founded in 1995 in our family kitchen by my father, a carpenter who needed a better balm for his cracked hands. Today, we employ over 90 people and manufacture over 100 natural body care products sold across the United States and internationally including lotions, balms, sunscreens and insect repellents for children and adults.

Forbes magazine honored us as one of America's best small companies, we were New Hampshire Business of the Year 2019, and Real Leaders recently chose us as one of its "Top Impact Companies" from around the world. Our employees are central to those achievements.

Over our 25-year history, fair pay has helped our business succeed and grow. Our lowest starting wage is $15 for entry-level employees. We also provide a range of benefits from day one. Paying well above the current federal minimum wage has been good for our business and good for our bottom line.

New Hampshire is the only state in New England following the current federal minimum wage. $7.25 per hour is too low for New Hampshire and too low for our country. For businesses, the low wage floor makes it harder to hire and retain employees, build your customer base, and grow your business. It undermines regional economic development.

We participated in a working group of New Hampshire businesses examining the relationship between our region's low wage floor and poor health outcomes. People who earned low wages were more likely to end up in the hospital, for example. We joined the Healthy Monadnock initiative because we believe that businesses play an important role in the health of our community. And we believe that stronger communities make for stronger businesses. With our hospital-affiliated convener, the working group surveyed apartment, food and fuel costs in our region, as well as the cost of basic needs items like clothing and household supplies.

We found that an hourly wage below $15 for a single adult with no children was inadequate to maintain a safe and decent standard of living in the Monadnock region and could not sufficiently meet a person's food, housing, transportation, health care and personal care needs.

Our fair pay business model has helped us hire and retain excellent staff, keeping us competitive and succeeding into second generation family ownership even as many other businesses in our region have struggled.

New Hampshire has often had a problem with young people leaving to seek work elsewhere. A 2018 survey, for example, found that younger workers see New Hampshire as lacking job and career opportunities.[1] Several years ago, we participated in a workforce group of employers in education, the private sector and local government examining the regional struggle to find talented staff. The region's lower wages were a drag on economic and community development, making it harder for many businesses to hire and retain staff, miring businesses in a cycle of costly churn, and significantly weakening the consumer spending that drives business survival and growth.

New Hampshire's adherence to the $7.25 federal minimum wage hasn't helped businesses. It keeps even full-time workers in poverty and places businesses and the region at a disadvantage compared to surrounding states with higher wage floors.

Badger has thrived by following a different model. By paying livable wages and investing in our employees, we keep our attrition rates at Badger very low. Employees grow with us – they don't leave us to grow. Fair wages and family-friendly benefits at Badger have created a workplace that people want to be a part of, allowing us to cultivate people inside the company and promote from within.

This approach has enabled us to spend virtually zero dollars on recruitment while retaining an engaged and committed workforce for the past 25 years. Recruiting and training a new employee involves thousands of dollars and dozens of hours in non-productive costs. It has been estimated that turnover costs are about 20% of an annual salary or higher.[2]

Nationally, turnover in manufacturing averaged 31% in 2019. It's significantly higher in lower-wage industries – such as 79% in accommodation and food services.[3] That is a lot of non-

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[1] https://www.businessnhmagazine.com/article/nh-young-people-see-no-career-opportunities-here

[2] https://www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/

[3] https://www.bls.gov/news.release/jolts.t16.htm

productive training dollars and hours. Badger has been in business for 25 years, and offering fair wages and good benefits has resulted in very low rates of turnover and very low rates of absenteeism.

Having low employee turnover saves us considerable money on hiring and training. Businesses often take turnover for granted, and don't look at how much money they lose with poor retention.

By retaining experienced staff, we also see increased productivity, less waste and fewer errors, which further saves us considerable money and time. When you hire a new employee, it can take weeks to a year where they are not as effective and efficient. We see this with seasonal staff, where less experience at Badger translates into higher errors – and that costs money. The more we can retain already trained staff, the more money we save, the more reliable our staff, and the better our productivity.

Good pay and benefits also boost morale. When you treat employees well, they care more about your business success. Their success and yours become aligned. Employees take extra care with their work and with your customers because they want the business to succeed. In a recent employee engagement survey conducted by The Employee Engagement Group, 100% of employees surveyed at Badger felt that their manager respected their work/life balance and 82% reported feeling highly engaged.

Having engaged, caring employees who can afford to stick around creates the kind of customer service that turns customers into repeat customer and builds your positive reputation. And an engaged, motivated staff helps you keep up with changing customer tastes and generate new ideas, and helps you innovate to succeed for the long run.

Sometimes I hear fellow small businesses say they have a harder time than our larger counterparts in addressing rising costs. In small business as in large, there are many places where you can cut costs or spend money. Choosing to cut costs on employee compensation to spend money elsewhere is a short-sighted decision that costs businesses money and time in the long run.

When we raise the federal wage floor, we will encourage better business practices, helping businesses experience the benefits of lower turnover and a more engaged workforce while boosting spending across the economy.

We support raising the minimum wage to $15 by 2025 for businesses of all sizes and in all regions. Our experience in New Hampshire is an excellent case study for how low wages do not help small businesses and regions compete. Rather, low wages hold back business and economic growth and hamper employee and community health and well-being.

Many large companies such as Amazon, Costco and Target already pay a $15 minimum wage now. We will not help small businesses compete or survive by with a minimum wage so low that anyone who can will choose larger employers over small.

Raising the minimum wage is vital to help us recover from the pandemic and build a stronger economy. It's not simply bad for working people when wages are so low you can work full-time and still not afford the basics. It's also bad for business. In our consumer-driven economy, businesses like mine depend on customers who can afford our products and services. Raising the minimum wage will put more money in the hands of working people who will spend it at businesses in New Hampshire and across America.

With fair pay central to our business model, we have been successful enough as a company that we have never taken on outside funding in our 25 years. Investing in our employees has been the best business decision we could make.

Raising the minimum wage to $15 by 2025 will provide a more solid, level playing field for small and large companies. It will help small businesses succeed. It's an investment in our nation's workforce that will pay great dividends now and in the future.

Thank you for your time.

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The Heritage Foundation

CONGRESSIONAL TESTIMONY

Perspectives from Main Street:
Raising the Wage

Testimony before the

Subcommittee on Oversight, Investigations, and Regulations

Committee on Small Business

U.S. House of Representatives

February 24, 2021

Rachel Greszler
Research Fellow in Economics, Budgets, and Entitlements
The Heritage Foundation

My name is Rachel Greszler. I am a Research Fellow in Economics, Budgets, and Entitlements at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

In my testimony today, I would like to start off by looking at who earns the minimum wage and examining the basic economics of minimum wages. I would then like to walk through the unintended consequences of an unprecedented $15 federal minimum wage with a specific focus on who would be most negatively affected; consider some of the main street examples of affected individuals and employers; and then propose a few alternative ways to help increase workers' incomes without hurting others.

Who Earns the Minimum Wage?

Although more than half of American workers start out earning within one dollar of the minimum wage, very few workers earn the minimum wage for long.[1] That is because the minimum wage functions as a stepping stone into the work world and higher-wage jobs.. Not surprisingly, two-thirds of minimum-wage workers receive a raise within a year of being hired.[2]

Teenagers are by far the most likely to earn the minimum wage. Teens make up fewer than 6

[1] James Sherk, "Most Minimum-Wage Jobs Lead to Better-Paying Opportunities," Heritage Foundation *Issue Brief* No. 4131, January 21, 2014, https://www.heritage.org/jobs-and-labor/report/most-minimum-wage-jobs-lead-better-paying-opportunities#_ftn4.
[2] Ibid.

percent of all hourly paid workers, but account for 17 percent of all workers earning the minimum wage.[3] Workers ages 20 to 24 account for 26 percent of minimum-wage earners.

Part-time workers are five times more likely than full-time workers to make the minimum wage, and workers with less education are more likely to earn the minimum wage.[4]

There are fewer workers earning the minimum wage today than at any point since 1979 when the Bureau of Labor Statistics began collecting data on minimum-wage earners. Even as the number of workers increased by nearly 60 percent between 1979 and 2019, the number of minimum-wage earners fell by 90 percent.[5]

There has been a steep decline—of roughly 65 percent to 80 percent—in the number of minimum-wage earners since 2010. In part, this is because the relative value of the minimum wage declined by about 15 percent since 2010. Minimum-wage increases at the state and local level have also contributed to fewer workers earning the federal minimum wage, but pro-growth policies have played a significant role as well. The strong economy and record-low unemployment leading up to the COVID-19 pandemic required employers to compete for workers, including raising wages and investing in workplace education and training, and they had the means to do so in part because of lower taxes and fewer unnecessary regulations. Consequently, low-wage workers received the largest income gains: between 2016 and 2019, the wages of workers at the 10th percentile of earners (those making about $10 to $11 per hour) increased by 14.6 percent.[6]

According to the most recent data from the Bureau of Labor Statistics, 392,000 workers made the prevailing federal minimum wage of $7.25 in 2019. These workers represent 0.48 percent of hourly paid workers and 0.25 percent of all workers—the equivalent of one out of every 400 workers in the economy.[7] Another 1.2 million individuals—1.5 percent of hourly paid workers and 0.76 percent of all workers—earn wages below $7.25, but these are mostly tipped-wage positions that typically result in workers earning well over the minimum wage (and if they do not, employers

[3] U.S. Bureau of Labor Statistics, "Characteristics of Minimum Wage Workers, 2019," Table 7. Wage and salary workers paid hourly rates with earnings at or below the prevailing federal minimum wage, by age and gender, 2019 annual averages, https://www.bls.gov/opub/reports/minimum-wage/2019/home.htm (accessed February 19, 2021).

[4] Ibid., Table 9. Wage and salary workers paid hourly rates with earnings at or below the prevailing federal minimum wage, by usual hours worked per week on primary job, 2019 annual averages, and Table 6. Wage and salary workers paid hourly rates with earnings at or below the prevailing federal minimum wage, by educational attainment, 2019 annual averages.

[5] In 1979, 3.997 million workers earned the prevailing federal minimum wage, compared to 392,000 in 2019. U.S. Bureau of Labor Statistics, "Characteristics of Minimum Wage Workers, 2019," Table 10. Wage and salary workers paid hourly rates with earnings at or below prevailing federal minimum wage, by gender, 1979–2019 annual averages, https://www.bls.gov/opub/reports/minimum-wage/2019/home.htm (accessed February 19, 2021).

[6] The median usual weekly earnings of workers at the 10th percentile of the wage distribution—those making about $10 to $11 per hour—increased by 14.6 percent (from $397/week to $455/week) between 2016 and 2019. Data available for download from U.S. Bureau of Labor Statistics, "Data Retrieval: Labor Force Statistics—Table 5. Quartiles and selected deciles of usual weekly earnings of full-time wage and salary workers by selected characteristics, not seasonally adjusted," https://www.bls.gov/webapps/legacy/cpswktab5.htm (accessed February 1, 2021).

[7] In December o2019, there were 158.735 employed workers in the U.S. economy. As a percentage of wage and salary workers, the 392,000 making the minimum wage represent 0.28 percent. U.S. Bureau of Labor Statistics, "Characteristics of Minimum Wage Workers, 2019," Table 10. Wage and salary workers paid hourly rates with earnings at or below prevailing federal minimum wage, by gender, 1979–2019 annual averages.

must bring workers' wages up to $7.25 per hour).[8]

While the Bureau of Labor Statistics does not report minimum-wage data by parental status, some other sources provide evidence that hardly any single parents earn the minimum wage. According to a 2017 report by the Government Accountability Office, only 0.15 percent of workers in the U.S. are single parents earning at or below the minimum wage, and an even smaller 0.07 percent of workers are single parents living in poverty while earning at or below the minimum wage.[9]

In reality, however, *no* single parent earns the minimum wage—because the Earned Income Tax Credit (EITC) increases parents' earnings by 34 percent to 45 percent, depending on their number of children. That brings a $7.25 minimum wage to between $9.72 and $10.51 in 2021, and it raises a $10 wage to as much as $14.50 per hour. Because the EITC phases out as workers earn more, some of the potential income gains from a $15 minimum wage would be offset through lower tax credits. Moreover, a $15 minimum wage could reduce the benefits of additional work and income gains by lowering some parents' marginal wages (the amount they earn on an additional hour of work). For example, a single mother with three children working part-time at $10 per hour receives a marginal wage of $14.50 per hour after the EITC, but an increase to $15 per hour would cause her after-EITC marginal wage to fall to $11.84 per hour.[10]

Basic Economics: What Are the Effects of Minimum Wages?

One of the first lessons taught in an economics class is that if you raise the price of something, people demand less of it. A basic supply-and-demand graph demonstrates that when policymakers set a wage above the market rate, workers are willing to supply more labor, while employers demand less of it, creating an oversupply of workers and undersupply of jobs, as well as a deadweight loss to society resulting from lower total output.

While no one can know the business models of more than 30 million unique businesses across the U.S., one can understand household finances. If our rent or mortgage payments were set to double over the next four years, most of us would have to drastically cut back on other expenses, find a new source of income, or move to a smaller home. People already living in low-cost housing would have few options; most would probably move in with family or friends, and some would end up homeless.

Employers are no different; they cannot have their labor costs increase by up to 100 percent without significant disruptions—or total upheaval—to their operations. Employers' responses to a $15 federal minimum wage will vary depending on their industries and unique circumstances, but their options include: eliminating positions, cutting employee hours (limiting hours to below 30 per week would eliminate Obamacare penalties), reducing

[8] Combined, 1.0 percent of all employed workers earned the, or below the, federal minimum wage in 2019. As a percentage of workers paid at hourly rates, 1.9 earned the, or below the, federal minimum wage in 2019.

[9] In December 2016, total employment was 152.157 million according to the Bureau of Labor Statistics. The GAO reported that 222,000 single-parent families were earning the, or below the, minimum wage, and that 106,000 single-parent families living in poverty were earning the, or below the, minimum wage. U.S. Government Accountability Office, "Low-Wage Workers: Poverty and Use of Selected Federal Social Safety Net Programs," GAO-17-677, September, 2017, https://www.gao.gov/assets/690/687314.pdf (accessed February 19, 2021).

[10] Example shown is for a single mother with three children, working 26 hours per week at a wage of $10 per hour.

benefits, automating or outsourcing jobs, or closing down.

Restaurants are one example of businesses that would be most affected by a mandatory $15 minimum wage, as it would require a 600 percent increase in the tipped minimum wage, from $2.13 to $15. According to a February 2021 survey by the National Restaurant Association, the Raise the Wage Act of 2021 would cause 98 percent of restaurants to increase prices, 84 percent to cut jobs from normal levels, 84 percent to reduce hours from normal levels, 75 percent to reduce benefits from normal levels, and 65 percent to add equipment or technology to reduce the need for employees—all just in order to remain in business.[11]

While industries and businesses that do not employ low-wage workers may not be directly affected, they may still be subject to cost increases for their inputs as well as wage pressure. In order to attract and retain the workers they need, employers have to maintain a hierarchy of wages based on experience and productivity—they cannot pay shift managers the same rate as entry-level workers. This is why the Congressional Budget Office (CBO) estimated that in addition to the 17 million workers who currently make below $15 per hour, 10 million workers who make slightly above $15 per hour would also experience wage increases.[12]

Unprecedented Increase: Even Liberal Economists Caution Against a $15 Minimum Wage

The federal government has never implemented such a massive, 107 percent, increase in the minimum wage. While studies of past, smaller increases provide insight into the likely impacts, the magnitude of the increase is likely to cause widespread upheaval in the labor market and entire economy, potentially far beyond expectations.

This is why even liberal economists have cautioned against a $15 per hour minimum wage. As Alan Kreuger, former chair of President Barack Obama's Council of Economic Advisers, and a Princeton economist, warned:

A $15-per-hour national minimum wage would put us in uncharted waters, and risk undesirable and unintended consequences... [T]he push for a nationwide $15 minimum wage strikes me as a risk not worth taking.[13]

Harry Holzer, chief economist at the Department of Labor under President Bill Clinton, and a Georgetown University professor and senior researcher affiliated with the Brookings Institution, warned that:

[S]uch increases are extremely risky. In job markets where young or less-educated workers already have difficulty finding jobs and gaining important work experience, such mandates will likely make it much harder... Many employers will be very reluctant to pay high wages to workers whose skills—including the ability to speak English, in the case of many immigrants—are so modest.[14]

[11] National Restaurant Association, "Minimum Wage Impact Survey," February 2021, https://restaurant.org/downloads/pdfs/advocacy/minimum-wage-impact-survey-february-2021.pdf (accessed February 21, 2021).

[12] Congressional Budget Office, "The Budgetary Effects of the Raise the Wage Act of 2021," February 8, 2021, https://www.cbo.gov/system/files/2021-02/56975-Minimum-Wage.pdf (accessed February 21, 2021).

[13] Alan B. Krueger, "The Minimum Wage: How Much Is Too Much?" *The New York Times*, October 9, 2015, http://www.nytimes.com/2015/10/11/opinion/sunday/the-minimum-wage-how-much-is-too-much.html (accessed February 21, 2021).

[14] Harry J. Holzer, "A $15-hour Minimum Wage Could Harm America's Poorest Workers," *Fortune*, July 30, 2015, https://fortune.com/2015/07/30/1223726-15-

Job Losses

Many economic studies have examined the impacts of minimum-wage increases over time and across locations. While some studies have shown minimal or no job losses, these studies have often been limited in nature. For example, a study of Seattle's minimum-wage increase did not find substantial net employment effects, but it did find that the higher minimum wage pushed less-experienced and less-educated workers out of the city limits to find employment and also reduced employment opportunities among new job seekers.[15]

A more comprehensive analysis of the entire set of economic studies on minimum wages since the early 1990s, published in January 2021 by the National Bureau of Economic Research, concluded that "there is a clear preponderance of negative estimates," with the negative employment effects strongest for directly affected workers (those with wages below the new minimum), and most especially teens, young adults, and the less educated.[16]

The CBO has also provided two recent analyses of the impact of a $15 minimum wage.[17] The latest CBO analysis estimated that the Raise the Wage Act would reduce employment by 1.4 million, on average, but noted that "responsiveness is unlikely to be much lower than CBO's median estimate…but it could be much higher," including 2.7 million or more job losses.[18]

The history of minimum-wage policies and laws affirms the reality that minimum wages eliminate jobs. The late economist Walter Williams said, "In all of my research, I show that the minimum wage is one of the most effective tools in the arsenal of racists everywhere in the world."[19] He noted that in South Africa, "the major supporters for minimum wages for blacks were white, racist, labor unions that would never have a black as a member."[20] Although attempts to increase minimum wages in the U.S. lack racial motivation (and supporters have even claimed that they would reduce racial disparities) Williams aptly noted that "intentions have no effect on outcomes."[21]

Similarly, Milton Friedman said in 1966: "I am convinced that the minimum-wage law is the most [anti-black] law on our statute books—in its effect not its intent."[22] He noted that while unemployment rates for black and white teenage boys had beensimilar prior to 1956, in the range between 8 percent and 11 percent, the unemployment rate for black teenage boys had shot up to 24 percent and that of white teenage boys to 14 percent after the 1956 minimum-

hour-minimum-wage-workers-fast-food/ (accessed February 21, 2021).
[15]Ekaterina Jardim et al., "Minimum Wage Increases and Individual Employment Trajectories," NBER *Working Paper* No. 25182, October 2018, https://www.nber.org/system/files/working_papers/w25182/w25182.pdf (accessed February 21, 2021).
[16]David Neumark and Peter Shirley, "Myth or Measurement: What Does the New Minimum Wage Research Say About Minimum Wages and Job Losses in the United States?" NBER *Working Paper* No. 28388, January 2021, https://www.nber.org/system/files/working_papers/w28388/w28388.pdf (accessed February 21, 2021).
[17] Congressional Budget Office, "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage," July 2019, https://www.cbo.gov/system/files/2019-07/CBO-55410-MinimumWage2019.pdf (accessed February 21, 2021).
[18]Congressional Budget Office, "The Budgetary Effects of the Raise the Wage Act of 2021.
[19]Walter E. Williams, "Walter E. Williams–Minimum Wage as a Racist Tool," YouTube, June 3, 2011, https://www.youtube.com/watch?v=RUBK9_4OQIs (accessed February 20, 2021).
[20] Ibid.
[21] Ibid.
[22] Milton Friedman, "Minimum-Wage Rates," *Newsweek*, September 26, 1966, available in Robert Lesson and Charles G. Palm, eds., *The Collected Works of Milton Friedman, 1933–2015*, https://miltonfriedman.hoover.org/friedman_images/Collections/2016c21/NW_09_26_1966.pdf (accessed February 20, 2021).

wage increase from $0.75 to $1.00 per hour (and unemployment rates remained high for both Black and white teens). .[23]

It is simply impossible to create hundreds of billions of dollars of additional income each year through a government mandate—if that were possible, why not mandate a $50 minimum wage? Government mandates cannot increase total income—they can only redistribute it, including by taking away jobs and incomes, primarily from the lowest-skilled, least-experienced workers.

Increased Automation

When workers become more expensive to employ, companies have a greater incentive to invest in machinery to eventually replace employees. Most of us have experienced fast food restaurants and grocery stores that have replaced cashiers with self-service kiosks. The CBO included this effect in its analysis of minimum-wage increases, noting that some employers will respond to that higher cost by replacing low-income workers with machines.[24]

Automation is an ongoing process that has been at work for centuries. Organic automation is not a bad thing, but an artificially expedited increase in the level and pace of automation will increase the number of displaced workers and the unemployment rate.

Reduced Workplace Benefits

Employers consider the total cost of employee compensation when making employment decisions. Wages are a large part of compensation, but not the entire picture—according to the most recent data, non-wage benefits account for 30 percent of employers' costs for employee compensation.[25]

Thus, employers may choose to cut back on benefits like health insurance, 401(k) contributions, paid leave, educational subsidies, and on-the-job training. While low-wage workers are less likely to have access to some of those benefits, employers could save significantly by reducing or eliminating health insurance benefits; and cutting employee hours to fewer than 30 per week could save employers $2,700 per year, per employee, in Obamacare penalties.

Price Increases

One of the most widespread impacts of a $15 federal minimum wage will be higher prices on many goods and services that consumers buy. A Heritage Foundation report estimated that a $15 minimum wage would cause fast-food prices to rise by 38 percent.[26]

When New York City increased its minimum wage by $2, from $13 to $15 (much smaller than the proposed $7.75 federal increase), 86 percent of restaurants reported increasing their prices in response. [27] In turn, since price increases reduce customer demand, 40 percent of those restaurants reported losing repeat

[23] Ibid.
[24] Congressional Budget Office, "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage.
[25] Bureau of Labor Statistics, "Employer Costs for Employee Compensation—September 2020," released December 17, 2020, https://www.bls.gov/news.release/pdf/ecec.pdf (accessed February 20, 2021).

[26] James Sherk, "Higher Fast-Food Wages: Higher Fast-Food Prices," Heritage Foundation *Issue* Brief No. 4272, September 4, 2014, https://www.heritage.org/jobs-and-labor/report/higher-fast-food-wages-higher-fast-food-prices.
[27] NYC Hospitality Alliance, "Rising Labor Costs Survey," 2019, https://thenycalliance.org/assets/documents/information items/021lb.pdf (accessed February 21, 2021).

customers as a result of price increases. When business declines, fewer workers are needed.[28]

While it is true that many lower-wage workers who would be fortunate enough to keep their jobs with a $15 minimum wage would receive higher incomes, part of those gains would be wiped out by higher prices.

Who Is Hurt the Most by High Minimum Wages?

While the consequences of a $15 national minimum wage would be widespread, they would be disproportionate across the U.S.

Teens and Workers with Low Education. A $15-per-hour minimum wage translates into at least $36,000 in costs for employers, after taxes and mandated benefits. Many workers in the U.S. do not yet have the capability to produce $36,000 in value per year, and mandating that employers pay them this much could prevent them from gaining the experience and education they need to become more productive.

As economist James Tobin, a member of President John F. Kennedy's Council of Economic Advisers, explained more than a half-century ago, people who are not yet capable of certain wage levels

will not be helped by minimum-wage laws, trade-union wage pressures or other devices which seek to compel employers to pay them more than their work is worth. The more likely outcome of such regulations is that the intended beneficiaries are not employed at all.[29]

Economic studies show that minimum wages have the worst consequences for young and less-educated workers.[30] A recent Mercatus Center study identified high minimum wages in some areas as the "predominant factor" in the decline in teenage employment and labor force participation over the past decades.[31] A study by the Employment Policies Institute that examined the impact of the 40 percent increase from 2007 to 2009 in the federal minimum wage on South Carolina found that it reduced employment by 8.9 percent among teens (contributing to a 29.8 percent teen unemployment rate).[32]

This is problematic because work experience at a young age not only provides income that can help to support a family, save, or pay for education, but it provides valuable lessons and

[28] Ibid.

[29] James Tobin, the U.S. Senate Committee on Labor and Public Welfare, Subcommittee on Health, September 8, 1965, p. 367. https://books.google.com/books?id=buYFAAAAIAAJ&pg=RA1-PA367&lpg=RA1-PA367&dq=%E2%80%9CPeople+who+lack+the+capacity+to+earn+a+decent+living+need+to+be+helped,+but+they+will+not+be+helped+by+minimum-wage+laws,+trade-union+wage+pressures+or+other+devices+which+seek+to+compel+employers+to+pay+them+more+than+their+work+is+worth.+The+more+likely+outcome+of+such+regulations+is+that+the+intended+beneficiaries+are+not+employed+at+all.%E2%80%9D&source=bl&ots=rHazcBS4IQ&sig=ACfU3U1yyrU6V0m-hGvZ7mv1sJBFZFLQyA&hl=en&sa=X&ved=2ahUKEwib_orR9_juAhUOF1kFHUo4BUoQ6AEwAXoECAQQAw#v=snippet&q=not%20be%20helped&f=false

[30] Jeffrey Clemens, "The Minimum Wage and the Great Recession: Evidence from the Current Population Survey," NBER *Working Paper* No. 21830, December 2015, https://www.nber.org/system/files/working_papers/w21830/w21830.pdf (accessed February 21, 2021).

[31] David Neumark and Cortnie Shupe, "Declining Teen Employment: Minimum Wages, Other Explanations, and Implications for Human Capital Investment," Mercatus Center *Working Paper*, George Mason University, 2018, https://www.mercatus.org/system/files/neumark-teen-employment-mercatus-working-paper-v1.pdf (accessed February 20, 2021).

[32] Employment Policies Institute, "New EPI Analysis Shows Teen Unemployment Rate Averages 29.8 Percent in South Carolina," August 2010, https://epionline.org/release/new-epi-analysis-shows-teen-unemployment-rate-averages-29-8-percent-in-south-carolina/ (accessed February 20, 2021).

experiences that result in higher future earnings. A study by Christopher Ruhm and Charles Baum estimated that teens who held part-time jobs realized 7 percent higher future earnings than their peers who did not work.[33]

Low-Education Individuals. Individuals with less education will also be disproportionately harmed by minimum-wage increases. There are 26 million American adults who lack a high school diploma, and another 71 million who have no education beyond high school.[34] Not only will these workers be more likely to lose their jobs with a $15 minimum wage, but increased costs for employers could prevent them from providing on-the-job training and making other investments in their workers that help them to become more productive and earn higher incomes over time.

The Employment Policies Institute study that examined the impact of the 40 percent increase from 2007 to 2009 in the federal minimum wage on South Carolina found that it caused a 15.5 percent decline in employment among workers with less than a high school diploma.[35]

Low-Education Single Mothers. In addition to the negative effects of low education on employment and earnings potential, the demands of being a single parent can make it even more challenging to find work that meets single parents' family needs. Another Employment Policies Institute study found that minimum-wage increases tend to produce small or no income gains for more-educated single mothers, but that a 10 percent increase in the minimum wage resulted in a 6 percent *reduction* in employment for less-educated single mothers, a 9.9 percent decline in annual hours worked, and an 8 percent increase in welfare receipt.[36]

Workers with Other Barriers to Employment. Individuals with disabilities, limited English skills, or criminal records would also face a more difficult time finding employment in a $15-per-hour minimum-wage economy. The CBO report on the Raise the Wage Act noted that initially, workers who lost their jobs would keep looking for work, but that by 2025, half of workers who would lose their jobs because of the $15 minimum wage would have dropped out of the labor force.[37] These unemployable workers would be predominantly young and less educated, but would also include individuals with disabilities and older workers.

All Americans deserve an opportunity to work, yet a $15 minimum wage could create a situation in which there is no place in the formal labor market for tens of millions of Americans. While proponents of further government interventions may argue that a Universal Basic Income could fill the gap, that would not only require an excessive tax rate on working Americans, but a sedentary life reliant on government welfare programs is not what Americans want and is wholly inconsistent with this country's establishment as the land of opportunity.

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[33] Charles Baum and Christopher Ruhm, "The Lasting Benefits of Early Work Experience," Employment Policies Institute, August 2014, https://epionline.org/wp-content/uploads/2014/08/EPI_LastingBenefitsofEarlyWorkExperience2.pdf (accessed February 21, 2021).

[34] U.S. Census Bureau, "Educational Attainment in the United States, 2019," Table 2. Educational Attainment of the population 25 years and over, by Select Characteristics, 2019, March 30, 2020, https://www.census.gov/data/tables/2019/demo/educational-attainment/cps-detailed-tables.html (accessed February 20, 2021).

[35] Employment Policies Institute, "New EPI Analysis Shows Teen Unemployment Rate Averages 29.8 Percent in South Carolina."

[36] Joseph J. Sabia, "The Impact of Minimum Wage Increases on Single Mothers," Employment Policies Institute, August 2007, https://epionline.org/wp-content/studies/sabia_08-2007.pdf (accessed February 21, 2021).

[37] Congressional Budget Office, "The Budgetary Effects of the Raise the Wage Act of 2021."

Small Businesses and Entrepreneurs. Businesses with fewer than 100 workers employ almost half of all minimum-wage workers, and average wages in businesses with fewer than 100 employees are half that of big businesses with 1,000 or more employees.[38]

Smaller and younger businesses often have lower capital and less access to credit, which is incredibly important to their ability to survive and grow. Thus, they have less ability to adjust—both in the short- and long-term—to higher minimum wages.

An analysis of a "one-size-fits-all" national minimum wage found that small businesses affected by federal minimum-wage increases experienced adverse financial outcomes, causing "lower bank credit, higher loan defaults, lower employment, a lower entry and a higher exit rate for small businesses."[39]

A 2017 study that looked at the impact of minimum-wage increases on entrepreneurship found that "a 1% increase in the minimum wage is associated with a 3.5% decline in the survival rates of startups."[40]

There is a reason why big companies support a $15 minimum wage after they have already achieved higher wages by automating and outsourcing their own low-value positions—it helps drive out their competition.

A $15-per-hour minimum wage should be celebrated for the companies that have been able to achieve it. But while a $15 minimum wage works for companies like Amazon, which has a $1.67 trillion market cap and a multi-hundred-billionaire CEO, it is unlikely to work for many small businesses. That does not mean that they should be driven out of business or prevented from growing. If Amazon had had to pay the equivalent of a $15 minimum wage when it first set up shop 24 years ago, it may not even exist today. Businesses don't start big, and if they don't have room to grow, they won't start at all.[41]

Lower-Cost Areas: One-Size Minimum Wage Doesn't Fit Most. America is very diverse, and costs of living vary significantly across the U.S. This is why the federal government utilizes locality-based adjustments of as much as 40 percent within its General Schedule pay scale.

In Mississippi, for example, the median wage is $15 per hour. Imposing a $15 minimum wage on Mississippi would be like imposing a $21.24 minimum wage on California, a $24.14 minimum wage on Massachusetts, and a $35.74 minimum wage on Washington, DC.[42] Such a high minimum wage in DC would upend most lawmakers' offices as many congressional staffers currently earn well

[38] Chris Edwards, "An Awful Time for a Minimum Wage Hike," *The Hill*, February 3, 2021, https://thehill.com/blogs/congress-blog/economy-budget/537191-an-awful-time-for-a-minimum-wage-hike (accessed February 21, 2021).

[39] Chava Sudheer, Alexander Oettl, and Manpreet Singh, "Does a One-Size-Fits-All Minimum Wage Cause Financial Stress for Small Businesses?" NBER *Working Paper* No. 26523, https://www.nber.org/papers/w26523 (accessed February 20, 2021).

[40] Iaohui Gao, "Do Minimum Wage Hikes Hinder Entrepreneurship?" Robert H. Smith School of Business, University of Maryland–College Park, February 22, 2017, https://scholar.rhsmith.umd.edu/sites/default/files/xiaohui/files/minimum_wage_and_entrepreneurship.pdf?m=1504707392 (accessed February 21, 2021).

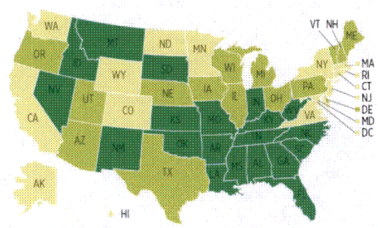
[41] Rachel Greszler, "3 Reasons to Celebrate Amazon's $15 Minimum Wage and 3 Reasons to Fear a $15 Federal Minimum Wage," The Daily Signal, October 4, 2018, https://www.dailysignal.com/2018/10/04/3-reasons-to-celebrate-amazons-15-minimum-wage-and-3-reasons-to-fear-a-15-federal-minimum-wage/.

[42] U.S. Bureau of Labor Statistics, "May 2019 State Occupational Employment and Wage Estimates," Occupational Employment Statistics, https://www.bls.gov/oes/current/oessrcst.htm (accessed February 20, 2021).

below $35.74 per hour—the equivalent of more than $74,000 per year.

One-Size Minimum Wage Not a Good Fit

A $15 minimum wage in Mississippi would be like a $35.74 minium wage in Washington, D.C.



MEDIAN HOURLY WAGE, 2019: $20+ $18-$20 $15-$18

D.C.	$35.74	Oregon	$19.83	Georgia	$17.75
Massachusetts	$24.14	Illinois	$19.74	N. Carolina	$17.75
Alaska	$23.34	Vermont	$19.68	Montana	$17.51
Connecticut	$23.33	Delaware	$19.66	Nevada	$17.51
Washington	$23.15	Pennsylvania	$18.99	Tennessee	$17.26
New York	$22.44	Wisconsin	$18.79	Florida	$17.23
Maryland	$22.10	Michigan	$18.60	Oklahoma	$17.18
New Jersey	$21.64	Ohio	$18.54	Kentucky	$17.09
Hawaii	$21.35	Arizona	$18.46	New Mexico	$17.03
Colorado	$21.28	Nebraska	$18.46	Idaho	$17.00
California	$21.24	Maine	$18.45	Alabama	$16.73
Rhode Island	$21.24	Iowa	$18.41	S. Dakota	$16.71
Minnesota	$21.21	Texas	$18.28	S. Carolina	$16.68
N. Dakota	$20.44	Utah	$18.23	Louisiana	$16.66
Virginia	$20.30	Missouri	$17.88	W. Virginia	$16.31
Wyoming	$20.02	Kansas	$17.79	Arkansas	$15.84
New Hampshire	$19.95	Indiana	$17.77	Mississippi	$15.00

NOTE: Setting the federal minimum wage at $15 per hour would, for Mississippi, be equivalent to setting the minimum wage equal to the state's median wage. The data in this map show what minimum wages would be if all states were forced to set their minimum wages equal to their median wages, as Mississippi would have to do if Congress enacts a $15/hour federal minimum wage.
SOURCE: Bureau of Labor Statistics.

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Puerto Rico demonstrates the consequences of an excessively high minimum wage. The federal $7.25 minimum wage equals 72 percent of the island's median wage of $10.13. That has forced many people out of employment entirely—the island has an abysmally low 40 percent labor force participation rate,[43] and over 40 percent of residents receive Medicaid and food stamps.[44] Already burdened with a financial crisis, still recovering from two devastating hurricanes, and continuing to struggle through the consequences of COVID-19, a $15 minimum wage would be overwhelming for Puerto Rico.

It's one thing if cities like Seattle and San Francisco, or even states like New York and Illinois, want to impose $15 minimum wages on their workers and businesses. If they set minimum wages above market wages, workers and employers who are priced of the market at least have the option of going elsewhere to earn a living, and that is already happening.

According to the U.S. Census Bureau, the seven states plus DC that had passed $15 minimum-wage laws as of 2019 averaged a net migration of -50,000 people in 2019 while the 20 states with a $7.25 minimum wage averaged a net migration of +25,000 people.

