**Greater Lehigh Valley Chamber of Commerce**

**Minimum Wage Policy**

**Update 6.27.16**

The Chamber supports the concepts of fair compensation for all employees, offered in a free market environment with businesses not overly burdened by government regulations and legislation. To the extent that increases in the minimum wage are implemented, the Chamber supports increases that are methodically planned in a logical, predictable, and transparent manner and are fair to both employers and employees.

As of January 2016, 28 states and the District of Columbia currently have a minimum wage higher than the federal minimum wage.1 Some states have tied their wage increases to cost of living indices. Currently, 12 states increase the minimum wage based on the Consumer Price index or other economic indicators. Four more states and the District of Columbia will implement this method within the next five years. 2  77% of Americans surveyed in January 2016 supported increasing the federal minimum wage, including 53% of registered Republicans.3

Independent reviews and evidence continue to suggest, however, that raising the federal minimum dramatically could have devastating effects on employment and the economy. Furthermore, the Chamber believes a standardized minimum wage rate set at an elevated rate defeats the purpose of a standardized “floor” for wage payment. Workers in the Commonwealth of Pennsylvania work in economically diverse locales and, therefore, should be compensated at rates commensurate with the financial standards of their local community. Setting a bar above a basic “floor” or primary rate creates harm on an ad hoc basis for more rural and/or economically challenged parts of the Commonwealth. As currently organized, urban areas can raise their local minimum wage rate by city ordinance, but, rural areas are disempowered from lowering the minimum wage rate if too high for the maintenance of the community.

Therefore, the Chamber supports an approach that sets a fair standard for employees, provides a manageable framework for business, and removes political influence going forward:

* An increase in the minimum wage to $9.25 effective January 2017 subject to existing exemptions included in applicable federal and state laws and regulations such as those related to wages for students or employees of amusement or recreational establishments.
* Application of the CPI-W index (the same index used to determine annual Social Security benefit increases) to make annual changes thereafter.
  + If the CPI-W index were to be negative in any given year, there would be no increase in the minimum wage in the following year.
  + A cap of three percent in any given year, calculated on a 20-year rolling average, be instituted in order to capture fluctuations in a manner that works for business owners while protecting employees.
* Implementation of a tiered regional minimum wage structure which specifies in a thoughtful manner different rates based on the socio-economic circumstances of the area in question, with the $9.25 minimum wage recommendation herein targeted for the Lehigh Valley region, and adjusted as necessary for other areas of the state, taking into account regional economic variances.

While this change would increase business costs, it would be far more manageable for businesses and be more fair to employees over the long term by providing a set framework for minimum wage compensation that is outside of political influence.

We believe our proposal would result in fewer job losses than other, more severe proposals. For example, the Congressional Budget Office estimates that the $10.10 per hour federal proposal would result in the loss of 500,000 jobs nationwide by 2016.5 Some models suggest that increases in minimum wage would result in the loss of 28,000 to 119,000 Pennsylvania jobs over 10 years.6 Our membership is also concerned that increases would encourage off-shore outsourcing, push the automation/ elimination of lower income workers’ jobs, and would eliminate opportunities for our young citizens to gain valuable work experience in their formative years.

Two pieces of legislation in the U.S. Senate propose phased-in increases with a starting minimum lower than $9.25. One, S. 1150, amends the Fair Labor Standards Act to raise the minimum wage to $8.00 the first year, with $1 an hour increases for the next four years. The second, S. 1832, the Raise the Wage Act, raises the wage to $9.00 per hour the first year, then $10.50 the second year, $12.00 the third year, $13.50 the fourth and $15.00 the fifth. Both, however, give the Secretary of Labor the power to raise the federal minimum wage after the phase-ins are completed. We believe this would continue the arbitrary and politically-influenced aspects of the current system that we are seeking to eliminate.

The Chamber believes that workforce development is the key to preparing employees to earn higher than minimum wages. Many of the Chamber’s efforts, such as its partnership with the Workforce Development Board, focus on assuring that the Lehigh Valley has a workforce trained and educated to meet the needs of its businesses while providing a fair living for employees. Employers are motivated to increase wages to attract and retain productive workers consistent with market-driven demands.

