The State of Working Pennsylvania 1999

September 1999

Howard Wial
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Briefing Paper 99/3

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KEYSTONE RESEARCH CENTER

The Keystone Research Center (KRC), a non-partisan think tank with offices in Harrisburg and the Philadelphia area, conducts research on the Pennsylvania economy and civic institutions. This research documents current conditions and seeks to develop innovative public policy proposals to expand economic opportunity and ensure that all State residents share in the benefits of economic growth.

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ABOUT THE AUTHOR

Howard Wial is a Senior Fellow of the Keystone Research Center. He holds a Ph.D. in economics from the Massachusetts Institute of Technology and a law degree from Yale University. Dr. Wial is co-author of the 1998 Cornell University Press book New Rules for a New Economy: Employment and Opportunity in Postindustrial America.

ACKNOWLEDGMENTS

Carol Ramsey designed and did the layout of the document.
Three-quarters of the American workforce is now employed in services, a substantial portion in low-paying, dead-end jobs. Can the service economy do as well by the American worker as the manufacturing economy once did? Can the widely shared prosperity that accompanied steady increases in productivity and performance in manufacturing be replicated in the services? They can and they will, the authors of this timely book contend, but only if outmoded policies and practices are brought into line with the new economy. *New Rules for a New Economy* explains why this goal must be accomplished and how we can start.

The authors call for new, decentralized institutions suited to a dynamic economy in which change is constant and rapid. In particular, they see a need for job ladders and worker associations that cut across firm boundaries. These institutions would foster individual and collective learning, mark out career paths, and facilitate coordination among both individuals and organizations in a networked economy. The authors propose new rules to reshape labor market institutions and policy, improving economic performance and opportunities for workers.

**REVIEWERS’ PRAISE FOR NEW RULES FOR A NEW ECONOMY**

“A stimulating book.”
- *Financial Times* of London

“A challenge to liberals by fellow liberals to rethink their traditional economic policies.”
- *The New Democrat*

“If you want to know why wages are stagnant and social inequality is growing, this book is the place to start. And... the authors propose the kinds of reforms – simultaneously practical and radical – necessary to bring about change.”
- Nelson Lichtenstein, University of Virginia

“This book should serve as a springboard for a serious public debate of what it would take to reverse rising inequality and make America’s economy deliver again for more than a small minority.”
- Richard Leone, Twentieth Century Fund

“A stellar achievement that breaks new ground.”
- Harley Shaiken, University of California, Berkeley

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OVERVIEW

The strong economy of the last few years has finally produced modest wage gains for middle-class Pennsylvania workers. Helped by recent increases in the minimum wage, it has also made low-wage earners better off and narrowed the gap between high- and low-wage workers. But despite this progress, the wages of Pennsylvania’s middle class and working poor have not yet caught up to their 1979 levels, the gap between rich and poor remains much wider than in 1979, and not all workers have shared in recent prosperity.

- In 1998, Pennsylvania workers earned 2.2 percent more than they did in 1997 and 2.5 percent more than in 1989, but 4 percent less than in 1979.

- The wages of Pennsylvania men stood still between 1997 and 1998, have not quite reached their 1989 level, and remain $1.81 per hour below their 1979 level.

- African American men and men without a high school diploma remain much worse off than in 1989 and make over $3 per hour less than in 1979.

- Low-wage workers earned 3.6 percent more in 1998 than they did in 1997 and 3.2 percent more than in 1989, but 12.1 percent less than in 1979.

- The 2.5 percent increase in Pennsylvania wages from 1989 to 1998 is only about one-fifth of the 12 percent increase in labor productivity over the same period.

- The wages of child care and low-paid health care workers, which depend partly on state and federal government funding, continued to fall even as the wages of other low-wage workers rose. In 1998, child care workers earned $6.25 per hour, 4.9 percent less than in 1989. Nurses’ aides, orderlies, and attendants earned $8.05 per hour, 2.3 percent less than in 1989.

