

ASSEMBLY LABOR COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 15

STATE OF NEW JERSEY

DATED: JANUARY 24, 2019

The Assembly Labor Committee reports favorably Assembly Committee Substitute for Assembly Bill No. 15.

This substitute bill amends and supplements the “New Jersey State Wage and Hour Law”, P.L.1966, c.113 (C.34:11-56a et seq.), to incorporate into that law the provisions of Article I, paragraph 23 of the State Constitution, and provides further increases in the minimum wage beyond what is required by the Constitution.

The bill incorporates into the minimum wage law the constitutional provision which has resulted in the increase of the minimum wage rate to \$8.85 per hour on January 1, 2019, and which increases the rate on January 1 of each subsequent year by any increase which occurs in the consumer price index for all urban wage earners and clerical workers (CPI-W) during the 12 months prior to the September 30 before that January 1. The bill also incorporates into the law the provision of the Constitution that whenever the federal minimum wage exceeds the State minimum wage, the federal minimum wage will be adopted as the State minimum wage and the increases based on increases in the CPI-W will be applied to the federal minimum wage rate.

In addition, the bill provides for certain increases in the State minimum wage greater than the increases resulting from the provisions of the Constitution. The bill provides that, except for certain specified workers, the general minimum wage rate will be increased to \$10.00 per hour on July 1, 2019, to \$11.00 per hour on January 1, 2020, followed by \$1.00 increases each year until the rate reaches a level of \$15.00 per hour in 2024.

The exceptions are:

1. That for employees of any employer with less than six employees, and for seasonal employees other than tipped employees, the minimum wage rate will be increased to \$10.30 per hour on January 1, 2020, and then increased each year from 2021 to 2025 by eighty cents, and then increased in 2026 by seventy cents so that it reaches a level of \$15.00 per hour in 2026, followed by further increases from 2027 to 2028 as needed to have these employees earning the same minimum wage rate as the general minimum wage rate in 2028.

2. That for farm laborers, the rate will be increased to \$10.30 on January 1, 2020, \$10.90 on January 1, 2022, and increased by eighty cents in 2023, and eighty cents in 2024 so that the rate will be \$12.50 on January 1, 2024, further increases may be contingent on the following: the Commissioner of Labor and Workforce Development and the Secretary of Agriculture are directed, not later than March 31, 2024, to evaluate the impact of those minimum wage increases on farm workers, farm employers, and the viability of New Jersey agriculture, and make a recommendation whether or not to provide the minimum wage increases indicated by the bill for after 2024, or recommend an alternative modification of the minimum wage, with a public member appointed by the Governor with the advice and consent of the Senate providing a third vote if the commissioner and secretary are unable to agree on a recommendation. Their recommendation would go into effect if the Legislature approves the recommendation and enacts any needed legislation not later than June 30, 2024.

3. That employers who employ tipped workers will be entitled to credit for tips received by the worker against the hourly minimum wage rate the employers pays, as follows: from January 1, 2019 to June 30, 2019, \$6.72; after June 30, 2019 and before January 1, 2020, \$7.37; during 2020, 2021 and 2022, \$7.87; during 2023, \$8.87; and during 2024 and subsequent years, \$9.87.

4. That, commencing January 1, 2020, a training wage of not less than 90 percent of the minimum wage may be paid to an employee enrolled in a qualified training program. The training wage may be paid during first 120 hours after hiring the employee for employment in an occupation in which the employee has no previous similar or related experience. The employer may not utilize employees paid the training wage in a way that contributes to any displacement of current employees or existing apprenticeship programs. The employer is required to make a good faith effort to continue to employ the employee after the training wage expires and may not hire an employee at the training wage without a reasonable expectation of subsequent regular employment.

Minimum wage increases provided by the Constitution based on CPI-W increases will continue to be applied in all cases in any year in which the increase set by the bill are less than the CPI-W increase, including all years after 2024.

The bill defines “small employer” as an employer of less than six employees, and “seasonal employment” as employment from May to September with an employer for whom not less than two thirds of gross receipts are received within 16 weeks.

The bill creates a “Task Force on Wages and State Benefits” to evaluate how changes in minimum wage levels may affect the eligibility for a variety of State services and benefits, and how the combination of changes in minimum wage and eligibility standards may impact living standards. The task force is directed to produce

annual reports, including any recommendations for adjustments in eligibility standards for the benefits, changes in benefit subsidy rates, and other relevant reforms, to ensure that the combination of minimum wage increases and State services and benefits are coordinated so as to further advance the goal of raising the living standards of working families.

The bill also directs the Commissioner of Labor and Workforce Development to issue reports in 2024 evaluating the bill's changes in the credits provided to employers for tips and the bill's tax credits for employers who employ individuals with impairments, including recommendations regarding the continuation of the credits.

Finally, the bill establishes a program administered by the commissioner to provide tax credits to employers who employ employees with impairments to offset the cost to the employer of any increases in the wages and payroll taxes of those employees caused by the enactment of the bill. Under the program, an employer is eligible for a refundable tax credit against the corporation business tax or the gross income tax for the cost to the employer of those increases.

MINORITY STATEMENT

By Assemblymen Robert Auth, Parker Space and Hal Wirths

Republicans and Democrats hope to achieve the same ends – to make New Jersey more affordable, but we respectfully disagree with the means that have been put forth by the release of the Assembly Committee Substitute for Assembly Bill No. 15 from the Assembly Labor Committee.

New Jersey is unaffordable, creating an economy where people who earn a good living struggle to make ends meet. Unfortunately, that is not a matter of low wages but a result of high costs. Policies that artificially increase the costs of doing business only exacerbate the struggles of the working poor by increasing the costs of living. Raising the minimum wage to \$15 per hour will not make New Jersey affordable, but it will make the cost of doing business more unaffordable.

Small-business owners – the greatest job creators – struggle in New Jersey with profit margins that do not make them wealthy, but help them put food on the table. This bill defines a small business as having five or fewer employees, despite the Small Business Administration defining small businesses as having 100 or fewer employees. Any business owner with more than five employees will have to consider laying off an employee. In this instance, if a business has six employees, one worker could lose their job so, hopefully, the other five workers can still be employed. That is not fair, and businesses will not be stronger.

This bill also ignores the economic reality that a recession is a cyclical event. If there is an economic downturn, the minimum wage will continue to increase despite decreasing employment. The first expense an employer cuts in a recession is labor costs; employees will be laid off. We learned this only 10 years ago, and it is a lesson well learned. That will only become far worse if this bill is enacted

New Jersey's economic recovery lagged behind the rest of the country because our costs of living and costs of running a business made the ground even shakier for people who fell on hard times and tried to get back on their feet. The path we need to take should make the ground firmer by making our State more affordable. It is the government's policies that are constantly increasing costs, and a reversal of those policies will inevitably lower costs. A minimum wage is a higher cost, mitigating the benefits of higher pay.

Although we share the concerns of our colleagues across the aisle, we believe that this bill is a means that will only make the ends more difficult to achieve. For that reason, and the reasons above, we oppose the Assembly Committee Substitute for Assembly Bill No. 15 as released from the Assembly Labor Committee.