POLICY WATCH

FROM THE KEYSTONE RESEARCH CENTER

By David Cooper and Mark Price[1]

Falling Short: The Impact of Raising the Minimum Wage in PA to $8.75 vs. $10.10

The Pennsylvania General Assembly is considering a proposal to raise the state's minimum hourly wage above the federal level of $7.25 to $10.10 by July 2016. An alternative proposal would increase the minimum wage to $8.75 for workers age 19 and older by 2017.

This *Policy Watch* compares the impacts of these proposals. It finds that the increase to $10.10 per hour would:

- benefit nearly three times as many workers as the increase to $8.75
- boost total wages more than five times as much
- create more than eight-and-half times as many jobs

Findings

Using data on the current wages and demographics of Pennsylvania workers, it is possible to estimate the impact of each minimum-wage proposal on the economy.[2] Intuitively, we expect a larger minimum-wage increase to have a larger impact for the simple reason that more workers fall below or near a minimum wage of $10.10 per hour than a minimum wage of $8.75 per hour.

We find that an increase in the minimum wage to $10.10 per hour would:

- raise the wages of 1,266,000 workers in Pennsylvania (and 1.1 million adults – Figure 1)
- boost total wages by $1.8 billion (Figure 2)
- lead to the creation of 6,000 jobs

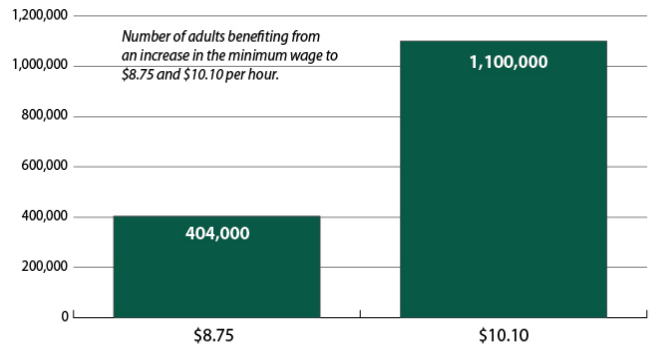
Raising the minimum wage to $8.75 per hour by 2017 would:

- raise the wages of 430,000 workers, a third as many as a hike to $10.10 per hour
- boost total wages in PA by $353 million, less than one-fifth (19%) of the wage gains with an increase to $10.10 per hour (Figure 2 again)
- lead to the creation of 700 jobs, less than one-ninth (12%) the number of jobs created by raising the minimum wage to $10.10 per hour

Table 1 (on the back) presents detailed estimates of the number of workers affected by demographic group.

Figure 1.

A $10.10 Per Hour Pennsylvania Minimum Wage Would Benefit Nearly Three Times as Many Adults as an Increase to $8.75

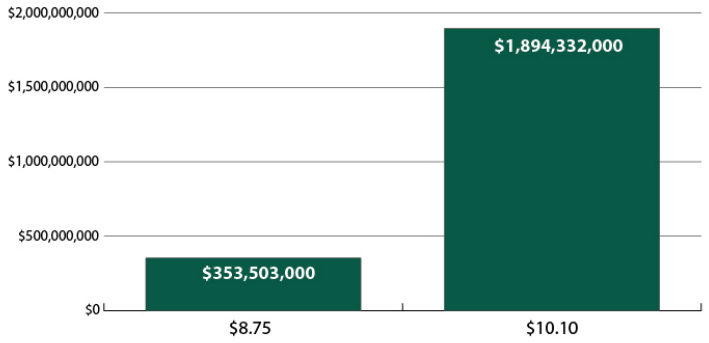


Source. EPI analysis using Current Population Survey Outgoing Rotation Group microdata

Figure 2.

An Increase in the State Minimum Wage in Pennsylvania to $10.10 Per Hour Will Boost Wages More Than Five Times as Much as an Increase to $8.75

Total increase in wages in the Pennsylvania ecomony as a result of an increase in the state minimum wage to $8.75 and $10.10 an hour



Source. EPI analysis using Current Population Survey Outgoing Rotation Group microdata

Conclusion

While both proposals to raise the minimum wage would boost earnings and employment in the economy, an increase to $10.10 per hour would benefit many more workers and provide a much bigger boost to the economy.

