



For Immediate Release

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***ENZI: WAGE INCREASE MUST INCLUDE RELIEF FOR SMALL BUSINESSES***

**Washington, D.C.** – As the Senate continues to debate whether to include relief for small business as a part of a minimum wage increase, U.S. Senator Mike Enzi (R-Wyo.), Ranking Member of the Senate Health, Education, Labor and Pensions (HELP) Committee, today urged his colleagues to “consider the impact of our actions on the small business community that lives and breathes in the real world.”

“It will be the small businessman and woman who will be forced to come up with the additional funds to pay his or her workers the higher wage that we are mandating today. Those funds won’t come from a ‘money tree’ or some pot of gold at the end of the rainbow; they will come out of the pockets of our nation’s small business owners.

“The vote today was not a vote against the minimum wage. It was a vote for all the small businesses and working families. The Senate today sent a clear signal to Senate and House leaders that including small business relief with a minimum wage hike is an absolute necessity.

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**Statement of Senator Michael B. Enzi  
Regarding HR 2 and the  
Real Impact of Minimum Wage for Small Employers  
January 24, 2007**

Mr. President, we cannot leave the Floor today feeling better about having eased the financial strain for some of our nation’s workers, but, at the same time leaving their employers to wonder how to pay for the increases we have mandated. While we may have the best of intentions, we need to remember one simple rule – It’s not our money. Once again, we are reaching into the pockets of the small businessmen in our community and taking their money and telling them the amount of wages they will pay their employees – without regard for their talents and abilities. It’s a blanket increase that will warm the hearts of those who lack the skills for higher wage jobs – just as surely as it

leaves their employers out in the cold. Any increase in the minimum wage MUST be offset by a small business tax incentive package.

Raising the minimum wage to \$7.25 imposes a 41% increase in labor costs for a small employer with minimum wage workers. Every employer must face the very real issue of how he or she will deal with this increase in costs and still make payroll week after week.

Although this cartoon is humorous, these are very real and very difficult questions that impact our smallest employers most heavily. These increases must be paid for by employers, and money does not grow on trees. An employer must make hard decisions about how to meet these increased payroll obligations.

When costs go up, most businesses first look to cut expenses. The choices they have here can be very difficult. In order to meet higher mandated payroll costs, a small employer may be forced to consider cutting back on benefits such as health insurance, retirement and leave plans. It is simply too easy to forget that fringe benefits have a significant cost, and if a small employer must reduce expenses to meet payroll these costs may be the first to go.

Beyond cutting fringe benefits, small businesses may need to consider cutting back work hours, eliminating overtime, or laying off workers. Such actions are a traditional and often necessary response to meeting increased costs. Unfortunately, these actions ultimately hurt the very workers that a minimum wage increase is designed to help.

In a recent front page Washington Post article the owner of a discount store Kansas noted that while he felt a wage of \$7.25 seemed fair, he also noted that his profit margin was thin and that wages are his biggest controllable expense. If wages go up, he said, hours will have to come down, and the question will become: Whose? His stockman that works six hours a day and takes care of a wife who is blind and arthritic, or, or another worker who is ill and on the waiting list for an organ transplant and needs more hours, rather than fewer, or yet another employee who is 22 years old and pregnant. These are hard realities that will be faced by many small employers and those who work for them.

In a similar vein, when confronted by higher labor costs, employers will naturally gravitate toward filling positions with the most highly skilled, experienced and productive workers available. Once again, this phenomenon of replacing low skilled with high skilled workers in the face of rising labor costs winds up harming the very workers an increase in the minimum wage seeks to help. Minimum wage positions are very often the entry way into the world of work for those that lack skills and experience. Mandated increases in the minimum wage run the risk of closing that entry way to many. Yet another option employers must consider is automation as an alternative to a paid employee.

Beyond these cost-cutting measures of eliminating benefits, reducing hours, downsizing, laying off employees, and reducing low-skill and entry level employment, employers may also have to face the prospect of increasing the price for their goods and services.

Such increases drive inflation, and cause all consumers to ultimately pay the price of these mandates. The irony is that as the cost of these labor increases is passed through to consumers it effects everyone, including the minimum wage worker, whose recently increased wages are suddenly de-valued by the increased prices for goods and services that impact them as well.

In the same Washington Post article that I mentioned earlier, another small employer who owns two convenience stores noted that he simply does not have the option of cutting hours to meet his increased payroll burden. Instead, he noted, "I'm going to have to raise my prices".

I believe that almost all of us recognize these economic realities and that none of us want them to come about. It is for those precise reasons that the substitute amendment contains provisions designed to enable our smallest employers to meet the obligations imposed by a minimum wage increase without resorting to the difficult personnel choices or consumer price increases that I have noted.

Yesterday I spoke briefly about the fact that in legislating it is often important to find a third way. That third way is represented by the substitute amendment that was the product of extensive bipartisan support. Democrats and Republicans, working together, acknowledged the fact that mandated cost increases can have negative economic effects, and together we developed a means of addressing those concerns in the form of the bipartisan substitute amendment.

I would like to reiterate the bipartisan support for the small business tax incentive package. There are key Democrats leaders who have acknowledged the need for the package to offset any wage increase in order to not disenfranchise the employers and their workers. .

Let's not make this partisan now.

I urge my colleagues to continue to support the small business incentive package as a much needed offset to the increased federal wage.

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