

Issue: PA - Economy

Minimum Wage in Pennsylvania

The minimum wage in Pennsylvania is \$7.25 per hour, which is the same as the federal minimum wage. For tipped workers, it is only \$2.83 per hour. This puts many full-time minimum wage workers below the federal poverty line. When their pay checks fail to cover basic living expenses, workers often use public assistance.¹ In essence, the public is subsidizing businesses that do not pay their employees a living wage.

The argument has been made that paying workers a living wage would cause businesses to employ fewer workers, but this argument has been debunked by numerous studies. This will be discussed in a later section.

Pennsylvania Democrats have been fighting to increase the minimum wage for Pennsylvania workers for years. Despite the many arguments for increasing the minimum wage, legislation sponsored by Democrats to do so languishes in Republican-controlled committees. Some of the 2019 bills which would have increased the minimum wage are listed in the table in the appendix.

The pandemic has left the economy in a state of turmoil. It is possible some of the trends discussed in this report may not hold going forward.

The Case for a Higher Minimum Wage

The wages of the vast majority of workers in the U.S. have declined in terms of buying power since the 1970s when measured in constant 2018 dollars. Yet worker productivity has steadily increased over the same time period. As shown in Figure 1, the minimum wage would be more than \$20 per hour had it kept pace with the increase in worker productivity.²

Business profits have increased as a portion of the nation's income while employee pay has decreased. The charts in Figure 2 show that during the 1990s, business profits as a percent of national income started on this upward trend, while workers' portion of the nation's income generally started to decrease.³

While workers' purchasing power has decreased nearly 30% since 1968 and productivity has increased, the gap between average worker pay and executive pay has exploded. CEOs now earn about 270 times the pay of the average worker. As a comparison, in the mid-1960s, CEOs were earning just 20 times the pay of an average worker.⁴

Neglect has left the minimum wage far below what the economy could afford

Real and nominal values of the federal minimum wage, and value if it had risen with total economy productivity, 1938–2018, and projected values under the Raise the Wage Act of 2019, 2019–2024



Notes: The productivity series is total economy productivity net depreciation, indexed to the 1968 real value of the minimum wage. Real minimum wage values are in 2018 dollars deflated by the CPI-U-RS (1978–2017), chained to the CPI-U-X1 (1967–1977) and CPI-U (1938–1966). Projections for productivity growth and inflation use Congressional Budget Office, An Update to the Economic Outlook: 2018 to 2028, “10-Year Economic Projections” (downloadable Excel file supplement), August 2018.

Sources: EPI analysis of the Fair Labor Standards Act and amendments and the Raise the Wage Act of 2019. Total economy productivity data from the Bureau of Labor Statistics Labor Productivity and Costs program. Average hourly wages of production nonsupervisory workers from the Bureau of Labor Statistics Current Employment Statistics.

Economic Policy Institute

Figure 1. The Minimum wage has not kept pace with the productivity of American workers⁵
Source: <https://www.epi.org/publication/minimum-wage-testimony-feb-2019/>

Labor's Declining Share

Workers' paychecks account for much less of the nation's total income since the last recession, and the profits of businesses account for more.



Source: Bureau of Economic Analysis | By The New York Times

Figure 2. Businesses get a larger share of the national income while individuals get a smaller share⁶

Conservative legislators argue that an increase in minimum wages will reduce job growth. Such claims have been debunked by many studies, which include research done by the White House Council of Economic Advisors,^{7, 8} the National Employment Law Project (NELP)⁹, the Institute for Research on Labor and Employment^{10, 11} and the Center for Economic and Policy Research.¹² The NELP report cited here discusses the flaws in the work of economists who claim that raising the minimum wage stifles employment. Methodology flaws include extrapolating trends in foreign labor markets to the U.S. and failing to account for regional economic differences when comparing states with different minimum wages.¹³

The more sophisticated studies use methods that control for factors that are unrelated to the minimum wage. A robust approach for studying minimum wages is to examine adjacent counties with different minimum wages.¹⁴ These types of comparisons have found that employment is essentially the same despite the difference in minimum wage.¹⁵ Reasons for comparable employment rates include increased productivity and decreased turnover.¹⁶

The Minimum Wage, the Living Wage, and the Poverty Wage

The cost of living in a particular locality determines how far a paycheck actually goes. The average cost of living is higher in Pennsylvania than in nearly two thirds of the other states—the state ranks 32nd out of all states. Thus, 31 states are less expensive places to live.¹⁷ However, using the average cost of living obscures variations within the state between small, rural communities and urban areas, such as Pittsburgh and Philadelphia. Since January 2015, each state neighboring Pennsylvania has had a higher minimum wage than Pennsylvania.

