

BUSINESS *for a* FAIR MINIMUM WAGE

Pennsylvania House Commerce Committee Hearing: The impact of a minimum wage increase on Commerce

Written Testimony of Alissa Barron-Menza, Vice President, Business for a Fair Minimum Wage

Position: SUPPORT

**Harrisburg, PA
February 16, 2021**

Thank you, Chairman Roae, Democratic Chair Galloway, and members of the House Commerce Committee for the opportunity to testify in support of raising Pennsylvania's minimum wage.

My name is Alissa Barron-Menza and I am the Vice President of Business for a Fair Minimum Wage, a national network of business owners, executives and business organizations that believe a fair minimum wage makes good business sense. Our members include thousands of small businesses around the country, iconic regional brands, large national corporations, and local, state and national business organizations.

Our members in Pennsylvania include pizza shops and bakeries, grocery stores and coffee shops, construction companies and car repair, barber shops and other service businesses and more, from Wexford to Scranton, Bethlehem to Philadelphia to Lancaster and beyond.

We support raising Pennsylvania's minimum wage to \$15 by 2027 and to indexing wages thereafter so the minimum wage keeps up with the cost of living rather than falling behind.

This increase is a vital tool for shared recovery that will be good for business, good for customers and good for the economy. Indeed, our members support a faster phase-in timeline – reaching \$15 by 2025, as the U.S. House passed in 2019 and which will soon be re-introduced in the federal Raise the Wage Act.

As our CEO and founder Holly Sklar notes, “Some people say we can’t raise the minimum wage now because times are hard. Well, if we hadn’t raised the minimum wage in hard times, we wouldn’t have a minimum wage to begin with. The federal minimum wage was [first] enacted in 1938 during the Great Depression to put a floor under wages nationally and boost the economy by increasing consumer purchasing power.”

President Franklin Roosevelt called the minimum wage “an essential part of economic recovery.” He said millions of workers “receive pay so low that they have little buying power.

Aside from the undoubted fact that they thereby suffer great human hardship, they are unable to buy adequate food and shelter, to maintain health or to buy their share of manufactured goods.”

Raising the minimum wage is just that kind of shared recovery tool we need again now. It’s bad for communities and for business when working people can’t afford the basics. Today, grocery workers, healthcare aides, cleaning staff, childcare workers and other Pennsylvanians are working at the \$7.25 minimum wage or near it. We can’t build a shared recovery on a minimum wage that’s too low to live on.

It’s too often forgotten in the minimum wage debate that workers are also customers. Raising the minimum wage puts money in the pockets of people who most need to spend it. It boosts the consumer buying power that businesses depend on to survive and grow – a purpose of the minimum wage since its creation.

Michael O’Connor, owner of barbershop La Barberia in Jenkintown and Philadelphia, puts it this way: “Even in these tough times, I wouldn’t consider lowering wages, because my talented employees are at the heart of my business success and I can’t afford to lose them. People can’t spend money at local businesses like mine if they don’t have it, which is why raising the minimum wage is all the more important now.”

Raising the minimum wage is good business. Low pay typically means high employee turnover. Raising the minimum wage saves businesses money in lower turnover, reduced hiring and training costs, less product waste, and lower error and accident rates. Businesses further benefit from better productivity, product quality and customer service. Employees often make the difference between repeat customers or lost customers.

Michael Lastoria, CEO of &pizza, one of the fastest growing fast-casual restaurants in the country with 3 locations in Pennsylvania, said, “When you take care of your people, they take care of your customers, and your business thrives. As a result of fair wages, we’ve seen higher employee productivity and retention. Our employee morale has skyrocketed and, with it, our customer experience and our bottom line. Our employees have become our loudest brand ambassadors.”

Raising the minimum wage is also smart policy. It will level the playing field for business, so that those who are voluntarily paying a livable minimum wage now don’t end up subsidizing their competition through the taxpayer-funded social safety net. This is not an efficient nor fair way to run an economy. Raising the minimum wage will strengthen local workforces and help build a shared economic recovery.

