

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

COMMERCE COMMITTEE
PUBLIC HEARING

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THURSDAY, MARCH 11, 2021
10:00 A.M. - 11:30 A.M.

PRESENTATION ON
IMPACT OF A MINIMUM WAGE INCREASE ON COMMERCE
IN THE COMMONWEALTH

BEFORE:

HONORABLE BRAD ROAE, MAJORITY CHAIRMAN
HONORABLE JOHN GALLOWAY, MINORITY CHAIRMAN
HONORABLE MIKE ARMANINI (VIRTUAL)
HONORABLE VALERIE GAYDOS (VIRTUAL)
HONORABLE KEITH GREINER (VIRTUAL)
HONORABLE MIKE JONES (VIRTUAL)
HONORABLE BARRY JOZWIAK
HONORABLE SHELBY LABS (VIRTUAL)
HONORABLE ROBERT MERCURI
HONORABLE TRACY PENNYCUICK (VIRTUAL)
HONORABLE CHRIS QUINN (VIRTUAL)
HONORABLE PERRY STAMBAUGH
HONORABLE TIM TWARDZIK
HONORABLE MICHAEL DRISCOLL (VIRTUAL)
HONORABLE DIANNE HERRIN
HONORABLE MALCOLM KENYATTA
HONORABLE DARISHA PARKER
HONORABLE NICKOLAS PISCIOTTANO (VIRTUAL)
HONORABLE CHRISTOPHER RABB (VIRTUAL)
HONORABLE MELISSA SHUSTERMAN (VIRTUAL)
HONORABLE PERRY WARREN

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*Pennsylvania House Of Representatives
Commonwealth of Pennsylvania*

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SUBMITTED WRITTEN TESTIMONY

* * *

(See submitted written testimony and handouts online.)

P R O C E E D I N G S

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MAJORITY CHAIRMAN ROAE: Good morning, everyone.

It is exactly 10:00, so I'm going to call the meeting to order. I'm Representative Brad Roae, and I am the Chair of the Commerce Committee. Today's hearing is on the impact on commerce if there were a minimum wage increase. We have members today and testifiers that are attending virtually as well as some members that are here present. Due to Sunshine Law requirements, if either of these platforms experience technical difficulties, we will pause the meeting in order to correct the issues.

For members that are participating virtually, please mute your microphones. We can hear everything you're saying if you don't mute your microphone. It makes it easier to hear also if you only have your mic on when you're asking a question. If you want to ask a question, please use the raise hand feature. After you're recognized but prior to speaking make sure you turn on your camera and unmute your microphone.

As far as the testifiers, it's a new tradition in the House that committees are going to have testifiers get sworn in, so if I could ask all the testifiers to please raise your right hand to be sworn in, and then as soon as I'm done saying the statement, just say, I do. So here it

1 is.

2 (Oath administered)

3 UNIDENTIFIED VOICE: I do.

4 MAJORITY CHAIRMAN ROAE: I think I heard one I
5 do. There should be a couple more I dos. They're muted?
6 Okay.

7 Elizabeth Stelle, can you hear? What about Mikey
8 Knab

9 MR. KNAB: I'm here. Yes. Sorry. Just joined.

10 MAJORITY CHAIRMAN ROAE: Okay. Did you take the
11 oath?

12 MR. KNAB: No. I'm sorry. Missed the oath.

13 MAJORITY CHAIRMAN ROAE: Okay. I'm going to do
14 the oath again.

15 (Oath administered)

16 MAJORITY CHAIRMAN ROAE: Okay.

17 What about Matt Knittel?

18 MR. KNITTEL: Yes. I do.

19 MAJORITY CHAIRMAN ROAE: We'll come back to
20 Elizabeth. Okay. Anyways increasing minimum wage has been
21 talked about for many years. It's a very well-intended
22 thing. A lot of people think that would be nice if minimum
23 wage earners earned more money. Although it's well
24 intended, there are a lot of concerns. The Congressional
25 Budget Office estimates that approximately 1.4 million

1 people would lose their jobs if minimum wage got increased
2 to \$15 an hour, and we'll be hearing from the Independent
3 Fiscal Office in a couple minutes here about the impact
4 specifically for Pennsylvania.

5 One thing I do want to point out is, in
6 Pennsylvania we have a total of six million jobs, at least
7 we used to. Because of COVID-19 shutdown orders and things
8 like that, we now only have about 5.5 million jobs, so
9 we've already lost 500,000 jobs, so we have to be careful
10 about doing anything that might result in more job losses.

11 On the good news, only about 1.5 percent of all
12 jobs in Pennsylvania pay minimum wage. About 78 percent of
13 the people on minimum wage do not have kids. About 55
14 percent of minimum wage earners are high school and college
15 age. And something that's kind of interesting, one in four
16 minimum wage earners live in households that make over
17 \$100,000 a year. So that shows that a lot of minimum wage
18 earners are, you know, high school kids and college kids
19 that live at -- you know, live with their parents.

20 But anyways, that information is in your packet.
21 There's a report Pennsylvania puts out. It's called
22 Analysis of the Pennsylvania Minimum Wage. You can look at
23 the Department of Labor and Industry website. It's about a
24 50-page report, but I just gave you some of the highlights
25 from the report.

1 Anyways, I'm going to move on to my good friend,
2 the Democratic Chair, Representative Galloway, for his
3 opening comments.

4 MINORITY CHAIRMAN GALLOWAY: Thank you, Mr.
5 Chairman. Thank you for holding this hearing. Thank you
6 to the members of the Committee for participating and
7 continuing this debate over a very, very important issue.
8 I'd like to start with a couple things we all agree on.
9 Many things we disagree on, but there's a couple baseline
10 elements that we agree on.

11 First everybody here -- Democrats and Republicans
12 all agree that the minimum wage program has been a
13 phenomenal success in the United States. You could draw a
14 direct line between the implementation of the minimum wage
15 and the creation of the middle class, which made us the
16 envy of the world. And you could draw a direct line
17 between creation of the middle class to the end of the
18 century where we became the economic power of the world.

19 The second issue we agree on that minimum wage
20 will change. It has changed. Will change again. We all
21 agree on that. It was meant to be changed. It was
22 designed to be changed. It was designed to be fluid.
23 Forty-three states in the Union have changed their minimum
24 laws, have adjusted their minimum wage laws since
25 Pennsylvania did it in 2007. Every one of our neighboring

1 border states have done it, including West Virginia, who's
2 done it three times.

3 Now, you're going to hear predictions of dire
4 forecasts, doom and gloom. You're going to hear the same
5 predictions that were brought out back in 2007, and yet
6 these predictions never materialized. At some point, does
7 someone have to take responsibility for predicting
8 something that never happened and how can you bring the
9 same arguments in again. You're going to hear talk about
10 the wisdom of doing this during a pandemic, but yet the
11 original minimum wage law was implemented during the Great
12 Depression. Eight out of ten Americans believe that the
13 federal standard and Pennsylvania standard is too low --
14 eight out of ten.

15 The average age of someone on minimum wage is 35
16 years old. Fifty-four percent work full time. So we all
17 agree that minimum wage has been a phenomenal success,
18 integral to the success of the United States of America.
19 We all agree that it will change. Governor Wolf has
20 brought up several proposals year after year after year.
21 Each time, it was no, no, no, no, no. The question is if
22 not now, when? If you don't like Governor Wolf's proposal,
23 fine. We've heard it. We've heard you loud and clear.
24 What's yours? Just saying no feels more like a strategy
25 than a way forward. We just can't keep saying no over and

1 over and over again. You don't like his proposal, fine.

2 What's yours? Thank you.

3 MAJORITY CHAIRMAN ROAE: All right. Thank you,
4 Mr. Chairman.

5 Our first testifier today is going to be Matthew
6 Knittel with the Independent Fiscal Office, and all members
7 did get the written testimony. It's in your packets. So
8 if you're ready, you may begin, Mr. Knittel.

9 MR. KNITTEL: Well, good morning, Chairman and
10 members of the Committee. I appreciate the opportunity to
11 present material for this hearing. Yes. I have submitted
12 five tables that I will be talking from and let me note
13 that I've also posted these tables to our website for those
14 who would like to download and follow the discussion. I am
15 going to attempt to screen share, so bear with me.

16 MAJORITY CHAIRMAN ROAE: Excuse me for one
17 moment. Would you be able to turn your camera on? We can
18 hear --

19 MR. KNITTEL: Yes.

20 MAJORITY CHAIRMAN ROAE: -- you, but we can't --
21 Okay. Thank you.

22 MR. KNITTEL: Very good. So let me -- can I
23 confirm that you can see the testimony?

24 MAJORITY CHAIRMAN ROAE: No. We could see your
25 face a few seconds ago. Now it's just a blank screen.

1 MR. KNITTEL: Okay.

2 MAJORITY CHAIRMAN ROAE: Now we can see you.

3 MR. KNITTEL: Okay. Very good. So I will just
4 walk quickly through these tables, and I'm just going to
5 have a few callouts. And again, these tables are posted on
6 our website. I would like to start briefly with the job
7 situation. As the Chairman noted, we're down about 472,000
8 jobs in December. The new data are coming out later this
9 month for January and February. We do expect a little
10 improvement. The job losses are in manufacturing, retail
11 and trade, 48,000 jobs; education's down 50,000, and
12 accommodation food service is down 140,000 jobs.

13 On the next table, on the following page, we have
14 a little more detail, and I won't -- I'll just pick out a
15 few numbers here. As I noted colleges and universities are
16 down 40,000 jobs, full-service restaurants down 70,000, and
17 limited-service restaurants down about 27,000. At the very
18 bottom of the table, we do have some sectors that are
19 gaining jobs. For example, couriers and messengers like
20 FedEx and UPS. The table at the bottom of this page, we
21 look at where the job losses are occurring by age group,
22 and I'll focus on those age 19 to 24. Those individuals
23 had about nine percent of the jobs in 2019, but the latest
24 data show that they have about 18 percent of the job
25 losses. And so this is generally what we're seeing is the

1 job losses are concentrated in younger workers and lower
2 wage workers.

3 On the next page, we look at the states currently
4 who -- and their minimum wage. And based on this table,
5 there are 10 states who are above \$12 an hour; that
6 includes New York and New Jersey. There are 19 states
7 between \$7.25 and \$12 an hour; that includes Maryland,
8 Delaware, Ohio, and West Virginia. And then there are 21
9 states who are \$7.25 or lower.

