



August 25, 2021

The Honorable Brad Roae
151 East Wing
P.O. Box 202006
Harrisburg, PA 17120-2006
via electronic submission

RE: Current Workforce Shortage in Pennsylvania

These comments are submitted on behalf of the National Federation of Independent Business in Pennsylvania (NFIB PA). NFIB is the nation's leading small business advocacy organization, representing nearly 13,000 members in Pennsylvania and about 300,000 members throughout the United States. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB's mission is to promote and protect the right of its members to own, operate, and grow their businesses.

We appreciate the ability to comment on behalf of Pennsylvania's small businesses on the current crisis that is plaguing our member-businesses: Businesses cannot fill current vacancies in their workforce. As a result, the unavailability of qualified workers to fill open positions is truly a crisis that is holding the economy back. This is why we are pleased to discuss the issue and potential solutions to provide real assistance to the small business community.

The NFIB Research Center has collected Small Business Economic Trends Data with Quarterly surveys since 1973 and monthly surveys since 1986.

According to the [July 2021 NFIB Small Business Economic Trends \(SBET\)](#), small businesses continue to struggle to find workers to fill open positions. The report indicates the following:

- 49% of all owners reported job openings they could not fill in the current period, **a 48-year record high reading**. Unfilled job openings remained far above the 48-year historical average of 22%.
- 43% have openings for skilled workers (up 3 points) and 25% have openings for unskilled labor (up 3 points).
- 59% of the job openings in construction are for skilled workers, down 1 point.
- Owners' plans to fill open positions remain at record high levels, with 27% planning to create new jobs in the next three months, down just 1 point from June's **record high reading**.
- Overall, 61% reported hiring or trying to hire in July, down 2 points from June.
- Owners report that the quality of labor (26% of respondents) remains their single most important business problem, surpassing taxes, and regulation.

Additionally, the NFIB Research Center published their [Small Business Optimism Index for July 2021](#), which indicates the following:

- 52% of owners reported raising average selling prices, two points higher than June.
- 38% of owners reported raising compensation, down one point from June's **record high** of 39%.
- 27% plan to raise compensation in the next three months, up one point from June and **a 48-year record high reading**.



Furthermore, The NFIB Research Center, in their latest NFIB Monthly Economic Report, found that:

- Sales expectations over the next three months decreased.
- Owners expecting better business conditions over the next six months decreased.
- Earning trends over the past three months decreased.

Recapping: **Businesses are raising compensation to the highest levels in 48-years, while also experiencing a record high inability to fill vacant positions within their companies, as recovery optimism fades, and prices soar.**

Factors Influencing the Workforce Shortage

\$300/week Federal UC Benefit

The federal pandemic unemployment insurance supplement of \$300/week has been a primary concern of many business owners, which has provided a disincentive to return to the workforce. This was the subject of a [letter](#) I wrote to Governor Wolf on May 20, 2021, requesting he exchange the \$300/week federal benefit and provide a back-to-work bonus for those who return and remain in the workforce. Additionally, NFIB issued a letter of support for Rep. Jim Cox's [House Bill 508](#), dated May 24, 2021.

According to a [Business Insider article](#) entitled, "Unemployment declining faster in states that are cutting off \$300 enhanced federal benefit, according to WSJ" dated June 27, 2021, "The number of individuals who received unemployment benefits declined by 13.8% by the week ending June 12, compared to mid-May, in states where governors explicitly said that enhanced benefits would end in June, based on an analysis by Jefferies LLC economists. This figure compares to a 10% decline in states that are ending benefits in July, and a smaller 5.7% decline in states that intend to keep the benefits until the funding ends in September."

It is still too early to tell for sure what impact ending the unemployment benefits is having, but we are hopeful it will encourage hiring and motivate workers to rejoin the workforce.

Ultimately, **small businesses cannot compete with the federal government** for available workforce.

We continue to monitor how small business owners are impacted by COVID-19, enhanced unemployment benefits, and other federal programs.