The minimum wage in Pennsylvania was last increased in 2009, when it rose from \$7.15 to match the federal rate of \$7.25. Because of inflation, the purchasing power of a static minimum wage has been decreasing since 2009, according to a 2020 Pennsylvania Department of Labor & Industry Report.¹⁸

A living wage is defined as the wage needed to pay basic family expenses, including food, medical care, housing, transportation, taxes, and childcare when needed. The poverty wage corresponds to the poverty income threshold set by the U.S. Department of Health and Human Services; families below this threshold qualify for federal financial assistance.

How do families who earn the minimum wage fare?

According to the MIT Living Wage Calculator, earning only the minimum wage leaves all families with just one working adult with less than the living wage. Of all minimum wage workers, only single workers with no children earn more than the poverty wage. Families comprised of one child and one working adult earn far below the living wage.¹⁹ The chart below compares the living wage, the wage corresponding to the federal poverty level, and the minimum wage for different family types.



Figure 3. Wages for Different Family Configurations that Result in Poverty, from the MIT Living Wage Calculator²⁰

Who is Earning the Minimum Wage?

The percentages fluctuate a bit every year, but in 2019, about 1.9% of *hourly* workers earned the minimum wage or less nationally. In Pennsylvania in 2019, 2.6% of *hourly* workers earned the minimum wage or less.²¹ Minimum wage workers in Pennsylvania comprised 1.5% of *all* workers in 2019.²² The number of workers earning minimum wage is not substantial, but raising their wages would have a huge impact for those workers as well as on all those earning less than the proposed \$15/hr.²³

Although a significant number of teenagers—unlikely to be a household's primary wage earner—do earn a minimum wage, the majority of minimum-wage earners in Pennsylvania are adults. Teenagers accounted for 21.5% of minimum wage earners in 2019, according to the Pennsylvania Department of Labor & Industry.²⁴ In 2019, about 34% of minimum-wage workers in Pennsylvania worked full-time, which is 35 hours or more per week.²⁵

Only about 10 states have a higher percentage than Pennsylvania of hourly workers making just the minimum wage or less; most of those states are in the south.²⁶

Data from the U.S. Census Bureau shows that 12.2% of Pennsylvanians live in poverty.²⁷ Part of the reason is the low minimum wage. As was shown previously in Figure 3, families with only one working adult and with children are below the poverty line if that adult works at the minimum wage.

Currently, around 25% of Pennsylvania households made less than \$30,000 per year, which is about \$15 per hour for full-time workers.²⁸ The Economic Policy Institute projects that raising the minimum wage to \$15 per hour by 2024 would benefit 2,004,000 Pennsylvania workers, or roughly 34% of all working Pennsylvanians.²⁹ The percent of various demographic groups who would see higher wages are:

- 41.3% of all women
- 31.6% of workers age 20 or older
- 23.9% of full-time workers (35 or more hours per week)
- 47.1% of blacks
- 56.8% of Hispanics
- 47.9% of single parents

Taxpayers Subsidize Businesses

Because of very low wages, many workers rely on public assistance for basic needs such as food. In 2019, 14% of Pennsylvanians received benefits from SNAP (Supplemental Nutrition Assistance Program), once called food stamps. Of those recipients, 45% were in a family where someone worked.³⁰ Businesses who do not pay employees living wages are subsidized by taxpayers. A 2016 study done by The Economic Policy Institute found that if the federal minimum wage had been raised to \$12 an hour by 2020, national public spending on assistance would have dropped by about \$17 billion a year.^{31, 32}

