



Setting THE record straight

March 6, 2008

State's minimum wage report ignores negative impact

After Pennsylvania raised its minimum wage from \$5.15 per hour to \$7.15 per hour (businesses with fewer than 10 employees will realize the full increase on July 1, 2008), the PA Chamber heard from numerous small businesses across the state that were forced to freeze hiring, reduce hours, raise prices and even lay off employees as a result of the increase. These examples ranged from small businesses that laid off one or two individuals to the fitness club chain operator who laid off 100 part-time workers.

Consequences of the increase were documented in statewide newspapers as well, including the *Philadelphia Daily News* and the *Philadelphia Inquirer*. The papers ran stories about the city's nonprofit youth jobs program, which experienced reduced job openings as a result of the increased minimum wage, and was forced to request for \$820,000 in taxpayer dollars to assist the initiative.

The *Daily News* wrote, "...this year's internship recruitment has a new set of challenges. When the state recently raised the minimum wage, the money available to fund the internships was spread much thinner." While the *Inquirer* pointed out, "One consequence of [the] increase in the minimum wage...is the threat it poses to summer jobs for youth. As salaries rise, the number of jobs comes down because program budgets are limited." Ironically, this same newspaper had earlier editorialized that the argument that raising the minimum wage reduces available entry-level jobs no longer holds true.

Interestingly, none of this information is included in a minimum wage impact report compiled by the Department of Labor and Industry through a Minimum Wage Advisory Board as required by Act 112 of 2006. The department rejected a request by the PA Chamber – a member of the Minimum Wage Advisory Board – to include the evidence it collected from its member businesses in the study because the department sought only "verifiable" information.

The department claims the study found "no significant correlation" between the higher minimum wage and any gains or losses in employment.

Additionally, a "slight decrease in jobs in the retail sector" noted in the study was deemed by L&I to be "not significant." This slight decrease in jobs is not surprising since most minimum wage jobs are in the retail and service sectors.

Policymakers need to know full impact of mandated wages

The evidence referenced above – direct feedback from Pennsylvania employers – should have been documented in the study. Not only does Act 112 state that "the board may include any other relevant facts that it believes necessary into the content of such report," the information referenced above is easily verifiable. While it is true that the minimum wage increase has benefitted many individual workers, examples that document adverse impacts on other workers; higher costs for consumers; and a drain on taxpayer dollars rightly belong in the report.

Unfortunately, Labor and Industry's report makes it easier for those who refuse to acknowledge any negative impact of the minimum wage hike to continue to do so. But with some supporters now pushing for an annual, automatic increase in the minimum wage, the examples referenced here, combined with a slowing economy and the fact that the smallest employers have yet to feel the full impact of the legislature's 2006 action, should be evidence that such a move would have negative consequences for many workers and small businesses.

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The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, with its membership representing nearly 50 percent of the private workforce. More information is available on the Chamber's website at www.pachamber.org