A nationwide $15 minimum wage would eliminate the option of moving elsewhere to earn a livelihood. That is likely why cities and states that have already raised their minimum wages to $15 want to impose the same increases on everyone else; it reduces the competition. But states and local governments have the authority to—and many have—set their own minimum-wage laws, and the federal government should not supersede those with an excessive, one-size-fits-all $15 minimum wage.

[43] Rachel Greszler, "How Restrictive Labor Laws Keep Puerto Rico's Economy Down," Heritage Foundation *Commentary*, June 19, 2018, https://www.heritage.org/international-economies/commentary/how-restrictive-labor-laws-keep-puerto-ricos-economy-down.

[44] Tracy A. Loveless, "Supplemental Nutrition Assistance (SNAP) Receipt for Households: 2018," U.S. Census Bureau, American Community Survey Briefs, Issued June 2020, https://www.census.gov/content/dam/Census/library/publications/2020/demo/acsbr20-01.pdf (accessed February 21, 2021).

Burden for Working Families: Surge in Childcare Costs

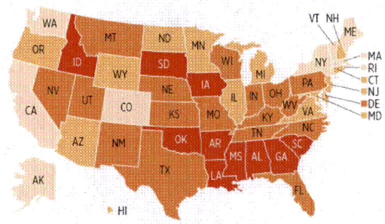
Especially hard-hit by $15-minimum-wage price increases would be families with young children. Already, many families struggle to find childcare, especially at a cost they can afford. A $15 federal minimum wage would increase childcare costs by an average of 21 percent across the U.S., making childcare unattainable for millions more families.[45]

The median wage of childcare workers was $11.65 per hour in 2019, so a $15 minimum wage would require significant wage increases in many areas. Childcare providers already operate on thin margins and their hands are largely tied in terms of cutting costs because virtually every aspect of a childcare environment is strictly regulated. Moreover, automation is not an option because robots cannot take care of children.

Consequently, almost the entirety of wage increases for childcare workers would be passed on to families. But cost increases would not be equal across the U.S.: Families in lower-cost areas—especially those in the South and Midwest—would experience the largest increases. Childcare prices would rise by more than 30 percent, on average, in 10 states, including a whopping 43 percent increase in Mississippi.

$15 Federal Minimum Wage Would Increase Childcare Costs 21 Percent

Costs would rise disproportionately in lower-cost areas, with 10 states experiencing childcare cost increases of 30 percent or more.



Alabama	35%	Montana	23%
Alaska	8%	Nebraska	20%
Arizona	13%	Nevada	25%
Arkansas	30%	New Hampshire	18%
California	7%	New Jersey	11%
Colorado	6%	New Mexico	25%
Connecticut	10%	New York	7%
Delaware	23%	North Carolina	23%
Florida	20%	North Dakota	17%
Georgia	32%	Ohio	22%
Hawaii	11%	Oklahoma	37%
Idaho	30%	Oregon	10%
Illinois	18%	Pennsylvania	23%
Indiana	27%	Rhode Island	9%
Iowa	33%	South Carolina	34%
Kansas	28%	South Dakota	30%
Kentucky	29%	Tennessee	28%
Louisiana	37%	Texas	25%
Maine	9%	Utah	24%
Maryland	14%	Vermont	5%
Massachusetts	4%	Virginia	19%
Michigan	19%	Washington	4%
Minnesota	13%	West Virginia	28%
Mississippi	43%	Wisconsin	23%
Missouri	24%	Wyoming	18%

SOURCE: Heritage Foundation calculations based on data from Bureau of Labor Statistics, and ProCare, "Child Care Costs by State 2020."

heritage.org

[45] Rachel Greszler, "The Impact of a $15 Federal Minimum Wage on the Cost of Childcare," Heritage Foundation *Backgrounder* No. 3584, February 11, 2021, https://www.heritage.org/sites/default/files/2021-02/BG3584.pdf.

This would translate into thousands of extra dollars per year in childcare costs for many families. While the average increase in costs for a family with two children would be $3,728, costs would rise by more than $6,000 per year in Iowa ($6,304) and Indiana ($6,028), and by more than $5,000 per year in Kansas ($5,636), Louisiana ($5,487), Oklahoma ($5,602), Wisconsin ($5,227), Georgia ($5,222), and Nevada ($5,019).

Considering that childcare for two children could cost upward of 40 percent of the median household income in many states, a $15 minimum wage could make childcare unattainable for millions of families and lead to a reduction in employment and income among families with children.

In two-parent homes, it may no longer make financial sense for both parents to work, even if the family is struggling to make ends meet. Since women are more likely to stay home than men, this could widen gender-based differences in the labor market.

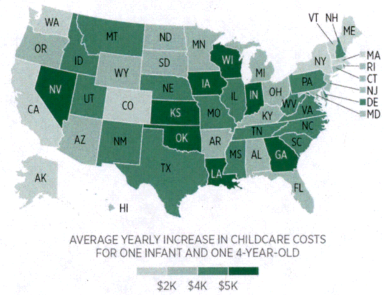
Others—especially single-parent families—could have to resort to non-licensed or illegal child care, or depend on unpaid child care of friends and family.

The point is that all families have different needs and should be free to make decisions based on what is best for them. Some families have one parent at home. Others have both parents working. And most single parents have no choice but to work. By making the childcare that low-income and working families need unaffordable, a $15 federal minimum wage would most hurt the very families policymakers seek to help.

The State of California, which currently is on the pathway to a $15 minimum wage for all employers by 2023 warns of the consequences for families and the childcare industry.

The Impact of $15 Federal Minimum Wage on Childcare Costs

Enacting a $15 per hour federal minimum wage would increase the costs of childcare by thousands of dollars in most states.



Alabama	$3,931	Montana	$4,094
Alaska	$1,789	Nebraska	$4,735
Arizona	$2,441	Nevada	$5,019
Arkansas	$3,695	New Hampshire	$4,127
California	$1,873	New Jersey	$2,685
Colorado	$1,788	New Mexico	$4,091
Connecticut	$2,688	New York	$1,888
Delaware	$4,611	North Carolina	$4,071
Florida	$3,309	North Dakota	$2,981
Georgia	$5,222	Ohio	$3,842
Hawaii	$2,427	Oklahoma	$5,602
Idaho	$4,135	Oregon	$2,301
Illinois	$4,263	Pennsylvania	$4,950
Indiana	$6,028	Rhode Island	$2,276
Iowa	$6,304	South Carolina	$4,423
Kansas	$5,636	South Dakota	$3,698
Kentucky	$3,872	Tennessee	$4,547
Louisiana	$5,487	Texas	$4,070
Maine	$1,641	Utah	$4,225
Maryland	$3,693	Vermont	$1,269
Massachusetts	$1,608	Virginia	$4,736
Michigan	$3,724	Washington	$1,131
Minnesota	$3,639	West Virginia	$4,519
Mississippi	$4,406	Wisconsin	$5,227
Missouri	$4,113	Wyoming	$3,573

SOURCE: Heritage Foundation calculations based on data from Bureau of Labor Statistics, and ProCare, "Child Care Costs by State 2020."

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The California Department of Education notes the "moral imperative" of hard work being worth at least $15 per hour, but nonetheless cautions *against* a $15 minimum wage, saying that, "If nothing is done, many lower-income families will lose their child care, and child care programs will close their doors, triggering further job losses and major disruptions to families." [46] This report, provided by California's Minimum Wage Increase Task Force, points out that childcare providers' only option is to increase costs, while many families cannot even afford current costs.

While a $15 minimum wage may increase some families' incomes, it could also result in a loss of childcare subsidies that exceed these families' income gains. A *Los Angeles Times* article tells the story of May Martinez, who was receiving a substantial childcare subsidy while studying towards her bachelor's degree, but then when her husband got a $4-per-hour raise, her family lost their subsidy and were faced with having to pay an extra $2,233 per month, which meant that May had to cut down to part-time night classes to stay home with her kids. Similarly, single- mom Alicia Combs stands to lose over $600 in childcare subsidies because of an automatic raise of less than one dollar per hour.[47]

Moreover, while there is already a shortage of childcare subsidies, a minimum-wage hike could cause many providers to stop accepting subsidized children as they often provide lower reimbursements than the tuition charged to non-subsidized families.

Instead of driving up the cost of childcare, policymakers can help more families to find the care they need, in an environment they want, and at a cost they can afford, by easing unnecessary regulations on childcare providers, allowing parents to choose where to use public childcare dollars, [48] and making it easier and less costly for parents to save for childcare expenses.[49]

Main Street Business Experiences

Examining and even debating the studies and statistics surrounding a $15 minimum-wage increase is one thing, but the actual experiences of employers can convey the true impacts on everyday Americans' lives much better.

The following are small-employer stories.

Besty LeRoy, Owner of Pizza by Elizabeths, Wilmington, DE (excerpts from a Wall Street Journal Article, [50] with similar and extended comments shared at a Heritage Foundation public event on Febraury 9, 2021).

"I am a staunch supporter of Joe Biden and voted for him to save this country. Now I ask him to save my restaurant from the good intentions of progressive policy makers.

"We pride ourselves on serving all Delawareans, including the president. Mr. Biden, who at times has frequented our

[46] Richard Winefield and Anna Levine, "Impact of Minimum Wage Increase on Child Care," California Department of Education, Minimum Wage Increase Task Force, https://www.cde.ca.gov/sp/cd/ce/minwageimpactintro.asp (accessed February 19, 2021).
[47] May Martinez, "For Some Workers, Pay Raise Comes with Loss of Cheap Child Care," *Los Angeles Times*, January 6, 2017, https://www.latimes.com/business/la-fi-minimum-wage-childcare-20170106-story.html (accessed February 21, 2021).
[48] Rachel Greszler and Lindsey M. Burke, "Rethinking Early Childhood Education and Childcare in the COVID-19 Era," Heritage Foundation *Backgrounder* No. 3533, September 30, 2020, https://www.heritage.org/sites/default/files/2020-09/BG3533.pdf.
[49] Adam N. Michel, "Universal Savings Accounts Can Help All Americans Build Savings," Heritage Foundation *Backgrounder* No. 3370, December 4, 2018, https://www.heritage.org/taxes/report/universal-savings-accounts-can-help-all-americans-build-savings.
[50]Betsy Leroy, "Biden Tests the Adage, 'The Customer Is Always Right'," The Wall Street Journal, February 5, 2021, https://www.wsj.com/articles/biden-tests-the-adage-the-customer-is-always-right-11612549574 (accessed February 21, 2021).

establishment two to three times a week, has been a great and gracious customer.

"Yet friends can have disagreements. The president and his team may understand Delaware politics, but I'm not sure they understand the difficulties of Delaware restaurants. How else to explain his proposal to raise the minimum wage for our servers and bartenders from $2.23 an hour to $15—an increase of more than 400%—which would be a death knell for our industry?

"The Covid pandemic has devastated restaurants, including ours. The Paycheck Protection Program helped us keep many employees on the payroll, but guests are not yet comfortable coming into restaurants, even with our enhanced safety protocols. I expect this will be true through at least the end of 2021.

"It would be difficult to absorb any increase in labor costs now, much less the steep increase Mr. Biden has proposed. Even in good times, our profit margins were low. Today our profits are nonexistent, as is our ability to increase prices.

"Most confusing about the president's proposal is why it is necessary. Tipped workers in Delaware and most states may be paid a lower cash wage, but if they don't earn at least the $9.25-an-hour minimum wage with tips included, the employer has to make up the difference. Before the pandemic, my tipped workers earned $20 to $30 an hour on average.

"Were the tipped wage to rise more than 400%, our restaurant would have two options: We either close, or we could adopt a "service charge" that would leave our tipped workers with less take-home pay.

"I urge Mr. Biden to consider Delaware's moderate approach to the minimum wage. Our state's minimum wage is $2 above the federal level, while our tipped minimum is consistent with the federal standard. I believe this to be a reasonable bargain that guarantees a fair hourly wage for tipped and nontipped workers alike, while remaining sensitive to the harsh economics of the restaurant industry."

Barry Armstrong, co-owner of seven Sweetfrog stores across three states (as shared with me through email)**:**

"We are quite seasonal and our labor force is primarily student age. We start at minimum wage with opportunities for increases. For most of our employees, these are first-time jobs that are transitional as they move on in education or into the skilled workplace.

"Younger workers typically stay with us for one to two years.

"We find most students remarkably unprepared for the workplace and thus see ourselves as mentors in basic business, operations, and customer service skills. We are pleased to provide these jobs and love to create a great workplace.

"A $15 minimum, or any significant minimum wage increase, will eliminate many of these flexible, entry-level jobs (learning experiences) and cause price increases for the public as business owners strive to maintain a viable margin and keep our doors open."

Bryn Hornsby, service disabled Air Force retiree and manager of Pinecrest Guest Home and Meadville Convalescent Home, two 60-bed nursing homes in rural Mississippi (as shared with me through email):

"Nursing positions pay anywhere from $11 per hour for inexperienced aids to $38 or more for RNs and supervisors... A $15 per hour minimum wage would necessitate an increase in all nursing department wages because of upward wage pressure at the bottom.

"If Medicaid and Medicare, our primary sources of revenue, do not immediately increase our reimbursement rates to meet our increased payroll liability (including the increase in payroll taxes), we would be forced out of business...but most private pay residents, who are required by law to pay at least the Medicaid rate, would be unable to afford care in our facilities. This would result in a 10% to 15% decline in occupancy, which would also force us out of business which, even in good times, only allows for 2% to 3% profit margin.

"Another problem with a $15 minimum wage for us would be a shrinking labor market for nurse aides... Individuals who might consider becoming nurse aides to earn about $4 per hour more than their peers in minimum-wage jobs would be less inclined to do so because many simply don't aspire to earn more than $15 or so. In fact, we have had more than a few nurse aides complain about pay raises because their increase in pay made them ineligible for government housing subsidies, government utility programs, food stamps and the like.

"COVID has already brought us to our knees financially despite the CARES Act assistance. Even with PPP and Provider relief, we lost almost $2 million last year and are expecting to lose at least another million this year due to historically low occupancy rates. Any increase in the minimum wage would certainly be followed soon after with a death knell for us and many other small nursing home operators."

Stuart Hornsby, frozen-yogurt store owner, Rome, Georgia (in a letter to Senators Sherrod Brown (D–OH) and Pat Toomey (R–PA), and shared with me by email):

"For the past seven years I have built and have been growing a small business in Rome, GA. It is a frozen yogurt store. As you know, for a small business to survive past a few years is a significant accomplishment. We are thankful. It has been a joy to create a place for everyone in the community to enjoy a sweet treat as a break from their regular routines.

"The money to begin this venture was taken from our home equity and combined with investments from others. After these many years, I am hopeful to finish repaying our investors in the coming months.

"As you and other elected officials consider raising the minimum wage to $15 per hour I wanted to give you a snapshot from our perspective.

- We employ one full-time manager and pay him a healthy, reasonable wage.
- For the past seven years, 99% of our other employees have been students—mostly high school students.
- These students are not working to support their family.
- For many of our staff working with us, this is their very first job. (I'm tempted to list all the things that come with that, but I will not.)

"Pondering that we would be forced to double the beginning pay rate for our team members is baffling. There is no reasonable solution I have found that would make sense for our business. I am actually seeking conversations with any individual (especially elected representatives since they would be dictating this change) who thinks this is a good idea so I can ask them what they would suggest for our business.

"My business is part of a national franchise. There are approximately 250 other stores just like mine across the country. I know that 90+% of the stores in our brand employ students just like we do. Consider all of our other frozen yogurt and ice cream competitors across the country. Consider all the other small retail stores across the country. Tens or hundreds of thousands of businesses are in the same situation—employing young people with their first jobs.

"Politicians talking about "no one should have to work 40 hours a week and live below the poverty wage" are missing (or choosing to not mention) a huge part of the equation. If small business owners are forced to pay students the same wage as older individuals the foundation of our economy will be decimated.

"One more quick aspect just to mention—a federal mandate for minimum wage to apply equally in DC, New York, San Francisco, Los Angeles and Rome, GA, is simply unreasonable. This kind of action will destroy small businesses in communities all across our country.

"This nonsensical directive placed on businesses would have an enormous detrimental effect on businesses, employees, and communities."

Susannah Koteen, Owner of Lido Harlem and Bixi Harlem restaurants in New York City (as shared with me by email and also similarly stated in a Heritage Foundation public event on February 9, 2021).

"In New York for example, in the last five years the tipped wage has gone up 100% from $5 an hour to $10 an hour. This has already resulted in cuts on hours and jobs. The people whose hours get cut have to be the support staff. Waiters can clear their own tables and carry their own food, but a busser or food runner cannot be asked to discuss wine pairings, allergens etc. It therefore becomes the people who need the jobs the most, those with less skill that loose out on wages. These are people who will often be promoted once they have gained more experience, to better paying jobs, but they cannot be promoted until they have had time to learn the business and gain the required skills.

"The hospitality industry is one of the few careers left that one can make a good living without a college education. It is also an industry that one can move up quickly...The same person who may not hold a college degree or whose first language might not be English may not have many pathways open to make considerably more than minimum wage and potentially multiple times the minimum wage as they grow. The hospitality industry provides that opportunity.

"The hospitality industry is a huge employer. Think of the millions of jobs that are involved in this business, from front of house and the kitchen, to farms, delivery drivers, sanitation companies, food and beverage distributors. By increasing the cost to a level that is not sustainable we are forcing many small independently owned businesses to make the decision between closing completely or changing the very culture of the way we do business. Do guests really want to order food from an app or an ipad as many fast food chains are already implementing? Is the airport experience what we are going for in America?

"In both Maine and Washington D.C. it was the restaurant workers who organized and got the tipped minimum wage back after legislation had been passed to abolish it. They did this because the loss of tips meant the loss of their livelihoods.

"Famous restaurateurs such as Danny Meyer, David Chang, and Tom Colicchio have all tried to go with no tipping policies in favor of a higher hourly wage. They have all gone back to the tipped model. Danny Meyer reported loosing 40% of his front of house staff when he eliminated tipping. This can only be attributed to the fact that these workers knew they could make a better living in restaurants that still had the tipping model. Tipping may not be a perfect system but for restaurants and restaurant workers it is the best system we currently know of.

Faces of $15. Nearly 200 other examples of businesses that have been negatively affected by minimum wage increases can be found on the facesof15.com website. Just one of those examples is ShopRite grocery store in West-Hartford, Connecticut, where "[a] challenging business climate impacted by rising costs, regulations and the new minimum wage increase led to the difficult decision to close our doors."[51]

Main Street Teenager Experiences

By driving out employment opportunities, high minimum wages disproportionately hurt teens, preventing them from earning the income they want or need and preventing them from gaining the experience they need move up the career ladder. These teens shared their struggles with finding employment in high-minimum wage areas with the Faces of $15:

Chastity C., New York, NY:
"I'm not able to find a job because everyone wants an experienced worker, but how am I supposed to gain experience if no one hires me?"

Eleyana A., Seattle, WA:
"I am a high school student[;] I really need a summer job because I want to save money for college."

Bruce M., Seattle, WA:
"I need a summer job to make some money so I can have money to buy school supplies and clothes for next year."

Brian L., San Diego, CA:
"It's hard to find a summer job due to one reason. I'm not experienced enough. It's ironic because how can I get experience if no one wants to hire me? I wish to land a job because I want to further my discipline and also make some extra cash on the side."

Jasmine M., Los Angeles County, CA:
"I can't find a job because everywhere I go they ask for experience, but how can I get experience if no one is willing to hire me to gain experience[?]"

Annie Y., Brooklyn, NY:
"I have looked for jobs, however none of them would accept youth, only those with experience. I am a teen, in need of a job, to pursue my passion and my future."

Griselda, Chicago, IL:
"I want a job any is fine I don't want it just for the money but as experience and to learn independence."

Michael W., Phoenix, AZ:
"I'm 17 years old and I have been looking for a part-time job for a year and a half now."

Estelle C., Sacramento, CA:
"It seems as though it's become very limited and the jobs that are available are being filled. I'm a teen looking for a job and it's especially harder with no previous work experience but I really want to find a summer job!"

Christopher C., Philadelphia, PA:
"As teens they should want to help us because this is the time we must learn responsibility and what real adult life will be like."

Asia S., Phoenix, AZ:
"If I don't find a job, I will not have any clothes that fit me for this upcoming school year. I've applied to at least 3 jobs every day for the last month! I love to have my own responsibilities but it's gotten really hard to find a job."

[51]The Faces of $15, ShopRite Business Profile, https://www.facesof15.com/business/shop-rite/ (accessed February 21, 2021).

Alternative Solutions to Rising Wages

Most people are for rising incomes, especially for lower-wage workers, but government-imposed minimum-wage mandates do not create new income—they only redistribute it. Policymakers should focus on creating an environment in which all people have an opportunity to earn a higher income without increasing burdens on others, rather than selectively benefitting some workers at the expense of others.

As economist James Tobin who served in President Kennedy's Council of Economic Advisors aptly explained,

[p]ublic health measures to improve the environment are often more effective in conquering disease than a succession of individual treatments... The analogy holds for economic maladies. Unless the global incidence of these misfortunes can be diminished, every individual problem successfully solved will be replaced by a similar problem somewhere else.[52]

Accordingly, the CBO estimated that a $15 minimum wage would result in $509 billion in wage gains for select workers, but $175 billion in wage losses for others.[53] Moreover, the CBO noted that, when not constrained by the model to hold output constant, a $15 minimum wage would result in lower total family incomes and a smaller economy.[54]

Authentic and lasting wage gains come from workers creating more value. Rising incomes that come from productivity gains do not hurt others, but rather create positive impacts for others. Amid a strong economy, fewer unnecessary regulations and lower taxes on job creators, employers were competing for workers and they had more resources to offer them higher pay and provide education and training to improve their earning potential. Consequently, wages increased the most for low-income workers: Between 2016 and 2019, the earnings of workers at the 10th percentile of earnings increased by 14.6 percent.[55] Moreover, the sharing economy has opened doors and opportunities to workers of all ages, abilities and income levels to earn income on their own terms.

Alternative forms of education, such as apprenticeships and vocational training are less expensive and often better-tailored to individuals' desired careers. Such programs should be expanded. Unfortunately, the Biden Administration has done the opposite by cancelling the Trump Administration's Industry-Recognized Apprenticeship Program that had expanded nontraditional and less expensive education opportunities.

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[52]James Tobin, the U.S. Senate Committee on Labor and Public Welfare, Subcommittee on Health, September 8, 1965, p. 360 https://books.google.com/books?id=buYFAAAAIAAJ&pg=RA1-PA367&lpg=RA1-PA367&dq=%E2%80%9CPeople+who+lack+the+capacity+to+earn+a+decent+living+need+to+be+helped,+but+they+will+not+be+helped+by+minimum-wage+laws,+trade-union+wage+pressures+or+other+devices+which+seek+to+compel+employers+to+pay+them+more+than+their+work+is+worth.+The+more+likely+outcome+of+such+regulations+is+that+the+intended+beneficiaries+are+not+employed+at+all.%E2%80%9D&source=bl&ots=rHazcBS4IQ&sig=ACfU3U1yyrU6V0m-hGvZ7mv1sJBFZFLQyA&hl=en&sa=X&ved=2ahUKEwib_orR9_juAhUOF1kFHUo4BUoQ6AEwAXoECAQQAw#v=onepage&q=tobin&f=false

[53] Congressional Budget Office, "The Budgetary Effects of the Raise the Wage Act of 2021."

[54] https://www.cbo.gov/publication/55410

[55] Data available for download from U.S. Bureau of Labor Statistics, "Data Retrieval: Labor Force Statistics—Table 5. Quartiles and selected deciles of usual weekly earnings of full-time wage and salary workers by selected characteristics, not seasonally adjusted," https://www.bls.gov/webapps/legacy/cpswktab5.htm (accessed February 1, 2021)

Policymakers can also help open doors to entrepreneurial opportunities for lower-income workers by reforming occupational licensing requirements[56] and by clarifying the definition of contractors so that more individuals—especially less-educated and lower-income ones—will have more opportunities to earn income on terms that meet their unique needs and desires.[57]

Summary

Higher incomes are a great thing, but minimum wage increases cannot create new income—they can only redistribute it. The gains that would accrue to some from a $15 federal minimum wage would irrefutably come at a significant cost to others in the form of lost jobs, lower incomes, and fewer opportunities for the least advantaged.

A one-size-fits-all $15 federal minimum wage will not work well for most parts of America and will disproportionately hurt workers and families in the lowest-cost areas, including not only job and income losses, but significant price increases, such as for the cost of childcare, that could significantly disrupt families' budgets and ways of living. The unprecedented size of the proposed increase poses a significant risk of large and lasting upheaval in the labor market and economy.

There are better ways to help workers achieve higher incomes of their own accord, rather than at the expense of others. Expanding alternative forms of education, reducing unnecessary regulations so that businesses can invest more in workers; and opening doors to entrepreneurial opportunities for lower-income workers by reforming occupational licensing laws and allowing all types of workers the freedom to contract are just a few ways to generate income gains without hurting others.

[56] Dick M. Carpenter II, Lisa Knepper, Kyle Sweetland, and Jennifer McDonald, *License to Work: A National Study of Burdens from Occupational Licensing*, 2nd Ed. (Arlington, VA: Institute for Justice, 2017), https://ij.org/report/license-work-2/ (accessed February 21, 2021).

[57] Rachel Greszler, "Defining 'Contractor' Status Would Provide Some Welcome Relief for Struggling Workers," The Daily Signal, September 23, 2020, https://www.dailysignal.com/2020/09/23/defining-contractor-status-would-provide-some-relief-for-struggling-workers-and-small-businesses/.

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NEW YORK'S 22ND CONGRESSIONAL DISTRICT

Small Business Name: A&P Master Images
Small Business Owner: Howard and Amanda Potter
Location: Utica, NY
Impact Story:
"We are Howard and Amanda Potter, and together we are co-owners of A&P Master Images. A&P Master Images, a New York State Certified Woman-Owned Business Enterprise (WBE), is a design and print shop servicing clients in dozens of states with over 500,000 different products. We started our business out of our living room in 2003 and have since grown to employ 15 people out of a 5,500 square foot building in Utica. During the pandemic, we began making face shields and masks using USA made products in order to help Americans and stay afloat. While our company has continued to grow each year, we suffered several losses last year, including losing employees who chose not to return to work due to COVID-19. While we believe it is important to pay our employees what they are worth, a $15 per hour minimum wage would be catastrophic for us and other small businesses in our area. We currently pay all new employees $0.50 over the state minimum wage, which adds up to an extra $1,000 per year for the employee. However, what people fail to recognize is how much extra money that costs an employer. When all is said and done, a new employee making $0.50 over the minimum wage costs our company about $20 per hour when you consider taxes, health insurance, and paid leave. With New York State's steadily increasing minimum wage, taxes, and paid leave, our cost of business has risen more than $100,000 over the past two years. Further minimum wage increases will significantly increase this burden on our business. Not only will we need to pay new or entry-level employees more, but our highly skilled employees will expect to be paid more than those who have not yet learned the craft. Furthermore, our suppliers will need to raise their prices in order to meet the higher minimum wage, which will lead to further price increases for us and less money to invest into the company. New York State has already made business conditions difficult enough. A $15 per hour federal minimum wage would be the end of this successful women-owned small business."

Coalition of 60 Groups, Activists, and Legislators Oppose $15 Federal Minimum Wage

February 2, 2021

Dear Member of Congress,

On behalf of millions of taxpayers across the country, we urge you to reject proposals to increase the federal minimum wage at a time of unprecedented economic calamity, including President Joe Biden's push to raise the minimum wage to $15/hour, more than doubling the current minimum wage of $7.25/hour.

President Biden's recent $1.9 trillion "American Rescue Plan" calls on Congress to more than double the federal minimum wage to $15/hour and eliminate the "tipped" minimum wage for servers. The Biden proposal likely mirrors legislation passed by the House in 2019 and reintroduced in 2021, the *Raise the Wage Act*, which increases the minimum wage to $15 by 2025, indexes it to inflation, and repeals the tipped minimum wage for servers.

A $15 minimum wage would substantially raise the cost of labor at a time when small businesses are already struggling to keep the lights on. Small businesses with thin margins would be forced to pass the costs onto consumers, which could lead to a decline in businesses, a loss of revenue, and layoffs. Businesses that have closed temporarily due to the pandemic may decide not to reopen at all in the face of a higher minimum wage, and many employers will forgo hiring new workers because they cannot afford them.

These concerns are not hypothetical. According to the nonpartisan Congressional Budget Office (CBO), the *Raise the Wage Act* would eliminate up to 1 million jobs by 2023 and up to 3.3 million jobs by 2029. A more modest estimate still shows 1.2 million lost jobs by 2026. Another CBO estimate shows that a $15 minimum wage could cost as many as 3.7 million American jobs.

Even workers who retain their jobs will be worse off under a nationwide $15 minimum wage. Some will lose non-wage benefits such as free parking or meals, and others will have their hours reduced. Workers may not earn any more money under the higher wage, but will face fewer opportunities to work and less benefits when they do.

Workers employed by small businesses and in restaurants, retail, and hospitality would be disproportionately harmed, as would younger workers beginning their careers, minorities, and those in states with lower relative costs of living. For example, a recent study found that the *Raise the Wage Act* would kill over 108,000 jobs in Ohio, 106,000 jobs in Georgia, and 12,000 jobs in West Virginia. States like Maine and Montana would also lose thousands of jobs.

While some workers would see higher wages due to this government mandate, the CBO estimates the number of workers losing their job could greatly exceed the number of workers that would be pulled out of poverty. CBO also estimates a $9 billion reduction in family income and an increase in prices for all consumers.

President Biden's minimum wage hike would also harm tipped workers at a time when the restaurant industry is rapidly collapsing, with over 10,000 restaurants closing their doors in the last three months alone. In recent years, servers and bartenders in several states and localities—including Maine, Virginia, and Washington, DC—have successfully rallied against proposals to change the tipped wage system. If President Biden succeeds in eliminating the tipped wage, one in three tipped workers could lose their jobs.

The Coronavirus pandemic has caused unprecedented hardship to American businesses and workers. Government-mandated lockdowns shuttered hundreds of thousands of businesses, kicking millions of Americans out of work. Over 60 percent of business closures from the pandemic are now permanent.

Congress has taken steps to assist struggling businesses as they navigate the COVID-19 crisis and economic restrictions. As leaders continue to debate the best policies to help in economic recovery, a $15 minimum wage is one policy that should be off the table.

Imposing a drastic minimum wage hike during a pandemic-induced recession – which would kill millions of American jobs and eliminate thousands of small businesses – flies in the face of Congress's stated goal of supporting small businesses and workers. While this drastic increase in labor costs would be disastrous in normal times, the impact would be even worse during a global pandemic.

If Congress is serious about supporting small businesses and a strong economy, lawmakers should reject any and all efforts to impose a nationwide $15 minimum wage. Doing so would eliminate millions of American jobs, kill thousands of small businesses, and prolong the economic misery that COVID-19 has caused our country.

Sincerely,

Grover Norquist
President, Americans for Tax Reform

James L. Martin
Founder/Chairman, 60 Plus Association

Saulius "Saul" Anuzis
President, 60 Plus Association

Bethany Marcum
CEO, Alaska Policy Forum

Phil Kerpen
President, American Commitment

Brent Wm. Gardner
Chief Government Affairs Officer, Americans for Prosperity

Lisa B. Nelson
CEO, American Legislative Exchange Council

Michael Bowman
President, ALEC Action

Scot Mussi
President, Arizona Free Enterprise Club

Cindy Johansen
Chair, Aroostook County Republicans

Ryan Ellis
President, Center for a Free Economy

Andrew F. Quinlan
President, Center for Freedom and Prosperity

Jeffrey Mazzella
President, Center for Individual Freedom

Chuck Muth
President, Citizen Outreach (Nevada)

David McIntosh
President, Club for Growth

Iain Murray
Vice President, Competitive Enterprise Institute

Matthew Kandrach
President, Consumer Action for a Strong Economy

Tom Schatz
President, Council for Citizens Against Government Waste

Katie McAuliffe
Executive Director, Digital Liberty

Michael Saltsman
Managing Director, Employment Policies Institute

Adam Brandon
President, FreedomWorks

Jessica Anderson
Executive Director, Heritage Action for America

Mario H. Lopez
President, Hispanic Leadership Forum

Ben Murrey
Fiscal Policy Center Director, Independence Institute

Carrie Lukas
President, Independent Women's Forum

Heather Higgins
CEO, Independent Women's Voice

Andrew Langer
President, Institute for Liberty

Dr. J. Robert McClure
President and CEO, The James Madison Institute

Seton Motley
President, Less Government

Michael D. LaFaive
Senior Director of the Morey Fiscal Policy Initiative, Mackinac Center for Public Policy

Paul R. LePage
Governor of Maine, 2011-2019

Mary Adams
Chair, Maine Center-Right Coalition

Laurie Belsito
Legislative Director, Massachusetts Fiscal Alliance

Jameson Taylor, Ph.D.
Senior Vice President of Policy, Mississippi Center for Public Policy

Tim Jones
Chair, Missouri Center-Right Coalition
Fmr. Speaker, Missouri House of Representatives

Sue Vinton
Majority Leader, Montana House of Representatives

Rhonda Knudsen
State Representative, Montana

Seth Berglee
State Representative, Montana

Jeremy Trebas
State Representative, Montana

Barry Usher
State Representative, Montana

Ryan Osmundson
State Senator, Montana

Greg Hertz
State Senator, Montana

Carl Glimm
State Senator, Montana

Pete Sepp
President, National Taxpayers Union

The Honorable Bill O'Brien
Co-chair, New Hampshire Center Right Coalition

State Representative Keith Erf
New Hampshire, Hillsborough District 2

Doug Kellogg
Executive Director, Ohioans for Tax Reform

Brandon Dutcher
Senior Vice President, Oklahoma Council of Public Affairs

Tom Hebert
Executive Director, Open Competition Center

Rich Holt
National Council Advisory Member, Project 21

Lorenzo Montanari
Executive Director, Property Rights Alliance

Eli Lehrer
President, R Street

Mike Stenhouse
CEO, Rhode Island Center for Freedom & Prosperity

Bette Grande
CEO, Roughrider Policy Center (North Dakota)

James Setterlund
Executive Director, Shareholder Advocacy Forum

Karen Kerrigan
President & CEO, Small Business & Entrepreneurship Council

David Miller
Southwest Ohio Center Right

David Williams
President, Taxpayers Protection Alliance

Vance Ginn
Chief Economist, Texas Public Policy Foundation

Christian N. Braunlich
President, Thomas Jefferson Institute for Public Policy

Dean Walker, President
Boyer's Food Markets Inc.
301 S. Warren St.
Orwigsburg, Pa. 17961
February 22, 2021

Rep. Dan Meuser (PA-09)
Small Business Committee

Dear Rep. Dan Meuser, and Small Business Committee:

Boyer's Food Markets, Inc. operates 18 supermarkets in Northeastern Pennsylvania, across 7 counties. We currently employ over 1,100 teammates, of which approximately 374 are Full-Time Non-Exempt Hourly teammates, and 709 are Part-Time teammates. The majority of our stores service local rural communities. Our stores range from 11,000 to 28,000 square feet, which is less than one half the size of the typical store of a large national chain, or supercenter. We service local communities with a home town, full service supermarket that is local to shop. Additionally, we provide jobs to many residents of the local communities we serve, including high school and college students in their first job, as well as retired people, and second incomes. However, even though our locations are local, we must compete with every large regional or national supermarket operator on selection, services and retail pricing in order to exist.

The past year has been one of the most challenging years we have ever had, with supply chain disruptions, increased demand, and increased safety and sanitation processes to keep both our customers, and our teammates, safe. These came with added costs and hours to ensure compliance and safety for everyone. We provided $2.00 per hour bonus/Covid payments to all of our hourly teammates during the height of Covid-19 from March through July, longer than many of our competitors. In addition we brought back the incentive through November and December, during the resurgence, and holiday sales rush. Mid-year, we adjusted our entire wage scale, and 75% of our team retained between 50% and 75% of that $2.00 bonus hourly pay.

I am writing you today to explain the ramifications and our concerns associated with the proposal of a $ 15 or similar increase to today's current $7.35/hr. minimum wage. Never in our history has minimum wage increased by such a large percentage. The common stance we hear is that wages haven't increased, since minimum wage hasn't increased, but that is not the case. In 2016, our average hourly wage for non-exempt store level teammates was $ 11.53/hr. In 2020, it was $ 13.54/hr. Our starting rate for entry level, non-skilled teammates ranged from $ 7.35 - $ 9.00 in 2016, and today it is $ 8.50 - $ 10.50. And our starting rates for department managers have increased from $ 12.50 - $ 14/hr. to $15-$16.50/hr. This is completely driven by the competitive job market in our areas. We have had to make minor and ongoing changes to increase productivity levels, as well as margin increases to support this growth in rates over the past 4 years. During this time frame, we have also experienced a 100% increase to our Health Insurance costs, from $1.9M in 2016 to a projected $3.9M in 2021.

