

Minimum Wage Increase Would Kill Jobs and Hurt Kentucky Small Business

By Tod Griffin, Kentucky Retail Federation

Kentucky lawmakers are considering HB 1, a proposal to raise the minimum wage to \$10.10 per hour over a three-year period. Proponents of the measure cling to the myth that minimum wage increases are a way to address poverty. The sad truth is that a minimum wage increase fails miserably as an anti-poverty policy. In fact, increases in the minimum wage reduce jobs and job opportunities especially for young, minority and low-skilled workers. Study after study shows that minimum wage increases cost jobs and stifle job creation. But we don't need academic studies to know that. Common sense tells us that if you increase the cost of something, demand decreases. Raise the cost of gas and people buy less gas. Raise the cost of movie tickets and people go to fewer movies. Raise the cost of employing someone and employers will employ fewer workers.

This economic principle hits particularly hard among those who are already least able to find employment – the young, minorities and low skilled workers. Without entry-level opportunities these individuals have little chance of gaining work experience, on-the-job training and advancing to a higher paying job. Not having these opportunities will almost certainly destine these individuals to a life of poverty with little hope of escape. After all, the surest way to be poor is not to be able to get a job.

Kentucky's unemployment rate sits above 8 percent, higher than all of our surrounding states except Illinois. The youth unemployment rate is more than double that. The unemployment rate in some rural counties approaches 20 percent. It hardly seems prudent to pass legislation that will make this already bad situation worse. HB 1 should be titled "The Kentucky Job-Killing Act of 2014" because that's exactly what its passage would accomplish.

A second myth that proponents of HB 1 advance is that large corporations employ the bulk of minimum wage workers. Again, the truth is far from that. The vast majority of minimum wage workers do not work for large nationwide corporations. In fact about half work for businesses that employ fewer than 100 employees and roughly 40 percent work for very small businesses with fewer than 50 employees. These are the locally-owned independent hardware store, grocery store, and restaurant or service business. They are the backbone of Kentucky's economy and provide the state and local communities with not only jobs and tax revenues but access to a wide array of goods and services. And the jobs they provide run the whole gamut from entry level positions that allow young or unskilled workers to gain needed experience to skilled and management positions with much higher salaries.

Kentucky's small businesses are already at risk. The Commonwealth has yet to shake off the effects of the "great recession" and the small business community is still suffering. The impact of federal health care reform is just now being felt and small business owners are being faced with dramatically rising costs for health care insurance. Federal policies on coal have decimated the economy of Kentucky's coal-producing regions and small businesses are feeling the effect. In today's economy small business owners face single digit (or less) profit margins, extremely price-sensitive customers, and no room to absorb a substantial increase in the cost of labor. Increasing the minimum wage will only increase the headwinds small business owners face and for some will be the proverbial "straw that broke the camel's back." HB 1 could also be titled "The Kentucky Small Business Destruction Act of 2014" because its impact will make it even harder for small businesses to survive.

Tod Griffin is President of the Kentucky Retail Federation. The Kentucky Retail Federation is the "Voice of Retailing" throughout the Commonwealth, representing retailers of all types and sizes since 1939. From Main Street to the mall, retailers enhance Kentucky's communities and provide a better quality of life for Kentuckians everywhere. Kentucky's retail industry employs 380 thousand Kentuckians and pays more than \$9.3 billion in wages annually. Retailers collect over \$2.8 billion in state sales tax and pay millions in other taxes to state and local governments.