Fewer Workers in the Labor Force

According to the [U.S. Bureau of Labor Statistics](#), Pennsylvania's labor force participation rate continues to hover at levels not seen in 30 years. In 2020, 54.1% of nonincarcerated adults were employed in the workforce. In 2016 this percentage bottomed out at 53.2% and has remained relatively flat since 2009 when it was 53.5%.

Comparatively, from 1989 – 2008, Pennsylvania averaged around 59%, without dipping below 57.1%, and even breaking 60% in several years.

The numbers seen today, are increasingly low, even when compared with other states.

- **Ohio** – In 2020, 57.1% of the civilian labor force is employed, and that is the lowest level since 1983. Ohio has consistently seen workforce participation in the 60%-plus range.



- Maryland - In 2020, 62% of the civilian labor force is employed, and that is the lowest level since 1982. Maryland has experienced mid-to-high 60's over the last 40 years.
- Virginia - In 2020, 60.6% of the civilian labor force is employed, and that is the lowest level since at least 1975. Virginia has never experienced a dip below 60.6%, with percentage highs at 66.7% in 2008.
- Texas - In 2020, 57.9% of the civilian labor force is employed, and that is the lowest level since at least 1975. Texas has never dipped below 60% (1976) and has experienced mid-to-high 60's over the last 40 years.

Other Factors

I must acknowledge that numerous factors have played a role in creating the current workforce shortage and no one factor has led us to this point.

- Childcare – Some individuals have left the workforce to manage their households with the expansion of remote-learning during the pandemic.
- Eviction Moratorium – If people aren't being forced to pay their rent, is there a need to return to work?
- Fear – Some workers fear returning to a previous environment during the pandemic.
- Work-Search Requirement – Turned back on in July 2021, nearly 16 months after the beginning of the pandemic.
- Early Retirement – Some workers chose to leave the workforce and do not plan to return after the pandemic.

Limited Options for Small Businesses

There are countless small businesses struggling to keep the lights on. Many don't have enough staff to open to full capacity, so they operate under limited hours, or self-imposed capacity limits. Businesses have trimmed menu items, products, and services, as we experience some of the fastest inflation in history. Small businesses can't take care of as many customers as they would like to, or need to, to pay all of the bills, increase compensation for their employees, provide benefits, make capital improvements, and still break even.

The cost of doing business in Pennsylvania has become increasingly expensive, and proposals like the Regional Greenhouse Gas Initiative (RGGI), which is highly unfavorable to all businesses, are going to make it even more expensive. Business owners are increasingly left with few options other than to struggle through, pray for good fortunes, and hope they make payroll, or close their doors for good.

Legislative Solutions for Small Business

Tax Fairness

While the workforce shortage is of paramount concern to small business owners, there are numerous legislative proposals that would ease the financial burden that has been placed among our small employers.

Below are three pieces of legislation that would provide an immediate benefit to small business, after their toughest year on record. Pennsylvania needs to allow for similar tax policies as the federal government and create a business-friendly environment that welcomes new business, rather than one ripe with red-tape, burdensome regulations, and detrimental tax policies.

- HB 105 (Cox): Like-Kind Exchanges
- HB 395 (Grove): Net Operating Losses for Small Business
- HB 333 (E. Nelson): Section 179 Expense Deductions



Paying Down Unemployment Compensation Trust Fund Debt

Elected leaders are in positions to advance policies that support and sustain economic stability and local job creation, as small business makes up 99.6% of all business in the Commonwealth.

It is imperative that Pennsylvania pay off a portion of the nearly \$1.6 billion dollar debt within the Unemployment Compensation Trust Fund (UCTF) with the remaining \$5 billion received from the federal government. This will significantly reduce any increases to the unemployment insurance rates, or the longevity of an increase, to small business.

