

## MOVING PENNSYLVANIA FORWARD THROUGH INNOVATION

When Pennsylvania policymakers take all the right steps to encourage innovation, they will foster business development and job creation that benefits all. Pennsylvania needs a positive atmosphere of collaboration, where policy makers unleash the creative and animal spirits of business owners willing to take significant risks, where inspiration and experimentation can take place, where businesses can focus their efforts on innovation, sales and growing the economy.

What is required to innovate? If Pennsylvania can lower the hurdles to innovation, then we will get more of it. Just think of the innovations made by physicians and scientists from pharmaceutical companies who worked together and created COVID-19 vaccines in record speed.

Action is required now, not next year, and not the year after. The Pennsylvania business climate can be super-charged by adopting policies that support innovation and level the playing field for smaller and mid-sized businesses through health insurance made affordable by Association Health Plans, fair taxes, fair regulations, a trained workforce, and a reliable and affordable energy supply.

### CONSIDER the IMPACT of the PANDEMIC on JOBS:

Larger companies have been able to weather the pandemic better than many smaller businesses, just as some families' finances have remained strong while others have been severely distressed.

- In December 2020 there were 455,000 fewer people employed than in November 2019.
- The state's labor force contracted by 260,000 workers compared to a year earlier.
- The state's job losses will likely take years to recover with some jobs never coming back.

.... Budget Outlook for Fiscal Years 2020-21 to 2025-26, Pennsylvania Independent Fiscal Office, January 2021

**PROBLEM:** How will Pennsylvania move forward with the economy still in the grips of the pandemic?

**SOLUTION:** Through innovation: Innovation is the key to more economic growth over the long-term. We live in a global economy, the land is shifting beneath our feet, and the thinking necessary to solve problems must shift and stretch beyond Pennsylvania's borders. The old ways of thinking must be challenged and the hard barriers that divide us must give way.

### ASSOCIATION HEALTH PLANS: REDUCE HEALTH INSURANCE PREMIUMS and HEALTH CARE COSTS

Smaller employers need access to affordable health insurance and in many cases, they do not have it. The cost of health care services continues to rise and drives the cost of health insurance premiums higher. Anything that can reduce the cost of health care for small employers and employees helps around the periphery, but innovation is needed. Association Health Plans (AHPs) are that innovation. Good benefits and health insurance coverage are inextricably intertwined with the ability for smaller employers to hire and retain workers. AHPs will help level the playing field with larger businesses.

### DECREASE the PERSONAL INCOME TAX RATE and IMPLEMENT TAX PARITY for PASS-THROUGH BUSINESSES

In today's uncertain economy, state tax policy is an important tool that can be used to encourage growth, investment, and feed innovation. It is a simple equation: Lower taxes equal more resources for business owners to invest in employees, equipment, research and development all which help them maintain a competitive edge in a global economy. Reductions in the Personal Income Tax and Corporate Net Income tax rates will help create a business-friendly tax climate and prevent job loss and business migration to more business-friendly states. Implementing Section 179 expensing will give a major boost to Pennsylvania's 850,000 businesses who file at the pass-through rate. That group does not enjoy the same Section 179 expensing benefits given to Pennsylvania's C corporations.

### TRAIN the WORKFORCE of the FUTURE

Pennsylvania needs a willing and qualified workforce trained for jobs of the future. The need for workers is one of the most common issues raised by employers who are seeking to maintain or expand their businesses. Employers are straining to hire whether they are large or small, but it is especially challenging for smaller and medium-sized businesses. In some communities there are signs "Help Wanted" everywhere from Main Street to the local industrial park. People must

be trained to replace the years of senior talent lost by the avalanche of retiring baby boomers. Some of the jobs lost during the pandemic may never come back. People who lost those jobs must be trained for jobs of the future.

### **LET EMPLOYERS DETERMINE WAGES**

A mandated increase in the minimum wage to \$12 per hour would impact small and medium-sized businesses more than any other segment of the economy because they offer more entry-level jobs. It is in direct conflict with the need to build a qualified workforce because those who will bear the brunt of the mandate are young people who desperately need starter jobs for an introduction to the world of work. That first job exposes them at an early age to the soft skills which many employers cite as lacking.

### **BUSINESSES NEED AFFORDABLE and RELIABLE ENERGY**

It is critical to maintain affordable, varied, and reliable energy sources. Abundant, safe, and competitively priced energy production and delivery are important components of a healthy economy for businesses. Energy costs can be a significant portion of any business operation and in certain energy-intensive industries, these costs account for more than 50% of total operating costs. We are fortunate to have a wide variety of energy sources and should consider that a strength.

### **A BARRIER to INNOVATION: PENNSYLVANIA'S REGULATORY CULTURE**

Pennsylvania needs regulatory policies that balance public safety and protect our economy without placing undue financial burdens, red tape, and compliance mazes on businesses. State regulations multiply when we are not watching and, unfortunately, federal, and local regulations are stacked on top resulting in an accumulation of rules with a smothering effect. Pennsylvania's economy would benefit by improving the regulatory culture; stopping bad regulations before implementation, systematically reviewing existing regulations for those that are duplicative or no longer necessary and easing the navigation maze and cost of compliance for businesses and innovators, the source of new jobs.

### ***Who is MBA, the Manufacturer and Business Association?***

*The Manufacturer & Business Association (MBA) founded in 1905, has over 3,000 members representing around 120,000 employees in 57 counties. The MBA is dedicated to helping employers face challenges by delivering services that lower the cost of doing business, ease the burden of compliance and increase productivity for its members. The MBA is recognized as a trusted resource for employers across Pennsylvania, northeastern Ohio, and southwestern New York. <http://www.mbausa.org/>*

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