Data shows that out of the approximately 6,000,000 workers in Pennsylvania only 2.6% (157,000) are paid minimum wage or less, with an additional 15% making between $7.25 and $9.25.7 Of the group of Pennsylvania workers making minimum wage or less:

* 77% (120,890) work part time
* 82% (128,739) have no children
* 53% (83,210) are under 24 years old
* 54% (84,780) work in food preparation and serving-related occupations; and approximately 13%(20,410) in sales or related occupations
* 61% (95,770) have a high school diploma or less; 31% (48,670) have some college or an associates degree; and 8% (12,560) have at least a bachelor’s degree
* 74% (116,180) are female
* 79% (124,030) are white8

Further, considering the information above, The Chamber supports actions that:

* Provide predictable and transparent minimum wage decisions that recognize the significant regional variances in the cost of living.
* Link increases in minimum wage to the CPI-W, capped at 3% based on a 20-year rolling average.
* Do not reduce the minimum wage in the event that any annual index drops.
* Increase opportunities for younger workers to be exposed to the marketplace through education and expansion of existing programs with greater flexibility for employers.
* Decrease unemployment by encouraging education and training that assists lower or unskilled workers to find good jobs, including retraining for specific skills in demand.

The Chamber opposes actions that:

* Establish irregular, unpredictable, or politically-motivated increases to the minimum wage.
* Raise the minimum wage rate in large increments that risk disrupting the market pay rates for semi-skilled and skilled labor.
* Risk increasing dependence on government or social financial programs.
* May increase unemployment through an overall loss in jobs caused by higher payroll costs.
* Might raise prices, thereby increasing the cost of living.

*1National Conference of State Legislatures, January 2016*

*2National Conference of State Legislatures, January 2016*

*3Hart Research Poll, January, 20164*

*4Congressional Budget Office, The Effects of a Minimum-Wage Increase on Employment and Family Income, February 2014*

*5NFIB Research Foundation Report, 2014*

6*PA Department of Labor and Industry Analysis of the PA Minimum Wage in 2014*

7*PA Department of Labor and Industry Analysis of the PA Minimum Wage in 2014*

Committee process/votes

5/21/14 –Discussed at Public Policy Committee meeting

6/12/14 – Revised based on Public Policy Committee discussion

6/18/14—Public Policy Committee to review revised version

9/18/14—Revised at subcommittee meeting

9/24/14—Reviewed at Public Policy Committee meeting

10/9/14—Revised at subcommittee meeting

10/15/14—Discussed at Public Policy meeting

11/5/14—Revised at subcommittee meeting

11/21/14—Reviewed and revised at public policy meeting

12/11/14—Revised at subcommittee meeting

1/21/15—Revised at subcommittee meeting

2/4/15—Public Policy Committee voted to approve draft and send to Exec Committee

2/9/15—Executive Committee voted unanimously to approve draft and send to Board of Governors

2/23/15—FINAL--Board of Governors approved Min Wage Policy (draft 14 as final)

4/20/16---PP Chair called for the Minimum Wage Subcommittee to re-engage to discuss updating the policy

5/3/16—meeting of the re-engaged Minimum Wage Subcommittee for discussion on policy

5/12/16---requested research completed

5/24/16 – updated draft sent to members for comments

5/25/16 – member comments included into redraft

6/2/16—individual discussion with members and new version created by JH & JS--sent to committee

6/2-6/9—member changes debated via email, new version created

6/10/16—Min wage Subcommittee meeting: changes, discussion, voted to move to PP

6/13/16—J.Hayes discusses w/Executive Committee; sent to PP for review prior to PP meeting 6/15

6/15/16---Public Policy voted 17 yay/2 nay/1 abstention

6/20/16---distributed to Exec Committee for vote

6/23/16---Exec voted YAY unanimously, distributed to BOG for review and 6/27 vote

6/27---FINAL--Board of Governors approved Min Wage Policy