While a $ 1 or $ 2 per hour increase may not sound like much, it has an enormous impact. The Supermarket industry operates at approximately 1% net profit. It is a very low margin, highly service demanding business. In 18 stores, our annual sales in 2019 pre-covid, were $143M with a net pre-tax income of just $642K or 0.44%. Our budget post-covid for 2021 has our sales projected at $152M, with a net pre-tax income of $1.8M or 1.18%. On a weekly basis it takes between 24,000 and 25,000 payroll hours to operate these 18 stores. That means every $ 1.00/hr. increase is approximately $25,000 per week, which annualized is a $1.3M increase to our total payroll. In addition, there are other costs

February 22, 2021
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associated with that increase; increased payroll taxes, worker's compensation insurance costs, etc. due to the increased wages.

As you can see, a $ 1.00 increase to the entire staff is almost equivalent to our entire net income. A $ 5 to $ 7 increase goes well into the $6.5M to $9M annual increase. That type of increase has nowhere else to go but directly to the consumer in radically increased grocery prices. We project a $15 minimum wage would increase basic retail food prices by a minimum 25%. There would be cost increases from manufacturers and the distributors, which would have to be passed on to the retail shelf price, even before we would have to increase margins for our own payroll increase.

There are only so many productivity improvements a company can deploy. All of them require eliminating jobs. We have already seen it over the past several years as every large company has eliminated jobs through self-checkout programs, in order to minimize retail price increases (which have happened anyway), while increasing starting wages, and wages throughout their systems, in order to be able to hire and retain people to continue to operate. In addition, the pandemic and time pressed consumers have placed more demands on companies to provide additional services like delivery, or curbside pick-up, with no ability to pass those increased costs on to the consumers.

The first jobs that would be eliminated are those entry level jobs. Without the entry level jobs, how do the future leaders of these companies emerge? Where does a high school student earn gas money, or acquire a work ethic that will help them through life? I have worked in the supermarket business since I was 16 years old. I started in high school, stocking shelves, and running a cashier register, working my way up, holding every position in the store, and growing my knowledge and value and receiving financial rewards accordingly. This is the story of our company leadership, and throughout the retail industry. Every department manager, every Store Director, and most corporate leadership, started in a store, earning minimum wage, and working their way up. This type of change has so much ripple effect it will stifle growth, raise prices, cost jobs, and potentially put small companies like ourselves out of business! The competitiveness of fighting for market share, and employees, is difficult enough, without being controlled out of business.

For your review, I have included a spreadsheet analysis, showing how these numbers work, including historical data, as well as projections at many minimum wage targets and the effect to both retail prices, and loss of hours.

I appreciate you allowing me the opportunity to share our concerns, and provide you with insight and data, while you deliberate your position on this very volatile issue.

Sincerely,

Dean Walker
President, Boyer's Food Markets, Inc.

I am Casey Waits, a Cleburne, Texas native. I now own several small businesses in this community that I know and love. Namely, the small restaurants Loaf'n Dog and Burger Bar 1949. I also own a small cleaner in Grandview, Texas. I'm focusing on one of my businesses as the issues I'm discussing with one would and will apply to all three.

I opened Loaf'n Dog four years ago to bring a fun, hometown hangout with good food to the people of Cleburne. We have karaoke nights, live entertainment, open mic night, host the local high school football coaches weekly call and we do many other events with local small businesses. We, is the entire Loaf'n Dog crew. I have a full-time manager and six part-time employees. For the most part, all of my part time employees are high school students and they make a little more than minimum wage. When times are good, Loaf'n Dog makes enough to keep the doors open and sponsor a small local sports team or two.

COVID-19 crushed us at the Loaf'n Dog. We were shuttered for most of the year until we got deliveries going and curb side picked up, but this was not enough. I did receive a PPP loan which allowed me to keep my employees on by the skin of our teeth. Now, our business is facing a new ominous challenge, a call for the $15 per hour minimum wage mandate. In order to keep the doors open with a wage increase like this, I would have to raise menu prices at least 100% across the board, reduce or eliminate any local sponsorships and eliminate advertising. Perhaps in Dallas, Austin or Houston a local joint can charge $11 for a chili cheese hot dog, but not in Cleburne, Texas.

Additionally, I need to think about how the cost of doing business would drastically increase as my suppliers would need to increase costs in order to keep their employees in the roster. For example, my food suppliers would have to raise their rates, taxes would increase, insurances would increase and so on. Truly, at the end of the ledger, I would have to charge $15 for that chili cheese dog! Today, a family of four can have hotdogs and drinks for around $25 and enjoy a fun atmosphere - with this proposed federally mandated minimum wage increase we will have to charge the same family more than $50 for the very same thing. I must ask you, who will this wage increase help if all businesses must raise their rates to compensate?

I have put my life savings into my businesses in order to serve my community and my employees. I care about each of the twelve incredible employees, who are also passionate about their jobs in the community and the people they serve. For these reasons, and knowing so many other small businesses would face certain closures, a federally mandated minimum wage increase is not the answer. Please, reconsider this mandate, I ask you to think of families like mine and the twelve others who would lose all income and add thirteen people to the unemployment rolls.

Respectfully,

Casey Waits

Small Business Owner

Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

The Budgetary Effects of the Raise the Wage Act of 2021

FEBRUARY 2021

If enacted at the end of March 2021, the Raise the Wage Act of 2021 (S. 53, as introduced on January 26, 2021) would raise the federal minimum wage, in annual increments, to $15 per hour by June 2025 and then adjust it to increase at the same rate as median hourly wages. In this report, the Congressional Budget Office estimates the bill's effects on the federal budget.

- The cumulative budget deficit over the 2021–2031 period would increase by $54 billion. Increases in annual deficits would be smaller before 2025, as the minimum-wage increases were being phased in, than in later years.
- Higher prices for goods and services—stemming from the higher wages of workers paid at or near the minimum wage, such as those providing long-term health care—would contribute to increases in federal spending.
- Changes in employment and in the distribution of income would increase spending for some programs (such as unemployment compensation), reduce spending for others (such as nutrition programs), and boost federal revenues (on net).

Those estimates are consistent with CBO's conventional approach to estimating the costs of legislation. In particular, they incorporate the assumption that nominal gross domestic product (GDP) would be unchanged. As a result, total income is roughly unchanged. Also, the deficit estimate presented above does not include increases in net outlays for interest on federal debt (as projected under current law) that would stem from the estimated effects of higher interest rates and changes in inflation under the bill. Those interest costs would add $16 billion to the deficit from 2021 to 2031.

The estimates in this report are based on CBO's most recent economic forecast, which was released earlier this month. CBO estimated the budgetary effects using techniques that it has developed over the past two years. Those estimates are based on CBO's estimates of the bill's effects on the economic behavior of individuals and firms—which in this report refers to actions that change relative prices, the distribution of income, employment, and other economic factors.

Underlying the budgetary estimates are CBO's projections of how pay would change for people directly or potentially affected by an increase in the minimum wage—that is, people who would otherwise have been paid hourly wages that were less than the proposed new minimum or slightly above it—and how changes in pay would affect the number of people employed.

- From 2021 to 2031, the cumulative pay of affected people would increase, on net, by $333 billion—an increased labor cost for firms considerably larger than the net effect on the budget deficit during that period.

Notes: Numbers in the text and tables may not add up to totals because of rounding. Budgetary effects are reported for federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Otherwise, the years referred to are calendar years.

- That net increase would result from higher pay ($509 billion) for people who were employed at higher hourly wages under the bill, offset by lower pay ($175 billion) because of reduced employment under the bill.

In an average week in 2025, the year when the minimum wage would reach $15 per hour, 17 million workers whose wages would otherwise be below $15 per hour would be directly affected, and many of the 10 million workers whose wages would otherwise be slightly above that wage rate would also be affected. At that time, the effects on workers and their families would include the following:

- Employment would be reduced by 1.4 million workers, or 0.9 percent, according to CBO's average estimate; and
- The number of people in poverty would be reduced by 0.9 million.

This report provides the following details about the bill and CBO's estimates of its effects on federal spending and revenues:

- Background on the Raise the Wage Act of 2021;
- Effects on spending for major health care programs;
- Effects on spending for unemployment compensation;
- Effects on spending for Social Security;
- Effects on spending for nutrition programs;
- Effects on other mandatory spending;
- Effects on revenues;
- Effects on discretionary outlays for wages of federal workers;
- Effects on net spending for interest;
- Uncertainty surrounding the budgetary estimates; and
- How CBO's analysis of budgetary effects has changed.

The report also provides the following information about changes in economic behavior underlying those estimates and about CBO's analytical methods:

- Effects on employment;
- Effects on wages of affected workers;
- Effects on the distribution of family income;
- Effects on real (inflation-adjusted) output;
- Effects on prices;
- Effects on the distribution of labor and capital income;
- Effects on interest rates;
- CBO's economic modeling approach; and
- Comparisons with CBO's July 2019 analysis.

Background on the Raise the Wage Act of 2021

In this report, CBO analyzes the Raise the Wage Act of 2021 as introduced in the Senate on January 26, 2021. It would take effect on the first day of the third month after the date of enactment. If it was enacted at the end of March 2021, the minimum wage would increase by a set amount each year, starting in June 2021, until it reached $15 in June 2025 (see Table 1 on page 15). In subsequent years, it would increase by the annual percentage increase, if any, in the median hourly wage of all employees. The bill's provisions would cover most low-wage workers, but they would not cover the self-employed, casual babysitters, and certain seasonal workers. The bill would also increase the minimum wage for teenagers and disabled workers, and it would increase the share of the minimum wage for tipped workers that must be paid by their employers. (The minimum wage for those workers has long been different from the minimum wage for other workers. Tipped workers are those whose compensation depends primarily on tips.)

Effects on Spending for Major Health Care Programs

The Raise the Wage Act of 2021 would affect spending for the major federal health care programs. Some of the effects would involve workers employed in the home health care and nursing care industries; CBO projects that if current laws did not change, there would be roughly 3 million such workers by 2025, many of whom would earn less than $15 per hour. Federal programs, such as Medicaid and Medicare, pay for much of the care supplied by those industries. The effect of increases in the prices of health care stemming from a higher minimum wage is a key factor contributing to an increase in spending for those programs. The effect of changes in the distribution of income is another key factor. Those changes would put downward pressure on spending for Medicaid and increase spending for marketplace subsidies.

Medicaid and CHIP. Under the bill, Medicaid spending would increase because the effects of increases in the price of health care services and increases in enrollment by people who would be jobless as a result of the minimum-wage increase would outweigh the effects of decreases in enrollment by people with higher income (see Table 2 on page 16). Prices, such as those for long-term services and supports and medical services, would increase as a result of negotiations that accounted for higher costs of labor facing health care providers. The number of Medicaid enrollees would tend to rise because of increased enrollment among people who lost employment as a result of the minimum-wage increase and thus became eligible for the program. However, that tendency would be more than offset as the income of some enrollees rose above the thresholds for Medicaid eligibility, causing overall enrollment to decline.

The effects on spending for the Children's Health Insurance Program (CHIP) would similarly reflect higher prices for medical services, as well as a shift in enrollment from Medicaid to CHIP. That shift would occur because some families would become ineligible for Medicaid as their income increased and would enroll their children in CHIP, which has higher income thresholds for eligibility.

Marketplace Subsidies. A minimum-wage increase would boost federal subsidies for health insurance offered through the marketplaces and the Basic Health Program. Some of the people whose wages increased under the bill would be in lower-income families that, as their income increased, gained eligibility for tax credits to cover part of their premiums. (People in families with income between 100 percent and 400 percent of the federal poverty guidelines are generally eligible for those tax credits.) That change in income and eligibility would cause net increases in enrollment in health insurance and in the number of people claiming premium tax credits to purchase that coverage. Some people who would become ineligible for Medicaid because of increases in their income would use those tax credits instead, offsetting some of the reduction in spending that would stem from declines in Medicaid enrollment. (Those tax credits are refundable, and they affect revenues as well as outlays; the revenue effects are included in the revenue totals discussed below.)

Medicare. A higher minimum wage would increase Medicare spending because Medicare's payment rates for health care providers would be higher. In contrast to Medicaid payments, which are the result of negotiations among states, providers, and managed care insurance companies, many Medicare payments are calculated by taking base payment rates and updating them each year according to a set of statutory formulas. Those updates depend, in turn, on the value of various economic variables, such as price indexes. A higher minimum wage would change some of those variables, resulting in increased spending.

Effects on Spending for Unemployment Compensation

Spending for unemployment compensation would increase under the bill because more workers would be unemployed. That increase would be partially offset when states increased their tax revenues to maintain a positive balance in their unemployment trust funds. (Both benefits paid out and tax revenues credited to state unemployment trust funds are reflected in the federal budget.) In a given year, any increase in spending for unemployment compensation would be offset by an increase in revenues that eventually equaled about 80 percent of the increased spending. Thus, the net effect on the deficit over time would equal about 20 percent of the increase in unemployment compensation. The increases in revenues would occur several years later than the increases in spending, so the deficit effect from 2021 to 2031 would be larger than the total eventual effect. (The effects on revenues are included in the revenue totals discussed below.)

Effects on Spending for Social Security

Spending for Social Security would rise with a higher minimum wage, mainly because of increases in average benefits. Average benefits would increase in part because initial benefits are indexed to economywide average wages, which would be boosted by a higher minimum wage. Average benefits would also increase because raising the minimum wage would increase inflation, in CBO's assessment, which would in turn boost annual cost-of-living increases in Social Security benefits.

A minimum-wage increase would also affect Social Security spending in less significant ways. The reduction in employment resulting from a minimum-wage increase, for example, would induce some workers with serious health conditions to claim disability benefits and some older workers to claim retirement benefits earlier than they would have otherwise. (Social Security includes both kinds of benefits.) However, increases in earnings among low-wage workers would lead some people who would otherwise have claimed Social Security benefits to delay claiming them. Also, higher earnings would exert downward pressure on Social Security spending because some claimants' benefits are reduced when their earnings increase.

Spending from the two Social Security trust funds—the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund—is categorized as off-budget (as are the program's revenues, which are discussed below) because those budgetary accounts are designated by law as excluded from budget totals used for certain purposes.

Effects on Spending for Nutrition Programs

Spending on the Supplemental Nutrition Assistance Program and child nutrition programs would decline, on net, because increases in income for low-income households would reduce both the number of beneficiaries and their average benefit amount. Those effects would be partially offset under the bill by increases in enrollment stemming from reductions in employment and by increases in price indexes used to calculate benefit amounts.

Effects on Other Mandatory Spending

Other mandatory spending would be affected in a variety of ways. (Such spending is generally governed by statutory criteria and is not normally constrained by the annual appropriation process.) Spending would be affected for refundable tax credits, student loans, Supplemental Security Income (SSI), various retirement programs, certain programs for veterans, and the Postal Service (which is categorized as off-budget).

Higher labor earnings among low-wage workers would reduce spending on the refundable portion of the earned income tax credit (and have effects on revenues, which are discussed in the next section). Those higher labor earnings would also reduce net spending on student loans by increasing the amounts repaid by borrowers enrolled in income-driven repayment plans. The increase in inflation resulting from a higher minimum wage would result in larger cost-of-living increases for benefits in various programs, including retirement programs, veterans' programs, and SSI. (For SSI, that increase would be partially offset by the effects of a boost to the average earnings of working SSI recipients, which would either lower their benefits or make them ineligible for benefits.)

Effects on Revenues

The bill would increase revenues, on net, from 2021 to 2031. That net effect would be the result of a number of factors that worked in opposite directions. Although total nominal income would be roughly unchanged in CBO's estimate, labor income would increase while capital income would decrease. Labor income tends to be more heavily taxed. Income would also shift toward lower-income people and away from higher-income people under the bill. Revenues from payroll taxes for Social Security (which are categorized as off-budget) would increase. Other revenues would decline, on net, because lower-income people face lower tax rates, on average, than higher-income people do.

Several factors would tend to increase revenues. Higher labor earnings among low-wage workers are one. Those higher earnings would be subject to payroll taxes and individual income taxes and would reduce the net amount of refundable credits, such as the earned income tax credit. In addition, revenues would rise in response to increased spending on unemployment insurance, as states increased their tax revenues to maintain a positive balance in their unemployment trust funds, as this report discusses above. Also, a higher economywide average wage would cause revenues to increase by raising the earnings threshold below which workers owe Social Security taxes.

Other factors would tend to decrease revenues. Higher labor costs would cause business income to be lower under the bill than under current law. That would reduce revenues from individual and corporate income taxes. In addition, higher inflation would cause revenues to decline because certain aspects of the individual income tax, such as the tax brackets and standard deduction amounts, are adjusted for inflation. Revenues would also fall because of larger premium tax credits, as this report discusses above.

Effects on Discretionary Outlays for Wages of Federal Workers

CBO estimates that discretionary outlays would increase under the bill, provided that the necessary amounts were appropriated, because a small number of federal workers would see a pay increase under the bill. That estimate is based on information from the Office of Personnel

Management. (Using information from the Postal Service, CBO also estimates that a small number of postal workers would see a pay increase under the bill. Unlike spending for wages of other federal workers, such spending for postal workers is not discretionary and is shown in Table 2 under other mandatory outlays.)

Effects on Net Spending for Interest

A higher minimum wage would increase net spending for interest because interest rates would increase slightly under the bill, in CBO's assessment, and inflation would change. Net spending for interest largely depends on interest rates and the amount of debt that the Treasury issues to the public. The effect of the bill on the deficit that is shown in Table 2 does not include increases in net outlays for interest on federal debt (as projected under current law) that would stem from estimated changes to interest rates and inflation under the bill.

Uncertainty Surrounding the Budgetary Estimates

The effects of the Raise the Wage Act of 2021 on the budget and other outcomes are uncertain, and there is a wide range of possible outcomes on either side of the estimates shown in this report. For example, the effects depend on how quickly wages would grow in the absence of the policy and how employment would respond to higher wages. If wage growth in the absence of the policy proved slower than CBO currently projects in its baseline projections, the bill's effects on employment would be larger, and the bill would probably increase the deficit by a larger amount. (CBO's baseline projections incorporate the assumption that current laws generally do not change.) If wage growth in the absence of the policy proved faster than CBO currently projects, the opposite would be the case.

To take another example, if employment proved less responsive to a higher minimum wage than CBO projects, a larger-than-projected number of people would be lifted out of poverty, which would tend to reduce spending on programs that provide services or benefits to them. If more people were employed than CBO projects, total wages for affected workers would be higher than CBO estimates, which would tend to increase spending affected by the prices of the goods and services they produce.

How CBO's Analysis of Budgetary Effects Has Changed

In April 2019, CBO produced a cost estimate for H.R. 582, the Raise the Wage Act, as ordered reported by the House Committee on Education and Labor on March 6, 2019. The policy specifications in that bill differ somewhat from the specifications in the Raise the Wage Act of 2021. Under the assumptions about dates of enactment that CBO used, the minimum wage would reach $15 per hour in 2025 under either bill. The step increases toward that new minimum would have started on January 1, 2020, under the 2019 bill, but they start on June 1, 2021, under the 2021 bill. The step increases in the 2021 bill are thus larger and would reach $15 per hour more quickly.

At the time of its April 2019 estimate, CBO's most recent economic forecast had been released in January 2019.[1] Earlier this month, CBO released the economic forecast that underlies both the baseline budget projections used in this report and this report's estimates of the effects of the

1. See Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029* (January 2019), www.cbo.gov/publication/54918.

Raise the Wage Act of 2021.[2] That forecast reflects the current state of the economy and includes the impact that the 2020–2021 coronavirus pandemic is projected to have on the economy.

The April 2019 estimate included only the effects of raising the pay of federal employees whose wages would be below the new minimum. CBO estimated that those increases in pay would have led to a $76 million increase in discretionary outlays over the 2019–2029 period, subject to appropriation of the necessary amounts.[3] That estimate did not include budgetary impacts stemming from any behavioral effects by firms or individuals.

The estimates in this report include behavioral effects on the budget in a broad set of federal programs and in revenues.[4] Over the past two years, CBO has developed the capacity to analyze such behavioral effects for minimum-wage legislation. Increasing the minimum wage induces a number of behaviors among businesses and people that result in changes in relative prices, the distribution of income, employment, and other economic factors. CBO has incorporated those effects in this estimate because the analytical approach is ready for use, is more comprehensive, and provides a consistent basis for estimates during this Congress as it considers legislation that would change the minimum wage.

In this report, CBO used its customary process for estimating the budgetary effects of a legislative proposal.[5] For example, the agency examined how eligibility for subsidies for health insurance coverage would be affected by the bill and estimated the resulting effects on the budget.[6] To estimate the effects on various types of revenues stemming from changes in the distribution of income, CBO used its microsimulation tax model.[7] CBO included behavioral effects—such as changes in the likelihood that people will claim a government benefit or changes in subsidies for health insurance resulting from changes in the prices of health care—that it has included in past cost estimates for other types of legislation.[8]

The set of effects incorporated in this estimate is more extensive than the set incorporated in most cost estimates. That is because the effects on economic behavior that would affect the federal budget would be broader for minimum-wage increases than for most policies that CBO examines. Behavioral effects stemming from increases in the minimum wage were not included in the April

2. See Congressional Budget Office, *An Overview of the Economic Outlook: 2021 to 2031* (February 2021), www.cbo.gov/publication/56965, and *The Budget and Economic Outlook: 2021 to 2031* (forthcoming).

3. See Congressional Budget Office, cost estimate for H.R. 582, the Raise the Wage Act (April 22, 2019), www.cbo.gov/publication/55152. By comparison, raising the pay of federal employees whose wages would be below the new minimum under the Raise the Wage Act of 2021 would lead to a $130 million increase in discretionary outlays over the 2021–2031 period, CBO estimates, subject to appropriation of the necessary amounts.

4. The set of affected programs is broader than those included in some other analyses; for example, this report includes effects on spending for major health care programs, unemployment compensation, and Social Security. Two other analyses are Ben Zipperer, David Cooper, and Josh Bivens, *A $15 Minimum Wage Would Have Significant and Direct Effects on the Federal Budget* (Economic Policy Institute, February 2021), https://tinyurl.com/xx4q2ria; and Michael Reich, *Effect of a Federal Minimum Wage Increase to $15 by 2025 on the Federal Budget* (Institute for Research on Labor and Employment, February 2021), https://tinyurl.com/232c9cg1.

5. See Congressional Budget Office, *How CBO Prepares Cost Estimates* (February 2018), www.cbo.gov/publication/53519.

6. See Congressional Budget Office, "How CBO and JCT Analyze Major Proposals That Would Affect Health Insurance Choices" (January 2020), www.cbo.gov/publication/56053.

7. See Congressional Budget Office, "An Overview of CBO's Microsimulation Tax Model" (June 2018), www.cbo.gov/publication/54096.

8. For examples of estimates including such effects, see Congressional Budget Office, cost estimate for H.R. 1425, the State Health Care Premium Reduction Act (August 20, 2019), www.cbo.gov/publication/55566, and cost estimate for H.R. 3, the Elijah E. Cummings Lower Drug Costs Now Act (December 10, 2019), www.cbo.gov/publication/55936.

2019 estimate because those effects were complex and would have required further analysis, as CBO explained at the time.

Effects on Employment

Increasing the minimum wage would affect employment in several ways.

- Higher wages would increase the cost to employers of producing goods and services. Employers would pass some of those increased costs on to consumers in the form of higher prices, and those higher prices, in turn, would lead consumers to purchase fewer goods and services. Employers would consequently produce fewer goods and services, and as a result, they would tend to reduce their employment of workers at all wage levels.
- When the cost of employing low-wage workers goes up, the relative cost of employing higher-wage workers or investing in machines and technology goes down. Some employers would therefore respond to a higher minimum wage by shifting toward those substitutes and reducing their employment of low-wage workers.
- In some limited circumstances, increasing the minimum wage could boost employment if employers had what is known as monopsony power—that is, bargaining power that allows them to set wages below the rates that would prevail in a more competitive market.[9]
- Because increasing the minimum wage would shift income toward families with lower income, it would boost overall demand in the short term. Lower-income families spend a larger proportion of any additional income on goods and services than do families with higher income. That increased demand for goods and services would reduce the drop in employment for several years after the implementation of a higher minimum wage, CBO projects.

Taking those factors into account, CBO projects that, on net, the Raise the Wage Act of 2021 would reduce employment by increasing amounts over the 2021–2025 period. In 2025, when the minimum wage reached $15 per hour, employment would be reduced by 1.4 million workers (or 0.9 percent), according to CBO's average estimate. In 2021, most workers who would not have a job because of the higher minimum wage would still be looking for work and hence be categorized as unemployed; by 2025, however, half of the 1.4 million people who would be jobless because of the bill would have dropped out of the labor force, CBO estimates. Young, less educated people would account for a disproportionate share of those reductions in employment.

This report focuses on the average (or mean) estimated change in employment because that measure captures the different effects of upward and downward variations from CBO's baseline projections. In particular, the growth of wages in CBO's baseline projections is uncertain, and the budgetary effects in this analysis depend on whether the hourly wages of affected workers would otherwise have been below or near the new minimum wage. The effects are asymmetric—that is, they would not be the same size if wage growth was faster than in the baseline projections or equally slower than in the baseline projections—because the effects differ when wages rise above the minimum wage. In addition, the responsiveness of employment to changes in the minimum wage is uncertain, and that uncertainty is also asymmetric. According to the agency's assessment of the research literature, responsiveness is unlikely to be much lower than CBO's median

9. For a more detailed discussion, see Congressional Budget Office, "The Minimum Wage in Competitive Markets and Markets With Monopsony Power" (supplemental material for *The Effects on Employment and Family Income of Increasing the Federal Minimum Wage*, December 2019), www.cbo.gov/publication/55410.

estimate (which is equally likely to be too high or too low), but it could be much higher. CBO has formed distributions of values for both wage growth and responsiveness.[10]

To generate an average estimate, CBO simulated a distribution of possible changes in employment by drawing randomly from those distributions. The average estimate is a weighted average of the possible employment outcomes in the simulation, with each outcome assigned a weight on the basis of the probability that it occurs. Those probabilities reflect the different effects of upward and downward variations from CBO's baseline projections.

For 2025, the average estimate is that employment would be reduced by 1.4 million workers; the median estimate is 1.0 million workers. The mean exceeds the median in this case because there is a significant possibility of large reductions in employment. CBO estimates that there is a one-third chance of that effect's being between about zero and 1.0 million workers and a one-third chance of its being between 1.0 million and 2.7 million workers.

Effects on Wages of Affected Workers

CBO estimated the amounts by which labor costs for firms would change because of wages paid to people directly or potentially affected by an increase in the minimum wage—that is, people who would otherwise have been paid hourly wages that were less than the proposed new minimums or only slightly above them. Specifically, from 2021 to 2031, cumulative pay would increase by $509 billion for people who were employed at higher hourly wages under the bill. Pay would decline by $175 billion because employment would be reduced in that period under the bill. Therefore, the cumulative pay of directly and potentially affected workers would increase, on net, by $333 billion.

CBO also estimated the number of affected workers who would experience those changes in pay. If the Raise the Wage Act of 2021 is not enacted, 17 million workers (or 10 percent of the labor force as it is projected under current law) will have wages below the minimums proposed by the bill, CBO estimates, during an average week in 2025. That is therefore the number of workers who would be directly affected by the bill. Also, 10 million workers during that average week will have wages that are only slightly higher than the proposed minimums; that is the number who would be potentially affected. If the bill was enacted and the minimum wage rose, wages for many of those workers would increase as employers sought to retain some of the differences in pay that had previously existed among those workers.

Effects on the Distribution of Family Income

The net effect of the Raise the Wage Act of 2021 on income would vary considerably among families. In 2025, 0.9 million fewer people would have income below the federal poverty thresholds, CBO estimates. Families' real income would change in three main ways.

- For families with workers earning wages at or near the federal minimum, real income would increase. That effect would be concentrated in the lowest quintile, or fifth, of the distribution of family income.
- For families that lost employment because of the increase in the minimum wage, real income would fall. That effect would also be concentrated in the lowest quintile of the income distribution, but it would be smaller than the increase in real income just described.

10. See Congressional Budget Office, *The Effects on Employment and Family Income of Increasing the Federal Minimum Wage* (July 2019), www.cbo.gov/publication/55410.

- For families that experienced a decline in business income or saw no change in their labor income but faced higher prices for goods and services, real income would fall. That effect would be concentrated in the highest quintile of the income distribution.

Effects on Real Output

Raising the minimum wage would slightly reduce real GDP, primarily because of reduced employment. However, CBO incorporated the assumption that the bill would not change *nominal* GDP from the amounts in the agency's baseline budget projections, following a practice that is conventional for its cost estimates. As the next section describes, CBO's estimates of the effects of the bill on the GDP price index (and other price indexes) were adjusted to be consistent with that assumption.

In addition to its effect on real output through employment, the bill would cause the stock of capital goods to be smaller than it would be otherwise. Capital goods are assets that businesses use to produce goods and services; they include tools, buildings, vehicles, machinery, and equipment. Some businesses would invest in capital goods to replace workers. Other businesses, however, would be discouraged from constructing new buildings or buying new machines if they anticipated having fewer employees to use them. On average, over the 2021–2031 period, real investment would be slightly lower than it would be if current laws did not change, CBO estimates. That reduction in investment would reduce workers' productivity and lead to further reductions in their employment.

The higher minimum wage would also shift income toward lower-income families, which tend to spend a relatively larger fraction of their income. As a result, the total demand for goods and services would increase for several years, boosting overall real output. After that initial boost, however, CBO expects that the economic effects from increases in demand would disappear.

Effects on Prices

In CBO's assessment, the Raise the Wage Act of 2021 would change the relative prices of goods and services. The largest price increases, relative to the average increase, would be for goods or services whose production required a larger-than-average share of low-wage work, such as food prepared in restaurants. For goods and services that used less low-wage labor in their supply chains, prices would rise less.

CBO made adjustments to the projected levels of price indexes under the bill to incorporate the assumption that nominal GDP would be unchanged. If CBO had relaxed that assumption and allowed nominal GDP to change, the resulting budgetary effects would have been similar to those presented in this report. Also, if nominal GDP were allowed to change, inflation under the bill would return by 2029 to essentially the rate in CBO's baseline projections, although the level of prices would be higher than in the baseline projections.

Effects on the Distribution of Labor and Capital Income

Because CBO incorporated the assumption that the bill would not change nominal GDP from the amounts in the agency's baseline budget projections, total nominal income would be roughly unchanged. However, the share of total income derived from labor would rise, on net, and the share derived from capital would fall.

Labor income would increase under the bill primarily because most people who would have earned wages at or near the federal minimum under current law would receive higher labor income. However, some people who would have been employed under current law would be jobless under the bill, at least for a while, and their annual labor income would be lower.

Capital income would fall under the bill because of higher labor costs and reduced productivity of capital. For example, corporate profits would be lower, reducing dividend income. Other types of nonwage personal income, such as proprietors' income, would also decline.

Effects on Interest Rates

In CBO's assessment, the Raise the Wage Act of 2021 would cause interest rates to be slightly higher than they would have been otherwise over the 2021–2031 period. CBO expects that from 2021 to 2023, regardless of whether the bill is enacted, real GDP will remain below its potential (that is, its maximum sustainable) level, and interest rates on securities with short-term maturities will remain near zero. The agency expects that those interest rates would increase very slightly for a few years after 2023 under the bill because of the increase in inflation stemming from the rising minimum wage. The rates on securities with longer-term maturities would also respond slightly. Because those rates depend on expected future rates on securities with shorter terms, they would change sooner than the rates on those short-term securities. For example, the interest rate on 10-year Treasury notes would rise before 2024 because it would reflect the anticipated rates on Treasury bills issued in 2024 and later.

CBO's Economic Modeling Approach

In July 2019, CBO analyzed how various options for increasing the federal minimum wage—including a $15 option based on the version of the Raise the Wage Act ordered reported in the House of Representatives earlier that year—would affect employment and family income.[11] To estimate the budgetary effects of the Raise the Wage Act of 2021, CBO started with the analysis of employment and the distribution of income underlying its July 2019 report, shifting it forward to cover the 2021–2031 period and updating it to account for changes in state laws. The agency also accounted for a larger range of economic variables, including real GDP, relative prices, the distribution of labor and capital income, and interest rates. CBO used its estimates of the bill's effects on those factors to estimate changes in federal spending and revenues.

In its 2019 report, CBO projected effects on employment and family income partly on the basis of a review of research on the responsiveness of employment to changes in the minimum wage.[12] In updating that analysis for this report, CBO reviewed recent research on how minimum wages affect employment; also, to account for declines in employment caused by the 2020–2021 coronavirus pandemic, the agency reviewed studies assessing whether those effects would be different during a period of high unemployment. Although the pandemic and associated increases in unemployment affected CBO's baseline projections of the budget and economy for the 2021–2031 period, they did not lead the agency to change its general approach to estimating how employment would respond to a higher minimum wage, for several reasons:

- Under the Raise the Wage Act of 2021, the minimum wage would rise incrementally, reaching $15 per hour in 2025. In CBO's current baseline economic projections, employment in 2025 is near the level that it was in the baseline projections underlying the 2019 report.

11. See Congressional Budget Office, *The Effects on Employment and Family Income of Increasing the Federal Minimum Wage* (July 2019), www.cbo.gov/publication/55410.

12. Ibid., Appendix A.

- Only a limited number of empirical studies have considered whether employment responds differently to a higher minimum wage during a period of high unemployment, and those studies have yielded inconclusive results.
- Similarly, economic models yield conflicting conclusions. Some researchers have suggested that during and after periods of high unemployment, a larger-than-average share of firms open or go out of business, and employment might be more responsive to a higher minimum wage under such conditions.[13] But it is also possible that many of the workers who in normal times would be projected to lose their jobs because of a higher minimum wage, such as restaurant workers, have already lost their jobs because of the pandemic. In that case, the bill's effect on employment could be weaker.

To assess the effects of the Raise the Wage Act of 2021 on the economic behavior of individuals and firms, CBO used many of its standard methods of fiscal policy analysis.[14] Those methods incorporate different economic responses when the economy is weak, as it is currently, than when the economy is strong. CBO adjusted the GDP price index so as to hold nominal GDP unchanged from its level in CBO's baseline projections (an assumption consistent with the agency's conventional approach to estimating the costs of legislation). Thus, the estimates reflect effects on real economic behavior.

To project short-term effects on the demand for goods and services, the agency translated estimated changes in labor income caused by an increase in the minimum wage into changes in real purchases, using estimates of the fraction of additional income spent by households across the income distribution. CBO also used its estimates of effects on employment and wages to project effects on capital accumulation. Specifically, CBO used a dynamic general equilibrium model in which minimum-wage workers, other workers, and technology (such as machinery) are imperfect substitutes for one another. (A dynamic general equilibrium model is one in which households and businesses interact with each other in markets for goods and capital, responding to prices—such as wages and the rates of return on saving—that are themselves determined by those interactions.) Using that model, the agency examined how changes in labor income and profits stemming from an increase in the minimum wage would affect capital accumulation and business income.

To project the effects on relative prices, CBO estimated changes in labor costs for different industries and translated them into changes in the prices of goods and services, accounting for industries' dependence on each other. (A given industry's product uses other industries' products as inputs, and the price of the industry's product therefore reflects not only the costs of labor in that industry but also the costs of labor in other industries.)

Comparisons With CBO's July 2019 Analysis

CBO's July 2019 report about an earlier version of the Raise the Wage Act included estimates of how economic behavior by individuals and firms would change as a result of the bill. It also included a qualitative discussion of how those changes in economic behavior would affect the budget, but it did not present quantitative estimates of those budgetary effects.

The results in this report differ from those in the July 2019 report, and there are several reasons for the differences. First, the distribution of hourly wages in 2025 in CBO's current baseline

13. See, for example, Isaac Sorkin, "Are There Long-Run Effects of the Minimum Wage?" *Review of Economic Dynamics*, vol. 18, no. 2 (April 2015), pp. 306–333, https://doi.org/10.1016/j.red.2014.05.003.

