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retailers.

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Retailers should be involved and work with the
government assists and does not interfere with
business interests.

*CONGRESS TO INSURE
THAT*

SENATOR ROBERT MORGAN

INTRODUCTION

This term of the Congress, it has become evident that fiscal restraint is on everyone's mind. This is good news for all of us. Since my first year in the Senate, when I introduced a balanced budget resolution, I have felt that operating the federal government as close to a business operation as possible with a minimum of debt is the best approach.

Finally, we are moving towards a balanced budget by 1981. This will be the beginning of our effort to

control inflation, not the end. This will put the federal budget house in order. Prices are still controlled in the marketplace and likewise wages are still negotiated between employer and employee. The challenge remains for you to do your best to restrain prices and control your personal use of energy. I state this up front ^{today} ~~tonight~~ because it is an important message to get across.

What I want to address ~~tonight~~ are some of the specific items of interest to retail merchants. In particular, I want to address the issues which relate to small businesses.

SMALL BUSINESS COMMITTEE

This year I have become a member of the Senate Select Committee on Small Business, which is chaired by Senator Gaylord Nelson of Wisconsin. I had headed the Small Business Administration Subcommittee when it was part of the Banking Committee. Now I serve as Chairman of the Subcommittee on Government Procurement.

As you know, next year the White House Conference on Small Business will be holding a national meeting in Washington, D.C. At this meeting, small businessmen from around the country, elected by their

fellow businessmen, will meet to discuss issues affecting their operations, ranging from government regulation to international trade. Recommendations from the conference will be presented to the Congress and the state legislatures. In short, 1980 will be recognized as the year of small business.

Philosophy on Small Business

There are some 10 million small businesses in America today. By the standards of the Small Business Administration, 97% of the firms in this country are considered small businesses.

Small business provides 55% of the employment in our nation and 43% of the Gross National Product. Over 100 million Americans count on small businesses for their livelihood and small business remains labor intensive and highly productive.

For these reasons alone small business deserves strong attention by the Congress. Yet there is something more intangible, something very "political" about small business. Our political system is very tied to the free enterprise system and economics have supported and strengthened our political democracy.

There is competition in a free enterprise system and there is growth. Small businesses represent this continual development and growth of our Nation. Small businesses become big firms and new companies emerge to take their place. This prospect for entering the economic system has created strong support for our political institutions.

It is my belief that a free enterprise system, founded on strong competition provided by small business, is key to the continuation of our political system.

Yet, in recent years, the trend has gone towards concentration and merger. Not all business is bad, but the fact that in 1960 small business had 50% of the business assets and in 1972 had only 33% tells us something. Additionally, business bankruptcies in 1975 totalled 30,000 up 45% from the period of 1966-1970. Government paperwork costs for small business is estimated to run some \$40 billion a year.

While many of our largest corporations pay an effective tax rate of 25%, last year many small businesses, unable to take advantage of certain depreciation schemes

or tax shelters paid up to 50% in tax. Estate taxes are a serious burden on the preservation of small businesses.

What I am saying is that small and medium-sized businesses are an important part of the economy and of the political system and yet many government policies have either ignored or worked to the detriment of small business.

My position on small business, and I know that most of you fall in that category, is to work to the extent possible to remove government interference in business

operations and to provide encouragement for new enterprises.

Work of the Small Business Committee

The Small Business Committee on which I serve is the focus for Senate attention to the needs of small businessmen. Although limited in legislative authority to controlling the Small Business Administration, the Committee is able to point up issues of general concern to all businessmen. In this vein, the Committee has addressed such diverse issues as government patent policy to tax burdens on small business to the impact

of the Multilateral Trade Negotiations on government procurement.

The Small Business Committee is a place where small business presents its case and from which its members can move forward to seek legislative assistance for or to prevent legislative interference with small business.

Recent Initiatives

In the last Congress, largely through the work of the Committee, the tax laws were amended to increase

the number of tax levels for business, thereby reducing the tax rate on smaller companies. Under a new law, government regulations and paperwork for procurement were greatly simplified. Other changes were forthcoming in several pieces of legislation as a result of the efforts of the Small Business Committee.

Already this year, we have begun studies which should produce tangible results. I chaired hearings on the impact of the Multilateral Trade talks on small business and from that we have created a program, to become part of the authorization bill for the Small Business Administration, to provide grants to states for encouraging small business exporting.