Local Communities Have No Power to Raise the Minimum Wage

In Pennsylvania, the distribution of power between the state legislature and local governments essentially leaves all law-making power with the state government, not with local jurisdictions. In practical terms, this means it is very hard for localities in Pennsylvania to raise local minimum wages,

as has been done in other cities across the nation. [See the Local Majority papers pertaining to ALEC (American Legislative Exchange Council), privatization and preemption³³ and the Dillon Rule.³⁴]

Republicans Repeatedly Block Legislation to Raise the Minimum Wage

Democrats in the Pennsylvania Assembly have introduced countless bills over the years to raise the minimum wage. Since Republicans control the committees, proposed legislation repeatedly dies in committee. Thus, after years of Democratic proposals to increase the minimum wage, no bill has made it out of the Republican-controlled Assembly. The appendix has a table with a sampling of these bills from just the 2019 session.

Conclusion

There are many arguments for raising the minimum wage. Worker productivity has outpaced the minimum wage. Regional differences make a one-size-fits-all minimum wage unworkable. Businesses are being subsidized when governments—which is to say, taxpayers—provide benefits to full-time adult workers who earn just the minimum wage.

Arguments against raising the minimum wage come from spurious claims that an increased minimum wage will result in job losses. But economists who makes those claims use flawed techniques for studying the impacts of different minimum wages.

The time to raise the minimum wage in Pennsylvania is now.

Appendix: Bills from 2019 that would have Raised the Minimum Wage

Bill information came from the URLs shown in the table and from <https://www.legis.state.pa.us/>.

Bill	Synopsis	Party and Name of Sponsor	Vote (if any) and Status
SB 79	<p>Would have gradually increased the minimum wage to \$9.50 per hour by 2020. This bill is a compromise bill as Governor Wolf wanted to raise the minimum wage to \$15. Instead the governor agreed to "drop plans to expand eligibility for overtime pay for low level managers." This bill passed in the Senate on a bi-partisan vote, but is currently languishing in the House.</p> <p>https://www.post-gazette.com/business/career-workplace/2019/11/19/Pennsylvania-hourly-minimum-wage-would-rise-to-9-50-in-compromise-bill-wolf-15-overtime/stories/201911190142</p>	Dem C. Tartaglione	<p>Passed in the Senate.</p> <p>In House Committee since Nov 2019</p>
HB 405	<p>Would have raised the minimum wage to \$9.50 per hour after bill passage, with small increments in the two subsequent years. After the two-year period, there would have been increased based on the cost-of-living.</p> <p>http://www.paproviders.org/wp-content/uploads/2019/11/Nov-20-Minimum-Wage.pdf</p>	Dem E. Neilson	In committee Since Feb 2019
HB 1215 SB 12	<p>SB 12 would have raised the minimum wage to \$12 per hour in 2019 and to \$15 in 2025.</p> <p>https://www.pasenate.com/pennsylvania-senate-adopts-tartagliones-bill-to-raise-the-minimum-wage-for-the-first-time-in-13-years/</p>	Dem P. Kim C. Tartaglione	<p>In House committee since Mar 2019</p> <p>In Senate committee since Mar 2019</p>
HB 184	<p>Would have repealed the tipped minimum wage (which is \$2.83 per hour) and set one minimum wage for all workers.</p> <p>The Democratic sponsor writes "While restaurants are supposed to make up the difference when workers' tips don't raise them to the full minimum wage of \$7.25, many do not. My legislation would even the playing field by instituting one minimum wage for all Pennsylvania workers whether they receive tips or not."</p> <p>https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=H&SPick=20190&cosponId=26619</p>	Dem A. Cruz	In committee since Jan 2019

¹ <https://nlihc.org/resource/raising-minimum-wage-would-reduce-public-assistance-spending#:~:text=A%20large%20percentage%20of%20low,12.16%20per%20hour%2C%20and%2036.5%25>