14. See Congressional Budget Office, *How CBO Analyzes the Effects of Changes in Federal Fiscal Policies on the Economy* (November 2014), www.cbo.gov/publication/49494.

projections differs from that distribution in the agency's 2019 baseline projections. That difference arises partly because CBO projects that the pandemic will depress wages through 2025 and partly because the passage of Florida's Ballot Initiative 2 will raise the state minimum wage in Florida, on an incremental basis, to $15 per hour by 2026. The Florida law reduces the number of workers who in 2025 would be substantially affected by the Raise the Wage Act of 2021.

Second, the timeline for the policy's implementation ran from January 1, 2020, to January 1, 2025, in the 2019 report, but it runs from June 1, 2021, to June 1, 2025, in this report. In this report, therefore, firms have less time to adjust to the policy's implementation than they did under the policy analyzed in the earlier report. That difference matters because the employment of low-wage workers is more responsive to higher minimum wages when firms have more time to respond to the higher cost.

Third, to capture the different effects of upward and downward variations from its baseline projections (as this report discusses above), CBO focuses here on the mean outcome of its simulations, rather than on an estimate calculated by using the median values of key inputs—specifically, projected wage growth and the responsiveness of employment to changes in the minimum wage.[15] Using the mean outcome results in larger central estimates of reductions in employment and real output.

Taken together, those differences led to differences in the reports' projected effects on employment and family income. In the 2019 report, CBO estimated that employment would fall by 1.3 million workers in 2025; in this report, the estimated reduction is 1.4 million workers. The most important analytical change that led to that difference was CBO's use of the mean rather than the median in determining its central estimates. The distribution of possible employment effects is asymmetric, and the mean is greater than the median. If CBO had used the median values of key inputs, as it did in the 2019 report, its central estimate of the employment effect in 2025 would have been a reduction of 1.1 million workers—a smaller amount than in the 2019 report.

The estimated number of people whose annual income would rise above the federal poverty thresholds in 2025 is smaller in the current report (0.9 million) than it was in the 2019 report (1.3 million). That difference stems from the changes in CBO's baseline projections, from the changes in the policies' timelines, and from the use of mean outcomes rather than outcomes generated by the median values of key inputs.

15. For further discussion of issues that are related to mean outcomes and that involve the estimation of probability-weighted averages of possible costs, see Congressional Budget Office, *Estimating the Cost of One-Sided Bets: How CBO Analyzes the Effects of Spending Triggers* (October 2020), www.cbo.gov/publication/56698.

This Congressional Budget Office report was prepared in response to a request by the Chairman of the Senate Committee on the Budget. In keeping with CBO's mandate to provide objective, impartial analysis, the report contains no recommendations.

Nabeel Alsalam, William Carrington, Justin Falk, and Brooks Pierce prepared the report with assistance from Julia Heinzel and guidance from Molly Dahl, Joseph Kile, and Xiaotong Niu. Estimates of economic and budgetary effects were prepared by Susan Yeh Beyer, Yiqun Gloria Chen, Chad Chirico, Sheila Dacey, Meredith Decker, Devrim Demirel, Nathaniel Frentz, Edward Gamber, Jennifer Gray, Cornelia Hall, Edward Harris, Lori Housman, Justin Humphrey, Nadia Karamcheva, Brian Klein-Qiu, Leah Koestner, Jamease Kowalczyk (formerly of CBO), Justin Latus, Junghoon Lee, Avi Lerner, Sarah Masi, Noah Meyerson, Alexandra Minicozzi, Eamon Molloy, Hudson Osgood, James Otterson, Allison Percy, Jeffrey Perry, Stephen Rabent, Dan Ready, Sarah Sajewski, Jeffrey Schafer, Kurt Seibert, John Seliski, Joshua Shakin, Naveen Singhal, Emily Stern, Robert Stewart, and Emily Vreeland. Helpful comments were received from Leigh Angres, Christina Hawley Anthony, Sheila Dacey, Wendy Edelberg (formerly of CBO), Heidi Golding, Theresa Gullo, Deborah Kilroe, Paul Masi, John McClelland, Sam Papenfuss, Julie Topoleski, and Jeffrey Werling.

Gregory Acs of the Urban Institute, Jeffrey Clemens of the University of California San Diego, and Isabel V. Sawhill of the Brookings Institution also provided helpful comments on some of the analytical methods. The assistance of external reviewers implies no responsibility for the final product, which rests solely with CBO.

Mark Doms, Mark Hadley, Jeffrey Kling, and Robert Sunshine reviewed the report, and Christine Browne and Benjamin Plotinsky edited it. The report is available on the agency's website (www.cbo.gov/publication/56975).

CBO continually seeks feedback to make its work as useful as possible. Please send any comments to communications@cbo.gov.

Phillip L. Swagel
Director

Table 1.

Federal Minimum Wages Under S. 53, the Raise the Wage Act of 2021

Date	Federal Minimum Wage
June 1, 2021	$9.50
June 1, 2022	$11.00
June 1, 2023	$12.50
June 1, 2024	$14.00
June 1, 2025	$15.00
June 1, 2026 and later	$15.00 plus an indexing adjustment[a]

Data source: Congressional Budget Office.

CBO analyzed the Raise the Wage Act of 2021 as introduced in the Senate on January 26, 2021. The analysis incorporates the assumption that the bill would be enacted at the end of March 2021.

Under current law, the federal minimum wage is $7.25.

a. Each year, the indexing adjustment would make the minimum wage equal the previous year's value plus the annual percentage increase, if any, in the median hourly wage of all employees.

Table 2.

Estimated Budgetary Effects of S. 53, the Raise the Wage Act of 2021

Millions of Dollars

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021–2026	2021–2031
					Increases or Decreases (-) in Mandatory Outlays								
Major Health Care Programs													
Medicaid	0	1,378	1,416	1,527	1,121	1,463	1,457	1,147	1,140	2,063	3,283	6,905	15,995
Children's Health Insurance Program	0	106	196	424	626	632	686	842	905	970	1,041	1,984	6,427
Premium Tax Credits[a]	0	101	174	44	506	658	1,598	2,184	2,565	2,900	3,279	1,483	14,009
Medicare	0	28	137	310	857	1,049	1,128	1,250	1,222	1,357	1,486	2,381	8,824
Unemployment Compensation	0	695	1,630	2,615	3,405	3,905	4,360	3,990	3,375	3,175	3,365	12,250	30,515
Social Security (Off-budget)	*	6	34	206	625	1,178	1,597	2,040	2,524	3,108	3,841	2,049	15,159
Nutrition Programs													
Supplemental Nutrition Assistance Program	*	-240	-500	-890	-1,210	-1,140	-1,100	-1,130	-1,330	-1,410	-1,330	-3,980	-10,280
Child Nutrition Programs	0	*	-5	-38	-27	-24	-13	-6	-34	-46	-37	-94	-230
Other													
Earned Income, Child, and Other Tax Credits	7	52	74	-44	-360	-781	-1,036	-1,119	-1,190	-1,314	-1,383	-1,052	-7,094
Student Loans[b]	-600	-50	-45	-45	-40	-25	-30	-55	-70	-65	-70	-805	-1,095
Federal Civilian and Military Retirement	0	2	6	22	55	88	106	112	111	115	103	173	720
Veterans' Disability Compensation and Pension Programs	0	2	6	22	52	83	97	105	107	109	111	165	694
Supplemental Security Income	0	-10	-10	-10	0	20	30	40	30	30	30	-10	150
Other Retirement Programs[c]	0	*	*	1	5	9	10	12	12	13	13	15	75
Postal Service (Off-budget)[d]	0	0	0	*	*	*	*	*	*	*	*	*	0
Total Changes in Mandatory Outlays	**-593**	**2,070**	**3,113**	**4,144**	**5,615**	**7,115**	**8,890**	**9,412**	**9,367**	**11,005**	**13,732**	**21,464**	**73,869**
On-budget	**-593**	**2,064**	**3,079**	**3,938**	**4,990**	**5,937**	**7,293**	**7,372**	**6,843**	**7,897**	**9,891**	**19,415**	**58,710**
Off-budget	*	**6**	**34**	**206**	**625**	**1,178**	**1,597**	**2,040**	**2,524**	**3,108**	**3,841**	**2,049**	**15,159**
					Increases or Decreases (-) in Revenues								
Revenues From Income and Payroll Taxes[e]													
On-budget	-72	-288	-1,235	-2,342	-5,649	-3,021	-1,499	-519	301	771	889	-12,607	-12,664
Off-budget	58	356	1,061	2,247	3,601	4,439	4,919	5,142	5,335	5,420	5,352	11,762	37,930
Premium Tax Credits[a]	0	-25	-48	-155	-265	-328	-581	-831	-998	-1,092	-1,194	-821	-5,517

Table 2.

Estimated Budgetary Effects of S. 53, the Raise the Wage Act of 2021

Millions of Dollars

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021–2026	2021–2031
Total Changes in Revenues	**-14**	**43**	**-222**	**-250**	**-2,313**	**1,090**	**2,839**	**3,792**	**4,638**	**5,099**	**5,047**	**-1,666**	**19,749**
On-budget	**-72**	**-313**	**-1,283**	**-2,497**	**-5,914**	**-3,349**	**-2,080**	**-1,350**	**-697**	**-321**	**-305**	**-13,428**	**-18,181**
Off-budget	**58**	**356**	**1,061**	**2,247**	**3,601**	**4,439**	**4,919**	**5,142**	**5,335**	**5,420**	**5,352**	**11,762**	**37,930**
	Net Increase or Decrease (-) in the Deficit From Changes in Mandatory Outlays and Revenues												
Effect on the Deficit	**-579**	**2,027**	**3,335**	**4,394**	**7,928**	**6,025**	**6,051**	**5,620**	**4,729**	**5,906**	**8,685**	**23,130**	**54,120**
On-budget	**-521**	**2,377**	**4,362**	**6,435**	**10,904**	**9,286**	**9,373**	**8,722**	**7,540**	**8,218**	**10,196**	**32,843**	**76,891**
Off-budget	**-58**	**-350**	**-1,027**	**-2,041**	**-2,976**	**-3,261**	**-3,322**	**-3,102**	**-2,811**	**-2,312**	**-1,511**	**-9,713**	**-22,771**
	Increases in Discretionary Outlays[f]												
Federal Workers' Pay	*	*	2	7	15	17	15	16	19	20	19	41	130

Data source: Congressional Budget Office.

CBO analyzed the Raise the Wage Act of 2021 as introduced in the Senate on January 26, 2021. The analysis incorporates the assumption that the bill would be enacted at the end of March 2021.

Components may not add up to totals because of rounding.

Off-budget effects are designated by law as excluded from budget totals. The revenues and outlays of the two Social Security trust funds (the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund) and the transactions of the Postal Service are off-budget. All effects in this table are on-budget unless otherwise noted.

This table does not include increases in net outlays for interest on federal debt (as projected under current law) that would stem from estimated changes to interest rates and inflation under the bill. Those interest costs would add $16 billion to the deficit over the 2021–2031 period.

* = between –$500,000 and $500,000.

a. Premium tax credits are federal subsidies for health insurance purchased through the marketplaces established by the Affordable Care Act.

b. Costs for the federal student loan program are estimated using the procedures established in the Federal Credit Reform Act of 1990. Changes to the estimated costs of outstanding loans are shown in 2021, the assumed year of enactment.

c. Includes retirement programs for the Coast Guard and for workers in railroads, the Foreign Service, and the Public Health Service.

d. In CBO's baseline projections, the Postal Service (USPS) exhausts its available budgetary resources in 2031 and consequently reduces its costs in that year to the amount that CBO estimates it would collect in receipts. Because this legislation would increase the costs of the USPS by less than $500,000 in several years but would not increase its receipts, CBO estimates that the USPS would be forced to reduce its expenses by an equal amount in 2031, resulting in no significant net cost to the agency over the 2021–2031 period.

e. Includes changes to the earned income tax credit and child tax credit. The revenue and outlay effects together represent a reduction of $4,748 million for the earned income tax credit and an increase of $2,257 million for the child tax credit. Also includes an increase in revenues that partially offsets the increase in outlays for unemployment compensation. States would increase their tax revenues to maintain a positive balance in their unemployment trust funds over time, and those revenues are reflected in the federal budget.

f. Estimates of discretionary outlays are based on the assumption that appropriations of the necessary amounts will be provided in each year.

February 24, 2021

Chairperson Nydia Velázquez
Ranking Member Blaine Luetkemeyer
U.S. House Committee on Small Business
2361 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairperson Velázquez and Ranking Member Luetkemeyer,

On behalf of the more than 1 million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I am submitting this statement for the record for your hearing today at 10:00 a.m. on "Perspectives from Main Street: Raising the Wage," to express our objections to any proposal that would increase the federal minimum wage to $15.00 per hour.

President Biden's "American Rescue Plan," which is moving forward in the House and Senate under reconciliation, would more than double the federal minimum wage from $7.25 to $15 an hour and eliminate the "tipped" minimum wage for servers. This could not come at a more inappropriate time, as the Labor Department reported that unemployment claims were 861,000 last week, more than expected by analysts, indicating that recovery may take longer than expected. During a February 18, 2021 hearing before the U.S. Senate Committee on Banking, Housing, and Urban Affairs, one of the witnesses, American Action Forum President Douglas Holtz-Eakin, stated in his testimony, "Raising the minimum wage to $15 per hour is the antithesis of 'stimulus' and therefore should be excluded from the package."

The proposed minimum wage increase would eliminate jobs and harm the workforce. This one-size-fits-all approach removes states and local governments from determining the minimum wage rate that works best for their communities. Philadelphia, Mississippi is not Philadelphia, Pennsylvania.

Not only will raising the minimum wage cause economic uncertainty, but it will also increase the cost of labor at a time when small businesses are already struggling to make ends meet. The rise in costs will naturally be passed onto consumers, who are also struggling themselves. Many companies that have closed temporarily due to the uncertainty surrounding the COVID-19 pandemic would decide that they cannot afford to reopen, or certainly not with the same number of employees, if they are forced to pay a $15 minimum wage. The Congressional Budget Office predicts that raising the wage would eliminate up to a million jobs by 2023 and up to 3.3 million by 2029.

Again, I urge you to support American small businesses and taxpayers by opposing any increase in the minimum wage amidst the economic uncertainty our country currently faces. There is nothing equitable about the loss of jobs that will occur with the increase in the minimum wage. They will have the greatest impact on those who can least afford to be unemployed.

Sincerely,

Tom Schatz
President, CCAGW

cc: Committee Members

Small Business Name: Eureka Pizza Co.

Small Business Owner: Steven and Patricia Bangos

Location: Yorba Linda, CA

"Dear Congresswoman Kim,

My wife and I own and operate a small business and work in the food industry. We currently have a total of 11 employees working for us. As it presently stands, we already run a razer thin line with micro thin margins for profit. Covid-19 has already had a major impact ranging from Cost of Goods to Food Costs.

To meet our payroll budget, my wife and I have to work additional hours in order to afford our weekly cost of operation. We currently average an hourly rate of approximately \$12.00-\$13.00hr. To this date, we have only been able to afford a \$15.00hr wage for only two top tear employees. This was based solely on their previous experience, strengths, and what they bring to the table.

Most of our staff are fresh out of High School, their first job, and living at home. Raising ALL their entry level wages to \$15.00hr would severely affect our ability to meet our bottom line. This will no doubt result in the anticipated reduction in our workforce. It would also have a negative impact for the upper tier employee who will undoubtedly expect higher compensation for their seasoned contribution to the company.

Inflating, our prices just to compensate for the cost of operation will eventually lead to our demise as a small business. There simply needs to be a better balance and justification for exactly WHO should receive and qualify for a \$15.00hr minimum wage."

Small Business Name: FASTSIGNS®

Small Business Owner: Mark Glenn

Location: Dallas, TX

Impact Story:

"My wife and I are FASTSIGNS franchisees owning four centers, three located in Dallas and one in Carrollton, TX. Collectively we employ 26 people of which 11 are hourly employees. Our hourly employees are made up of graphic designers, sign printing equipment operators and sign production and installation specialists. These are all skilled positions that demand competitive compensation rates within the signs and graphics industry. The hourly rates of our 11 employees range from $13.00/hour to $19.00/hour averaging slightly more than $17/hourly. We support a progressive work environment, a positive culture and opportunities for promotion and additional responsibilities. With the continued growth of my business, I take pride in offering a position with competitive hourly rates in this range in the Dallas area.

However, with a minimum wage at $15.00 per hour, this significantly changes the structure of the workforce in my business model.

A minimum wage of $15.00 per hour shifts the existing rates of my workforce upward to a point where my business can not sustain the increased payroll amount. An increase to $15.00 per hour minimum wage forces me to layoff existing skilled workers. To sustain the growth of the business, the investment will be made in equipment and NOT in additional jobs that would otherwise be created by a growing business.

I take great pride in creating jobs in North Texas, having started with 4 employees and now to 26 with the continued growth of my business, but a $15.00 minimum wage is a detriment to job creation. It is simply the wrong approach to take to benefit the workforce."

Dear Congressman Hagedorn,
I am writing on behalf of our small business in Southern MN regarding the proposed legislation to increase minimum wage to $15.00 per hour.

My name is Bonnie Vetter, I am a third generation business owner in Fleet and Farm Supply/Ace Hardware in Fairmont, MN. We own and operate 2 stores in southern MN. One in Fairmont and one in St James. Combined with our 2 stores here are some statistics:

- We currently have 36 employees
- 31 are hourly employees, 5 are salaried
- 22 are part time employees, 14 are full time
- 22 are employees at current state minimum wage
- 7 are eligible for the youth rate

We are unable to pay the youth rate for eligible youth as the local market has already determined that the youth need to be paid at least the state minimum wage as other businesses in our community such as Fareway and WalMart are hiring at $11.00 per hour for example. There is already competition to pay competitive rates for employees in our area. We don't need our government to dictate what we should pay our employees when the market is already helping the wages along. Job offer rates should be based on what the future employee can do for you and leave room for that employee to grow on the rate scale so he/she can have something to aspire to in working harder in his/her job. We base our job offers on the job being hired for and what experience the future employee brings with him/her. We expect the employee to then learn more while in employment with us which in turn makes him/her a more valuable employee which in turn means he/she gets paid more. The employee has something to work towards and look forward to. Some people move up in pay faster than others dependent upon how assertive he/she is in learning and taking on more responsibility.

We are already experiencing cost increases for both cost of product and shipping costs. These price increases have already caused us to raise retail prices. Raising minimum wage to a jump of $15 per hour versus the current $10.08 would be extremely detrimental to small business. We would have to eliminate staff which in turn would cause more unemployment.

We are already having a hard enough time recruiting people to work. We advertise openings for employment but get very little response. I have spoken to many other business owners not only in my own community but in other communities who are having just as hard of a time recruiting people to work. People are choosing to stay home and stay on unemployment versus getting a steady job. I even offered a job to a waitress in December, 2020 who was complaining of being unemployed but she turned down my offer as she preferred staying home on unemployment as she was making more that way than going to work. What kind of inspiration is that offering the American people? What is that teaching our children?

In our strong opinion, if the government wants to help people the best, stop giving handouts and give the people a reason to return to work. Let them have pride in their work by receiving an honest days pay. Raising minimum wage to $15 an hour is not going to solve our state or nation of poverty. Teaching people how to work for an honest days wage, feel good about it, and budget their money is going to be the best lesson and more help in the long run. Paying people $15 per hour is not going to help them better their standard of living. They need to make that choice on their own. If they need help to know how to make those choices (like budgeting their money) making that available to our American people is better than just giving them another handout. The thought process is if you pay them more they will get out of poverty. Not all of them make good choices on what to spend that additional money on. I know of many people in our own community who choose to have the latest and greatest cell phone and/or cigarettes but they "don't have enough money to put food on the table". You could choose to have a land line. You could choose to give up cigarettes. You could choose to put your basic needs of food and shelter before luxury items.

We feel strongly that minimum wage should be market based, not one government mandate for all. Raising minimum wage will have the trickle down effect that employers will not hire as many people and therefore there will be less jobs for people to seek when they decide they want to go back to work.

Sincerely,

Bonnie Vetter
Vice-President/Co-Owner
Fleet & Farm Supply/Ace Hardware
1300 N State St
Fairmont, MN 56031

Carol Dover, President and CEO, Florida Restaurant and Lodging Association

"More than 934,000 of Florida's 1.5 million hospitality employees were furloughed or laid off at the beginning of the COVID-19 pandemic and have been clawing their way back to recovery every since. Raising the federal minimum wage to $15/hour and eliminating the tip credit would obliterate our restaurants who have survived and will result in higher menu prices, increased automation, reduction in employee benefits, and job losses. The very livelihood or our tipped workers will be destroyed if small businesses are forced to absorb these higher labor costs. Please help us to protect our restaurants and their employees!"

February 23, 2021

Rep. Dean Phillips, Chairman
House Small Business Subcommittee on
Oversight, Investigations, and Regulations
2361 Rayburn House Office Building
Washington, DC 20515

Rep. Beth Van Duyne, Ranking Member
House Small Business Subcommittee on
Oversight, Investigations, and Regulations
2361 Rayburn House Office Building
Washington, DC 20515

Cc: Members of the House Small Business Subcommittee on Oversight, Investigations, and Regulations

Re: "Perspectives from Main Street: Raising the Wage"

Dear Chairman Phillips and Ranking Member Van Duyne:

On behalf of FreedomWorks and the millions of activists we represent nationwide, thank you for holding this hearing, especially as our nation seeks the best path for recovery from COVID-19.

Please find below my new op-ed outlining the severe unintended economic consequences of increasing the federal minimum wage to $15 per hour. This piece was originally published in RealClearMarkets on Wednesday, February 17, 2021 and can be found online as well here.

Let me know if you have any further questions on FreedomWorks' position surrounding the minimum wage or recovery more broadly. I am reachable at sanderson@freedomworks.org.

Respectfully,

Sarah Anderson
Director of Policy
FreedomWorks

A Minimum Wage Increase Robs Many of the Chance to Get a Job
By Sarah Anderson

The Congressional Budget Office has released a new report on the budgetary and economic impact of President Joe Biden and congressional Democrats' Raise the Wage Act. Supporters of the Raise the Wage Act have framed it as giving low-income workers a pay raise, but they're ignoring the actual impact increasing the minimum wage will have on those very same workers.

The goal of the Raise the Wage Act is to gradually increase the federal minimum wage to $15 per hour by 2025 from the current $7.25 per house. After 2026, the minimum wage will be indexed to median wages. Tipped workers would also see an increase in the minimum wage to $14.95 per hour by 2026 from $2.13 and equal to the standard minimum wage.

President Biden and congressional Democrats have said that increasing the minimum wage will lift many Americans out of poverty while ignoring the fact that there will be people who are hurt in the process. Just because a policy idea sounds good doesn't mean it won't have a serious negative impact.

A new report from the Congressional Budget Office (CBO) highlights the destructive impact of the Raise the Wage Act. The report finds that total employment will fall by 1.4 million workers in 2025 and that half of those workers will be out of the labor force. "Young, less educated people," the report notes, "would account for a disproportionate share of those reductions in employment." Essentially, this means that the Raise the Wage Act will hurt the very people it's intended to help.

The reduction in employment, by the way, is the average estimate. The high-end estimate is 2.7 million workers out of a job.

Because of the increased cost of labor, at least some employers would turn to innovation and automation. Americans are already seeing this on almost a daily basis as grocery stores and restaurants turn to self-checkout kiosks. The CBO report backs up the argument that more automation would be the result of a minimum increase to $15 per hour, noting, "Some employers would...respond to a higher minimum wage by shifting toward those substitutes and reducing their employment of low-wage workers."

Some Democrats like Rep. Ilhan Omar (D-Minn.) are already running to embrace a data point in the CBO report. The report noted raising the minimum wage to $15 per hour would "lift 900,000 out of poverty." This is a classic example of cherry-picking data. The report does show that poverty would be reduced by 900,000, but, again, 1.4 million workers would find themselves out of a job.

Democrats don't much care about federal spending considering the embrace of the unicorns and fairy dust of Modern Monetary Theory. However, the CBO report shows that increasing the minimum wage would increase federal outlays for healthcare because more people would enroll in Medicaid as a direct result of being out of a job because of the increase in the minimum wage to $15 per hour. Spending for unemployment benefits would also rise because of the number of workers losing their jobs. Because interest rates would rise, spending on servicing the national debt would also go up. All told, the Raise the Wage Act would increase the budget deficit by $54 billion.

Consumers would feel the impact of a $15 per hour minimum wage. "Higher wages would increase the cost to employers of producing goods and services. Employers would pass some of those increased costs on to consumers in the form of higher prices, and those higher prices, in turn, would lead consumers to purchase fewer goods and services," the report explains. "Employers would consequently produce fewer goods and services, and as a result, they would tend to reduce their employment of workers at all wage levels."

At a time when investment in the economy by businesses and investors is sorely needed to recover from the pandemic and get more people back to work, the CBO explains that increasing the minimum wage to $15 per hour will reduce investment. As the report notes, "Some businesses would invest in capital goods to replace workers. Other businesses...would be discouraged from constructing new buildings or buying new machines if they anticipated having fewer employees to use them."

The Raise the Wage Act will imperil the American dream for many who are just entering the workforce hoping to gain experience to move onto bigger and better things in their lives. We can't rebuild the economy based on the platitudes of bad policy. We have to let businesses invest and expand without burdening them with mandates that will hurt workers and consumers.

Sarah Anderson is the director of policy at FreedomWorks.

February 23, 2021

$15 hour Minimum Wage, another tool to destroy Small Business

My name is Gary Seibert and I have owned and operated small businesses since 1967. I owned an apparel manufacturing business that employed over 125 people, a family entertainment center that employed 60 part and full time employees and now I am the CEO of the Small Business Resource Association that represents Small to Mid-Sized businesses here in Berks County, Pa. I have lived and worked through the period that $1/hr. was a great starting wage through what we offer today. Regardless of what people get paid, they always want more, not because they necessarily deserve it, it's because they have gotten and abused credit cards and they are clueless as to how to manage their money. Raising the minimum wage to $15/hr. will not help them at all, in fact, it will just put them further in debt. Worse yet, many small businesses like those in the food and beverage industry, hospitality and entertainment industry will be forced to raise their fees dramatically to cover the increased Payroll and related taxes. This will result in their having to increase their retail prices which will prohibit them to be able to compete with big box stores and the imports. They will lose business and ultimately have to shut down. Small Business creates more than 80% of our work force today and where are those people going to get work if they have limited education and work force skills?

Conclusion, $15/hr. minimum wage will ultimately NOT help the minimum wage worker but it will cause a dramatic rise in retail cost, the closing down of countless small businesses, a greater burden on unemployment, and more products and services being out sourced to foreign competitors. My suggestion is to have a slow but gradual increase in the minimum wage while helping our small businesses with ways to incentivize their employees, allow Health Insurance to become a completive commodity which will lower the rates, provide programs at the High School level on money management and job training, provide more Skilled Labor training programs and put higher taxes and restrictions on imports. All these will help the employees and keep our Small Businesses in Business.

Gary Seibert

CEO Small Business Resource Association

gseibert@sbrassociation.org

INTERNATIONAL FRANCHISE ASSOCIATION

FRANCHISING
Building local businesses, one opportunity at a time.

February 22, 2021

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi and Republican Leader McCarthy,

On behalf of the International Franchise Association (IFA), the world's oldest and largest organization representing franchising worldwide, I write on behalf of the nation's franchise community in advance of House consideration to provide additional relief to achieve the goals of the American Rescue Plan through the 2021 budget resolution (S. Con. Res. 5). IFA believes deeply in the shared goals of unifying the country, raising wages, and providing economic opportunity to those who have been left behind during the COVID-19 pandemic. While the country remains deeply divided, **we strongly urge Congress to return to a bipartisan process to enact further relief legislation, which should prioritize the reauthorization and funding of critical small business relief programs and refrain from using the reconciliation process to enact an increase to the federal minimum wage. Our views are shared by more than 4,000 franchise advocates on the linked petition.**

Before COVID-19, franchising accounted for 733,000 franchise establishments that employed more than 7.6 million Americans and contributed $674.4 billion of economic output to the U.S. economy. As you know, franchise businesses are independently and locally owned. The franchise business model, by which an established brand licenses its name, products and processes to an independent owner, has proven to be a resilient and mutually beneficial driver of economic opportunity for owners, employees, and brands. The pandemic has devastated the franchise business community. Within the first six months after the COVID-19 outbreak, an estimated 32,700 franchised businesses closed as of August 2020; 21,834 businesses were temporarily closed, while 10,875 businesses were permanently closed.

If Congress does no harm, franchise businesses will accelerate the post-COVID economic recovery. While the number of unemployed individuals peaked at nearly 30 million workers early in the pandemic, such workforce dislocation forced many individuals to try entrepreneurial ventures, including starting new franchise businesses. Now franchising is poised to rebound: a February 2021 report from market research firm FRANdata says that ***more than 26,000 franchised business locations and nearly 800,000 franchise jobs will be created in 2021***. This outsized growth should be expected, because franchising has helped fuel recovery following past economic downturns. After the financial crisis from 2009-2012, employment in the franchise sector grew 7.4%, versus 1.8% growth in the total U.S. employment.

Franchises also play an outsized role in generating wealth creation for minority communities, especially underserved communities that have been left unbanked or underbanked during the pandemic. Minorities have too frequently been denied the opportunity to begin on even the ground floor in business, but franchising has helped thousands of our entrepreneurs overcome common obstacles. Over 30% of franchises are minority-owned, compared to 18% of non-franchised businesses. Rather than hinder the ability of new entrepreneurs to generate wealth and support their local communities, Congress should strongly support the franchise business model.

IFA supports an increase to the federal minimum wage, but we strongly urge a bipartisan approach that achieves consensus outside of the budget reconciliation process. Given this critical moment, doubling labor costs while tens of thousands of small franchise businesses have closed permanently and many thousands more struggle to maintain operations and retain employees is the wrong policy prescription. In 2019, the CBO estimated that H.R. 582 would cause a $64 billion reduction in business income and a $9 billion reduction in total real family income by 2025. Given the toll on employment during the COVID-19 pandemic, we urge a more thoughtful, consensus-based approach that raises wages and allows for accelerated rehiring of the workforce.

Moreover, the current reconciliation package includes limited relief for the small business sector, including a dedicated fund for the restaurant sector and an extension of the Employee Retention Tax Credit program. Both of these programs are important, but we stress the need for comprehensive relief for all small businesses.

We strongly urge you to fully fund and extend authorization of popular programs for the small business sector, such as the Paycheck Protection Program (PPP), which is set to expire on March 31st, as well as the Small Business Administration (SBA)'s Section 1112 principal and interest payment program in the 7(a), 504 and Microloan Programs, which recently announced that they have insufficient funding to make the payments authorized by the Economic Aid Act.

Unless Congress includes an extension of these broad-based programs in the reconciliation package, business failures in the next several months will skyrocket as it will be impossible for additional measures to come online until late 2021. Increasing the federal minimum wage to $15 while shuttering both of these popular small business relief programs is a particularly baffling juxtaposition of policy solutions.

For these reasons, we respectfully request that Congress reconsider both the extent and timing of increasing the federal minimum wage by removing that measure from any legislative package meant to address the economic challenges presented by the COVID-19 pandemic.

Thank you for your understanding and appreciation of our concerns, as well as your leadership, during this critical time. We stand committed to working with you on bipartisan solutions that enhance entrepreneurship, wage growth and job creation as we rebuild the economy from the COVID-19 pandemic.

Sincerely,

Matt Haller
Senior Vice President of Government Relations & Public Affairs
International Franchise Association

cc: Members of the U.S. House of Representatives

From: **Mad Hatter Rochester** <info@madhatterrochester.com>
Date: Mon, Feb 22, 2021 at 11:05 PM
Subject: Elimination of tip credit
To: info@uniontavernseabreeze.com <info@uniontavernseabreeze.com>

To whom it concerns,

I've worked in the restaurant industry for over 20 years. I started out as a server when the minimum wage was $2.90. I never complained about my wage, as I made great money. I was a single mom that could afford to give my daughter a decent life without working 40 hours a week. I was averaging anywhere from $10.-$15 back in the late 90's. That's pretty good! And that is why I chose that profession. I know I could make more than working in retail or a desk job.

It's still the same today. Servers get into server to make GOOD money. It's a great living! My servers make their income from their tips. They do not want the tips to go away. My servers on average make $150-$200. per a 6-hour shift, not including their hourly rate. That's about $30./hour! Why would they want to change that to a set hourly rate of $15./hr.

If this gets passed, it will change the restaurant industry and the work force. Servers will no longer want to work as servers. Why would they? They just got their pay cut in half! I strongly suggest the state of NY does their research, even conduct a focus group of servers from all different types of restaurants. I GUARANTEE, the outcome will be overwhelming not in support of eliminating the tax credit.

Regards,
Kristina Dinino-Jeffords
Owner of The Mad Hatter Restaurant & Bakery in Rochester, NY

Small Business Name: Maddens Resort
Small Business Owner: Ben Thuringer, Chief Operations Manager
Location: Nisswa, MN
Impact Story:

"A $15.00 minimum wage would dramatically impact us and hospitality in a couple of ways. Being that our resort is seasonal, we hire a lot of younger individuals that are High School and College aged, we are typically their first jobs. These workers are more than happy making the MN Minimum wage, and it allows us to operate at a profitable margin on a seasonal basis. The second impact would be in the Restaurant world, as you know, MN does not recognize tip credit. A professional server typically makes a little more than minimum wage, however, if you include their tips they make a very livable wage. That livable wage is well north of 70K annually.

Our margins are already extremely slim in the hospitality area, a wage increase of this sort would cause for immediate inflation in restaurant and lodging pricing. Restaurants can no longer afford to absorb any more cost. If you are really good at what you do, a restaurant or resort will return 10% annually.

Minimum wage is designed for those that are in entry level jobs, or have a wage that is subsidized through tips or other forms of commission. If an employer were to pay minimum wage for a skilled or non-skilled adult position, they would not have any workers in those seats. The employment market is very competitive, the job market and private industry have the complete ability to keep the job markets competitive and fair. We have seen what has happened with our government involvement in benefit packages such as health care, it worked in the exact opposite, the employee ends up paying more and getting less."

February 23, 2021

Dear Small Business Committee Members:

"Please allow me to introduce myself. I am Mark Klinger, the owner of three full-service restaurants in Berks County, PA. I have been in the restaurant business since I got my first job at McDonalds as a teenager. In 2010 I was able to achieve my life-long goal of opening my first restaurant of my own, Klinger's on Carsonia. After a few successful years, I opened two more locations, Klinger's of Fleetwood and Klinger's at the Airport. At our peek, we had around 90 employees between all three stores. While most of my employees make more than minimum wage, many jobs in my business are not what many would call "skilled labor." Our lowest-payed employees are mostly high school aged employees, not people trying to support their family on this income. While I do think an increase in minimum wage might be fair to some, it would be a damaging expense to my business, one the business cannot just absorb. I took the time to look at my January 2021 payroll numbers to see how much higher that expense would have been if minimum wage were increased to $15 an hour. I did not even look at tipped employees, just employees that make only their hourly wage.

Here is what I learned:

This change would have cost just one of my restaurants over $5500 in additional pay. That does not even include the increases in taxes it would cost the business, just the increases in hourly pay. While my business is still under PA Covid Mitigations, we have only been reaching around 40% of our normal sales numbers from before the pandemic. Looking at the corresponding January sales, this increase equals 12% of my sales going just to cover that increase in labor. I would be forced to increase my prices to make up that difference as restaurants are not businesses with high profit margins. This also does not take into account any increases in any commodities or utilities due to other businesses also being forced to increase their costs. A typical cheeseburger would have to increase from $9.99 to $11.19 just to cover my added expenses in labor. If our other expenses also increase, you would see a 20-25% increase in the prices of my product, maybe more if the base wage for tipped-employees also increases. An increase that large could easily scare away many customers, making it even harder to run the business at a profit. All of my restaurants ran at a loss last year due to the pandemic, the additional expenses and the decreased sales. To add the additional expense of a $15 minimum wage at this time would be crippling to my businesses and many like mine. My dream of owning my own restaurant is quickly becoming a nightmare thanks to the ever-changing regulations being forced upon us by both state and federal government. Dining out will no longer be a regular occurrence, but instead will become a treat seldom enjoyed. Small businesses will keep closing and jobs will continue to be replaced by computers and automation."

Mark Klinger

UNION TAVERN

MARSHALL BAR STREET GRILL

4565 Culver Road
Rochester, NY 14622
14607

81 Marshall Street
Rochester, NY

2/23/2021

To Whom It Concerns,

My husband and I own Marshall Street Bar and Grill in downtown Rochester, NY and The Union Tavern in Irondequoit, NY. We are opposed to the elimination of the tip credit.

