OPINION

A $15 minimum wage will crush small business

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A recent ad in the D.C. media captured one of the most concerning parts of the minimum wage debate. The message wasn't unusual – a call for Congress to more than double the federal minimum wage from $7.25 an hour to $15 an hour. What was noticeable was the advertiser – Amazon. On this critical issue, big business appears increasingly willing to sacrifice small business, and lawmakers should realize it.

A growing number of major corporations and their trade groups are backing the current legislative push to dramatically raise the federal minimum wage. President Biden has called for more than doubling the federal minimum wage to $15, and Congress is trying to mandate this massive increase in the upcoming pandemic relief package. It's framed as a matter of supporting workers, but while many big businesses are already paying $15 to all their workers, most small businesses cannot. Passing a wage hike right now would also worsen the pandemic trend of many big businesses thriving while millions of small businesses suffer.

Small businesses know a minimum wage hike is a guaranteed job killer. Congress's own Congressional Budget Office says a $15 minimum wage would lead to 1.4 million jobs lost. The consequences could actually be worse: In 2019, the NFIB Research Center found that a federal $15 minimum wage would kill 1.6 million jobs. More than 55% of the job losses would be at small businesses, and nearly 45% would be at the smallest firms.

Small business owners care about their employees. Employees are like family, and owners want to help them get ahead. But requiring small businesses to pay a wage they cannot afford is dangerous. That money has to come from somewhere, and on top of lost jobs and fewer hours, there would be less small business support for sponsorships, school music programs and local charity drives. For some small businesses, a more than doubling of labor costs would force them to shut down – a blow to Main Streets across the country.

The damage would be even greater after the financial difficulties created by the pandemic. Small businesses have been disproportionately harmed by one-size-fits-all government lockdowns. Hundreds of thousands have already closed forever. Those that have survived to this point are planning for difficult economic conditions in 2021. Mandy King, an NFIB member who runs a childcare center in Colorado recently summed up small businesses' fear of a minimum wage hike: "Please don't make it harder than it already is for small businesses like mine to stay open... there's only so much we can take!"

The story is different for big business. Many large corporations have done comparatively well during the pandemic – see companies like Amazon, Walmart, Target, and many more. Most had the resources to quickly adapt to lockdown life, while some had business models primed for success when families were forced to stay home. Amazon, for instance, made more profit in the first nine months of 2020 than it did in all of 2019. Contrast that number to the devastation in the small business economy.

Along with big business lobbying groups, many of these same companies are now actively supporting a minimum wage hike, or at least not opposing it. No wonder: They have the revenues and the scale to absorb a more than 100% increase in the federal wage floor. They also have more options to offset higher costs with layoffs, benefit cuts, and technology.

A lot of big businesses have already raised their minimum wage to $15. Amazon made this move in 2018, while companies like Target and Walmart have followed suit. Not only would a $15 federally mandated minimum wage not hurt them, it would crush some of their small business competitors. The path would be clear for even more market dominance of big businesses and Wall Street, gained at the expense of Main Street.

Is that really what Congress and the White House want? Small business is ready to lead America out from the terrible economic damage of the pandemic. Since the last economic crisis ended in 2009, small businesses have accounted for over 65% of net new private-sector job creation, and they employ nearly half of all private sector workers. Now is the time to build on that record, not stifle job growth where it is needed most. On the minimum wage, policymakers should listen to the small businesses that have the most to lose.

Brad Close is president of the National Federation of Independent Business.

Amazon made more profit in the first nine months of 2020 than it did in all of 2019, columnist Brad Close says. DAVID BECKER/GETTY IMAGES