



How Minimum Wage Hikes Will Affect Your Business

News

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The article, "How Minimum Wage Hikes Will Affect Your Business," featured on Wells Fargo's website, examined how minimum wage increases across the country will affect small businesses.

Large or small, minimum wage increases have significant implications for small businesses, said Brandy Cody. Supporters of minimum wage increases contend employees who make more money will spend more money, ultimately making small businesses more profitable. Critics, however, question whether small businesses have the resources to pay the higher wages while waiting to see if their business increases.

"Labor is the highest area of cost for any employer," Brandy said. "And many small businesses have a higher proportion of minimum wage employees than other companies because they may be newer, less profitable, and have narrower margins."

Here are a few changes you can make to offset an increased minimum wage:

- **Increase efficiencies:** Streamline and automate processes where possible, so your business can be more productive in less time.
- **Cut costs:** You may be able to free up additional capital for labor by reducing fixed expenses such as real estate, raw materials, and paid services. You might also consider reviewing tax opportunities, retiring extraneous products or services, or reducing your hours of business.
- **Adjust your labor force:** Assess your operations to optimize the right mix of full-time and part-time employees and contractors.
- **Slow your growth:** Before you make a new hire, open a new location, or add a new product line, make sure you can generate enough income to justify the added cost.
- **Seek additional capital:** A bank loan or revolving line of credit can give you needed working capital with which to cover labor costs, if you're eligible.

"The most common reaction to a sea change like what we're seeing in 2016 is inaction. Because it's hard to know what the best answer is or what you should do, some business owners will do nothing. That's a big mistake," said Brandy, who added noncompliance with new minimum wage laws can prove even more expensive than compliance thanks to wage and hour litigation. "Work with a team of qualified professionals — which should include a tax professional, a financial or small business

advisor, and an attorney who specializes in employment law — to guide you through these changes. To read the full article, please visit [Wells Fargo](#).

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