The tip credit already allows all employees to receive minimum wage. As the employer, we make up the difference if tips do not push them past the minimum wage. This pay structure is built into our budget. Eliminating it will double our payroll, if not more.

A few years ago, New York State held hearings across the state to give owners, employees and lobbyists the opportunity to share their stories in front of the Labor Board in regards to the elimination of the tips credit. I attended 3 of them. At all 3, the majority of the testifiers were workers. They opposed the elimination of this practice for many reasons, one being the fear that their tips will decrease. Most servers make well over minimum wage. Throughout the pandemic, tips have increased. The system works so why change it.

Another worry is that employers will reduce their workforce, in an effort to lower payroll costs. Less staff doing additional jobs/more work. Kiosks and tablet ordering will be introduced to take place of wait staff. Prices could raise, to offset costs, reducing the number of customers. These are the concerns of employees; they are not seeking the elimination of the tip credit. Their voice should be heard and taken into consideration.

If the tip credit gets eliminated, businesses will suffer. Employees will lose their jobs, servers will receive less money. Businesses that support restaurants will suffer, and they have been SUFFERING this last year. Many of us are just hanging on throughout this pandemic, this move will be another huge blow, perhaps the final blow.

Thank you,

Kelly and Don Bush
Owners, Marshall Street Bar & Grill and The Union Tavern

MISSOURI FARM BUREAU FEDERATION

P.O. Box 658, 701 South Country Club Drive, Jefferson City, MO 65102 / (573) 893-1400

February 18, 2021

The Honorable Blaine Luetkemeyer
2230 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Luetkemeyer:

Missouri Farm Bureau, the state's largest general farm organization, strongly opposes the *Raise the Wage Act of 2021* or other efforts to raise the federal minimum wage above the current level.

The *Raise the Wage Act* would progressively raise the current minimum wage to $15/hour over the next five years, after which annual increases could occur that would not require the continued approval of Congress. According to recent estimates by the Congressional Budget Office (CBO), this legislation would result in a reduction of 1.4 million workers off the payrolls and higher costs for small businesses. CBO's report states:

> "Higher wages would increase the cost to employers of producing goods and services. Employers would pass some of those increased costs on to consumers in the form of higher prices, and those higher prices, in turn, would lead consumers to purchase fewer goods and services. Employers would consequently produce fewer goods and services, and as a result, they would tend to reduce their employment of workers at all wage levels."

In addition to higher costs for employers, this legislation would further contribute to the labor shortage issues in many sectors of agriculture. While the legislation seeks to exempt some seasonal workers from the new requirements, in fact this measure compounds the problem by making agricultural jobs – some of which already pay a competitive rate higher than the minimum wage – less attractive to potential employees. In almost all cases, farmers operate on slim margins and adopting a one-size-fits-all approach to raising the minimum wage in an already struggling farm economy could jeopardize our farms and agribusinesses.

We oppose the movement of this legislation either through budget reconciliation or other legislative vehicles based on our member-adopted policy. We would appreciate your strong stance in opposition to this proposal that will have detrimental impacts on agriculture and our rural communities. We hope that Congress will focus on initiatives that encourage job creation and bolster our economy.

Thank you for all of the work you do to advocate on behalf of Missouri's farmers, small businesses, and rural communities. If you have any questions about this issue or our position, please contact Spencer Tuma, Director of National Legislative Programs, at spencer.tuma@mofb.org or (573) 893-1408.

Sincerely,

Garrett Hawkins

Garrett Hawkins
President

NATIONAL RESTAURANT ASSOCIATION

February 24, 2021

The Honorable Dean Phillips
Chairman
House Committee on Small Business
Subcommittee on Oversight, Investigations, and Regulations
Washington, D.C. 20515

The Honorable Beth Van Duyne
Ranking Member
House Committee Small Business
Subcommittee on Oversight, Investigations, and Regulations
Washington, D.C. 20515

Dear Chairman Phillips and Ranking Member Van Duyne:

On behalf of the National Restaurant Association, please accept this letter for the record regarding the hearing on February 25, 2021, titled "*Perspectives from Main Street: Raising the Wage.*" We welcome the opportunity to share our insights and concerns with you regarding efforts to fast-track overreaching policies contained in the "Raise the Wage Act" as detailed below.

At a time when over 110,000 restaurants have closed and 2.5 million servers and employees have lost their jobs, increasing labor costs will push more employees off payrolls, raise menu prices, and force additional restaurants to close. Moreover, eliminating the tip credit will hurt millions of servers who rely on the current system to leverage their earning capacity, where on average they earn $19-$25 an hour with tips.

The Association has just completed a nationwide survey of our membership – ranging from quick-service restaurants to full-service restaurants, both chains and independents. We asked what impact the initial 2021 increase in the federal minimum wage and tip credit would have on their ability to recover from the coronavirus pandemic. The results are alarming:

- **82% say it will have a negative impact on their ability to recover this year**
- **98% will have to raise menu prices**
- **84% will likely cut jobs and employee hours from normal levels**
- **75% will have to cut employee benefits**
- **65% will add labor-reducing equipment or technology**

A new Congressional Budget Office (CBO) report issued in January 2021 validates these findings. The nonpartisan CBO report notes that a $15 federal minimum wage hike could trigger as many as 2.7 million job losses, force 700,000 workers out of the labor force, and reduce employment opportunities for the young and less educated. It also points out that such a hike increases labor costs, raises costs for consumers, increases automation, raises health care costs, slows overall economic investment, and would increase the federal deficit by $54 billion.

Page Two
Chairman Dean Phillips
Ranking Member Beth Van Duyne

This aforementioned data shows that the restaurant industry and our workforce will suffer from a fast-tracked wage increase and elimination of the tip credit. Restaurant jobs will be vital to every local community recovering from the pandemic, but the "Raise the Wage Act" will negate these recovery efforts.

While the Association is willing to engage with Members of Congress on a discussion involving wage issues for working Americans, the politically driven "Raise the Wage Act" is the wrong bill at the wrong time for our nation's restaurants.

Thank you for your leadership, and we look forward to our continued work together.

Respectfully submitted,

Sean Kennedy

Sean Kennedy
Executive Vice President, Public Affairs

cc: Members of the U.S. House Subcommittee on Oversight, Investigations, and Regulations

NFIB RESEARCH CENTER

Economic Effects of Enacting the Raise the Wage Act on Small Businesses and the U.S. Economy

Michael J. Chow
Paul S. Bettencourt
NFIB Research Center
Washington, DC
January 25, 2019

Executive Summary

Lawmakers recently introduced the Raise the Wage Act which, if enacted, would increase the federal minimum wage in stages from $7.25 per hour to $15.00 per hour over a six-year period spanning 2019 to 2024. In subsequent years, the federal minimum wage would be subject to possible further increases depending upon the rate of wage inflation. The proposed legislation would also increase, and effectively eliminate, the federal tipped wage by raising it from its current level of $2.13 per hour to a level eventually equal to the minimum wage. This report analyzes the potential economic impact of enacting the Raise the Wage Act and imposing these mandated wage increases upon employers. Using the Business Size Insight Module (BSIM), a dynamic, multi-region model based on the widely-used Regional Economic Models, Inc. (REMI) structural economic forecasting and policy analysis model, we estimate that during the period spanning 2019 and 2029, the Raise the Wage Act would reduce private sector employment by over 1.6 million jobs and produce a cumulative U.S. real output loss of more than $2 trillion.

Introduction

Employers in all fifty states are required to offer workers a minimum wage in exchange for their labor. The Fair Labor Standards Act (FLSA) of 1938 which, as amended, establishes a basic minimum wage that must be paid to covered workers. States are permitted to establish their own minimum wages which have the potential to replace the federal rate as the effective minimum wage, provided that the state minimum wage established exceeds the federal rate. The federal minimum wage is currently $7.25 per hour for all covered employees (**Table 1**).

Table 1: Historical Effective Minimum Wage Rates for U.S. Non-farm Employment

Year	Minimum Wage	Year	Minimum Wage
1975	$2.10 (per hour)	Sept. 1997	$5.15
1976	$2.30	1998	$5.15
1977	$2.30	1999	$5.15
1978	$2.65	2000	$5.15
1979	$2.90	2001	$5.15
1980	$3.10	2002	$5.15
1981	$3.35	2003	$5.15
1982	$3.35	2004	$5.15
1983	$3.35	2005	$5.15
1984	$3.35	2006	$5.15
1985	$3.35	July 2007	$5.85
1986	$3.35	July 2008	$6.55
1987	$3.35	July 2009	$7.25
1988	$3.35	2010	$7.25
1989	$3.35	2011	$7.25
Apr. 1990	$3.80	2012	$7.25
Apr. 1991	$4.25	2013	$7.25
1992	$4.25	2014	$7.25
1993	$4.25	2015	$7.25
1994	$4.25	2016	$7.25
1995	$4.25	2017	$7.25
Oct. 1996	$4.75	2018	$7.25

Source: Department of Labor

Some lawmakers have sought to raise the federal minimum wage for several years now. President Obama favored raising the federal minimum wage to $9.50 per hour by 2011 during his 2008 campaign for the presidency. Years later during his 2012 State of the Union speech, he broached the idea of raising the minimum wage to a lower rate of $9.00 per hour sometime during his second term. In 2013, the president supported legislation introduced by Senator Harkin (D-Iowa) and Representative George Miller (D-Calif.) that would have raised the minimum wage to $10.10 per hour.[1] More recently, former presidential candidate Bernie Sanders advocated for a

[1] The Minimum Wage Fairness Act of the 113th Congress or S. 1737.

\$15.00 per hour minimum wage during his primary campaign for the Democratic nomination, a position which likely motivated the introduction of H.R. 1364 in the 115th Congress, which would have increased the federal minimum wage from its current level to \$15.00 per hour in stages over a four-year period, after which the minimum wage would have increased on an annual basis dependent upon annual percentage increases in the median hourly wage of all employees. Former Democratic presidential nominee Hillary Clinton supports an increase in the federal minimum wage to \$12.00 per hour.

The most recent effort by lawmakers to increase the federal minimum wage is the Raise the Wage Act of 2019 (the "Act"). Introduced in the House by Representative Bobby Scott (VA-03) on January 16th, the Act would increase the federal minimum wage to \$15.00 per hour over a six-year period beginning in 2019, when the federal minimum wage would increase by \$1.30 from \$7.25 per hour to \$8.55 per hour. The precise timing of the wage increase during the calendar year depends on the Act's date of enactment. The increase would occur on the first day of the third month that begins after the date of the Act's enactment, a date referred to as the "effective date." In subsequent years, the federal minimum wage would increase to \$9.85 per hour in 2020, \$11.15 per hour in 2021, \$12.45 per hour in 2022, \$13.75 per hour in 2023, and \$15.00 per hour in 2024. Beginning in 2025 (and continuing in years thereafter), the federal minimum wage would be indexed to the median hourly wage of all employees and therefore subject to possible increases contingent upon increases in the median hourly wage. Wage increases in any particular year would occur on the effective date of that year.

The Act also makes adjustments to the minimum cash wages paid by employers to tipped employees. Pursuant to the Act, the federal tipped wage would increase from \$2.13 per hour to \$3.60 per hour in 2019. For each succeeding year, the tipped wage would increase by the lesser of either \$1.50 per hour or the difference between the tipped wage and the federal minimum wage. Once the tipped wage reaches the level of the federal minimum wage in 2027, the tipped wage would be eliminated, and all employees would earn at least the federal minimum wage.

This report quantifies the economic impact of implementing the Raise the Wage Act of 2019 on U.S. small businesses and their employees using the Business Size Insight Module (BSIM). The BSIM is a dynamic, multi-region model based on the Regional Economic Models, Inc. (REMI) structural economic forecasting and policy analysis model which integrates input-output, computable general equilibrium, econometric, and economic geography methodologies. The underlying mechanics of the REMI model are based on decades of peer-reviewed literature.[2] The model is used by numerous clients in both the private and public sectors.[3] The BSIM is a customized version of the REMI model that has the unique ability to forecast the economic impact

[2] A list of the peer-reviewed literature is contained in "PI+ v2.2 Model Equations," downloadable at http://www.remi.com/wp-content/uploads/2018/06/Model-Equations-v2_2.pdf. The list of references includes articles published in the American Economic Review and The Review of Economics and Statistics.

[3] The REMI model is used by a diverse group of clients spanning academia, private consulting firms, local and regional governments, and nonprofits, to name a few categories. A list of clients that use the REMI model is available at http://www.remi.com/clients. The list has included consultancies like Boston Consulting Group and Ernst and Young, educational institutions like the Massachusetts Institute of Technology, nonprofit institutions like AARP and the Urban Institute, and federal, regional, and local government agencies.

of public policy and proposed legislation on different categories of U.S. businesses differentiated by employee-size-of-firm. Among the variables forecast by the BSIM are private sector employment, measures of production, and personal income. By comparing simulation results for proposed scenarios with the model's baseline forecast, the BSIM is able to obtain estimates of how these policy changes would impact employer firms of varying sizes and their employees.

Assumed Structure of the Federal Minimum Wage Increase to $15.00 per Hour and Description of New Employer Costs

According to the Bureau of Labor Statistics, 542,000 workers earned exactly the federal minimum wage of $7.25 per hour in 2017, while about 1.3 million workers had wages below the federal minimum. Together, these 1.8 million workers with wages at or below the federal minimum make up 2.3 percent of the 80.4 million U.S. workers paid hourly rates.[4] Raising the minimum wage to $15.00 per hour from its current level would increase the cost of labor of this large pool of workers by approximately 107 percent.

To analyze the economic impact an increase in the federal minimum wage to $15.00 per hour would have on the U.S. economy, we used the proposed wage schedules provided in the Raise the Wage Act of 2019. The Act would increase the federal minimum wage to $15.00 per hour over a six-year period beginning in 2019, when the federal minimum wage would increase by $1.30 from $7.25 per hour to $8.55 per hour. In subsequent years, the federal minimum wage would increase to $9.85 per hour in 2020, $11.15 per hour in 2021, $12.45 per hour in 2022, $13.75 per hour in 2023, and $15.00 per hour in 2024, after which the minimum wage would be indexed to wage inflation as measured by changes in the hourly median wage of all employees. All wage increases would occur on a particular day of the calendar year referred to as the "effective date" which we assume to be July 1st. Also, the federal tipped wage would increase under the Act, rising from $2.13 per hour to $3.60 per hour in 2019 and, for each succeeding year, increasing by the lesser of either $1.50 per hour or the difference between the tipped wage and the federal minimum wage. Once the tipped wage reaches the level of the federal minimum wage at some future date,[5] the tipped wage would be eliminated, and all employees would earn at least the federal minimum wage.

Eventually, the federal minimum wage would surpass or equal all existing state minimum wages by the end of our forecast window, resulting in increased wage costs for employers in virtually all states. However, in the short-to-medium term, the state minimum wage for a number of states would continue to exceed the federal minimum wage even assuming the wage schedule described above. In years where the state minimum wage exceeds the federal minimum wage, for

[4] "Characteristics of minimum wage workers, 2017," Report 1072, U.S. Bureau of Labor Statistics, March 2018.
[5] The precise year in which the tipped minimum wage reaches a level equal to the minimum wage depends on adjustments to the minimum wage in years 2025 and beyond to account for wage inflation. If no such adjustments are made, the tipped wage will equal the minimum wage in 2027. However, if such adjustments are made to the minimum wage, the tipped wage will not equal the minimum wage until a later year. In our analysis, we assume that the minimum wage increases by 2.4 percent in years 2025 and beyond, a circumstance that leads to the tipped wage not equaling the minimum wage until 2029.

those states to which this applies, new employer costs are assumed to be zero, as there is no change from the baseline scenario (*i.e.*, the preexisting state minimum wage continues to establish the wage floor). For illustrative purposes, the assumed federal minimum wage schedule and effective minimum wage schedules for two states, one of which experiences new employer costs for the entirety of the ten-year forecast window and the other which experiences new employer costs for just part of the forecast window, are provided in **Table 2**.

Table 2: New Hourly Costs Associated with Minimum Wage Workers Under the Raise the Wage Act, Alabama and Washington

		Alabama			Washington		
	Assumed Federal Minimum Wage Schedule[6]	Status Quo Effective Minimum Wage Schedule	Assumed Effective Minimum Wage Schedule	New Hourly Employer Cost per Minimum Wage Worker	Status Quo Effective Minimum Wage Schedule	Assumed Effective Minimum Wage Schedule	New Hourly Employer Cost per Minimum Wage Worker
2019	$7.90	$7.25	$7.90	$0.65	$12.00	$12.00	$0.00
2020	$9.20	$7.25	$9.20	$1.95	$13.50	$13.50	$0.00
2021	$10.50	$7.25	$10.50	$3.25	$13.72	$13.72	$0.00
2022	$11.80	$7.25	$11.80	$4.55	$13.95	$13.95	$0.00
2023	$13.10	$7.25	$13.10	$5.85	$14.18	$14.18	$0.00
2024	$14.38	$7.25	$14.38	$7.13	$14.42	$14.71	$0.29
2025	$15.18	$7.25	$15.18	$7.93	$14.66	$15.18	$0.52
2026	$15.54	$7.25	$15.54	$8.29	$14.90	$15.54	$0.64
2027	$15.92	$7.25	$15.92	$8.67	$15.15	$15.92	$0.77
2028	$16.30	$7.25	$16.30	$9.05	$15.40	$16.30	$0.90

Concerning what happens to the federal minimum wage in 2025 and beyond, as mentioned earlier, under the Act the minimum wage would increase annually based on increases in the median hourly wage paid to all employees. Creating a wage schedule for years beyond 2024 requires an assumption regarding the annual increase in median hourly wages as measured by BLS. For this analysis, the assumed annual rate of increase was set equal to the annualized rate of increase in the hourly median wage for years 2001 to 2017, a time period that includes at least one full business cycle and over which the hourly median wage increased year-over-year every single year. The annualized rate of increase over this time period is 2.4 percent (**Figure 1**).[7]

[6] Since the effective date is assumed to be July 1st, the effective minimum wage in each year during the staggered increase to $15.00 per hour is an average of two values. For example, in 2019 the effective minimum wage is the average of $7.25 per hour (which is in effect from January 1st through June 30th) and $8.55 per hour (which is in effect from July 1st through December 31st). The minimum wage is assumed to increase annually in years 2025 and beyond by 2.4 percent, the annualized increase in the hourly median wage for all employees since 2001.

[7] According to the U.S. Department of Labor (DOL), tipped employees are employees who "customarily and regularly receive more than $30 per month in tips." Employers may use tips received by such employees as a credit towards their minimum wage obligations to the employees, provided that a minimum cash wage, currently set to $2.13 per hour at the federal level, is also paid to the employees. States have the option of establishing their own

Figure 1

Modeling the wage increases for "tipped" employees mandated by the Act involves the same approach used for modeling wage increases for minimum wage employees: calculating the difference between the status quo wage schedules and the Act's proposed wage schedule for these employees. The Act mandates a wage schedule for tipped employees that would eventually result in tipped employees earning the full minimum wage. In the year the Act is enacted, employers would be required to pay tipped employees $3.60 per hour. In subsequent years, the per-hour wage of tipped employees would increase by the lesser of $1.50 or the amount necessary for the wages of tipped employees to equal the full minimum wage. Again, for modeling purposes we are interested in the wage differential between what tipped workers would earn under the Act's wage schedule and the status quo wage schedule. For illustrative purposes, the calculated wage differentials for tipped workers in New Jersey are provided in **Table 3**.

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cash wage. According to the Bureau of Labor Statistics, there are approximately 1.3 million U.S. workers who earn below the minimum wage. Calculations of the historical annual increase in the median hourly wage for all workers utilized data from the Occupational Employment Statistics data series from the Bureau of Labor Statistics, available at http://www.bls.gov/oes/current/oes_nat.htm.

Table 3: New Hourly Costs Associated with Tipped Employees in New Jersey with a $15.00 per Hour Minimum Wage

	Status Quo Tipped Wage Schedule	Assumed Tipped Wage Schedule	New Hourly Cost per Tipped Employee
2019	$2.13	$2.87	$0.74
2020	$2.13	$4.35	$2.22
2021	$2.13	$5.85	$3.72
2022	$2.13	$7.35	$5.22
2023	$2.13	$8.85	$6.72
2024	$2.13	$10.35	$8.22
2025	$2.13	$11.85	$9.72
2026	$2.13	$13.35	$11.22
2027	$2.13	$14.85	$12.72
2028	$2.13	$16.05	$13.92
2029	$2.13	$16.69	$14.56

Source: Department of Labor and Authors' Calculations

Beyond the proposed mandated wage schedules, certain other factors ought to be taken into account in an analysis of a minimum wage increase. One such factor is business size exemptions. Some states exempt businesses of a certain size from minimum wage requirements. The state of Illinois, for example, exempts employer firms with three or fewer employees from minimum wage laws. Very few states have such exemptions, however, and for simplicity, we discard any such business size exemptions with the assumption that a major overhaul of the federal minimum wage would seek to raise wages for all minimum wage workers, regardless of the size of their employers.

Another factor involves "emulation effects" (also referred to as "ripple" or "spillover" effects) associated with individuals earning near (just above) the current minimum wage. Some of these individuals will earn between $7.25 per hour and the higher wages mandated in subsequent years (beginning with $9.00 per hour in 2017). In the absence of employer action, these workers would see their wages raised automatically to the new levels. However, wages for these workers may increase to even higher levels if employers attempt to maintain the pre-implementation wage distribution. Failure to increase the wages of near-minimum-wage earners sufficiently and allowing wage compression to occur may result in workers expressing their dissatisfaction by reducing work effort or leaving. Research suggests that "relative wages are important to workers," and "firms may find it in their profit-maximizing interest to increase [near-minimum-wage] workers' wages when minimum wages increase, in an attempt to restore work effort."[8] Based upon state-level data from the Bureau of Labor Statistics, it was assumed that 15 percent[9] of U.S.

[8] Grossman, Jean Baldwin, "The Impact of the Minimum Wage on Other Wages," The Journal of Human Resources, Vol. 18, No. 3 (Summer 1983). See also: Dube, Arindrajit et al., "Fairness and Frictions: The Impact of Unequal Raises on Quit Behavior," IZA Discussion Paper No. 9149, June 2015; Autor, David H. et al., "The Contribution of the Minimum Wage to US Wage Inequality over Three Decades: A Reassessment," American Economic Journal: Applied Economics, 8(1): 58-99, 2016.

[9] According to the Bureau of Labor Statistics, U.S. wage earners at the 10th percentile earn $9.60 per hour, while those at the 25th percentile earned $11.91 per hour. Emulation effects can be assumed to occur among workers who earn near (within a few dollars of) the minimum wage. Workers at the 15th percentile will earn above the proposed

private sector employees less those individuals earning at or below the minimum wage would also see per capita raises equal to the dollar amount in wage increases experienced by workers earning *at* the minimum wage in years 2017 and beyond.[10]

Also, besides the direct cost of higher wages in an increased minimum wage scenario, there are significant additional employer costs in the form of additional payroll taxes that must be paid on wage differentials. In general, an employer's share of payroll taxes equals 7.65 percent of employee wages and salary. Of this 7.65 percent, 6.2 percentage points are intended to help fund old age, survivors, and disability insurance, and 1.45 percentage points go toward helping to pay for Medicare hospital insurance. Employers can expect to pay more in payroll taxes as a consequence of a minimum wage increase.

No Changes to Government Demand

Given that a mandated minimum wage has been in effect for decades, it is assumed that government mechanisms to monitor compliance with the statute are established and well-developed. An increase in the minimum wage therefore should not require the development of new government mechanisms or materially increase government administrative costs. Hence, the analysis assumes no projected increases in government demand resulting from the implementation of the proposed minimum wage increase.

Additional Private Spending in the Economy

Consumers in an economy have two choices of what to do with their after-tax income. They can either choose to spend it, thereby increasing consumption within the economy, or they can elect to save it, and in doing so potentially increase investment in the economy. Government stimulus programs frequently focus on transferring wealth to lower-earning individuals because of the strong likelihood that these individuals will elect to spend the additional wealth, producing a consumption-fueled boost to the economy.[11] Consistent with expectations pertaining to increases

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wage level of $8.55 in 2019 and will also earn below the proposed "final" wage level of $15.00 per hour. These workers would eventually and automatically see their wages increase to the new minimum wage of $15.00 by 2024 if the wage schedule outlined in the Raise the Wage Act was implemented, all else unchanged, but a reasonable scenario is that these workers will press for the restoration of the original wage structure (such that these workers would earn more than the minimum wage). It is assumed that emulation effects do not occur for workers earning above the 15th percentile.

To give an example, in the state of Alabama, it was assumed that all workers earning at or below the 15th percentile would see their earning increase by $1.50 per hour on July 1st, 2019 if the act the new wage schedule is implemented, by an additional $1.50 per hour on July 1st, 2018, and so on and so forth (the difference between the anticipated minimum wage if the hypothetical wage schedule was implemented and the anticipated minimum wage under current law). In this analysis, emulation effects were calculated on a state by state basis for all fifty states.

[10] The assumption that wage changes due to emulation effects occur simultaneously with the minimum wage increase is supported by research suggesting that "any substantial emulation effects are not long delayed, which seems plausible because increases in the minimum are [typically] well-advertised in advance." See Gramlich, Edward M., "Impact of Minimum Wages on Other Wages, Employment, and Family Incomes," *Brookings Papers on Economic Activity*, The Brookings Institution, 1974.

[11] According to the Congressional Budget Office, "increases in disposable income are likely to boost purchases more for lower-income than for higher-income households. That difference arises, at least in part, because a larger share

in income for low-income workers, this analysis assumes that new additional income received by minimum wage earners is spent (and not saved), leading to an increase in consumption.

In the analysis, the conversion of higher labor costs for employers into increased consumption by workers receiving wage increases occurs automatically due to the way in which wage costs are inputted into the BSIM. Since employer costs described in this analysis derive from an increase in the minimum wage, the costs were inputted into the BSIM under the "Wage Labor Cost" variable. The costs were distributed across different industry categories and different employee-size-of-business categories according to existing industry and business size distributions published in the Census Bureau's Statistics on U.S. Businesses dataset. This distribution allows the BSIM to generate results for separate employee-size-of-firm categories.

Increases in the "Wage Labor Cost" variable in the BSIM translate directly to increases in the "Compensation Rate" policy variable which is used in intermediate calculations during the simulation process. During simulations, such compensation rate increases are directly "fed back" into the economy in the form of higher consumer spending on the part of workers who now have extra money to spend. Concerns that minimum wage increases may provide a countervailing spending "stimulus" effect to the economy are therefore satisfied automatically in this analysis.[12]

of people in lower-income households cannot borrow as much money as they would wish in order to spend more than they do currently." See: "The Economic Outlook and Fiscal Policy Choices: Statement of Douglas W. Elmendorf, before the Committee on the Budget, United States Senate," Congressional Budget Office, September 28, 2010, p. 36.

[12] The fact that the BSIM automatically accounts for an increase in consumer spending as a consequence of an increase in the "Wage Labor Cost" variable is an important point that should not be missed. That increased consumption is automatically accounted for by the model in an analysis of a minimum wage increase means that exogenous increases in private sector demand are unnecessary for a model to be complete. Including such exogenous increases makes the resulting forecasts conservative.

Simulation Results

BSIM simulation results for the modeled scenario in which the Raise the Wage Act becomes law with an effective date of July 1st are provided below. All employment figures are expressed as number of employees, while production figures are expressed as billions of 2015 dollars. Under the modeled assumptions:

- There would be more than 1.6 million fewer jobs in the United States in 2029 compared to a baseline forecast in which the Act does not become law. Business owners are forecast to reduce the number of employees hired to adjust to higher labor costs, which outweigh any demand-side effects due to additional private consumption.

- Small businesses would be particularly hurt by the Act. Businesses with fewer than 500 employees are forecast to experience 57 percent of private sector job losses (over 900,000 lost jobs), and businesses with fewer than 100 employees are forecast to lose nearly 700,000 jobs, about 43 percent of all jobs lost (**Table 3**).

- Industries such as retail trade, administrative and support services, and food services and drinking places (a sub-industry of the NAICS "leisure and hospitality" industry category) are forecast to experience large numbers of job losses. While proponents of a higher minimum wage tout benefits for industries with large numbers of low-wage employees, this simulation forecasts a large reduction in employment that offsets increased wages for workers who are able to keep or find jobs in these three industries.

- The retail trade industry is forecast to have more than 162,000 fewer jobs by 2029, administrative and support services to have more than 85,000 fewer jobs, and food services and drinking places to have more than 165,000 fewer jobs. The forecast reduction in employment of the three industries combined is more than 392,000 lost jobs, approximately 24 percent of total forecast jobs lost.

- In addition to forecast reductions in employment, real GDP and real output are also forecast to decrease by approximately $142 billion and $300 billion, respectively, by 2029 compared to a baseline in which the Act is not enacted (**Table 4**). Over the ten-year forecast window, the cumulative real GDP loss is forecast to exceed $980 billion and the cumulative real output loss is forecast to exceed $2.0 trillion (**Table 5**).[13]

- The difficulties in the business sector due to higher labor costs and the associated reduction in private sector employment are reflected in the labor force. The BSIM forecasts that the Raise the Wage Act would reduce the number of able-bodied individuals participating in the labor force by more than 615,000 individuals in 2029.

- The impact the job losses caused by the Raise the Wage Act have on aggregate personal income in the U.S. is considerable. Disposable personal income in 2029 is forecast to be more than $103 billion lower than the baseline forecast.

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[13] Gross domestic product refers to the market value of final goods and services produced in an economy during a given period. It differs from output which includes not just the value of final goods and services, but also the value of intermediate goods and raw materials that are produced or sourced earlier in the production process. Output serves as a proxy for sales.

Table 3: Private Sector Employment Difference from Baseline (Number of Employees) if the Raise the Wage Act Is Enacted

Firm Size	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Percent of Total (2029)
1-4 Employees	-6,603	-21,135	-38,267	-56,339	-73,626	-90,383	-101,037	-106,325	-111,203	-115,573	-120,207	7.3%
5-9 Employees	-6,976	-22,223	-40,094	-58,936	-76,993	-94,533	-105,658	-111,082	-116,059	-120,466	-125,109	7.6%
10-19 Employees	-7,886	-25,096	-45,239	-66,485	-86,858	-106,665	-119,227	-125,312	-130,841	-135,710	-140,817	8.6%
20-99 Employees	-17,536	-55,684	-100,302	-147,467	-192,759	-236,855	-264,883	-278,477	-290,671	-301,331	-312,389	19.1%
100-499 Employees	-12,625	-39,968	-72,027	-106,181	-139,188	-171,563	-192,493	-203,020	-212,388	-220,509	-228,674	14.0%
500 + Employees	-38,465	-121,338	-218,626	-323,159	-424,728	-525,202	-591,320	-625,896	-656,817	-683,355	-709,076	43.3%
< 20 Employees	-21,466	-68,454	-123,600	-181,760	-237,477	-291,581	-325,922	-342,719	-358,103	-371,749	-386,134	23.6%
< 100 Employees	-39,002	-124,138	-223,902	-329,227	-430,236	-528,437	-590,805	-621,196	-648,774	-673,080	-698,522	42.7%
< 500 Employees	-51,627	-164,106	-295,929	-435,408	-569,424	-700,000	-783,298	-824,216	-861,162	-893,589	-927,196	56.7%
All Firms	**-90,092**	**-285,443**	**-514,555**	**-758,567**	**-994,152**	**-1,225,202**	**-1,374,618**	**-1,450,112**	**-1,517,979**	**-1,576,944**	**-1,636,272**	**100.0%**

Table 4: Real Output Difference from Baseline (Billions of 2015 $s) if the Raise the Wage Act Is Enacted

Firm Size	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Percent of Total (2029)
1-4 Employees	-1.0B	-3.1B	-5.5B	-8.1B	-10.6B	-12.9B	-14.2B	-14.7B	-15.0B	-15.3B	-15.5B	5.2%
5-9 Employees	-0.9B	-3.0B	-5.3B	-7.9B	-10.3B	-12.7B	-14.1B	-14.7B	-15.1B	-15.5B	-15.8B	5.3%
10-19 Employees	-1.1B	-3.5B	-6.3B	-9.3B	-12.2B	-15.1B	-16.9B	-17.7B	-18.3B	-18.8B	-19.3B	6.4%
20-99 Employees	-2.6B	-8.5B	-15.5B	-23.2B	-30.7B	-38.1B	-43.0B	-45.5B	-47.5B	-49.2B	-50.6B	16.9%
100-499 Employees	-2.2B	-7.2B	-13.2B	-19.9B	-26.7B	-33.4B	-38.1B	-40.7B	-43.0B	-44.8B	-46.4B	15.5%
500 + Employees	-7.1B	-22.8B	-41.9B	-63.3B	-85.0B	-106.9B	-122.6B	-131.8B	-139.8B	-146.7B	-152.4B	50.8%
< 20 Employees	-3.0B	-9.5B	-17.2B	-25.3B	-33.2B	-40.7B	-45.2B	-47.0B	-48.5B	-49.6B	-50.6B	16.9%
< 100 Employees	-5.6B	-18.0B	-32.6B	-48.5B	-63.8B	-78.8B	-88.2B	-92.5B	-96.0B	-98.8B	-101.1B	33.7%
< 500 Employees	-7.8B	-25.2B	-45.9B	-68.4B	-90.5B	-112.2B	-126.4B	-133.2B	-138.9B	-143.6B	-147.5B	49.2%
All Firms	**-14.9B**	**-47.9B**	**-87.8B**	**-131.8B**	**-175.5B**	**-219.1B**	**-249.0B**	**-265.0B**	**-278.8B**	**-290.3B**	**-299.9B**	100.0%

Table 5: Cumulative Real Output Loss (Billions of 2015 $s) if the Raise the Wage Act Is Enacted

Firm Size	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Percent of Total (2029)
1-4 Employees	-1.0B	-4.0B	-9.6B	-17.7B	-28.3	-41.1B	-55.4B	-70.0B	-85.0B	-100.2B	-115.7B	5.6%
5-9 Employees	-0.9B	-3.9B	-9.2B	-17.1B	-27.5B	-40.2B	-54.3B	-69.0B	-84.1B	-99.6B	-115.4B	5.6%
10-19 Employees	-1.1B	-4.5B	-10.8B	-20.1B	-32.4B	-47.5B	-64.4B	-82.0B	-100.4B	-119.2B	-138.5B	6.7%
20-99 Employees	-2.6B	-11.1B	-26.6B	-49.8B	-80.4B	-118.6B	-161.6B	-207.1B	-254.6B	-303.8B	-354.3B	17.2%
100-499 Employees	-2.2B	-9.4B	-22.6B	-42.6B	-69.2B	-102.6B	-140.8B	-181.5B	-224.5B	-269.3B	-315.7B	15.3%
500 + Employees	-7.1B	-29.9B	-71.8B	-135.1B	-220.1B	-327.1B	-449.7B	-581.4B	-721.3B	-867.9B	-1020.3B	49.5%
< 20 Employees	-3.0B	-12.5B	-29.6B	-55.0B	-88.1B	-128.8B	-174.0B	-221.0B	-269.4B	-319.0B	-369.6B	17.9%
< 100 Employees	-5.6B	-23.6B	-56.2B	-104.7B	-168.6B	-247.3B	-335.6B	-428.1B	-524.0B	-622.8B	-723.9B	35.1%
< 500 Employees	-7.8B	-33.0B	-78.9B	-147.3B	-237.8B	-350.0B	-476.4B	-609.6B	-748.5B	-892.1B	-1039.6B	50.5%
All Firms	**-14.9B**	**-62.9B**	**-150.7B**	**-282.4B**	**-457.9B**	**-677.1B**	**-926.0B**	**-1191.0B**	**-1469.8B**	**-1760.0B**	**-2059.9B**	**100.0%**