10 To conclude my presentation, we have on the final
11 table of the submission a snapshot of the wage distribution
12 in Pennsylvania for 2019, and our projection for what it
13 will look like in 2022. And for 2019, last year, my office
14 had published an analysis of the minimum wage, and we will
15 do the same for this year. I believe at the beginning of
16 next month, we will have those data and that detail. But
17 for 2019, when we performed this analysis, what we found is
18 that a minimum wage going up to \$12 an hour would benefit
19 about one million workers. The total income would go up
20 for those workers by 3.3 billion. That would be an average
21 of about \$2,300 a month. And then another, roughly,
22 760,000 workers slightly above the minimum wage would also
23 gain a modest pay increase.

24 We also found that as a result of the minimum
25 wage there would be roughly 27,000 reduced employment

1 opportunities. I say reduced employment opportunities
2 because most of it would probably take place as a slower
3 pace of hiring. About two-thirds of those jobs would've
4 been part time, and then the great majority of them would
5 have been under \$10 an hour.

6 Now, you'll see a very different picture for
7 2022, what we think it will look like. And my office is
8 projecting that we'll have 230,000 fewer jobs 2022, and you
9 can see in the change column where we think they'll occur.
10 They'll mainly be lower wage jobs. So if the minimum wage
11 were to be raised currently coming out of the pandemic, we
12 think less people would be helped and less people would be
13 hurt just because there's fewer of these jobs currently
14 available.

15 And with that, I will conclude my presentation.
16 And I believe I've stopped screen sharing, Mr. Chairman,
17 and I'll -- happy to take any questions that you have.

18 MAJORITY CHAIRMAN ROAE: All right. Thank you
19 for your testimony. I'm going to start out with the first
20 question. Now, nationally, the Congressional Budget Office
21 estimates that 1.4 million jobs will be lost. I think you
22 just said 27,000 fewer jobs in Pennsylvania. Is that at a
23 \$15 an hour wage, or is that at the \$12 an hour wage that
24 the Independent Fiscal Office previously studied under
25 prior proposals?

1 MR. KNITTEL: Yeah. So last year when we did the
2 analysis the 27,000 was commensurate with the \$12 an hour
3 wage.

4 MAJORITY CHAIRMAN ROAE: And then have you done a
5 study at \$15 an hour?

6 MR. KNITTEL: No. We have not done a study. We
7 had some general discussion about phasing into 15, but we
8 have not undertaken an analysis to move it to 15.

9 MAJORITY CHAIRMAN ROAE: Okay. Because
10 seemingly, you know, \$11 would have fewer job losses than
11 \$12 an hour, and you know, \$13 an hour would have more
12 than -- you know, so seemingly, the higher it goes, the
13 more job losses there could potentially be. Do you
14 anticipate the Independent Fiscal Office doing a study for
15 \$15 an hour?

16 MR. KNITTEL: So for our analysis this year,
17 we'll once again, under the Governor's proposal, it does go
18 up to \$12 an hour. We then have some further discussion of
19 moving it to \$15, so we will provide some insight once it's
20 adjusted to 12 and then how it would change as we phase in
21 to \$15 an hour over the next six years.

22 MAJORITY CHAIRMAN ROAE: Okay. Chairman
23 Galloway, do you have a question, or --

24 MINORITY CHAIRMAN GALLOWAY: Thank you, and thank
25 you for your testimony. I appreciate it. The Governor has

1 proposed phasing into \$15 over a period of time, correct?

2 MR. KNITTEL: That is correct. Yes.

3 MINORITY CHAIRMAN GALLOWAY: How feasible is it
4 for you to predict today what \$15 an hour will look several
5 years down the line?

6 MR. KNITTEL: Yes. It is challenging, and that's
7 one of the reasons we moved to the \$12 platform first. To
8 project \$15 six or seven years into the future is very
9 difficult.

10 MINORITY CHAIRMAN GALLOWAY: So to take your
11 numbers for \$12 an hour and extrapolate them and say it
12 would be even worse under \$15 an hour is factually not
13 correct. There's no way of knowing.

14 MR. KNITTEL: I say it's challenging to make that
15 type of projection seven years into the future.

16 MINORITY CHAIRMAN GALLOWAY: Thank you.

17 MAJORITY CHAIRMAN ROAE: Okay. As far as members
18 asking questions, Representative -- sorry if I say it
19 wrong, Mercuri.

20 REPRESENTATIVE MERCURI: Thank you, Mr. Chairman.
21 Thank you, Mr. Knittel, for being here today and your
22 testimony. My question relates to the nominal nature
23 versus the real market value of the wage as well as the
24 cost of living adjustment that could be done or factored in
25 as you look at (indiscernible - away from microphone) so

1 specifically you speak to since the 2007 mark when the
2 minimum wage protection was enacted to the current rate of
3 7.25? Could you compare for us the difference that that
4 nominal wage and what it bought in 2007 versus what it buys
5 today and the incremental change there, as well as the cost
6 of living adjustment when you look at Pennsylvania versus
7 the other states?

8 MR. KNITTEL: So Representative, I caught bits
9 and pieces of the question, so let me just restate it to
10 make sure I understood. I think you were asking about the
11 inflationary and the real purchasing power of the minimum
12 wage?

13 REPRESENTATIVE MERCURI: Yes. That's right and
14 additionally how Pennsylvania compares from a cost of
15 living perspective to the states that you
16 listed(Indiscernible - away from microphone).

17 MR. KNITTEL: Yes. So to answer that question, I
18 don't have that data in front of me, but we plan to include
19 that type of analysis in our study that will be coming out
20 the beginning of next month.

21 REPRESENTATIVE MERCURI: Thank you.

22 MAJORITY CHAIRMAN ROAE: Next is Representative
23 Shusterman.

24 REPRESENTATIVE SHUSTERMAN: Thank you, Chairman.
25 And thank you, Matt Knittel, for that presentation. My

1 question is, do those numbers include gig workers? That's
2 the first question I have.

3 MR. KNITTEL: Yeah. So we did not include gig
4 workers, since they are self-employed and independent
5 contractors, so they would be excluded from any of our
6 numbers.

7 REPRESENTATIVE SHUSTERMAN: And I'm wondering if
8 this increase of younger people going into the gig economy
9 where they can make more money than their current minimum
10 wage, affects job loss and those numbers, but I guess,
11 since you didn't include them, there's no way to know, you
12 know, how it does affect the job loss. People leaving for
13 a better opportunity where, let's say they're able to make
14 \$30 or \$40 on Etsy or -- you know, per hour sort of thing.
15 Any kind of insight to that issue? Thank you.

16 MR. KNITTEL: Yes. I do think, as you noted
17 there, there is a shift over to independent contractor
18 status, and in fact, I do think we're seeing some of it
19 already in some other data that we've looked at. There is
20 definitely a tick up in independent contractors in addition
21 to say, Grubhub or DoorDash, things such as that. And
22 that's one of the reasons, in the hearings packet, if you
23 look at that final page that we think the table, that final
24 table looks so different in 2022 because a lot of these
25 younger workers are not payroll employees. They will be

1 independent contractor status, and therefore, they won't
2 show up in our data anymore when we do this analysis.

3 REPRESENTATIVE SHUSTERMAN: And one last thing,
4 is there any way to break down the people making minimum
5 wage that aren't in that age group and possibly are not
6 exposed to gig culture? They don't have an alternative, a
7 different place to go. Their skillset lands in traditional
8 low-wage jobs.

9 MR. KNITTEL: Yeah. So I mean, we can break that
10 out by their age group or educational level, if that would
11 be of interest. That's possible to do.

12 REPRESENTATIVE SHUSTERMAN: Thank you.

13 MAJORITY CHAIRMAN ROAE: Next is Representative
14 Gaydos.

15 REPRESENTATIVE GAYDOS: Hi. Thank you. Thank
16 you, Mr. Chairman.

17 I've got a couple of questions here. I've got
18 some constituents who -- and I'll read this directly, who
19 has a mentally challenged daughter who works as a bagger at
20 the grocery store. And if the mandatory \$15 wage comes in,
21 she will lose state programs, including insurance. We all
22 know that with -- you know, challenged folks that -- you
23 know, this is really important for their positive self-
24 image. And if they lose their job, has the IFO calculated
25 on what that threshold is and what -- you know, how they'll

1 counteract this to enable to -- maybe there's exemptions
2 for folks?

3 MR. KNITTEL: No. See we haven't looked at that
4 and how that would impact that demographic who have those
5 challenges. They're included with all of the other
6 workers, and we really don't have a way to separately
7 identify them at this point.

8 REPRESENTATIVE GAYDOS: Is that something that we
9 can ask you to do?

10 MR. KNITTEL: We can certainly try to do that.
11 So we'll look into it and see if any data are available to
12 try to inform that type of issue that you're pointing to.

13 REPRESENTATIVE GAYDOS: Okay. Well, you know,
14 that's important to get them into the workforce and you
15 know, starting at a level, so I'd appreciate if you can
16 look into that. Thank you.

17 MR. KNITTEL: Sure.

18 MAJORITY CHAIRMAN ROAE: And now is
19 Representative Herrin.

20 REPRESENTATIVE HERRIN: Thank you, Mr. Knittel.
21 So it's pretty clear that an increase of the minimum wage
22 to \$12 an hour will inject consumer spending power into
23 Pennsylvania's economy, estimated to the tune of 4.4
24 billion in the first year. This is good for business
25 because it's very clear from the evidence and the

1 experience that we've had over many years across the
2 country that when low-wage workers gain buying power, they
3 spend money. They do things that they haven't been able to
4 do before. They might get their car fixed, they might buy
5 clothes for the kids, they might even go out to eat, and
6 that's good for business.

7 So during the IFO's testimony before the House
8 Appropriations Committee in February, the IFO talked about
9 this impact of increasing the minimum wage on economic
10 growth in the Commonwealth of Pennsylvania. And the IFO
11 talked about how this would transfer income to lower-income
12 individuals, who then, again, tend to spend the money that
13 they receive. So would you explain further how this income
14 transfer will help grow the economy in the Commonwealth of
15 Pennsylvania?

16 MR. KNITTEL: Yes. So in our analysis, the way
17 we assume the minimum wage would work is that it would --
18 most of it would be pushed forward to slightly higher
19 prices, and that does act as an income transfer to lower-
20 wage workers. And lower-wage workers, on average, do spend
21 a higher proportion -- really all of their income, and
22 therefore, the economic multipliers for that income would
23 be higher. And my office, in the last analysis that we
24 did, we thought that it would be an income transfer of
25 roughly \$3.3 billion. And we did have higher economic

1 growth from that, again, because the multipliers are
2 larger, and we did have an increase in general fund
3 revenues associated with the proposal.

