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Read the full report at:

<https://www.keystoneresearch.org/publications/research/minwagerep2018>

## **Minimum wage to rise by the end of 2018 in 19 states; Data Suggest Pennsylvania should join them**

*Workers in Pennsylvania lost ground relative to those in neighboring states where minimum wages are higher and employment growth in low-wage sectors like food services has been stronger*

**HARRISBURG, PA** – The Keystone Research Center today released a new report, [The Pennsylvania Minimum Wage in 2018](#). The report finds that the minimum wage in six border states (Delaware, Maryland, Ohio, New Jersey, New York, and West Virginia) and the District of Columbia increased on average by 26% between December 2013 and this January. Wage and employment growth for very low-wage workers and those employed in food services has also been stronger in the region than in Pennsylvania.

“Public support in Pennsylvania for a higher minimum wage has always been strong because most people intuitively understand that what ultimately drives the economy comes down to what’s in their paychecks. The data we review here make it very clear that the failure to raise the minimum wage in Pennsylvania has not benefited the economy or wage growth relative to neighboring states,” said report author and **KRC labor economist Mark Price, Ph.D.**

This reports key findings:

- The Pennsylvania minimum wage this January at \$7.25 stands 13.8% below the minimum wage in Delaware (where the minimum is \$8.25), 14.5% below the minimum in Ohio (\$8.30), 18.6% below New Jersey’s minimum (\$8.60), 20.7% below West Virginia (\$8.75), 27.6% below Maryland (\$9.25), 43.4% below most of New York state (\$10.40, the minimum in New York City, Long Island & Westchester is higher ranging

from \$11 to \$13 depending on firm size and location), and 72.4% below the District of Columbia (\$12.50).

- Examining county level data on employment and average weekly wages drawn from a survey of employers in food services and drinking places, a sector with a large share of low wage workers, we observe more growth in wages and employment especially in New York, northern West Virginia, and Maryland than in Pennsylvania.
  - Overall in Pennsylvania, real wages in food services grew by just 5% while on average across the region (Delaware, District of Columbia, Maryland, New Jersey, New York, Ohio, and West Virginia) they grew 7.8% between 2012 and 2016.  
**Wage growth in food services has been particularly low in many rural of Pennsylvania.**
  - **Not only has wage growth been stronger in the rest of our region where the minimum wage has increased, but so has employment growth.** As the purchasing power (after accounting for inflation) of the minimum wage rose 12% across the region, payroll growth in food services was up 12.3% compared to much slower growth of 6.8% in Pennsylvania where the minimum wage lost 4.7% of its purchasing power from 2012 to 2016.
- It is projected that wages for the typical worker employed full-time full-year in Pennsylvania, before adjusting for inflation, will have risen 25% between 2007 and 2018, (inflation over this period grew by 16%). But with minimum wage now fixed at the federal minimum of \$7.25, the lowest earners today in the state earn just under a third (31.9%) of what the typical Pennsylvania worker earns. Minimum wage workers have lost ground relative to the typical worker in both the short and long run:
  - The minimum wage was set at a level that equaled 39% of the wages the typical worker earned in 2007 (the year of the last increase in the Pennsylvania minimum wage).
  - Looking back to 1968, the minimum wage was set to just over half (51%) of what the typical worker made in that year (\$1.60 compared to \$3.15).
- Laws already on the books will lead to further increases in the minimum wage between now and January 2024 in six neighboring states and the District of Columbia. With active public campaigns to raise the minimum wage to \$15 in New Jersey and Maryland, it's likely the minimum wage will rise further across the region before 2024.
- Given the rise in minimum wages in the region, the report examines the change in real hourly earnings over the last four years for the low-wage workers (defined as those at the 10<sup>th</sup> percentile) using data from a survey of households and finds:
  - the 10<sup>th</sup> percentile wage in the last four years (through the first six months of 2017) has risen by \$1.02 per hour, to \$9.73 per hour. **That increases amounts to \$2,104 per year for a full-time, full-year worker in the region.**
  - In Pennsylvania, the increase in the 10<sup>th</sup> percentile has been only a third as large, 33 cents per hour. **If our 10<sup>th</sup> percentile wage had seen an increase as large as neighboring states, full-time, full year workers at this wage level would have another \$1,435 in annual income.**
  - Counting just those in the 10<sup>th</sup> percentile and below, **Pennsylvania workers received \$362 million LESS in their paychecks in the 12 months spanning the second half of 2016 and first half of 2017 than if lawmakers had emulated their peers in neighboring states.**

- The report estimates that a minimum wage increase implemented by this coming July to \$9 will close the gap that has emerged since 2007 in the earnings of the lowest wage workers and those at the median (full-time full-year workers). Doing so would raise the wages of 791,000 workers boosting their total earnings by \$894 million.
  - **The majority of workers in Pennsylvania that would get a raise if the minimum wage were increased to \$9 this July are adults (80.6%) working 20 or more hours a week (75%) with a family income less than \$75,000 (67.8%).**
  - A schedule of minimum wage increases that boost the minimum wage by \$1 each year from this July to July 2024 will boost the total earnings of all workers affected by \$9.1 billion, lifting earnings for 2.1 million Pennsylvania workers (or 37% of workforce).

The report concludes with the following recommendations for changes to the Minimum Wage Act:

- Raise the minimum wage this coming July from \$7.25 to \$9 (a 24% increase), followed by a \$1 increase each July until the minimum reaches \$15 in 2024.
- Eliminate subminimum wages like the tipped minimum wage, which is currently set at \$2.83. Tipped workers in states like Pennsylvania face higher rates of poverty and rely more heavily on public assistance than tipped workers in states that do not have a tipped subminimum wage.
- Local governments in Pennsylvania should be given the power to establish higher minimum wages to account for higher wages and the cost of living. Current law preempts cities like Pittsburgh, Philadelphia, and Allentown from establishing a higher minimum wage than which prevails in the rest of the state.
- Once the minimum wage reaches \$15, it is critical to adjust the minimum wage annually so that its purchasing power remains constant relative to the median wage for full-time full-year workers in Pennsylvania.
- Policymakers should step up labor law enforcement and penalties to discourage employers from engaging in wage theft which is estimated to impact 107,000 Pennsylvania workers or 10% of the minimum wage eligible workforce.

“Data from neighboring states that have already raised their minimum wage, as well as the best available economic research conducted over the last several decades points to a minimum wage increase as one of the most effective ways for policymakers to help people better afford the basics. A raise in the minimum wage would be good for the economy and is long overdue,” said Price.

[Read the Full Report \(PDF\)](#)