



House of Representatives
COMMONWEALTH OF PENNSYLVANIA

HOUSE DEMOCRATIC POLICY COMMITTEE HEARING

Topic: Minimum Wage

Munhall Borough Building – Munhall, PA

August 29, 2019

AGENDA

10:00 a.m. Welcome and Opening Remarks

10:10 a.m. Panel from the Pennsylvania Department of Labor & Industry

- Bryan Smolock, Director of the Bureau of Labor Law Compliance
- Kelley Martini, Policy Director

10:20 a.m. *Questions & Answers*

10:40 a.m. Panel Two:

- Darrin Kelly, President, Allegheny/Fayette Central Labor Council, AFL-CIO
- Diana Polson, Policy Analyst, Pennsylvania Budget and Policy Center
- Sarah Fishbein, Vice President, SEUI Healthcare Pennsylvania
- Bobbi Linskens, Organizer, Restaurant Opportunities Center
- James Conway, Member, Restaurant Opportunities Center

11:10 a.m. *Questions & Answers*

11:30 a.m. Panel Two:

- Jeff Shook, Associate Professor, University of Pittsburgh School of Social Work
- LaSain Latimore, Member, One PA
- Jennifer Rafanan Kennedy, Executive Director, Pittsburgh United
- Dawn Plummer, Executive Director, Pittsburgh Food Policy Council
- Grace Johnson, Member, SEIU Healthcare Pennsylvania

12:00 p.m. *Questions & Answers*

12:20 p.m. Closing Remarks



Written Testimony of Bryan Smolock, Bureau of Labor Law Compliance

Department of Labor & Industry

Before the House Democratic Policy Committee

August 29, 2019

Good morning Chairman Sturla, Representative Davis, and members of the House Democratic Policy Committee. My name is Bryan Smolock and I am the director of the Bureau of Labor Law Compliance at the Pennsylvania Department of Labor & Industry. I am honored at the opportunity to appear before you today to discuss the important topic of minimum wage in Pennsylvania.

In my position with the department, I am charged with oversight of the Bureau of Labor Law Compliance. We enforce the state's wage and hour laws, which includes the Minimum Wage Act, Wage Payment and Collection Law, Equal Pay Law, Prevailing Wage Act, and Construction Workplace Misclassification Act (Act 72), among others.

Strong enforcement of these laws helps to protect workers from exploitation, overwork, and abuse, and it levels the playing field for employers who follow the law. The bureau actively investigates complaints of noncompliance and has successfully recovered more than \$4.9 million in wages and fines in 2018 and already \$4 million for 2019 to date.

While the laws we enforce set parameters for the regulated community to adhere to, many of the fundamental worker protections have not been updated to reflect economic changes and often don't work as originally intended.

Governor Wolf, like many members of this committee, has prioritized the need to address our labor laws and other issues affecting working residents and their families. The Governor's Middle Class Tax Force that traveled throughout this state in 2017 heard frequently from residents with concerns about wage stagnation and barriers that prevent people from escaping poverty.

So often, this is what my office also hears. In our enforcement of the Minimum Wage and Wage Payment laws, we regularly receive complaints from people who are in very difficult jobs, working very long hours, and yet still struggling to make ends meet because they are earning minimum wage or only slightly above. We even find some people earning less than the minimum wage, which constitutes violations of the Act.

Pennsylvania's Minimum Wage Act became law in 1968, and the minimum wage rate was last amended by the General Assembly in 2006 to be set at \$7.15 per hour. In 2009, the state's law was surpassed by the federal minimum wage rate was increased to \$7.25. Pennsylvania now maintains the lowest allowable rate nationwide and the lowest rate of all surrounding states. That

means last time the Minimum Wage increased in Pennsylvania was 12 years ago. Since 1968, this is now the longest the Pennsylvania has gone without an increase in the minimum wage.

There is a common argument that minimum wage jobs are only for high school teenagers entering the workforce. However, it is not the reality that my office sees.

In preparing to be here today, I asked our Pittsburgh labor law investigators what they are seeing on the ground—including in this very community. They are seeing certified nursing assistants, day care workers, and service sector employees who working long hours and yet still struggling economically because of very stagnant wages. These are only a few examples.

Frequently, the most important jobs in which people care for our young, prepare our food, or provide medical care of our aging population, have not seen wage increases for years.

One of my investigators worked previously as a manager in the service world. He told me that often, labor costs are cut and those cuts hurt the lowest paid employees. Single moms and dads cannot earn enough to buy necessities and make ends meet. The circle of stagnant wages begins and often fosters continuous poverty.

And finally, a common belief is that small businesses will be demonstrably hurt by any change in the minimum wage. This argument has been presented for 70 years. On a personal note, I decided to ask a friend of mine who runs a small restaurant. He is the epitome of a small businessman, with less than 5 employees. I asked him what he believes a minimum wage change would do to his business. He responded quickly, and matter-of-factly: "More money in circulation will only help people buy more of my pizzas. Business will be better."

In closing, I thank you again for the opportunity to speak before you today. On behalf of the department, we value your attention to this important issue and look forward to continuing to work with you to improve wages and protections for all Pennsylvanians. We welcome any questions you may have.



Written Testimony of Kelly Martini, Policy Director

Department of Labor & Industry

Before the House Democratic Policy Committee

August 29, 2019

Good morning Chairman Sturla, Representative Davis, and members of the House Democratic Policy Committee. My name is Kelly Martini, and I am the Policy Director at the Pennsylvania Department of Labor & Industry (L&I). I appreciate the opportunity to appear here today to discuss the minimum wage in Pennsylvania.

The purpose of the minimum wage is to create a minimum standard of living to protect the health and well-being of workers. Governor Wolf believes that individuals who work full-time should not have to worry about being able to feed their families or pay for basic necessities.

Pennsylvania's minimum wage is \$7.25 an hour, or \$15,000 a year, for an individual working full-time. The MIT Living Wage Calculator estimates that, here in the Pittsburgh area, for an adult to earn enough to support themselves, a living wage, he or she would have to earn \$10.89 an hour, or \$22,650 a year. If that adult is supporting a child, the living wage skyrockets to \$22.82 an hour, and to \$28.06 an hour if a single adult is supporting two children. That is \$47,465 and \$58,364 a year, respectively. Statewide, the average living wage for a single adult is \$11.45 an hour, and \$23.65 an hour if that adult is supporting a child.

A common argument against the minimum wage is that "the market will take care of itself" – that, as demand rises for workers, wages will naturally increase. However, although we are in a climate of 3.9% unemployment, this has not yet occurred in many industries and occupations.

In August of last year, the Pew Research Center issued a report stating that real wages have barely budged in decades. While wages rose 0.8% from 2018 to 2019, inflation was at 1.8% - meaning that the buying power of working-class Americans has declined. Despite record-low unemployment rates, wages remain stagnant for many Americans. And what wage gains there have been have mostly flowed to the highest-paid tiers of workers.

In February of this year, the *Wall Street Journal* published a similar article – that labor's share of domestic income has been declining since the 1970s, but that business profits are on the rise. Raising the minimum wage ensures that low-income workers are paid fairly for their contribution to our economy.

Further, raising the minimum wage reduces reliance on public assistance programs to make ends meet. The Department of Human Services estimates that a \$12 minimum wage would result in a \$36 million net savings for the Department's social safety net programs in the first year alone, and a \$119 million savings in the second year of implementation.

This high-level economic data bolsters the argument to raise the minimum wage, but considering actual people and how they are affected further strengthens the need to raise the minimum wage here in Pennsylvania.

Detractors of raising the minimum wage say that Pennsylvania has a very small number of individuals earning the minimum wage, and that a minimum wage increase affects mostly teenagers. The demographics do not bear this out. Pennsylvania has an estimated 96,000 individuals earning the minimum wage or less, and approximately 1.1 million individuals earning \$12 an hour or less. Forty percent of individuals affected by the proposed minimum wage increase are 40 years of age and older, and a total of 88% of individuals affected are over the age of 20.

I've provided a high-level policy overview from L&I's perspective, and I'd like to turn to Bryan Smolock for our remaining time to describe what his office is seeing when working with low-wage individuals.

Testimony for Minimum Wage Hearing in Munhall, PA, August 29, 2019

Diana Polson, Policy Analyst at the Pennsylvania Budget and Policy Center

Contact: polson@pennbpc.org; 917-749-8294

I'd first like to thank Representative Davis for holding a public hearing on this important topic as well as the other representatives who are here to listen to the testimonies today.

We at the Pennsylvania Budget and Policy Center, argue that raising the wage immediately to \$12/hour with a path to \$15/hour for all workers (including tipped workers) is the single most important thing you can do, right now, to improve the lives of working people and working families in Pennsylvania.

The other panelists that I'm here with today will cover many other reasons why an increased minimum wage is so critical. I want to focus my comments today on three topics:

- 1) the reach of a \$15/hour increase across the state and a description of who would benefit from such a raise;¹
- 2) findings from research we've done about a much feared, but often overblown, benefits cliff;² and
- 3) the research evidence and real-world experience which show that an increase in the minimum wage will not lead to major job loss.³

I have provided you with reports on all three of these topics, so I'll use my short time to highlight some of the main points.

On the reach of a \$15/hour minimum wage increase across the state and who would benefit:

Background: The minimum wage has lost value over time due to infrequent increases in the minimum wage. These have been too rare and too small even to compensate for inflation that erodes the buying power of the minimum wage. In 1968, the minimum wage was 51% of the median wage (\$1.60/hour compared to a median wage of \$3.15/hour). By 2017, the minimum wage had dropped to just 30% of the median wage (\$7.25 compared to the median of about \$23/hour). Increasing the minimum wage to \$15/hour will push the minimum back up to where it was relative to the median wage in the late 1960s—to where it needs to be. This is not a technical issue but a values issue—a statement that the living standards of people living on the minimum wage should be at least half of what the most typical Pennsylvanians earn.

¹ Diana Polson, Mark Price, Stephen Herzenberg. "Increasing the Minimum Wage to \$15/hour by 2025 Raises Wages for Over 2 Million Workers in Pennsylvania: Who Are They? The Demographic Impacts of a Minimum Wage Increase." Keystone Research Center and Pennsylvania Budget and Policy Center. May 2019.

https://www.keystoneresearch.org/sites/default/files/201905_DemographicImpactsofMinWage.pdf

² Diana Polson. "A \$15 Minimum Wage IS a Pathway, Not a Cliff: An examination of the likelihood of a benefits cliff if the minimum wage were increased in Pennsylvania, Part 1." KRC and PBPC. July 9, 2019. https://www.krc-pbpc.org/wp-content/uploads/20190709_Cliff-Effects-brief-Penultimate_Final.pdf; and Marc Stier. "Would There Be a Child Care Benefit Cliff if We Raise the Minimum Wage? An examination of the likelihood of a benefits cliff if the minimum wage were increased in Pennsylvania, Part II." KRC and PBPC. July 9, 2019. https://www.krc-pbpc.org/wp-content/uploads/20190709_Child-Care-Cliff-Effects-Final.pdf

³ Mark Price. "A Review of the Independent Fiscal Office's 2019 Minimum Wage Analysis." KRC. August 2019. https://www.krc-pbpc.org/research_publication/review-of-ifos-minimum-wage-analysis/

How many people in Pennsylvania would benefit from a step-by-step increase to \$15/hour by the year 2025? Our analysis includes those who would directly benefit (meaning they earn less than \$15/hour) and those that would indirectly benefit (they make slightly more than \$15/hour but as the floor increases, they would see an increase as employers adjust their pay scales).

More than 2 million workers in PA would see a wage increase by the year 2025. That is **34% of Pennsylvania's workforce**.

What that means: raising the minimum wage will put more money in the pockets of **OVER A THIRD** of Pennsylvania's workers. If we are going to take one action to increase economic security for a huge number of people in this state, this is it.

By 2025, the change in the average annual income (for year-round workers) would be \$4,729 in inflation-adjusted dollars (a 21% increase).

Workers across PA will receive more than **\$9.5 billion** more per year in wages—this is money that will **go directly back into the local economy**.

Who are the people that would benefit from this minimum wage increase? There are a number of misconceptions about who would benefit from a minimum wage increase—things that we've all heard from opponents, like "These workers are mostly teenagers," or "Minimum wage jobs are starter jobs and not meant to raise a family on," etc. We've run the numbers, and this is what we've found:

- 1) **AGE:** 90% of those who would see an increase by 2025 are ages 20 and older **NOTE:** Not teenagers). In fact, older workers (ages 55 and over) make up a larger share of workers than teenagers (19% vs. 11%).
- 2) **FAMILY INCOME:** 54% of workers who would benefit have a family income of less than \$50,000/year. A full 38% of workers who would benefit from a minimum wage increase have a family income below 200% of the federal poverty level. Raising the wage is a smart investment in our future—research shows that for every 10% increase in the minimum wage, the poverty rate will decrease by 5% in the long run.
- 3) **GENDER:** Women make up over 60% of workers who would benefit from a minimum wage increase in PA. In fact 41% of all women in the PA workforce would benefit from a minimum wage increase.
- 4) **RACE:** 73% of workers who would benefit from a minimum wage increase are white workers, reflecting the fact that most Pennsylvania workers are white. Pennsylvania workers of color will benefit at higher rates because of their higher concentration in low wage jobs: 58% of Latino workers and 47% of Black workers, compared to 30% of white workers.
- 5) **PARENTS:** About one quarter of workers who would benefit are parents. 48% of employed single parents in PA would see an increase in the minimum wage.
- 6) **INDUSTRIES:** More than half of workers who would benefit in PA work in three industries (health care, retail trade, and restaurants and food service).
 - When you eliminate the tipped minimum wage, 87% of restaurant and food service workers would see their wages increase. One fair wage and not a lower tipped minimum wage is essential to addressing the gender wage gap that exists in PA. We'll hear more about that from Bobbi and James.

Fears that many minimum wage workers would fall off a benefits cliff are overblown

There has been some concern from both supporters and opponents of a minimum wage increase that a phased increase to a \$15 per hour minimum wage lead to some workers falling off a benefits cliff—i.e., losing public benefits that in some cases exceed the increase in wages workers receive, reducing their family's standard of living.

In two recent reports we examined how an increase in the minimum wage would affect different families. We did this by looking at what workers would gain from a minimum wage increase VERSUS what they would lose in benefits from programs/tax breaks like the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), SNAP, WIC, housing subsidies, child subsidies, and health care subsidies.

We found:

- The vast majority of workers benefiting from a minimum wage would not experience any sort of benefits cliff. The increased income that comes from raising the minimum wage is greater, and in most cases, far greater than the loss in benefits and higher taxes workers would pay.
- Most of the major national public benefits programs are structured as phase-outs (CTC, EITC, SNAP); as workers earn more their benefits gradually decrease.
- Many public benefits programs benefit workers with children. However, 76% of workers who would benefit from a minimum wage increase are single or married individuals have no children.
- Of the 24% of workers who would benefit from a minimum wage increase who are parents, most (both single parents and dual income families) who utilize multiple benefits programs would still see a higher net income with a minimum wage increase.
- One benefits program with a cliff is the Child Care Works program, benefits from which decline as income goes up until they are cut off once a person earns 235% of the federal poverty line. Very few people who benefit from a \$15/hour increase will be impacted by this cliff.
- For the very small percentage of workers who partake in multiple benefits programs and might face a benefits cliff, the right way to deal with a potential benefits cliff is **not** to deny workers a raise, but to ensure that: 1) the benefits programs are structured as phase-outs; and 2) these programs are adequately funded so that those in need will continue to receive benefits until they do not need them anymore.
- Bottom line: Fears about the benefits cliff effect of raising the minimum wage are overblown. Notwithstanding these concerns, raising the minimum wage remains the most far-reaching action lawmakers could take RIGHT NOW to help working people and working families across Pennsylvania.

An increase in the minimum wage will not lead to major job loss

The third topic I'd like to discuss is the fear that raising the minimum wage will result in job loss.

On this topic:

- All of Pennsylvania's surrounding states now have a higher minimum wage than Pennsylvania does. Labor economist Mark Price analyzed the impact of these increases in one of the biggest low-wage industries, food services.

- Real wages in food service grew by just 5% in Pennsylvania from 2012 and to 2016, while in surrounding states and the District of Columbia (“the region”), wages grew by nearly 8%.
- States surrounding Pennsylvania (again, which have higher state minimum wages than Pennsylvania) have also seen stronger employment growth in food services. Since 2012, food services employment was up 12.3% across the region where the minimum wage rose 12%. In Pennsylvania, where the minimum wage lost 4.7% of its purchasing power, food services employment grew much less (by not quite 7%). The largest geographical area in the seven-state area with “the worst of both worlds”—slow wage AND employment growth—is rural Pennsylvania. If rural Pennsylvania legislators want to help their constituents, they should support an increase in the minimum wage.

In sum, minimum wage increases have NOT harmed economic performance in the region and, in fact, the failure to increase the Pennsylvania minimum wage is harming our wage and employment growth. The findings of our seven-state analysis of the food services sector lines up with the best recent research in the country—as Dr. Price elaborates in detail in our new minimum wage study available online. The highest-quality research—which controls most rigorously for factors besides the minimum wage that impact employment—shows that the large number of state minimum wage increases since 1990 have had no negative impact on employment AND strong positive impacts on wages and incomes for low-wage workers.

One other point I want to make: the legislature’s own Independent Fiscal Office (IFO) has issued a series of reports on the impact of a minimum wage increase including a 2019 report examining the impact of raising the wage immediately to \$12/hour. Some opponents of a higher minimum wage have highlighted IFO claims that an increase would result in some job loss. Dr. Price’s report examines the IFO analysis in gory detail (and Box 2 towards the end of “The State of Working Pennsylvania 2019” has a more detailed summary of his findings than I will attempt here). But here are Mark’s key findings.

Assuming for one moment that IFO projections of job loss are accurate, , the IFO finds more than 50 workers would see higher wages as a result of the minimum wage increase for every one job that is lost.

Since there is so much turnover and churn in the low-wage labor market, anyone who does lose a job can likely get another job that pays better once the minimum wage goes into effect.

Third, the IFO estimates of job loss—which are based on similar estimates it made in its first minimum wage analysis several years ago—do not draw on the highest-quality recent studies showing no negative employment impact of a higher minimum wage. In fact, the IFO estimates draw inferences for all workers from research on the employment impacts of teens, plucking from thin air an assumption about how much weaker the employment impact for adults would be than for teens. Bottom line: it’s time to stop worrying about employment impacts and time to raise the wages and incomes of lower-wage workers through a Pennsylvania minimum wage increase.

Thank you for listening to my testimony and for your commitment to raising the wage in Pennsylvania this year!

Good morning. My name is Sarah Fishbein. I am the Organizing Director and a Vice President at SEIU Healthcare PA. We represent 45,000 caregivers in hospitals, nursing homes, and in people's homes. Our members are the RNs, therapists, housekeepers, cooks and attendants who help us to get well and stay well at every stage of our lives. Pennsylvania caregivers created their union to achieve one simple objective: to be sure that every person in our state is able to live a healthy and dignified life. That's what we fight for every day, and we want to thank Representative Davis and his colleagues for convening this important discussion.

