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## The Case for Raising the Minimum Wage in Pennsylvania

### *Overview*

In the state of Pennsylvania, the minimum wage is set at the Federal minimum wage, \$7.25 per hour, which hasn't been changed since 2009<sup>1</sup>. 29 states, including Pennsylvania's neighboring states such as New Jersey, West Virginia and Ohio all have state minimum wages above the Federal minimum<sup>2</sup>. In fact, a number of red and purple states, which have lower cost of living actually have higher minimum wages (Florida \$8.56, West Virginia \$8.75, Arizona \$12.00, Ohio \$8.70, Michigan \$9.65)<sup>3</sup>. So why has Pennsylvania's remained at the Federal minimum? Momentum from the Democrats to push through minimum wage legislation has been present for several years now. Governor Tom Wolf has introduced six bills addressing minimum wage since his time began in office in 2015<sup>4</sup>. However, in that time the House Assembly and Senate in Pennsylvania have remained a Republican majority who have been opposed to any significant increase minimum wage (generally greater than \$2) as they are concerned about increased unemployment and are generally philosophically opposed to interfering with business decisions and the economy<sup>5</sup>. The state now dealing with the financial and health crisis of COVID-19 has put the talks for increasing minimum wage on the back burner. But, as the crisis continues without any sign of slowing down and people continue to lose jobs and businesses go under, both arguments for and against minimum wage could come to the forefront of voters' minds in the upcoming election.

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<sup>1</sup><https://www.workstats.dli.pa.gov/Documents/Minimum%20Wage%20Reports/Minimum%20Wage%20Report%202019.pdf>

<sup>2</sup> <https://www.usnews.com/news/best-states/pennsylvania/articles/2019-11-20/highlights-of-pennsylvanias-minimum-wage-legislation>

<sup>3</sup> <https://www.paycor.com/resource-center/minimum-wage-by-state> & <https://worldpopulationreview.com/state-rankings/cost-of-living-index-by-state>

<sup>4</sup> [https://www.northcentralpa.com/business/gov-tom-wolf-announces-push-to-raise-pennsylvanias-minimum-wage/article\\_d92b709c-427e-11ea-9919-4b5e669caad3.html](https://www.northcentralpa.com/business/gov-tom-wolf-announces-push-to-raise-pennsylvanias-minimum-wage/article_d92b709c-427e-11ea-9919-4b5e669caad3.html)

<sup>5</sup> <https://www.pennlive.com/news/2019/06/no-increase-in-pennsylvanias-minimum-wage-in-this-state-budget-what-happened.html> & <https://www.ydr.com/story/news/2018/01/29/pa-surrounded-states-have-raised-minimum-wage-but-its-still-7-25-here/1074470001/>

## *Background*

According to MIT's living wage calculator, in the state of Pennsylvania a working adult with no other dependents requires \$11.53/hour for a living wage<sup>6</sup>. The hourly rate almost doubles when adding a dependent. According to an analysis by the Pennsylvania state Minimum Wage Advisory Board, in 2018 a little over 1.1 million people in the state were paid \$12/hour or less, which means there are approximately 1 million people in Pennsylvania earning below the living wage<sup>7</sup>. Of the 1.1 million, only 96,000 workers in 2018 made at or below minimum wage, leaving the majority earning between \$7.25-\$12/hour. The same report also indicated that the \$7.25/hour rate fell short of the poverty threshold for a more than one-person household. Additionally, the report points out that the minimum wage in Pennsylvania, unlike many other states, does not increase with inflation and so the buying power of \$7.25 will continue to decrease each passing year. All of Pennsylvania's neighboring states having minimum wages between \$8.30-\$11/hour.

The typical argument against raising the minimum wage points to the possibility of an increase in the number of jobs lost if employers have to pay their employees more. However, with more and more cities and states choosing to raise the minimum wage, economists have access to real data to actually measure the differences and the majority of results support an increase in minimum wage because the increases so far proposed are still well-below the threshold that would cause significant job loss<sup>8</sup>. Some economists would argue the reason we haven't hit this threshold is because wage increase has stagnated though the economy has grown because employers are artificially keeping wages down<sup>9</sup>. However, minimum wage increase could disproportionately impact small businesses or businesses that operate at small profit margins, because labor typically makes up a large portion of operating costs for a business.