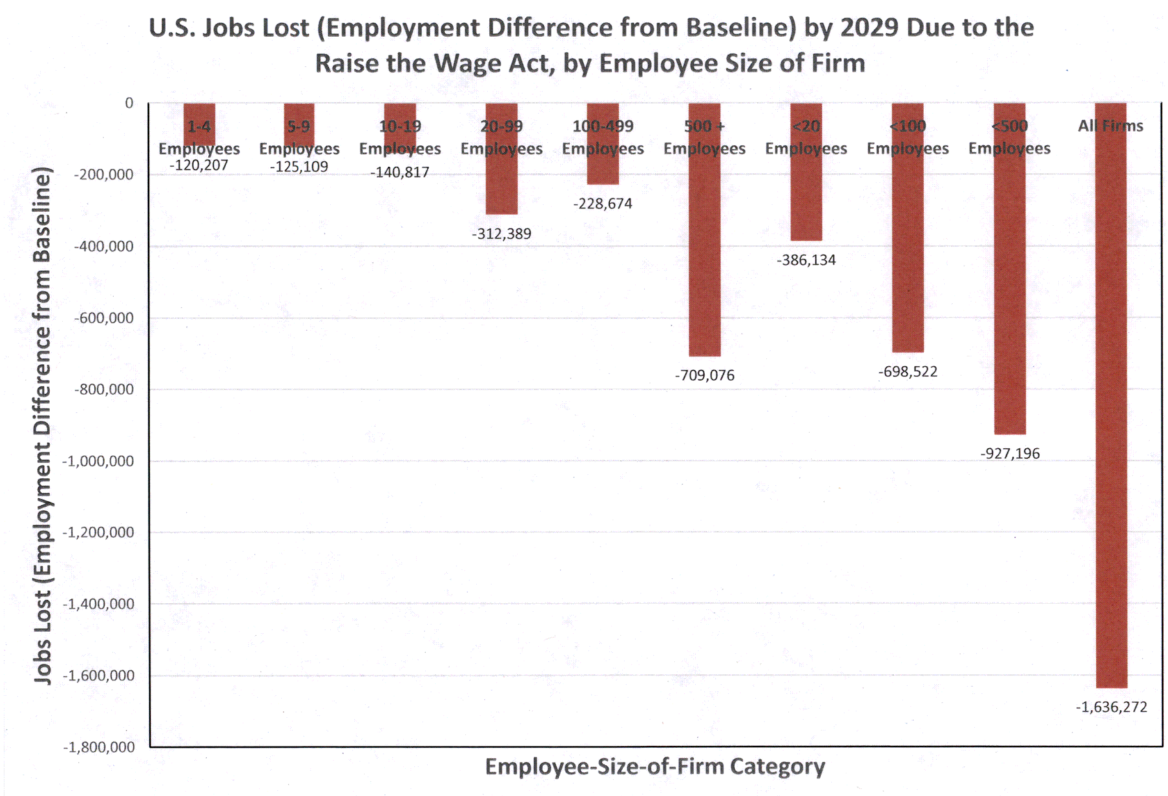

U.S. Jobs Lost (Employment Difference from Baseline) by 2029 Due to the Raise the Wage Act, by Employee Size of Firm
Jobs Lost (Employment Difference from Baseline)
0
-200,000
-400,000
-600,000
-800,000
-1,000,000
-1,200,000
-1,400,000
-1,600,000
-1,800,000
1-4 Employees
-120,207
5-9 Employees
-125,109
10-19 Employees
-140,817
20-99 Employees
-312,389
100-499 Employees
-228,674
500 + Employees
-709,076
<20 Employees
-386,134
<100 Employees
-698,522
<500 Employees
-927,196
All Firms
-1,636,272
Employee-Size-of-Firm Category

Figure 2

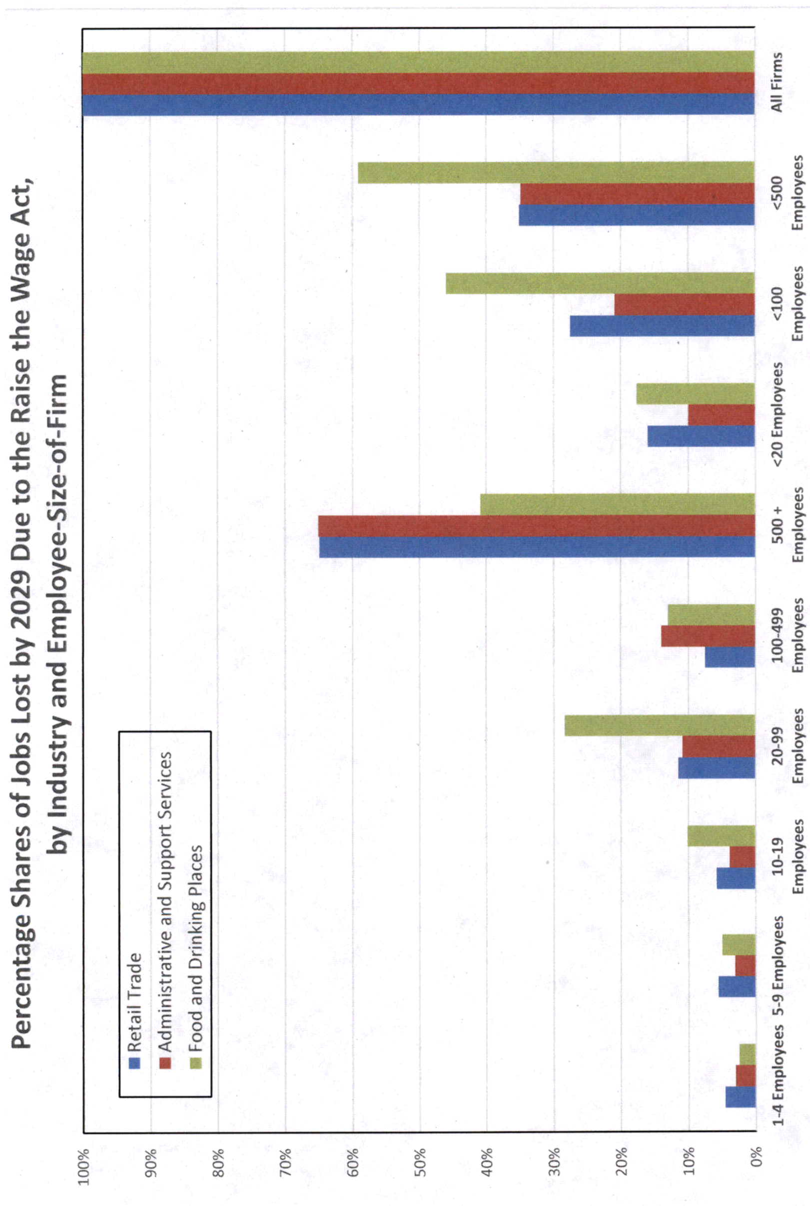
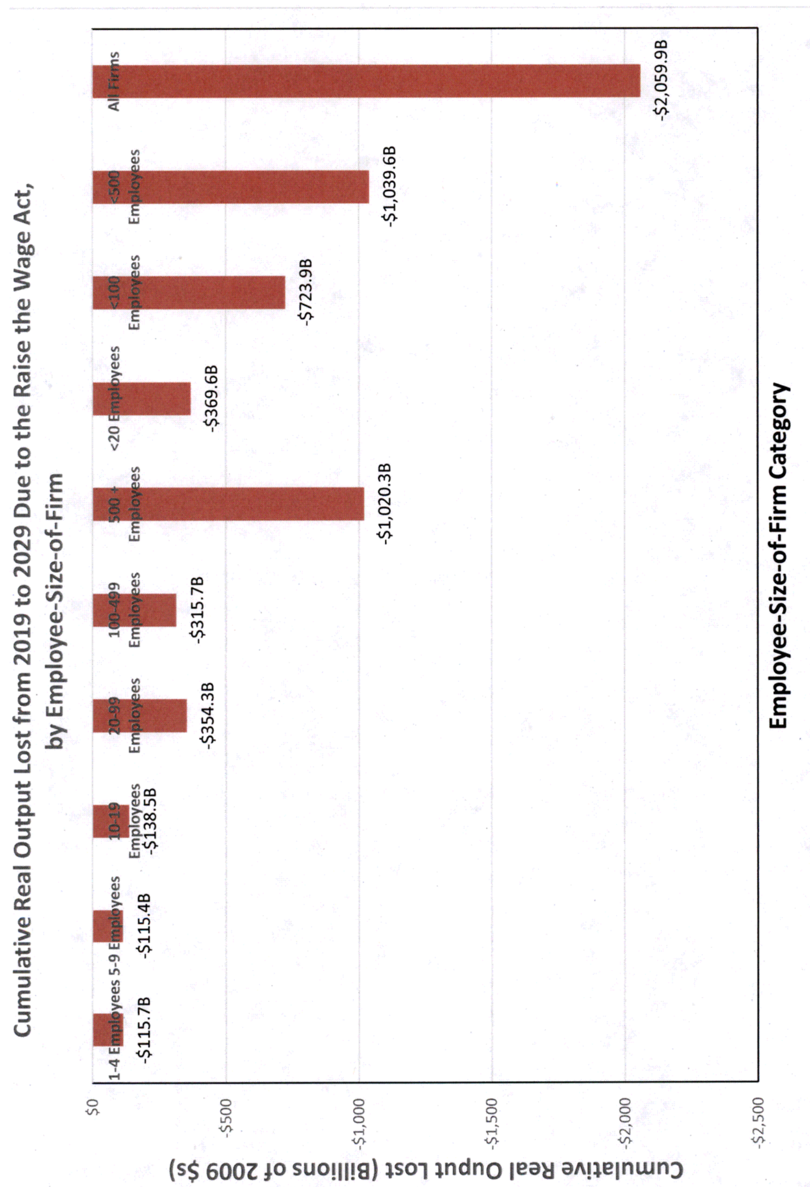
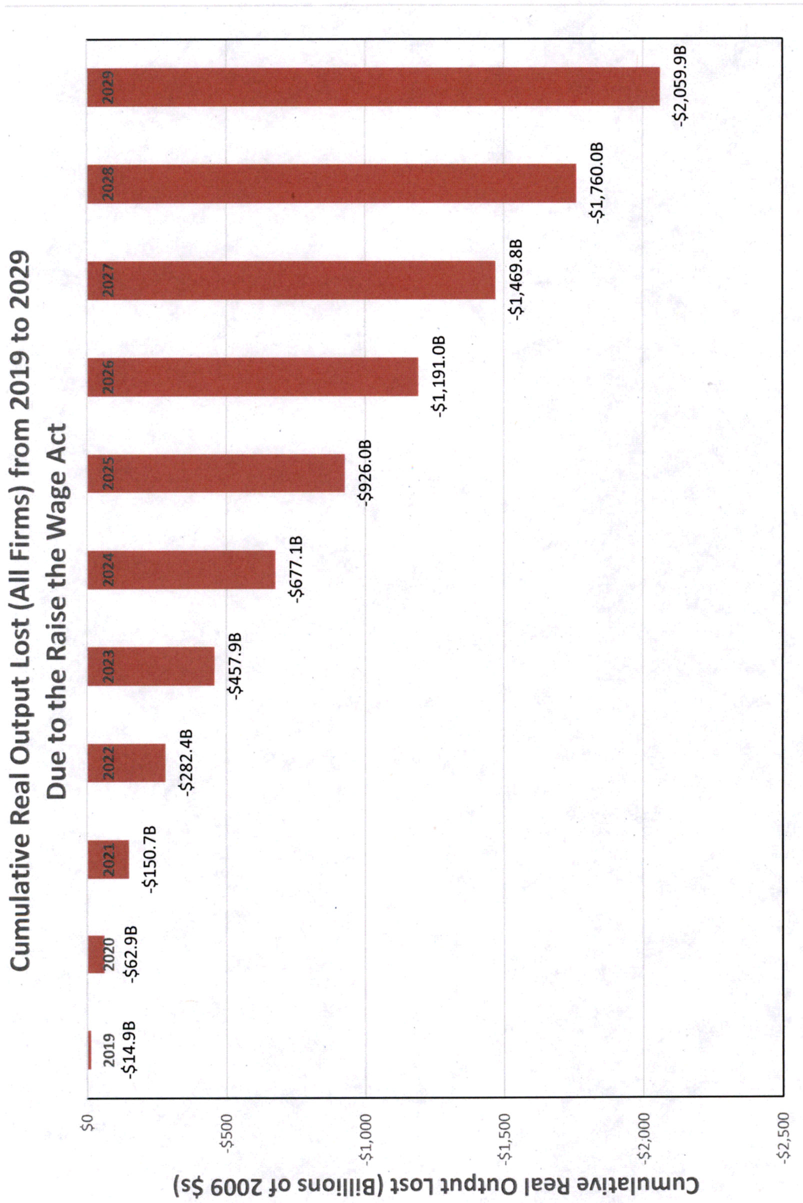

Percentage Shares of Jobs Lost by 2029 Due to the Raise the Wage Act,
by Industry and Employee-Size-of-Firm
Retail Trade
Administrative and Support Services
Food and Drinking Places
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1-4 Employees
5-9 Employees
10-19 Employees
20-99 Employees
100-499 Employees
500 + Employees
<20 Employees
<100 Employees
<500 Employees
All Firms

Figure 3



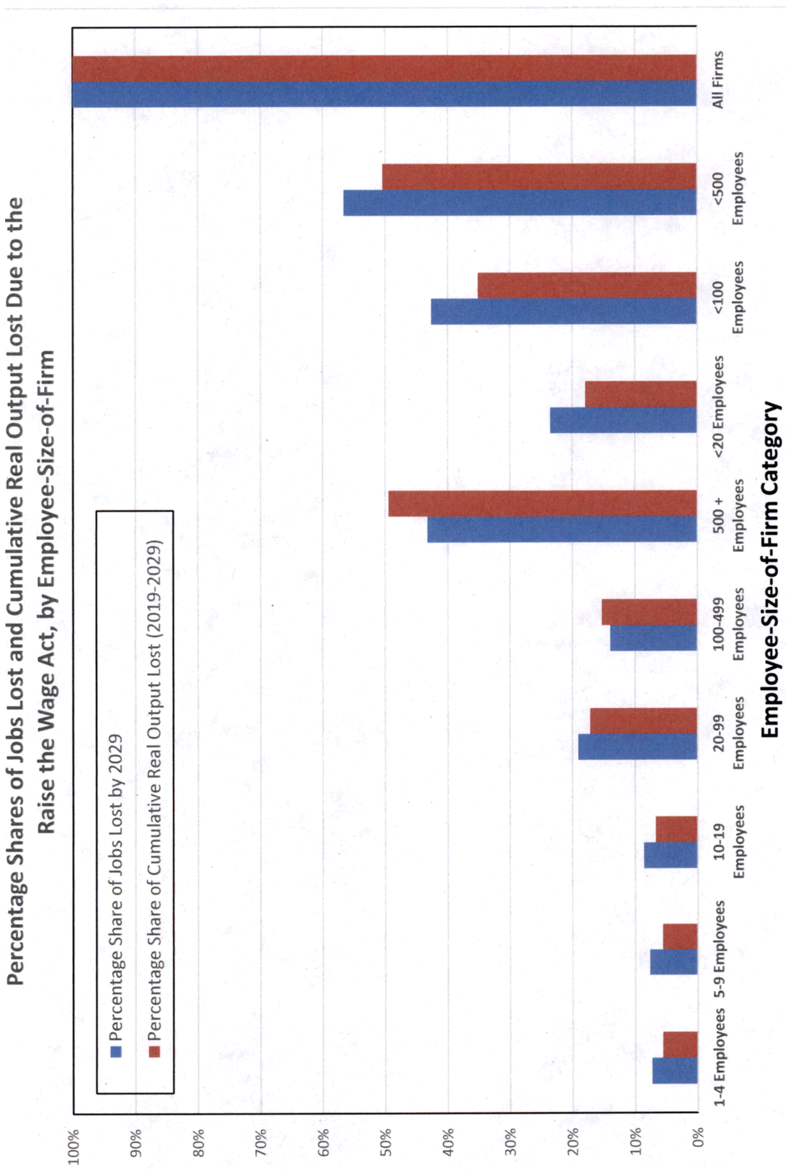
Cumulative Real Output Lost from 2019 to 2029 Due to the Raise the Wage Act, by Employee-Size-of-Firm
Cumulative Real Ouput Lost (Billions of 2009 $s)
$0
-$500
-$1,000
-$1,500
-$2,000
-$2,500
1-4 Employees
-$115.7B
5-9 Employees
-$115.4B
10-19 Employees
-$138.5B
20-99 Employees
-$354.3B
100-499 Employees
-$315.7B
500 + Employees
-$1,020.3B
<20 Employees
-$369.6B
<100 Employees
-$723.9B
<500 Employees
-$1,039.6B
All Firms
-$2,059.9B
Employee-Size-of-Firm Category

Figure 4



Cumulative Real Output Lost (All Firms) from 2019 to 2029
Due to the Raise the Wage Act
Cumulative Real Output Lost (Billions of 2009 $s)
$0
-$500
-$1,000
-$1,500
-$2,000
-$2,500
2019
-$14.9B
2020
-$62.9B
2021
-$150.7B
2022
-$282.4B
2023
-$457.9B
2024
-$677.1B
2025
-$926.0B
2026
-$1,191.0B
2027
-$1,469.8B
2028
-$1,760.0B
2029
-$2,059.9B

Figure 5



Percentage Shares of Jobs Lost and Cumulative Real Output Lost Due to the Raise the Wage Act, by Employee-Size-of-Firm
Percentage Share of Jobs Lost by 2029
Percentage Share of Cumulative Real Output Lost (2019-2029)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1-4 Employees
5-9 Employees
10-19 Employees
20-99 Employees
100-499 Employees
500 + Employees
<20 Employees
<100 Employees
<500 Employees
All Firms
Employee-Size-of-Firm Category

Figure 6

Concluding Remarks

This BSIM simulation forecasts that a federal minimum wage bill that would increase the minimum wage to $15.00 per hour according to a wage scheduled modeled after the one outlined in the Raise the Wage Act would reduce U.S. private sector employment by over 1.6 million jobs over a period spanning 2019 to 2029 and result in a cumulative reduction in U.S. real output of over $2 trillion over the same time period (even after accounting for any demand-side stimulus caused by workers receiving increased wages). The negative impact of the proposed legislation would fall disproportionately on small employers, which are less likely to have the cash reserves or profit margins to absorb the increase in labor costs than larger businesses. While low-wage workers able to find or retain a job would benefit from the proposed legislation, such gains come at the expense of a very large number of low-wage workers who would lose their jobs due to businesses unable to absorb the costs of a higher minimum wage, resulting in net negative employment and output effects.

At a more disaggregated level, pronounced differences between states in income level and cost of living should persuade policymakers to exercise caution before applying a uniform policy approach to address disparate regional and local situations. A one-size-fits-all federal minimum wage policy is a blunt instrument that is ill-suited to address slow wage growth among low-income workers across states with a large variance in average incomes and the cost of living. According to the Bureau of Economic Analysis, the cost of living in Hawaii (the state with the highest cost of living) is approximately 35 percent higher than Mississippi (the state with the lowest cost of living). A uniform federal minimum wage would treat both Hawaii and Mississippi the same despite the vast difference in average income and cost of living between those two states. In states with a high cost of living, the market wage for low-wage workers is higher than in states with a low cost of living. In principle, an increased federal minimum wage has the potential to have relatively larger negative impacts on state economies with lower costs of living than state economies with higher costs of living.

Since the last federal minimum wage increase, some states—particularly those with high costs of living and high average incomes—have chosen to enact state-level minimum wage increases. Among those states, two have created tiered systems that differentiate urban and rural communities. New York has created three different minimum wage increase schedules based on cost of living. New York City's is the most aggressive, reaching $15 per hour in 2019. Long Island and several suburban counties have a minimum wage scheduled to increase until reaching $15 per hour in 2022, and upstate New York's is scheduled to increase at an even slower pace. Similarly, Oregon has enacted a three-tiered minimum wage increase based on the population density of each county. Under this system, the increased cost burden on businesses in lower cost of living areas in both states is reduced. The reasoning of policymakers in these states to apply policies appropriate to localities with diverse costs of living is analogous to the argument that federal minimum wage policy should reflect differences in state costs of living.

Appendix A: Actual and Proposed State Minimum Wage Increase Schedules

Note: Minimum wage rates are weighted to account for mid-year increases during the calendar year. For example, a minimum wage of $8.55 that increases to $9.85 in July is shown as $9.20 in the tables below.

Alabama						
	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Alaska[14]	COLA:	2.1%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.89	$9.89	$0.00	$9.89	$9.89	$0.00
2020	$10.10	$10.47	$0.38	$10.10	$10.47	$0.38
2021	$10.31	$11.50	$1.19	$10.31	$11.50	$1.19
2022	$10.52	$12.80	$2.28	$10.52	$12.80	$2.28
2023	$10.74	$14.10	$3.36	$10.74	$14.10	$3.36
2024	$10.96	$15.38	$4.41	$10.96	$15.38	$4.41
2025	$11.19	$16.18	$4.99	$11.19	$16.18	$4.99
2026	$11.42	$16.54	$5.12	$11.42	$16.54	$5.12
2027	$11.66	$16.92	$5.25	$11.66	$16.92	$5.25
2028	$11.90	$17.30	$5.39	$11.90	$17.30	$5.39
2029	$12.15	$17.69	$5.53	$12.15	$17.69	$5.53

[14] Alaska state law requires the state minimum wage to be at least one dollar higher than the federal minimum wage.

Arizona	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$11.00	$11.00	$0.00	$8.00	$8.00	$0.00
2020	$12.00	$12.00	$0.00	$9.00	$9.00	$0.00
2021	$12.20	$12.20	$0.00	$9.15	$9.15	$0.00
2022	$12.40	$12.43	$0.02	$9.30	$9.30	$0.00
2023	$12.61	$13.10	$0.49	$9.46	$9.53	$0.07
2024	$12.82	$14.38	$1.56	$9.61	$10.35	$0.74
2025	$13.03	$15.18	$2.15	$9.77	$11.85	$2.08
2026	$13.24	$15.54	$2.30	$9.93	$13.35	$3.42
2027	$13.46	$15.92	$2.45	$10.10	$14.85	$4.75
2028	$13.69	$16.30	$2.61	$10.27	$16.05	$5.78
2029	$13.91	$16.69	$2.77	$10.44	$16.69	$6.25

Arkansas						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.25	$9.25	$0.00	$2.63	$3.12	$0.49
2020	$10.00	$10.00	$0.00	$2.63	$4.35	$1.72
2021	$11.00	$11.08	$0.07	$2.63	$5.85	$3.22
2022	$11.00	$11.80	$0.80	$2.63	$7.35	$4.72
2023	$11.00	$13.10	$2.10	$2.63	$8.85	$6.22
2024	$11.00	$14.38	$3.38	$2.63	$10.35	$7.72
2025	$11.00	$15.18	$4.18	$2.63	$11.85	$9.22
2026	$11.00	$15.54	$4.54	$2.63	$13.35	$10.72
2027	$11.00	$15.92	$4.92	$2.63	$14.85	$12.22
2028	$11.00	$16.30	$5.30	$2.63	$16.05	$13.42
2029	$11.00	$16.69	$5.69	$2.63	$16.69	$14.06

California	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$12.00	$12.00	$0.00	$12.00	$12.00	$0.00
2020	$13.00	$13.00	$0.00	$13.00	$13.00	$0.00
2021	$14.00	$14.00	$0.00	$14.00	$14.00	$0.00
2022	$15.00	$15.00	$0.00	$15.00	$15.00	$0.00
2023	$15.26	$15.26	$0.00	$15.26	$15.26	$0.00
2024	$15.52	$15.52	$0.00	$15.52	$15.52	$0.00
2025	$15.79	$15.79	$0.00	$15.79	$15.79	$0.00
2026	$16.07	$16.07	$0.00	$16.07	$16.07	$0.00
2027	$16.34	$16.34	$0.00	$16.34	$16.34	$0.00
2028	$16.63	$16.63	$0.00	$16.63	$16.63	$0.00
2029	$16.91	$16.91	$0.00	$16.91	$16.91	$0.00

Colorado	COLA:	2.4%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$11.10	$11.10	$0.00	$8.08	$8.08	$0.00
2020	$12.00	$12.00	$0.00	$8.98	$8.98	$0.00
2021	$12.28	$12.28	$0.00	$9.19	$9.19	$0.00
2022	$12.58	$12.58	$0.00	$9.41	$9.41	$0.00
2023	$12.87	$13.31	$0.44	$9.63	$9.62	$0.00
2024	$13.18	$14.38	$1.20	$9.86	$10.48	$0.62
2025	$13.49	$15.18	$1.69	$10.10	$11.85	$1.75
2026	$13.81	$15.54	$1.73	$10.34	$13.35	$3.01
2027	$14.14	$15.92	$1.78	$10.58	$14.85	$4.27
2028	$14.47	$16.30	$1.82	$10.83	$16.05	$5.22
2029	$14.82	$16.69	$1.87	$11.09	$16.69	$5.60

Connecticut[15]						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.10	$10.10	$0.00	$6.38	$6.38	$0.00
2020	$10.10	$10.10	$0.00	$6.38	$6.38	$0.00
2021	$10.10	$11.03	$0.93	$6.38	$6.49	$0.11
2022	$10.10	$12.39	$2.29	$6.38	$7.35	$0.97
2023	$10.10	$13.76	$3.66	$6.38	$8.85	$2.47
2024	$10.10	$15.09	$4.99	$6.38	$10.35	$3.97
2025	$10.10	$15.94	$5.84	$6.38	$11.85	$5.47
2026	$10.10	$16.32	$6.22	$6.38	$13.35	$6.97
2027	$10.10	$16.71	$6.61	$6.38	$14.85	$8.47
2028	$10.10	$17.11	$7.01	$6.38	$16.05	$9.67
2029	$10.10	$17.52	$7.42	$6.38	$17.52	$11.14

Delaware						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.75	$8.75	$0.00	$2.23	$2.92	$0.69
2020	$9.25	$9.55	$0.30	$2.23	$4.35	$2.12
2021	$9.25	$10.50	$1.25	$2.23	$5.85	$3.62
2022	$9.25	$11.80	$2.55	$2.23	$7.35	$5.12
2023	$9.25	$13.10	$3.85	$2.23	$8.85	$6.62
2024	$9.25	$14.38	$5.13	$2.23	$10.35	$8.12
2025	$9.25	$15.18	$5.93	$2.23	$11.85	$9.62
2026	$9.25	$15.54	$6.29	$2.23	$13.35	$11.12
2027	$9.25	$15.92	$6.67	$2.23	$14.85	$12.62
2028	$9.25	$16.30	$7.05	$2.23	$16.05	$13.82
2029	$9.25	$16.69	$7.44	$2.23	$16.69	$14.46

[15] Connecticut state law requires the state minimum wage to be at least five percent higher than the federal minimum wage.

District of Columbia	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$13.63	$13.25	$0.00	$4.17	$4.17	$0.00
2020	$14.50	$14.50	$0.00	$4.73	$4.91	$0.19
2021	$15.12	$15.12	$0.00	$5.00	$5.85	$0.85
2022	$15.38	$15.38	$0.00	$5.00	$7.35	$2.35
2023	$15.63	$15.63	$0.00	$5.00	$8.85	$3.85
2024	$15.89	$15.89	$0.00	$5.00	$10.35	$5.35
2025	$16.15	$16.15	$0.00	$5.00	$11.85	$6.85
2026	$16.42	$16.42	$0.00	$5.00	$13.35	$8.35
2027	$16.69	$16.69	$0.00	$5.00	$14.85	$9.85
2028	$16.97	$16.97	$0.00	$5.00	$16.05	$11.05
2029	$17.25	$17.25	$0.00	$5.00	$16.69	$11.69

Florida	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.46	$8.51	$0.04	$5.44	$5.44	$0.00
2020	$8.61	$9.23	$0.62	$5.53	$5.53	$0.00
2021	$8.76	$10.50	$1.74	$5.63	$6.11	$0.49
2022	$8.91	$11.80	$2.89	$5.73	$7.35	$1.62
2023	$9.06	$13.10	$4.04	$5.83	$8.85	$3.02
2024	$9.22	$14.38	$5.16	$5.93	$10.35	$4.42
2025	$9.38	$15.18	$5.80	$6.03	$11.85	$5.82
2026	$9.54	$15.54	$6.00	$6.13	$13.35	$7.22
2027	$9.70	$15.92	$6.21	$6.24	$14.85	$8.61
2028	$9.87	$16.30	$6.42	$6.35	$16.05	$9.70
2029	$10.04	$16.69	$6.64	$6.46	$16.69	$10.23

Georgia						
	Existing Minimum Wage Schedule (state: $5.15)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Hawaii						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.10	$10.10	$0.00	$9.35	$9.35	$0.00
2020	$10.10	$10.10	$0.00	$9.35	$9.35	$0.00
2021	$10.10	$10.63	$0.53	$9.35	$9.35	$0.00
2022	$10.10	$11.80	$1.70	$9.35	$9.35	$0.00
2023	$10.10	$13.10	$3.00	$9.35	$9.48	$0.13
2024	$10.10	$14.38	$4.28	$9.35	$10.35	$1.00
2025	$10.10	$15.18	$5.08	$9.35	$11.85	$2.50
2026	$10.10	$15.54	$5.44	$9.35	$13.35	$4.00
2027	$10.10	$15.92	$5.82	$9.35	$14.85	$5.50
2028	$10.10	$16.30	$6.20	$9.35	$16.05	$6.70
2029	$10.10	$16.69	$6.59	$9.35	$16.69	$7.34

Idaho						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$3.35	$3.35	$0.00
2020	$7.25	$9.20	$1.95	$3.35	$4.35	$1.00
2021	$7.25	$10.50	$3.25	$3.35	$5.85	$2.50
2022	$7.25	$11.80	$4.55	$3.35	$7.35	$4.00
2023	$7.25	$13.10	$5.85	$3.35	$8.85	$5.50
2024	$7.25	$14.38	$7.13	$3.35	$10.35	$7.00
2025	$7.25	$15.18	$7.93	$3.35	$11.85	$8.50
2026	$7.25	$15.54	$8.29	$3.35	$13.35	$10.00
2027	$7.25	$15.92	$8.67	$3.35	$14.85	$11.50
2028	$7.25	$16.30	$9.05	$3.35	$16.05	$12.70
2029	$7.25	$16.69	$9.44	$3.35	$16.69	$13.34

Illinois						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.25	$8.40	$0.15	$4.95	$4.95	$0.00
2020	$8.25	$9.20	$0.95	$4.95	$5.03	$0.08
2021	$8.25	$10.50	$2.25	$4.95	$5.85	$0.90
2022	$8.25	$11.80	$3.55	$4.95	$7.35	$2.40
2023	$8.25	$13.10	$4.85	$4.95	$8.85	$3.90
2024	$8.25	$14.38	$6.13	$4.95	$10.35	$5.40
2025	$8.25	$15.18	$6.93	$4.95	$11.85	$6.90
2026	$8.25	$15.54	$7.29	$4.95	$13.35	$8.40
2027	$8.25	$15.92	$7.67	$4.95	$14.85	$9.90
2028	$8.25	$16.30	$8.05	$4.95	$16.05	$11.10
2029	$8.25	$16.69	$8.44	$4.95	$16.69	$11.74

Indiana						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Iowa						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$4.35	$4.35	$0.00
2020	$7.25	$9.20	$1.95	$4.35	$4.73	$0.38
2021	$7.25	$10.50	$3.25	$4.35	$5.85	$1.50
2022	$7.25	$11.80	$4.55	$4.35	$7.35	$3.00
2023	$7.25	$13.10	$5.85	$4.35	$8.85	$4.50
2024	$7.25	$14.38	$7.13	$4.35	$10.35	$6.00
2025	$7.25	$15.18	$7.93	$4.35	$11.85	$7.50
2026	$7.25	$15.54	$8.29	$4.35	$13.35	$9.00
2027	$7.25	$15.92	$8.67	$4.35	$14.85	$10.50
2028	$7.25	$16.30	$9.05	$4.35	$16.05	$11.70
2029	$7.25	$16.69	$9.44	$4.35	$16.69	$12.34

Kansas						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Kentucky						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Louisiana	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Maine	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$11.00	$11.00	$0.00	$5.50	$5.50	$0.00
2020	$12.00	$12.00	$0.00	$6.00	$6.00	$0.00
2021	$12.00	$12.00	$0.00	$6.00	$6.30	$0.30
2022	$12.00	$12.23	$0.23	$6.00	$7.35	$1.35
2023	$12.00	$13.10	$1.10	$6.00	$8.85	$2.85
2024	$12.00	$14.38	$2.38	$6.00	$10.35	$4.35
2025	$12.00	$15.18	$3.18	$6.00	$11.85	$5.85
2026	$12.00	$15.54	$3.54	$6.00	$13.35	$7.35
2027	$12.00	$15.92	$3.92	$6.00	$14.85	$8.85
2028	$12.00	$16.30	$4.30	$6.00	$16.05	$10.05
2029	$12.00	$16.69	$4.69	$6.00	$16.69	$10.69

Maryland	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.10	$10.10	$0.00	$3.63	$3.63	$0.00
2020	$10.10	$10.10	$0.00	$3.63	$4.37	$0.74
2021	$10.10	$10.63	$0.53	$3.63	$5.85	$2.22
2022	$10.10	$11.80	$1.70	$3.63	$7.35	$3.72
2023	$10.10	$13.10	$3.00	$3.63	$8.85	$5.22
2024	$10.10	$14.38	$4.28	$3.63	$10.35	$6.72
2025	$10.10	$15.18	$5.08	$3.63	$11.85	$8.22
2026	$10.10	$15.54	$5.44	$3.63	$13.35	$9.72
2027	$10.10	$15.92	$5.82	$3.63	$14.85	$11.22
2028	$10.10	$16.30	$6.20	$3.63	$16.05	$12.42
2029	$10.10	$16.69	$6.59	$3.63	$16.69	$13.06

Massachusetts[16]	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$12.00	$12.00	$0.00	$3.35	$3.35	$0.00
2020	$12.75	$12.75	$0.00	$3.75	$4.43	$0.68
2021	$13.50	$13.50	$0.00	$3.75	$5.85	$2.10
2022	$14.25	$14.25	$0.00	$3.75	$7.35	$3.60
2023	$15.00	$15.00	$0.00	$3.75	$8.85	$5.10
2024	$15.00	$15.00	$0.00	$3.75	$10.35	$6.60
2025	$15.00	$15.68	$0.68	$3.75	$11.85	$8.10
2026	$15.00	$16.04	$1.04	$3.75	$13.35	$9.60
2027	$15.00	$16.42	$1.42	$3.75	$14.85	$11.10
2028	$15.00	$16.80	$1.80	$3.75	$16.05	$12.30
2029	$15.00	$17.19	$2.19	$3.75	$16.69	$12.94

[16] Massachusetts state law requires the state minimum wage to be at least fifty cents higher than the federal minimum wage.