Wages play a huge role in deciding whether we lead healthy and dignified lives. [A vast body of research](#) links wages not only to the necessities that our wages buy – like food and housing – but also to critical outcomes like our educational achievement and [our likelihood of incarceration](#). [Healthcare policy makers are beginning to recognize that social determinants of health matter as much to our health outcomes as our clinical care](#). Pollution, discrimination, and violence all affect our well-being long before we see the inside of a clinic or hospital. And income, which shapes overall living conditions, affects mental health and psychological functioning, and influences health-related behaviors like quality of diet, access to exercise, and tobacco use, and so on, income is thought by many to be the most important social health determinant of all. Today, [the difference in life expectancy between a low wage worker and a wealthy person can be measured in decades](#). [In Pennsylvania, a million workers labor at or near the minimum wage, and nearly two million workers labor below established living wages](#). This is, among other things, a public health crisis. It is good that we are beginning to acknowledge that.

And yet, as important as it is for legislators and policy-makers to understand the terrible *effects* of low wages on Pennsylvanians' health and well-being, it is just as important that we look at the *causes* of low wages. For the past forty years, through economic booms and busts alike, the real wages of the bottom fifth of American earners have not risen at all. We believe that this severe and prolonged stagnation in workers' wages is caused by a severe and prolonged decline in workers' power. If we want to create a healthier Pennsylvania, we have to address the problem of power.

Every time a worker gets a job, the question of power arises. If an employer is hiring, then the employer believes that the worker can generate a surplus above and beyond what the worker is paid. If that's not the case, then the employer simply wouldn't be hiring. That raises the question – where should the surplus go? Wage bargaining and market conditions decide how to split it. If market conditions and strong organization give workers the upper hand, then employers have to share more of the surplus to retain employees. If a good job is harder to find than a new employee, then employers have the upper hand. They will capture more of the surplus, and the gap between the value that workers create and the wages they are paid begins to widen.

If we look at this dynamic across time and across the entire economy, then it's clear that for many years employers have had the upper hand, [with the benefits of increased productivity and economic growth largely accruing to a wealthy few, not the majority of working people](#). Over the past 40 years, incomes for the richest 1 percent have more than tripled, while the incomes of the bottom 90 percent have barely outstripped inflation. [Four decades ago, CEOs made roughly 30 times what the typical worker made, but now they make around 275 times more than the typical worker](#). It was not always this way: between 1945 and 1979, workers' wages rose in lockstep with increases in economic productivity. Today, a chasm has opened up between the value our economy generates and the share of that value returned to working people.

What changed? Economists account for the precipitous decline in labor's share of productivity in a number of ways. [One part of the story seems to be increasingly concentrated product and service markets and the decline of anti-trust enforcement](#). Concentration of the economic activity in fewer, larger firms increases companies' power in labor markets, since workers are less able to find alternative employment or to pit rival employers against each other in a bidding war. Economists estimate that this rise in business concentration may reduce workers' share of national income by as much as a fifth. Pennsylvania's largest employers – healthcare employers – have been actively consolidating for decades. One good way to help struggling workers raise their wages would be to revitalize antitrust regulation to make service and product markets less concentrated and more competitive.

But the largest part of the story of low wages is direct corporate and governmental attacks on workers – on their rights, their organizations and their political power. Today, half of all states in the nation are right to work and the percentage of workers in unions is at its lowest in over a century – down to about 11 percent from a peak of 35 percent in the late 70s. Union membership matters for individual groups of workers in individual workplaces, and it matters for wages across the economy. Much as market concentration aids employers in dominating entire labor markets, union density helps all workers, even those not in unions. When one in three workers has bargaining power, union workers are a tide that lifts all boats. It's no accident that the decline in the purchasing power of the minimum wage falls in lockstep with the decline of unions.

The corporate attack on workers and unions is also an attack on the political power of working people. Unlike corporations and billionaires, workers do not have the resources to affect elections and policy on their own. Unions are the way that ordinary people pool political resources and power; unions are how workers compete in politics on scale. Compared to workers who have no organization, union members are much more likely to vote, to take political action, to join other civic groups, and to be more charitable because unions provide workers—particularly low wage workers—with the education, means and opportunity to stand up for themselves and participate more fully in our democracy. Workers who have participated in fights to raise wages – like the Fight for \$15 – also vote more frequently than workers who have not been engaged, and [recent research in cities and states that have raised wages through](#)

[wage boards or legislation shows a positive correlation between increased wages and increased civic engagement.](#) Much of this critical work was spearheaded and continues to be supported by workers who have resources – that’s to say, union workers.

Conversely, the decline of worker organization has also caused a decline in workers’ political engagement. One important but little-remarked effect of corporate and governmental attacks on worker power has been the steady disengagement of working people in political life. [Low-income citizens are far less likely to vote than richer voters.](#) According to the U.S. Census, 47 percent of eligible adults with family incomes at or near minimum wage voted in 2012, and just one in four voted in the midterm election of 2010. By contrast, those with annual earnings of \$100,000 or more turned out at rates of around 80 percent and 60 percent, respectively. Similar disparities are seen in voter registration. When incarcerated persons are included in the count, the gap in voting and registration across income groups is wider still.

It’s not hard to spot the vicious power cycle at work: corporations and governments attack workers’ rights and organizations, and then use their political advantage to further increase their sway over our politics, policymaking and political appointments. In the 2015–16 election cycle, for instance, business outspent unions by a margin of 16 – 1. Last year, our country’s unions combined spent \$48 million lobbying, while corporations spent more than \$2.5 billion. This makes it easier to elect anti-worker legislators, and today many lawmakers are far more attentive to the needs of the wealthy than to the needs of workers.

[Despite a booming stock market and an economy that pundits assure us has recovered from the crash of 2008, low wage workers find themselves with less purchasing power than they had a decade ago.](#) This situation is not the result of a lack of understanding of the harmful consequences of underpaying millions of people. It’s not a reflection of popular resistance to raising wages. This situation exists because working people lack the power to assert their agenda on the job, in elections, and in policy. Our wage problem is a power problem.

For this reason, we believe that even as we push together to raise Pennsylvania’s minimum wage, we must also fight to level the playing field between workers and their employers. The most important reforms – and those that will best ensure our ability to raise wages over time -- are reforms that assist workers in banding together to have a strong collective voice. State and local governments have an important role to play in this effort. We should look to strengthen prevailing wage policy, to include new industries and additional types of contract spending, like grants. We should raise standards on all government spending to ensure that taxpayers are creating good union jobs not only when we are building things, but in any jobs subsidized by taxpayers. Healthcare, for instance, is largely paid for by the public, yet healthcare employers have almost no accountability for the kinds of jobs they create or their treatment of workers. Why not give preference to the bids of high-road employers who pay living wages and have a track record of negotiating with workers or complying with labor law? We can combat wage theft and other labor standard violations by including community and worker organizations in enforcement efforts. We can use licensing and permitting to encourage high-road employers.

Minimum Wage Testimony – August 29th, 2019

Jeffrey Shook

Associate Professor

University of Pittsburgh

Good Morning! It is an honor to be here to talk about this important issue today.

I am Associate Professor in the School of Social Work at the University of Pittsburgh. My research, teaching and practice focuses on the well-being of children, youth, and families, and I've spent my career examining issues involving how laws, policies, systems, and practices affect well-being.

My testimony today will focus on what an increase in the minimum wage to \$15 an hour will mean to individuals and families in Pennsylvania. But, I'd like to start with a couple of general points.

First, despite a lot of rhetoric about how increasing the minimum wage will lead to a loss of jobs, a substantial amount of research over the last several decades is showing that it will not lead to a loss of jobs, or, at worst, only very minimal job loss. And, importantly, increasing the minimum wage, especially to \$15, will increase wages for a substantial number of people. There is some concern about young people and first time job seekers experiencing fewer employment opportunities because of minimum wage increases. This is an important point and public policy must consider how to support these individuals. At the same time, we must also consider the potential of minimum wage increases as a significant intervention to help people be better able to meet their needs and improve their well-being.

Second, we hear a lot of rhetoric about the benefits cliff. The benefits cliff describes the situation where an individual experiences a wage increase that results in a loss of benefits because their income now exceeds eligibility limits. While this situation does affect some workers, most workers do not experience an abrupt end to benefits following a wage increase, and the value of the wage increase often exceeds any loss in benefits they experience. Equally important, many lower wage workers who will benefit from an increase in the minimum wage to \$15 an hour do not receive public benefits. For these workers, the public policy question is not about what they might lose but how can we better support them to reduce hardships and improve well-being.

Now, I want to move to what we know about how minimum wage, or other wage increases for lower wage workers, affect well-being. I'll draw on two main sources here. One is a study I'm part of called the Pittsburgh Wage Study. This study is examining the effects of wage increases on hospital workers and security guards in Pittsburgh. The second is some findings from a growing body of research examining the effects of wage increases on aspects of health, mental health and a range of other outcomes of interest. Rather than focusing on the macroeconomic effects of wage increases, both of these sources of research are focused on identifying the effects that wage increases have on people.

Findings from the Pittsburgh Wage Study raise a number of points that are important for this conversation:

- Many workers in our study experience a range of housing, medical, financial or food hardships and report living paycheck to paycheck. These workers generally make between \$10 and \$20 an hour, work full time, and many work overtime.
- These hardships mean that workers must adopt a range of strategies to make ends meet, including borrowing money from friends and families, relying family and friends in other ways, using public benefits and other forms of assistance, juggling bills, and cutting meals.
- Hardships and use of these strategies are related to higher levels of stress, lower levels of life satisfaction and poorer health.
- Workers experiencing a wage increase experienced a decrease in hardships and use of strategies. Yet, many workers still faced 1 or more hardships even following the wage increase.
- Workers making above \$15 an hour experienced fewer hardships than those making less than \$15 an hour.
- \$15 an hour, however, is not a magic number. Some workers making \$15 an hour and even higher still experienced hardships and struggled to make ends meet. There needs to be more focus on the experiences of different groups of workers and what different wage levels mean for them.

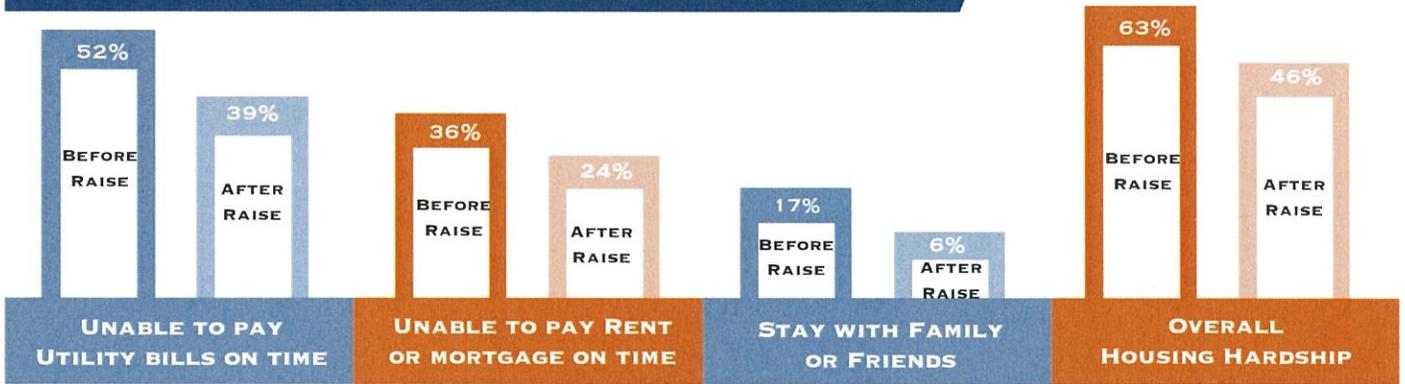
Findings from rigorous research on the effects of minimum wage increases have found that minimum wage increases are associated with:

- Lower rates of suicide.
- Lower levels of food insecurity.
- Lower levels of unmet medical need.
- Improved general, physical and mental health outcomes.
- Reductions in infants born with low birthweight and lower rates of infant mortality.
- Lower rates of child maltreatment and teen pregnancy.

Much of this research is recent and our understanding of these effects will continue to grow. It is also important to note that some studies found no positive effects. Overall, however, the evidence from this growing body of research is showing that minimum wage, and other wage increases, for lower wage workers have positive effects on well-being. These are important findings because many workers in the United States earn under \$15 an hour and another large group of workers earn just over \$15 an hour. Raising the minimum wage in Pennsylvania is one mechanism we can use to improve well-being and it is time that we join other jurisdictions who have already moved in this direction and support our citizens.



HOUSING HARDSHIPS DECREASED FOLLOWING A RAISE



USE OF STRATEGIES TO MANAGE HOUSING HARDSHIPS DECREASED FOLLOWING A RAISE



HOUSING IS A PROBLEM: WHAT DO WORKERS SAY?

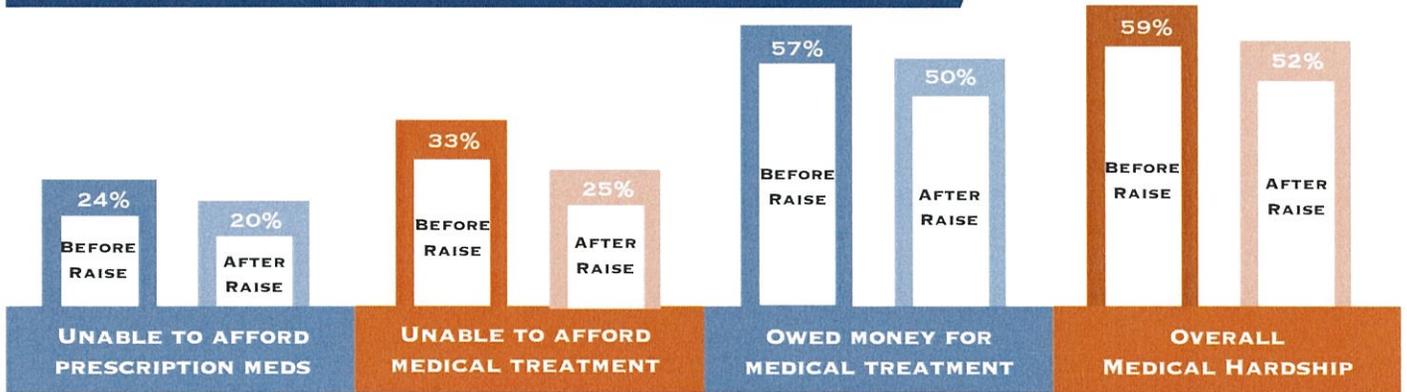
“MY RENT IS \$700. I ALWAYS HAVE TO WORRY ABOUT A LATE FEE, BECAUSE IT’S ALWAYS LATE, BECAUSE I DON’T HAVE IT, EVEN IF I HAVE OVERTIME.”

“I DON’T HAVE EXTRA MONEY AT ALL, SO IF I’M PAYING FOR SOMETHING ELSE, THAT’S TAKING AWAY FROM SOMETHING THAT SHOULD’VE BEEN PAID. LIKE, THIS MONTH, I DON’T GET ANY FOOD STAMPS, OR ANYTHING, SO I HAD TO BUY FOOD, OF COURSE, SO THAT’S TAKEN AWAY FROM MY ELECTRICITY BILL. SO, WITH THAT HAPPENING, I HAVE A SHUT OFF NOTICE.”

“I ALWAYS HAVE TO CALL AND TELL THEM. I’M GOING TO BE LATE WITH THIS [ELECTRICITY]. CAN WE PLEASE WORK SOMETHING OUT, COULD I GIVE YOU THIS, WILL YOU TRY TO— YOU KNOW WHAT I MEAN? THAT’S WHAT I NORMALLY HAVE TO DO.”



MEDICAL HARDSHIPS DECREASED FOLLOWING A RAISE



USE OF STRATEGIES TO NEGOTIATE MEDICAL HARDSHIPS FOLLOWING A RAISE



MEDICAL CARE IS A PROBLEM: WHAT DO WORKERS SAY?

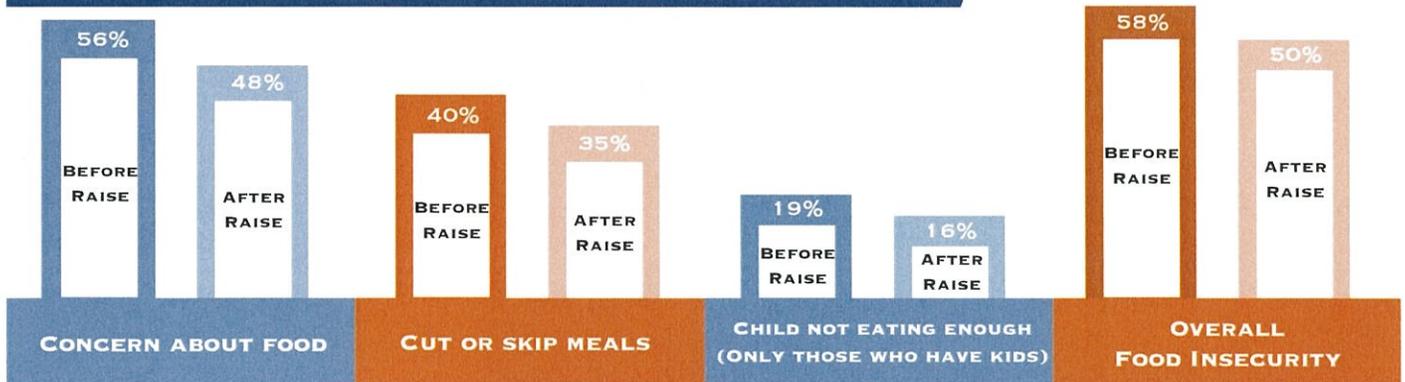
“ I DON'T GET ANY MEDICAL OR ANYTHING, UNLESS IT'S FOR THE BABY. IF THEY ASK HOW COME I DIDN'T APPLY TO GET MEDICAL FOR MYSELF, IT COSTS TOO MUCH. YOU KNOW, IT COSTS TOO MUCH. AS LONG AS SHE'S COVERED, YOU KNOW? ”

“ FOR A WHILE NOW, LIKE, THERE WAS A TIME THAT I DIDN'T HAVE ANY HEALTH INSURANCE, SO THAT [MEDICAL DEBT] STEMS BACK FROM WAY BACK THEN, WHEN I DIDN'T HAVE ANY HEALTH INSURANCE. SO THEY JUST BILL YOU AND IT STAYS ON THERE FOREVER, BECAUSE THOSE BILLS ARE SO HIGH, AND OF COURSE I CAN'T PAY IT AT THE MOMENT, SO, IT KIND OF JUST LINGERS ON WITH YOU. ”

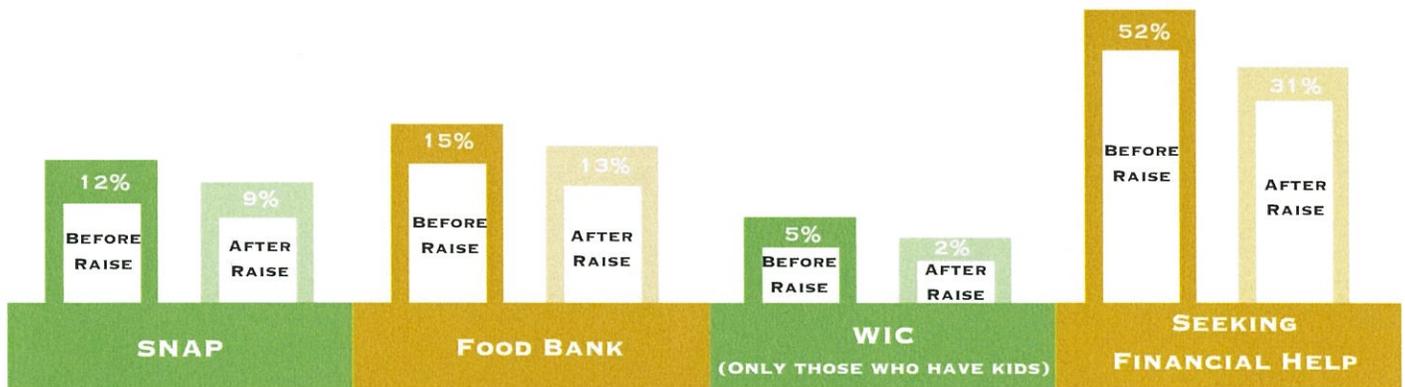
“ OH, MEDICAL CARE IS ONE OF THE BIGGEST THINGS. I MEAN, I TRY NOT TO GO TO DOCTORS UNLESS YOU ABSOLUTELY HAVE TO BECAUSE OF THE CO-PAYS, DEDUCTIBLES, EVERYTHING. ”



FOOD INSECURITY DECREASED FOLLOWING A RAISE



USE OF STRATEGIES TO MANAGE FOOD INSECURITY DECREASED FOLLOWING A RAISE



FOOD INSECURITY IS A CHALLENGE: WHAT DO WORKERS SAY?

