

## **Greater Lehigh Valley Chamber of Commerce Minimum Wage Policy**

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 2019, 29 states and the District of Columbia currently have a minimum wage higher than the federal minimum wage.<sup>1</sup> 8 states began the New Year automatically increasing their rates based on the cost of living, while 10 states increased their rates due to previously approved legislation or ballot initiatives.<sup>2</sup> 74% of Americans, including 58% of Republicans and 89% Democrats, surveyed in May 2017 supported increasing the federal minimum wage from \$7.25 to \$9.00 over the course of two years.<sup>3</sup>

Of the 29 states and the District of Columbia with minimum wage rates above the federal rate, 9 currently have no scheduled increases beyond 2019, 3 states have legislatively scheduled rate increases after 2019, and 17 states and the District of Columbia have scheduled increases through a combination of planned increases and current- or future-year indexation of state minimum wage rates to a measure of inflation.<sup>4</sup>

President Obama signed an Executive Order on February 12, 2014 to raise the hourly minimum wage paid by contractors to workers performing work on covered Federal contracts to \$10.10 per hour, beginning January 1, 2015.<sup>5</sup> On June 28, 2018, Governor Wolf signed an Executive Order that increases pay for employees under the governor's jurisdiction to no less than \$12 an hour on July 1, 2018 and raises the wage by 50 cents a year until reaching at least \$15 per hour in 2024.<sup>6</sup>

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 \$9.50 effective July 2019 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 \$9.50 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. According to a 2016 report by the Heritage Foundation, raising the minimum wage to \$15.00 would result in a loss of 349,000 Pennsylvania jobs by 2021.<sup>7</sup> Pennsylvania's Independent Fiscal Office released a report last year stating a \$12 minimum wage would result in the loss of 33,000 jobs in the state.<sup>8</sup>

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.

In his 2019-2020 budget address, Governor Tom Wolf proposed increasing the minimum wage to \$12 per hour on July 1, 2019, with \$0.50 increases annually until the minimum wage reaches \$15 per hour on July 1, 2025. Wolf's administration says a \$12 per hour minimum wage would save the Commonwealth \$36 million in General Fund dollars in the 2019-20 Budget because fewer people would rely on government services. The savings would increase to nearly \$120 million in the 2020-21 fiscal year. The proposal also would eliminate the minimum wage for tipped workers that has been set at \$2.83 an hour for 21 years.<sup>9</sup>

Two pieces of legislation, one in the State House with companion legislation in the State Senate, have been laid on the table in response to Governor Wolf's budget address but have not yet been introduced. Both would raise the minimum wage to \$12 per hour and will continue to increase each year until it reaches \$15 per hour, then will be tied to the Consumer Price Index. In addition, both bills would set the tipped minimum wage to the same level.

House Bill 184 would raise Pennsylvania's tipped minimum wage to equal the general minimum wage of \$7.25. House Bill 405 would raise Pennsylvania's minimum wage to \$9.50 per hour sixty days after enactment, with \$0.1875 increases every two months for two years. After the two-year period, the minimum wage would be increased by an annual cost-of-living adjustment calculated by the Secretary of Labor and Industry.

Other pieces of legislation that have not yet been formally introduced include a proposal to increase the minimum wage to \$15 per hour by January 1, 2020 and would increase the tipped wage to \$4.50 per hour. Lastly, the bill will increase the minimum wage annually based on the Consumer Price Index. Also, a House Resolution urging Congress to raise minimum wage to \$15 per hour.

On the federal level, H.R. 582, also known as Raise the Wage Act, would increase the federal minimum wage for employees over a six-year period. This Act shall take effect on the first day of

the third month that begins after the date of enactment. In the first year (2019), the federal minimum wage will increase from \$7.25 to \$8.55 per hour. One year after the effective date, the minimum wage will increase by \$1.30 to \$9.85; two years after the effective date it will increase by \$1.30 to \$11.15; three years after the effective date, it will increase by \$1.30 to \$12.45; four years after the effective date, it will increase by \$1.30 to \$13.75; and five years after the effective date, the minimum wage will increase by \$1.25 to \$15.00. Six years after the effective date, the minimum wage will be indexed to median wages.

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.

In 2017, 80.4 million workers age 16 and older in the United States were paid at hourly rates, representing 58.3% of all wage and salary workers. Among those paid by the hour, 542,000 workers earned exactly the prevailing federal minimum wage of \$7.25 per hour. About 1.3 million had wages below the federal minimum, according to the Bureau of Labor Statistics.<sup>10</sup>

Out of the 3,416,000 workers paid hourly rates in Pennsylvania in 2018, approximately 42,500 earned exactly the prevailing federal minimum wage of \$7.25 per hour, while 64,000 earned less.<sup>12</sup> Of the 106,000 workers earning the federal minimum wage or less in Pennsylvania in 2017, 66,000, or 62.3%, were women. These women represented 3.8% of all women paid hourly rates in the state. There were 40,000 men earning the minimum wage or less in Pennsylvania, accounting for 2.4% of all men paid hourly rates in the state.<sup>13</sup>

Of the group of Pennsylvania workers making minimum wage or less:

- 23% work full time (nationally, 55%)
- 82% (128,739) have no children
- 53% (83,210) are under 24 years old (national average age 37)<sup>14</sup>
- 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 associate's degree; and 8% (12,560) have at least a bachelor's degree
- 74% (116,180) are female (national rate 60%)
- 79% (124,030) are white

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.

<sup>1</sup> National Conference of State Legislatures, January 2019

<sup>2</sup> National Conference of State Legislatures, January 2019

<sup>3</sup> University of Maryland Program for Public Consultation (PPC), Americans Support Greater Federal Efforts to Reduce Poverty, June 2017

<sup>4</sup> Congressional Research Service, State Minimum Wages: An Overview, January 2019

<sup>5</sup> Executive Order Minimum Wage for Contractors, February 2014

<sup>6</sup> Governor Wolf Raises the Minimum Wage for Commonwealth Workers, June 2018

<sup>7</sup> The Heritage Foundation, August 2016

<sup>8</sup> Independent Fiscal Office, Analysis of Revenue Proposals, April 2018

<sup>9</sup> Executive Budget in Brief 2019-2020

<sup>10</sup> Bureau of Labor Statistics, March 2018

<sup>11</sup> Pennsylvania Budget and Policy Center, June 2019

<sup>12</sup> Bureau of Labor Statistics, March 2019—added 8/1/19

<sup>13</sup> Bureau of Labor Statistics, August 2018

<sup>14</sup> Economic Policy Institute, 2017