

Increasing Work Incentive: Rand Paul on Raising Minimum Wage, the Family and Medical Leave Act, and the PRO Act

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Business
Series

Coronavirus



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U.S. Senator of Kentucky

Full transcript

Gene Marks:

Hey everybody, and welcome to the Paychex Business Series Podcast. Thanks for joining me. My name is Gene Marks. As you know, I write in a bunch of different places like The Hill, and the Washington Times, and The Guardian. Today I'm speaking to Senator Rand Paul from Kentucky. Senator Paul is the ranking member of the Senate Small Business Committee. In our conversation, I wanted to speak with him about mostly employee-related issues.

Gene Marks:

We talked about his thoughts on minimum wage, the Family and Medical Leave Act, paid time off, as well as the PRO Act, and some other things as well that came up. So Senator Paul has got some very important points of view on all of these issues, and I think they're very, very much worth listening to as well so that we have a well-rounded opinion on the issues that impact us as business owners. Senator Paul, thanks so much for joining me.

Senator Rand Paul:

Yeah. Glad to be with you.

Gene Marks:

I am glad as well. So listen, let's jump into it. I'd like to actually use the time that we have to talk about some issues affecting workers and employees. The first issue is minimum wage. As we all know, our national minimum wage is about 7.25 an hour. It's an amount that a lot of people agree is very low to sustain a livelihood. There's a lot of cities and states that have increased it to as much as \$15 an hour. So I want to get your thoughts, Senator Paul, you're talking to business owners, about whether or not you support an increase to the national minimum wage. Why or why not, and also, how do you think such a thing would impact small businesses?

Senator Rand Paul:

Well, I think only the marketplace can determine what is the proper wage, and wages are different, whether you live in New York City, or Birmingham, or Lake Jackson, Texas. Depends on the size of the city, where you're located, and wages are what the market will bear. It's a negotiation between supply and demand. If you set an artificial wage, if the government sets a wage and it's above what the market would set, then you create what's called institutional unemployment. And study after study for decades have shown this is what happens. So if you raise the minimum wage, the people most likely to suffer are the people with the least skills, or disadvantaged for a multitude of reasons.

Senator Rand Paul:

So when you look at unemployment, you add in raising the minimum wage, what you find is, teenagers suffer dramatically, particularly Black teenagers suffer even more. So I think that while they're well-intended, they're part of the syndrome we have in Washington of big hearts-small brains. Everybody's got a big heart and wants to help somebody, and says, "Well, why don't we just give people \$15 an hour?" And that's the seen aspect of it. You'll see people get that, but the unseen aspect is, you won't be able to really see, or know, or feel, or touch, the people that you can't find anymore because they no longer have a job. So no, I think the best thing is the market. The market will create full employment at a certain wage, and that goes up and down depending on participation and the expansion or contraction of the economy.

Gene Marks:

Sounds good. Okay, let's move on. The PRO Act was passed by the House back in March, and it could have a very significant impact on small businesses around the country and particularly mine, Senator Paul. I mean besides writing in the places that I write, I'm a CPA and I run a business where I use a lot of independent contractors. One of the parts of the PRO Act, which is fashioned after California's AB5 legislation, is that certain independent contractors may need to be reclassified as employees if those contractors themselves are generating revenue for a business. So I'm curious to hear what your thoughts are on the PRO Act. It has passed the House. It's now coming to the Senate. Where do you think this is heading?

Senator Rand Paul:

You know, for a party, the Democrat Party, that says they're for the working man, and they don't want to increase taxes on the working man, it really looks like a tax grab. And you know? So basically if you're a Lyft driver or an Uber driver, and you're a contractor, they're worried that they're not squeezing the most taxes out of you, and they're going to make you an employee. They say it's for your own good, but it's a little bit like the minimum wage in the sense that if you force people to be contractors, employers may find that they can't have as many employees as they could contractors.