“I HAVE TO FORGO A LOT OF THINGS A LOT OF TIMES. BUT I FOREGO LUNCH A LOT OF TIME. I FOREGO EATING A LOT OF TIMES WHEN I DON'T HAVE IT. TO EAT, LIKE, I GO TO BED HUNGRY HALF THE TIME.”



“YEAH, IT'S AFFECTING MY MENTAL HEALTH. I WANT MORE [FOOD]. I NEED MORE, ACTUALLY. A COUPLE TIMES, I WAS IN A JAM. I HAD NO MONEY LEFT FROM MY PAY. WHAT WAS I GOING TO DO FOR FOOD? SO I ENDED UP SIGNING UP WITH— WE CAN SWIPE OUR BADGE AND THEY TAKE IT OUT OF OUR PAY. PAYROLL DEDUCTION. SO THAT'S WHAT I HAD TO DO HERE A FEW WEEKS AGO.”

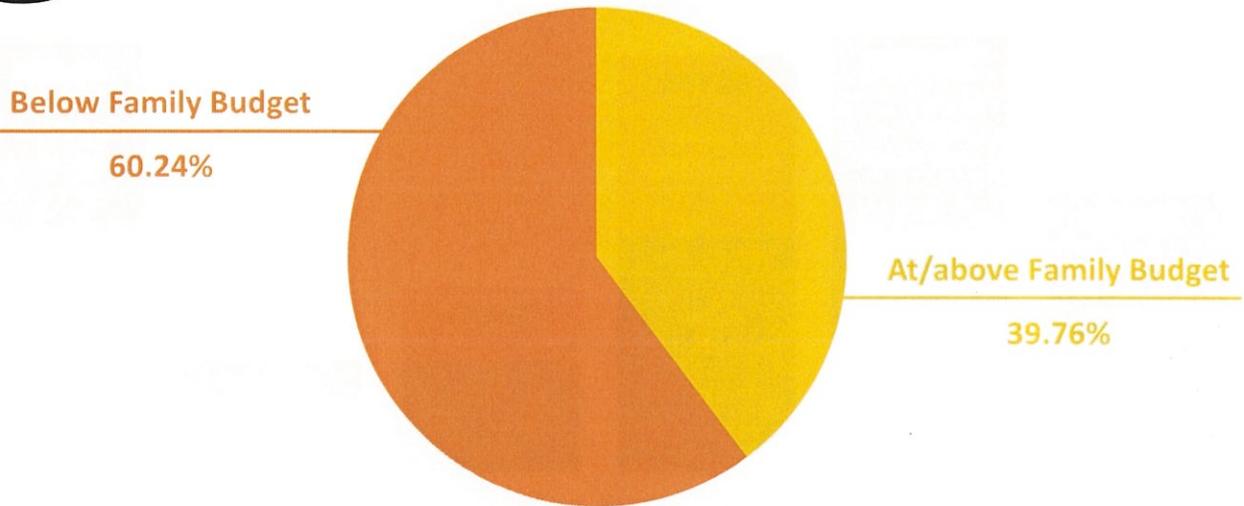


“BEING A SINGLE PERSON, IT'S HARD. THERE ARE SOME DAYS I HAVE TO DECIDE...DO I BUY GROCERIES, OR DO I PAY MY BILLS? AND OF COURSE I HAVE TO PAY MY BILLS, SO I DON'T GET GROCERIES. SO I GO TO MY MOM'S HOUSE TO EAT, OR I ASK MY SISTER IF SHE CAN GIVE ME MONEY TO BUY GROCERIES.”

CAN HEALTHCARE WORKERS' FAMILY INCOMES SUPPORT THEIR FAMILIES?



THE MAJORITY EARN LESS THAN FAMILY BUDGET*

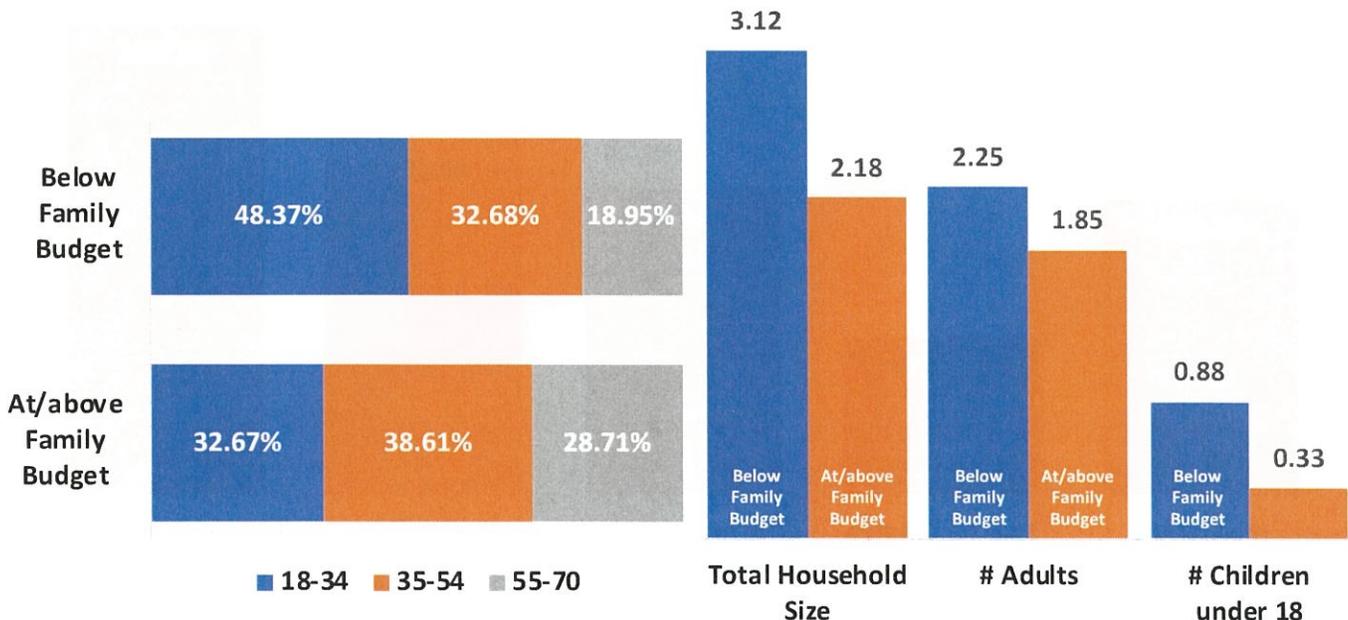


* FAMILY BUDGET is calculated by Economic Policy Institute, measuring the income a family needs in order to attain a modest yet adequate standard of living.



WHO EARNS LESS THAN FAMILY BUDGET?

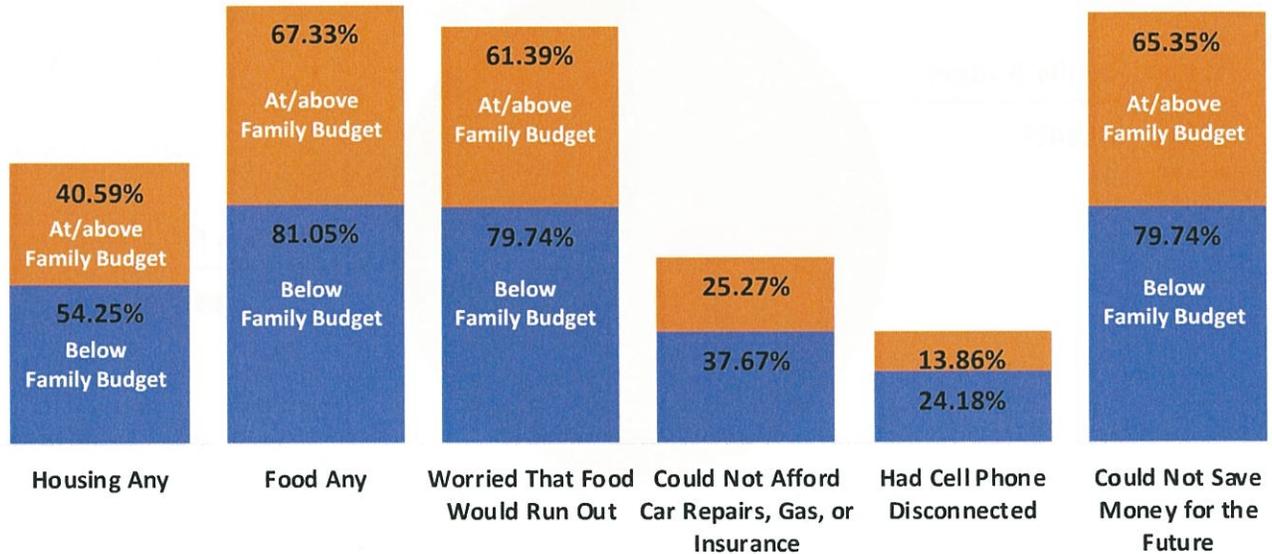
BEING YOUNGER, HAVING MORE HOUSEHOLD MEMBERS



CAN HEALTHCARE WORKERS' FAMILY INCOMES SUPPORT THEIR FAMILIES?



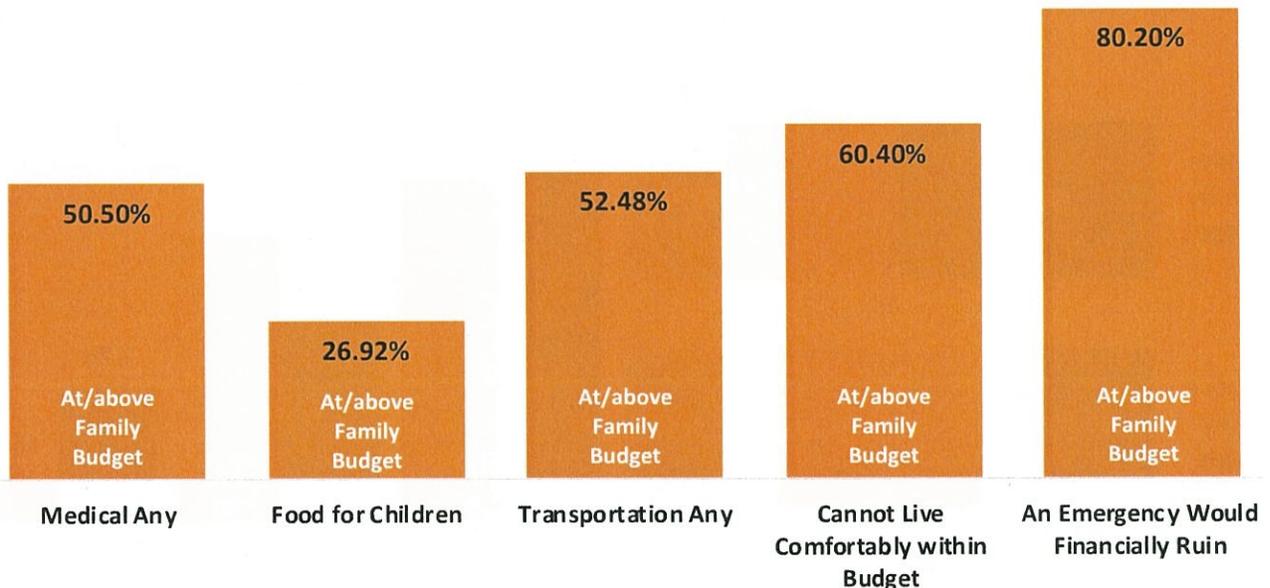
WORKERS EARNING LESS SUFFER FROM MORE HARDSHIPS IN HOUSING, FOOD, AND OTHER AREAS*



* Differences are statistically significant at .05 level.



WORKERS EARNING MORE THAN FAMILY BUDGET STILL STRUGGLE





My name is Lasaine Latimore, also known as Sandy. I am 74 years around the sun. The house I live in today is where I was brought home at 6 weeks old and where I was raised. A row house, on Webster Ave in the hill district, right here in Pittsburgh.

When I was 20 I worked in the offices of a steel mill. Back then the mill was a good job. The worst paying job at the mill was a living wage job. You could see the difference in the Hill District when there were good jobs like that around. There were parts of the Hill, like Sugar Top, where we had a "Black Middle Class", like they have in Philly still today. In Pittsburgh that's all gone now. In the 50's and 60's there were a lot more Black Activists that were professionals. Lawyers, teachers, accountants, professors, judges who dedicated their success to lift up all Black people.

Today we are here to talk about the minimum wage. Funny...you hear that term "minimum wage" ...it rings like.. "poverty", "being broke" "having nothing". That's what it is, THE MINIMUM WAGE ---companies are allowed to get away with paying. But that is not what it was intended to be. The companies didn't give it to us. We demanded it and won. It is ours to define.

In 1938 workers teamed up with lawmakers and established limits on paid labor. Our elders built a floor on what workers could be paid, and a ceiling on the hours we could be expected to work in a week. Why? Because companies weren't going to do it. From that floor we built our unions to move each other up higher than the minimum.

What we are really fighting for is A MINIMUM WAGE strong enough TO LIVE A DECENT LIFE. To meet the needs of our family, our home, our health. Over time companies have taken the "minimum wage" from us, keeping wages down while CEOs pay sky rockets. I put a sticker on my walker that says "If the minimum wage had kept pace with the rise in executive salaries since 1990, America's poorest paid workers would be making more than \$23 an hour."

Today we take the minimum wage back.

I have never worked for the state's minimum wage. I have always fought to earn a living wage. Minimum Wage needs to guarantee a LIVING WAGE for everybody.

Back When I was working at the mill one of the better positions came up in the office and I went for it. The boss told me to my face, this was a stepping stone job, and it was only for men. There were no protections, so there was no one to help. I was determined to do better for myself. I signed up for computer classes and kept my eyes on the prize.

When I finished the classes a position in the computer/data department came up. There were no women in the department and the boss made it clear he didn't want me or any women on staff. This time there was something different, someone on my side. A black guy, the only Black man in the entire department, stuck his neck out for me. He pushed and got me that job."



I can still remember how I felt holding my first paycheck in my hand. The smooth pale blue paper, proof of what my time was worth. How much stronger, how much freer I felt.

That's what this all comes down to.

What are we worth?

Are we willing to stand up for each other?

Are we willing to define Minimum wage as what companies can get away with?

--OR-- demand Minimum Wage is WHAT meets the real needs of our neighbors?

You want strong public schools? You want more environmental protections? You gotta have living wage jobs all over this city. Build up economically healthy neighborhoods and community members will have the time and energy to move those mountains too.

The Hill District has always been a vital part of the Pittsburgh story. We have contributed great artists, musicians, thinkers and athletes. We have been workers, shoulder to shoulder with Irish, Italian, Polish immigrants fighting for unions.

But Pittsburgh's story is not over yet, we are laying down a new direction. The days of extracting wealth and labor and natural resources in toxic, selfish ways is over. We say what is best for our town. And what is Best is having every job still make you proud, make you stronger and make you feel more free.

This is the MINIMUM WAGE I am asking you to believe in with me. This is the legacy I'm asking you to build upon. One Pittsburgh, One Pennsylvania, that works for all of us and not just some of us.

House Democratic Policy Committee Public Hearing on the Minimum Wage
Testimony Submitted by Jennifer Rafanan Kennedy, Executive Director, Pittsburgh United
August 29, 2019

Good morning. My name is Jennifer Rafanan Kennedy and I serve as the Executive Director of Pittsburgh United, a coalition of labor, faith, community and environmental groups committed to advancing the vision of a community and economy that work for all people. Collectively, our coalition partners have more than 125,000 members in Western PA and work together on campaigns around affordable housing, good jobs, equitable development, and a healthy and just environment.

Pittsburgh United and our coalition partners are deeply concerned about not just the minimum wage, but true family-sustaining wages and an end to minimum wage preemption. For many workers and families, wages determine so many aspects of our lives - where we can live, the quality of our housing, our childcare and education options, our ability to keep the lights on and water running, what food is on the table and what healthcare we can access, how easy or difficult it is to get where we need to go, and even how much mental space is left over for things like being civically engaged, giving back to our community, or participating in the political process to improve our lives and the lives of those around us.

I can say unequivocally - we can't survive on \$7.25. With \$7.25 an hour, a single adult can't even address all the fundamental building blocks, let alone take care of a family or get beyond the basics. Poverty wages impact people in every corner of Pennsylvania, and in every one of the communities where we work, families are unable to raise their kids on \$7.25.

Recently, at a listening session in Erie hosted by Senator Haywood and attended by Senator Laughlin, one of our members, Jasmine Flores, shared her story of trying to get by on minimum wage. Jasmine works as a home health aide, making less than \$10 an hour, and as a result has to work long days and spend hours on the bus because she can't afford a car. Now, her partner can't work because of a military disability and is waiting months for VA benefits, so she's had to take a second job to keep her family afloat even though she is caring for the most vulnerable members of our society. Women and people of color like Jasmine are disproportionately impacted not only by Pennsylvania's low wages, but also by state pre-emption driven by corporate interests.

A report released in May by the Partnership for Working Families highlights the gender and racial inequities that are perpetuated by state interference on critical policies such as the minimum wage. To paraphrase the report: State interference cuts off a critical avenue for women and people of color to win equitable policies around wages in their local municipalities. Policies that set wages have an outsized influence over the day-to-day experiences of women, due to historical, structural, and cultural factors. Women, and women of color in particular, are overrepresented in low-wage work, because they are more likely to do service and care work historically undervalued as "women's work."

With our members' stories in mind and a critical eye toward addressing structural inequities, our coalition has participated in lobby days and press conferences, completed dozens of in district visits to legislators throughout western PA, and made countless phone calls lifting up the critical need to raise the minimum wage and end pre-emption. We have also worked with Mayor Peduto in Pittsburgh and our sister affiliate, POWER, in Philadelphia to raise wages for city-contracted workers to \$15 per hour. We've participated in town hall meetings, listening sessions, actions, and legislative briefings like this one year after year. We have spoken with a consistent voice time and time again: Our communities need a living wage. We must raise our minimum wage to \$15 per hour and enable local communities to set their own wages free from corporate and state interference.

