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Advice

How Small Employers Can Prepare for Minimum Wage Hikes

By Karen E. Klein | July 30, 2014

Ralph Askar already pays above minimum wage and provides health insurance for the eight employees of his two San Diego [Instant Imprints](#) stores. But if a city ordinance hiking the minimum wage [goes forward as expected](#), Askar figures he will have to boost his employees' wages as well—and raise prices to keep up.

And he isn't sure how his customers will respond. "We are afraid," he says. "Our payroll taxes will go up, and that's going to hurt. And we have smaller customers who probably would scale back their orders."

A controversial push to raise minimum wages, fueled by rising income inequality in the U.S., has resulted in recent increases along the West Coast and in cities such as Santa Fe, N.M., and Washington. Seattle's boost to \$15 an hour is the highest in the country. Most of the hikes have been incremental and allowed extra time for smaller, independent businesses to absorb them.

Preliminary data seem to [debunk](#) the long-held argument that increasing the minimum wage suppresses job growth, though even supporters acknowledge that it's too soon to gauge the full impact of the new laws.

But the movement [divides small business owners](#), many of whom, like Askar, worry about squeezed margins and customer backlash if they raise prices. Others say they already pay above minimum wage and don't object to raising hourly rates so their employees earn more and spend more in their neighborhoods.

That's Bob Puccini's attitude. He's chief executive of San Francisco-based [Puccini Group](#), which designs and operates restaurants inside hotels, hospitals, and cruise ships. "In San Francisco, the cost of living is too high for anyone to live on minimum wage," he says. "And in my experience, the majority of people making minimum wage are not teenagers. They're women trying to support a family. If we didn't pay them more, they would have to deal with food stamps and other government assistance that costs all taxpayers more in the long run."

Often it's possible to cover hourly wage increases by analyzing a restaurant's most popular menu items and increasing their prices by a few cents each—a move that dining customers may not even notice. As long as those items keep selling well, that revenue increase alone can pay for the higher wages, he says.

Patrice Rice, the founder and CEO of hospitality recruiting company Patrice & Associates, says she is advising her clients in areas where minimum wages are rising to get creative in response. Coming up with specials that boost the average customer check and bring in more traffic often works well, she says, because servers will appreciate the rising tips.

Restaurant operators can also analyze scheduling more closely and trim hours, using automated scheduling software if possible. “You can manage a larger payroll by analyzing peak days and times and not scheduling people on slower shifts,” Rice says. “You don't need three cooks, a sous chef, and an executive chef standing by if you don't have the volume to support that staffing level.”

Still, the minimum wage increases are going to be tough on many of her clients. “It's definitely a management challenge. A small business can't just write more checks and make less money and expect to stay in business,” she says.