



Wage Hike Means More Pain, Less Gain for Small Businesses and Workers **By Adam Weinberg and Dick Clark**

Martha Jenkins, owner of Lake Ridge Golf Course and Fairway's restaurant, is frightened at the prospect of an increase in Nebraska's minimum wage. Her story is one of many motivating the Platte Institute's release of a new policy report discussing the negative impact of raising Nebraska's minimum wage.

Jenkins is not the CEO of a mega-corporation. Instead, she is typical of the kind of small business owner whose operations will be negatively impacted by passage of Initiative 425, a proposal to increase Nebraska's minimum wage by 24 percent by 2016. Jenkins is in the trenches with her team of mostly part-time employees, helping customers, performing janitorial duties, busing tables, washing dishes and restaurant linens, and keeping the books.

"I'm here every day, from 6:30 in the morning to 9:00 at night. I probably average 100 hours a week here at the course," Martha said, noting that hiring more staff is a luxury her small seasonal profit margins haven't afforded her. Recently, Martha had to let her restaurant's dishwasher and table busser go — hats she now wears along with her other employees.

If voters approve a hike in Nebraska's minimum wage floor to \$9 an hour by 2016, Martha fears she will have to shoulder an even greater load just to keep her business running. The increased wage and tax costs of the hike would mean fewer hours to schedule for her employees, particularly in the course's golf shop.

"The money has to come from somewhere. Either I have to raise prices, or do more with fewer employees, or cut the work hours of the ones I already have. But any of those decisions just makes it harder to grow the business, give more people work, and keep our customers coming back so everyone can be paid," Martha said.

Martha Jenkins is not alone in her concerns. She is one of 301 Nebraska business owners who responded to an Employment Policies Institute survey on the impact of the proposed wage hike. More than 40 percent of business owners surveyed indicated work hours could be cut, and more than 60 percent said prices could be increased if Initiative 425 were to pass.

Pat Haines, also a survey respondent, is another entrepreneur who is worried about the proposed increase. Haines runs North Bowl, a bowling alley in North Omaha. Haines knows the

business well, in part because he spent his childhood years playing there. He likes giving young people in North Omaha a chance at their first jobs by bringing them on for part-time work at the bowling alley. Haines worries that he will not be able to make as many investments in young people with limited skills and experience if the minimum wage is raised to \$9 an hour. He also thinks that the increased labor costs will seriously impact his bottom line, forcing him to raise prices in a community that is sensitive to jumps in the cost of entertainment.

Gary Tharnish, the president of Burton & Tyrell's Flowers in Lincoln, expresses similar anxiety about the proposal to increase the minimum wage. Like Haines, Tharnish likes to hire young people seeking their first jobs and then train them to be productive workers. "I hire teenagers and then teach them," Tharnish explains. "Hopefully, at the end of three months they have learned enough to work at the shop. If they work out, they get a raise."

Tharnish says that opportunity might disappear if the minimum wage is ratcheted up to \$9 an hour. If that happens, he will have to stop investing so much time on inexperienced young workers and hire older workers who need less supervision. "If the minimum wage is increased I am simply going to look for adults who just want to work a few hours per week and forget about hiring teenagers."

All of these stories lead to the same conclusions: increasing the minimum wage will mean that workers have fewer chances to land a first job that will afford them vital work experience and help them make themselves more valuable to future employers. This phenomenon is easy to observe. According to 2013 Bureau of Labor Statistics figures, Washington, with a state minimum wage of over \$9 per hour and some local jurisdictions even higher, was burdened by a 28.6 percent youth unemployment rate, twice the 13.5 percent rate in Nebraska. California, with a high state minimum wage now over \$9 per hour and even higher minimums in locations like San Francisco, suffered from youth unemployment of 34.6 percent, three times the Nebraska rate.

It is experience and education that grow a worker's earning power, and government attempts to fix wages at rates higher than the market will bear must inevitably have consequences. Part of the problem, says Tharnish, is that the public figures pushing for the increase "have no idea what it takes to make a business succeed." If Nebraska voters choose to increase the state minimum wage, many young workers may not get a chance to find out either.

To learn more about the economic impact of raising the minimum wage, be sure to read the Platte Institute's October 2014 policy brief, ["Raising the Minimum Wage: Hurting Those Who Need Help the Most."](#)