However, Pittsburgh United not only leads on advocacy for a higher minimum wage, we are also an employer. Our organization's salary equity policy dictates that we strive to pay living wages to all of our employees. To that end, Pittsburgh United pays a minimum wage that amounts to \$19.20 per hour plus benefits. I can't simply call on others to be high road employers. Instead, as an organization we demonstrate that it is not only possible, but also beneficial, to align our values with our policies. By walking the walk, we have reduced employee turnover and increased employee commitment to the organization. And it is also clear that the majority of Pennsylvanians share these values. In fact, a new poll conducted by State Innovation Exchange and TargetSmart shows that 62 percent of registered Pennsylvania voters support raising the minimum wage to \$15 per hour, compared with only 36 percent who oppose it.

Pittsburgh United, our coalition partners, and the vast majority of Pennsylvanians have a vision of a better future for our Commonwealth. A vision in which:

- All working Pennsylvanians make a living wage;
- We stop state and corporate interference and allow local governments to take care of their citizens and set family-sustaining wages based on local knowledge and needs;
- We lift up women, communities of color, and poor and working class families and begin to address the structural inequities that have held our communities back; and
- We align our policies with our values to create an economy that works for all of us.

You have the opportunity, along with your colleagues, to make this vision a reality. We ask that you pass HB1215 which will raise the minimum wage to \$15 per hour and remove local pre-emption. Thank you for hosting this briefing and addressing the critical issue of raising the minimum wage, and thank you for the opportunity to share Pittsburgh United's work and policy perspective.



Testimony for Minimum Wage Hearing Munhall, PA, August 29, 2019

Dawn Plummer, Executive Director at the Pittsburgh Food Policy Council (PFPC)

Thank you for the invitation to speak with you this morning. My name is Dawn Plummer and I serve as the Executive Director of the Pittsburgh Food Policy Council.

Our mission is to build a just, equitable and sustainable food system for all. For the last ten years, we have convened a multi-sectoral network of over 80 entities across Allegheny County and beyond - including food businesses, restaurants, policy makers, farmers and gardeners, conservationists, food justice advocates, community development and healthcare professionals and others. Together we work to increase connections, tools and shared resources that can accelerate food systems change and deepen our collective impact.

While we look at environmental, economic and social aspects of our food system, the system itself rests wholly on the shoulders of the people who work across it. People working in the food system are often referred to as “food chain workers,” which encompasses all those involved in producing, processing, distributing, selling, and serving the food we eat.¹

In the United States, our food system employs over 21.5 million people, which represents **one out of seven US workers**--more than any other sector in the country.

However, from farmworkers and restaurant staff to grocery store workers, many food chain workers often face long hours and some face unsafe working conditions - all for low wages and few benefits. They also experience higher levels of food insecurity and are more likely to use federal food benefits, such as Supplemental Nutrition Assistance Program (SNAP) than the rest of the United State workforce.² They are also often immigrants and people of color and are more vulnerable to discrimination and limited career advancement opportunities.^{3,4}

Here in Allegheny County, we at the Food Policy Council are leading a two-year project called the Greater Pittsburgh Food Action Plan. We have embarked on this effort alongside government, university, nonprofit and business partners to listen to community concerns, collect

¹ See Figure 1 below.

² Food Chain Workers Alliance (FCWA) and Solidarity Research Cooperative (SRC) (2016). No Piece of the Pie: U.S. Food Workers in 2016. Los Angeles, CA: FCWA.

³ Fine, G.A. (2008). Kitchens: The Culture of Restaurant Work. Berkeley, CA: University of California Press.

⁴ Kandel, W., & Parrado, E. (2005). Restructuring of the US meat processing industry and new Hispanic migrant destinations. Population and Development Review, 31(3), 447-471.

and analyze food system data and develop policy recommendations and action steps towards a region that prioritize healthy, affordable, sustainable food for all.

As you know, Allegheny County is the economic and population center of western Pennsylvania, and as a result is a major market for our local foodshed, which extends into neighboring states. **The food system is a major economic driver in the County, with approximately 4,000 people employed in food manufacturing, more than 13,000 in grocery stores, and more than 54,000 in restaurants and other food service establishments. There are nearly 200,000 food chain workers in the Pittsburgh Metropolitan Statistical Area (MSA).**

While Pittsburgh area restaurants are making a big mark on the national stage (#1 Restaurant City by Zagat, etc), we know that the average wage for restaurant workers in the county is \$17,800, which is \$7,300 below the poverty line for a family of four. We also know that racial and economic inequities affect food security and access for many with **13.1% of County residents** experiencing food insecurity with higher concentrations in communities of color.

We have listened to the impact of this reality in the Food Action Plan community meetings we have held across the county. We've heard residents emphasize the need for wage increases--more money to buy food, support children and invest in and build healthy communities. We have heard that bad food is cheap and good food is often unaffordable and inaccessible.

We have heard that rising cost of living (housing, transportation, childcare, etc) is not only directly eating into the food budgets of low-income people across our region, but has also been displacing many thousands of lower-income people out of Pittsburgh into the ring suburbs. This displacement moves many low-income residents further from healthy food and adequate public transit, as well as to jobs, health care, and many other critical needs.

We hear the interconnected impact of wages on education and job opportunities. We know from our work with the Allegheny County Health Department that access and affordability of nutritious food is widely understood as a key factor in such adverse preventable health outcomes as chronic diseases like heart disease, diabetes, and infant mortality.

At the state level, we also hear these same stories. The Pittsburgh Food Policy Council has partnered with Pennsylvania's Departments of Agriculture and Education, other local food policy councils and food systems stakeholders across the state, to develop a statewide Pennsylvania Food Policy Council. Again, we see that chronically low wages undervalue the food chain workforce that brings our food from field to fork.

In closing, I want to emphasize that a healthy, resilient food system has far-reaching effects on systemic issues such as human health, economic stability, environmental sustainability, and community vitality. Our work seeks to accelerate our region's ability to support an economically robust, environmentally conscious and socially equitable food system.

We at the PFPC, and at food policy councils across the country, are connecting the dots. We know that a minimum wage increase is critical to strengthening the backbone of our system, which are the incomes of our state and region's food chain workers which will most certainly benefit us all.

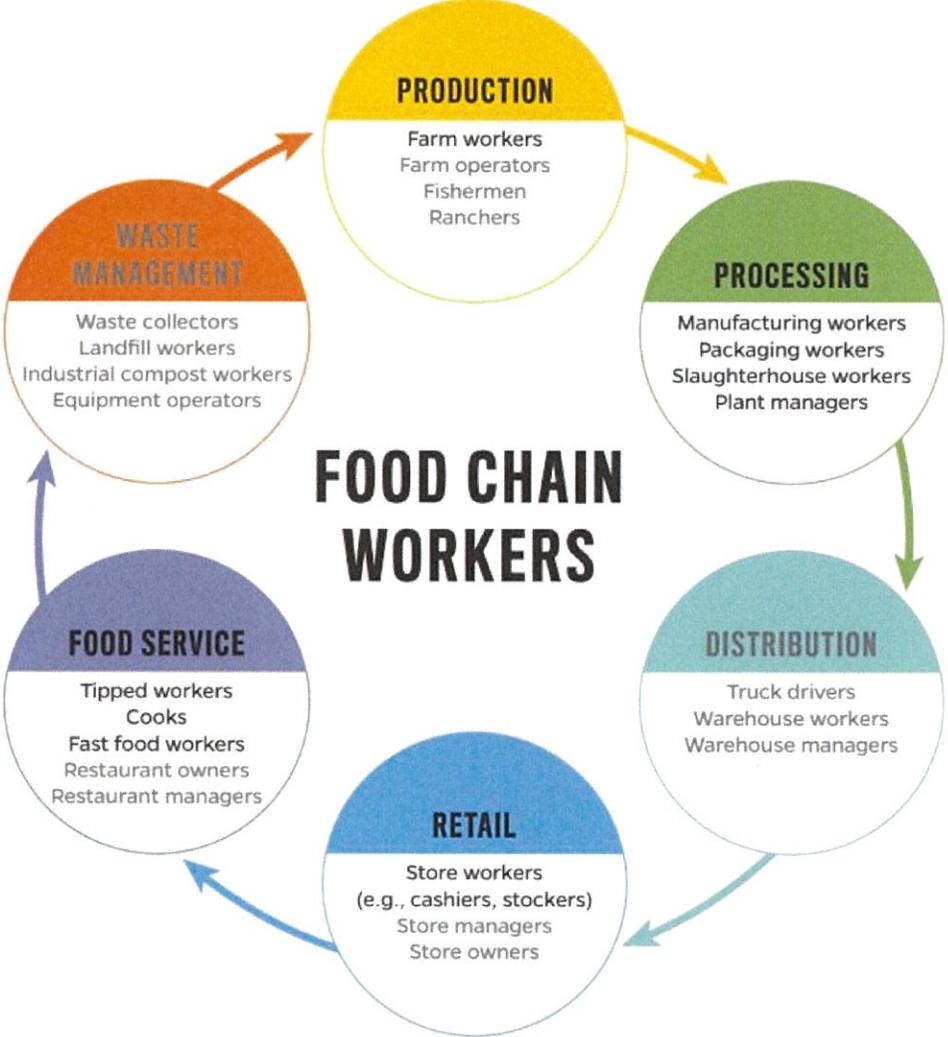


Figure 1. Adapted from the Food Chain Workers Alliance; found in Morrill, Valerie, Raychel Santo and Karen Bassarab, "Shining a Light on Labor: How Food Policy Councils Can Support Food Chain Workers," Johns Hopkins Center for a Livable Future, July 2018.

**Testimony of Grace Johnson, Homecare Attendant
United Homecare Workers of Pennsylvania**

Good morning. My name is Grace Johnson with United Homecare Workers of PA. I'm a homecare attendant and I live in McKeesport, Pennsylvania. I'd like to thank Representative Davis and the other panelists and legislators here today for talking about low wages.

I've been a homecare worker for 13 years. I want to talk to you about what it means for me to work very hard, doing very important work, and to be in poverty and not have an economic future.

It's bad for me, it's bad for the person I care for, and it's bad for taxpayers.

Pennsylvania has the second highest number of elderly people of all the states in the country. Many younger people also have disabilities. Not long ago, people who needed help with tasks like bathing and dressing would have gone to a nursing home.

But most people would rather be supported in their own homes and communities, and not go to a nursing home. Homecare workers help them to do that. Depending on what my client needs, I cook, I clean, I take them shopping and to doctors' appointments, and I prepare their meds. I also deal with all of the psychological problems that that go with disability – and that can be a real challenge.

Because I care people in their homes, I save taxpayers a lot of money – homecare costs less than half of what nursing homes cost.

As our population ages, home care has become the most in-demand, fastest-growing occupation in the country. Yet home care workers, the majority of whom are women of color like me, live in poverty.

I'm paid \$11 an hour. I do not have paid sick leave or a retirement plan, and I try to take extra jobs like with Uber or Lyft to bring in more for me and my children. After 13 years, I have had only one pay raise. ONE.

I love my job in homecare but the last couple of years I've been thinking of switching professions. And I'm not alone. Turnover in my profession runs as high as 50 percent – and not being able to find a worker is the biggest problem that consumers face. Turnover is also extremely wasteful. It costs taxpayers about over 2000 dollars every time a worker quits and a new one has to be trained.

It is estimated that in Pennsylvania, we will face a shortage of homecare workers of about 40,000 by 2030. That means tens of thousands of families will be unable to get the care they need – because homecare workers cannot make a living at this important work.

I love taking care of others who can't care for themselves, but I hate that I don't make enough to take care of myself and my two children. I hate that I have to depend on government agencies and food banks and Welfare and Section 8. It's hard to work a job that you love but doesn't support you financially. I get up every day to make someone else's life better but I can barely keep a roof over my head.

Homecare workers need a pathway out of poverty. Instead we've been subjected to attacks – from the Commonwealth Foundation, which took us to court to challenge our right to talk to the Governor about what we need. From the Trump administration, who are doing everything in their power to strip homecare workers of their right to organize. And from rich homecare business owners who make more money if we make less.

We need legislators to see the urgency of the coming homecare crisis and start solving the problems that stop us from doing the work that seniors and people with disabilities need us to do. We should start by raising wages. Raising the wage means that I and thousands of caregivers like me will be able to care for ourselves and our families, as we care for our consumers. Raising the wage means I can keep the job I love. The job I'm good at.

It's time we did right by homecare workers and others who are working hard and barely getting by. It's time we raised the wage!

Thank you.

15



KEYSTONE RESEARCH CENTER
AND
PA BUDGET AND POLICY CENTER

**Increasing the Minimum Wage
to \$15/Hour by 2025 Raises
Wages for Over 2 Million
Workers in Pennsylvania.
Who Are They?**

The Demographic Impacts of a Minimum Wage Increase

May 2019

by
Diana Polson
Mark Price
Stephen Herzenberg

15

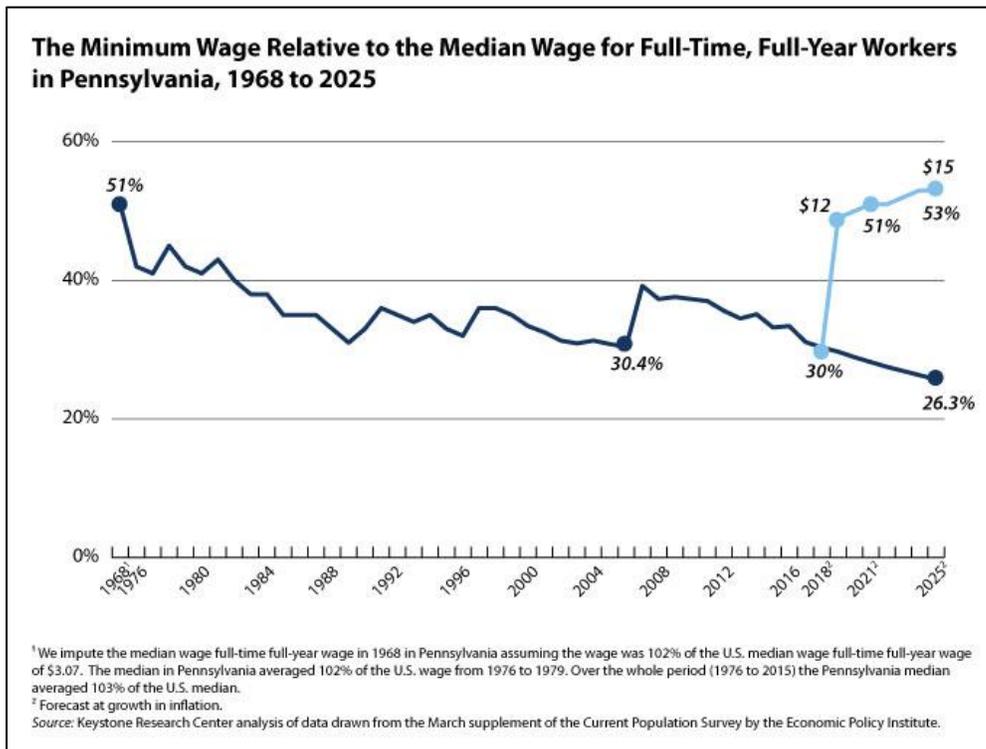
Increasing the Minimum Wage to \$15/hour by 2025 Would Raise Wages for Over 2 Million Workers in Pennsylvania. Who Are They?

The Demographic Impacts of a Minimum Wage Increase¹

Wrapped into his 2019 budget proposal, Governor Wolf has proposed to raise the minimum wage in July 2019 to \$12/hour, with yearly 50-cent increases until it reaches \$15/hour in 2025. After 2025, the minimum wage would be adjusted for inflation. Also included in this plan is to eliminate the separate tipped minimum wage of \$2.83/hour—tipped workers would earn \$12 in July 2019 and would follow the same scheduled changes each year.

This increase is needed to make up for the declining value of the minimum wage over time. Figure 1 shows the minimum wage relative to the median wage for full-time, full-year workers in Pennsylvania over time. In 1968, the minimum wage was 51% of the median wage in Pennsylvania; the minimum was \$1.60 compared to the median of \$3.15. As you can see by the dark blue line, this value has decreased steadily over time. Today, the minimum wage is only 30% of the median wage in Pennsylvania. Doing nothing and maintaining a \$7.25 minimum wage will result in this falling to 26.3% by 2025. Alternatively, Governor Wolf’s plan to raise the minimum wage to \$15/hour by 2025 will bring the minimum back to about half of the median wage, where it was in the late 1960s.

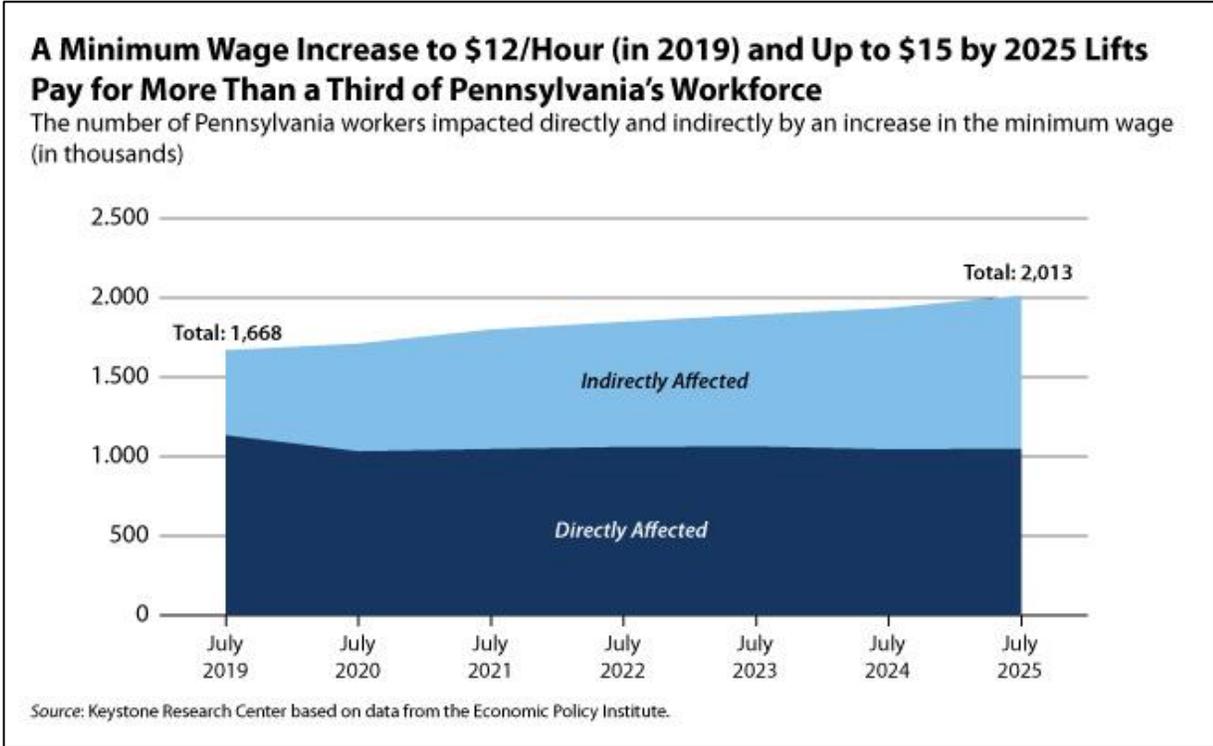
Figure 1



¹ This report is based on an Economic Policy Institute report by David Cooper (source below) who provided us with state-level data and his report which served as a template for this state-level report. His analysis uses the EPI’s revised Minimum Wage Simulation Model, estimating the workforce affected by changes in the minimum wage nationally. This report focuses on the impacts of such a wage increase in Pennsylvania. David Cooper. 2019. “Raising the federal minimum wage to \$15 by 2024 would lift pay for nearly 40 million workers.” Economic Policy Institute. February 5, 2019.