In PA specifically, in order to address these wage issues, the most recently proposed legislation in 2019 from Governor Wolf was to increase the minimum wage to \$12/ hour in January 2020 and then increase by 50 cents every year until 2026 when \$15/hour is achieved<sup>10</sup>.

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<sup>6</sup> <https://livingwage.mit.edu/states/42>

<sup>7</sup> <https://www.workstats.dli.pa.gov/Documents/Minimum%20Wage%20Reports/Minimum%20Wage%20Report%202019.pdf>

<sup>8</sup> <https://www.milkenreview.org/articles/making-the-case-for-a-higher-minimum-wage>

<sup>9</sup> <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>

<sup>10</sup> <https://www.governor.pa.gov/newsroom/gov-wolf-proposes-minimum-wage-increase-for-sixth-time/>

Governor Wolf's proposed bill was strengthened when Pennsylvania's Independent Fiscal Office (IFO) showed raising the minimum wage to \$12/hour could lead to a net gain of \$170 million for the state budget: \$50 million in increase tax revenue with a \$119 million decrease in state human service spending<sup>11</sup>. However, many Republicans focused in on the possibility of 34,000 jobs lost predicted by the IFO with this increase as well. Through negotiations and concessions, the Governor came to an agreement with Senate Republicans that would raise the minimum wage to \$9.50 by 2022. Additionally, the Governor would agree to not pursue his plans to expand overtime pay eligibility. This compromise, Senate Bill 79, was passed by the Senate, 42-7, on November 20<sup>th</sup> 2019<sup>12</sup>. However, the bill died there as House Speaker Bryan Cutler would not bring it to the General Assembly floor for a vote, citing the fact that there were still "thousands of unfilled jobs in Pennsylvania"<sup>13</sup>.

Then COVID-19 hit and talks of minimum wage increase were put on the back burner until July 24, 2020, the 11-year anniversary of the last minimum wage increase in Pennsylvania, when Democratic representative Green, along with all Democratic co-sponsors, proposed House Bill 2721, which proposed a more aggressive timeline increase to \$15/hour than Governor Wolf's proposal. She cited the pandemic as a reason for the needed increase: "As we recover from COVID-19, we need to ensure that workers are getting a fair wage and have the ability to prepare for disasters like the pandemic."<sup>14</sup> But this bill hasn't gone anywhere either.

Today as the COVID-19 pandemic impacts all of our daily lives, the unemployment rate in Pennsylvania is still twice as high as it was pre-COVID at 8.1%<sup>15</sup>. Additionally, many businesses have permanently closed, particularly in the food and retail industries, which combined employ 70% of Pennsylvania's minimum wage earners<sup>16</sup>. So although many of these low-wage workers are the ones suffering the most during COVID-19 and need better pay, especially when they're risking their lives to work, the businesses they work for are seeing a

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<sup>11</sup> <https://www.pennlive.com/news/2019/06/no-increase-in-pennsylvanias-minimum-wage-in-this-state-budget-what-happened.html>

<sup>12</sup> <https://www.mcall.com/news/pennsylvania/mc-nws-pa-minimum-wage-20191206-cumfhod54bfndxmpifwoqns4-story.html>

<sup>13</sup> <https://www.pennlive.com/news/2019/06/no-increase-in-pennsylvanias-minimum-wage-in-this-state-budget-what-happened.html>

<sup>14</sup> <https://www.timesobserver.com/news/local-news/2020/07/minimum-wage-bill-introduced-to-state-legislature/>

<sup>15</sup> <https://triblive.com/news/pennsylvania/unemployment-rate-in-pa-drops-to-8-1-but-economists-remain-wary/>

<sup>16</sup> <https://www.workstats.dli.pa.gov/Documents/Minimum%20Wage%20Reports/Minimum%20Wage%20Report%202019.pdf>

huge decrease in revenue, which makes the case for minimum wage extremely challenging. If both the General Assembly and Senate flip to Democrat, which is unlikely<sup>17</sup>, the Democrats may be able to more quickly find an avenue to \$12/hour minimum wage and see their electoral win as a sign that Pennsylvanians support more income and benefits for workers. However, Democrats will still likely prioritize emergency funding over minimum wage increase for individuals because of these challenging times, as inferred from Green's bill not being supported by all Democrats.