To lock in recent wage gains and distribute the state’s prosperity more broadly, Pennsylvania should:

- raise its minimum wage above the federal level,

- enact state and local living wage laws for employees of businesses and social service providers that receive public funds, and

- support the right of workers to organize labor unions.
THE STATE OF WORKING PENNSYLVANIA

This report profiles the economic status of Pennsylvania’s working people. It shows how wages in Pennsylvania in 1998 compared with those in 1979, 1989, and 1997, and how Pennsylvania workers fared in comparison with their counterparts in the country as a whole. The tables and figures below are based on data from the monthly Current Population Survey (CPS). All dollar figures shown are adjusted for inflation and expressed in 1998 dollars (i.e., the buying power of wages at 1998 prices). For inflation adjustments, we use the CPI-U-X1, a consumer price index published by the Bureau of Labor Statistics.

Wages Continue to Rise but Remain Well Below 1970s Levels

Table 1 shows that the median hourly wage in Pennsylvania rose by 25 cents, or 2.2 percent, between 1997 and 1998. This increase followed a minuscule 0.3 percent rise between 1996 and 1997. Pennsylvania’s median wage is now 2.5 percent above its 1989 level but remains 49 cents per hour (4 percent) below its 1979 level.1 The 2.5 percent increase in Pennsylvania wages from 1989 to 1998 is only about one-fifth of the 12 percent increase in labor productivity over the same period.

Men’s Wages Stagnate Below 1979 Level

Table 1 also shows that all the recent wage gains in Pennsylvania have been due to the rising wages of women. The median wage for Pennsylvania men did not change between 1997 and 1998. It remained 0.5 percent lower in 1998 than in 1989 and more than 12 percent lower in 1998 than in 1979. In contrast, men in the United States as a whole received a raise of 42 cents per hour during the past year.

Table 1. Median Hourly Wages in Pennsylvania and the United States, 1979-98

<table>
<thead>
<tr>
<th></th>
<th>All Workers</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PA</td>
<td>U.S.</td>
<td>PA</td>
</tr>
<tr>
<td>1979</td>
<td>$12.10</td>
<td>$11.64</td>
<td>$15.00</td>
</tr>
<tr>
<td>1998</td>
<td>11.61</td>
<td>11.29</td>
<td>13.19</td>
</tr>
<tr>
<td>% Change</td>
<td>-4.0%</td>
<td>-3.0%</td>
<td>-12.1%</td>
</tr>
<tr>
<td>1989-98</td>
<td>2.5</td>
<td>-0.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>1997-98</td>
<td>2.2</td>
<td>2.7</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Keystone Research Center, based on Current Population Survey (CPS) data.
Black Men Get a Raise But Remain Much Worse Off Than in 1979 and 1989

Table 2 shows that the black male median wage in Pennsylvania rose by almost 50 cents per hour between 1997 and 1998. Despite this gain, Table 2 and Figure 1 show that black men’s 1998 median wage is still $1.27 per hour below its 1989 level. The 1998 median for black men is $3.21 per hour below its 1979 level – about $6,400 less for a full-time, full-year worker.

African American Women’s Wages Fall

The wage trends for black women are the opposite of those for black men. The black female median wage fell by 4 percent during the past year, possibly because the implementation of welfare reform increased the number of African-American women with low-wage jobs. But the black female median wage remains higher than in 1979 and 1989. Among all race/sex groups, only white women experienced steady (but slow) wage gains throughout the last two decades.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>WHITE</td>
<td>$12.24</td>
<td>$11.50</td>
<td>$11.70</td>
<td>$12.00</td>
<td>-2.0% 4.3% 2.6%</td>
</tr>
<tr>
<td>White Men</td>
<td>15.42</td>
<td>13.27</td>
<td>13.67</td>
<td>13.51</td>
<td>-12.4 1.8 -1.2</td>
</tr>
<tr>
<td>White Women</td>
<td>9.25</td>
<td>9.33</td>
<td>10.16</td>
<td>10.21</td>
<td>10.4 9.4 0.5</td>
</tr>
<tr>
<td>BLACK</td>
<td>11.01</td>
<td>10.20</td>
<td>9.77</td>
<td>10.00</td>
<td>-9.2 -2.0 2.4</td>
</tr>
<tr>
<td>Black Men</td>
<td>13.21</td>
<td>11.27</td>
<td>9.53</td>
<td>10.00</td>
<td>-24.3 -11.3 4.9</td>
</tr>
<tr>
<td>Black Women</td>
<td>9.03</td>
<td>9.25</td>
<td>10.16</td>
<td>9.75</td>
<td>8.0 5.4 -4.0</td>
</tr>
</tbody>
</table>

