

POLICY WATCH

FROM THE KEYSTONE RESEARCH CENTER

Few Working Adults Would Benefit From a State Hourly Minimum Wage Increase to Only \$6.25

Introduction

Pennsylvania's General Assembly is considering proposals to raise the state's minimum hourly wage above the federal level of \$5.15 to \$7.15 by January 2007. Alternative proposals would increase the minimum wage to only \$6.25 per hour by the same date.

In this Policy Watch, Keystone Research Center (KRC) compares how many workers would directly benefit from each of these proposals. To generate these figures, we use the most recent wage data available as a basis for estimating how many workers in January 2007 will be in the wage ranges that will receive a mandated wage increase (i.e., \$5.15 to \$7.14 or \$5.15 to \$6.14).¹

Findings

We find that

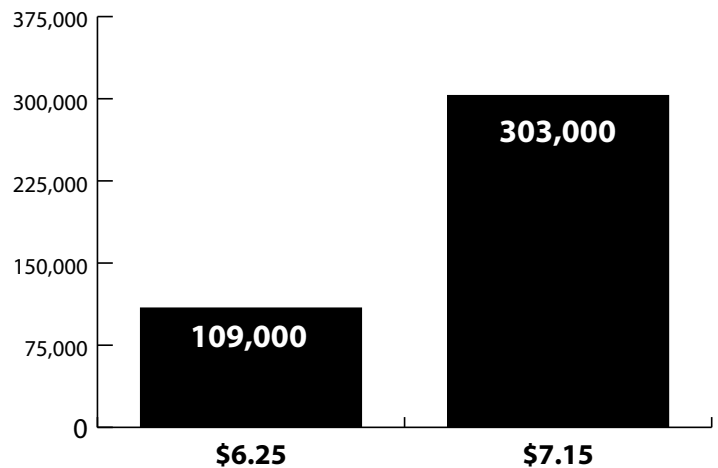
- 427,000 Pennsylvania workers would earn \$5.15 to \$7.14 in January 2007 and benefit directly from a minimum wage hike to \$7.15;
- 181,000 workers would earn \$5.15 to \$6.24 in January 2007 and benefit directly from a minimum wage increase to \$6.25;
- 58 percent of the workers who would benefit directly from a minimum wage increase to \$7.15 would **not** benefit directly from a minimum wage increase to \$6.25.

For just adults (aged 20 and older), the falloff from a lower rather than higher minimum wage increase in the number of workers who would benefit is even starker:²

- 303,000 adults would benefit directly from an increase to \$7.15.
- Only 109,000 adults would benefit directly from an increase to \$6.25.

- Thus, nearly two thirds – 64 percent – of the adults who would benefit directly from a minimum wage increase to \$7.15 would not benefit from an increase to \$6.15.
- Increasing the minimum wage to \$7.15 rather than \$6.25 would benefit an additional 194,000 adults compared to only 52,000 additional teenagers.

Figure 1. Number of Adults (Age 20 and Older) Affected by an Increase in the Minimum Wage to \$6.25 and \$7.15 an Hour



Source: Keystone Research Center (KRC) Analysis of Current Population Survey (CPS)

Figure 1 shows the number of adults who would benefit directly from increases in the minimum hourly wage to \$6.25 and \$7.15, respectively.

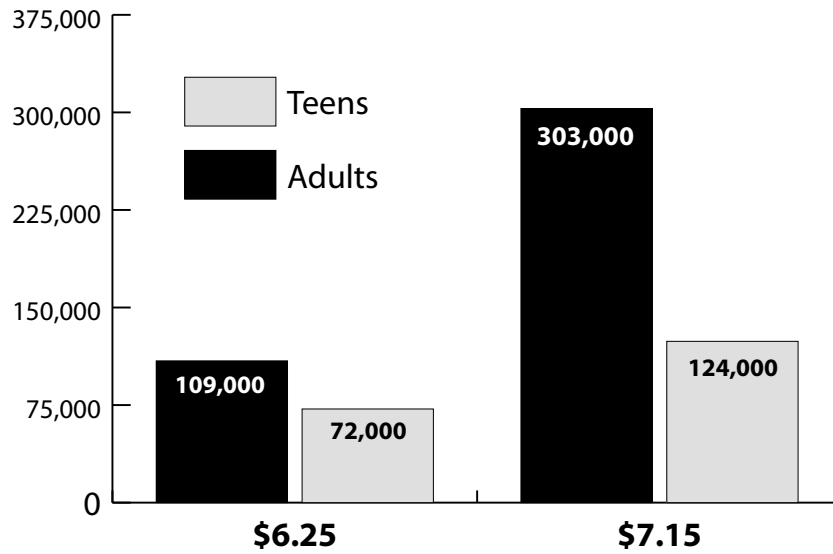
Figure 2 (on reverse) shows the number of teenagers who would benefit directly from each proposal alongside the number of adults. An increase to \$7.15 would directly benefit nearly two-and-a-half times as many adults as teenagers. An increase to \$6.25 would benefit one-and-a-half times as many adults as teenagers.

Conclusion

Under both proposals, contrary to the impression left by some opponents of a higher minimum wage, the majority of workers who would benefit from a minimum wage increase are adults.³ Since the proportion of teenagers among low-wage earners increases near the current minimum wage of \$5.15, however, a minimum wage hike to only \$6.25 will make a partially self-fulfilling prophecy of the claim that a lot of the beneficiaries are teenagers.

If the Pennsylvania legislature wants to benefit large number of working adults through a minimum wage increase, the Pennsylvania minimum wage needs to reach at least \$7.15 by January 2007.

Figure 2. Number of Adults (Age 20 and Older) and Teenagers Affected by an Increase in the Minimum Wage to \$6.25 and \$7.15 an Hour



Source: KRC Analysis of CPS data

Notes

¹ For details on the methodology used, see Stephen Herzenberg and Mark Price, *New Estimates Confirm that Three-quarters of a Million Pennsylvania Workers Would See Higher Pay With a \$7.15 Per Hour Minimum Wage* (Harrisburg: Keystone Research Center, 2006); online at www.keystoneresearch.org.

² These estimates of the number of adults who would benefit rely on the age profile of workers earning \$5.15 to \$7.14 and \$5.15 to \$6.24 in 2004. In 2004, 71 percent of workers earning \$5.15 to \$7.14 were 20 and over, and 60 percent of workers earning \$5.15 to \$6.24 were 20 and over. By 2007, the shares of adult workers in both the \$5.15 to \$7.14 range and the \$5.15 to \$6.24 range are likely to fall slightly. Since this tendency will impact both the wage ranges we are comparing, it will have less impact on the relative number of adults each proposal will benefit.

³ Kevin Shivers of the National Federation of Independent Business (NFIB), for example, wrote recently, “The vast majority of minimum wage earners are not families struggling to survive, but rather teenagers or second earners.” (See Kevin Shivers, “Raising the minimum wage hurts,” *Meadville Tribune*, December 30, 2005; online at www.tribune-democrat.com/statenews/cnhinsall_story_364153415.html.) Shivers has also labeled a higher minimum wage a “glorified allowance bump.” (See Sarah Larson, “Working Wage” *Lancaster Intelligencer*, March 21, 2005; online at www.phillyburbs.com/pb-dyn/news/113-03212005-465927.html.)

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