Michigan	COLA:	2.0%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.40	$9.40	$0.00	$3.57	$3.57	$0.00
2020	$9.65	$9.75	$0.10	$3.67	$4.38	$0.72
2021	$9.87	$10.51	$0.64	$3.75	$5.85	$2.10
2022	$10.10	$11.80	$1.70	$3.84	$7.35	$3.51
2023	$10.33	$13.10	$2.77	$3.93	$8.85	$4.92
2024	$10.56	$14.38	$3.82	$4.01	$10.35	$6.34
2025	$10.80	$15.18	$4.38	$4.10	$11.85	$7.75
2026	$11.04	$15.54	$4.50	$4.20	$13.35	$9.15
2027	$11.29	$15.92	$4.63	$4.29	$14.85	$10.56
2028	$11.54	$16.30	$4.76	$4.39	$16.05	$11.66
2029	$11.79	$16.69	$4.90	$4.48	$16.69	$12.21

Minnesota	COLA:	1.6%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.86	$9.86	$0.00	$9.86	$9.86	$0.00
2020	$10.02	$10.02	$0.00	$10.02	$10.02	$0.00
2021	$10.18	$10.66	$0.49	$10.18	$10.66	$0.49
2022	$10.34	$11.80	$1.46	$10.34	$11.80	$1.46
2023	$10.50	$13.10	$2.60	$10.50	$13.10	$2.60
2024	$10.67	$14.38	$3.71	$10.67	$14.38	$3.71
2025	$10.84	$15.18	$4.34	$10.84	$15.18	$4.34
2026	$11.01	$15.54	$4.54	$11.01	$15.54	$4.54
2027	$11.18	$15.92	$4.73	$11.18	$15.92	$4.73
2028	$11.36	$16.30	$4.94	$11.36	$16.30	$4.94
2029	$11.54	$16.69	$5.15	$11.54	$16.69	$5.15

Mississippi						
	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Missouri	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.60	$8.60	$0.00	$4.30	$4.30	$0.00
2020	$9.45	$9.65	$0.20	$4.73	$4.91	$0.19
2021	$10.30	$10.73	$0.43	$5.15	$5.88	$0.73
2022	$11.15	$11.80	$0.65	$5.58	$7.35	$1.78
2023	$12.00	$13.10	$1.10	$6.00	$8.85	$2.85
2024	$12.21	$14.38	$2.17	$6.10	$10.35	$4.25
2025	$12.42	$15.18	$2.76	$6.21	$11.85	$5.64
2026	$12.63	$15.54	$2.91	$6.32	$13.35	$7.03
2027	$12.85	$15.92	$3.06	$6.43	$14.85	$8.42
2028	$13.08	$16.30	$3.22	$6.54	$16.05	$9.51
2029	$13.30	$16.69	$3.38	$6.65	$16.69	$10.04

Montana	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.50	$8.53	$0.03	$8.50	$8.53	$0.03
2020	$8.64	$9.25	$0.60	$8.64	$9.25	$0.60
2021	$8.78	$10.50	$1.72	$8.78	$10.50	$1.72
2022	$8.93	$11.80	$2.87	$8.93	$11.80	$2.87
2023	$9.08	$13.10	$4.02	$9.08	$13.10	$4.02
2024	$9.23	$14.38	$5.15	$9.23	$14.38	$5.15
2025	$9.38	$15.18	$5.80	$9.38	$15.18	$5.80
2026	$9.54	$15.54	$6.01	$9.54	$15.54	$6.01
2027	$9.69	$15.92	$6.22	$9.69	$15.92	$6.22
2028	$9.86	$16.30	$6.44	$9.86	$16.30	$6.44
2029	$10.02	$16.69	$6.67	$10.02	$16.69	$6.67

Nebraska						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.00	$9.00	$0.00	$2.13	$2.87	$0.74
2020	$9.00	$9.43	$0.43	$2.13	$4.35	$2.22
2021	$9.00	$10.50	$1.50	$2.13	$5.85	$3.72
2022	$9.00	$11.80	$2.80	$2.13	$7.35	$5.22
2023	$9.00	$13.10	$4.10	$2.13	$8.85	$6.72
2024	$9.00	$14.38	$5.38	$2.13	$10.35	$8.22
2025	$9.00	$15.18	$6.18	$2.13	$11.85	$9.72
2026	$9.00	$15.54	$6.54	$2.13	$13.35	$11.22
2027	$9.00	$15.92	$6.92	$2.13	$14.85	$12.72
2028	$9.00	$16.30	$7.30	$2.13	$16.05	$13.92
2029	$9.00	$16.69	$7.69	$2.13	$16.69	$14.56

Nevada	COLA:	1.5%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.25	$8.40	$0.15	$8.25	$8.40	$0.15
2020	$8.38	$9.20	$0.82	$8.38	$9.20	$0.82
2021	$8.50	$10.50	$2.00	$8.50	$10.50	$2.00
2022	$8.63	$11.80	$3.17	$8.63	$11.80	$3.17
2023	$8.77	$13.10	$4.33	$8.77	$13.10	$4.33
2024	$8.90	$14.38	$5.47	$8.90	$14.38	$5.47
2025	$9.04	$15.18	$6.14	$9.04	$15.18	$6.14
2026	$9.18	$15.54	$6.37	$9.18	$15.54	$6.37
2027	$9.32	$15.92	$6.60	$9.32	$15.92	$6.60
2028	$9.46	$16.30	$6.84	$9.46	$16.30	$6.84
2029	$9.60	$16.69	$7.08	$9.60	$16.69	$7.08

New Hampshire						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$3.26	$3.26	$0.00
2020	$7.25	$9.20	$1.95	$3.26	$4.35	$1.09
2021	$7.25	$10.50	$3.25	$3.26	$5.85	$2.59
2022	$7.25	$11.80	$4.55	$3.26	$7.35	$4.09
2023	$7.25	$13.10	$5.85	$3.26	$8.85	$5.59
2024	$7.25	$14.38	$7.13	$3.26	$10.35	$7.09
2025	$7.25	$15.18	$7.93	$3.26	$11.85	$8.59
2026	$7.25	$15.54	$8.29	$3.26	$13.35	$10.09
2027	$7.25	$15.92	$8.67	$3.26	$14.85	$11.59
2028	$7.25	$16.30	$9.05	$3.26	$16.05	$12.79
2029	$7.25	$16.69	$9.44	$3.26	$16.69	$13.42

New Jersey	COLA:	1.6%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.85	$8.85	$0.00	$2.13	$2.87	$0.74
2020	$8.99	$9.42	$0.43	$2.13	$4.35	$2.22
2021	$9.13	$10.50	$1.37	$2.13	$5.85	$3.72
2022	$9.28	$11.80	$2.52	$2.13	$7.35	$5.22
2023	$9.43	$13.10	$3.67	$2.13	$8.85	$6.72
2024	$9.58	$14.38	$4.80	$2.13	$10.35	$8.22
2025	$9.73	$15.18	$5.45	$2.13	$11.85	$9.72
2026	$9.88	$15.54	$5.66	$2.13	$13.35	$11.22
2027	$10.04	$15.92	$5.87	$2.13	$14.85	$12.72
2028	$10.20	$16.30	$6.10	$2.13	$16.05	$13.92
2029	$10.36	$16.69	$6.32	$2.13	$16.69	$14.56

New Mexico						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.50	$8.03	$0.53	$2.13	$2.87	$0.74
2020	$7.50	$9.20	$1.70	$2.13	$4.35	$2.22
2021	$7.50	$10.50	$3.00	$2.13	$5.85	$3.72
2022	$7.50	$11.80	$4.30	$2.13	$7.35	$5.22
2023	$7.50	$13.10	$5.60	$2.13	$8.85	$6.72
2024	$7.50	$14.38	$6.88	$2.13	$10.35	$8.22
2025	$7.50	$15.18	$7.68	$2.13	$11.85	$9.72
2026	$7.50	$15.54	$8.04	$2.13	$13.35	$11.22
2027	$7.50	$15.92	$8.42	$2.13	$14.85	$12.72
2028	$7.50	$16.30	$8.80	$2.13	$16.05	$13.92
2029	$7.50	$16.69	$9.19	$2.13	$16.69	$14.56

New York[17]						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$11.10	$11.10	$0.00	$7.50	$7.50	$0.00
2020	$11.80	$11.80	$0.00	$7.85	$7.85	$0.00
2021	$12.50	$12.50	$0.00	$8.35	$8.35	$0.00
2022	$13.20	$13.20	$0.00	$8.85	$8.85	$0.00
2023	$13.90	$13.90	$0.00	$9.35	$9.48	$0.13
2024	$14.60	$14.80	$0.20	$9.85	$10.48	$0.63
2025	$15.00	$15.18	$0.18	$10.00	$11.85	$1.85
2026	$15.00	$15.54	$0.54	$10.00	$13.35	$3.35
2027	$15.00	$15.92	$0.92	$10.00	$14.85	$4.85
2028	$15.00	$16.30	$1.30	$10.00	$16.05	$6.05
2029	$15.00	$16.69	$1.69	$10.00	$16.69	$6.69

North Carolina						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

[17] New York's recently enacted minimum wage increase operates under three separate schedules: New York City, the counties surrounding New York City, and upstate New York. In the interest of conservatism, this model used the most aggressive schedule.

North Dakota						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$4.86	$4.86	$0.00
2020	$7.25	$9.20	$1.95	$4.86	$4.98	$0.12
2021	$7.25	$10.50	$3.25	$4.86	$5.85	$0.99
2022	$7.25	$11.80	$4.55	$4.86	$7.35	$2.49
2023	$7.25	$13.10	$5.85	$4.86	$8.85	$3.99
2024	$7.25	$14.38	$7.13	$4.86	$10.35	$5.49
2025	$7.25	$15.18	$7.93	$4.86	$11.85	$6.99
2026	$7.25	$15.54	$8.29	$4.86	$13.35	$8.49
2027	$7.25	$15.92	$8.67	$4.86	$14.85	$9.99
2028	$7.25	$16.30	$9.05	$4.86	$16.05	$11.19
2029	$7.25	$16.69	$9.44	$4.86	$16.69	$11.83

Ohio	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.55	$8.55	$0.00	$4.28	$4.28	$0.00
2020	$8.69	$9.27	$0.58	$4.35	$4.72	$0.38
2021	$8.84	$10.50	$1.66	$4.42	$5.85	$1.43
2022	$8.98	$11.80	$2.82	$4.49	$7.35	$2.86
2023	$9.13	$13.10	$3.97	$4.57	$8.85	$4.28
2024	$9.28	$14.38	$5.09	$4.64	$10.35	$5.71
2025	$9.44	$15.18	$5.74	$4.72	$11.85	$7.13
2026	$9.59	$15.54	$5.95	$4.80	$13.35	$8.55
2027	$9.75	$15.92	$6.16	$4.88	$14.85	$9.97
2028	$9.91	$16.30	$6.38	$4.96	$16.05	$11.09
2029	$10.08	$16.69	$6.61	$5.04	$16.69	$11.65

Oklahoma						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$3.63	$3.63	$0.00
2020	$7.25	$9.20	$1.95	$3.63	$4.36	$0.74
2021	$7.25	$10.50	$3.25	$3.63	$5.85	$2.23
2022	$7.25	$11.80	$4.55	$3.63	$7.35	$3.73
2023	$7.25	$13.10	$5.85	$3.63	$8.85	$5.23
2024	$7.25	$14.38	$7.13	$3.63	$10.35	$6.73
2025	$7.25	$15.18	$7.93	$3.63	$11.85	$8.23
2026	$7.25	$15.54	$8.29	$3.63	$13.35	$9.73
2027	$7.25	$15.92	$8.67	$3.63	$14.85	$11.23
2028	$7.25	$16.30	$9.05	$3.63	$16.05	$12.43
2029	$7.25	$16.69	$9.44	$3.63	$16.69	$13.06

Oregon[18]	COLA:	1.8%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.75	$10.75	$0.00	$10.75	$10.75	$0.00
2020	$11.25	$11.25	$0.00	$11.25	$11.25	$0.00
2021	$11.75	$11.75	$0.00	$11.75	$11.75	$0.00
2022	$12.25	$12.35	$0.10	$12.25	$12.35	$0.10
2023	$12.61	$13.18	$0.57	$12.61	$13.18	$0.57
2024	$12.83	$14.38	$1.54	$12.83	$14.38	$1.54
2025	$13.06	$15.18	$2.12	$13.06	$15.18	$2.12
2026	$13.29	$15.54	$2.26	$13.29	$15.54	$2.26
2027	$13.52	$15.92	$2.40	$13.52	$15.92	$2.40
2028	$13.76	$16.30	$2.54	$13.76	$16.30	$2.54
2029	$14.00	$16.69	$2.69	$14.00	$16.69	$2.69

[18] Oregon's recently enacted minimum wage increase operates under three separate schedules dependent upon each county's population density. In the interest of conservatism, this model used the most aggressive schedule.

Pennsylvania						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.83	$3.22	$0.39
2020	$7.25	$9.20	$1.95	$2.83	$4.35	$1.52
2021	$7.25	$10.50	$3.25	$2.83	$5.85	$3.02
2022	$7.25	$11.80	$4.55	$2.83	$7.35	$4.52
2023	$7.25	$13.10	$5.85	$2.83	$8.85	$6.02
2024	$7.25	$14.38	$7.13	$2.83	$10.35	$7.52
2025	$7.25	$15.18	$7.93	$2.83	$11.85	$9.02
2026	$7.25	$15.54	$8.29	$2.83	$13.35	$10.52
2027	$7.25	$15.92	$8.67	$2.83	$14.85	$12.02
2028	$7.25	$16.30	$9.05	$2.83	$16.05	$13.22
2029	$7.25	$16.69	$9.44	$2.83	$16.69	$13.86

Rhode Island						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.50	$10.50	$0.00	$3.89	$3.89	$0.00
2020	$10.50	$10.50	$0.00	$3.89	$4.50	$0.61
2021	$10.50	$10.83	$0.32	$3.89	$5.85	$1.96
2022	$10.50	$11.80	$1.30	$3.89	$7.35	$3.46
2023	$10.50	$13.10	$2.60	$3.89	$8.85	$4.96
2024	$10.50	$14.38	$3.88	$3.89	$10.35	$6.46
2025	$10.50	$15.18	$4.68	$3.89	$11.85	$7.96
2026	$10.50	$15.54	$5.04	$3.89	$13.35	$9.46
2027	$10.50	$15.92	$5.42	$3.89	$14.85	$10.96
2028	$10.50	$16.30	$5.80	$3.89	$16.05	$12.16
2029	$10.50	$16.69	$6.19	$3.89	$16.69	$12.80

South Carolina						
	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

South Dakota	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$9.10	$9.10	$0.00	$4.55	$4.55	$0.00
2020	$9.25	$9.55	$0.30	$4.63	$4.86	$0.24
2021	$9.40	$10.50	$1.10	$4.70	$5.85	$1.15
2022	$9.56	$11.80	$2.24	$4.78	$7.35	$2.57
2023	$9.72	$13.10	$3.38	$4.86	$8.85	$3.99
2024	$9.88	$14.38	$4.50	$4.94	$10.35	$5.41
2025	$10.04	$15.18	$5.14	$5.02	$11.85	$6.83
2026	$10.21	$15.54	$5.33	$5.10	$13.35	$8.25
2027	$10.38	$15.92	$5.54	$5.19	$14.85	$9.66
2028	$10.55	$16.30	$5.75	$5.28	$16.05	$10.77
2029	$10.73	$16.69	$5.96	$5.36	$16.69	$11.32

Tennessee						
	Existing Minimum Wage Schedule (no state law)	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Texas						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Utah						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Vermont	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$10.78	$10.78	$0.00	$5.39	$5.39	$0.00
2020	$10.96	$10.96	$0.00	$5.48	$5.48	$0.00
2021	$11.14	$11.15	$0.00	$5.57	$6.09	$0.51
2022	$11.32	$11.89	$0.56	$5.66	$7.35	$1.69
2023	$11.51	$13.10	$1.59	$5.76	$8.85	$3.09
2024	$11.70	$14.38	$2.67	$5.85	$10.35	$4.50
2025	$11.90	$15.18	$3.28	$5.95	$11.85	$5.90
2026	$12.09	$15.54	$3.45	$6.05	$13.35	$7.30
2027	$12.30	$15.92	$3.62	$6.15	$14.85	$8.70
2028	$12.50	$16.30	$3.80	$6.25	$16.05	$9.80
2029	$12.71	$16.69	$3.98	$6.35	$16.69	$10.33

Virginia						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Washington	COLA:	1.7%				
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$12.00	$12.00	$0.00	$12.00	$12.00	$0.00
2020	$13.50	$13.50	$0.00	$13.50	$13.50	$0.00
2021	$13.72	$13.72	$0.00	$13.72	$13.72	$0.00
2022	$13.95	$13.95	$0.00	$13.95	$13.95	$0.00
2023	$14.18	$14.18	$0.00	$14.18	$14.18	$0.00
2024	$14.42	$14.71	$0.29	$14.42	$14.42	$0.00
2025	$14.66	$15.18	$0.52	$14.66	$14.66	$0.00
2026	$14.90	$15.54	$0.64	$14.90	$14.90	$0.00
2027	$15.15	$15.92	$0.77	$15.15	$15.37	$0.23
2028	$15.40	$16.30	$0.90	$15.40	$16.05	$0.65
2029	$15.65	$16.69	$1.04	$15.65	$16.69	$1.04

West Virginia						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$8.75	$8.75	$0.00	$2.63	$3.11	$0.49
2020	$8.75	$9.30	$0.55	$2.63	$4.35	$1.73
2021	$8.75	$10.50	$1.75	$2.63	$5.85	$3.23
2022	$8.75	$11.80	$3.05	$2.63	$7.35	$4.73
2023	$8.75	$13.10	$4.35	$2.63	$8.85	$6.23
2024	$8.75	$14.38	$5.63	$2.63	$10.35	$7.73
2025	$8.75	$15.18	$6.43	$2.63	$11.85	$9.23
2026	$8.75	$15.54	$6.79	$2.63	$13.35	$10.73
2027	$8.75	$15.92	$7.17	$2.63	$14.85	$12.23
2028	$8.75	$16.30	$7.55	$2.63	$16.05	$13.43
2029	$8.75	$16.69	$7.94	$2.63	$16.69	$14.06

Wisconsin						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.33	$2.97	$0.64
2020	$7.25	$9.20	$1.95	$2.33	$4.35	$2.02
2021	$7.25	$10.50	$3.25	$2.33	$5.85	$3.52
2022	$7.25	$11.80	$4.55	$2.33	$7.35	$5.02
2023	$7.25	$13.10	$5.85	$2.33	$8.85	$6.52
2024	$7.25	$14.38	$7.13	$2.33	$10.35	$8.02
2025	$7.25	$15.18	$7.93	$2.33	$11.85	$9.52
2026	$7.25	$15.54	$8.29	$2.33	$13.35	$11.02
2027	$7.25	$15.92	$8.67	$2.33	$14.85	$12.52
2028	$7.25	$16.30	$9.05	$2.33	$16.05	$13.72
2029	$7.25	$16.69	$9.44	$2.33	$16.69	$14.36

Wyoming						
	Existing Minimum Wage Schedule	Proposed $15/hr Minimum Wage Schedule	Wage Difference Between Proposed $15 Schedule and Baseline	Existing Cash Wage Schedule	Proposed Cash Wage Schedule	Cash Wage Differential
2019	$7.25	$7.90	$0.65	$2.13	$2.87	$0.74
2020	$7.25	$9.20	$1.95	$2.13	$4.35	$2.22
2021	$7.25	$10.50	$3.25	$2.13	$5.85	$3.72
2022	$7.25	$11.80	$4.55	$2.13	$7.35	$5.22
2023	$7.25	$13.10	$5.85	$2.13	$8.85	$6.72
2024	$7.25	$14.38	$7.13	$2.13	$10.35	$8.22
2025	$7.25	$15.18	$7.93	$2.13	$11.85	$9.72
2026	$7.25	$15.54	$8.29	$2.13	$13.35	$11.22
2027	$7.25	$15.92	$8.67	$2.13	$14.85	$12.72
2028	$7.25	$16.30	$9.05	$2.13	$16.05	$13.92
2029	$7.25	$16.69	$9.44	$2.13	$16.69	$14.56

Appendix B: Remarks Concerning Alleged Counterfactual Evidence Regarding Minimum Wage Effects on Employment

Research on the economic effects of minimum wage policy consists of a rich literature spanning decades. This body of literature includes studies whose results contradict the basic economic principle of the law of demand, suggesting that increases in the minimum wage have no impact on low-wage employment and may even have a modest positive effect. This section discusses two popular studies within this counterfactual literature and notes certain methodological problems which introduce uncertainty with respect to their findings.

A controversial and well-cited study on the minimum wage dating from the mid-1990s is Card and Krueger's investigation of the impact of the April 1, 1992 increase in the New Jersey minimum wage from \$4.25 to \$5.05 per hour.[19] Card and Kruger used a telephone survey to compare the experiences of 410 fast-food restaurants in New Jersey and Pennsylvania—331 in New Jersey and 79 in eastern Pennsylvania—following the increase in New Jersey's minimum wage. The Pennsylvania restaurants included in the survey served as a control group with which New Jersey restaurants (and their experiences) could be compared since, in the authors' opinions, "New Jersey is a relatively small state with an economy that is closely linked to nearby states" and no contemporary increase in Pennsylvania's minimum wage occurred during the time period studied. In summarizing their findings, the authors claim to have found "no evidence that the rise in New Jersey's minimum wage reduced employment at fast-food restaurants in the state." Contrary to conventional wisdom, the authors even found "that the increase in the minimum wage increased employment." In a follow-up study using different data (from the Bureau of Labor Statistics), the authors moderated their conclusion to the following: "The increase in New Jersey's minimum wage probably had no effect on total employment in New Jersey's fast-food industry, and possibly had a small positive effect."[20]

The motivation for Card and Kruger's follow-up study stems from criticism of the methodology employed in the authors' first study. In particular, concerns about noisy measurement, the unit of measure investigated (critics claimed that the study's focus should have been the number of hours worked by employees, not the number of employees itself), and inconsistencies between Card and Kruger's data set and actual payroll data from fast-food establishments in New Jersey and Pennsylvania incentivized the authors to perform subsequent research. These points aside, other criticisms can be made about Card and Kruger's analysis. First, the authors focused on a relatively small geographic area. Second, the authors focused on fast-food *chains*, which are not the same as the fast-food *industry*, which is comprised of both chains and an independent sector. The independent sector has been observed to be "much more labour intensive than the chain sector."[21] This being the case, it is entirely possible for the chain sector of the fast-food industry to experience negligible effects due to a minimum wage increase, while

[19] Card, David and Alan B. Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," The American Economic Review, Vol. 84, No. 4, Sept. 1994, pp. 772-793.
[20] Card, David and Alan B. Krueger, "Minimum Wage and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania: Reply," The American Economic Review, Vol. 90, No. 5, Dec. 2000, pp. 1397-1420.
[21] Worstall, Tim, "Alan Krueger's Mistake on the Minimum Wage", Forbes, Aug. 31, 2011.

the more labor-intensive independent sector (and the industry as a whole) experiences material negative employment effects due to the minimum wage increase. Third, by focusing on the fast-food industry, Card and Kruger leave out a significant subpopulation of the minimum wage workforce (employed outside of the fast-food industry). Fourth, the New Jersey minimum wage became effective two years after the legislation was passed. It is possible, and perhaps even likely, that some of the reaction among employer firms to the legislation occurred before the new minimum wage came into effect. To the extent that the examined time period excluded some employer's reactions to the minimum wage increase, the change in employment measured by Card and Kruger may be biased upward. Fifth, Card and Kruger focused on nationally-known fast-food enterprises rather than a representative sample of all eating establishments. Such a focus could bias results upward, as national chain restaurants may be better able to absorb wage increases than eating establishments in general. If such is the case, national chain restaurants may even gain market share and expand even as the industry as a whole loses employment.

The second study of some popularity which presents counterfactual evidence on the employment effects of minimum wage policy is much more recent. An article by Allegretto, Dube, and Reich (hereby ADR) published in 2011 asserts that minimum wage increases between 1990 and 2009 had essentially zero impact on teen employment (the authors rule out "any but very small disemployment effects").[22] Their results were obtained using a methodology that accounted for the (according to the authors) prior-to-then ignored "heterogeneous employment patterns that are correlated with selectivity among states with minimum wages." By including control variables for "long-term growth differences among states and for heterogeneous economic shocks," the authors achieve elasticities for employment and hours worked "indistinguishable from zero."

While the approach used by ADR holds some intuitive appeal, a thorough examination of the authors' methodology by Neumark, Salas, and Wascher (hereby NSW) "points to serious problems with [their] research designs."[23] NSW's analysis provides evidence that the tendency for including state-specific time trends into the baseline fixed-effects regression model typically used for minimum wage analysis to eliminate negative employment effects of minimum wages (during the time period studied) is due principally to the strong influence of the recessionary periods of the early 1990s or the Great Recession period. NSW show that when long-term trends are estimated in ways that are not highly sensitive to the business cycle, the estimated effects of minimum wages on teen employment are negative and statistically significant. NSW also address the second methodological technique used by ADR to obtain their counterfactual results, namely, the inclusion of a (Census Division x Period Interaction) term into the regression model. A justification for the inclusion of this term is that omitted factors could drive patterns of teen employment differentially by Census division, and therefore this term should be included to capture those effects. Underlying this approach is the assumption that states within a Census

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[22] Allegretto, Sylvia A., Arindrajit Dube, and Michael Reich, "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data," Industrial Relations, Vol. 50, No. 2, Apr. 2011, pp. 205-240.

[23] Neumark, David, J.M. Ian Salas, and William Wascher, "Revisiting the Minimum Wage-Employment Debate: Throwing Out the Baby with the Bathwater?", Discussion Paper No. 7166, IZA, January 2013.

division make better controls for states where minimum wages increase than are states in other Census divisions. NSW investigate this claim by utilizing two ranking algorithms to assess whether within-Census-division states truly do make for better controls.[24] The two algorithms include a synthetic control approach and a "ranked prediction error" approach. Both algorithms provide evidence which generally question the rationale for restricting control states to those in the same Census division. In light of these results, NSW conclude that "the evidence still shows that minimum wages pose a tradeoff of higher wages for some against job losses for others."

Other recent research investigating the impact of minimum wage increases in Seattle and San Francisco on labor market conditions and business dynamics reinforces NSW's conclusion that minimum wage increases do indeed result in job losses for at least part of the workforce. For example, researchers at the University of Washington analyzed the impact of recent minimum wage increases in Seattle from \$9.37 per hour to as high as \$13.00 per hour. The researchers found that while the minimum wage hikes led to higher wages for workers with above-median experience, no wage increases were found among the less skilled. Furthermore, the researchers found that these wage increases came at the cost of a significant reduction in the rate of new entries into the workforce.[25] Additionally, researchers at Harvard Business School examined the effect of recent increases in the minimum wage in San Francisco and found that minimum wage increases raised the likelihood of firm exits, an outcome that constitutes not only lost jobs but also shuttered businesses.[26]

[24] The structures of the algorithms are non-trivial and details surrounding them are omitted from this report. Readers interested in learning more about the algorithms should refer to Neumark et al. noted in footnote 23.
[25] Jardim, Ekaterina et al, "Minimum Wage Increases and Individual Employment Trajectories," NBER Working Paper 25182, 2018.
[26] Luca, Dara Lee and Michael Luca, "Survival of the Fittest: The Impact of the Minimum Wage on Firm Exit," Harvard Business School, Working Paper 17-088, 2017.

NFIB

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Washington, D.C. 20004

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NFIB.com

February 24, 2021

The Honorable Dean Phillips
Chairman
Subcommittee on Oversight, Investigations, and Regulations
Committee on Small Business
U.S. House of Representatives
2361 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Beth Van Duyne
Ranking Member
Subcommittee on Oversight, Investigations, and Regulations
Committee on Small Business
U.S. House of Representatives
2069 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Phillips and Ranking Member Van Duyne:

On behalf of NFIB, the nation's leading small business advocacy organization, thank you for holding a hearing entitled "*Perspectives from Main Street: Raising the Wage*." The *Raise the Wage Act of 2021*, which is currently included in the *American Rescue Plan Act of 2021*, immediately increases the federal minimum wage by more than 30%, dramatically increases the federal minimum wage to $15 per hour in four years, automatically increases the federal minimum wage threshold every subsequent year, and eliminates the federal minimum tipped wage. NFIB strongly opposes this legislation because it would hurt small employers who have been hard hit by the pandemic.

NFIB continues to survey the impact of the COVID-19 pandemic on small businesses in a series entitled, *Covid-19 Small Business Survey*. Unfortunately, our research paints a stark picture of the current situation that many small businesses are facing. More than eleven months have passed since the declaration of a national emergency concerning the COVID-19 outbreak.[1] Many small businesses are still struggling to survive as economic conditions and business restrictions remain serious challenges, with 15% reporting that they will have to close their doors if current economic conditions do not improve over the next six months.[2] Moreover, according to NFIB's latest monthly survey, small business optimism dropped further below its historic 47-year average. Small business owners expecting better business conditions over the next six months fell to the lowest level since November 2013. The net percent of owners expecting better business conditions has fallen 55 points over the past four months.[3] Small business owners do not anticipate a quick recovery and

[1] *Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak*, Federal Register, Proclamation 9994 of March 13, 2020, https://www.federalregister.gov/documents/2020/03/18/2020-05794/declaring-a-national-emergency-concerning-the-novel-coronavirus-disease-covid-19-outbreak.
[2] Holly Wade, *PPP, ERTC, the Economy, the Vaccine, and Minimum Wage*, NFIB Research Center, January 28-31, 2021, https://assets.nfib.com/nfibcom/Covid-19-15-Questionnaire_.pdf.
[3] William C. Dunkelberg and Holly Wade, *NFIB Small Business Economic Trends*, NFIB Research Center, January 2021, https://www.nfib.com/surveys/small-business-economic-trends/.

significant increases to the minimum wage will harm small business owners, employees, and the small business economy.

Nearly three-quarters (74%) of small business owners reported that increasing the federal minimum wage to $15 per hour would negatively impact their business.[4] Of those impacted, 58% report that they would reduce the number of employees, 60% would reduce employees' hours, 67% would leave open positions unfilled, and 56% would increase the use of less expensive or part-time employees.

The *Raise the Wage Act of 2021* will eliminate hundreds of thousands of small business jobs. The nonpartisan Congressional Budget Office confirms that this legislation will damage the small business economy, estimating that employment will be reduced by 1.4 million workers.[5] The NFIB Research Center estimated that that similar legislation will cost the economy 1.6 million jobs, reduce real Gross Domestic Product (GDP) by over $980 billion, and reduce economic output by more than $2 trillion by 2029.[6]

Small businesses employ nearly half of the private-sector workforce. Yet, the negative effects of the proposed legislation will fall disproportionately on small employers and their workers as businesses with fewer than 500 employees will account for 57% of job losses (over 900,000 lost jobs) and businesses with fewer than 100 employees will account for 43% of job losses (nearly 700,000 jobs).[7] Small businesses are far less likely than larger businesses to have cash reserves or profit margins to absorb the increase in labor costs.

Inclusion of the *Raise the Wage Act of 2021* within the current budget reconciliation process directly contradicts an amendment, approved by voice vote, to the Senate budget resolution opposing an increase to the federal minimum wage during a global pandemic, including a prohibition to more than doubling the federal minimum wage.[8] Like Chairman Phillips, NFIB is troubled that Congress is adding the minimum wage policy to the COVID relief package through reconciliation. At a time when small businesses are confronted with the worst pandemic in more than 100 years, Congress should not saddle them with a costly new mandate that will further damage the fragile economic recovery. Thank you again for holding this important hearing.

Sincerely,

Kevin Kuhlman

Kevin Kuhlman
Vice President, Federal Government Relations
NFIB

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[4] Holly Wade, *PPP, ERTC, the Economy, the Vaccine, and Minimum Wage*, NFIB Research Center, January 28-31, 2021, https://assets.nfib.com/nfibcom/Covid-19-15-Questionnaire_.pdf.
[5] Congressional Budget Office, *The Budgetary Effects of the Raise the Wage Act of 2021*, February 2021, https://www.cbo.gov/system/files/2021-02/56975-Minimum-Wage.pdf.
[6] Michael J. Chow and Paul Bettencourt, *Economic Effects of Enacting the Raise the Wage Act on Small Businesses and the U.S. Economy*, NFIB Research Center, January 25, 2019, https://www.nfib.com/assets/NFIB_BSIM_RAISETHEWAGEACT-1.pdf.
[7] *Ibid.*
[8] Amendment 767 to S. Con. Res. 5, *To establish a deficit-neutral reserve fund relating to prohibiting an increase in the Federal minimum wage during a global pandemic to $15 per hour*, offered by Senator Joni Ernst (R-IA).

February 4, 2021

The Honorable Patty Murray
Chair, Senate Committee on Health Education, Labor, and Pensions
428 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Richard Burr
Ranking Member, Senate Committee on Health, Education, Labor, and Pensions
428 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Bobby Scott
Chairman, House Committee on Education and Labor
2176 Rayburn House Office Building
Washington, D.C. 20510

The Honorable Virginia Foxx
Ranking Member, House Committee on Education and Labor
2101 Rayburn House Office Building
Washington, DC. 20510

Dear Chair Murray, Chairman Scott, Ranking Member Burr, and Ranking Member Foxx:

On behalf of Main Street businesses across America, we write to strongly oppose the *Raise the Wage Act of 2021*. 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 presents a significant obstacle to ailing small businesses trying to survive the pandemic.

The *Raise the Wage Act of 2021* 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. When small employers are confronted with increased labor costs, they are left with few options, all undesirable. They can increase the price of their product or service or reduce spending. Often, this means that employers reduce their total labor force, keep open positions unfilled, and reduced employees' hours.

In 2019, the House of Representatives considered legislation under the same title, the *Raise the Wage Act* (H.R. 582), which sought to increase the federal minimum wage to $15 per hour by 2025. ***According to the nonpartisan Congressional Budget Office (CBO), this legislation would result in up to 3.7 million job losses by 2025, with a median estimate of 1.3 million job losses***. A $15 per hour federal minimum wage would reduce business income and raise prices as higher labor costs were absorbed by business owners and then passed on to consumers. ***CBO***

estimates the legislation would represent a $64 billion reduction in business income and a reduction in total real family income of $9 billion by 2025.

Additionally, your proposal includes increasing the federal minimum tipped wage from $2.13 per hour to $15 per hour. Tipped workers are already required to earn the full federal minimum wage from a combination of their base wages and tips, and many earn far more than the minimum. There is concern among tipped workers that if the tipped wage is eliminated, restaurants will either close or adopt no-tipping models—leaving these workers with less take home pay or without a job. The prospect of eliminating the minimum tipped wage was so unpopular with food service workers in Washington, D.C. that the Mayor and D.C. Council repealed a 2018 ballot initiative to eliminate the minimum tipped wage. Increases to the federal minimum wage would also impact the agriculture industry. Farmers rely on skilled employees and pay competitive rates, often well above minimum wage. In an industry where margins are slim, farmers often struggle to keep up with rising costs while remaining competitive with agricultural imports. Taking a one-size-fits-all approach to wages could drive more farms out of business at the cost of jobs rural economies depend on.

More than doubling the federal minimum wage while small businesses across America are barely surviving shutdowns due to an unprecedented pandemic is a recipe for more shuttered businesses and millions more job losses. **On behalf of Main Street employers across America, we strongly oppose the *Raise the Wage Act of 2021*.**

Sincerely,

Agricultural Retailers Association
American Farm Bureau Federation
Automotive Service Association
Coalition of Franchisee Associations
Energy Marketers of America
Foodservice Equipment Distributors Association
Franchise Business Services
Independent Office Products & Furniture Dealers Association
International Association of Amusement Parks and Attractions
International Foodservice Distributors Association
International Franchise Association
Manufacturer and Business Association
National Association of Wholesaler-Distributors
National Cattlemen's Beef Association
National Franchisee Association
National Community Pharmacists Association
National Office Products Alliance
National Onion Association
National Ready Mixed Concrete Association
National Restaurant Association

National Small Business Association
National Stone, Sand and Gravel Association
NFIB
Office Furniture Dealers Alliance
Policy and Taxation Group
Service Station Dealers of America and Allied Trades
Small Business and Entrepreneurship Council
Specialty Equipment Market Association
Tire Industry Association
USA FARMERS
Virginia Small Business Partnership

Small Business Name: Rangaire Manufacturing Company, LP
Small Business Owner: Alan M. Crawford
Location: Cleburne, TX
Impact Story:

Rangaire Manufacturing Company has been in business in Cleburne, Texas – a small community of 30,000 people - since 1948. It has employed literally hundreds of area citizens for 3 generations. My name is Alan Crawford and I purchased Rangaire Manufacturing nearly 8 years ago from a private equity group after the financial and housing crash occurred and left the business at risk of closing. I had managed the operation for the group for 10 years prior to buying the business.

Rangaire manufactures steel and plastic medicine cabinets for the residential housing market with customers coast to coast. Our products are in single family, multi-family and commercial projects located around the globe. It is a VERY competitive business with a fragmented market and multiple manufacturers - most coming from Asia. When I purchased the business, I saw opportunity to compete with foreign manufacturers on price, by being willing to operate with lower overhead and smaller profit margins. That plan has essentially worked and was really enhanced by recent tariff policies. Still, operating with razer thin margins leads little room for error. COVID has exacerbated the ability to operate efficiently and our profitability is perilously fragile. We are seeing rapid commodity cost inflation that we are also trying to mitigate. For our government to now impose doubling the national minimum wage to $15.00/hour would be a piling on of burdensome costs at a time when businesses have been knocked to their knees. It would be very difficult to compete with foreign manufacturers who are not subject to this onerous mandate at a time when such upheaval has been inflicted on the business climate. In our case, more than 80 jobs would be in jeopardy.

This isn't an issue of a business choosing to exploit labor and not paying people what they are worth – the market forces will naturally drive wages to match levels suitable for the region in which they operate. A national minimum wage is an artificial cost that hinders a business's ability to adjust to their particular labor market. A good business will pay people the prevailing (or better) wage for a particular skill set – our average hourly wage is nearly $17.00/HR - but if the base wage is artificially high, prevailing wages are then artificially higher and our ability to compete is greatly diminished and almost certainly, we could not continue in business with the same level of employment. Today, our average employee tenure is 12 years – with 9 folks having more than 30 years of service. Presumably – they are satisfied with their wages and our pay policies. But to force us to pay artificially high wages for unskilled positions would jeopardize every one of those jobs needlessly.