Senator Rand Paul:

So if you take people who were contractors, they become employees and have to have health benefits, and paid leave, and all this good stuff, which sounds good, you may have less jobs is what may end up happening. Also, I don't think anybody asked these Lyft drivers and Uber drivers what they want. I would say most of them would rather have control of their cash, and control of their expenses, and not get paid a W2 income from these companies. So I think it's once again sort of just a grab for cash. It's also, part of the Act I think goes to trying to overrule the state right-to-work laws that have crept up in probably 28, 30 states by now, and so I think that it's a big mistake.

Senator Rand Paul:

You know, I've had to deal with this even as running a political campaign. Really, think about it. Working for a campaign, sometimes it's a three or four-month job. Most of them drive their own car. Most of them are using their own computer, their own phone anymore. And they sort of do fit the definition of what a contractor would be. But taking away the freedom to hire people as contractors I think ultimately means that businesses will hire less people.

Gene Marks:

Yeah, it's a really great answer, and it's funny. The way that it impacts my business is, I hire out contractors to do work, for development work or special projects, so they're generating revenue. I'll hire somebody for 50 bucks an hour and bill them out at 100. Those people would have to be classified as employees, and it would discourage me from using them in the future. And I think a lot of freelance organizations also have issues. They like their independence and their flexibility.

Senator Rand Paul:

Yeah, and some people purposely choose it. You know, my wife worked as a writer for big tech-like phone companies like Sprint and Nortel. But then ultimately when we had kids, she became a contractor and she liked the flexibility of it. But you know what? They liked it, and actually paid her very, very well because she didn't get any benefits. She got benefits through my employment, and a lot of families are that way. One of the spouses has sort of the regular job with the healthcare benefits, and the other one may be a contractor. But the contractors a lot of times get paid more. She got paid more when she left employment because they no longer provided all the benefits, but she was able to take that in cash, and she didn't really need the health insurance anyway.

Gene Marks:

Senator Paul, let's move on to paid family leave. I have such mixed feelings about this as a business owner myself. On the one hand, I get concerned with the government doing too much. I do get concerned about the potential tax increases that could happen as a result of what the president's proposals are. On the other hand, there are a lot of business owners that have to deal with family leave unpaid. They lose employees because of it. It's an administrative burden. And also, what the president is proposing, would kind of level the playing field for a lot of small businesses, whereas if everybody—the government was providing a paid family leave program. So I want to hear what your thoughts are on paid family leave. Do you think it's a good idea or in any format?

Senator Rand Paul:

I'm not for the government mandating any sort of costs on a business, what they have, or what kind of benefits they have to have. But the interesting thing is, is that the marketplace has been so competitive that quite a few private companies started offering paid leave. In fact, you couldn't get the good worker, or you couldn't get the worker to leave the other job to come to yours unless you offered them more money and more benefits. So a lot of companies actually have been offering these benefits. Now, if you say that everybody has to offer it, you mandate it by government, who's easier able to absorb that cost, big business or small business? Obviously big business can absorb it and may already have paid leave.

Senator Rand Paul:

But if you're a small startup, you have three employees, and you say, "Oh, you got to have paid leave," it's like once again you're sort of mandating something that will be something that makes you not competitive. The other thing it does, this is a silent thing that it does, is that I think in people's deepest innermost thoughts, they start thinking about the cost of certain people, women versus men. Which one is more likely to have paid medical leave? And it just is, women have children and have families, and I'm all for that. But the thing is, is that if you're forcing people to have the paid leave, people may say, "Oh well. I just don't think I want..." So you could get sort of an institutional bias against certain people that you don't want to hire.

Gene Marks:

You know, related to paid family leave and the government getting involved in that issue is also healthcare as well. And once all this infrastructure stuff is out of the way, we know that there's going to be more talk about healthcare and expanding Obamacare in this country. Senator Paul, my wife is from England. As you know, there's national health there. It is far from a perfect system, but when she moved over here 30 years ago, she was just amazed that employers were involved in their employees' healthcare decisions, and dealing with it.