This proposal to raise the minimum wage would have far-reaching impacts on workers across the state (see Figure 2 and Table 1). An increase to \$12/hour on July 1, 2019 would impact a total of 1.7 million Pennsylvania workers. More than 1.13 million would see a direct increase, meaning they earn less than \$12/hour on July 1, 2019 and would see an increase specifically due to the legislated increase. There are also 540,000 people who make slightly more than \$12/hour as of July 2019, but would see their wages increase as scales are adjusted upwards. Typically, raising the minimum wage results in increases for workers who are higher paid because employers want to maintain progression within their pay scales.² With each minimum wage increase from 2020 to 2025, additional workers will benefit. By July 1, 2025 when the minimum wage reaches \$15/hour, a total of 2.01 million workers will see benefits: 1.05 million directly and 970,000 indirectly. By 2025, one-third (34%) of Pennsylvania’s workforce would see a raise.

Figure 2



² Wicks-Lim, Jeannette. 2006. “Mandated Wage Floors and the Wage Structure: New Estimates of the Ripple Effects of Minimum Wage Laws.” Political Economy Research Institute at the University of Massachusetts Amherst, Working Paper no. 116.; David Cooper. 2019. “Raising the federal minimum wage to \$15 by 2024 would lift pay for nearly 40 million workers.” Economic Policy Institute. February 5, 2019.

Table 1

Summary of minimum wage increases under proposed increase of Pennsylvania minimum wage and numbers of workers affected by the increases, 2019–2025						
Date	Minimum wage	Total estimated state workforce	Directly affected	Indirectly affected	Total affected	Affected workers' share of state workforce
1-Apr-19	\$7.25					
1-Jul-19	\$12.00	5,851,000	1,132,000	536,000	1,668,000	28.50%
1-Jul-20	\$12.50	5,874,000	1,031,000	679,000	1,710,000	29.10%
1-Jul-21	\$13.00	5,876,000	1,046,000	753,000	1,799,000	30.60%
1-Jul-22	\$13.50	5,899,000	1,059,000	788,000	1,846,000	31.30%
1-Jul-23	\$14.00	5,922,000	1,062,000	835,000	1,897,000	32.00%
1-Jul-24	\$14.50	5,945,000	1,044,000	896,000	1,940,000	32.60%
1-Jul-25	\$15.00	5,969,000	1,048,000	965,000	2,013,000	33.70%

Notes: Values reflect the result of the proposed change in the state minimum wage. Totals may not sum due to rounding. Shares calculated from unrounded values. Directly affected workers will see their wages rise as the new minimum wage rate exceeds their existing hourly pay. Indirectly affected workers have a wage rate just above the new minimum wage (between the new minimum wage and 115 percent of the new minimum). They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage. Wage increase totals are cumulative of all preceding steps. Estimate assumes tipped workers will be paid the full minimum wage.

Source: Keystone Research Center, from Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.

Table 2 documents the wage impacts of a minimum wage increase in the state. The average affected worker will see an increase of \$2.11/hour in July 2019, which works out to \$3,214 per year for full-time, full-year workers. These additional wages represent an increase of 17.5% in income in the first year after an increase. By 2025, the average affected worker will see an increase of \$3.10/hour or \$4,729 a year for full-time work; this is an increase in income of 21.3%. Workers across Pennsylvania will see more than \$9.5 billion in yearly wages, which will most likely be put right back into our economy.

Table 2

Wage impacts of increasing the Pennsylvania minimum wage to \$15 by 2025, 2019–2025 (2018\$) for all (directly & indirectly) affected workers						
Date	Minimum wage (nominal \$)	Minimum wage (2018\$)	Total wage increase (thousands 2018\$)	Change in average hourly wage (2018\$)	Change in avg. annual income (year-round workers) (2018\$)	Real percent change in average annual income
1-Apr-19	\$7.25	\$7.08				
1-Jul-19	\$12.00	\$11.73	\$5,361,309	\$2.11	\$3,214	17.50%
1-Jul-20	\$12.50	\$11.92	\$5,841,049	\$2.25	\$3,416	17.90%
1-Jul-21	\$13.00	\$12.09	\$7,122,902	\$2.56	\$3,959	20.20%
1-Jul-22	\$13.50	\$12.25	\$7,578,755	\$2.65	\$4,104	20.20%
1-Jul-23	\$14.00	\$12.40	\$8,110,598	\$2.76	\$4,276	20.30%
1-Jul-24	\$14.50	\$12.54	\$8,640,375	\$2.87	\$4,453	20.30%
1-Jul-25	\$15.00	\$12.68	\$9,517,975	\$3.10	\$4,729	21.30%

Notes: See Table 1.

Source: Keystone Research Center from Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.

Who will benefit? Demographic characteristics of affected workers

There are several common misconceptions of who low-wage workers are. One is that low-wage workers are mostly teenagers who are getting their first work experience and will soon move on to a more lucrative position as they get more training or complete other levels in school. Another misconception is that low-wage workers are primarily individuals who have other means such as stay-at-home parents with a partner working, whose earnings are not needed to pay the bills. Others think that low-wage workers have low education levels or that only a very small portion of workers make up the low-wage workforce. Contrary to these common assumptions however, one-third (34%) of all workers in Pennsylvania would see a wage increase with a minimum wage increase to \$15/hour. This shows how widespread low wages are and how much we really rely on the low-wage workforce to do the important work that makes our state run. Below, we examine who will benefit from this policy change, looking specifically at the population who will benefit once the minimum wage increase has been fully implemented to \$15/hour by 2025. This analysis includes those who are both directly and indirectly affected by the increase. Each demographic section has figures within the section which come from the table in Appendix 1.

Age

Minimum wage and low-wage workers are often thought to be teenagers. While some minimum wage and low-wage workers are, indeed, young, this stereotype is incorrect. As Figure 3 shows, nearly 90% of workers who would be affected by a 2025 increase to \$15/hour are workers aged 20 and older.

Figure 3

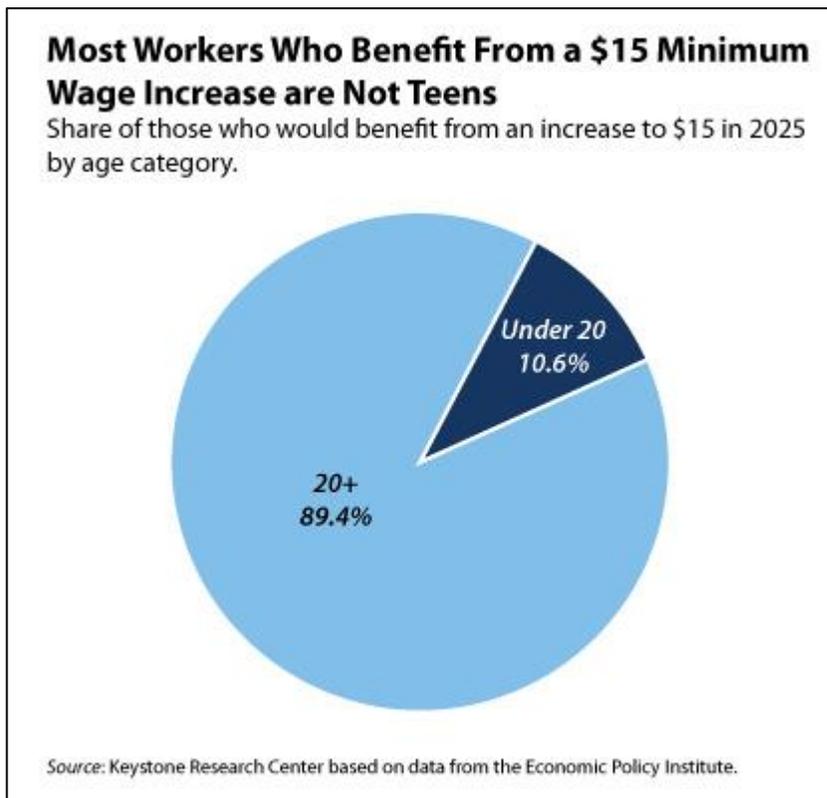
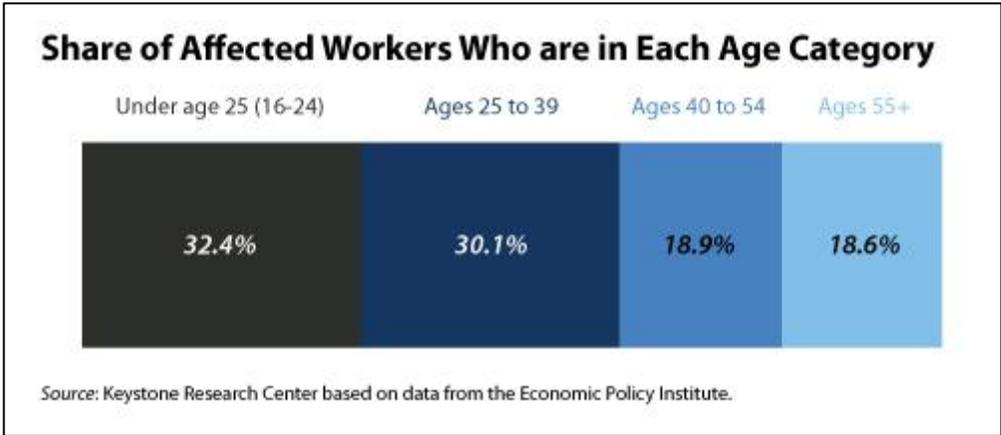


Figure 4 shows more detail on the age distribution of affected workers. Those under age 25 (16-24) make up nearly a third (32.4%) of workers who would be affected by the minimum wage increase. Not quite another third (30.1%) is made up of workers ages 25-39. Middle-aged workers (ages 40-54) make up 18.9% of the share

of workers who would benefit. And, contrary to popular belief, older workers (age 55+) in Pennsylvania make up a larger share of workers (18.6%) who would receive a wage increase than teenagers do (10.6%).

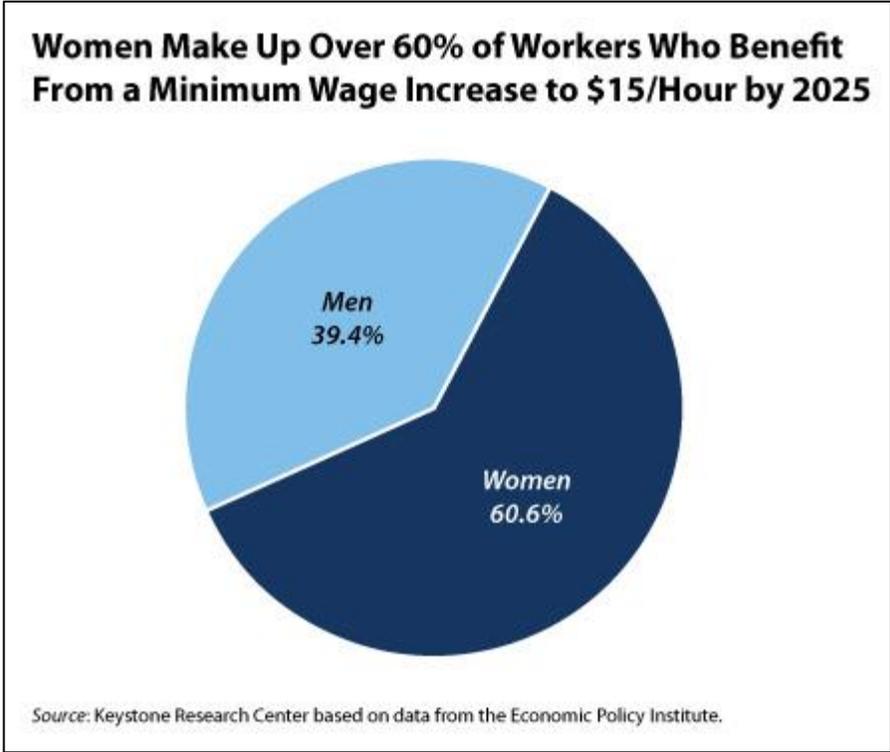
Figure 4



Gender

The minimum wage increase would benefit both men and women. However, because women are disproportionately working in low-wage jobs, the benefits would disproportionately raise pay for women. As Figure 5 shows, of those workers who would benefit from a minimum wage increase to \$15/hour by 2025, 61% are women. In fact, by 2025, 41.1% of all women in the Pennsylvania workforce will benefit from a minimum wage increase (and 26.4% of all working men in the state) (Appendix 1).

Figure 5



Race/ethnicity

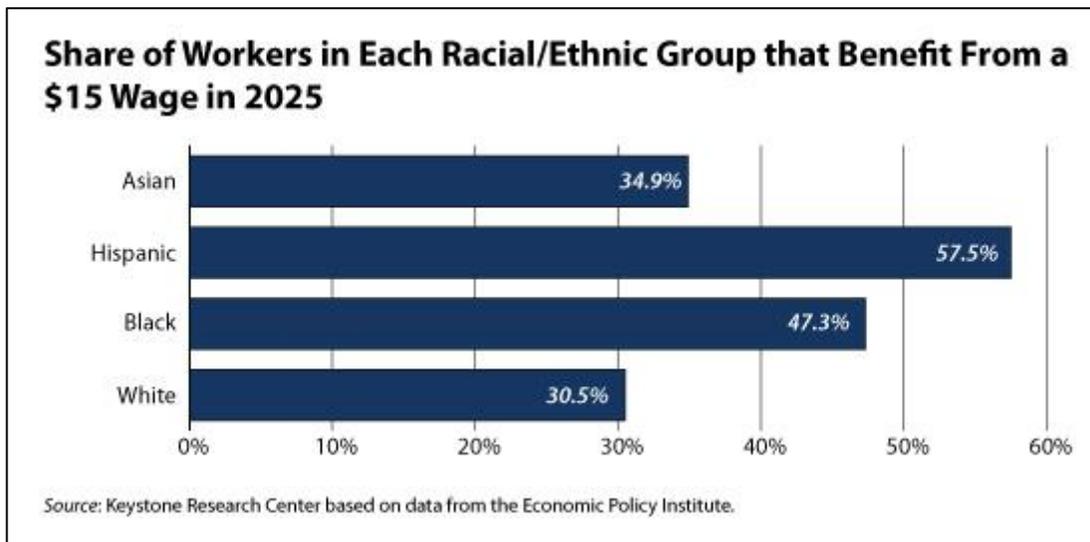
White, non-Hispanic workers in Pennsylvania make up the vast majority (72.8%) of people who would benefit from a 2025 minimum wage increase to \$15. Nearly 13% of workers benefiting are African American, 10% Hispanic, and 5% Asian/other race/ethnicity (Figure 6).

Figure 6



While whites make up the majority of workers who would benefit, people of color would benefit at higher rates. As Figure 7 shows, a majority (58%) of Hispanic workers in Pennsylvania would benefit from a 2025 raise in the minimum wage to \$15/hour. Nearly half (47%) of African American workers would see a raise by that point. Among Asian workers, 35% would benefit. Nearly one third (31%) of white workers would benefit.

Figure 7



Education

High school graduates make up 44% of workers who would benefit from a \$15 minimum wage by 2025. Fifteen percent of those who will see an increase have less than a high school degree. Perhaps most striking about Figure 8 is that 41% of workers who would benefit from a minimum wage increase have at least some college experience. This is contrary to the common misconception that almost all low-wage workers have low education levels.

Figure 8

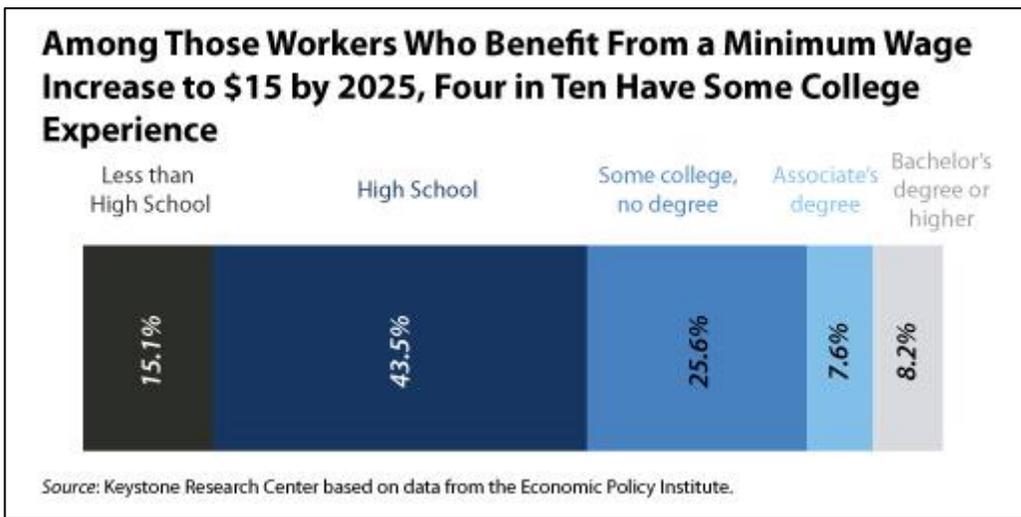
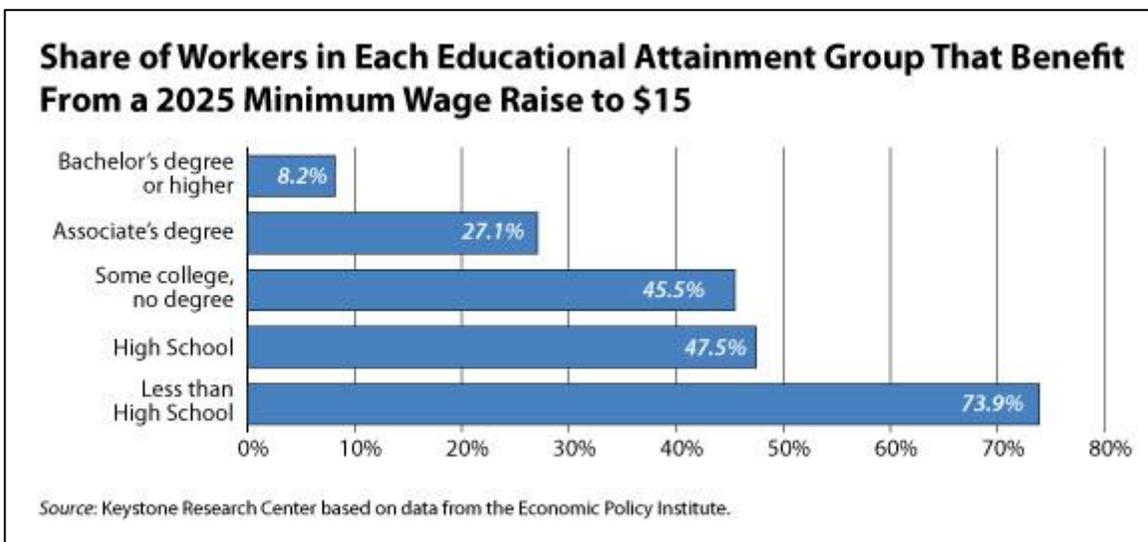


Figure 9 shows the share of workers who would benefit from a minimum wage increase in each educational category. Seventy-four percent of those with less than a high school degree would see a wage increase. Close to half of those with a high school degree (48%), and those with some college (46%), would also get a raise. Even a good percentage of those with a degree would see an increase – 27% of those with an associate degree would benefit.