You may think we should just raise our prices to cover these costs (which incidentally is a whole other macro-economic discussion on inflation) but recall my comments on competition in our market. We simply do not have strong pricing power for our products

– there are too many available foreign sources that can easily adjust their pricing to undercut us. Our products are essentially a commodity and simply increasing the sales price is not a viable solution. You are risking the sustainability of my business by inflicting a policy that accomplishes nothing other than empowering foreign competitors. I ask you to do what is best for the American worker by allowing the American business to succeed. Don't raise the minimum wage – let the market prevail.

Respectfully,

Alan M. Crawford
President/Owner
Rangaire Manufacturing Company, LP.

February 23, 2021

Dear Representative Dan Meuser:

As you are aware, Knoebels is the largest free-admission amusement resort in the country, with the #1 wood coaster , the #1 carousel , and the best park food in the world, according to the Golden Ticket Awards, which are the amusement park industry's version of the Oscars. We are a premiere family destination, normally attracting around 1.5 million visitors per year. However, this would all be in jeopardy if the minimum wage proposal is passed as written.

We attract many high-school aged employees as their first job, since our summer season runs counter to the school calendar. Consequently, a full 1/3 of our 2,300 summertime employees are below the age of 18, with hourly wages ranging from $7.25 to $9.25.
Running an analysis of the proposed minimum wage increase displays the significant and unsustainable impact to our business. Below is a chart of these increased labor costs, including our two restaurants with table service on our property.

Proposed Increases in Minimum Wage	Increase of labor cost over previous year	Cumulative Increase
Year 1: $9.50 / $4.95	18.37%	18.37%
Year 2: $11.00 / $6.95	9.49%	29.6%
Year 3: $12.50 / $8.95	8.76%	40.96%
Year 4: $14.00 / $10.95	8.13%	52.42%
Year 5: $15.00 / $12.95	5.09%	60.17%

Please be aware that the amusement industry is already hurting. Our park typically has 130 days of revenue to pay for 365 days of costs. Governor Wolf's order took away 46 of them, with the rest of the year only permitting a maximum of 50% and no more than 250 in any discrete location. This ended 99% of our group outings, a core part of our business, and limited the rides and attractions we could open.

Like many other businesses affected, we invested in PPE, hand sanitizer stations, additional training for our staff, and new signage throughout our facility. We were also burdened by low staffing as many either didn't think such a short season was worth working or believed working in such an environment to be too dangerous. Many amusement parks in Pennsylvania closed early to avoid further hemorrhaging. To ask for a wage increase before we could begin to recover is rubbing salt in our wounds.

If faced with this wage hike, we would immediately need to cut costs by reducing the number of people we employ and the number of hours they could work. We would also need to significantly reduce investment in our park. Knoebels relies on over one thousand manufacturers and suppliers and their incomes would be reduced as a result, likely causing them to reduce jobs and hours as well.

Over the long term, I fear these increases may put Knoebels out of business. As one of the primary economic engines in our area, thousands of other jobs rely on us. Our guests fill local hotels and campgrounds, eat at local restaurants, and purchase gas and items at local stores. It would leave an enormous hole in our area, increasing unemployment, welfare, and poverty over a wide section of central Pennsylvania.

Providing a seasonal wage for our business is not the answer. We need to compete in the same labor market with the few other businesses that will be able to sustain the increases in minimum wage. We will not be able to attract any employees if we are not on par with other local offers.

Our area has been prospering over the last decade without government tampering with the minimum wage. Although I am sure it is well intentioned, the free market should be the final arbiter of wage increases.

Sincerely,
Rick Knoebel
Knoebels

BREWING
Estd. 1991
ROHRBACH
COMPANY

February 22, 2021

Committee on Small Business

Dear Chairwoman Nydia M. Velázquez,

I am writing to express my concern with the proposed elimination of the tip credit for food service employees. I own two full-service restaurants in upstate New York. This is a policy that has served our industry well for many years. I will start out by stating emphatically that our tipped employees do not support this change. Many of our servers and bartenders have made a career out of their profession, have honed their skills, and are handsomely rewarded for their quality work. If the tip credit is eliminated and customers know that our staff no longer relies on their tips, those tips will at least decrease, but will more likely go away completely. This proposal, which is intended to help these employees, will in fact hurt them financially.

The food service industry in the United States is collectively one of the largest employers in the country. If our labor cost for service staff increases substantially, we will be forced to find creative ways to reduce these staff positions. We are starting to see this already with self-service concepts. Therefore, not only will positions be less lucrative, but many employees will lose their jobs.

Lastly, it is important to note that this special pay rate is in the form of a credit that is only used when employees earn tips more than minimum wage. There is no subpar minimum wage. All employees are paid at least minimum wage but have the potential to earn considerably more. The tip credit is a policy that works for the employees, employers, and patrons.

Thank you for taking the time to consider my concerns.

Sincerely,

John Urlaub

John Urlaub, Founder and Owner
Rohrbach Brewing Co.
585-329-5680

Rohrbach Brewing Company
Restaurant Brewery ~3859 Buffalo Road, Rochester, New York 14624 ~ 585.594.9800
Production Brewery & Tasting Room ~ 97 Railroad St., Rochester NY 14609 ~ 585.546.8020
www.rohrbachs.com

February 23, 2021

Rosario Longo
LDIB-RS, LLC. DBA,
Luigis Brick Oven Pizzeria,
121 East Broad Street
Tamaqua, Pennsylvania 18252

Dear Members of the Small Business Committee:

The minimum wage increase is a bad idea for small businesses that deal with unskilled labor individuals. To determine wages at a small business level should be a task left up to the owner and worker. The $15 minimum wage increase must consider the operation cost of doing business. As a small operator, I look at the productivity of the worker and the price of my product. A $15 an hour wage for unskilled workers would force me to raise prices on my goods and services. Also, it will discourage me from hiring unskilled individuals that are not productive. It's crucial that I keep the cost of doing business low. I mean, I could raise prices on goods to pay increases in pay, which I do from time to time because of an increase in utilities, taxes (federal, state, local), raw materials, insurances, etc. But I can't increase prices too much for fear of losing customers. The prices of goods and services are a critical aspect of small business survival. Would you like to pay $5 for a slice of pizza? Or $50 for a large pizza that would feed a family of four? If you think the market would go for that, then I propose 20 minimum wages! Better yet, let the unskilled worker stay home, and we'll send a weekly check in the mail. If there's anything more I can do, please do not hesitate to get in touch.

Thank you, you're favorite pizza man,

Rosario Longo

February 22, 2021

The Honorable Blaine Luetkemeyer
2230 Rayburn House Office Building
Washington, DC 20515

Dear Representative Luetkemeyer,

I would like to start by saying thank you for taking the time to read this as I know you have so many issues being thrown your way and I know we are not the only people you represent here in Missouri. Allow me to introduce ourselves and share a little of our family history with you in hopes you can understand what the decision on minimum wage will mean to us and our family business. My name is Amy Jo Estes, and I live with my family near Rosebud in Gasconade County. My husband John and I met at the University of Missouri in 1989. John graduated in December of 1991 and at the same time his parents bought the local Ford/New Holland dealership from the Gerschefske Brothers and thus Rosebud Tractor was founded. In 2012, we purchased a second dealership in Linn, MO. We along with John's two brothers and his parents also raise 180 head of beef cows and bale 2000 round bales of fescue and clover hay each summer.

Current statistics for Rosebud Tractor:

- We have 26 full and part time employees, 20 are hourly and 6 are either salaried or commission based;
- The 20 hourly employees average $18.56 per hour. These include parts personnel, shop management, shop technicians, accounting personnel, part time help and interns;
- For our hourly employees, our lowest wage is $13.00 and our highest wage is $23.00;
- Our total payroll is $1,014,000 (includes all employees), and our total expenses are $1,764,000;
    - This means 57.5% of our expenses are employee payroll.
    - This figure doesn't include healthcare or 401k contributions on the employee's behalf.
- We operate on a 1.2% profit margin, annually;
- We require skilled labor, especially in the service shop. Many of our employees are graduates of the State Technical College of Missouri in Linn. Our accounting department employees are college graduates with years of accounting experience. All of our employees are enrolled in continuing education courses. As machinery changes, technology changes, and customer expectations change as well.

Our lowest paid employees are our interns and part time help. They are doing basic chores, not requiring additional skills or expertise, or learning through on the job training. The interns we intend to turn into full time employees.

Employee turnover is something we try to avoid. Several of our employees have been with us 15-20 of our 30 years in business. These employees have stuck with us, are our most valued asset, and have the expertise gained through years of experience. They are our highest paid employees.
On its face, a $15 an hour minimum wage looks like it would have little effect on our business. However, to give an unskilled, untrained worker $15 is a slap in the face to our trained

staff. These people have worked their way up to their current pay scale, based on increasing knowledge and abilities. In all fairness, I will need to raise the pay of my current employees to match this base pay. Currently Missouri has a $10.30 minimum wage. If I add $4.70 per hour to our hourly wages, given the hours worked annually, adds $190,000 to our payroll, which in simple figures is a 19% increase in our payroll.

We would have to raise our shop rates and parts prices to compensate for this increase in costs. Initially, we would see a drop in sales because of the sticker shock this would cause. We would have to look for other ways to cut costs. This may include layoffs of trained staff if parts, service, or sales get too slow. It would definitely put a halt on pay raises and will create some turnover of staff. This would be incredibly unfortunate, because trained employees are almost nonexistent now. Our costs will go up, and ultimately, the consumer will bear the brunt of the minimum wage effects.

I feel the $15 minimum wage would be especially hard on food service, restaurant, and grocery jobs. The increased labor costs would have to be passed on to consumers. These entities would also place purchasing price pressure on the food products they purchase and resell as a way to cut costs. Results of this would be less demand for ag commodities and products, hurting the customers we service and hurting our business again in reduced demand for our products and services. This $15 minimum wage will affect businesses of all kinds and have repercussions up and down the line.

Please check out a study dated January 19, 2017 by James Sherk, found on the Heritage Foundation website. It points out the mistakes of previous studies that proponents of the minimum wage increase made, as well as who will end up truly paying the bill for the increase in minimum wages. It will not help those that the proponents are trying to help.

Our small businesses support not just our growing families, but also the families that work for and with us. We are supporters of our local schools, FFA and 4H, the community events surrounding us and every fundraising and benefit from Relay for Life, to church picnics and high school band and of course the Gasconade County Fair. We are involved on all levels with not just monetary but with our time, equipment, and staff. This increase will have a trickle down effect with what we are able to do not only in house but in our community as well.

Thank you for the work you are doing in Washington for small businesses.

Sincerely,

Amy Jo & John Estes

John Estes
Rosebud Tractor
573-764-3393
john@rosebudtractor.com
www.rosebudtractor.com

My name is Jerry and I owned a Bakery in Brooklyn NY that I recently closed in Aug of 2020 due to minimum wage hikes and other State and Federal regulations that have become chopped away at revenue in my business. I first opened my bakery in 1983 and it has seen both growth and the opposite. I noticed a big drop in growth during the first few years of the minimum wage increases. This is because we have three tiers of wages 1st tier are night bakers and they get paid the highest salaries 2nd tier Day bakers and 3rd tier general workers. General workers are packers store counter service and maintenance these are people who just need a job not a career 3rd tier is minimum wage or more. The problem started when each year our minimum wage workers began making 1.00 more per year and wages were getting closer to other general workers tier 2 wages. You see I also hire high school students on weekends and holidays and these students began making the same money that other workers have been making for years and they have no experience. As each year would pass the wages began to take notice by 2nd tier workers and they asked for more because they were skilled and should make more than the minimum wage workers. Then the 3rd tier workers wanted more as well. So now all salaries go up. Just to put this in perspective each year that the minimum wage went up $1.00 my wages for the year went up $40 000.00. Times that by the number of years it has gone up that over $120 000.00. This choke hold was something that a little bakery could no longer take. I needed to make up for these increases and the only way to do it was to shift it to the consumer. How much is someone willing to pay for a loaf of bread or a pound of cookies? At some point people who are used to paying a certain price for a loaf of bread are going to start to complain and they did. The customers began to weigh their options. Customers began to turn to supermarket and large stores like target and Walmart for Fresh Baked Bread which was really frozen raw from some super factory and then baked on premises. It was here that they can get cheap bread they know its not the same and they know its not quality but its affordable. The corner bakery where they used to get their daily bread was now a luxury item only to be bought for special occasions and holidays. The big companies benefited greatly from this. They got more customers and replaced half of their minimum wage staff with kiosks and half time employees. I remember my area of Brooklyn full of bakeries fish stores and butchers. They are all gone and I was the last of them. Now you can find fish markets bakeries and butchers right at the supermarkets. All of them making more than half of what they used to make. The minimum wage increases continue to make it difficult for small businesses to keep their employees. Here is one instance where my dish washers all walked out on me after their first two weeks of work. A dish washer is the beginning position for all restaurants bakeries and food service businesses. Its dirty work but someone has to do it. But! If you have a choice to work as a dish washer and clean my mixing bowls pots pans trays floors ext for $15/hr or work at a supermarket stocking shelves for the same wages which would you choose? This went for all entry level jobs. All entry level positions no matter what company you work for is now on an even playing field no matter how easy for hard the position. For me to keep up I would have to pay them so well that they would stay and I would have to sell bread for $20.00/loaf and hope I sell enough to make payroll each week. Impossible I had to close. I hope there is still hope for other small businesses. There must be clear definition for salaries to be 15/hr. Where its understood what is a job and what a career is. I offered jobs positions that started someone off to make some money until they found the next thing or move up to be a baker if the position became available. After school kids shouldn't make what adults make working at the bakery counter. Big Business can afford these salaries, yet they find ways to eliminate them with computers and machinery. We can't do that. –

Rosolino (Jerry) Cracchiolo
Sal and Jerrys Bakery
6817 20th Ave
Brooklyn NY 11204

SBE COUNCIL
Small Business & Entrepreneurship Council

February 24, 2021

The Honorable Nydia Velazquez
Chairwoman
House Small Business Committee

The Honorable Blaine Luetkemeyer
Ranking Member
House Small Business Committee

Dear Chairwoman Velazquez and Ranking Member Luetkemeyer:

On behalf of the Small Business & Entrepreneurship Council, I am writing to express our very strong concerns about legislation to increase the federal minimum wage to $15 per hour. Even a phased-in approach to raising labor costs will have a harsh impact on small businesses, especially at a time when incoming revenues remain depressed and costs associated with operating during the pandemic are higher given the investment small firms are making in PPE, and other technologies to operate under shutdowns and in the "touchless economy."

Phasing in the federal minimum wage to $15 per hour, as included in the $1.9 trillion package moving through the House, would **cost 1.4 million jobs over the next four years**, according to a Congressional Budget Office (CBO) **report**. Yes, the report also notes that a share of workers will experience higher wages, but the cost is steep for the 1.4 million workers whose jobs will be wiped out as a result of the increase. Raising the minimum wage will have other deleterious consequences as well. According to CBO:

- "Higher wages would increase the cost to employers of producing goods and services."

- "Employers would pass some of those increased costs on to consumers in the form of higher prices, and those higher prices, in turn, would lead consumers to purchase fewer goods and services."

- "Young, less educated people would account for a disproportionate share of those reductions in employment."

A **February 2021 survey** by the National Restaurant Association found the initial phase of the wage hike ($7.25 to $9.50) and federal tipped wages ($2.13 to $4.95) would have a negative impact **on 82% of restaurants' ability to recover** (only 2% said it would have a positive effect).

After the wage is fully phased in to $15 and the tipped wage eliminated:

● Nearly all restaurant operators (98%) say they will increase menu prices as a result of the higher minimum wage levels.

● Eighty-four percent of restaurant operators say they will likely cut jobs and employee hours from normal levels, while 75% say they will cut employee benefits from normal levels.

● Sixty-five percent of operators say they will likely add equipment or technology that reduces the need for employees in their restaurant.

As I noted in **my recent House Small Business Committee testimony**:

"Some of the same difficult issues that small business owners endured during 2020 continue to challenge them in early 2021. Lost revenue is one of them. The Opportunity Insights Economic Tracker reported that small business revenue decreased 31.1% in 2020, and unfortunately there has not been much of a rebound to start the new year. According to the Census Bureau's **Small Business Pulse Survey**, 40% of small businesses experienced a decline in revenue during the first two weeks of January 2021. Only 5% saw an increase during the second week of January 2021."

At a time when small business owners are still struggling under lower revenue streams and tight cash, raising their labor costs would inflict a painful blow as they continue to dig out of their financial hole. According **to a new Goldman Sachs 10,000 Small Businesses Survey**, 50% of small business owners have dipped into their personal savings, and 58% have forgone paying themselves. **Only 11% are very confident they will be able to maintain payroll if no further government relief is needed**.

Small businesses continue to look for support and relief from their government, not new costs that will sink many and destroy jobs. Long term relief and policy stability is needed for Main Street businesses. Thank you for the opportunity to weigh in on this critical issue, and your support of small business America. Please feel free to contact SBE Council with questions or additional information.

Sincerely,

Karen Kerrigan
President & CEO

200 Lawyers Road NW ● Vienna, VA 22183
(703)-242-5840 ●www.sbecouncil.org ●@SBECouncil

Protecting Small Business, Promoting Entrepreneurship

Small Business Name: Sergio's Family Restaurants

Small Business Owner: Carlos Gazitua

Location: Miami, FL

Impact Story:

"As a small business restaurant owner that employees over 300 employees in South Florida, I can tell you this is not time right time during the pandemic to enact a $15 minimum wage policy. The Congressional Budget Office agrees announcing such an increase would eliminate up to 2.7 Million jobs. Everyone wants to help entry-level employees, but there are better alternatives than those proposed by Raise the Wage Act. A one-size-fits all-policy will only exacerbate pain for employers and employees. The result is an increase in prices, less benefits, and slashes to youth opportunities in our restaurants as technology replaces jobs.

The restaurant industry is the first career ladder for so many to work on their soft skills like customer service and hospitality. I've witnessed entry-level workers earn a wage increase within months on the job. Yet, those opportunities will go away if we create policy that adds extra fixed costs on an already razor-thin profit margin industry that has been shattered by COVID-19. Family-style sit-down restaurants that provide high quality reasonably priced meals are being unfairly targeted with this legislation as our industry is based on a tipping model. We employ 60-70 percent of our staff as tipped employees. Our servers prefer it because they can make well above the minimum wage. If the tip credit goes away, the industry will be forced to change its payment model, reduce hours, implement service charges, and reduce jobs. It's an unnecessary disruption to the model. Will other commission-based industries be next?

Now is the time to get our economy back on track. Now is the time to HELP not HURT restaurants. It is not the time to make bad policy that affects our employees, small businesses, and our community."

"I am Stephanie Figueroa. I own three restaurants in Florida called Fernandez the Bull. Fernandez the Bull is a family-owned restaurant since 1985 that features traditional Cuban cuisine with a unique flare. Our quality, consistency, and customer care have made our establishment one of Naples' most popular restaurants. Fernandez the Bull is more than just a small business—it is my American Dream. I started in the restaurant industry as a server, and I am now the proud owner of three restaurants. I employ 85 incredibly talented people throughout the South West Florida region. Some of these are career servers, some of these are entry-level students, and some of these people are single parents. All of them are like family.

When I think of my business, I beam with pride knowing how many opportunities my company has created. It has been a place where people have shared their grief over meals, celebrated victories over drinks, proposed to the love of their life, and so much more. I love to tell one story of one of my treasured employees who started as a dishwasher and worked his way up to being a manager. I think of the young people who have come here to work and learned customer service skills, problem-solving skills or realized that they had a passion for the management or culinary arts.

As many of you are aware, Florida passed a law last year to raise the minimum wage. As a proud citizen of the Sunshine Stae, I was thankful for the Florida Legislature members, like then Rep. Donalds and now Congressman Donalds, for vocalizing his concerns about increasing the minimum wage not only in Florida but throughout the nation. Although Floridians narrowly supported this measure to become state law, I will grateful the Congressman is using his platform as a Congressman to prevent the country from going down this disastrous path. As a business owner, I cannot stress enough how damaging this is. The reality is that I have to restructure how I do business, which means minimizing staff and entry-level workers. Unfortunately, as a business owner, I will have to hire based on how skilled people are rather than helping people build their skills. See, it isn't merely raising the minimum wage for my employees that costs me. All labor costs will go up. This action will have a flood of ramifications that will impact every aspect of my business, making my product more expensive, increasing vendors' costs, and ultimately falling on the consumer's laps the most.

A federal mandate of $15 per hour is unreasonable and out of touch, and it will shut down Main Street America. I would also like to add that many of my servers make more and sometimes double $15 per hour. This mandate would unintentionally cost my employees to lose income.

Small businesses are the backbone of their communities. They are the first jobs of many and the big dreams of some. I fear that Congress is not looking at this from a holistic view. Congress is missing out that while some Americans will find their wages rise to $15 per hour, other Americans will find themselves in unemployment lines. I believe I speak for many business owners when I say this; it isn't that we don't want to pay our employees $15 per hour; it is more-so the case that we cannot afford to pay them $15 per hour, and that means losing some of them."

54TH STREET

The Honorable Blaine Luetkemeyer
United States Representative
Missouri 3rd District

Dear Representative Luetkemeyer:

The Raise the Wage Act, if passed, will have disastrous consequences for my restaurant in your district – 54th Street Grill & Bar in Wentzville.

As the attached schedule indicates, presently our Wentzville restaurant does a robust $4.5 million in annual sales and generates a 7% pretax profit margin of $315,000. The Raise the Wage Act in its current form will increase wages and related payroll taxes by $740,230 so that this once profitable business will now incur an annual loss of $425,230.

A loss of this magnitude cannot be sustained. Our restaurant will be forced to significantly raise menu prices and reduce staff hours. The increase in the tipped wage will also leave servers and bartenders worse than before; their current compensation with tips included is far more than $15 per hour.

The Raise the Wage Act produces no winners. The customer is charged higher prices, employee compensation is decreased, and the business owner, assuming all the risk to create the jobs, is forced into a situation with no good alternative.

Thank you for your service to Missouri's third district. Please advise if there is any additional information that I can provide.

Sincerely yours,

Michael Norsworthy
Kellan Restaurant Management, Inc
d/b/a 54th Street Grill & Bar
mnorsworthy@krm-inc.com

February 24, 2021

Congresswoman Beth Van Duyne
United States Representative
24th District of Texas
3100 Olympus Blvd., Suite 440
Dallas, X 75019

Re: Notice of the Economic Impact to the Urban Air Adventure Park Franchise System as a result of Increasing the Minimum Wage to $15 per hour

Dear Congresswoman Van Duyne:

Thank you for the opportunity to be heard regarding the significant economic impact increasing the minimum wage to $15 per hour will have on the 154 small business who operate as Urban Air Adventure Park franchises and the employees who work for them. In summary, we request you oppose any increase in the minimum wage or, alternatively, support a scaled minimum wage increase capped at $10.00 per hour to include a new Youth Minimum Wage.

Urban Air recognizes the substantial impact all employees have on our business. Without employees, no business could operate or survive. However, raising the minimum wage while small businesses are trying to recover from the COVID-19 pandemic will likely tilt the scales such that a number of our Franchisees go out of business and thousands of employees will lose their jobs.

Currently, approximately twenty-five percent of our Franchisees are operating at break-even or at a loss. The reduction in gross revenue due to COVID-19 and the various reopening restrictions imposed by local and state governments are preventing our Franchisees from operating at full capacity and earning sufficient revenue to cover all expenses and payroll. If the minimum wage is increased to $15 per hour as proposed, the monthly payroll expense will nearly double and there is high likelihood these Franchisees will go out of business.

For example, we performed an analysis of our payroll expenses at our Southlake, Texas location assuming the proposed increase in minimum wage. After running a mock payroll for the 2021 calendar year, the result is the annual payroll increased by more than $350,000. This increase will eliminate the possibilty of any profit to the business and more than likely, cause the business to operate at a loss for the year. This small business simply cannot afford a significant increase in expenses, especially in light of the tremendous decrease in gross revenue due to COVID-19 and the corresponding operating restrictions. If this increase is imposed, this Urban Air location and other similarly situated Franchisees will be forced to cut back on staff, payroll hours, and find ways to do more with fewer employees.

Further, there will be an even large economic impact to the entire Urban Air franchise system if the minimum wage is increased as proposed. On average, our Franchisees pay approximately twenty percent of their gross revenue for payroll. In 2019, the systemwide revenue of all our Parks was approximately $250 million with payroll expenses of $50 million. If the minimum wage is increased as proposed, this will cause the payroll to nearly double systemwide with 40% of gross revenue being paid towards payroll. As

UATP Management, LLC | 2350 Airport Freeway, Suite 505, Bedford, Texas 76022 | stephen@urbanairparks.com

these franchisees cannot sustain this increase, they will be forced to increase prices to the consumer, lay off a number of employees, find ways to automate their businesses, and some, unfortunately, will be forced to close. This will undoubtedly result in the loss of thousands of jobs nationwide.

At Urban Air, we believe in providing minors with the opportunity accept their first job and develop long lasting life skills, which will help them grow personally and professionally. As a result, the majority of our workforce is under the age of 18. We believe if the minimum wage is increased, a new Youth Minimum Wage should be established. No less than 14 states already support the payment of a Youth Minimum Wage. For example, in Minnesota, employees under 18 years of age are paid $8.21 an hour, which is approximately 81% of the large-employer wage.

Minimum-wage rates

Provision	Amount as of Jan. 1, 2021
Large-employer wage	$10.08 an hour
Small-employer wage	$8.21 an hour
90-day training wage (under 20 years of age)	$8.21 an hour
Youth wage (under 18 years of age)	$8.21 an hour

The State of Minnesota, as well as all other states, recognize the value of employees under 18 years of age but also that since most minors reside with their parents, there is less need for a living wage. We believe it is appropriate to advocate for a Youth Minimum Wage for those employees under the age of 18. (As outlined by the State of Colorado, for those minors who are emancipated, they would receive the full minimum wage.)

For these reasons, we respectfully request you oppose the increase in minimum wage to $15 per hour. Alternatively, if the increase in minimum wage is imminent, then we request you support an increase capped at $10.00 per hour including a new Youth Minimum Wage for unemancipated persons under the age of 18 equal to 80% of the Federal minimum wage. Thank you for your consideration and for the tremendous work you do in Congress.

Very Truly Yours,

UATP MANAGEMENT, LLC
D/B/A URBAN AIR ADVENTURE PARKS

By: Stephen Polozola
Stephen Polozola, its General Counsel

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

February 23, 2021

The Honorable Nydia Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Dean Phillips
Chairman
Subcommittee on Oversight, Investigations, and Regulations
U.S. House of Representatives
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Beth Van Duyne
Ranking Member
Subcommittee on Oversight, Investigations, and Regulations
U.S. House of Representatives
Washington, DC 20515

Re: Perspectives from Main Street: Raising the Wage

Dear Chairwoman Velázquez, Chairman Phillips, Ranking Member Luetkemeyer, and Ranking Member Van Duyne:

I thank you for holding a hybrid hearing on how raising the federal minimum wage would affect small businesses. I ask that this statement be included in the Committees' official hearing record.

I am Ian MacLean, President and Owner of Highland Landscaping, LLC based in Southlake, Texas and I serve as Chair of the U.S. Chamber of Commerce's Small Business Council. 96% of Chamber member companies have fewer than 100 employees and 75% have fewer than 10. The Small Business Council works to ensure the views of small businesses are integrated into the Chamber's policy-making process.

While you are holding this hearing, the U.S. House of Representatives is preparing to pass legislation that would increase the federal minimum wage from $7.25 per hour to $15 per hour. The U.S. Chamber of Commerce opposes the $15 minimum wage hike because the mandate does not reflect a data-driven approach that incorporates wage-rate differences between business sectors and business locations.

Landscaping: Entry level jobs in my business, for instance, depend more on the price of oil than any other factor. When the price of oil goes down, low wage workers come to me for work. When the price of oil goes up, I have to pay our lowest earners higher salaries to keep them from leaving for jobs in the oil and gas sector.

Our lowest wage earners currently make $11 per hour. If the lowest wage earners are increased to $15 per hour, even through several steps, every one of my employees currently making $15 per hour or more would, justifiably, want their hourly rates increased commensurate with their skills, experience, and tenure above the new $15 per hour employees. Wages make up 51% of our Cost Of Goods Sold here at Highland Landscaping and hiking the minimum wage to $15 is a 36% increase. The effect of this on our gross margin is 18%, which means we are losing money at a gross margin level. That leaves not a single dollar to go towards overhead, much less any profit. Our market does not have the elasticity to pass this on to our customers. On one end, we are competing against one-truck operators who aren't a registered business, pay no insurance, pay their employees by the day, and operate out of their driveway. On the other end, we are competing against companies that have thousands of employees, millions of customers, and report revenues over $1 billion.

Before we started hearing about this Congress' plans to raise the federal minimum wage, we had already begun exploring solutions to growing wages in our industry such as Husqvarna robotic mowing systems and purchasing more machinery to do more of the labor work on the construction side. In order to mitigate the effects of a minimum wage hike, we would fast-track those solutions and eliminate most of our entry-level and less-skilled labor positions. Unfortunately, this would eliminate our ability to provide youth jobs, entry level jobs, and summer jobs. As a small business owner, I take great pride in creating and sustaining jobs for people who can then provide for their families. I believe most small business owners do as well. During the pandemic, I was able to create three new jobs. With news of a potential wage hike, I'm now making preparations to move in the opposite direction. "Small Business" is the biggest job creator in the United States, and the driving force of our economy. A wage hike to $15 per hour would cause small business owners like me to not only stop creating new jobs, but to eliminate jobs.

There are other small business owners who serve on the Chamber's Small Business Council and feel that Congress' current approach of raising the minimum wage to $15 per hour ignores the realities of running a small business where one-size-fits-all solutions generally miss the mark and can have horrible unintended consequences.

Restaurants: Jeff Good, President of Mangia Bene Restaurant Management Group in Jackson, Mississippi is thankful to have been able to reopen after COVID-19 shutdowns, is making ends meet while operating under limited seating and operational capacity, and never wants to furlough staff in his 3 restaurants again. While not averse to raising the minimum wage in Mississippi above its current $7.25 per hour, Jeff is concerned that the proposal being considered by the House of Representatives would eliminate the "FICA tax tip credit" wage that is the foundational labor cost underpinning to the entire full service restaurant industry.

At BRAVO!, his upscale Italian restaurant, waitstaff earn $2.13 an hour from the business, but earn $20 and $25 an hour in tips. Menu prices are able to stay reasonable, since the prime labor cost for the service function is manageable. Furthermore, the tip credit provides an additional important financial girder to the overall cost structure of his and all restaurants based on a full service model. Likewise, in Jeff's counter service restaurant, Broad Street Baking Company, employees earn a base tip-wage between $5-

$8 per hour. They pool and split proceeds from customer tips and total earnings for cashiers and food runners amount to $11-$12 per hour. Like any counter service operation, Broad Street would have to fundamentally restructure its business if the tipped wage paradigm were to be eliminated.

Jeff fears the loss of the FICA tax tip credit, heaped on top of all the financial damage caused by the last 11 months of the pandemic, would force operators like him to reduce staff head count and hours worked, increase menu prices to customers, and look to contract operations to ensure viability. Simply put, the upheaval of the core guiding financial structure that the dining industry has been built upon by increasing the tipped server minimum wage and eliminating the FICA tax tip credit at a time where the industry has shuttered over 110,000 restaurants due to COVID-19 could prove fatal to those that are hanging on by a thread.

Employees working for tips are incentivized to work hard to earn more tips from their customers. The reward for their hard work most often results in them earning more than $15 an hour. If mandated to earn that amount, in many cases they would end up earning less. Also, there is widespread concern that customer awareness of a higher directly paid minimum would lead to off-setting reductions in tips and leave the tipped worker no better off and possibly worse than before. This is why so many tipped workers oppose eliminating the tipped minimum wage.

Pet Care and Boarding: Craig Lambert, President of Creature Comforts Veterinary Resort and Suites in Inman, South Carolina echoes Mike's concern that a $15 minimum wage would prevent him from hiring part-time and college students. Craig currently has 34 employees and entry-level positions start between $9-$10 per hour. A wage hike to $15 per hour would force him to raise prices and cut some of his employees.

A higher minimum wage has the largest negative impact on the lowest-skilled workers. These tend to be the youngest, least-experienced workers as well. Businesses can only pay workers up to their productivity. If forced by government policy to pay more than workers' productivity, businesses would not hire those workers as they would be losing money. Because the least-experienced and least-skilled workers are usually younger, they are the ones that usually pay the toll for minimum wage increases. This is unfortunate because part-time jobs build skills that can help attain better jobs later in life. Entry-level jobs are needed to start a worker's ascent up the career ladder. If they cannot get on the ladder because the minimum wage cuts off the first rung, they may be prevented from climbing their way up the ladder to bigger and better jobs.

Local Economic Differences Make a $15 Federal Minimum Wage Impracticable:

The U.S. is a continental, economically diverse nation, which greatly complicates the imposition of a high uniform federal minimum wage. Typical [median] household incomes range from a high of $95,572 in Maryland to $44,787 in Mississippi. These differences are reflected in housing costs, taxes, electric utility costs, and many other costs of living. A $15 per hour for a 40 hour per week year-round job in Mississippi earning $31, 200 is over two thirds of the typical household income level in Mississippi and puts a two-earner household into a status significantly above the 50^{th} percentile. A similar comparison can be made for Louisiana (median $51,703), New Mexico ($53,133), West Virginia ($53,706), Arkansas ($54,539) or Kentucky (55,662). $31,200 per year is 20 percent above the continental U.S. poverty benchmark for a family of two adults and two children. What works in California and New York will not necessarily work in Mississippi or New Mexico because the local economies in these places vary so greatly. As a result, instead of one national labor market, one can view the U.S. labor market as a vast array of distinct but interconnected local markets.

The current situation allows many states (and localities) to tailor their minimum wage policies to be higher than the federal threshold to reflect local conditions. Minimum wage rates currently vary from the federal minimum that is effective at $7.25 in 20 states to $14 in California and $15 in Washington, D.C. 31 states have minimum wages above the current federal minimum but this would be eclipsed by the proposed new federal amount. A $15 hourlyu wage may seem low from the perspective of New York City or Washington, D.C., or San Francisco, but that wage is well above entry-level earnings in parts of the country where the cost of living is lower.

A higher minimum wage in a high-income, tech-heavy city like Seattle may not spell doom for small businesses there because they should have more latitude to pass the increased cost on to their customers. But that same latitude does not apply in Oxford, Mississippi.

Interestingly, Seattle's $15 minimum wage has had mixed results. Wages have gone up for many workers. But at the same time, employers have cut back on hours for low-skilled, less experienced workers so much that total pay for low-skilled workers has decreased in aggregate.[1] If Seattle is seeing a mixed result at best, what hope do lower income communities have if they are forced to pay their lowest-skilled workers $15 an hour?

Conclusion:

The U.S. Chamber of Commerce is not opposed to raising the minimum wage. However, the starting point should be hearings like this and not a partisan vote on the House floor with a "$15" moniker driven by political and not economically substantive arguments. My experience and the insight gained from my fellow Small Business Council members mirror the situations on Main Streets throughout the United States and Congress should approach the exercise of raising the federal minimum wage with that in mind.

The hearing today is a positive step towards Congress understanding the consequences raising the minimum wage would have on small businesses like mine. I am hopeful that

[1] *Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle*, Ekatarina Jardim, Mark C. Long, Robert Plotnick, Emma van Inwegen, Jacob Vigdor, Hilary Wething, National Bureau of Economic Research Working Paper 23532, (June 2017).

today's exploration will prompt an effort by Congress to utilize a data-driven method for establishing a federal wage floor upon which localities and states can build according to their situations. Above all, I hope that the findings of this Committee will re-focus attention towards ways to help communities to collectively lift America's economy out of the COVID-19 recession.

Sincerely,

Ian MacLean
Chair
U.S. Chamber of Commerce Small Business Council

Wesley Otto

Zanz Mexican Restaurant

The direct effects or raising the minimum wage is we would have to reduce staff by 20% and raise food prices by 25% to 30%. These are the things that we control other than adding some automation. Other costs will more than likely go up for our business, such as vendor prices, cleaning services and window washers.

We pay $1 an hour more than others ($11 an hour) which gives us a competitive advantage when finding and keeping employees. It will be harder to find employee's because they can't afford to pay $16 to get the advantage.

Raising the minimum wage will have a devastating effect on our business.