² <https://www.epi.org/publication/minimum-wage-testimony-feb-2019/>

-
- ³ <https://www.nytimes.com/2018/07/13/business/economy/wages-workers-profits.html>
- ⁴ <http://www.epi.org/publication/ceo-pay-remains-high-relative-to-the-pay-of-typical-workers-and-high-wage-earners/>
- ⁵ <https://www.epi.org/publication/minimum-wage-testimony-feb-2019/>
- ⁶ <https://www.nytimes.com/2018/07/13/business/economy/wages-workers-profits.html>
- ⁷ Sandra Black, et al., White House Council of Economic Advisors, Minimum wage increases by US states fueled earnings growth in low-wage jobs (Dec. 2016), <http://voxeu.org/article/minimum-wage-increases-and-earnings-low-wage-jobs>
- ⁸ National Employment Law Project, Minimum Wage Basics: Employment and Business Effects of Minimum Wage Increases (Oct. 2015), <http://www.nelp.org/publication/minimum-wage-basics-employment-and-business-effects-of-minimum-wage-increases/>
- ⁹ <https://s27147.pcdn.co/wp-content/uploads/Minimum-Wage-Basics-Business-Effects.pdf>
- ¹⁰ <https://irle.berkeley.edu/minimum-wage-effects-across-state-borders-estimates-using-contiguous-counties/>
- ¹¹ <https://irle.berkeley.edu/files/2011/Do-Minimum-Wages-Really-Reduce-Teen-Employment.pdf>
- ¹² <https://cepr.net/documents/publications/min-wage-2013-02.pdf>
- ¹³ <https://s27147.pcdn.co/wp-content/uploads/Minimum-Wage-Basics-Business-Effects.pdf>
- ¹⁴ <https://irle.berkeley.edu/minimum-wage-effects-across-state-borders-estimates-using-contiguous-counties/>
- ¹⁵ <http://www.nelp.org/publication/fighting-preemption-local-minimum-wage-laws/>
- ¹⁶ <https://s27147.pcdn.co/wp-content/uploads/Minimum-Wage-Basics-Business-Effects.pdf>
- ¹⁷ <http://worldpopulationreview.com/states/cheapest-states-to-live-in/>
- ¹⁸ <https://www.workstats.dli.pa.gov/Documents/Minimum%20Wage%20Reports/Minimum%20Wage%20Report%202020.PDF>
- ¹⁹ <https://livingwage.mit.edu/states/42>
- ²⁰ <https://livingwage.mit.edu/states/42>
- ²¹ <https://www.workstats.dli.pa.gov/Documents/Minimum%20Wage%20Reports/Minimum%20Wage%20Report%202020.PDF>
- ²² <https://www.workstats.dli.pa.gov/Documents/Minimum%20Wage%20Reports/Minimum%20Wage%20Report%202020.PDF>
- ²³ <https://www.bls.gov/opub/reports/minimum-wage/2019/home.htm>
- ²⁴ <https://www.workstats.dli.pa.gov/Documents/Minimum%20Wage%20Reports/Minimum%20Wage%20Report%202020.PDF>
- ²⁵ <https://www.workstats.dli.pa.gov/Documents/Minimum%20Wage%20Reports/Minimum%20Wage%20Report%202019.pdf>
- ²⁶ <https://www.bls.gov/opub/reports/minimum-wage/2018/pdf/home.pdf>
- ²⁷ <https://www.census.gov/quickfacts/fact/table/PA/IPE120218>
- ²⁸ <https://datausa.io/profile/geo/pennsylvania#economy>
- ²⁹ https://files.epi.org/uploads/EPI_15_by_2024_state_tables.pdf
- ³⁰ <https://www.cbpp.org/research/food-assistance/a-closer-look-at-who-benefits-from-snap-state-by-state-fact-sheets#Pennsylvania>
- ³¹ <https://nlihc.org/resource/raising-minimum-wage-would-reduce-public-assistance-spending>
- ³² <https://www.epi.org/publication/wages-and-transfers/>
- ³³ https://www.localmajority.org/wp-content/uploads/2020/04/PA.ALEC_privatization.20200425.JXR_.pdf
- ³⁴ https://www.localmajority.org/wp-content/uploads/2019/05/VA.DillonRule.20190515.DR_.pdf