Source: KRC, based on CPS data.
College Graduates See Long-Term Wage Gains but Men With Graduate Degrees Slip Back

Both men and women with a college degree or postgraduate schooling have seen wage gains during the last two decades, while those without a high school diploma and men with a high school diploma or with one to three years of post-high school education have lost ground. But advanced degrees do not insure workers against pay cuts; during the past year, the wages of men with postgraduate education declined by more than 9 percent.

### Table 3. Median Hourly Wages in Pennsylvania by Education Level, 1979-98

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MEN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No HS Diploma</td>
<td>$13.65</td>
<td>$11.17</td>
<td>$ 8.89</td>
<td>$ 8.50</td>
<td>-37.7%</td>
<td>-23.9%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>HS Graduates</td>
<td>14.61</td>
<td>12.25</td>
<td>11.68</td>
<td>12.00</td>
<td>-17.9</td>
<td>-2.0</td>
<td>2.7</td>
</tr>
<tr>
<td>1-3 Years Post-HS</td>
<td>15.42</td>
<td>13.14</td>
<td>12.34</td>
<td>12.36</td>
<td>-19.8</td>
<td>-5.9</td>
<td>0.2</td>
</tr>
<tr>
<td>College Graduates</td>
<td>18.39</td>
<td>18.08</td>
<td>18.36</td>
<td>19.13</td>
<td>4.0</td>
<td>5.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Postgraduate Education</td>
<td>20.29</td>
<td>22.25</td>
<td>25.39</td>
<td>23.08</td>
<td>13.8</td>
<td>3.7</td>
<td>-9.1</td>
</tr>
<tr>
<td>WOMEN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No HS Diploma</td>
<td>7.82</td>
<td>7.23</td>
<td>7.11</td>
<td>6.75</td>
<td>-13.7</td>
<td>-6.6</td>
<td>-5.1</td>
</tr>
<tr>
<td>HS Graduates</td>
<td>8.81</td>
<td>8.54</td>
<td>8.38</td>
<td>9.00</td>
<td>2.2</td>
<td>5.4</td>
<td>7.4</td>
</tr>
<tr>
<td>1-3 Years Post-HS</td>
<td>9.58</td>
<td>10.05</td>
<td>9.74</td>
<td>10.00</td>
<td>4.4</td>
<td>-0.5</td>
<td>2.7</td>
</tr>
<tr>
<td>College Graduates</td>
<td>12.39</td>
<td>13.14</td>
<td>14.15</td>
<td>14.52</td>
<td>17.2</td>
<td>10.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Postgraduate Education</td>
<td>14.92</td>
<td>17.09</td>
<td>19.04</td>
<td>20.00</td>
<td>34.0</td>
<td>17.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: KRC, based on CPS data.

