



Progressives Say Good Riddance to Businesses Who Can't Afford a \$15 Minimum Wage

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Fewer low wage businesses also means fewer job opportunities for low wage workers.

Certain progressives are becoming increasingly cavalier about the economic consequences of raising the federal minimum wage to \$15 an hour.

"They shouldn't be doing it by paying low wages. We don't want low-wage businesses," Rep. Ro Khanna (D-Calif.) said on CNN earlier this week when asked about whether hard-pressed small businesses would be able to absorb the mandated pay hike. "I think \$15 is very reasonable in this country."

Khanna's seemingly blasé acknowledgment that the Democrats' minimum wage proposal would force some small businesses to shut down sparked immediate criticism from conservatives. Khanna later clarified his remarks on Twitter by saying he thought a \$15 an hour federal minimum wage would be good for both workers and employers.

Nevertheless, other left-wing commenters approvingly tweeted out Khanna's original remarks, saying that forcing businesses who can't afford the new higher minimum wage to close would be a good thing.

That's a callous attitude to take towards small business owners in light of the difficulties they're already facing amid a pandemic and related public health restrictions. Given how many mom-and-pop operations would struggle to cope with a \$15 federal minimum wage, these commentators are writing off a huge number of existing businesses as essentially worthless.

Nationally, about a third of small businesses have closed since the start of the pandemic. Small business revenue is down by about the same amount.

The proposed \$15 an hour minimum wage, which the proposed Raise the Wage Act would phase in by 2025, is higher than the current median wage in Mississippi, notes Scott Lincicome of the Cato Institute. The figure is only a little less than the median wage in states like Arkansas, West Virginia, and Louisiana.

Making that median wage the new national floor would prove fatal for a huge number of employers in those lower-wage, lower-cost states.

And even if one isn't inclined to shed a tear for mom-and-pop businesses, it's not like the current lower-wage employees of those businesses would be made better off either. They'd stand to make \$0 an hour if their employer shuts down. And even if the business does survive, those employees still risk cuts to their hours or worsening working conditions.

That's what's playing out in Fresno, California, where the rollout of that state's \$15 an hour minimum wage law was the subject of a recent investigation by *The New York Times*.

As that story notes, Fresno, as a lower-wage, lower-cost area of a higher-wage, high-cost state, makes for a good case study on how the phase-in of a \$15 an hour federal minimum wage might work.

In January, California hiked its minimum wage to \$14 an hour. Businesses in Fresno, where the median wage is \$17 an hour, have responded by either raising prices, cutting staff, or both, the *Times* found.

The Congressional Budget Office estimates a \$15 an hour national minimum wage would cost 1.4 million people their jobs.

A similar story is playing out in West Coast cities that have passed hazard pay ordinances that require grocers to pay their employees an additional \$4 or \$5 an hour during the pandemic.

Some grocery store chains have responded by closing down poor-performing stores. Independent operators say they're being forced to operate in the red, and might not survive for much longer. According to a city staff analysis, a proposed \$5 an hour hazard pay proposal in Los Angeles would risk price hikes, job losses, store closures, and the creation of "food deserts."

Grocery stores are particularly sensitive to sudden increases in their labor costs given the typically tight margins those businesses operate on. That's true even during the pandemic when some grocery chains have reaped record profits.

Small businesses experiencing declining revenue during the pandemic would obviously be harder hit by sudden increases in their labor costs.

Even if one thinks it's fine for businesses that pay low wages to go extinct, their shuttering also means fewer job options for low-wage workers. There's no social justice in that.