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For a detailed explanation of the assumptions behind our estimates see the online technical appendix at http://keystoneresearch.org/fallingshort

Table 1.

Characteristics of Pennsylvania workers who would be affected by increasing the minimum wage in Pennsylvania to $8.75 and $10.10 per hour

Category	$8.75		$10.10		Ratio: Total Affected @ $10.10 / Total Affected @ $8.75
	Total affected	Percentage of the total affected	Total affected	Percentage of the total affected	
Total	430,000	100%	1,265,000	100%	2.9
Sex					
Female	257,000	60%	742,000	59%	2.9
Male	173,000	40%	524,000	41%	3.0
Age					
20 +	404,000	94%	1,100,000	87%	2.7
Under 20	26,000	6%	165,000	13%	6.3
Age Detailed					
16 to 24	140,000	33%	440,000	35%	3.1
25 to 39	115,000	27%	355,000	28%	3.1
40 to 54	81,000	19%	246,000	19%	3.0
55+	94,000	22%	224,000	18%	2.4
Race/ethnicity					
White	305,000	71%	929,000	73%	3.0
Black	59,000	14%	157,000	12%	2.7
Hispanic	36,000	8%	115,000	9%	3.2
Asian	30,000	7%	64,000	5%	2.1
Family status					
Married parent	58,000	14%	167,000	13%	2.9
Single parent	41,000	10%	129,000	10%	3.1
Married, no kids	87,000	20%	244,000	19%	2.8
Unmarried, no kids	244,000	57%	725,000	57%	3.0
Family income					
less than $20,000	78,000	18%	210,000	17%	2.7
$20,000 - $39,999	110,000	25%	300,000	24%	2.7
$40,000 - $59,999	105,000	24%	262,000	21%	2.5
$60,000 - $74,999	38,000	9%	138,000	11%	3.6
$75,000 - $99,999	45,000	11%	153,000	12%	3.4
$100,000 - $149,9	29,000	7%	123,000	10%	4.2
$150,000 or more	26,000	6%	79,000	6%	3.0
Industry					
Construction	7,000	2%	24,000	2%	3.4
Manufacturing	32,000	8%	98,000	8%	3.1
Retail	110,000	26%	266,000	21%	2.4
Wholesale	13,000	3%	35,000	3%	2.7
Transport and utilities	17,000	4%	47,000	4%	2.8
Information	9,000	2%	15,000	1%	1.7
Financial activities	11,000	3%	45,000	4%	4.1
Professional and business services	19,000	5%	92,000	7%	4.8
Education and health services	72,000	17%	295,000	23%	4.1
Leisure and hospitality	100,000	23%	232,000	18%	2.3
Other	40,000	9%	116,000	9%	2.9
Occupation					
Management	12,000	3%	41,000	3%	3.4
Professional	29,000	7%	121,000	10%	4.2
Service	169,000	39%	467,000	37%	2.8
Sales	94,000	22%	206,000	16%	2.2
Office, administrative support	36,000	8%	161,000	13%	4.5
Construction and extraction	3,000	1%	17,000	1%	5.7
Installation, maintenance & repair	3,000	1%	20,000	2%	6.7
Transportation	45,000	11%	133,000	11%	3.0
Other	39,000	9%	99,000	8%	2.5
Work hours					
Part time (< 19h)	82,000	19%	242,000	19%	3.0
Mid time (20-34)	183,000	43%	387,000	31%	2.1
Full time (35+)	165,000	38%	637,000	50%	3.9
Education					
Less than high school	47,000	11%	208,000	16%	4.4
High School	193,000	45%	521,000	41%	2.7
Some college	134,000	31%	364,000	29%	2.7
Bachelor's or higher	56,000	13%	172,000	14%	3.1
Children with at least one affected parent	196,000		530,000		2.7

Note. For a detailed explanation of the assumptions behind these estimates see the online technical appendix http://keystoneresearch.org/fallingshort

Source. EPI analysis using Current Population Survey Outgoing Rotation Group microdata