



555 12th Street NW, Suite 1001
Washington, D.C. 20004

1-800-552-5342
NFIB.com

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The Honorable Adam Smith
House Committee on Armed Services
U.S. House of Representatives
2216 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Mike Rogers
House Committee on Armed Services
U.S. House of Representatives
2216 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Smith and Ranking Member Rogers:

On behalf of NFIB, the nation's leading small business advocacy organization, I write in opposition to the Norcross amendment to the National Defense Authorization Act for 2023. This amendment would codify the Department of Labor's (DOL), Wage and Hour Division's rule entitled "Increasing the Minimum Wage for Federal Contractors."

DOL's rule increased the federal minimum wage to \$15 per hour starting on January 1, 2022, for procurement contracts and will increase the federal minimum wage to \$15 per hour on January 1, 2023, for non-procurement contracts, with annual increases thereafter as designated by the Secretary of Labor.

Increasing the federal minimum wage to \$15 per hour and indexing it for inflation will hurt small businesses and make them less competitive in offering services and contracts to the U.S. government and will kill jobs. Because the demand for the goods and services of small businesses generally is elastic (that is, increases in prices generate a corresponding reduction in demand, cutting sales), small businesses for the most part cannot pass along, through price hikes, to consumers (including the government as a consumer) the increases in labor costs mandated by the government.

In a free market, a small business allocating its limited money to pay for the labor it needs could choose between paying less money to more workers (creating jobs) or paying more money to fewer workers (cutting jobs). But, for many small businesses that do business with the federal government, the rule fixing a minimum labor price in the market would leave the business, in allocating that limited money to pay for labor, with little choice but to

pay more money to fewer workers, cutting jobs.¹ The Small Business Administration's Office of Advocacy shared NFIB's concerns about potential harm to small businesses.²

Last year, there was an effort to include such a provision, but it was ultimately rejected by the bicameral conference committee before the final consideration of NDAA for Fiscal Year 2022. The Biden Administration's federal contractor minimum wage proposal is a problematic policy for small businesses and should not be codified in this legislation.

Sincerely,



Kevin Kuhlman
Vice President, Federal Government Relations
NFIB

¹ "In analyzing the effect of a \$15 minimum wage on the entire United States economy, NFIB research shows the related Raise the Wage Act would result in the loss of 6 million jobs and produce a cumulative U.S. real output loss of more than \$2 trillion." Michael J. Chow & Paul S. Bettencourt, *Economic Effects of Enacting the Raise the Wage Act on Small Businesses and the U.S. Economy*, Jan. 25, 2019, https://www.nfib.com/assets/NFIB_BSIM_RAISETHEWAGEACT-1.pdf.

² "Advocacy is concerned that this proposed rule will result in extreme financial hardship for affected small businesses that are not normally considered government contractors, such as concessionaries, lease holders, and seasonal recreational businesses who have contracts and permits on Federal property or lands. Many of these small businesses will be unable to pass on these increased wage costs to the federal government like traditional federal contractors." Major J. Clark III and Janis Reyes, August 27, 2021, <https://cdn.advocacy.sba.gov/wp-content/uploads/2021/08/30122849/Advocacy-Comment-Letter-Minimum-Wage-For-Federal-Contractors.pdf>.