Recently, we held hearings on concentration in the news media and its impact on freedom of the press. Out of this came a strong concern for the independence of family newspapers and I have already introduced legislation, which now enjoys the support of 26 other Senators to provide certain estate tax benefits to independent papers. This provision might be expanded in the future to cover family businesses in general.

The Committee has already taken action to reorganize the Small Business Administration to make it more responsive to the needs of the business

community. I do not know how many retailers have taken advantage of S.B.A. or Office of Minority Business assistance programs, but I encourage you to find out about them and to work with the SBA in securing assistance in financial or administrative matters.

Also, the Office of Advocacy within the Small Business Administration has begun to come into its own. With the appointment of a new director, Milton Stewart, last year, the Office is now functioning to advocate the cause of small business throughout the government--both in the Congress and in the regulatory agencies. This office could prove to be a

most valuable development for small business.

In sum, I am ^{honored} ~~pleased~~ to be on the Small Business Committee. It presents both a challenge and a pleasure. I will be working to insure that the Committee continues its strong role in representing small business interests and it is a pleasure to be on a Committee that represents so many of the concerns of North Carolina, especially, the retail community.

LEGISLATION OF INTEREST

Now, I would like to turn to some legislation

which is currently before the Congress which I believe will be of interest to just about everyone in this room.

Minimum Wage Deferral

As I noted, most small businesses are labor intensive. Therefore, the great production of jobs we have seen in recent times and the reduction in our unemployment rate has been brought about by the expansion of small and medium size firms.

Yet, the government in 1977 took a step which has retarded an even greater expansion of this job market. It is a step which has hit hard at our youth and our minority groups. The action was the passage

of a minimum wage bill which contained the greatest increases in the wage rate since the 25¢ rate was begun over forty years ago.

Just about every economist in Washington-- liberal or conservative--has indicated that the minimum wage rate is a government-mandated item which contributes to inflation and reduces employment. The Secretary of the Treasury agrees with this as does the head of the Council on Wage and Price Stability.

Jumping 15% in 1978 and 9% in 1979, the

minimum wage rate has produced layoffs in many restaurants and grocery stores and led many employers to select one older employee rather than hiring and training two new employees.

I have sponsored a bill to delay the next increase in the minimum wage rate for a one year period.

I have given strong consideration to introducing a separate proposal to create a youth differential or a "subminimum" wage as some people call it. This would allow employers to hire those between 16 and 19

at 75% of the minimum wage rate. The student differential which we now have for high school and college students stimulates nearly a million jobs a year, yet the federal government spent nearly \$1 billion in 1977 in a jobs program to create only 350,000 jobs.

In short, by only a small loss in tax revenue, the federal government can create a great more jobs than it can produce by paying people directly. A youth subminimum across the board would benefit employers and employees and the public at large.

The prospects for this legislation are uncertain. Communication by you to your colleagues in other states and through your national association to other Senators will go a long way to generate support for this idea.

OSHA

Not every retailer is concerned with the Occupational Safety and Health Administration, but many must contend with that agency.

Last year a proposal surfaced to prevent the OSHA from inspecting employers with fewer than 10 employees and who were in businesses with low

accident rates. It will be surfacing again this year and is supported by the National Federation of Independent Businesses.

At first blush, this sounds like a simple proposal to remove a large amount of aggravation from private employers and it sounds politically appealing to attack an agency such as OSHA.

But let me point out the complexity of such an issue. At present, OSHA has already made administrative changes to reduce the ^{chances} ~~chances~~ of inspection for an employer with fewer than 20 employees

from 1 in 300 to just 1 in 1200. This means that the threat is there, but the likelihood of inspection is small.

Presently, OSHA has exempted small businesses from recordkeeping requirements. A change in the law to exempt certain employers could require recordkeeping to demonstrate that an employer did not meet the accident rate cut-off. The exemption would deny certain benefits that come to employers and to state government from OSHA in terms of consultations and funding. It would create uncertainty in coverage

because of fluctuating accident rates in various businesses.

On one hand the idea is very appealing, but it would not do away with recordkeeping or with other burdens created by OSHA.

In the past, I have supported the exemption proposal and I am again considering supporting it, but I want you to understand the complexity of this type of issue when it is presented for consideration by the Senate. In this, as in all similar legislative issues, I keep North Carolina's interests in the

forefront of my thoughts.

Workmen's Compensation

Another piece of legislation which has achieved a certain notoriety of late is the proposal for a national workmen's compensation standards bill. This is a proposal and an approach which I very much oppose.

