

On Small Business Week, Consider The Consequences Of May Day Protester Demands

By: *Alfredo Ortiz*

Hundreds of thousands of Americans marched on May Day to protest for more business regulations like a \$15 minimum wage, among other demands.

Ironically, the protests coincided with National Small Business Week, an annual Small Business Administration celebration of the contributions made by the nation's 28 million small businesses, which would bear the brunt of the protesters' demands.

Roughly 85 million Americans depend on small businesses for their livelihood. Including their families, this number increases by tens of millions. Small businesses account for half of all existing jobs and two-thirds of new jobs.

But small businesses are struggling. More Americans now work for large employers of 2,500 employees or more than ever before. The number of new small business startups continues its steady decline. And the market-share growth of big businesses within almost all sectors has risen substantially at the expense of small businesses over the past decade or so.

While the protesters may have big corporations in their crosshairs, the labor regulations they agitate for would disproportionately hurt small businesses and add to their struggles. Small businesses usually lack the profit margins, human resources staff, and compliance infrastructure necessary to absorb these new regulations.

Consider the demand for a national \$15 minimum wage, which Sen. Bernie Sanders introduced last week in legislative form. Doubling the entry-level labor costs

is nearly impossible for those small businesses whose largest cost is labor. Given that these small businesses are also likely to have small profit margins – think restaurants, retailers, and other service-sector businesses – they will be forced to cut staff or close entirely to compensate, hurting the people activists intend to help.

But what about protesters' claim that businesses must pay "a living wage"? There's no question that living on the entry-level wage is difficult. But for the vast majority of employees, an entry-level job is just a starting point in the workforce where they can learn the skills necessary to quickly earn more. Two academic studies show that minimum wage workers get a raise within their first several months on the job.

To fight for a "living wage," protesters and policymakers should also protect entry-level opportunities from job-killing mandates. These entry-level jobs provide hard skills like basic accounting and inventory control as well as soft skills like customer service and time management. These are the skills employees need to get one of the millions of currently unfilled jobs in the country that pay roughly \$50,000 or more – a true living wage.

Rather than fighting to raise the wage floor, policymakers should fight to raise the ceiling. To get one of the millions of open jobs that pay \$50,000 or more like plumbers, electricians, and sales reps, people need to have skills – not just needs.

For the tiny fraction of those employees

who – likely through no fault of their own – cannot advance, the Earned Income Tax Credit, also known as the Working Americans Credit, supplements their income and provides them with effective minimum wages of \$10.

But putting another mandate on small businesses is not the answer to May Day marchers' demands. According to a new nationwide poll of small business owners conducted by the Job Creators Network, most respondents are already struggling under the weight of the current regulatory environment, preventing them from hiring and thriving.

This impact on small businesses is often overlooked by the media, policymakers, and even activists. Seemingly no major media coverage of May Day mentioned it. This is especially concerning during National Small Business week.

Fortunately, regulatory relief has begun to occur. President Donald Trump's executive order to require two regulations to be eliminated for every one created, among others, will lighten the regulatory burden on small businesses.

But much more needs to be done. The first step is admitting there is a problem. This means at the very least contextualizing activists' demands in the framework of their consequences on the nation's economic and job engine: small businesses.

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