4 REPRESENTATIVE HERRIN: Thank you. Appreciate
5 it.

6 MAJORITY CHAIRMAN ROAE: Well, thank you, Mr.
7 Knittel for your testimony. We do appreciate it. And I
8 want to remind the members that his testimony -- the charts
9 and stuff are in our information packet, so. You know,
10 thank you so much for testifying today before our
11 Committee.

12 We're going to move on to our next testifier,
13 which is Elizabeth Stelle, from the Commonwealth
14 Foundation. Can you hear us, Elizabeth?

15 MS. STELLE: Yes. Can you hear me now?

16 MAJORITY CHAIRMAN ROAE: Yeah. We can.

17 MS. STELLE: Excellent.

18 MAJORITY CHAIRMAN ROAE: Earlier when we were
19 swearing in witnesses, we couldn't hear you. Did you hear
20 us doing the oath?

21 MS. STELLE: Yes. I did. I'm sorry. I had a
22 microphone issue, but that's worked out now.

23 MAJORITY CHAIRMAN ROAE: Oh, okay. Could you
24 give us an I do?

25 MS. STELLE: Yes. I do.

1 MAJORITY CHAIRMAN ROAE: All right. Nothing in
2 the rules says you can't say I do 15 minutes after we say
3 the oath. But anyways, if you want to go ahead and start
4 your presentation.

5 MS. STELLE: Sure. Thank you for inviting me to
6 be here, both Chairman Roae and Chairman Galloway and
7 members of the Committee. I'm Elizabeth Stelle. I'm the
8 Director of Policy Analysis from the Commonwealth
9 Foundation, and I'm going to focus a little bit today on
10 who earns the minimum wage, what are some of the hidden
11 costs around increasing the minimum wage, things we often
12 don't talk about, and what are some better ways to raise
13 wages for individuals and combat poverty in the
14 Commonwealth. If we're not going to do minimum wage, what
15 are we going to do?

16 So first who earns the minimum wage, we have
17 about 74,000, roughly, workers right now earning the
18 minimum wage, according to the latest Labor and Industry
19 report, which the Chairman mentioned earlier. That's just
20 1.3 percent of our workforce. And we've seen declines in
21 terms of the absolute number and the percentage of workers
22 in Pennsylvania earning the minimum wage, and that's good
23 news.

24 Minimum wage earners are most likely -- or more
25 likely than the average worker to be younger, they're more

1 likely to be white, they're more likely to be unmarried
2 women, and they're -- more than half of them live in
3 households making \$50,000 a year, more than half are part-
4 time workers, so that would indicate that these people are
5 generally not the primary breadwinners in their family.
6 And there's lots of evidence that wages for lower-skilled
7 workers are competitive regardless of what the federal or
8 state minimum wage is. And I heard this example in a
9 hearing recently in the House, and I thought it was just a
10 really good example of how wages are competitive for lower-
11 skilled workers, so I wanted to share with it -- you --
12 wanted to share it very briefly.

13 Scott Rudich from Round Guys Brewing in Lansdale
14 shared a story about his daughter. He gave her a job
15 washing dishes for \$9 an hour, and five weeks later she
16 quit because she found a job as a barista making \$10 an
17 hour. So even a 16-year-old in high school has options
18 here, and I think that's illustrative that wages are
19 competitive across the Commonwealth regardless of what the
20 minimum wage actually is.

21 In terms of hidden downsides of minimum wage, you
22 know, we talk about job losses a lot. One side focuses on
23 job losses, the other side focuses on wage growth, but
24 there's also changes that happen to workers' overall
25 benefit packages and their overall compensation, and this

1 often goes unnoticed. One, I think, really good example is
2 what happened with Amazon warehouse workers a couple of
3 years ago. They raised their wage, but they also took away
4 their incentive pay and their stock option rewards. So if
5 you were a high-performing employee, your take-home pay
6 actually went down after the wage was increased.

7 The Competitive Enterprise Institute did a study
8 looking at all the different ways that mandated wage
9 increases negatively impact employers -- or employees
10 outside of the wages. Things like losing health insurance,
11 no longer having employee discounts, less flexible working
12 hours, no paid vacation time, no tuition assistance, and
13 more. And then, of course, you also have the impact of if
14 prices are raised to offset an increase in wages, you do
15 have some negative impact on the spending power for those
16 individuals that are now earning more.

17 So it's important to acknowledge that the costs
18 are more than just lost jobs. There are many other
19 benefits that workers receive and in some cases, may
20 actually value more than a couple dollars more in their
21 wages.

22 So a little bit more on this point of what are
23 the downsides longer term. You know, we look at -- often
24 look at just a snapshot, like, what's the initial impact
25 going to be. But there are some interesting studies on the

1 impact of people not being able to enter the workforce and
2 because those entry-level jobs are beyond what an employer
3 will pay them based on the skills they have.

4 The University of California did a study and
5 looked at \$1 -- looked at each \$1 increase in minimum wage
6 in a disadvantaged neighborhood over three decades. And
7 they found that for this increase of \$1, the poverty rates
8 and the receipt of public assistance increased by roughly
9 three percent. So because the wages were higher more of
10 these people who lacked basic work skills for whatever
11 reason or didn't have any work experience, didn't get those
12 first jobs and that resulted in higher poverty over a long
13 term.

14 You see a similar point here with the National
15 Longitudinal Survey of Youth. Over three decades, they
16 looked at the impact of people who had part-time work
17 during high school, and they found that for those workers
18 that did work in high school compared to those who didn't,
19 they had a wage premium over their entire careers, so
20 having access to a job as a young person is incredibly
21 valuable over that person's lifetime. And so when you
22 raise the minimum wage, you price out some of those workers
23 and that can have long-term effects and can actually
24 exasperate poverty, instead of alleviate it.

25 So what is the answer, then? If minimum wage

1 isn't going to work, what will? A couple suggestions very
2 briefly. One is tearing down barriers to new careers, so
3 occupational licensing reform. We license over 250
4 occupations in Pennsylvania, many of them low-to-mid income
5 jobs, and we could do a lot there to tear down barriers for
6 individuals. A lot of -- a lot has been said already about
7 the gig economy, having people go out on their own and
8 start their own business. Occupational licensing reform
9 would go a long way on that.

10 Liability protection for businesses would also be
11 helpful in terms of giving businesses the confidence to go
12 out and start hiring again, and then overall regulatory
13 relief. Pennsylvania has the 11th highest number of total
14 restrictions in the country, according to the Mercatus
15 Center, and this places a disproportionate burden on small
16 businesses. So if we can move some of those resources away
17 from compliance for regulations that don't have a clear
18 benefit to the public's interest and towards businesses to
19 reinvest in new workers, that could be incredibly helpful,
20 too.

21 We don't want to force any more businesses to
22 close or layoffs to occur, but that's exactly what happens
23 when the government sets wages. We saw this in a study in
24 January. The National Bureau of Economic Research did a
25 study looking at all of the recent minimum wage studies.

1 And they said, okay, let's look at the data. What does the
2 data show? And it was pretty clear that when you look at
3 the numbers, you're going to have job losses. That's just
4 the fact of the matter.

5 And so there are many other ways that we could
6 better target poverty, if poverty is a real issue here
7 versus increasing the minimum wage, which is a very blunt,
8 broad instrument that can inflict a lot of damage, not just
9 immediately in the economy but for workers over the long
10 term. So thank you for your time today, and I'd be happy
11 to answer questions.

12 MAJORITY CHAIRMAN ROAE: Okay. Thank you,
13 Elizabeth, for your testimony. What we're going to do is
14 we're actually going to have the next testifier, RAISE High
15 Road Restaurants, with Mikey Knab, make his testimony.
16 Then after his testimony, we're going to open it up for
17 questions, and I anticipate some of the questions you're
18 both going to probably be requested to answer. So -- but
19 anyways, if we could have Mikey Knab at this time.

20 MR. KNAB: Sure. Can everyone hear me okay?

21 MAJORITY CHAIRMAN ROAE: Yes.

22 MR. KNAB: Great. Thank you so much for having
23 me, Chairman Roae, Chairman Galloway, and the Committee. I
24 appreciate it. I just wanted to, sort of, introduce
25 myself. My name's Mikey Knab. I'm the national strategy

1 director for RAISE High Road Restaurants. We are a
2 national network of restaurant owners across the country,
3 about 900 total, who have made commitments to what we call
4 high-road employment practices. There are 37 High Road
5 Restaurants in Pennsylvania. One of them was trying to be
6 here today, but his dishwasher broke, so he -- I'm going to
7 speak on his behalf and behalf of those other restaurants
8 that we represent.

9 First, I just wanted to mention a few of the
10 things that have been mentioned before. I'd like to make
11 some tiny corrections. The CBO's report on the Raise the
12 Wage Act nationally said up to 1.4 million jobs could be
13 lost, not exactly (indiscernible - recording malfunction).

14 MAJORITY CHAIRMAN ROAE: Your image is frozen.

15 MR. KNAB: -- with that wage increase.

16 Currently, as you know the Pennsylvania minimum wage is
17 \$7.25 an hour --

18 MAJORITY CHAIRMAN ROAE: Mr. Knab, excuse me --

19 MR. KNAB: Yes. Yes, sir.

20 MAJORITY CHAIRMAN ROAE: I'm sorry. Could you
21 repeat what you said for about the last 30 seconds because
22 you blanked out? We couldn't see or hear you.

23 MR. KNAB: Oh. I --

24 MAJORITY CHAIRMAN ROAE: You were talking --

25 MR. KNAB: -- apologize. I --

1 MAJORITY CHAIRMAN ROAE: -- about the
2 Congressional Budget Office study.

3 MR. KNAB: Sure. My apologies. Can you hear me
4 fine now? Am I connected well? Okay. There was reference
5 to the CBO report that said 1.4 million jobs would be lost.
6 The report actually said between zero and 1.4 million jobs
7 could be lost nationally, so it's not that 1.4 million jobs
8 exactly would be lost by raising minimum wage federally.
9 It also said that 900 million Americans would be pulled out
10 of poverty. Or sorry -- 900,000 Americans would be pulled
11 out of poverty with that bill.

12 As you all know the Pennsylvania minimum wage is
13 \$7.25 an hour. It was mentioned in the initial statements
14 that some very small percentage of Pennsylvanians make the
15 minimum wage, but I would say 1.7 million Pennsylvanians
16 make less than \$15 an hour right now, which is nearly 14
17 percent of the population of your state. Also job losses
18 have happened in the restaurant industry, which is the
19 industry that I work with specifically, so I'll speak
20 mostly to the restaurant industry.