On June 8th, 2021, the U.S. Department of the Treasury released updated guidance with relation to using American Rescue Plan funds to replenish a state's UC Trust Funds: "Consistent with the approach taken in the Coronavirus Relief Fund (CRF), recipients may make deposits into the state account of the Unemployment Trust Fund up to the level needed to restore the pre-pandemic balances of such account as of January 27, 2020, or to pay back advances received for the payment of benefits between January 27, 2020 and the date when the Interim Final Rule is published in the Federal Register."

With the passage of the American Rescue Plan Act of 2021, Pennsylvania must allocate significant funds to improve the state's UC Trust Fund solvency. Restoring UC Trust fund solvency will reduce the large increases in state UI taxes that are expected. There is only one place the revenue can come from to pay down this debt: employers.

Recently, several states throughout the country have announced bipartisan efforts to pay down their unemployment debt, and Pennsylvania should follow suit.

- Massachusetts: Gov. Charlie Baker proposed to spend \$1 billion of the state's excess tax revenues to replenish the dwindling unemployment trust fund
- Virginia: Multiple proposals to pay down unemployment debt by \$800 million - \$1.3 billion.

Workforce Development

NFIB believes that workforce development is an area where government has a role to play in directing resources to programs that help match the skills of workers with the jobs employers have to offer. If done successfully, this will fuel economic opportunities for employees and employers alike.

Workforce programs that address the needs of small businesses would emphasize early exposure to important trade skills and on-the-job training through targeted apprenticeships and mentorships. Successful programs would provide flexible ways for trade schools and high schools to partner with local small businesses to ensure they are teaching job-ready skills. They can also offer incentives for small businesses to hire and train nontraditional employees, like individuals reentering the workforce. But these programs must be flexible and cannot come with excessive application requirements or administrative burdens that small businesses, most of which do not have HR staff, would struggle to meet.

Conclusion

While numerous factors have played a role in the current workforce shortage in Pennsylvania, small businesses can't compete with the federal government for available workforce. The most pervasive issue that plagues our small business community today is the lack of available workforce, or those willing to apply, accept a position,



show up to work, and remain employed. Unfortunately, 49% of business owners have vacancies they cannot fill, which is a 48-year record.

The additional federal pandemic unemployment insurance supplement of \$300/week has exacerbated the workforce shortage, but, thankfully for small business owners, these benefits will be terminated in just days. As previously noted, multiple factors have played a role in the current workforce shortage, and no one single factor is wholly to blame for this current crisis.

There are numerous legislative options available to assist our struggling small business community and NFIB is hopeful that the General Assembly can provide some real, tangible, relief to those businesses that make up the lifeblood of our small communities. 'Small Business Relief' is more than a buzzword. These are real people, with real employees, that have real bills to pay. Let's stop talking about providing relief and follow through on those talking points by taking action.

America's small business owners are primed to hire, grow, and thrive – and the federal and state government should continue to take steps to encourage Americans to rejoin the workforce.

Thank you again for the opportunity to comment on behalf of Pennsylvania's small businesses.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Moreland', with a stylized flourish at the end.

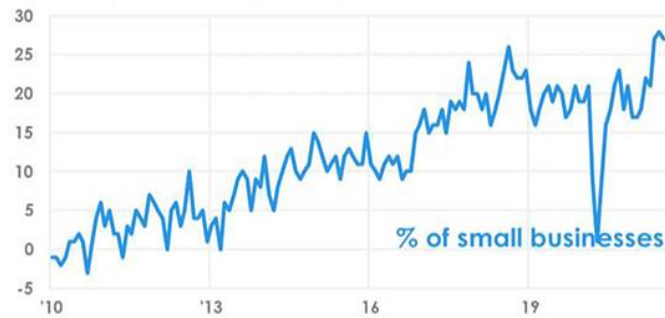
Gregory B. Moreland
NFIB PA State Director

Attachment



Are small businesses planning to hire?