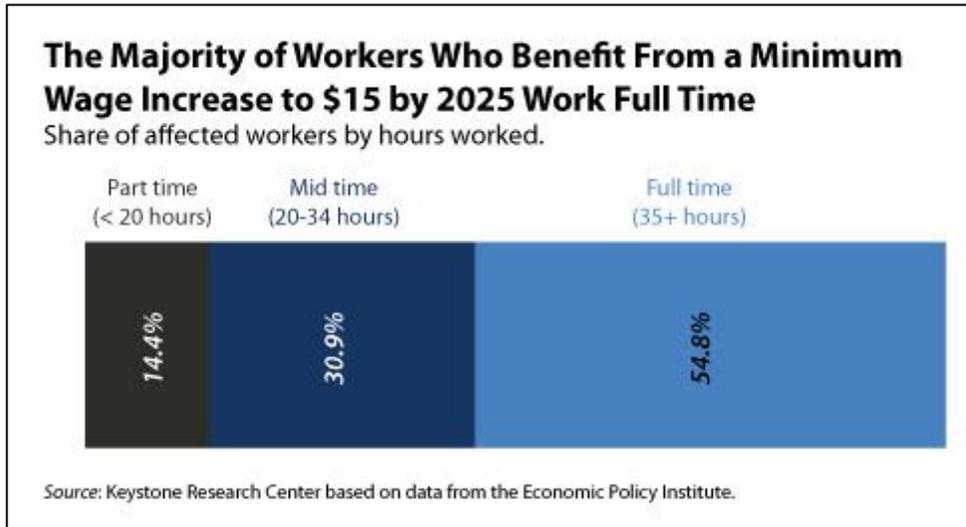
Figure 9



Hours of Work

The majority (55%) of workers who would benefit from a 2025 minimum wage increase to \$15/hour are full-time workers (defined as working 35 or more hours a week). Workers who work 20-34 hours per week make up 31% of those who would benefit. Those working less than 20 hours per week only make up 14% of the total (Figure 10).

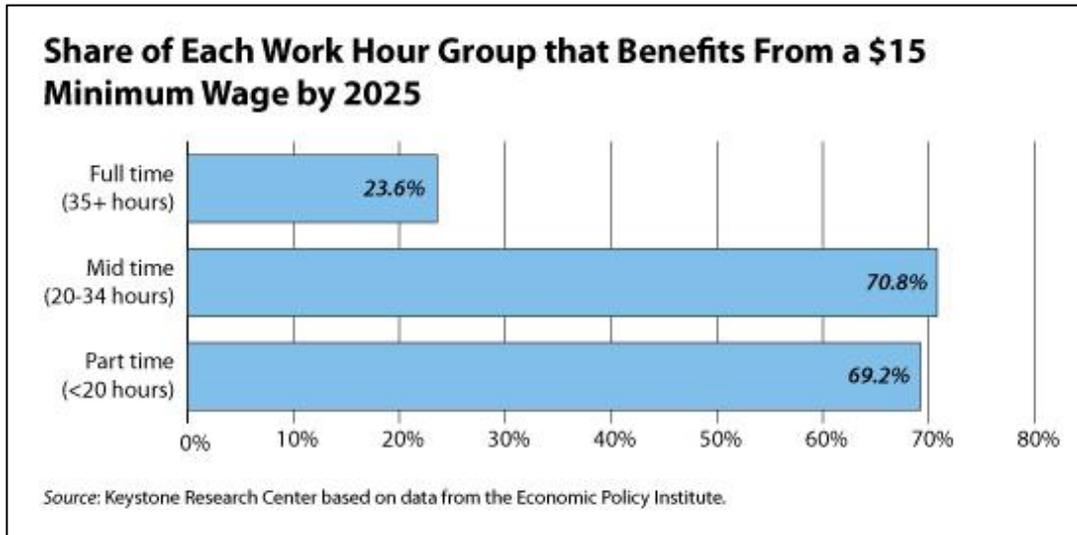
Figure 10



While full-time workers make up the majority of those benefiting, those who work less than full-time are more likely to benefit (Figure 11). About a quarter (24%) of full-time workers will see an increase by 2025, while 71% of those working 20-34 hours a week and 69% of those working less than 20 hours a week will benefit. Many workers who work part-time are not doing so voluntarily. In fact, today the share of involuntary part-time work remains at recessionary levels, reflecting employers' excessive use of part-time workers, especially in certain industries like retail, leisure, and hospitality.³ Other part-time workers cannot pursue full-time work due to their particular circumstances, whether it is a lack of access to child care, other care-taking responsibilities, school or other reasons. No matter the reason, many part-time workers face a wage penalty and need higher earnings.

³ Golden, Lonnie. 2016. "Still Falling Short on Hours and Pay: Part-Time Work Becoming New Normal." Economic Policy Institute. December 2016. Accessed at: <https://www.epi.org/publication/still-falling-short-on-hours-and-pay-part-time-work-becoming-new-normal/#epi-toc-17>.

Figure 11

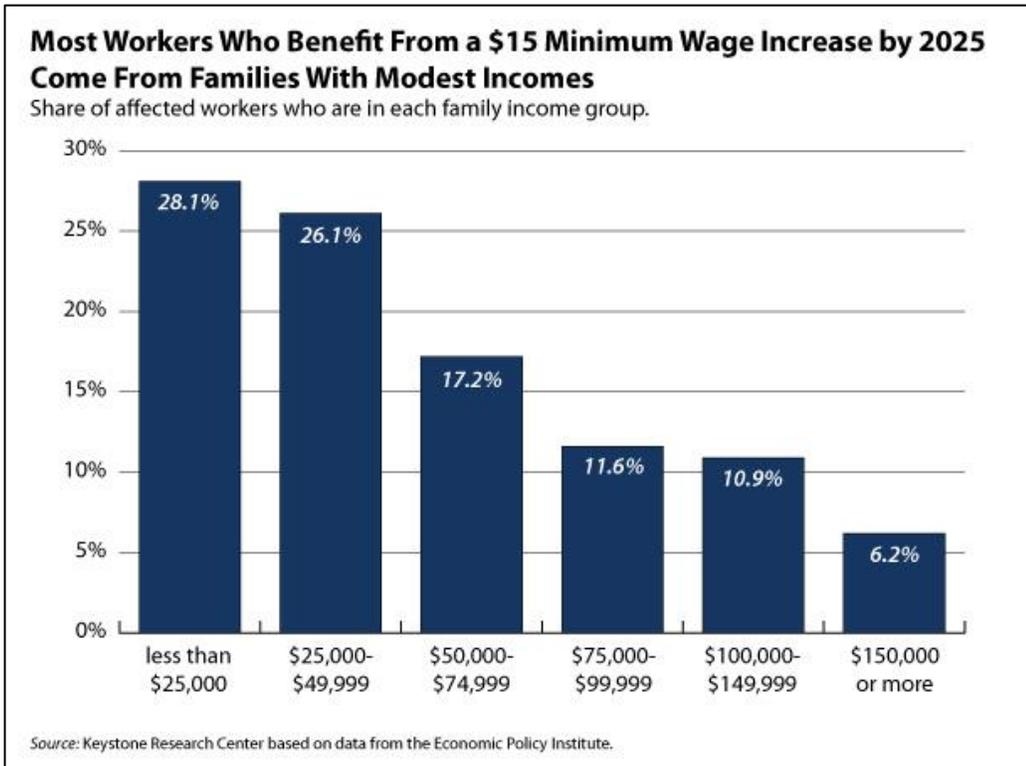


Family Income

Another misconception about low-wage workers is that their income is not needed to help their family make ends meet because their wages are in addition to a larger paycheck from parents or a spouse. As Figure 12 shows, however, nearly three quarters of Pennsylvanians (71%) who would benefit from a 2025 minimum wage increase have modest family incomes (under \$75,000/year). Twenty-eight percent of those who would benefit have family incomes of less than \$25,000/year; 26% are workers whose family income is between \$25,000-\$49,999; and an additional 17% have a family income between \$50,000-\$74,999 a year. While the minimum wage increase will primarily impact workers of modest means, it will help workers across the income spectrum. As David Cooper explains, the minimum wage has a poverty-reducing affect, but its broader purpose is to prevent the exploitation of labor for all workers, regardless of their family income.⁴

⁴ <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>

Figure 12



Poverty Status

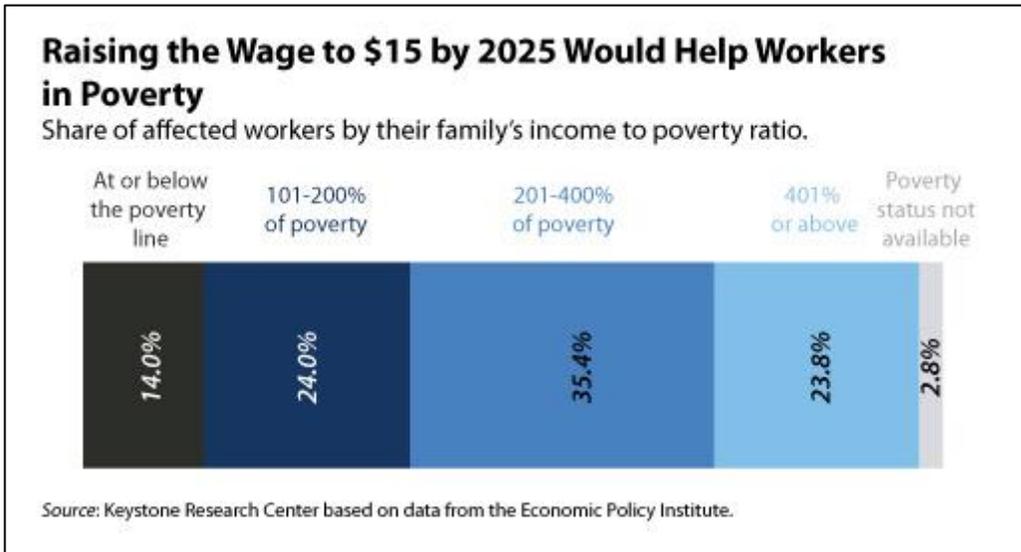
Contrary to the misconception that poor people don't work, nationally, two-thirds of all employable poor people have a job and over 40% work full time.⁵ So, raising the minimum wage is an effective tool for reducing poverty. One researcher found that for every 10% increase in the minimum wage, the poverty rate should decrease by about 5.3% in the long run.⁶

Raising the minimum wage to \$15 by 2025 in Pennsylvania would help reduce poverty in the state. A full 38% of those workers who would benefit in the state have a family income below 200% of the federal poverty level (Figure 13). More than a third of workers (35%) benefiting have a family income between 200% and 400% of the federal poverty level.

⁵ Elise Gould, Alyssa Davis and Will Kimball. 2015. "Broad-Based Wage Growth Is a Key Tool in the Fight Against Poverty." Economic Policy Institute. May 20, 2015. Accessed at: <https://www.epi.org/publication/broad-based-wage-growth-is-a-key-tool-in-the-fight-against-poverty/>

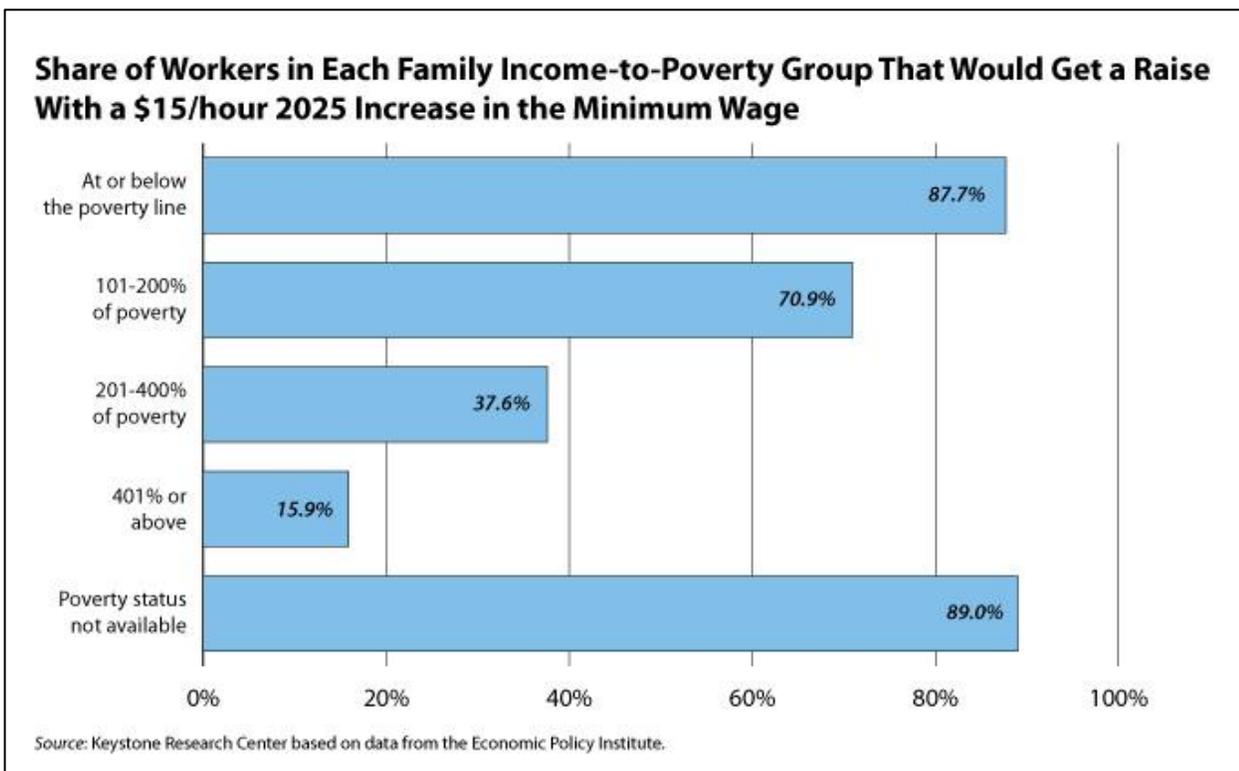
⁶ Arindrajit Dube. 2018. "Minimum Wages and the Distribution of Family Incomes." NBER Working Paper no. 25240, November 2018.

Figure 13



Those with a lower family income have a much higher chance of benefiting from the minimum wage increase (Figure 14). Nearly 9 in 10 workers (88%) with family incomes at or below the poverty line will benefit from a 2025 minimum wage increase. Seventy-one percent of the “near poor” with family incomes at 101-200% of the federal poverty line will benefit. Workers in families with a higher family income (401% or above the poverty line) will be less likely to benefit (16%).

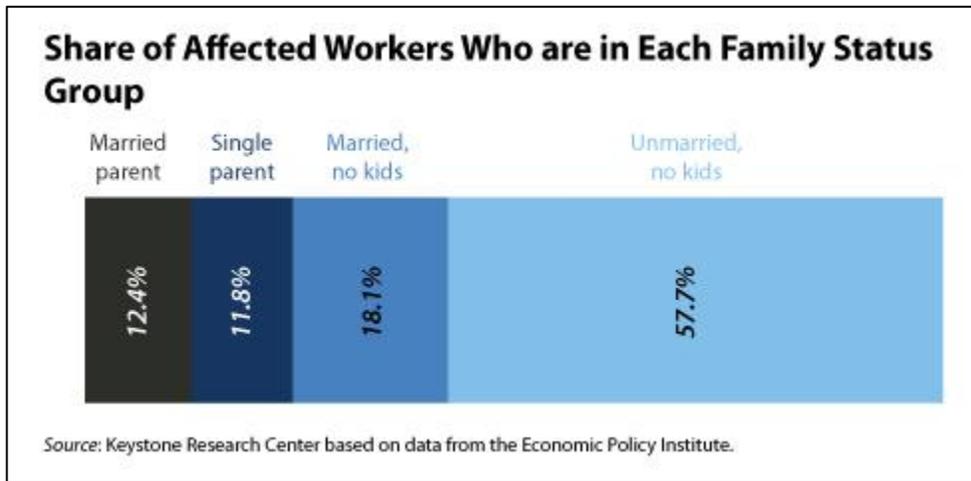
Figure 14



Family status and children

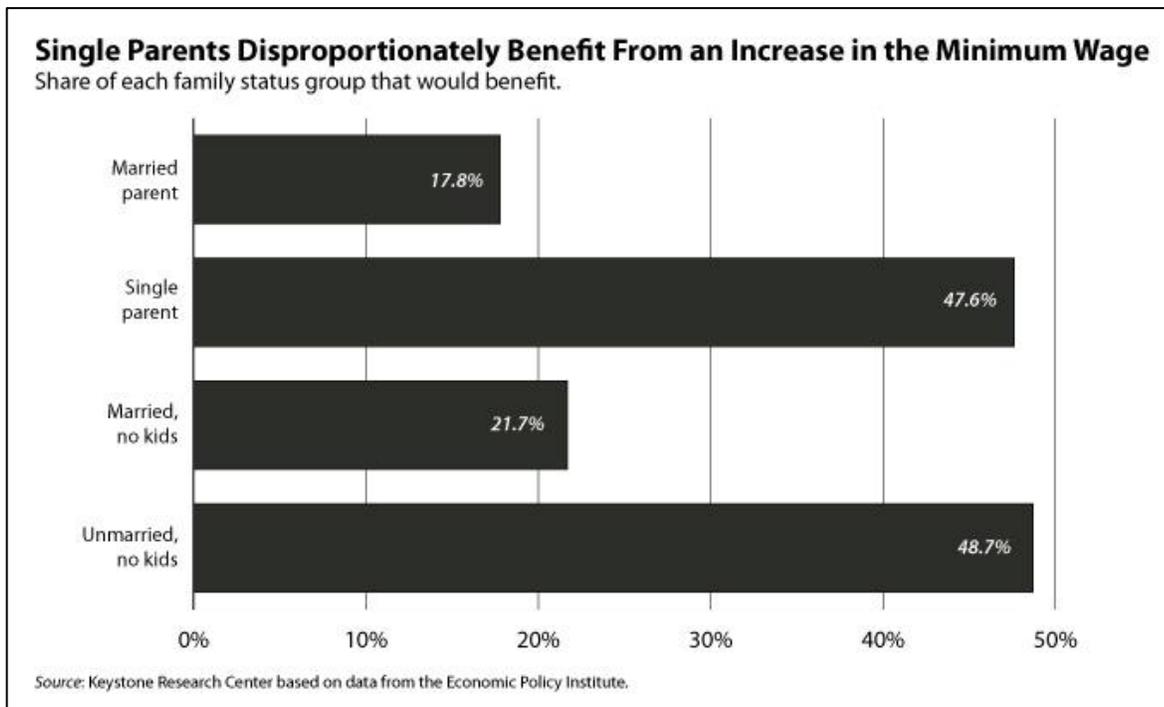
In Pennsylvania, nearly a quarter of workers who would benefit by a minimum wage increase to \$15/hour by 2025 are parents. Twelve percent are single parents, supporting their children on their own. While single parents make up a relatively small group benefiting from a minimum wage increase, they do disproportionately benefit since they make up only 8% of the total Pennsylvania workforce but represent 12% of those benefiting. About one-third of workers (31%) benefiting are married, and 58% are unmarried with no kids.