21 Job losses in the last year were caused by COVID.
22 They were not caused by wages. Pre-COVID, the restaurant
23 industry nationally was the second largest private employer
24 and the fastest growing, with nearly 14 million jobs in the
25 country, but unfortunately, we also boasted 7 of the 10

1 lowest-paying jobs, and we did every year. And we also
2 boast the highest dependency on public assistance of any
3 industry in the country, and we have the dubious
4 distinction of the highest rates of sexual harassment of
5 any industry in the country. And this is largely due to
6 the two-tiered wage system, the sub-minimum wage for tipped
7 employees, which is a lot of what I would like to talk
8 about because that's what our restaurant owners in
9 Pennsylvania have asked me to express to you today.

10 I'll frame some of this in terms of some of the
11 things you may hear from folks who are worried about
12 raising the minimum wage, and then I'll tell you what our
13 members say as their lived experience in states where
14 they've enacted it and also in states where they have not.
15 So first would be, how could you ask businesses to do this
16 during COVID? Well, first, I'd like to ask, when you say
17 businesses, are we only talking about the owners and
18 shareholders or the people who actually work in these
19 businesses? Those are the folks who have been through the
20 worst of the crisis. Also, this proposal scales up over
21 the course of many years (indiscernible - recording
22 malfunction).

23 MAJORITY CHAIRMAN ROAE: You're frozen again. We
24 can't hear --

25 MR. KNAB: I'm so sorry.

1 MAJORITY CHAIRMAN ROAE: -- you now.

2 MR. KNAB: Tell me when you -- when I melted.
3 Have I melted yet? Am I back in action?

4 MAJORITY CHAIRMAN ROAE: You're back now.

5 MR. KNAB: Okay. I'm so sorry. So I don't know
6 where I froze, but I wanted to mention that the legislation
7 scales up over years, and the scale up doesn't start until
8 months after legislation has passed. So when we talk about
9 relief and recovery, the recovery portion is that we need
10 increased economic activity that comes with raising wages
11 to those at the lowest end of the income spectrum, who
12 immediately spend their money on main street, and that's
13 where our restaurants are. If you give Jeff Bezos a raise,
14 he's not going to go to an extra restaurant. He's going to
15 save it, invest it, or colonize the moon.

16 Next point is that \$15 would cause restaurants to
17 close. This isn't true. There are seven states that have,
18 what we call, one fair wage, meaning the elimination of the
19 subminimum wage for tipped employees, and restaurants in
20 those states pre-COVID were thriving. They had more
21 restaurant openings, more job growth, obviously higher
22 wages, and higher tip percentages as well. And the proof
23 is in the fact that publicly traded companies -- restaurant
24 companies have a fiduciary responsibility to their
25 shareholders to maximize profits. It would be illegal for

1 them to operate at a loss, and there are restaurants of
2 those companies in all seven of the states that have
3 eliminated the subminimum wage.

4 The next is that an increase to \$15 an hour would
5 cause job losses and increase automation. To that, I want
6 to know what companies are scheduling unnecessary shifts
7 now. They're not going to suddenly discover efficiency
8 when the wage is raised. That's just poor business. So
9 everybody's already operating at the most efficient level
10 they can, and the cost of doing business gets raised in
11 many ways and many different factors, and we all need to be
12 agile enough to adjust our business models accordingly.

13 Next is that all these jobs would be lost. As I
14 said, so many people would be pulled out of poverty as
15 well. I just wanted to mention that in my industry
16 specifically, many, many, many of the folks who work in
17 restaurants have two or three jobs. Half of our employees
18 work in what we call the back of the house, the kitchen,
19 and if I asked my membership -- we do this survey every
20 year, how many of your back-of-the-house employees have a
21 second job, and it's -- over 70 percent say yes. So if
22 we're losing some jobs and we're gaining the ability to
23 live a life of dignity and certainty and you don't have to
24 work 80 hours a week to get by, I can count that as a good
25 thing.

1 Next would be, well, why don't companies just do
2 this on their own? If they want to raise wages, they can
3 raise their own wages. The problem with that is that
4 they're put at a very competitive disadvantage to low-road
5 employers down the street who continue to leverage poverty-
6 level wages. And as I said our industry employs more
7 people that rely on public assistance than any other
8 industry. So if I want to pay my employees a living wage,
9 I have to charge a tiny bit more on my menu, and people
10 down the street can give away free bread sticks and make
11 people think that food and hospitality aren't valuable.
12 That's why we -- it's very, very hard to do it on our own.

13 The next would be that these are jobs for
14 teenagers. I just want to mention the average age of a
15 tipped worker in the United States is 30. It keeps rising
16 every single year. Seventy percent of tipped workers are
17 women, half of them are single mothers. Restaurants are
18 the second largest private employer, as I said, and fastest
19 growing pre-COVID. And if we subjugate this workforce and
20 treat these jobs as expendable, what does that do to our
21 economy in general? We used public assistance at higher
22 rates than any other industry. That means taxpayers are
23 subsidizing those free breadsticks.

24 Higher rates of sexual harassment than any other
25 industry. But one thing we do know is in those seven

1 states where there is not a subminimum wage, sexual
2 harassment is cut in half because folks who work for tips
3 are not reliant completely on tips as the bulk of their
4 income. So when there's inappropriate customer behavior,
5 they're more likely to be able to say, buzz off, than to
6 have to make that split-second decision between it's the
7 29th of the month, rent is due in two days, I have to go to
8 the grocery store to feed my kids tonight. If this guy
9 wants to touch me and I don't tell him to buzz off, I'll
10 get a tip and I'll be able to afford those things. That's
11 an awful position to put someone in.

12 Next is that we'd have to raise prices. This is
13 the scary, scary thing that we'd have to raise prices. I
14 just want to mention that if you give folks at the lowest
15 end of the income spectrum a raise, as I mentioned, they
16 don't have enough money to spend now. The more money they
17 make on their paycheck, the more they will spend
18 immediately, and that's increased economic activity on main
19 street.

20 Another thing is, full-service restaurants --
21 that's who I represent, we're not in the price game. The
22 price game is for fast-food restaurants. We're in the
23 experience game, and so this race to the bottom in terms of
24 cost is actually harming our industry greatly. And as we
25 think about how many people are considering leaving

1 restaurant jobs because of COVID and how hard it hit our
2 industry, the competition for labor is going to be
3 incredibly important moving forward.

4 Next would be that a raise from a subminimum wage
5 all the way up to \$15 is such a high increase. It's a 500
6 percent increase. This happens over five years, and I just
7 want to do a little quick math. Labor costs in restaurants
8 in general is 30 percent. Only half of that is the -- what
9 we call the front of the house, service employees. So that
10 means 50 percent of the cost of doing business -- 15
11 percent is -- can be paid as a subminimum wage to tipped
12 employees.

13 Over the course of a five-year scale up, that
14 means you would need to raise your prices 30 percent.
15 That's only six percent year over year. So a \$10 burger in
16 2021 would cost \$13.38 in 2026, and that's the cost of
17 bringing over -- what did I say, 1.75 million
18 Pennsylvanians a raise. To me, I believe that \$3 increase
19 in five years is worth it.

20 Lastly, I just -- sometimes we hear from folks
21 who say that if you eliminate the subminimum wage it
22 eliminates tipping. I just need to dispel this myth
23 because the -- in the seven states where one -- subminimum
24 wages have been eliminated, tip percentages are higher than
25 they are in the other states. Alaska, which is a one-fair

1 wage state, has the highest tip percentage of any state in
2 the country. And I'll just ask if anyone's ever traveled
3 to California, Oregon, Washington, Nevada, Minnesota,
4 Montana, Alaska and you've gone to a restaurant, did you
5 ask your server or bartender whether they made a full
6 minimum wage before you decided to leave a tip? No. You
7 don't. You just tip. The highest tip percentage of any
8 city in the country is in San Francisco, where there is no
9 subminimum wage and the full minimum wage is almost \$16 an
10 hour.

11 So just to make sure that everyone understands.
12 What we're advocating for is the elimination of the
13 subminimum wage, a raise to \$15 an hour scaled up over
14 years, and tips on top. And I'll leave it at that, and I'm
15 happy to answer questions. Thank you so much for having
16 me.

17 MAJORITY CHAIRMAN ROAE: All right. Thank you
18 for your testimony. I do have one question for you, Mr.
19 Knab. I was looking at the website, and in Pennsylvania,
20 RAISE High Road Restaurants have 36 members, I think I
21 counted on your website. Ten of them are showing up as
22 being closed right now. That was as of about three weeks
23 ago when we were originally going to have this hearing. I
24 haven't looked at the website since then, but 10 of the 36
25 were closed. And I was just curious about that.

1 The second thing is all of the Pennsylvania
2 members are in Philly with a couple in Pittsburgh, I think.
3 I'm just curious about, you know, why there aren't any
4 members in the lower income parts of the state where, you
5 know, a \$15 an hour minimum wage would be a lot more of an
6 increase than in areas where the wages, just by market
7 forces, are already probably that high?

8 MR. KNAB: Yeah. Thank you. So two-part
9 question. It is unfortunate. And as I mentioned, our
10 industry has been hit almost the hardest of any industry.
11 I think hotels and airlines might be -- have an argument to
12 make there, but yes. A lot of our restaurants are closed
13 either temporarily or permanently because of COVID. But as
14 I mentioned in the initial remarks, they're not closed
15 because of wages, they're closed because of a pandemic.

16 And secondly, in terms of the geographic
17 diversity of our membership, we have only been an
18 organization for eight years, and you know, of course,
19 growth starts in certain places in the country. And as we
20 moved to Pennsylvania -- we started a push in Pennsylvania
21 about three years ago, there are more restaurants in the
22 larger cities, in Philadelphia and Pittsburgh in general,
23 but we are actively seeking members now. So if you know
24 restaurants in those other parts of the state that would be
25 interested in investing in their employees and their

1 communities, please send them my way. I am actively doing
2 outreach.

3 MAJORITY CHAIRMAN ROAE: Okay. Well, thank you
4 for that. In my area -- I'm just talking about my
5 district. It might be the same in other parts of the
6 state. Restaurants are already struggling with the
7 mitigation efforts, you know, put forth by the Wolf
8 Administration, only 25 percent of capacity. You know, you
9 can't sell alcohol after 11:00 at night. You know, there's
10 a lot of parameters that restaurants have to operate under,
11 and you know, a lot of them are concerned with the lower --
12 you know, the lower -- excuse me, the higher cost of
13 increasing the minimum wage.

14 But yeah, it does vary. You see some of these
15 places like San Francisco, the median household income is,
16 you know, \$90,000 a year. A \$15 minimum wage there is
17 probably more easily absorbed than a place like Meadville,
18 Pennsylvania, where the average -- or the median household
19 income's only, you know, 30,000 a year. But anyways our
20 next question is -- oh, I'm sorry. Chairman Galloway, then
21 we'll go on to the members.

