

**Testimony of
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**House Labor and Industry Committee
On HB 861: Preemption of Local Labor Ordinances
June 13, 2018**

Good morning, Chairman Kauffman, Chairman Galloway, and members of the committee. I am Rebecca Oyler, state Legislative Director of NFIB.

NFIB is Pennsylvania's leading small business organization, representing 14,000 small and independent businesses in the Commonwealth and about 325,000 nationwide. NFIB members represent virtually every sector in Pennsylvania's economy. A typical NFIB member employs five or fewer workers and generates gross sales of about \$400,000 per year.

We appreciate the opportunity to discuss HB 861, which NFIB believes would prevent local micromanagement of labor laws to the detriment of business and economic development in Pennsylvania.

Businesses depend on a certain amount of uniformity across boundaries to ensure predictability and to stay competitive. Local labor mandates create an uneven playing field and stack the deck against the businesses located inside affected municipalities. Businesses with locations in and out of an affected municipality find it especially hard to manage their workforce policies when dealing with labor rules that differ across multiple jurisdictions.

Outside of those covered by federal law, labor rules are the purview of state government and should be debated within the halls of the Capitol by elected representatives and approved by the Governor so that they apply equally to all workers in the state. It is impractical to expect Pennsylvania's over-2500 municipal governments to have the expertise to research and evaluate the full impact local labor ordinances will have on their local businesses and economies. In fact, labor rules adopted in our larger cities have regional impacts affecting Pennsylvania's economy as a whole—unemployment, state wage and tax collection, and even whether businesses choose to locate here. They can, in many cases, undermine policies set at the state level and even hamper the overall business climate.

Small businesses, which are the backbone of our state and local economies, are especially vulnerable to the impact of local labor mandates. Small business owners typically have no administrative staff, little human resources experience, and certainly no regular access to legal counsel. And yet, they already contend with antidiscrimination laws, family, medical, and other protected leave laws, wage-hour laws, privacy laws, workplace safety laws, and labor laws. They often struggle to decipher the mysteries of overlapping, sometimes even conflicting, federal, state, and local laws.

Understanding and complying with these mandates is expensive, both in terms of time and money. According to the Small Business Administration, workplace compliance costs small businesses 36% more per employee than it costs large businesses. Overlapping layers of mandates also divert owners from their primary function of providing goods and services (and jobs) to the local economy.

The vast majority of small business owners treat their employees and customers like their extended family. They work hard to do what is right, but their informal and unstructured nature and more limited financial resources require greater flexibility in creating policies and solutions. Allowing local governments to enact burdensome and duplicative labor mandates shuts off another avenue through which business owners can find flexibility that benefits their businesses, their customers, and their employees.

There is one business, however, that will certainly benefit from a patchwork of costly labor mandates across the state, and that is the litigation industry in Pennsylvania. Where confusion and conflicting rules arise, lawsuits abound. Honest paperwork or accounting mistakes by hardworking and well-meaning business owners often turn into lawsuits that can put an entrepreneur out of business entirely. Even the threat of a lawsuit can lead to a costly settlement that threatens a business.

Given the detrimental impact to small businesses of a myriad of local labor laws across the state, NFIB is pleased that the committee is considering HB 861 as a remedy. NFIB believes the bill will prevent the balkanization of state labor laws and preclude municipalities from imposing additional layers of regulation on overly-burdened small businesses.

NFIB proposes a few small additions to HB 861. First, in the list of prohibited topics, we would suggest adding “terms of employment” and “scheduling of hours.” We would also recommend adding a definition of the term “reasonable expenses” to the bill.

Pennsylvania has not fared well in the economic competition among the states. Despite being the 6th largest economy in the nation, it ranks 48th in creating new jobs. Passing HB 861 to signal that the state is not amenable to becoming a complex and burdensome patchwork of local labor ordinances is an important step in the right direction. It ensures consistency and predictability for businesses looking to keep and create jobs in local communities.

Allowing local governments to enact their own labor rules is extremely costly for small businesses and puts Pennsylvania at a competitive disadvantage to attract businesses and productive taxpayers. The result will be higher prices for consumers, fewer jobs, lower wages and less benefits for workers, and in the end, fewer goods and services in communities that need them.

On behalf of the small-business men and women of the NFIB, thank you for focusing on this important issue and allowing us to appear before the committee. I would be happy to answer questions.

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