### Figure 2.
Percent Change in Pennsylvania Median Hourly Wage by Education Level, 1979-1998

Source: Table 3.
Gap Between Rich and Poor Narrows Slightly but Remains Much Wider Than in 1979

Table 4 and Figure 3 show the trends in the wages of high-wage earners (defined here as those who earn more than 90 percent of all workers) and low-wage earners (those who earn more than 10 percent of all workers and less than 90 percent). Since 1979, high-wage earners received large raises while low-wage earners suffered pay cuts. During the past year, the wage gap between high- and low-wage earners narrowed slightly as low-wage

<table>
<thead>
<tr>
<th>Year</th>
<th>High-Wage Earners (PA)</th>
<th>High-Wage Earners (U.S.)</th>
<th>Low-Wage Earners (PA)</th>
<th>Low-Wage Earners (U.S.)</th>
<th>High-Wage Earners' Wage as Percent of Low-Wage Earners' Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$22.21</td>
<td>$22.81</td>
<td>$6.63</td>
<td>$6.52</td>
<td>335%</td>
</tr>
<tr>
<td>1989</td>
<td>22.55</td>
<td>23.83</td>
<td>5.65</td>
<td>5.47</td>
<td>399</td>
</tr>
<tr>
<td>1997</td>
<td>24.18</td>
<td>24.27</td>
<td>5.63</td>
<td>5.55</td>
<td>429</td>
</tr>
<tr>
<td>1998</td>
<td>24.22</td>
<td>24.96</td>
<td>5.83</td>
<td>5.84</td>
<td>415</td>
</tr>
<tr>
<td>Percent Change 1979-98</td>
<td>9.0%</td>
<td>9.4%</td>
<td>-12.1%</td>
<td>-10.4%</td>
<td></td>
</tr>
<tr>
<td>1989-98</td>
<td>7.4</td>
<td>4.7</td>
<td>3.2</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>1997-98</td>
<td>0.2</td>
<td>2.8</td>
<td>3.6</td>
<td>5.2</td>
<td></td>
</tr>
</tbody>
</table>

*In this briefing paper, “high-wage earners” are defined as those whose hourly wage is higher than that of 90 percent of all workers. “Low-wage earners” are those whose hourly wage is higher than that of 10 percent of all workers.

Source: KRC, based on CPS data.

Figure 3.
Hourly Wages of High-, Median-, and Low-Wage Earners in Pennsylvania, 1979-98
earners received larger raises than high-wage earners. This narrowing of the gap between rich and poor workers continues a trend that began in the mid-1990s and that was due in part to increases in the federal minimum wage in 1996 and 1997. But the gap between rich and poor was still wider in 1998 than in 1979 and, in Pennsylvania, than in 1989 as well.

**Caregivers Do Not Share in Recent Wage Gains**

Table 5 shows how two important groups of low-wage caregivers, nurses’ aides and child care workers, have fared during the last decade in Pennsylvania. For both groups, wages are related to the quality of care provided, since higher wages reduce labor turnover and make it more likely that workers will maintain long-term relationships with particular patients or children under their care.² Yet the wages of these caregivers have not grown by as much as those of low-wage earners generally and, in most cases, have actually fallen. Nurses’ aides were worse off in 1998 than in either 1997 or 1989. Child care workers received a small (16 cent per hour) raise between 1997 and 1998 but remained worse off in 1998 than in 1989. Compared to the average wage of all state workers, child care workers’ average wage is lower in Pennsylvania than in any other state.³

Caregivers work for employers (such as nursing homes and child care centers) whose revenues depend on government reimbursement and on what families can afford to pay. Therefore, wages of caregivers tend to respond to reimbursement policies and the incomes of working families, rather than to how tight the overall labor market is. In Pennsylvania, the maximum state child-care subsidies (available to providers who contract with the state to serve low-income families) have increased by only 3 percent since 1994. In health care, Medicaid and Medicare reimbursement policies have been geared to containing cost. One result is lower caregiver wages and lower quality of care.