22 MINORITY CHAIRMAN GALLOWAY: Thank you. Thank
23 you, Mr. Chairman, and I'd like to -- I appreciate the last
24 question because it brings up the whole debate over
25 preemption and local control. We have argued long and hard

1 for the ability of local governments to make their own
2 decisions when it comes to things like minimum wage, and
3 Republicans have consistently argued against it. If you
4 are against a one-size fits all approach, then let's sit
5 down and talk about local control and preemption. I'd be
6 happy to have that discussion.

7 My question is for Ms. Stelle, I believe it is,
8 from the Commonwealth Foundation. She still there?

9 MS. STELLE: I'm here.

10 MINORITY CHAIRMAN GALLOWAY: Thank you. Thank
11 you for your presentation. Several times you mentioned
12 that -- you mentioned of harmful and devastating effects of
13 minimum wage. You used that term specifically. Twice, you
14 said -- twice, you said minimum wage doesn't work. My
15 question to you is, is the -- is it the position of the
16 Commonwealth Foundation that we shouldn't have a minimum
17 wage at all?

18 MS. STELLE: Yes.

19 MINORITY CHAIRMAN GALLOWAY: If it is harmful --

20 MS. STELLE: We would prefer --

21 MINORITY CHAIRMAN GALLOWAY: -- if it is
22 devastating, if it doesn't work, should we have it at all?

23 MS. STELLE: Yeah. I would say there really is
24 not a role here for the government to have a wage mandate,
25 so yes. I would advocate for -- you know, if we're going

1 to do something, you know, we -- there are different tier
2 minimum wages that we can do, but we see that the cost
3 just -- they outweigh the benefits. And we think there's a
4 lot that should be done in terms of addressing poverty in
5 the state, but this is not a way to do it.

6 MINORITY CHAIRMAN GALLOWAY: So it is the
7 position of the Commonwealth Foundation that we should not
8 have a minimum wage?

9 MS. STELLE: Yeah. We think the minimum wage is
10 harmful and an unnecessary policy.

11 MINORITY CHAIRMAN GALLOWAY: Okay. So you're not
12 talking about the Governor's proposal or, you know, some
13 proposal in the middle. You're saying we shouldn't have
14 one at all.

15 MS. STELLE: Yeah. I mean, practically it's not
16 going to happen. It's a federally set thing, right? But
17 in an ideal world, you know, yeah, I think an employer
18 should have the freedom to set wages. And in terms of the
19 Governor's proposal, you know, we are opposed to that, but
20 you know, again, minimum wages are often portrayed as a way
21 to address poverty, and we just see that it's not a good
22 tool for poverty alleviation. So it doesn't do what people
23 hope it will do well.

24 MINORITY CHAIRMAN GALLOWAY: Okay. We're here
25 today to talk about the Governor's proposal. We're not

1 here to talk about eliminating minimum wage altogether.

2 So --

3 MS. STELLE: Yes. Absolutely.

4 MINORITY CHAIRMAN GALLOWAY: -- I'm not so sure
5 that, you know, your testimony has any relevance to this
6 hearing. Thank you very much.

7 MAJORITY CHAIRMAN ROAE: Our next question is
8 from Representative Jozwiak.

9 REPRESENTATIVE JOZWIAK: Thank you, Mr. Chairman.
10 My question is for Mr. Knab. Your testimony, I've never
11 heard of High Road -- RAISE High Road Restaurants, and I
12 think the Chairman said that those restaurants are located
13 in the Philadelphia area; is that correct?

14 MR. KNAB: Most of our members in Pennsylvania
15 are in Philadelphia and Pittsburgh.

16 REPRESENTATIVE JOZWIAK: Okay. And how many
17 members do you actually have?

18 MR. KNAB: How many members in Pennsylvania or --

19 REPRESENTATIVE JOZWIAK: Yeah.

20 MR. KNAB: -- total?

21 REPRESENTATIVE JOZWIAK: Pennsylvania.

22 MR. KNAB: Thirty-six, but as the Chairman
23 mentioned, about 10 of them are either temporarily or
24 permanently closed in the last year.

25 REPRESENTATIVE JOZWIAK: So if I remember a

1 hearing we had earlier, we have over 26,000 restaurants in
2 Pennsylvania. You're telling me only 26 belong to your
3 organization, and you're advocating raising the minimum
4 wage to \$15 in a high metropolitan, high wage area. So
5 what is the average wage of a person in Philadelphia?

6 MR. KNAB: That I don't have off the top of my
7 head. I can do a Google search, if you'd like, but I will
8 tell you that in order to be a member of the National
9 Restaurant Association or its Pennsylvania affiliate, you
10 must only clear one bar, which is to serve food. To be a
11 member of RAISE High Road Restaurants, you have to make a
12 commitment to race and gender equity in the restaurant
13 industry as a whole, and that's what our members have done.
14 And we see that the best way to eliminate the wage
15 disparity that has a racial and gender implication is to
16 eliminate the subminimum wage for tipped employees.

17 So it's easy to say that we have thousands and
18 thousands of members if we say all you have to say is that
19 you're a restaurant, but if you want to see a more
20 resilient, sustainable future for your employees and your
21 community, it's going to be less people. I'll be honest.
22 And that's where we are.

23 REPRESENTATIVE JOZWIAK: Okay. What I did -- I'm
24 from Berks County, so I'm not too far away from you. I
25 actually went and talked to bartenders, I talked to

1 waitresses, I talked to waiters, I actually talked to
2 restaurant owners and bar owners on minimum wage, and every
3 single person I talked to said don't raise the minimum
4 wage. They were fearful -- especially the waiters and
5 waitresses and bartenders, they were fearful that people
6 would not tip them, and that they make more money getting
7 tips than they do on minimum wage, and they make a lot more
8 money. And I asked them how much do you make? Well, they
9 didn't want to disclose that, but they said it's
10 substantial amounts. So I'm hesitant to raise it just
11 because of hearing the people in the industry, and that's
12 in Berks County.

13 MR. KNAB: Yeah. And thank you so much for
14 bringing that up. And it's really important to go out and
15 speak with your constituents. I notice that you didn't
16 mention anyone in the kitchen. I just want to explain
17 something that's kind of complicated about our industry.
18 You are not, as a restaurant owner, allowed to require a
19 tip share with the back of the house, the kitchen, unless a
20 full minimum wage is paid to all employees, including the
21 front of the house. So you cannot take advantage of the
22 subminimum wage and also require a tip share with the back
23 of the house. That is half of the restaurant industry.
24 And they're never mentioned in these conversations.

25 In the states where one fair wage is mandated,

1 you can require a tip share, meaning that the folks in the
2 back of the house, who are more likely to be people of
3 color, can get a massive increase in compensation because
4 they're allowed to take part in that tip pool. Now, the
5 front of the house folks who you talked to are going to be
6 scared that either people won't tip, which is debunked by
7 what I said about traveling to those states and asking your
8 server if they pay full minimum wage before you tip. But
9 they worry, oh, so much of my compensation is going to head
10 to the back of the house. That's just not what happens.

11 I own three restaurants: two are in California
12 and one is in Oregon. My dishwashers go home with an
13 average of \$22 an hour after taxes, and my servers go home
14 with an average of \$44 an hour after taxes. Yes. That's
15 on the West Coast, and our cost of living is higher. But
16 if you amortize that -- or not amortize. If you do that
17 math to the cost of living in Pennsylvania, it would -- the
18 ratio would be the same. So it might be \$18 an hour for
19 the dishwasher and \$35 for the server. It's still a heck
20 of a lot more than what they're making now.

21 REPRESENTATIVE JOZWIAK: Well, you know what,
22 it's -- I'm glad you brought up the back of the house
23 because one of the main things in your restaurant business
24 is your chef, and I'm sure your chef gets a whole lot more
25 than minimum wage because if he doesn't produce good food,

1 you don't have customers.

2 Also, some of the owners of these establishments
3 told me that they hire people that are physically and
4 mentally challenged to do -- wash dishes and things, and
5 they do that to give them a purpose in life to have a job.
6 They've also told me if the minimum wage goes to \$15, that
7 person's out of a job because they can't pay them because
8 they don't function as well as somebody that isn't
9 challenged. And I applaud them for hiring those people
10 because everyone needs a purpose in life. So that's
11 another concern of mine. I want to make sure those people
12 still have a job.

13 MR. KNAB: I appreciate that. Our members
14 believe that there's purpose to life than only working, but
15 they're happy to employ folks with -- differently abled
16 people and still pay a full wage for them.

17 REPRESENTATIVE JOZWIAK: Well, working is
18 probably one-third of your life. Thank you, Mr. Chairman.

19 MAJORITY CHAIRMAN ROAE: Next is Representative
20 Rabb.

21 REPRESENTATIVE RABB: Thank you, Mr. Chairman. I
22 have a question for Mr. Knittel.

23 MAJORITY CHAIRMAN ROAE: I'm not sure that he's
24 still on because we had a separate section. Is he -- are
25 you still there? Oh.

1 MR. KNITTEL: Yes, Mr. Chairman. I'm still here.

2 MAJORITY CHAIRMAN ROAE: Oh, okay. Well, thank
3 you for staying. I appreciate that.

4 MR. KNITTEL: Sure.

5 REPRESENTATIVE RABB: Thank you. My question is,
6 there was a reference to the term small business, which I
7 think is an important term because most people believe that
8 small businesses are mom and pop shops. The average size
9 business in our Commonwealth has four employees. The
10 average size business with a payroll has 20 employees, and
11 yet the federal government defines small business as fewer
12 than 500 employees, which is a massive number. Most
13 companies will never get anywhere near 499 employees, and
14 99.7 percent of all businesses in this country are,
15 quote/unquote, small.

16 So the question I have for you Mr. Knittel is, do
17 you have minimum wage data for -- based on the different
18 employee count groups of under the 500 threshold because to
19 Ms. Stelle's point, when we use the term small business in
20 layman's terms, we're thinking about the local pizzeria --

21 MR. KNITTEL: Uh-huh (affirmative).

22 REPRESENTATIVE RABB: -- when, in fact, that
23 classification represents corporations with hundreds and
24 hundreds of employees. And so I'm curious if you have a
25 more granular perspective on how many employers employ

1 folks with -- who receive a minimum wage and also perhaps
2 the subminimum wage in groups under 500 employees?

