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## Commentary

### 'LIVING WAGE' LAWS HURT SMALL BUSINESS



By Thomas J. Donohue, President and CEO, U.S. Chamber of Commerce  
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So-called "living wage" laws -- mandated minimum wages for towns or regions set higher than the federal or state minimum levels -- are sweeping the country and striking a blow to local economies and their small businesses.

Cheerleaders for these ill-conceived laws argue that the federal minimum wage is not enough for workers to support their families. But they ignore basic realities of how the labor market works and fail to mention that mandated living wage increases come at the expense not just of small business employers, but also of their employees.

According to the Small Business Administration, the small business sector is not just the nation's largest employer, but also provides the largest proportion of entry-level jobs in the workforce. By mandating pay at levels often double that of minimum wage, living wage ordinances threaten to bankrupt small business owners by driving up their costs and putting them at a competitive disadvantage with other businesses not subject to such laws.

Original living wage laws were directed at public employees and companies contracting with local municipalities, but the trend is increasingly in the direction of imposing the government ordinances on private employers. Clearly small companies are concerned with this trend, but these mandates are about protecting workers, right? Wrong.

Although they seem like a winning proposition for low income workers, studies show that these laws can have the opposite effect. That's because when labor costs rise, the new entry level jobs that would have been created never materialize; in effect creating a barrier to employment for the least-skilled and least-experienced trying to get jobs. Other employees are faced with cuts in on-the-job training for career advancement and employer-provided benefits -- in effect off-setting wage gains in the overall compensation package.

As a result, the better quality of life promised by living wage proponents never materializes for these victims and cause a drain on the local economy overall. That's why business groups are trying to educate the public about the hidden costs of these proposals.

The U.S. Chamber is launching an aggressive effort to oppose such legislation by joining forces with a broad-based coalition, the Coalition to Keep America Working (CKAW), to educate communities and policymakers about this issue. In addition to providing local business groups with information on the negative impact of living wage regulations, CKAW has facilitated efforts to pass state laws preempting living wage ordinances and to combat such mandates in the courts.

I encourage you to oppose living wage laws in your area.

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And, if you can, join us February 20 for "[Living Wage: What Business Groups Need to Know](#)" -- a forum Sponsored by the U.S. Chamber of Commerce, the Coalition to Keep America Working, and the National Restaurant Association.

### How You Can Help

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