In 1970, as part of the Occupational Safety and Health Act, a National Commission on Workmen's Compensation Laws was created.

After a review of state laws, the Commission in 1972 decided that the states did not measure up to its standards. The Commission criticized states for excluding certain employees, for failing to cover every form of injury or work-related disease, and for failing to provide enough benefits soon enough.

Ever since 1973, there have been efforts made to expand the scope and size of the Federal involvement in workmen's compensation.

Of the several bills that have been introduced, the most far-reaching and most recent have been those entitled the National Workers Compensation Standards

Acts.

What this legislation seeks to do is to act upon the recommendations of the National Commission by injecting the federal government in the operation of the workmen's compensation programs of the states.

This law would create a dual authority of Federal law administered by state agencies, modeled along the lines of OSHA. Minimum standards for state programs would be established, procedures would be set for providing benefits, assistance would be provided to the states in their programs and primary

authority would ostensibly remain in the states.

If a state did not comply with the Federal program, especially in the area of benefits, then an individual could appeal to a Federal Board of Review.

Records and audits would be the order of the day under the National Workers' Compensation Standards Act.

Problems Relating to This Approach--Other Federal Laws

The first criticism of this approach to Federalization of workmen's compensation is to look not at the states, but at the track record of the Federal government.

There are two workers' compensation programs run directly by the Federal government. The Federal Employees Compensation Act (FECA) which covers three million government employees and the Longshoremen's and Harbor Workers Act which protects nearly 900,000, including employees of the government of the District of Columbia.

The cases of rampant fraud and bureaucratic bungling have been extensive. The taxpayers have been stuck with programs which provide benefits for softball injuries and even work-related abortions.

More than the horror stories about fraud and waste, the costs of these Federal programs are staggering. Revisions in 1974 of the Federal Employees Compensation Act were supposed to add no more than \$8.3 million to the cost of the program by fiscal year 1976. Reports were that the additional benefits raised the benefit level from \$241 million in 1974 to \$475 million in 1976.

Problems -- States' Compliance

Perhaps the most serious indictment of the Federal approach is the fact that, for the most part, the states are in substantial compliance with the

essential recommendations of the National Commission.

In short, there is no strong evidence to support such extensive federal action.

In October of 1978, the Alliance of American Insurers released a study reviewing state compensation laws. The study reported that compliance was at a level of 77% (or 67.7% complete and 9.8% partial compliance) with the Commission's recommendations.

Benefits have increased dramatically since 1970. In North Carolina, for example, in 1970, the maximum weekly payment for a permanent total disability

went from \$50 to \$178 in 1979, a jump of 256%.

Certainly, the latter figure is more reasonable and represents an annual payment of \$9,256 in the maximum case. In North Carolina, the maximum payment is tied to 100% of the average state wage.

Problems -- Federalism

This approach to legislation could represent an important step to insuring federalism - a division of state and Federal responsibility - but it doesn't.

In the OSHA legislation, this same approach was used. Yet, the North Carolina OSHA system,

acknowledged to be one of the best in the Nation and supported by many businessmen, has yet to be certified as the primary enforcer of the Federal law. Even if certified, we are told that a system of Federal overseers must be maintained within the state. The idea of deferring to the states is appealing, but it just hasn't been put into practice.

Problems -- A List

Before summarizing my general opposition to this proposal, I want to list a few problems about the bill which you might want to contemplate:

The bill will lead to workmen's compensation becoming a political issue for the Congress to deal with every year, especially in the area of benefits.

The bill represents an attempt to equalize the South by making the cost of doing business in the South equal to what it is in the Northeast, thus protecting jobs in those areas.

The proposal will add a Federal bureaucracy to the existing state agency. As the states

tire of the burden of enforcing their own laws, they will increasingly turn to the Federal government and eventually state efforts will die away.

The adaptation of workmen's compensation to particular state needs will be lost.

SUMMARY

We simply cannot accept the increased costs that this legislation would bring to the Federal budget. We cannot accept the unreasonable expansion of Federal authority to strip away an entire area of state

regulation. And we cannot accept or allow this type of attack on Federalism to continue.

I am convinced that this bill is too much and unnecessary and I intend to oppose it. I am confident that I will have your support in this effort. Should the bill emerge from Committee what will be necessary is a reasoned response, not a blind attack on any improvements in our workmen's compensation laws. There is much need for improvement and with that I agree, the task is for the states to perform, however, not the Federal government.