3 MR. KNITTEL: Uh-huh (affirmative).

4 Representative, I don't have it in front of me, but I agree
5 with your point that the vast majority are under 500, and
6 that's how it is defined by the Small Business
7 Administration. I can plan to include those types of data
8 in the report we'll put out at the beginning of next month,
9 if that's helpful.

10 REPRESENTATIVE RABB: That would be very helpful.

11 The terms we use in government are not the terms that
12 people use in our neighborhoods, and I think if we're
13 referencing certain terminology, we need to have those
14 definitions. And if we want -- for those of us who are in
15 this body and legislating with substance and
16 thoughtfulness, we need that data and we need to know what
17 the impact is on various subsets of the industry. So thank
18 you very much. Thank you, Mr. Chairman.

19 MAJORITY CHAIRMAN ROAE: All right. Next is
20 Representative Mercuri, and make sure you have your
21 microphone on please. I don't think it was on last time.

22 REPRESENTATIVE MERCURI: Thank you, Mr. Chair.
23 Freshman mistake. Thank you to the testifiers. I really
24 appreciated the testimony giving us plenty to think about.
25 I did want to draw the Committee's attention to the

1 statistic that was referenced from our second testifier,
2 Mr. Knab, regarding the impact that the CBO had calculated,
3 and I'm happy to submit this to the record for the
4 Committee. But I'm looking at the CBO report. The
5 estimate is actually that in minimum wage increase to \$15
6 an hour would kill between 1.4 million and 2.7 million
7 jobs, not the zero to 1.4 million that were referenced in
8 the testimony.

9 My question is to both testifiers. I would be
10 curious, as a small business owner myself, in your opinion
11 in the timing. I think a lot of this debate surrounds the
12 timing of changes to this minimum wage protection. You
13 know, in my opinion as a small business owner, I think in
14 Pennsylvania a lot of the brunt of the shutdown has been
15 borne by both small business owners and their employees.
16 So I'm curious as to, you know, your opinion on is now the
17 time to enact a raise -- an arbitrary raise to our minimum
18 wage, or is this something that we should think about
19 depending on what happens with the broader economy in
20 future years? Thank you.

21 MR. KNAB: This is for both of us. Please go
22 ahead and go first, I suppose.

23 MS. STELLE: Sure. Happy to. You know, since we
24 believe that the minimum wage policy, in general, is not a
25 good policy. You know, I would rephrase it and say there's

1 no good time to raise the minimum wage. And I would
2 advocate on that side of things and say that, you know, if
3 we know it causes job losses, and we know it can impact the
4 benefits of employees, then you know, there's no good time
5 to pursue this policy, and I would much rather see the
6 Legislature work on ways to combat, you know, the poverty
7 issue directly versus the minimum wage as a policy
8 solution.

9 MR. KNAB: I would say the best time to raise
10 wages would've been 10 years ago and the second best time
11 is now. In our industry, like I said, 7 out of the 10 of
12 the lowest-paying jobs in any industry in the country,
13 highest reliance on public assistance. This is a crisis
14 for what pre-COVID was a very competitive industry for
15 labor, which made it really tough to staff, and that is a
16 big problem. We're losing people in our industry to other
17 industries because of the wages being too low, and so yes,
18 definitely now is the right time.

19 MAJORITY CHAIRMAN ROAE: Next is Representative
20 Kenyatta.

21 REPRESENTATIVE KENYATTA: Thank you, Mr.
22 Chairman. My questions are for Ms. Stelle. Good morning.
23 And I want to --

24 MS. STELLE: Morning.

25 REPRESENTATIVE KENYATTA: -- thank you first of

1 all for your honesty that your official position is that
2 there should be no minimum wage, and so you know, if it's a
3 dollar an hour, sure. Fine by the Commonwealth Foundation.
4 Fine by you. I had a chance not only to read your
5 testimony for this hearing today about the downside of the
6 minimum wage, but I also got to read some of your best hits
7 about how it's fine that we got rid of general assistance,
8 you want to privatize PLCB, welfare reform, on and on. And
9 so I was not shocked to read your testimony about not
10 raising the minimum wage because you are clearly, you know,
11 an evangelist when it comes to not paying workers fairly.
12 So I want to ask you this morning, how much do you make a
13 year, Ms. Stelle?

14 MAJORITY CHAIRMAN ROAE: Excuse me one second.
15 Representative Kenyatta, let's keep the conversation
16 focused on minimum wage.

17 REPRESENTATIVE KENYATTA: Mr. Chairman this is
18 exactly --

19 MAJORITY CHAIRMAN ROAE: Well, hold on --

20 REPRESENTATIVE KENYATTA: -- about the minimum
21 wage.

22 MAJORITY CHAIRMAN ROAE: Hold on. Privatizing
23 liquor, that's a whole nother issue, the whatever else.

24 REPRESENTATIVE KENYATTA: But that wasn't my
25 question. Those --

1 MAJORITY CHAIRMAN ROAE: Right.

2 REPRESENTATIVE KENYATTA: -- were comments, Mr.
3 Chairman.

4 MAJORITY CHAIRMAN ROAE: But I'm just saying.

5 REPRESENTATIVE KENYATTA: My question to her is
6 how much does she make --

7 MAJORITY CHAIRMAN ROAE: Representative.

8 REPRESENTATIVE KENYATTA: -- because she's
9 sitting here -- Mr. Chairman.

10 MAJORITY CHAIRMAN ROAE: Hold on.

11 Representative.

12 REPRESENTATIVE KENYATTA: Mr. Chairman.

13 MAJORITY CHAIRMAN ROAE: Hold on. Please be
14 courteous to the testifiers. You can ask questions, but
15 please be polite, be courteous.

16 REPRESENTATIVE KENYATTA: I think my question is
17 perfectly polite, Mr. Chairman. We're talking about this
18 morning the wages that Pennsylvanians make. Ms. Stelle is
19 a Pennsylvanian who works at the Commonwealth Foundation,
20 which is across the street from our state capitol, and she
21 is sitting here arguing that she is perfectly fine with
22 folks making \$15,000 a year. And so my question is, based
23 on her personal experience, does she survive off of \$15,000
24 a year? Do you make more than \$15,000 a year, Ms. Stelle?

25 MS. STELLE: Okay. Well, first of all, I'm

1 flattered that you --

2 REPRESENTATIVE KENYATTA: Excuse me. I just --

3 MS. STELLE: -- are in so much --

4 REPRESENTATIVE KENYATTA: -- have a quick
5 question. Do you make more than \$15,000 a year?

6 MS. STELLE: I do not feel that I need to
7 justify --

8 REPRESENTATIVE KENYATTA: So I'll take that --

9 MS. STELLE: -- my comments --

10 REPRESENTATIVE KENYATTA: -- as a yes.

11 MS. STELLE: -- by my --

12 REPRESENTATIVE KENYATTA: My next question --

13 MS. STELLE: -- personal information.

14 REPRESENTATIVE KENYATTA: I'll take that as a
15 yes, Ms. Stelle. Thank you. I'll just take it as a yes.
16 Thank you. Going and looking at GuideStar, I could see
17 that your CEO made \$290,000 a year. Ms. Stelle, should he
18 make less --

19 MAJORITY CHAIRMAN ROAE: Hold on.

20 Representative --

21 REPRESENTATIVE KENYATTA: Mr. Chairman --

22 MAJORITY CHAIRMAN ROAE: -- Kenyatta --

23 REPRESENTATIVE KENYATTA: -- nobody else was
24 interrupted.

25 MAJORITY CHAIRMAN ROAE: Representative Kenyatta,

1 you're comparing college graduates with 20 or 30 years of
2 working experience with a high school kid working at a fast
3 food restaurant --

4 REPRESENTATIVE KENYATTA: Mr. Chairman --

5 MAJORITY CHAIRMAN ROAE: -- okay? Now --

6 REPRESENTATIVE KENYATTA: -- your -- Mr.

7 Chairman, your description of who minimum wage workers is
8 completely inaccurate. And there are college graduates in
9 my district who are working two and three jobs, and so that
10 mischaracterization, if that is the reason you're
11 interrupting my questioning I think is inappropriate. My
12 question is, if she thinks that \$15 is too much, should her
13 CEO make less than the \$290,000 that he makes a year?
14 Would that be good for the economy based on her policy
15 experience?

16 MAJORITY CHAIRMAN ROAE: Representative, we're
17 not talking about maximum wage. The hearing is on minimum
18 wage.

19 REPRESENTATIVE KENYATTA: Well, she doesn't
20 believe there should be any minimum, and so I'm asking,
21 based on the policy, based on her writing, based on her
22 research where she talked about the downside of us moving
23 from the starvation level wage that we're at right now, I
24 am asking, based on her experience would it make sense for
25 somebody like the CEO who she works for, would it make

1 sense for him to make less than the \$290,000 he made based
2 on their last public report?

3 MS. STELLE: Okay. Well, first of all, I would
4 say that, you know, personally speaking, at one point in my
5 life, I did make the minimum wage. And you know, I think
6 we live in a country where you're rewarded for what you
7 bring to the table. And so the real minimum wage, let's be
8 honest, is not \$7.25. It's \$0 an hour because we don't
9 think an individual's going to bring that much value as an
10 employer won't hire them.

11 REPRESENTATIVE KENYATTA: Well, I'm sorry --

12 MS. STELLE: And so that's just --

13 REPRESENTATIVE KENYATTA: -- Ms. Stelle, that you
14 don't think --

15 MS. STELLE: -- you know, that's basic economics.

16 REPRESENTATIVE KENYATTA: -- hard-working people
17 in my district --

18 MS. STELLE: But I don't think asking about --

19 REPRESENTATIVE KENYATTA: -- bring anything to
20 the table --

21 MAJORITY CHAIRMAN ROAE: Hold on.

22 MS. STELLE: -- the wages of --

23 REPRESENTATIVE KENYATTA: -- I find that equally
24 disrespectful.

25 MS. STELLE: -- CEOs really relates --

1 REPRESENTATIVE KENYATTA: Mr. Chairman --

2 MS. STELLE: -- to what we're talking about --

3 REPRESENTATIVE KENYATTA: -- I find the
4 comments --

5 MS. STELLE: -- here, which (indiscernible -
6 simultaneous speech) of minimum wage --

7 REPRESENTATIVE KENYATTA: -- that the testifier
8 is making --

9 MAJORITY CHAIRMAN ROAE: Mr. Kenyatta.

10 MS. STELLE: -- to lower income individuals.

11 REPRESENTATIVE KENYATTA: -- is equally -- deeply
12 disrespectful and disparaging.

13 MAJORITY CHAIRMAN ROAE: Mr. Kenyatta.

14 REPRESENTATIVE KENYATTA: Mr. Chairman.

15 MAJORITY CHAIRMAN ROAE: No. Mr. Kenyatta.

16 REPRESENTATIVE KENYATTA: Thank you.

17 MAJORITY CHAIRMAN ROAE: You can't talk over the
18 testifier. We're going to move on to the next
19 questioner --

20 REPRESENTATIVE KENYATTA: Mr. Chairman --

21 MAJORITY CHAIRMAN ROAE: -- which is
22 Representative --

23 REPRESENTATIVE KENYATTA: I was not talking over
24 the testifier. You were talking over me. I asked a series
25 of two --

1 MAJORITY CHAIRMAN ROAE: Representative.

2 REPRESENTATIVE KENYATTA: Mr. Chairman, I asked
3 just two yes or no questions, and that's all I'm asking
4 for.

5 MAJORITY CHAIRMAN ROAE: I would ask --

6 REPRESENTATIVE KENYATTA: It's a yes or a no, Mr.
7 Chairman.

8 MAJORITY CHAIRMAN ROAE: I would ask all members,
9 please be courteous and polite with their testifiers, don't
10 over talk people, and don't bring up issues that have
11 nothing to do with what the topic is today.