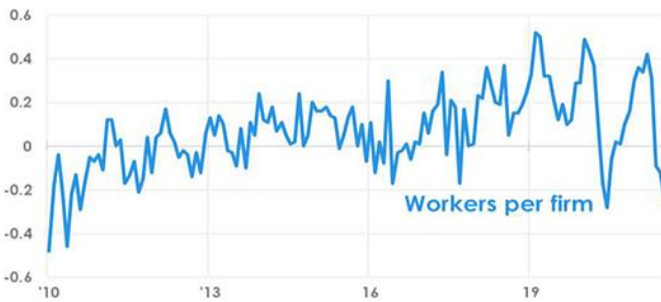
% planning increase - % planning decrease, Jan. '10 - Jul '21



NFIB [NFIB.com/jobs](https://www.nfib.com/jobs)

Are small businesses hiring workers?

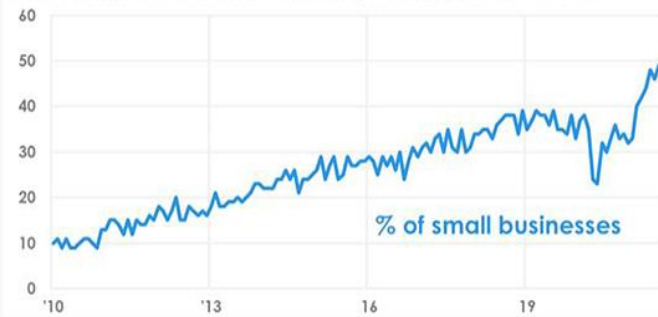
Average change in employment per firm, Jan. '10 - Jul '21



NFIB [NFIB.com/jobs](https://www.nfib.com/jobs)

Can small businesses hire enough workers?

Percentage with at least 1 unfilled opening, Jan. '10 - Jul '21



NFIB [NFIB.com/jobs](https://www.nfib.com/jobs)



NFIB Priorities for PA House 2021 Fall Session

- **RGGI:** It is imperative that **SB 119 (Pittman)** reach the Governor's Desk. This legislation would require legislative approval for imposing a carbon tax. NFIB is prepared to conduct full grassroot operations, media, testify, and provide comment to ensure the Commonwealth is not unilaterally entered into this interstate compact.
- **Small Business Tax Fairness Package:** NFIB is excited for the opportunity to testify before the House Finance Committee on three critical pieces of legislation that would provide immediate benefit to small business, after their toughest year on record.
 - **HB 105 (Cox):** Like-Kind Exchanges
 - **HB 395 (Grove):** Net Operating Losses for Small Business
 - **HB 333 (E. Nelson):** Section 179 Expense Deductions
- **Unemployment Compensation Trust Fund Debt:** Paying off a portion of the nearly \$1.6 billion dollar debt with the remaining \$5 billion received from the federal government will significantly reduce any increases, or the longevity of an increase, to small business through unemployment insurance.
- **Insurance Renewal for small businesses (50-99 employees):** NFIB supports policies that make healthcare more transparent. **HB 947 (Zimmerman)** would level the playing field for small businesses shopping for insurance. While large (over 100 employees) and small (under 50 employees) employers are provided with aggregate claims data, small employers with between 50-99 employees cannot obtain this data. Small employers should be able to obtain this data, which is beneficial in shopping insurance for their business.
- **Whitmoyer Remedy:** The Whitmoyer Remedy legislation, **HB 922 (Davanzo)**, is an important fix to the Worker's Compensation system. This legislation needs to be brought up for a vote, regardless of the outcome.
- **Regulatory Reform:** Regulatory compliance and red tape are an enormous burden to business owners. Below are bills that would reduce that burden:
 - **SB 28 (Phillips-Hill):** Transparency in Permitting
 - **SB 126 (Brooks):** Three-year Review of Economically Significant Regulations
 - **SB 520 (DiSanto):** Legislative Approval of Economically Significant Regulations
- **Small Business Healthcare Reform:** Traditionally, healthcare is top concern of NFIB members. The current system is too expensive for employers. NFIB requests movement on:
 - **HB 882 (Gaydos):** Prescription Drug Pricing Transparency
 - **HB 555 (Gaydos):** Association Health Plans