



Alaska

March 24, 2009

The Honorable Bill Wielechowski
Alaska State Senate
State Capitol Building
Juneau, Alaska 99801-1182

RE: Committee Substitute for Senate Bill 1 (L&C)

Dear Senator Wielechowski,

On behalf of the National Federation of Independent Business/Alaska, I wish to express our continued opposition to Senate Bill 1. The National Federation of Independent Business/Alaska is the largest small-business advocacy group in Alaska.

We appreciate that the CPI adjustment has been removed from SB 1. That does resolve one major objection to the original bill. However, increasing the Alaska minimum wage by \$1.10 in this economic environment is not in the best interest of neither employees nor small businesses in Alaska. While NFIB/AK generally opposes any increase in the minimum wage, we do agree that it is appropriate to adjust the state minimum wage (\$7.15/hr) to the same level as the federal minimum wage (\$7.25/hr) beginning July 24, 2009.

The minimum wage is an entry-level wage and few remain at that level for an extended time. One study shows that most minimum wage jobs are not career jobs or are "tip eligible" positions. About two-thirds of minimum wage workers earned more than the minimum wage one year later. In the best longitudinal panel study of entry-level workers, only 14 percent earned less than \$1.00 above the minimum eight years later.

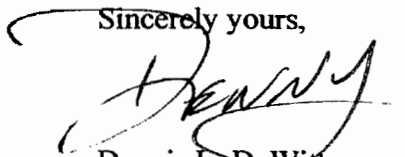
Minimum wage increases hurt small businesses two ways - both direct and indirect. The literature indicates employment losses of 2 percent to 6 percent for each 10 percent increase in the minimum wage. Mandatory wage increases leave small business owners with fewer choices in how to compensate their employees. To cope with minimum wage increases, in addition to job cuts, small business owners reduce hours, leave jobs vacant, reduce wage increases, increase prices where feasible, and take hits in the bottom line.

Mandatory wage increases hurt not only small businesses, but their employees as well. Big corporations do not have to absorb the cost because most minimum-wage jobs are offered by small businesses. Government manipulation of the starting wage has failed

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as tool of social and/or economic justice. It has not been proven to reduce poverty or narrow the income gap and puts a stranglehold on Alaska's top job creators: small businesses. The overwhelming majority of economists continue to affirm the job-killing nature of mandatory wage increases. Mandatory minimum-wage increases end up reducing employment levels for those people with the lowest skills.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Dennis L. DeWitt", with a large, sweeping flourish extending from the end of the signature.

Dennis L. DeWitt
Alaska State Lobbyist
National Federation of Independent Business

 Cc: Senator Finance Committee