12 REPRESENTATIVE KENYATTA: Mr. Chairman --

13 MAJORITY CHAIRMAN ROAE: Representative --

14 REPRESENTATIVE KENYATTA: -- my only question was
15 about wages, and I was routinely --

16 MAJORITY CHAIRMAN ROAE: Representative
17 Kenyatta --

18 REPRESENTATIVE KENYATTA: -- interrupted, Mr.
19 Chairman --

20 MAJORITY CHAIRMAN ROAE: -- you're not --

21 REPRESENTATIVE KENYATTA: -- by you.

22 MAJORITY CHAIRMAN ROAE: Mr. Kenyatta, you're not
23 recognized right now. Who is recognized --

24 REPRESENTATIVE KENYATTA: Yeah. Because --

25 REPRESENTATIVE KENYATTA: -- I'm bringing up

1 something --

2 MINORITY CHAIRMAN GALLOWAY: Mr. Chairman, can I
3 just --

4 REPRESENTATIVE KENYATTA: that you don't want to
5 bring up. We have a panel here with no workers, and I'm
6 asking questions of the person you brought to testify.

7 MAJORITY CHAIRMAN ROAE: Okay. Representative --

8 REPRESENTATIVE KENYATTA: It's fine. I yield --

9 MAJORITY CHAIRMAN ROAE: -- Galloway.

10 MINORITY CHAIRMAN GALLOWAY: Hold on. Hold on.

11 REPRESENTATIVE KENYATTA: -- back Mr. Chairman.
12 It's fine. Go ahead.

13 MINORITY CHAIRMAN GALLOWAY: No, no, no, no.
14 Hold on. Let's just talk this through for a second. How
15 about we move to -- first of all, everybody has a right to
16 ask questions. The questioners have a right to be heard.
17 What I'd like to do -- and have a right to ask questions
18 without being interrupted. What I'd like to do is just
19 move to the point where Representative Kenyatta can move
20 from questions to a wrap-up.

21 REPRESENTATIVE KENYATTA: Thank you, Mr.
22 Chairman. My question is --

23 MINORITY CHAIRMAN GALLOWAY: If that's okay with
24 the Majority --

25 REPRESENTATIVE KENYATTA: No. Thank you.

1 MINORITY CHAIRMAN GALLOWAY: -- Chairman.

2 MAJORITY CHAIRMAN ROAE: Actually, it's not okay.

3 REPRESENTATIVE KENYATTA: Okay.

4 MAJORITY CHAIRMAN ROAE: We're running out of
5 time.

6 REPRESENTATIVE KENYATTA: Now --

7 MAJORITY CHAIRMAN ROAE: Next --

8 REPRESENTATIVE KENYATTA: -- we're out of time.
9 Okay.

10 MAJORITY CHAIRMAN ROAE: -- is Representative
11 Pennycuick.

12 REPRESENTATIVE PENNYCUICK: Thank you, Mr.
13 Chairman. I hope you can see me. I'm a little fuzzy at
14 the moment. I'm not sure why. So I spent my time previous
15 to this in the military, and I just wanted to let the
16 Committee know that the average private going into the
17 military with zero experience makes about \$1,700 a month.
18 And as I think most of you know that in the military, it
19 isn't a 40-hour -- there we go. Sorry about that. It's
20 not a 40-hour a week workweek, especially if you are at the
21 lower ranks pulling guard duty, pulling KP duty, and all
22 those glorious job opportunities.

23 However, one thing I do want to bring up to the
24 Committee is the military is an up or out system. As you
25 gain experience and as you gain work experience in the

1 military, you have an opportunity to move up and thus make
2 more money, more responsibility, and have more
3 opportunities. One of my questions, and I'm not sure which
4 panelist can best answer this, do we know how long the
5 average worker, regardless of age, would remain at the
6 minimum wage rate? I'm assuming that most workers would
7 get a pay raise or as they gain experience and time on the
8 job that they would make more money. And I apologize. I'm
9 not sure who could best answer that or if everyone wants to
10 answer. Thank you.

11 MS. STELLE: There is a study by the Heritage
12 Foundation, and it's a couple years old now, but it did
13 find in their analysis that most minimum wage workers
14 received a raise within the first year of employment.

15 MR. KNAB: I can only speak to the restaurant
16 industry, but on average, front-of-the-house employees, who
17 rely mostly on tips for their income, typically stay at
18 minimum wage from their employer for many years. As people
19 move up in the professional ladder, obviously, their wages
20 will be raised, but if folks decide to stay in the
21 positions like servers, bartenders, their wages typically
22 stay at minimum wage.

23 REPRESENTATIVE PENNYCUICK: Is that minimum wage
24 prescribed by -- I'm sorry. Is that minimum wage
25 prescribed by the employer or by their minimum wage laws in

1 those states?

2 MR. KNAB: Well, no employer that doesn't want to
3 break the law will always pay the mandated minimum wage by
4 their municipality whether the city sets it, county, state,
5 or federal. In Pennsylvania, your Commonwealth defaults to
6 the federal at \$7.25, so that would be the minimum.

7 REPRESENTATIVE PENNYCUICK: Thank you.

8 MAJORITY CHAIRMAN ROAE: All right. Next is
9 Representative Herrin.

10 REPRESENTATIVE HERRIN: Yes. Thank you, Mr.
11 Chairman. I have a question for Mr. Knab. And you know,
12 that is when I first started to really look into this
13 issue, one of my biggest concerns was something that was
14 brought up earlier, which is the question of timing,
15 particularly given the job losses and the economic
16 struggles we've seen due to the pandemic.

17 But once I, you know, came to understand that
18 increasing the minimum wage to 12 with a progressive
19 increase thereafter to \$15 actually injects consumer
20 spending into the economy. It helps to bring us out of a
21 poverty-based economy, and it helps to support our small
22 businesses. It became very clear to me because there is a
23 preponderance of scholarship to support this and a lot of
24 experience to support that this is a good economic policy.

25 My only remaining hesitation still remained a

1 matter of timing because in my district, as in many of our
2 districts, I have a lot of small businesses that are
3 struggling, and I thought how can we put that burden on
4 them right now? But then, fortunately, Congress passed the
5 1.9 trillion relief package, which will inject billions and
6 billions of more spending power into the economy with
7 stimulus checks, unemployment extensions, tax credits, and
8 more while providing 50 billion worth of relief directly to
9 small businesses, so that has really moved me to the
10 position that the timing is now. And I just wonder if you
11 can just expand on that idea from your experience and help
12 us understand the importance of doing this now and not
13 waiting. Thank you.

14 MR. KNAB: Yes. Thank you so much for that
15 question. I appreciate it, and on -- and the context as
16 well of your decision-making process. I agree 100 percent
17 that 1.9 trillion -- or \$1.9 trillion relief
18 package is necessary and a boon to my industry -- to the
19 restaurant industry and small businesses in general. We
20 are getting the support for relief we need to make it
21 through this crisis and come out strong and sustainable and
22 ready to thrive. We've already built ourselves as
23 businesses in a way that once we make it past this crisis,
24 we can go back to doing business, selling goods and
25 services in a way that's profitable.

1 The workforce that's getting relief through this
2 is not built that way. They had pre-existing conditions in
3 terms of poverty-level wages before the pandemic that meant
4 that when businesses had to shut down, they were
5 immediately unable to pay their rent or feed their family
6 because even before the pandemic, they weren't able to pay
7 their rent or feed their family, and that's why public
8 assistance was so highly relied upon.

9 In order to recover, not just relief but recover,
10 those workers need an ongoing set of policies that will
11 give them a better outlook and better professional outcome
12 going forward.

13 REPRESENTATIVE HERRIN: Thank you.

14 MAJORITY CHAIRMAN ROAE: All right. Our next
15 question is going to be from Representative Twardzik. I
16 apologize if I said that wrong.

17 REPRESENTATIVE TWARDZIK: You got it right.
18 Thank you. Appreciate hearing from the panelists. Some
19 difficult issue to talk about, but with Commonwealth
20 Foundation, again, you know, the minimum wage is an issue
21 and also, you know, Mr. Rasheed (sic), you also brought up
22 that you lose employees because they go to higher-paying
23 positions. You know, it's not really a minimum wage issue.
24 It's what the market will bear, so it really should be a
25 market-driven process. The minimum wage gets you started,

1 as you become a better person, you get more skills, you
2 move up in the world of employment.

3 You know, I've known restaurant servers who have
4 opportunities to become managers, and they don't take that
5 job because they don't want to take the pay cut, so tipped
6 workers who are excellent at their skill and job level are
7 paid extremely well. And you talked about \$44 an hour is a
8 good start.

9 So it really should be market driven. It
10 shouldn't be dictated upon high because it's always a
11 question, is \$15 enough? Maybe it should be \$30, maybe it
12 should be \$100. And it's just -- I don't think picking on
13 people here who come to testify is really polite either.
14 We don't have to worry about their wages. We don't - you
15 know -- people get paid how they're valued.

16 MINORITY CHAIRMAN GALLOWAY: Mr. Chairman, is
17 there a question here somewhere?

18 REPRESENTATIVE TWARDZIK: My question would be if
19 you're losing people to higher wages, you know, you're --
20 you've talked about minimum wage doesn't mean a thing then;
21 is that correct?