Gene Marks:

And I have to say that I have a lot of clients that, listen, if they didn't have to deal with healthcare at all in the future it would be a lot fewer headaches for them as business owners. So there is some argument for a national healthcare system that would benefit small business owners. But I wanted to hear your point of view on that. Do you think it would be a good thing for small business owners if there was more nationalized health in this country, or would that be counter-productive?

Senator Rand Paul:

You know, there's criticism on the right and the left for having insurance based with your employer, but it's kind of hard to go backwards. It came about during World War II when we had wage and price controls and workers were saying, "We're working hard. You got to pay us more. We'll take it in benefits." So employers started offering healthcare as a benefit because the wages were fixed, and the wages weren't going up, they got this extra benefit. It became sort of enshrined in the tax code. And some people say, "Oh, we need to take away the tax benefit of employer-based insurance." My problem with that is, is that most people actually like their employer-based insurance, particularly if they're not the owner. You know, if you work for Toyota or General Motors, these people are largely happy with really gold-plated kind of health insurance. The people who have been less happy with their health insurance, the people who pay the direct costs, so small businesses.

Senator Rand Paul:

And if you look at their cost, that large businesses have been able to leverage their costs lower so the rise in healthcare costs or health insurance premiums for a big business has been much smaller than it has been for a small business. So when we got to the discussion and the debate over Obamacare people are like, "Well, these individual policies are going through the roof. People get sick, and then your wife has cancer and they charge you through the you know what, and all of a sudden you can't afford it because you're a risk pool of two." I'm sympathetic to that, but then it's sort of a fork in the road. Which direction do you go? Do you say, "Well, let's just give up on all employer-based," even though there's probably 150 million people that are happy with their employer-based, to fix it for about 10 or 15 million people who have exorbitant rates?

Senator Rand Paul:

I guess the way I look at it is, we can go two different directions. You can go towards more government control or more marketplace, and I think it's not enough capitalism. I would inject more capitalism, and the way I would do that is this. I would make it legal for everybody in the entire country, no matter what insurance product you buy, to have a health savings account. What that does is, you can then save tax-free to pay your premiums if you're a small business and you're not incorporated. But you can also save for things that also might be to your benefit, diet plans. I would include diet plans in there. I would include gym memberships because I think those are probably as important as going to the doctor for many people, and as far as preventing problems.

Senator Rand Paul:

But the main thing I would do is, I would allow small businesses to join groups to purchase their insurance. I would make it legal that if anybody wanted it, if Costco decided they would be a buyer of insurance. They have 44 million members. Let's say five, 10 million people in the Costco membership choose to have their insurance bought there. Can you imagine one negotiator from Costco then gets to sit down with UnitedHealthcare and say, "I've got 10 million lives. What are you going to give me?" But you need to leave it open to negotiation. Right now it's not allowed. I've tried to convince Democrats that this is just collective bargaining for the consumer, and yet they only would be willing to vote for it if we imposed all the Obamacare mandates on what can be sold because they don't trust people to make the right decisions.

Senator Rand Paul:

They're worried, "Oh, they might get bare-bones insurance." Well, they might. If you want a really cheap product, you might pay the cheap product. But you might have something the opposite. Let's say someone's negotiating for 10 million people. You might say, "Look, I've got 10 million people. I'll be the biggest client in the entire country. Why don't you give me pregnancy coverage? Why don't you give me psychiatric coverage? Why don't you give me drug rehab coverage?" And guess what? You have the leverage probably to demand it because you'd be bigger than Toyota, General Motors, Ford, and all these people combined. You would have the leverage. But it's simply legalizing the ability of people to come together in a consortium or a co-op to buy their insurance.

