OPINION COLUMN

PA Chamber™ of Business and Industry

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Employer Feedback, IFO Report Further Highlight the Negative Consequences of Government Mandated Wage Increases

As I noted in last month's column, one aspect of Gov. Tom Wolf's budget proposal that is concerning to the PA Chamber is an aggressive plan to increase Pennsylvania's minimum wage to $12 in July – which represents 65 percent increase over the current rate – and incrementally increase it to $15 by 2025. Additionally, the plan calls for elimination of the tipped wage – which means many of the Commonwealth's restaurants would have only a few months to determine how to account for an immediate increase in entry level wages by 235 percent and by over 500 percent in just a few years.

In the weeks since the governor's budget address, we've heard from small business owners across the Commonwealth that this aggressive proposal would have a negative impact on their companies. Responses have ranged from being forced to reduce employee hours to not being able to hire additional workers to, in some cases, having to close as a result of the steep increase in operating costs. This feedback mirrors the findings of countless independent studies.

A recent analysis by the state's Independent Fiscal Office, which was released in late March, found that a $12 hourly rate would result in the loss of 34,000 jobs throughout the Commonwealth. The report also found that some employees would see a reduction in hours; consumers would see some price increases on the costs of goods and that businesses would have less money to reinvest into operations.

A Congressional Budget Office report also found that mandated wage hikes would lead to job loss. That study concluded that an increase to $10.10 an hour would result in the loss of 500,000 to 1 million jobs nationwide. Studies from other states have also found that mandated wage hikes have negative impacts on employment. In Seattle – where the minimum wage was increased to $13 an hour, a report from the University of Washington found that there has been a *reduction* in average take-home pay for low wage workers.

Another factor to consider is the impact that higher labor costs would have on youth employment. Following the 2007 federal minimum wage increase, a *Philadelphia Inquirer* article stated "with the minimum wage increase making it difficult for businesses to hire, an estimated 1,100 young people would not be able to find summer jobs." This point was noted in the IFO report, which found that the increase would create "more difficult entry into the labor markets for inexperienced workers, especially part-time high school and college students." The lack of job openings for high-school and college age students presents another workforce problem. These entry-level positions often serve as the building blocks for students entering the working world. First-time jobs help to reinforce and teach necessary "soft" skills – such as work ethic, punctuality and responsibility – that are essential to maintaining employment.

No one disputes that some individuals benefit from mandated wage increases; but the fact is, others end up being hurt – including some of the very people advocates claim they want to help. It's reasonable to assume that moving to $15 an hour – which the administration's proposal aims to have in place by 2025 – would only serve to exacerbate these negative consequences. As the budget process continues, we are urging lawmakers to look at alternative proposals that focus on helping individuals obtain the necessary skills-training to advance through the Commonwealth's evolving workforce. Instead of relying on "feel good," ineffective policies to address this problem, we need to take a more direct, targeted approach. Strengthening workforce development programs will help give workers the tools they need to fill job vacancies and close and existing jobs skills gap. Additionally, some states have implemented an Earned Income Tax Credit – which better directs assistance to low-wage workers, especially those raising families. These more thoughtful efforts will better help low-wage earners support their families and move upward through the workforce, offering long-term career opportunities at family-sustaining wages.

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