Figure 15



Nearly half of workers who are unmarried with no kids (49%) and single parents (48%) will see an increase in their wages by 2025 with a minimum wage increase to \$15/hour (Figure 16). Eighteen percent of married parents would see an increase, and 22% of married workers with no kids would benefit.

Figure 16



Industry

As Figure 17 shows, workers working in many different industries will benefit from a 2025 minimum wage increase to \$15/hour. However, more than half (54%) of those who will benefit come from three service industries vital to our economy: retail trade (20.4%), health care (17.8%), and restaurants and food service (15.6%).

Figure 17

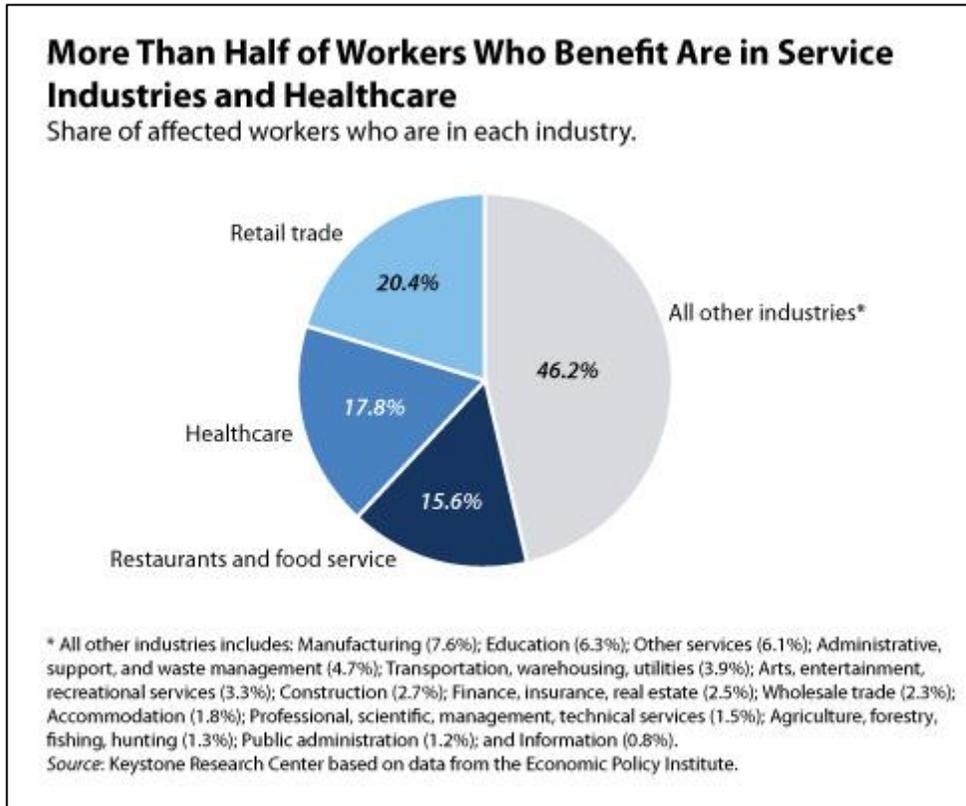
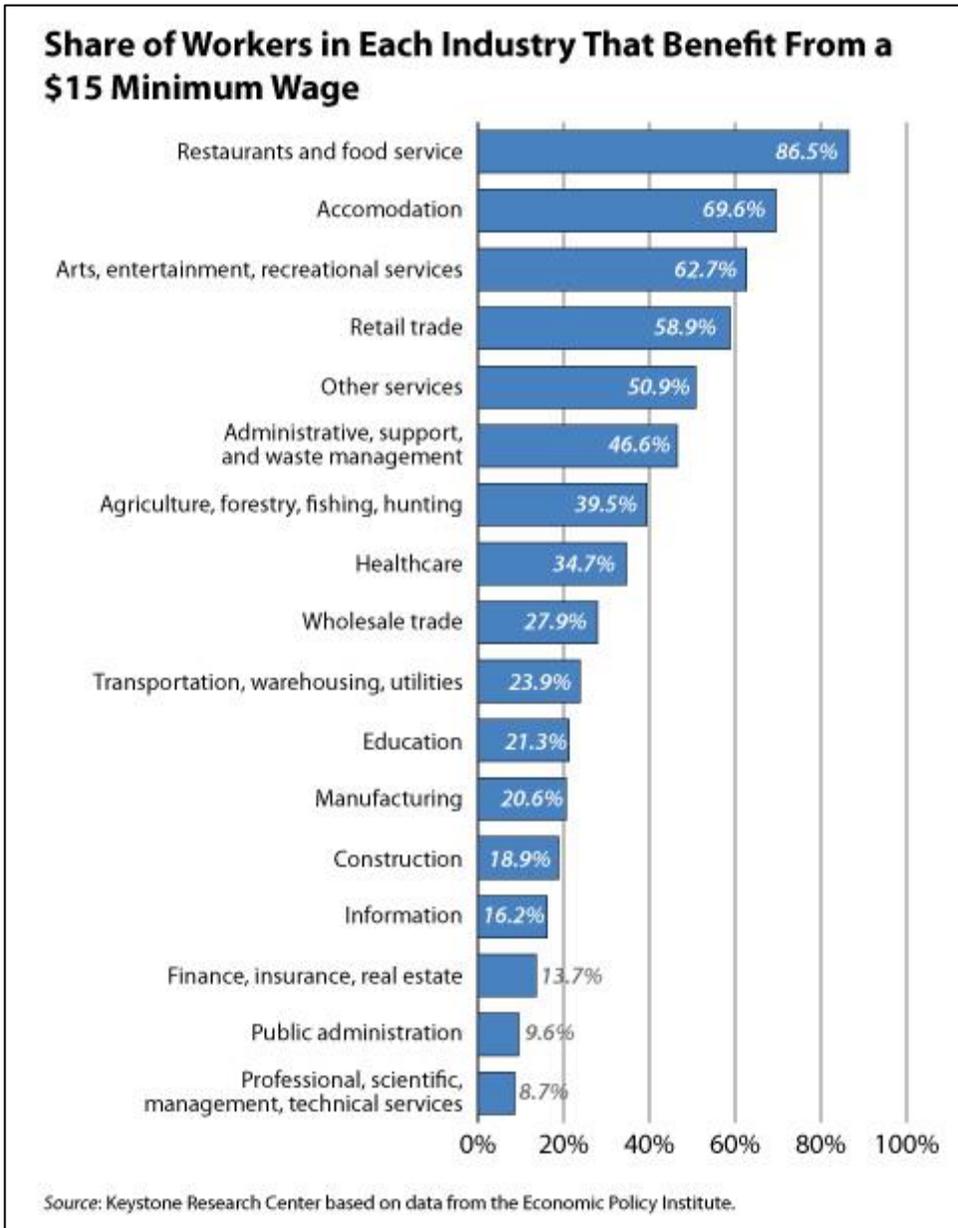


Figure 18 shows the share of workers in each industry that will benefit. Those most likely to benefit work in service industries. Most likely to see a raise are restaurant and food service workers, with 87% getting a raise by 2025, followed by accommodation workers (70%); arts, entertainment, and recreational service workers (63%), retail trade workers (59%); and those who provide other services (51%).

Figure 18



While tipped workers make up only 3% of Pennsylvania’s workforce, they make up 7% of the workers who will benefit from a minimum wage increase—this is because 100% of them will see their pay go up with a 2025 wage increase, which includes the elimination of the tipped minimum wage (Appendix 1).

Conclusion

The establishment of the minimum wage in 1938 played a significant role in ensuring that workers could receive adequate wages for their work—wages that could help provide for them and their families. However, because the United States, and Pennsylvania, have not continued to update the minimum wage to keep up with inflation, workers today earn much less than their counterparts did half a century ago. In 1968, Pennsylvania's minimum wage was 51% of the median wage—but today it is only 30% of the median.

Raising the wage to \$15/hour by 2025 will put Pennsylvania workers back up to where they were in the late 1960s. Wages will increase directly due to the minimum wage increase and indirectly due to employers' shifting pay scales. And its impact will be significant—more than one-third (34%) of Pennsylvania's workforce will see an increase in their wages by 2025.

As this report shows, workers across demographic boundaries will benefit. With this policy change, we will see: more than 2 million workers across the state with higher wages; a reduction in poverty across the state; the elimination of disparities between tipped and untipped workers; a decrease in existing gender and race disparities; and more money being injected into our state economy. And with annual wage adjustments linked to inflation, Pennsylvania's workers of the future won't have to worry about their wages lagging. The time has come to raise the minimum wage in Pennsylvania.

Appendix 1:

Demographic characteristics of workers who would benefit if the Pennsylvania minimum wage were raised to \$12 in July 2019 and eventually to \$15 in July 2025.							
Category	\$12 by July 2019			\$15 by July 2025			
	Total affected	Share of group who are affected	Group's share of state total affected	Total affected	Share of group who are affected	Group's share of state total affected	
Total	1,668,000	28.5%	100.0%	2,013,000	33.7%	100.0%	
Sex							
Women	1,019,000	35.0%	61.1%	1,220,000	41.1%	60.6%	
Men	649,000	22.0%	38.9%	792,000	26.4%	39.4%	
Age							
20 +	1,497,000	26.6%	89.8%	1,800,000	31.3%	89.4%	
Under 20	171,000	77.6%	10.2%	213,000	94.8%	10.6%	
Age Detailed							
Under age 25 (16-24)	561,000	72.9%	33.6%	652,000	83.0%	32.4%	
Ages 25 to 39	506,000	28.0%	30.3%	606,000	32.9%	30.1%	
Ages 40 to 54	300,000	16.1%	18.0%	380,000	20.0%	18.9%	
Ages 55+	301,000	21.4%	18.1%	374,000	26.0%	18.6%	
Race/ethnicity							
White	1,206,000	25.6%	72.3%	1,465,000	30.5%	72.8%	
Black	215,000	40.5%	12.9%	256,000	47.3%	12.7%	
Hispanic	165,000	49.7%	9.9%	195,000	57.5%	9.7%	
Asian	82,000	30.0%	4.9%	97,000	34.9%	4.8%	
Family Status							
Married parent	202,000	14.6%	12.1%	250,000	17.8%	12.4%	
Single parent	204,000	41.7%	12.2%	237,000	47.6%	11.8%	
Married, no kids	288,000	17.5%	17.3%	365,000	21.7%	18.1%	
Unmarried, no kids	975,000	41.7%	58.4%	1,161,000	48.7%	57.7%	
Family Income							
less than \$25,000	498,000	72.7%	29.9%	565,000	80.8%	28.1%	
\$25,000 - \$49,999	420,000	37.2%	25.2%	525,000	45.7%	26.1%	
\$50,000 - \$74,999	280,000	25.0%	16.8%	346,000	30.2%	17.2%	
\$75,000 - \$99,999	188,000	20.3%	11.3%	233,000	24.6%	11.6%	
\$100,000 - \$149,999	179,000	16.1%	10.7%	219,000	19.3%	10.9%	
\$150,000 or more	102,000	11.8%	6.1%	125,000	14.1%	6.2%	
Industry							
Agriculture, forestry, fishing, hunting	23,000	34.2%	1.4%	27,000	39.5%	1.3%	
Construction	40,000	14.6%	2.4%	54,000	18.9%	2.7%	
Manufacturing	120,000	16.3%	7.2%	154,000	20.6%	7.6%	
Wholesale trade	37,000	22.4%	2.2%	47,000	27.9%	2.3%	
Retail trade	350,000	51.2%	21.0%	410,000	58.9%	20.4%	
Transportation, warehousing, utilities	63,000	19.3%	3.8%	79,000	23.9%	3.9%	
Information	13,000	13.3%	0.8%	16,000	16.2%	0.8%	
Finance, insurance, real estate	38,000	10.3%	2.3%	51,000	13.7%	2.5%	
Professional, scientific, management, technical services	22,000	6.5%	1.3%	31,000	8.7%	1.5%	
Administrative, support, and waste management	81,000	40.2%	4.8%	95,000	46.6%	4.7%	
Education	101,000	17.4%	6.1%	126,000	21.3%	6.3%	
Healthcare	293,000	28.9%	17.6%	359,000	34.7%	17.8%	
Arts, entertainment, recreational services	57,000	54.7%	3.4%	67,000	62.7%	3.3%	
Accommodation	32,000	63.1%	1.9%	35,000	69.6%	1.8%	
Restaurants and food service	275,000	77.3%	16.5%	313,000	86.5%	15.6%	
Other services	107,000	45.1%	6.4%	123,000	50.9%	6.1%	
Public administration	19,000	7.5%	1.1%	25,000	9.6%	1.2%	
Work Hours							
Part time (< 20 hours)	243,000	59.3%	14.6%	289,000	69.2%	14.4%	
Mid time (20-34 hours)	543,000	63.1%	32.5%	621,000	70.8%	30.9%	
Full time (35+ hours)	883,000	19.3%	52.9%	1,102,000	23.6%	54.8%	
Education							
Less than high school	251,000	62.1%	15.0%	305,000	73.9%	15.1%	
High School	734,000	40.6%	44.0%	875,000	47.5%	43.5%	
Some college, no degree	436,000	39.3%	26.1%	515,000	45.5%	25.6%	
Associates degree	122,000	22.1%	7.3%	152,000	27.1%	7.6%	
Bachelor's degree or higher	126,000	6.3%	7.5%	166,000	8.2%	8.2%	
Organizational Type							
For profit	1,420,000	31.9%	85.1%	1,703,000	37.6%	84.6%	
Government	83,000	12.7%	5.0%	106,000	15.9%	5.3%	
Non-profit	165,000	21.9%	9.9%	203,000	26.5%	10.1%	
Poverty Status							
At or below the poverty line	254,000	80.2%	15.2%	283,000	87.7%	14.0%	
101-200 percent of poverty	416,000	62.1%	24.9%	484,000	70.9%	24.0%	
201-400 percent of poverty	568,000	30.6%	34.0%	712,000	37.6%	35.4%	
401 percent or above	384,000	13.0%	23.0%	478,000	15.9%	23.8%	
Poverty status not available	47,000	76.2%	2.8%	56,000	89.0%	2.8%	
Tipped Workers							
Not tipped workers	1,498,000	26.4%	89.8%	1,839,000	31.7%	91.0%	
Tipped workers	170,000	100.0%	10.2%	173,000	100.0%	9.0%	

Source: Keystone Research Center based on Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.



A \$15 Minimum Wage Is a Pathway, Not a Cliff¹

An examination of the likelihood of a benefits cliff if the minimum wage were increased in Pennsylvania, Part I

By Diana Polson

July 9, 2019

Introduction

As Pennsylvania seriously considers raising the minimum wage for the first time in over a decade, concerns have been raised that workers receiving a higher wage also will face a “benefits cliff.” A benefits cliff occurs when individuals get a wage increase but the social benefits they lose and the taxes they pay increase more than their additional earnings, resulting in an overall reduction in a family’s standard of living. This brief explores that claim.

A minimum wage increase to \$15/hour by 2025 will result in 2.01 million Pennsylvanian workers receiving a raise, which is 34% of the state’s workforce.² We find that the vast majority of workers who would receive a wage increase from a \$15 minimum wage would not experience any sort of benefits cliff. Most of the major public benefits programs provided by the nation or state are structured as gradual phase-outs, so as workers earn more their benefits are gradually tapered off and their taxes are gradually increased. Most single parents or dual-parent families who utilize multiple benefits programs would still see their net income become higher with a minimum wage increase. One benefits program in Pennsylvania that has a benefits cliff is Child Care Works where benefits decline as income goes up, but eligibility is cut off once a person earns 235% of the federal poverty level. However, as we show in a [second paper](#) that explores this program in depth, very few Pennsylvanians are likely to lose benefits at even a \$15 minimum. And, those who are threatened with a benefits cliff are likely to find palatable ways to avoid it.

Below we examine different benefits programs offered to Pennsylvanians and how an increase in the minimum wage would change the net income of working families in different family structures. For the very small percentage of workers who partake in multiple benefits programs and might face a benefits cliff, the right way to deal with a potential benefits cliff is not to deny workers a raise, but to ensure that: 1) the benefits programs are structured as phase-outs; and 2) these programs are

¹ This paper is adapted, with permission, from the National Employment Law Project’s (NELP) testimony of Yannet Lanthrop: “In support of a \$15 Minimum Wage in New Hampshire: Hearing Before the Labor, Industrial and Rehabilitative Services Committee of the New Hampshire House of Representatives.” NELP. February 20, 2019. Accessed at: <https://www.nelp.org/publication/nelp-testimony-in-support-of-a-15-minimum-wage-in-new-hampshire/>. We at the Keystone Research Center and Pennsylvania Budget and Policy Center used Ms. Lanthrop’s paper as a template, but updated the data and information to reflect the situation in Pennsylvania.

² Diana Polson, Mark Price, Stephen Herzenberg. 2019. “Increasing the Minimum Wage to \$15/hour by 2025 Raises Wages for Over 2 Million Workers in Pennsylvania. Who Are They? The Demographic Impacts of a Minimum Wage Increase.” Keystone Research Center and the Pennsylvania Budget and Policy Center. May 2019. Accessed at: https://www.keystoneresearch.org/sites/default/files/201905_DemographicImpactsofMinWage.pdf.

adequately funded so that those in need will continue to receive benefits until they do not need them anymore.

Many Major Public Benefits Phase Out as Incomes Increase, Avoiding Cliff Effects

The nation's broadest safety net programs—the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), and the Supplemental Nutritional Assistance Program (SNAP)—are designed to promote work and self-sufficiency. Therefore, rather than abruptly ending when workers' incomes exceed a threshold, these benefits gradually phase out as workers' incomes continue to rise.

