

RAISE *the* WAGE

FACT SHEET

The Small Business Case for Raising the Minimum Wage

Gradually increasing the federal minimum wage to \$15 by 2025 will mean more customers for small businesses across the country.

The historically low federal minimum wage hurts workers and their families, who are struggling to make ends meet, and threatens small businesses, which need customers to survive. Higher wages for low-wage and middle-income workers are essential for a strong, shared recovery from the COVID-19 pandemic, and raising the federal minimum wage is a powerful tool to deliver higher wages.

The ***Raise the Wage Act of 2021*** will gradually increase the federal minimum wage to \$15 by 2025, putting more money in the pockets of hardworking Americans who will spend that money in local businesses.

Gradually raising the minimum wage will stimulate local businesses by boosting consumer spending.

Businesses need customers to survive. Studies of past minimum wage increases, including those by the Federal Reserve, demonstrate that raising minimum wages leads to increased spending by workers and their families.

According to the Congressional Budget Office's recent analysis, gradually raising the minimum wage to \$15 an hour in 2025 will put a net \$333 billion in the pockets of low- and middle-income workers and families, who are most likely to spend that money in their local economies.

Gradually raising the minimum wage will result in reduced employee turnover and increased worker productivity, which will produce cost savings for small businesses that offset higher wage costs.

Research has shown a link between increases in the minimum wage and reductions in employee turnover, which can cost employers as much as [40 percent](#) of an individual employee's annual salary.

Businesses consistently report that increases in worker productivity and decreases in turnover help offset increased payroll costs.

Increased consumer spending and cost savings from gradually raising the minimum wage will allow small businesses to increase wages for their employees while maintaining their current workforce.

Recent high-quality analysis finds that moderate increases in the minimum wage have *little to no impact on employment and jobs*. For example, a [2021 study](#) published in the National Bureau of Economic Research examined the impact of 172 separate minimum wage increases implemented between 1979 and 2019, finding *no overall reduction in low-wage jobs*. An [analysis of the six cities](#) that have enacted minimum wage policies in the \$12 to \$15 range found no significant negative employment effects.

Small businesses can also absorb increased costs through slight price increases. A 2016 study of 884 restaurants following a 25 percent minimum wage increase found that restaurants absorbed higher labor costs by slightly increasing menu prices—1.45 percent on average.

Business owners across the country—small and large—have announced their support of the *Raise the Wage Act*.

Hundreds of businesses nationwide support raising the minimum wage to \$15 by 2025. A statement, [signed by nearly 500 business owners](#) including mom-and-pop small businesses, restaurants, large retailers, manufacturers and more, says: *“Raising the minimum wage is a powerful way to boost the economy because it puts money in the pockets of people who most need to spend it.”*