### *Policy Proposal*

Therefore, I propose the best course of action is revisiting Senate Bill 79, which will increase the minimum wage to a level that is on par with Pennsylvania's neighbors, but will do so at a rate slow enough to account for the economic downturn we're experiencing because of COVID-19 (\$9.50/hour by 2022). Although this does not achieve the goal of a livable wage for all Pennsylvanians, it will increase the wage of at least 385,000 Pennsylvanians<sup>18</sup> and potentially thousands more because of COVID-19. Additionally, this bill was the closest to passing into law before as it had bipartisan support in the Senate and even support from one of Pennsylvania's strongest minimum wage opponents: The Pennsylvania Chamber of Business and Industry<sup>19</sup>.

The first sign of potential public support for an increase in minimum wage will be the November 2020 election results. If more Republicans lose seats than Democrats (even if Republicans still stay in the majority in at least one legislature) and if Pennsylvania votes for Joe Biden in the national election, it will be a sign to all Republicans that their constituents are disappointed in the COVID-19 response on both a state and national level. This could signal a compromise in legislation related to income, unemployment and worker protections from the Republicans in the General Assembly. If the election results do not "scare" Republican Legislatures, then more aggressive campaigning will need to be done both inside and outside the legislator.

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<sup>17</sup> <https://www.witf.org/2020/10/12/heres-how-democrats-could-flip-the-pennsylvania-legislature/>

<sup>18</sup> <https://www.usnews.com/news/best-states/pennsylvania/articles/2019-11-20/highlights-of-pennsylvanias-minimum-wage-legislation>

<sup>19</sup> <https://www.mcall.com/news/pennsylvania/mc-nws-pa-minimum-wage-20191206-cumfhod54bfndxmpifwoqns4-story.html>

Inside the legislature, we already know that the Republican Senators support Bill 79, the key is getting it to pass in the General Assembly. The two key house members that would need to support the bill are Speaker Bryan Cutler, the Republican Majority leader who decides which bills are voted on and House Labor and Industry Committee Chairman Jim Cox because this committee is the one that looks at minimum wage legislation and would be the key person Cutler would look to for guidance on whether or not it was worth considering this Bill. According to political analysts, both Cutler and Cox are not at risk of losing their seats, but they do both represent parts of Lancaster County, which is an area we are seeing a “blue-shift”<sup>20</sup>. Therefore, there could be opportunity to put pressure on both Cox and Cutler by highlighting dissent amongst their constituents and focusing campaigning in these districts.

The first step before beginning another minimum wage campaign, would be to do a public opinion poll now, during COVID-19, to see where people stand on raising the minimum wage in Pennsylvania. According to Pennsylvania House Democratic Caucus, public support for a minimum raise increase was at 70% of Pennsylvanians<sup>21</sup>. However, this may have changed in recent months, so getting a better understanding of public support for minimum wage increase - identifying both the rate increase they support and under what timeline – will help determine what gaps need to be answered and whether a push for an increase would need to wait until more stable economic times.

Assuming pushing for minimum wage would happen in the next 2 years, organizations both on the national and state level that are dedicated to raising the minimum wage could contribute manpower and money to running such a campaign. These organizations include but are not limited to: Economic Policy Institute, Fairness Project, OnePA, and Raise the Wage PA. A campaign for raising the state minimum wage would continue some of Governor Wolf’s strategies by highlighting what other states, particularly nearby states Ohio and West Virginia, are doing with respect to minimum wage. This shows the public that Pennsylvania is behind the times and other red and purple states have also raised the minimum wage, so we have nothing to fear from raising the minimum wage. However, a new campaign would have to also address how COVID-19 impacts raising the minimum wage. For example when targeting workers a good strategy should emphasize that raising the minimum wage can really help those who have lost

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<sup>20</sup> <https://www.witf.org/2020/10/12/heres-how-democrats-could-flip-the-pennsylvania-legislature/>

<sup>21</sup> <https://www.pahouse.com/Minimum-Wage>

their jobs and have to find new work at lower pay rates, can help secure income for hourly workers whose hours have been reduced during COVID, and help provide more income for those with little savings and debt. When addressing businesses and business organizations like the Pennsylvania Chamber of Business and Industry, emphasizing that the rise in minimum wage will happen slowly, giving them plenty of time to adjust, and that it can help the State gain some revenue which it can then use towards COVID recovery efforts, should help ease their concerns. Such campaigning would ideally encourage enough hourly workers in Pennsylvania to support and engage with their legislative representatives about raising the minimum wage which would force the General Assembly to vote on Senate Bill 79.