

“What Keeps You Up at Night?” SMC Small Business Issues Forum, 9/28/17

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“Standing room only” was the message after 44 forum seats were filled with many new faces. The meeting format changed from the previous years’ government committee meetings with reports on legislation to an open discussion. There were five tables of eight, each with a leader who facilitated and took notes. All were encouraged to share their thoughts on “What keeps you up at night?” The buzz at the forum was electric and conversation was animated. At the close of the meeting notes were collected and analyzed. The findings are the start of SMC’s 2018 legislative agenda.

Two impromptu visitors, Sen. Randy Vulakovich and Rep. Bill Kortz, sat in on the discussions. They were invited to speak to the group for a few minutes. Senator Vulakovich spoke about the budget impasse and the difficulty finding adequate revenue for the spending plan to close the \$2.2 billion shortfall. Rep. Kortz seconded Vulakovich’s comments and pointed to good things happening in PA noting that the forum was focused on citing problems.

In SMC’s previous issues surveys, the cost of health insurance, taxes and regulations have consistently been the top three in that order. The results of the forum differed, possibly pointing to a shifting landscape for employers. The number one issue was workforce followed by a three-way tie for second place between the cost of health insurance, regulations, and the PA business environment. Comments from recent phone conversations with members were also folded into the mix. Below is a rough draft of the findings. If you would like to add your comments please email eileenanderson@smc.org.

WORKFORCE/STAFFING/RETENTION

Staffing Challenges

- Filling vacancies with qualified workers who want to work
- People don’t show up for interviews
- Workers need a work ethic, soft skills, and reliability
- Members of Generation Y jump from job to job and feel entitled
- Solution: it’s starts early at home with the family and with education

Cost Challenges

- Finding workers at a wage affordable for the employer
- Hiring and training are very expensive
- Employee turnover is expensive

Discrimination

- Workers age 50/55 and over are subject to subtle “old age” discrimination

Skilled Labor

- Trade and crafts workers are hard to find because no one wants to do that type of work; the focus is on four year degrees
- Solution: inspire people to join the trades

Unemployment System

- The process to move people off of unemployment benefits is difficult
- The unemployed should be engaged in a community function
- The government gives people too many incentives not to work

PA BUSINESS ENVIRONMENT

- **Budget impasse**
 - PA government demonstrates dysfunction by their inability to reach an agreement which can lead to credit downgrades
- **Pension underfunding**
 - A long-term financial problem which takes resources from other spending areas
- **Lack of a comprehensive energy policy**
 - Creates uncertainty of costs and reliability of energy sources
- **Workers’ Compensation Laws**

- Proposed changes in the program may lead to an increase in workers' compensation rates across the board
- Long term - insurance company ratings - there is no process in place to allow the employer to return employees to work
- **“Fight for \$15” minimum wage**
 - It will create a domino effect on top of other increases in costs and eventually lead to loss of jobs

REGULATIONS & COMPLIANCE

- Too many city, county, state and federal regulations are layered one on top of the other
- Access to capital, such as loans for small businesses, are impacted by regulations
 - Many obstacles for small businesses make it difficult for banks to extend an initial line of credit to new businesses
- Onerous city of Pittsburgh building codes stifle economic development and increase costs to small developers
- Building and expansion can be very expensive or impossible because of compliance with building codes and regulations.
 - State and local governments do not always agree on interpretation of codes and regulations.

HEALTH INSURANCE COSTS

- Cost of health insurance is very expensive for employer and employees
 - Carriers shave benefits or eliminate selected facilities and limit other choices to keep costs in check
 - Co-pays along with rates continue to increase
- Uncertainty of health care policy creates difficulty for employee and employer decision-making
- Is there a conflict of interest leading to prices increases when the insurer also owns the physicians and facilities?

TAXES

- **Uncertainty of the tax code**
 - Creates difficulties in making accurate business plans
- **Double Taxation**
 - Some PA service businesses are taxed for services performed in other states and then pay a second tax on the same income in PA.
- **COMMENT:** “While lower taxes would be great, we pay only tax when we generate profits. In other words, when taxed we are already lucky or successful enough to be profitable. To get to that is the trick.”

IDENTITY THEFT/SECURITY RISKS

- **Employer cost & vulnerability**
 - Many data breaches occur in the workplace; the company can then face lawsuits from employees seeking damages.
- **Education**
 - Greater risk awareness is very important for companies

ESOPS (employee stock ownership plans)

- **Capital gains tax**
 - PA is one of three states that charge capital gains tax on the sale of a business to employee ownership. There is zero federal capital gains tax on the same sale.