

# The facts about increasing the minimum wage to \$7.15 per hour in Pennsylvania

The Keystone Research Center  
412 North Third Street  
Harrisburg, Pennsylvania 17101  
570-255-7181

Go online to [www.keystoneresearch.org](http://www.keystoneresearch.org) for the details behind this fact sheet or call 717-255-7145 with questions

## **A minimum wage increase would raise the wages of hundreds of thousands of Pennsylvania workers**

- Approximately 427,000 Pennsylvania workers would benefit directly from an increase in the state's minimum hourly wage from \$5.15 to \$7.15 by January 2007.
- Due to "spillover effects" another 327,000 of Pennsylvania workers earning up to a dollar above the new minimum also would likely benefit from an increase.
- That hundreds of thousands of workers would benefit is not in dispute – even the Commonwealth Foundation's most recent estimate is that 348,000 workers would benefit directly. Commonwealth also acknowledges that some workers above the new minimum wage would benefit.

## **A minimum wage increase to \$7.15 would help many families and adults who are struggling economically**

- Nearly a third of the benefits of a higher minimum wage would go to the poorest fifth of Pennsylvania households.
- Another 31% of the benefits of a higher minimum wage would go to the second poorest fifth of households or to the middle fifth of households.
- On average, workers earning \$5.15 to \$7.14 – who would benefit directly from a minimum wage increase – earn 44% of their family income.
- Opponents of a higher minimum wage say that most of those who would benefit are teenagers and label an increase a "glorified allowance bump." The facts contradict these claims. In Pennsylvania, 71% of workers whose wages would be raised directly by a minimum wage increase to \$7.15 are adults, age 20 or older.

## **A minimum wage increase to only \$6.25 per hour by January 2007 would benefit far fewer adult workers than an increase to \$7.15**

- A minimum wage increase to \$6.25 per hour by January 2007 would benefit only just over 100,000 adults. This compares with the over 300,000 adults who would benefit from a minimum wage increase to \$7.15.

- A minimum wage increase to \$6.25 per hour would not even make up for the impact of inflation since the last increase in the minimum wage in 1997.

## **Many low earners will not move up to higher incomes without a minimum wage increase**

- Opponents of a higher minimum wage assert that “two thirds” of minimum wage workers see an increase after one year. This claim distorts the findings of a study (based on mid-1980s data) whose authors themselves say “over half of the minimum wage workers employed a year later received an hourly wage rate that either did not keep pace with inflation or just barely did so.”
- Of 670,000 Pennsylvania workers earning less than the poverty level in 1998 and still working in Pennsylvania six years later, nearly 40% (261,000) were still earning below the poverty level in 2004.
- Nationally, according to a 2005 study,
  - 37% of prime-age adults in jobs paying within a dollar of the 1997 minimum wage of \$5.15 remain in jobs paying this amount or less (adjusted for inflation) three years later;
  - Another 24 percent are not employed 3 years later;
  - Only 39 percent see an increase to more than \$6.15 (in 1997 dollars).

## **A minimum wage increase is needed to reverse the trend of declining real wages for low-wage workers**

- In 2005, the wages of low-wage Pennsylvania workers (earning around \$7 per hour) fell for the fourth year in a row.
- Adjusting for inflation, low-wage Pennsylvania workers earn less in 2005 than they did in 1979.
- Between 1979 and 2005, low-wage workers’ earnings increased only when the minimum wage increased or in the few boom years at the end of the 1990s.
- With a slow recovery of job growth nationally and in Pennsylvania since the 2001 recession, the only way low-wage workers are likely to see a raise this year is if the minimum wage increases.

## **Pennsylvania rural workers would benefit most from a minimum wage increase**

- A higher minimum wage would most benefit Pennsylvania workers in rural areas, where wages are lowest.
- In 10 rural Pennsylvania counties – Armstrong, Fayette, Huntingdon, Jefferson, Juniata, Perry, Pike, Somerset, Sullivan, and Susquehanna – 15% or more of workers would directly benefit from a minimum wage increase to \$7.15.

## **There is no evidence of job loss from recent minimum wage increases**

- A 1998 Economic Policy Institute study found that, following the most recent increase in the minimum wage in 1996-97, the low-wage labor market performed better than it had in decades: unemployment rates fell, average hourly wages and family income increased, and poverty rates declined.
- A just-released Fiscal Policy Institute study of state minimum wages found no evidence of negative employment effects on small businesses in general or upon retail employment in particular.
- State minimum wages had no significant impact on state job growth from 2000-2003, according to a recent study by the Economic Policy Institute.
- Studies of the 1990-91 federal minimum wage increase, as well as studies by David Card and Alan Krueger of several state minimum wage increases, also found no measurable negative impact on employment.
- New economic models that look specifically at low-wage labor markets help explain why there is little evidence of job loss associated with minimum wage increases.
- These models recognize that employers may be able to absorb some of the costs of a wage increase through higher productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale.

## **Raising the minimum wage to \$7.15 is a question of values**

- From the 1940s to the late 1960s, the minimum wage increased in inflation-adjusted terms by about 3% per year. These increases reflected a consensus value that low-wage workers should share in the benefits of an expanding economic pie.
- Opposing a minimum wage increase to \$7.15 per hour expresses the value that low-wage workers should not even maintain the same standard of living as the Pennsylvania Commonwealth grows economically – never mind share in the benefits of productivity growth.
- Increasing the minimum wage to \$7.15, by contrast, is consistent with the broadly shared value that work should pay closer to a living wage. That this value is broadly shared is evidenced by the strong bipartisan popular support for a higher minimum wage.

## **Raising the minimum wage is also good economics**

- Raising the minimum wage encourages employers to compete by improving quality, productivity, and service rather than simply by paying poorly.
- Raising the minimum wage puts money in the pockets of low-wage workers, helping to create consumer demand that keeps the economy expanding.
- Raising the minimum wage would create a more “moral economy” – an economy that supports rather than undercuts Pennsylvania values and an economy that is more productive and competitive in the long run.