Summary
In the U.S., states and cities are passing laws to increase the minimum wage, and small businesses are likely to feel it most. This paper examines:

• 4 factors driving the minimum wage law trend
• What do small business owners think?
• Pros and cons of increasing minimum wage for small businesses
• 4 ways small business owners can manage wage increases

Who should read this?
Small business owners who are:

• Interested in understanding the trend of minimum wage increases and how it could affect their business
• Operating in areas that are considering a wage increase law
• Looking to get in front of the minimum wage increase trend
4 Factors Driving the Minimum Wage Law Trend

States, cities and counties around the nation are increasing local minimum wage laws. It’s a trend that has employers wondering if, when, and how they’ll be affected. What’s driving this growing trend?

- **Proposed federal minimum wage increase has stalled.** In recent years, Congress stalled a proposed federal minimum wage increase. Instead of waiting for federal changes, cities and states are raising their own local minimums.¹

- **Wage increases boost local economies.** By increasing local minimum wage, cities and states can stimulate their economies while combating stagnant wages and income inequality.²

- **Proposed federal increase may not be enough.** In cities like San Francisco, Seattle and Chicago, the proposed federal increase wouldn’t support the local cost of living. Many larger cities have passed laws that raise the minimum wage to between $12 and $15 per hour.³

- **Workers are pushing for higher wages.** The Fight for $15 movement, started in New York City by 200 striking fast food employees, has become a nationwide movement, demanding higher wages and union rights for minimum wage workers.⁴

In a recent CareerBuilder survey, 64 percent of employers support minimum wage increases.⁵ While cities and states take minimum wage increases into their own hands, many employers see the need to increase wages as well.

What Do Small Business Owners Think?

According to a poll by Small Business Majority, 57 percent of small business owners supported a federal minimum wage increase and think it should be adjusted annually to reflect cost of living because, increasing wages:

- Boosts the economy, especially locally
- Encourages low-income consumers to spend more
- Drives up demand for small business goods and services

The world’s top economists agree—raising minimum wages can help small businesses since it gives more working families money to spend in their local economies. Reports show that wage increases have “little or no negative effect on the economy” since low-wage workers tend to spend their earnings. Economists acknowledge this could have a “small stimulative effect” on the U.S. economy.⁶
Pros and Cons for Small Businesses

Increasing minimum wage offers pros and cons to both small business owners and employees.

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<th>Pros</th>
<th>Cons</th>
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<td>A bigger talent pool exists to fill open positions since higher wages will attract more experienced or qualified candidates</td>
<td>Budgets have less room to hire or promote managers at higher hourly rates</td>
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<td>Businesses can hire fewer employees because employees are more skilled</td>
<td>Higher wages cause employers to prioritize skilled employees, shortchanging entry-level candidates</td>
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<td>Employers enjoy less turnover since fewer employees are less likely to job hop for better wages</td>
<td>Small businesses already paying higher wages may lose their competitive advantage as an employer of choice</td>
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<td>Small businesses creating new revenue streams to manage wage increases are finding more success than expected</td>
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4 Tips for Small Businesses to Manage Wage Increases

Whether you’re facing a minimum wage increase law or looking for a competitive advantage as an employer, here are four tips to help your small business manage a wage increase.⁸

- **Know your numbers.** Nail down your profit margins, cash flow, business plans and projections so you know what you can afford going forward.

- **Invest in employees.** Attract and hire the best people. This cuts down on turnover and repeat training, and boosts employee productivity and your profitability.

- **Automate.** Automating administrative tasks that you or employees currently manage can save money. For instance, a time and attendance system allows you to automate administrative tasks and optimize your labor costs.

- **Adjust pricing.** As wages increase, it’s reasonable to increase your prices accordingly. To avoid a price hike that scares off customers, do some competitive research to find your sweet spot.
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Attendance on Demand supports the labor management needs of thousands of companies and over three-quarters of a million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company’s risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, automating recordkeeping for labor law compliance and managing employee status and reporting for the Affordable Care Act. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.

References

3 Desilver, Drew. “5 Facts about the Minimum Wage.”