Senator Rand Paul:

I don't know how anybody can be opposed to that. But every Democrat I brought it up nods their head, and when I say collective bargaining, they all nod their head even faster. But then their staff whispers in their ear, "But there wouldn't be any rules. There wouldn't be any mandates. People would be able to choose what they want," and they're, "Oh no. We can't have choice." So that's the problem. But these things are fixable. There's always two ways to go. You can fix them by having bigger government, and you could. But the trade-off is, you may have less innovation, you may have longer wait times. That's what they have in England, and various other places, and Canada as well. Or you could try going more towards the marketplace. The marketplace works with healthcare. Look at LASIK surgery. It used to be \$2,000 an eye. Now it's about \$250 an eye, so competition has worked. There's transparency.

Senator Rand Paul:

Every billboard in the city will have a price on it. You call the receptionist for an ophthalmologist that does LASIK, they'll tell you the price immediately. Same for breast implants, nose jobs, you name it. Anything that people pay cash for there's a great marketplace for. Prices are bid down, and it's readily available, and there's transparency. All the things that people say they want, happen when people actually pay for the product. The problem with healthcare both before and after Obamacare is that you pay somebody in between. Either the government is in between you or the insurance company, so the consumer doesn't see the price and doesn't base decisions on price, so the marketplace is a broken marketplace. It isn't real capitalism. But I think the way you fix it is go more towards capitalism.

Gene Marks:

One more question, then I'll let you go. Listen, biggest issue that's facing all of my clients, many small businesses, as you well know, is finding people right now. It is a fact that the law's not going to change. Unemployment benefits are going to continue from the federal government through September. It is what it is. So I guess, Senator Paul, is there anything that the government can do to help small businesses, at least between now and the fall, to help them find employees? What are your thoughts on labor disruption?

Senator Rand Paul:

If the government pays you more not to work than private employers will pay you to work, you institutionalize unemployment, and so-

Gene Marks:

We know that. We know that.

Senator Rand Paul:

Right. Right.

Gene Marks:

But we can't fix that. We can't change that right now. Right?

Senator Rand Paul:

Well, you can. You could send different people to Washington and they'd vote to get rid of this craziness. But what infects Washington, mostly Democrats but half of the Republicans as well, is this big hearts-small brain syndrome. They have a big heart. They want to help everybody. It's like, who wouldn't want to give people who are unemployed money? But when you do it's a huge disservice because, for example, for about six months we were giving \$600 a week in addition to the states' 300. It was about \$1,000 a week. So anybody making less than \$50,000 a year was like, "Wow. I can just do no work." It's still at about 35,000. So what will happen is, there will be labor disruption, and there will be lack of workers until it expires in September. But it is an ongoing debate because there are many Democrats who want to make it permanent.

Senator Rand Paul:

There are some who want to make it \$1,400 a week. You know? I mean there's some that wanted to and think it's gone way too low. If Bernie had his way, we'd be giving probably a couple thousand dollars a week to everybody whether they work or not, and so people need to realize what this does to the economy. It's an ongoing battle because it will be a battle again in September. But then we have elections, and if you want somebody that just passes out the cash without any concern for the unintended consequences, that's what we'll get with the government we have. Or maybe in 2022 people will come back and say, "Well, gosh. The economy's now struggling. The market's corrected. Inflation's here. Maybe free money wasn't the best way to go," and then people will have a choice in the election.

Gene Marks:

Got it. Senator Paul, thank you very much for your time. I really appreciate it.

Senator Rand Paul:

Thanks Gene.

Gene Marks:

Senator Rand Paul is the ranking member of the Senate Small Business Committee. Senator Paul is from Kentucky, and we thank him very much for joining us. My name is Gene Marks. You've been listening to the Paychex Business Series Podcast. If you need any help, advice, or tips, in running your business, please visit us at paychex.com/WORX. That's W-O-R-X. Hope you enjoyed this conversation, and we'll be back with more on our next episode. Talk to you then.

Speaker 3:

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