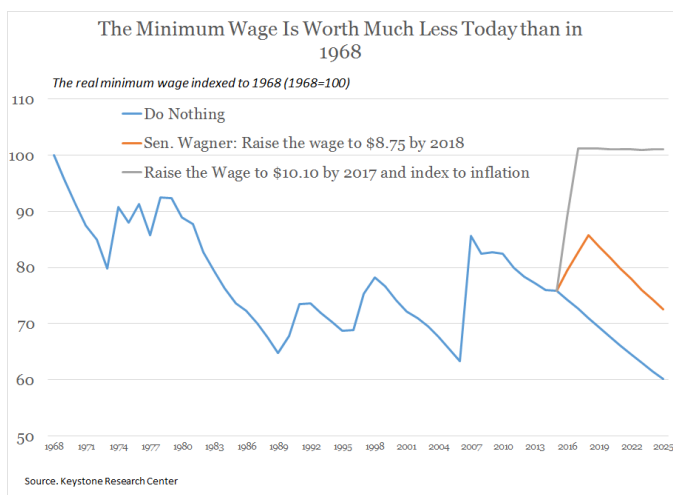


By Stephen Herzenberg¹

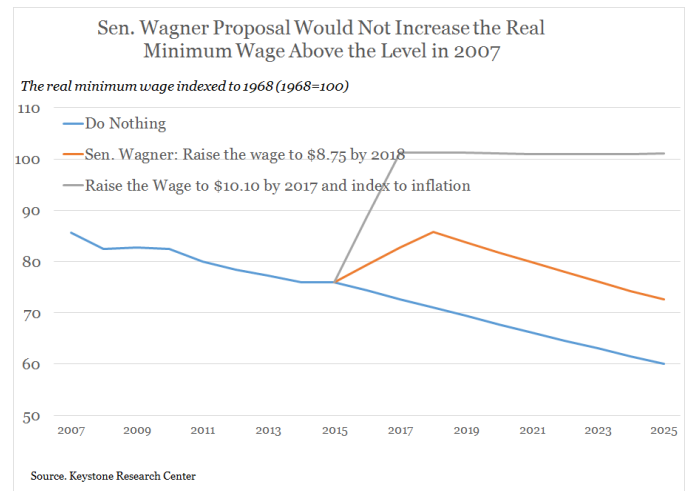
Alongside the state budget debate, policy debate continues in Harrisburg regarding a possible increase in the state minimum wage. At the present time, there are three main options regarding the minimum wage.

- One option is doing nothing.
- A second option would increase the state’s minimum wage to \$10.10 per hour. This was originally proposed by Senator Tina Tartaglione’s Senate Bill 195; Rep. Patty Kim has also proposed an increase to \$10.10 per hour by July 2017. Both legislators have proposed to adjust the minimum wage for inflation after reaching \$10.10.
- The third option, from Republican Senator Scott Wagner, would raise the minimum wage for workers 18 and older to \$8.75 over three years – by 2018 if the Senator’s bill went into effect this July. Senator Wagner also includes a proposed “training wage” that remains at \$7.25 per hour for those under 18. The Senators proposal does not include an adjustment for inflation.



The two charts above and in the next column analyze what these three proposals mean for the real buying power of the minimum wage. In each chart, the minimum wage under each proposal is measured compared to the inflation-adjusted value of the minimum wage at its peak, in 1968. For future years, we rely on projections of inflation published by the Congressional Budget Office (CBO) through 2025. The first chart

shows the inflation-adjusted value of the minimum wage in every year beginning in 1968. The second chart shows the years since 2007 – the last time Pennsylvania increased its minimum wage above the national minimum wage



Here is what the two charts reveal: If we do nothing, by 2018 the minimum wage would be 29 percent lower than it was in 1968 and 17 percent lower than it was in 2007. Doing nothing means a continuing erosion in the living standards of workers and families whose income depends heavily on earnings from one or more minimum-wage jobs.

The second option is Senator Wagner’s proposal. The Senator’s recognition of the need to raise the minimum wage is very welcome. A question, however, is whether his proposed minimum wage is high enough: would it, for example, lift minimum wage workers above the buying power they enjoyed a decade ago, when Pennsylvania last increased its minimum wage? The second chart answers that question. For adults 18 and over, if Senator Wagner’s proposal increased the minimum wage to \$8.75 by 2018 it would only restore the purchasing power of the 2007 Pennsylvania minimum wage. In addition, Senator Wagner’s proposal would leave the Pennsylvania minimum wage 14% below its peak level reached in 1968. The average minimum wage counting those receiving the \$7.25 training wage would be lower still. Because Senator Wagner’s proposal doesn’t include an inflation adjustment under his proposal the minimum wage will by 2025 stand 15% below its 2007 level and 27% below its level in 1968.

The third option is to increase the minimum wage to \$10.10 per hour, as proposed by Senator Tartaglione and Rep. Kim. If the minimum wage reach \$10.10 by 2017, it would have almost exactly the same buying power as the minimum wage had in 1968. By including an annual adjustment for inflation this option would reverse the

trend of the last 30 years in which very small increases in the minimum wage were quickly undone by inflation.

In sum, even the Tartaglione-Kim proposal is modest, resulting in minimum wage workers enjoying the same buying power as 50 years ago, not an increase. Over this nearly 50-year period, U.S. productivity has increased [two-and-a-half times](#). If we want the minimum wage to begin to increase wages and incomes at the bottom of the job market, and to create more economy-boosting jobs by putting more money into the pockets of hard-working families, Pennsylvania's minimum wage should increase to at least \$10.10 per hour by 2017.

An additional, and timely, reason to increase the minimum wage to at least \$10.10 per hour is that this

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² Rachel West and Michael Reich, *A Win-Win for Working Families and State Budgets: Pairing Medicaid Expansion and a \$10.10 Minimum Wage*, Center for American Progress and the Institute for Research on Labor and the Economy, University of California-Berkeley, October 2014, online at <http://www.irlle.berkeley.edu/research/minimumwage/min-wage-medicare-report.pdf>. See also Yannet Lathrop, 'Here's another reason a minimum wage hike should be part of budget

would have a positive impact on the Pennsylvania state budget. This impact results because a higher minimum wage lifts the incomes of many low-income families above the old eligibility level for Medicaid and into the income range paid for through "Medicaid expansion." This shift reduces the state share of Medicaid payments from nearly half to almost nothing. A recent study estimates that this would save Pennsylvania \$231.5 million.² An increase in the minimum wage to \$10.10 would increase total wages – and hence family incomes – more than five times as much as an increase to \$8.75.³ As a result the state savings on Medicaid costs would be much smaller with an increase to \$8.75 per hour.

talks," *Patriot-News*, October 1, 2015, online at http://www.pennlive.com/opinion/2015/10/heres_another_reason_on_a_minimum.html.

³ Mark Price, *Giving the Local Economy a Boost: The Impact of Raising the Pennsylvania Minimum Wage to \$10.10 Per Hour by County*, Policy Watch, Keystone Research Center, April 22, 2015; online at http://keystoneresearch.org/sites/default/files/KRC_CountyWageBoost.pdf