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President and CEO

To: Joseph V. Egan and Members of the Assembly Labor Committee

Christine Buteas
Chief Government
Affairs Officer

From: Michele N. Siekerka, Esq. – President and CEO

Date: January 24, 2019

Frank Robinson
Vice President

RE: A-15 – Coughlin (D19); Tucker (D28); Timberlake (D34); Mosquera (D4); McKnight (D31); Egan (D17) – Raises, over time, hourly minimum wage to \$15.

Andrew Musick
Vice President

Michael Wallace
Vice President

On behalf of our member companies that provide more than 1 million jobs in the state and make the New Jersey Business & Industry Association the largest statewide business association in the country, we strongly OPPOSE Assembly bill 15, which increases the minimum wage to \$15 an hour.

Tony Bawidamann
Vice President

Nicole Sandelier
Policy Analyst

Historically, NJBIA has been opposed to a minimum wage that artificially inflates the value of a low-skilled position. We have also called for a responsible and predictive pathway to increasing New Jersey’s minimum wage. Unfortunately, this bill falls woefully short of that standard and exacerbates an already challenging climate for NJ small businesses.

As we entered 2019, New Jersey job creators experienced:

- Increased taxes as a means to balance the state budget;
- Enhanced Paid Sick Leave;
- Increased costs to cover additional subsidies for energy deliveries and costs for renewable energy efforts.

This was added to a business climate that was already dead last in the rankings. Our status as a cost outlier results in a continued trend of outmigration, costing our state and our general fund an average loss of over \$2 billion in adjusted gross income annually. From 2004 to 2016, New Jersey, in fact, lost a total of \$24.9 billion in adjusted gross income as job creators and residents alike look for greener pastures.

Further, our unfortunate business climate discourages new proprietors or out-of-state businesses to take a leap of faith and come to New Jersey.

Who exactly does the increased minimum wage impact? Our small business owners; the job creators who operate on already slim profit margins and who are wondering about their ability to pay a low-skilled worker 70 percent more than what they are paying them today – without any raising of skills to justify the increase.

Under the current terms of this bill, employers who pay the state’s minimum wage will see a 35 percent increase to their expenditures within just one year, when including increased payroll taxes as a result of the wage increase.

Here is a very small sampling of actual responses we have received from NJBIA members following last week’s announcement of the deal to raise the wage:

- “My sons will inherit our business and are already considering a move to Pennsylvania or shutting down completely. Trenton is killing us.”
- “My husband owns a small business, and we are being taxed and regulated as well as hit with fines, fees, and mandates. It's out of control. Large and small businesses will leave New Jersey in droves. We plan to be among them.”
- “This gleams a bleak future, with more small business sunsets than sunrises.”

But you don't need to run a business association to know the response of the business community. Just listen to the radio, read the online comments in hundreds of stories or take a moment to look at the letters you've received from your constituency about this legislation. Employers will either be cutting employee hours or benefits, raising prices, or automating. Some will move out or close shop all together.

It's important to quantify just how many people will be impacted by this bill. According to the U.S. Small Business Administration, 600,000 workers are employed by New Jersey companies who employ 20 employees or less. These are the most vulnerable companies and, in turn, so are their employees.

When margins are tight, you have two choices - increase your revenue or cut your expenses. Think about when your personal balance sheet has no room for additional spending? Where do you turn? Yes, you cut expenses. Why would we expect New Jersey's small businesses to act any differently?

With a national movement toward increasing the minimum wage and New Jersey policymakers wanting to be an early adopter, NJBIA has called for an economically responsible pathway to increasing the minimum wage. Again, this bill falls woefully short and fails to consider the business community's following concerns:

- First and foremost, there is no requirement for an economic analysis of the annual increases and how each scheduled increase would impact the state's economy and job creation. Such a provision would give the state the ability to freeze a scheduled increase during an economic downturn or after a natural disaster, such as Superstorm Sandy.

We are now 10 years from the end of the last national recession with many economists predicting the next recession to hit within the next two or three years. According to Standard & Poor's, New Jersey is one of 15 states at an elevated risk for fiscal distress during the next recession.

Even California realized the need to enact a similar economic safeguard when it decided to raise its minimum wage to \$15 an hour by the year 2022.

- We should also be concerned about the impact on health benefits and overall compensation. The costs of small employer health insurance continues to rise and more employers are dropping their employee health benefit plans. NJBIA's 2018 Health Benefits Survey saw a 7 percent decline, compared to 2016 survey results, in employers who offered health coverage plans for their employees.

Without consideration of the costs of health benefits, more employers will undoubtedly choose to drop employee health benefits plans to adjust for the increase in wages.

- Medicaid providers currently reimburse less than the proposed \$15 minimum wage for services. As you are aware, these providers rely heavily upon government reimbursements. This industry will be decimated without an increase to reimbursement rates. When Medicaid currently reimburses less than the proposed minimum wage for those services, where will the money come from to make up the difference?

As such, additional state funds will need to be appropriated to cover the costs, increasing our state budget, or an access to care issue will exist.

- Further, a small business exemption — at a minimum — should be made for businesses with 10 employees or less. These are the true Main Street businesses who will be gravely impacted.
- The current bill does not consider current state and federal contracts or collective bargaining agreements. The new law should not have a bearing on those current contracts until after they have expired.
- And, when it comes to exempting seasonal workers, we need to remember that New Jersey is blessed with having four seasons of tourism, not just a summer one.
- And, the danger in artificially raising minimum wages without raising skills — as this bill unfortunately does — is employees lacking skills will be left behind, as small business owners choose individuals with higher skills to fill their open positions- especially at a time when we are at historical low unemployment rates.

For this reason, states like New York provided tax credits for companies to hire young employees. Employers in the quick service restaurant industry in New York City were able to take advantage of this tax credit to hire youth employees. However, they were still forced to raise prices to accommodate for their increased mandated wages.

NJBIA has long been an advocate for workforce development. Knowing that our members invest in their employees' skill-building, we are calling for complementary legislation that would provide tax relief for companies who invest in their employees through investing in workforce development.

The fact is, our small business owners pay their employees what they can afford. They want the best workers who can provide the best products and services to be competitive, with a full understanding of their own budget. But the economic pie is only so big for our business owners and the slices continue to get smaller.

These job creators should be celebrated for competing in the most challenging business climate in the nation, not further penalized for their survival or prosperity. Everyone agrees, we have an affordability crisis in New Jersey. This will simply be another hike in expenditures.

In conclusion, this bill in its current form will have a negative impact on our state's job creators, increase the state budget, without a way to pay the additional costs the state will incur. And it will have unintended consequences on those the legislation seeks to assist most.

We respectfully ask the Legislature to acknowledge the cumulative impacts of a \$15 minimum wage on business, on top of the already increased taxes, high costs and additional mandates placed on businesses just this past year.

We ask our lawmakers to hit the pause button and consider the consequences before advancing legislation that will have ramifications on New Jersey's job creators and economy in both the short term and the long term.