There is majority business support for raising the minimum wage beyond currently enacted levels – despite what you may hear from the opposition. For example, a 2016 survey of 1,000 business executives across the country conducted by LuntzGlobal for the Council of State

Chambers found that 80 percent of respondents said they supported raising their state's minimum wage, while only eight percent opposed.

Over 1300 business owners, executives and business organizations, including the U.S. Women's Chamber of Commerce, signed our Business for a Fair Minimum Wage Federal Statement in support of raising the federal minimum wage to \$15. This included hundreds of small businesses in red states and swing states like Pennsylvania, Texas, Oklahoma, Kansas, Iowa and Alabama, to name a few.

In the last election, Florida underscored the broad appeal of minimum wage increases across the political spectrum by passing Amendment 2, raising the state minimum wage to \$15 by 2026, with a 61% supermajority. Business for a Fair Minimum Wage and our members across Florida, from small businesses to large brands, spoke out strongly in favor of this increase.

As you know, all six states neighboring Pennsylvania have raised their wages above the federal \$7.25. New York, New Jersey and Maryland are each on their way to a \$15 minimum wage. In 2019, the Federal Reserve Bank of New York studied the impacts of New York's wage increase on each of the counties along both sides of the Pennsylvania - New York border. They looked at the effects of the wage increase on both employment and average weekly earnings in two industries with lots of lower-wage workers: retail trade and leisure & hospitality.

They found: "As [New York's] minimum wage was raised to levels above \$10 per hour, leisure and hospitality employment in New York counties, if anything, increased relative to businesses over the Pennsylvania state line. Concerns of diminished employment growth in New York's leisure and hospitality industry [...] seem not to have been borne out. Next, we look at retail trade [...]. We detect a pattern similar to that for leisure and hospitality: there appears to be a positive divergence in average wages between the states but no discernible divergence in employment trends."¹

In other words, New York's minimum wage hike did not kill jobs, just as decades of research on the impact of actual past minimum wage increases continues to show.

Let's look at another central issue in the debate about raising the minimum wage: small business competitiveness.

Keeping the minimum wage at a low level will not help small businesses compete. Walmart's current minimum wage is \$11. Amazon (including Whole Foods), Costco, Target and Best Buy, among others, already start workers at \$15.

Small businesses that pay a lower minimum wage would have more trouble hiring, see an increase in turnover as employees look elsewhere for pay they can live on, and undercut the customer service that keeps people coming through their doors.

For small businesses to thrive amid big box stores and online companies with fast delivery, you have to give customers a reason to shop at your store and keep buying from you. That comes back to customer service, which comes back to employees who can afford to work for you and are not looking to leave at the first opportunity to make more elsewhere.

Raising the minimum wage will encourage better business practices and increase the consumer spending that small businesses need to survive and thrive.

Put simply, businesses that are more invested in their employees have employees that are more invested in the business.

Scott Nash, CEO and founder of MOM's Organic Market with three locations in Pennsylvania, said, "Raising the minimum wage will help the economy and my business. I can't hire anyone unless people buy our products. There is no higher return on investment than investing in people. Our workforce is less stressed and more productive and engaged, and our retention rates have soared over the years – driving down training and hiring costs. Longer-term employees also offer more expertise and better customer service, which helps increase revenues. Customers love shopping at places with engaged employees."

A minimum wage increase will go right back into Pennsylvania's economy, helping workers and businesses get through the pandemic and economic crisis and thrive in the future. Let's hope 2021 is the year we are finally able to increase Pennsylvania's minimum wage, ending the longest period without an increase since 1938.

Thank you for your time.

Alissa Barron-Menza
 Vice President
 Business for a Fair Minimum Wage
alissa@businessforafairminimumwage.org

ⁱ Jason Bram, Fatih Karahan and Brendan Moore, **Minimum Wage Impacts along the New York-Pennsylvania Border**, Liberty Street Economics, Federal Reserve Bank of New York, Sep 25, 2019.
<https://libertystreeteconomics.newyorkfed.org/2019/09/minimum-wage-impacts-along-the-new-york-pennsylvania-border.html>. Accessed January 15, 2021.