22 MR. KNAB: Is that question for me?

23 REPRESENTATIVE TWARDZIK: Yes.

24 MR. KNAB: Yeah. So losing people to higher
25 wages does -- is not what happens in the front of the

1 house. It happens in the back of the house in states where
2 there is not a mandate for one fair wage because back-of-
3 the-house employees are not allowed to be in the tip pool.
4 Unfortunately, that actually puts those restaurants in
5 those states at a disadvantage to the ones in the states
6 that have one fair wage because what will happen is back-
7 of-the-house employees will leave restaurants in those
8 states to head to the states where they can be part of the
9 tip pool.

10 REPRESENTATIVE TWARDZIK: Thank you.

11 MAJORITY CHAIRMAN ROAE: Representative
12 Shusterman.

13 REPRESENTATIVE SHUSTERMAN: Thank you so much,
14 Chairman. I just want to be a -- make a comment as co-
15 chair of the Autism and Intellectual Disability Caucus, I
16 believe that we can speak in the entirety of this community
17 and how they would like to be paid or how employers view
18 them as workers. Once again, maybe we're speaking about
19 one specific example.

20 I do know within my district, we value our autism
21 and intellectual disability workers in the same way we
22 value all our workers, so I think we have to be very
23 careful about pulling them out as a subgroup. I know we
24 have a very successful café. We have a successful direct
25 mail company. ACME companies utilize a lot of our IDA

1 community, and our workers as well as our employers would
2 stand by an increase in hourly wage. Thank you.

3 MAJORITY CHAIRMAN ROAE: If there was a question
4 there, does either testifier want to answer? If not, I
5 have one final question. You know, when you look -- I
6 encourage everybody to look at the report from the
7 Department of Labor and Industry. Really interesting is
8 page 12. The whole report's on their website, but you have
9 page 12 in your packet. And there's some nice charts
10 there, and it shows about 21 percent of minimum wage
11 workers are between 16 and 19; about 34 percent are between
12 the ages of 20 and 24; about 19 percent do not have a high
13 school diploma. You know, there's just a lot of -- you
14 know -- a lot of good information there.

15 But anyways, I'm not that concerned about a high
16 school kid whether they get paid, you know, \$7.25 an hour
17 to make French fries at a McDonald's or if they get \$15 an
18 hour. I am concerned about adults, especially adults that
19 are trying to raise kids. So I just wonder, either
20 testifier, from your experience -- like probably everybody
21 in this room, I started at minimum wage. I worked at a
22 grocery store bagging groceries, I was a lifeguard, you
23 know, jobs like that early in my career when I was in high
24 school and college and so on.

25 Anyways, I obviously moved past minimum wage.

1 About 99 percent of employees move past minimum wage. What
2 is it, and what could we do? In Pennsylvania, there's
3 about 15,000 single parents that make minimum wage. We
4 have 13 million people in Pennsylvania, and you know,
5 literally 99 percent of the population of Pennsylvania over
6 the age of 24 do not make minimum wage. But there's one
7 percent of the population 25 and older that makes minimum
8 wage. Why are they stuck there? Do you guys have any
9 input from your experience? Either testifier -- like, why
10 do some people get stuck there? What could be done to get
11 them better-paying jobs like everybody else does?

12 MS. STELLE: Yeah. I think that's a really good
13 point that -- what we're attempting to do with minimum wage
14 is help a very small part of the population by changing
15 wages over the entire economy. And let's be clear, minimum
16 wage is right now set at the federal level, states follow.
17 So that's not going away anytime soon.

18 What we would advocate for is -- again, looking
19 at the barriers that these individuals are facing whether
20 it's a barrier because they wanted to start their own
21 business and there was some red tape in their way or
22 whether it's a barrier for higher education, and we need to
23 rethink about -- think about better structuring some of our
24 assistance programs, like the KEYS program, for instance.
25 Maybe it's more targeted workforce training. I know that

1 it had been part of the Governor's proposal to put more
2 resources in that direction. And what I find often is
3 there's a lot of money thrown into those systems, but it's
4 not always very clear the outcomes that come from that --
5 those work training programs.

6 And in our experience, the best organizations
7 have the most success in helping those lower-skilled
8 workers succeed are your community non-profits that are
9 plugged in; that care about the people and what happens in
10 the community. Groups like Goodwill, groups like
11 Manchester Bidwell in Pittsburgh. If you can partner with
12 those groups, you know, they have the secret sauce.
13 They've figured out how to help people increase their
14 income and earning potential. And so I would advocate for
15 working with the private sector in those areas and
16 targeting those folks specifically. I think that's a much
17 better way to tackle the issues we're concerned about than
18 raising minimum wage for all workers.

19 MR. KNAB: So I believe the question is how do we
20 help the folks who are kind of stuck in minimum wage
21 positions to move up the income ladder. Did I get that
22 right?

23 MAJORITY CHAIRMAN ROAE: Yeah. Literally, 99
24 percent of the workforce moves beyond minimum wage, but
25 there's about 1 percent of the workforce that, you know,

1 even in their 30s and 40s and 50s, they're stuck at minimum
2 wage. You know, what could we do as policymakers, you
3 know, to help those people, you know, get beyond minimum
4 wage?

5 MR. KNAB: I would say make sure that the wage
6 that they make allows them the opportunity to take part in
7 some of those training programs that our other speaker
8 mentioned. I will say the living wage, according to MIT in
9 Pennsylvania, is \$13.39 for a single adult with zero
10 children. If you have one child, it's 27.57. The poverty
11 wage if you have one child is \$8.29 an hour, which means
12 more than the minimum wage now. So these folks are working
13 and they're stuck in poverty. They don't have time to take
14 part in additional education, training programs, or the
15 work of those nonprofits that our other speaker mentioned.

16 I would say the best thing you could do is give
17 them time. And the only way they can get time is if they
18 have enough money to not have to have a second job or not
19 have to hustle on the side in Etsy. So I would think, you
20 know, if you could raise wages to something that's such
21 that one 40-hour a week job is enough for a person that
22 would be the best method.

23 MAJORITY CHAIRMAN ROAE: All right.
24 Representative Galloway, do you have any closing comments
25 that you'd like to make?

1 MINORITY CHAIRMAN GALLOWAY: Yes. I do. And
2 first of all thank you. Thank you for continuing the
3 conversation. It's a difficult subject. And just to note,
4 I understand and respect your opinion, but someone was
5 trying to finish a thought or was asked to finish a
6 thought, and you limited that and you don't have the right
7 to do that.

8 MAJORITY CHAIRMAN ROAE: Chairman Galloway, we
9 can discuss that --

10 MINORITY CHAIRMAN GALLOWAY: I understand.

11 MAJORITY CHAIRMAN ROAE: -- after the meeting.

12 MINORITY CHAIRMAN GALLOWAY: And I do that
13 respectfully.

14 MAJORITY CHAIRMAN ROAE: Yeah. I do want all
15 members to be -- you know, stay on topic -- just like on
16 the House floor, if we're talking about minimum wage, you
17 can't talk about liquor store reform and pension reform. I
18 can't remember what the other issues -- you talk about the
19 topic at hand --

20 MINORITY CHAIRMAN GALLOWAY: I agree.

21 MAJORITY CHAIRMAN ROAE: -- so -- and then all
22 members are expected to treat testifiers with courtesy --
23 you know, not raising their voice, not -- you know, more
24 than one person talking at a time when a testifier is
25 trying to answer a question. But do you have any closing

1 comments --

2 MINORITY CHAIRMAN GALLOWAY: Yeah.

3 MAJORITY CHAIRMAN ROAE: -- on the topic?

4 MINORITY CHAIRMAN GALLOWAY: Yes, Mr. Chairman.

5 And first of all, thank you for that. I'd like to finish
6 with stating the facts. Again, there's nobody up here,
7 Democrats or Republicans, who don't believe that the
8 minimum wage has been a phenomenal success in this country.
9 Nobody is advocating for the elimination of the minimum
10 wage, nobody. Unless I'm wrong here -- anybody advocating
11 for the elimination of minimum wage, nobody. We all agree
12 also that minimum wage will change. It is fluid. It was
13 designed to be fluid.

14 Every single state bordering Pennsylvania has
15 changed their minimum wage law since we changed it in 2007.
16 Pennsylvania workers are earning less than every bordering
17 state around us. It's not a question of if. It's a matter
18 of when. And if you don't like the Governor's proposal,
19 what's yours? Thank you very much, Mr. Chairman.

20 MAJORITY CHAIRMAN ROAE: All right. Thank you,
21 Mr. Chairman. And in closing, I just want to say thank you
22 everybody who participated today. Thank you to our
23 testifiers. Thank you to the members who participated in
24 person and virtually. And as I stated earlier, you know,
25 it's a very well-intended idea to increase the minimum

1 wage.

2 I do worry about job losses, and there's
3 disagreement on exactly -- the exact number of job losses,
4 but it's an economic principle that when something costs
5 more, there's going to be less of it consumed. So in other
6 words, if the price of something goes up, fewer people buy
7 it. If the price of employees goes up, there's going to be
8 fewer employees. And every legislative district is
9 different, every restaurant's different, every store is
10 different.

11 I recently ate lunch at a restaurant in my
12 district, and over lunch, there were literally three tables
13 in the restaurant being used, three. Now, could you
14 imagine -- you know, I don't know exactly what their pay
15 structure is. I assume it's not \$15 an hour. But just,
16 you know, restaurant's already struggling with occupancy
17 limits.

18 We have, you know, an amusement park in Erie
19 County, hundreds of employees, and they pay above minimum
20 wage now, is my understanding. But if you have hundreds of
21 employees and you have to start paying them \$4, \$5, \$6 an
22 hour more, you know, is that amusement park viable?

23 You know, we have a recreation authority in my
24 town -- the Meadville Area Recreation Authority. They have
25 about five lifeguards. I used to be there as a lifeguard

1 when I was a kid. We had about six lifeguards on duty at a
2 time plus a cashier. You know, if you had to double
3 everybody's pay, are there enough customers to keep a
4 facility like that open, or would they have to close. And
5 again, it comes to economics. If you take your admission
6 price from 10 -- or excuse me, \$5 and you have to raise it
7 to \$10, probably fewer people are going to show up.

8 So you know, everybody up here, we all want
9 everyone to do well. And I would encourage all members, we
10 need to keep exploring, you know, why is it that almost
11 everybody sitting up here probably started at minimum wage.
12 Everybody listening to this hearing started at minimum
13 wage. Ninety-nine percent of us moved past minimum wage.
14 We need to get to the root of the problem why some people
15 are permanently stuck there. But it's almost 11:30, so I'm
16 going to call this hearing to a close. Thank you.

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C E R T I F I C A T E

I hereby certify that the foregoing proceedings are a true and accurate transcription produced from audio on the said proceedings and that this is a correct transcript of the same.

Natalie Webb
Transcriptionist
Opti-Script, Inc.

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