

Stephen Hoffman

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From: Jim Switzenberg <jim@jwrpa.com>
Sent: Thursday, October 24, 2019 2:58 PM
To: IRRC
Subject: Final Rulemaking: Title 34 Labor & Industry Regulations for Min Wage 34 Pa. Code, Pt XII, Ch 231

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IRRC

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Dear IRRC Review Commission,

My name is Jim Switzenberg. I am the owner/operator of John Wright Restaurant I employ 40-80 people (seasonally) and by virtually any definition am considered a small business owner in the state of Pennsylvania.

I am writing to express my opposition to the Final Form Regulation by the Department of Labor as it pertains to the salary threshold for exempt employees in Pennsylvania. It is also disappointing that, after receiving hundreds of comments on the proposed rule and holding roundtables around the state, the Department has barely budged from its initial proposal.

An increase in the threshold in Pennsylvania to \$875/week over a mere two years would hurt my employees and my business. This change, which means an increase of over \$5,000 a year after the initial compliance with the federal salary threshold, does not reflect the realities of running a business that operates on slim margins as it is. It would force me to take employees that are currently in a salaried leadership position and make them hourly, which could mean a loss in pay but more importantly take away the flexibility to make their own hours and the leadership they have earned in their salaried position in the first place. Employees often perceive re-classifications to non-exempt hourly positions as demotions. In my experience, employees look forward to making the jump from hourly to salaried and reclassifying them will undoubtedly be viewed by many as a step backwards in their careers.

The automatic increase included in the regulation is also extremely problematic. A salary threshold is supposed to be the minimum amount that a salaried employee should make, but the Department's proposal does not take into consideration the different economies and costs of living that make up Pennsylvania and almost goes to the point of legislating a wage not based on actual reality in the Commonwealth. The proposed \$45,500/year is already exorbitant, and tying it to inflation every three years only exacerbates the problems I will have to face for my business. In fact, this proposal would put Pennsylvania at one the highest thresholds in the country, up there with states like New York, California and Alaska. I think we can all agree that ranking is not the reality of our current economy.

Pennsylvania needs policies that allow us to compete with other states when it comes to fostering existing business growth and attracting new businesses to our state. The U.S. Department of Labor recently announced an increase in the federal threshold, which will take effect on January 1, 2020. This new level of \$35,568 is a reasonable update to the existing level that ensures a uniform standard across the entire county. But Pennsylvania's final regulation will put businesses in our state at a tremendous disadvantage. The state threshold of \$45,500 by 2022 is significantly higher, and the automatic updates thereafter will only make that disadvantage worse. At this level I will need to take away this security from employees. Currently my salaried employees get a \$1-200 raise annually which they believe is generous. I hate the idea that I can't afford to be generous and instead will be demoting dedicated parts of my team.

I'm disappointed that the Department's final regulation did not take into account the many comments and concerns made by small business owners like me since the initial proposal. The new regulation still does not conform the state duties test to the federal test, and the gross disparity between the updated federal regulation and the Pennsylvania proposal adds to the confusion of differing regulations while hurting Pennsylvania's ability to grow and thrive economically. I urge IRRC to reject the final regulation as proposed.

I am equally as confused that anyone believes that the cost of living in Wrightsville is the same as downtown Philly. A two bedroom apartment just down the street is going for \$650/ month, can that even happen in Philly? Putting the economics of a town of 2,300 on the same playing field as a city of 1.6 million is quite frankly silly.

I am a bug enough restaurant that I do have a couple salaried employees over \$55,000 but most 3-8 employee restaurants WILL CLOSE! They need someone who will be very happy to work 50 hours a week for \$38,000 and feel proud of that.

Lawmakers are obviously out of touch with the common working class cook and the finances of the small independent restaurant. At this rate the choices for food will be gas stations, fast food or chain restaurants.

Please preserve the wrights of business owners to set the salaries for their employees! It is crazy unfair for an owner to work all their lives for their dream to have it crushed by people who have no idea how they are ruining their future.

I assume someone knows the actual profit percentage of most restaurants because we all work have for a less than 10% return and many are at a 4% return.

Please don't kill the Mom and Pop restaurants across the state!

Jim Switzenberg
John Wright Restaurant

Sincerely,

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