



PENNSYLVANIA

May 5, 2015

Chairwoman Baker, Chairwoman Tartaglione, and members of the committee, thank you for the opportunity to testify today regarding the impacts of raising the minimum wage. My name is Neal Leshner and I am the Legislative Director for the National Federation of Independent Business (NFIB) in Pennsylvania.

The NFIB is Pennsylvania's leading small business organization representing nearly 15,000 small- and independent businesses in the Commonwealth and roughly 350,000 nationwide.

Like most government mandates on business, raising the minimum wage will have a deep and disproportionate impact on the small-business sector because small businesses are the least able to absorb such a dramatic increase in their labor costs. A large amount of small business earnings go directly to pay for operating expenses, such as equipment, supplies, property costs, inventory and employee wages and benefits. Increasing labor costs does not incentivize growth or hiring, but instead creates incentives for employers to find ways to use less labor.

A study released last year by NFIB's Research Foundation analyzed the potential economic impacts of raising the minimum wage in Pennsylvania and forecasted the loss of as many as 28,000 to 119,000 jobs over a ten year period if the wage is increased to \$8.75 or \$9.00, as those increases are tied to cost-of-living increase. An increase to \$10.10 would result in even higher job losses. The report uses a widely accepted regional economic model that is also used by the federal government, local governments and universities created by REMI, Inc. This research is supported by the findings of the non-partisan Congressional Budget Office (CBO), which found that raising the minimum wage to \$10.10 nationally would result in a loss of 500,000 jobs nationally.

Those most disadvantaged by increasing the minimum wage are teenagers and the unemployed. Increasing the minimum wage prices low skill workers out of the job market, particularly youth, robbing them of the experience of a first job where basic job skills are often learned. Numerous studies have shown the negative impact that higher wage floors have on teen employment. One recent analysis from economist Stephen Moore found that from 2009-13, in the eight states that had a minimum wage higher than \$8, the labor force participation rate was 4 percentage points lower and the teen unemployment rate was 6 percentage points higher than the states at the federal level.¹

It is important to understand who is earning minimum wage in Pennsylvania. According to the most recent report of the Pennsylvania Minimum Wage Advisory Board, 60 percent live in a household with income over \$40,000 annually and 31 percent live in a household with income above \$75,000 annually. The majority, 53 percent, are under the age of 25 and 30 percent are under the age of 20. The vast majority, 82 percent, have no children and 77 percent work part-time.

¹ Stephen Moore "Young Workers Hurt Most by Minimum Wage Hikes." 1/6/2015

The same statistics hold true for those earning near minimum wage, which the report defines as within \$2 of the minimum wage. According to the report, 59 percent live in a household with income over \$40,000 annually and 27 percent live in a household with income above \$75,000 annually. Over 41 percent are under the age of 25 and 19 percent are under the age of 20. The majority, 76 percent, have no children and 61 percent work part-time.

Setting a higher wage floor is not an effective policy to combat poverty. While it would benefit some who are able to keep their job, it comes at a cost to others who are unable to work and through higher prices. As NFIB's chief economist, Bill Dunkelberg, put it "As a poverty program, raising the minimum wage is like killing flies with a shotgun, not very well targeted. About 60% of the officially poor don't work, so the only thing raising the minimum wage does for them is to make it harder for them to get a job..."²

There are better policy priorities that we believe the legislature should focus on to improve economic outcomes for all Pennsylvanians.

First, the legislature should ensure that appropriate education and job training opportunities are available for those who seek better employment. We know that there a good, family sustaining, jobs available where employers are struggling to find applicants with the proper training. In NFIB's March 2015 Jobs Report, 42 percent of respondents reported few or no qualified applicants for positions they were trying to fill.³ A release from the Department of Labor and Industry late last year also noted that, "JobGateway® consistently averages more than 200,000 job openings at any given time. The average annual salary of the occupations with open positions in JobGateway® is approximately \$47,000."⁴

Second, the legislature may consider more targeted means of lifting the working poor out of poverty. One example would be through an Earned Income Tax Credit which would better target families in poverty and incentivizes work.

Lastly, the legislature should focus on improving the small-business climate in Pennsylvania. Recent proposals to increase the Personal Income Tax (PIT) and Sales Tax would have a devastating impact on our small-business economy. Eighty-percent of the businesses in Pennsylvania report their earnings on the owner's personal return. Any increase in the PIT is a direct tax increase on small business. It also means fewer dollars would be available to increase employee wages.

The small-business sector has historically created two-thirds of net new private jobs. But it has struggled in recent years because of a series of policies that increase the burden on small-business owners—higher taxes, increases to health-care costs, more costly regulations, government mandates such as paid sick leave, and now the minimum wage increase proposal.

Thank you again for the opportunity to testify today.

² <http://www.forbes.com/sites/williamdunkelberg/2012/12/31/why-raising-the-minimum-wage-kills-jobs/>

³ <http://www.nfib.com/foundations/research-foundation/monthly-reports/jobs-report/>

⁴ <http://www.pa.gov/Pages/NewsDetails.aspx?agency=Governors%20Office&item=16099#.VULqZNK1FM>