<table>
<thead>
<tr>
<th>Year</th>
<th>Nurses’ Aides*</th>
<th>Child Care Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>8.24</td>
<td>6.57</td>
</tr>
<tr>
<td>1997</td>
<td>8.34</td>
<td>6.09</td>
</tr>
<tr>
<td>1998</td>
<td>8.05</td>
<td>6.25</td>
</tr>
</tbody>
</table>

Percent Change

<table>
<thead>
<tr>
<th>Period</th>
<th>Nurses’ Aides*</th>
<th>Child Care Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-98</td>
<td>-2.3%</td>
<td>-4.9%</td>
</tr>
<tr>
<td>1997-98</td>
<td>-3.4%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

*Includes nurses’ aides, orderlies, and attendants.
Source: KRC, based on CPS data.
CONCLUSION

The strong economy of the last few years has finally produced modest wage gains for middle-class workers. Along with recent increases in the minimum wage, it has also made low-wage earners better off and narrowed the gap between high- and low-wage earners. Despite these gains, the wages of the middle class and working poor have not yet caught up to their 1970s levels, the gap between rich and poor remains much wider than in the 1970s, and not all workers have shared in recent prosperity. In particular, nurses’ aides and child care workers are still worse off than they were a decade ago, and nurses’ aides are worse off than they were a year ago.

Pennsylvanians can lock in their recent wage gains and distribute their prosperity more broadly. To do so, we must build on the successes of the recent past while reversing its failures.

- **Raise the state minimum wage above the federal level.** The recent wage gains of low-wage earners and modest narrowing of the gap between rich and poor were due in part to the increases in the federal minimum wage in 1996 and 1997. Since 1997, a few states (Alaska, California, Hawaii, Missouri, Oregon, Vermont, and Washington) have raised their minimum wages above the federal level. In August, Massachusetts’ Republican Governor Paul Cellucci signed a bill raising the state minimum wage to $6.75 by January 1, 2001. Neither recent federal nor state minimum wage hikes have led to the job losses that minimum-wage opponents feared. Now, when the economy is strong and unemployment relatively low, is the time to raise the Pennsylvania minimum wage.

- **Enact laws that require businesses and social service providers that receive state and local funds, including providers of child and health care, to pay a “living wage.”** During the last few years, more than 20 cities throughout the nation have enacted living wage ordinances. These require government contractors and recipients of public subsidies to pay wages above the minimum wage, often between $8 and $10, enough to lift a family of four above the official poverty line. Pennsylvania’s state and local governments should enact similar living wage provisions.

Particularly high priority should be placed on a living wage law that covers employees of all public, non-profit, and for-profit organizations that provide state-funded social services (such as health care and child care). In these industries with widely documented care quality problems, a living-wage law (which would require increases in reimbursement that make it possible to pay a living wage) would improve the quality of care as well as lift more workers out of poverty.

- **Support workers’ freedom to choose union representation.** For both the middle class and the working poor, unionization is one of the most effective routes to higher wages and a smaller gap between rich and poor. But the trend of the last two decades, as well as of the last few years, has been in the direction of less unionization.
Figure 4 shows that the share of Pennsylvania workers who were represented by unions fell from 23 percent in 1985 to 16 percent in 1998. The modest raises that low- and middle-wage workers received in recent years could have been greater if union representation had not fallen. Even workers who are not represented by unions benefit from high levels of unionization because, when a large share of workers are unionized, nonunion employers must match union wages and benefits in order to retain their workers.

Unionization has not fallen because workers do not want unions. A recent national survey found that nearly 90 percent of workers would like to have independent representation at work. Many non-union workers favor the formation of unions and virtually all union workers strongly support their unions. But workers doubt management’s willingness to share power and doubt their own ability to overcome management’s resistance.

To reverse permanently the growth of inequality in Pennsylvania and nationally, federal and state law will have to restore workers’ freedom to choose union representation free from employer coercion.

Figure 4.
Union Membership as a Share of the Workforce in the United States and Pennsylvania

FOOTNOTES

1 In the first six months of 1999, the Pennsylvania median wage was 1 percent lower than during the first six months of 1998 according to data provided by the Economic Policy Institute. However, figures for six-month periods are not directly comparable with full-year figures and therefore we do not highlight this most recent information in the text.


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