The Majority of PA Workers Face No Benefit Cliff

Most Workers Who Would Benefit from a Minimum Wage Increase Are Single or Married Adults with No Dependent Children

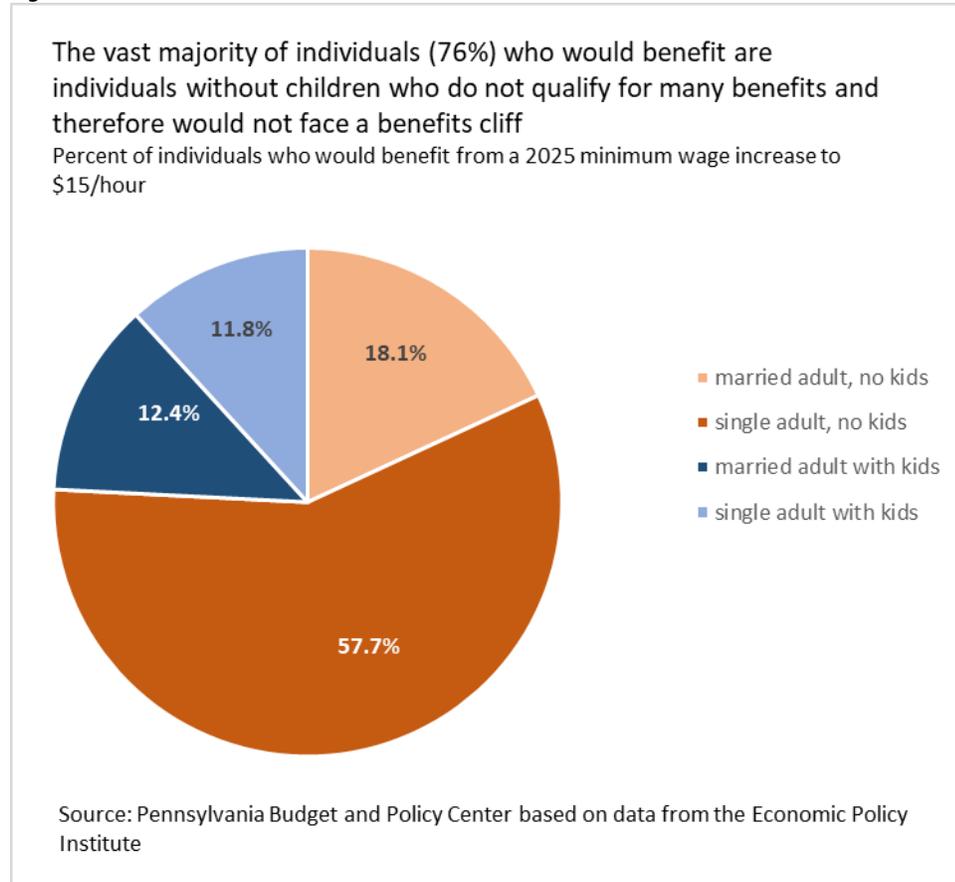
In Pennsylvania, raising the minimum wage to \$15 is not going to lead to a “benefits cliff” because, as [data](#) from the Economic Policy Institute shows, most low-wage workers in Pennsylvania who would benefit from a minimum wage increase are single or married adults without dependent children (76%) (Figure 1), and 55% work 35 hours or more per week.³ Childless adults are categorically ineligible for the Child Tax Credit, Children's Health Insurance Program (CHIP) and Women, Infants and Children (WIC)—and many workers with full-time (or close to full-time) hours generally earn too much to qualify for an Earned Income Tax Credit (EITC) while Supplemental Nutrition Assistance Program (SNAP) benefits are so low that losing them has little effect on total income. Thus, the majority of Pennsylvania's low-wage workers have few benefits to lose as their wages increase. Because of the Affordable Care Act, Pennsylvania has been able to expand Medicaid, and heavily subsidized health insurance is available on the health care marketplace/exchange. So, many low-wage workers will continue to receive Medicaid as their wages increase. When Medicaid is no longer available, premium costs for a silver plan remain relatively low.⁴

³ Diana Polson, Mark Price, and Stephen Herzenberg, “Increasing the Minimum Wage to \$15/Hour by 2025 Raises Wages for Over 2 Million Workers in Pennsylvania. Who Are They?” Keystone Research Center and Pennsylvania Budget and Policy Center, May 2019;

https://www.keystoneresearch.org/sites/default/files/201905_DemographicImpactsofMinWage.pdf.

⁴ In comparing health insurance costs we look at just premiums and ignore co-pays or deductibles. This will somewhat understate the costs of securing insurance through the marketplace / exchange instead of through Medicaid. Individuals and families on both Medicaid and ACA exchange-based health insurance pay co-pays although they are likely to be higher on average for exchange-based health insurance. Also, some exchange-based insurance policies also do have deductibles. At this point in our research we have not found a way to estimate Medicaid co-pays in Pennsylvania so as to compare them to exchange-based insurance policies. To make the comparison as close as possible, we have chosen to use silver level plans that are eligible for cost-sharing reductions when calculating premium costs for exchanged-based health insurance. Silver plans may be more costly than bronze level plans, but the silver plans also have the lowest co-pays and, in many cases, no deductibles.

Figure 1



Single Adults Without Children Benefit From a Higher Minimum Wage

Figure 2 and Table 1 shows that a typical Pennsylvania worker affected by a minimum wage increase—an adult working full time and with no dependent children—would benefit a great deal as the minimum wage rises to \$15 per hour, even when we factor in higher federal and payroll taxes, decreasing SNAP benefits, and increasing health care costs. The table shows that, at the minimum wage, these workers would receive a small amount of SNAP benefits at \$7.25 per hour but would lose them at \$12 per hour or above. These workers would also need to pay for their health care on the marketplace once they reach \$12 per hour if their employer does not provide insurance. However, despite higher taxes and the loss of benefits, these workers retain the lion’s share (75%) of their higher wages as the minimum wage goes up.

Figure 2

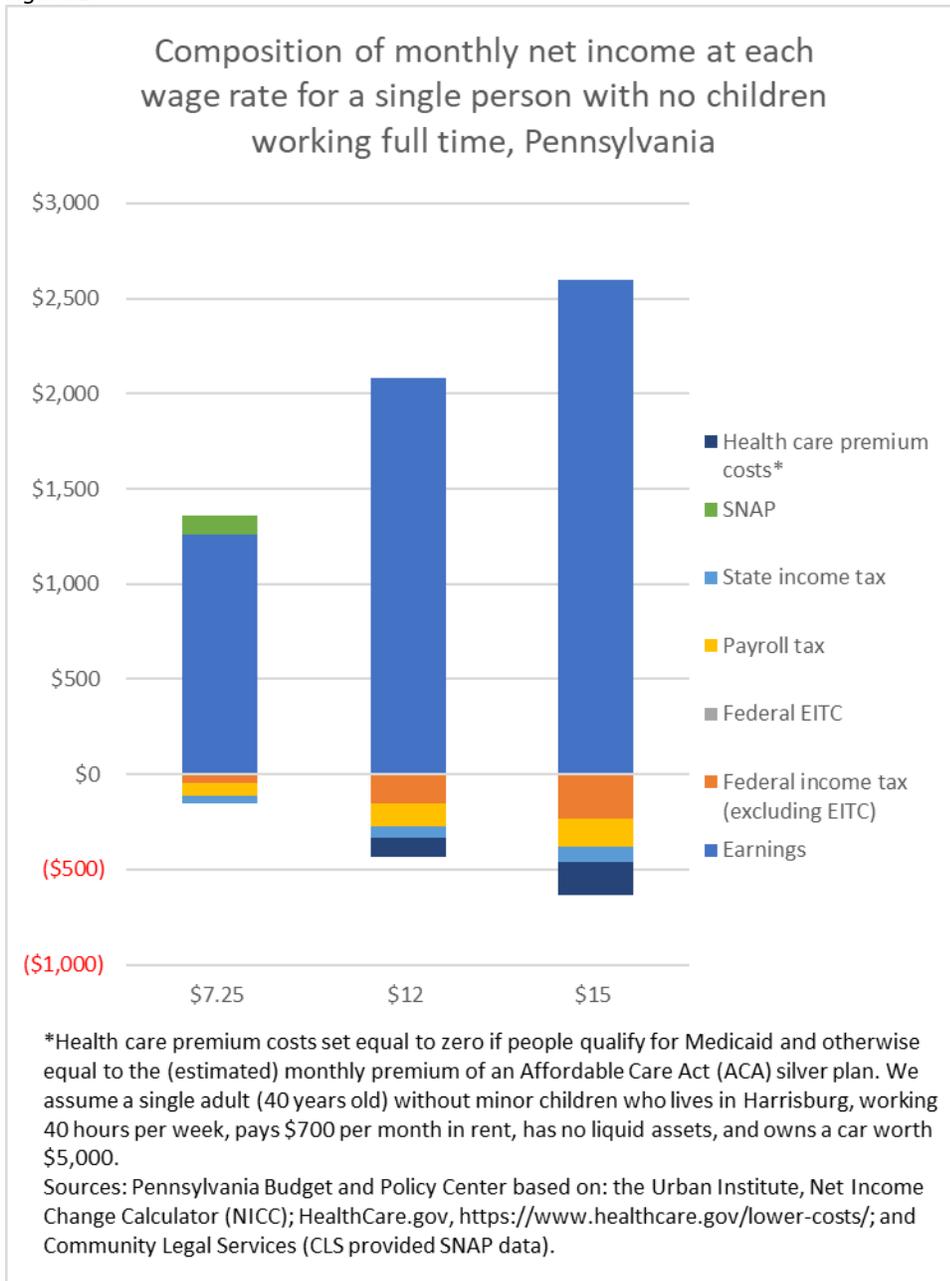


Table 1

Composition of monthly net income at each wage rate for a single person working full time with no children			
Type of Income and Expense	Hourly Wage Rate		
	\$7.25	\$12	\$15
Earnings	\$1,257	\$2,080	\$2,600
Taxes			
Federal income tax (excluding EITC)	(\$44)	(\$154)	(\$232)
Federal EITC	\$0	\$0	\$0
Payroll tax	(\$71)	(\$118)	(\$147)
State income tax	(\$39)	(\$64)	(\$80)
Total taxes	(\$154)	(\$335)	(\$459)
TANF	\$0	\$0	\$0
SNAP	\$105	\$0	\$0
WIC	\$0	\$0	\$0
Housing Subsidy	\$0	\$0	\$0
Child Care Expenses	\$0	\$0	\$0
Child Support	\$0	\$0	\$0
Health care premium costs*	\$0	(\$97)	(\$179)
Total Net Income	\$1,208	\$1,648	\$1,962

*Health care premium costs set equal to zero if people qualify for Medicaid and otherwise equal to the (estimated) monthly premium of an Affordable Care Act (ACA) silver plan. We assume a single adult (40 years old) without minor children who lives in Harrisburg, working 40 hours per week, pays \$700 per month in rent, has no liquid assets, and owns a car worth \$5,000.

Sources: Pennsylvania Budget and Policy Center based on: the Urban Institute, Net Income Change Calculator (NICC); HealthCare.gov, <https://www.healthcare.gov/lower-costs/>; and Community Legal Services (CLS provided SNAP data).

Virtually All Families with Children Benefit from a Higher Minimum Wage

Approximately one quarter (24%) of workers affected by a \$15 minimum wage in Pennsylvania are parents of dependent minors.⁵ These parents and their children are eligible for the Child Tax Credit, and some of them may also be eligible for other public assistance programs like the EITC, SNAP, child care subsidies, WIC, and CHIP (children's health insurance). These working parents may be vulnerable to the loss of benefits as their incomes increase. **However, most of these workers end up better off, all things considered, as the benefits they may lose are more than offset by an increase in earnings.** Of all the scenarios we examined, there is only one in which raising the minimum wage from \$7.25 per hour to \$15 per hour might result in a net loss in income—a family in which two parents hold full-time minimum wage jobs and have two or more kids in full-time child care. But, as we point out below, few families fall into this category and there may be ways for those that do to mitigate the benefit cliff. There are also a few scenarios in which increasing the minimum wage from \$12 to \$15 might actually reduce the net income for families with children. We suggest some policy adjustments that could eliminate this cliff effect.

⁵ Keystone Research Center based on Economic Policy Institute estimates.

Single Parents with Kids

We first look at single parents with kids, which represent about 12% of individuals who would benefit from a 2025 minimum wage increase to \$15 per hour. Table 2 shows that a single adult working full-time, raising one child, and receiving EITC, SNAP, childcare subsidies, WIC, Medicaid and CHIP, would see his or her wages increase from \$1,257 to \$2,080 as a result of the minimum wage increasing from \$7.25 per hour to \$12 per hour. After adjusting for changes in taxes and benefit changes, his or her after-tax and after-benefit income would increase from \$1,838 to \$2,241, that is an increase of \$403 or 22%. The individual would thus retain 49% of his or her additional wages after adjusting for the change in taxes and benefits.

As Table 2 shows, an individual with one child working full-time will have an increase in wages of \$1,343 between \$7.25 per hour and \$15 per hour but an increase in after-tax and after-benefit income of only \$261 or 14%, thus retaining just 19% of his or her wages. At \$15 per hour, with wages at \$2,600 per month and after tax and benefit income at \$2,099 per month, this worker's total income will be 81% of his or her wages.

Table 2 thus shows us that there is a benefit cliff for families in this circumstance as the minimum wage increases from \$12 per hour to \$15 per hour. The benefit cliff is primarily due to a sharp reduction in SNAP benefits at a \$15-per-hour minimum wage. In Pennsylvania there is a cliff for SNAP recipients once one reaches 160% of the federal poverty income guidelines (FPIG). The Department of Human Services can ease this cliff by raising the gross income limit for SNAP to 200% of the FPIG.

Table 2

Composition of monthly net income at each wage rate for a single parent working full time with 1 child (age 2)			
Type of Income and Expense	Hourly Wage Rate		
	\$7.25	\$12	\$15
Earnings	\$1,257	\$2,080	\$2,600
Taxes			
Federal income tax (excluding EITC)	\$83	\$64	\$14
Federal EITC	\$264	\$159	\$76
Payroll tax	(\$71)	(\$118)	(\$147)
State income tax	\$0	(\$64)	(\$80)
Total taxes	\$276	\$42	(\$137)
TANF	\$0	\$0	\$0
SNAP	\$353	\$306	\$0
WIC	\$43	\$43	\$0
Housing Subsidy	\$0	\$0	\$0
Child Care Expenses	(\$91)	(\$186)	(\$251)
Child Support	\$0	\$0	\$0
Health care premium costs*	\$0	(\$44)	(\$113)
CHIP costs (health care for kids)	\$0	\$0	\$0
Total Net Income	\$1,838	\$2,241	\$2,099
<p>*Health care premium costs set equal to zero if people qualify for Medicaid and otherwise equal to the (estimated) monthly premium of an Affordable Care Act (ACA) silver plan. We assume a single adult (age 40) with one 2-year-old living in Harrisburg, working 40 hours per week, paying \$900 per month in rent and \$673 in child care, having no liquid assets, and owning a car worth \$5,000.</p> <p>Sources: Pennsylvania Budget and Policy Center based on: the Urban Institute, Net Income Change Calculator (NICC); Economic Policy Institute on the mean cost of childcare in PA (https://www.epi.org/child-care-costs-in-the-united-states/#/PA); PA Code, Chapter 3041, Subsidized Child Care Eligibility https://www.pabulletin.com/secure/data/vol49/49-24/908.html; https://www.healthcare.gov/lower-costs/ and https://www.chipcoverspakids.com/AboutCHIP/Documents/chip_income_chart_2019.pdf; and and Community Legal Services (CLS provided SNAP data).</p>			

A single adult working full-time with three kids in the same scenario will see an increase in after-tax, after-benefit income of \$637 or 25% as the minimum wage increases from \$7.25 per hour to \$12 per hour. And he or she would retain 77% of the additional wages. As the minimum wage increases from \$7.25 to \$15, a family in these circumstances would see their after-tax, after-benefit income increase by \$949 or 37%. An individual in this circumstance would retain 70% of his or her additional wages. Perhaps even more important, at \$15 per hour, this person will continue to be better off post tax and benefits with an income of \$3,463 (compared to their wage earnings of \$2,600) (Table 3).

Table 3

Composition of monthly net income at each wage rate for a single parent working full time with 3 children (1-year-old, 3-year-old, 6-year-old)			
Type of Income and Expense	Hourly Wage Rate		
	\$7.25	\$12	\$15
Earnings	\$1,257	\$2,080	\$2,600
Taxes			
Federal income tax (excluding EITC)	\$151	\$250	\$250
Federal EITC	\$491	\$353	\$243
Payroll tax	(\$71)	(\$118)	(\$147)
State income tax	\$0	\$0	\$0
Total taxes	\$571	\$485	\$346
TANF	\$0	\$0	\$0
SNAP	\$642	\$642	\$642
WIC	\$87	\$87	\$87
Housing Subsidy	\$0	\$0	\$0
Child Care Expenses	(\$43)	(\$143)	(\$195)
Child Support	\$0	\$0	\$0
Health care premium costs*	\$0	\$0	\$0
Premium under CHIP (health care for kids)	\$0	\$0	\$0
Total Net Income	\$2,514	\$3,151	\$3,480

*Health care premium costs set equal to zero if people qualify for Medicaid and otherwise equal to the (estimated) monthly premium of an Affordable Care Act (ACA) silver plan. We assume a single adult (age 40) living in Harrisburg with a 1-year-old, a 3-year-old, and a 6-year-old working 40 hours per week, paying \$900 per month in rent and \$1580 in child care, having no liquid assets, and owning a car worth \$5,000.

Sources: Pennsylvania Budget and Policy Center based on: the Urban Institute, Net Income Change Calculator (NICC); Economic Policy Institute on the mean cost of childcare in PA (<https://www.epi.org/child-care-costs-in-the-united-states/#/PA>); PA Code, Chapter 3041, Subsidized Child Care Eligibility <https://www.pabulletin.com/secure/data/vol49/49-24/908.html>; <https://www.healthcare.gov/lower-costs/> and https://www.chipcoverspakids.com/AboutCHIP/Documents/chip_income_chart_2019.pdf; and and Community Legal Services (CLS provided SNAP data).

A family with a single adult raising one child, working part-time at 20 hours per week, and receiving these same five benefits (SNAP, WIC, childcare assistance, Medicaid and CHIP) will see their after-tax, after-benefit income increase by \$419 or 33% as the minimum wage increases from \$7.25 to \$12 and by \$642 or 52% as the minimum wage increases from \$7.25 to \$15 per hour. He or she would keep almost all increased wages at a \$15-per-hour minimum wage and all of them at a \$12-per-hour minimum wage (Table 4). This worker's post tax and benefit income is higher than their wage income at \$7.25, \$12, and \$15 per hour.

Table 4

Composition of monthly net income at each wage rate for a single parent working part time with 1 child (age 2)			
Type of Income and Expense	Hourly Wage Rate		
	\$7.25	\$12	\$15
Earnings	\$628	\$1,040	\$1,300
Taxes			
Federal income tax (excluding EITC)	\$57	\$83	\$83
Federal EITC	\$214	\$264	\$264
Payroll tax	(\$36)	(\$59)	(\$73)
State income tax	\$0	\$0	\$0
Total taxes	\$235	\$289	\$274
TANF	\$0	\$0	\$0
SNAP	\$353	\$353	\$353
WIC	\$43	\$43	\$43
Housing Subsidy	\$0	\$0	\$0
Child Care Expenses	(\$22)	(\$43)	(\$91)
Child Support	\$0	\$0	\$0
Health care premium costs*	\$0	\$0	\$0
Premium under CHIP (health care for kids)	\$0	\$0	\$0
Total Net Income	\$1,237	\$1,682	\$1,879

*Health care premium costs set equal to zero if people qualify for Medicaid and otherwise equal to the (estimated) monthly premium of an Affordable Care Act (ACA) silver plan. We assume a single adult (age 40) with one 2-year-old living in Harrisburg, working 20 hours per week, paying \$900 per month in rent and \$337 in child care, having no liquid assets, and owning a car worth \$5,000.

Sources: Pennsylvania Budget and Policy Center based on: the Urban Institute, Net Income Change Calculator (NICC); Economic Policy Institute on the mean cost of childcare in PA (<https://www.epi.org/child-care-costs-in-the-united-states/#/PA>); PA Code, Chapter 3041, Subsidized Child Care Eligibility <https://www.pabulletin.com/secure/data/vol49/49-24/908.html>; <https://www.healthcare.gov/lower-costs/> and https://www.chipcoverspakids.com/AboutCHIP/Documents/chip_income_chart_2019.pdf; and and Community Legal Services (CLS provided SNAP data).

Table 5 and Table 6 estimate the net-income change from a minimum wage increase for a single-parent family with two children (ages 1 and 3). These tables are identical, except Table 6 includes the amount received if the family received a housing subsidy. We did not include housing subsidies in many of our other calculations because few families access these. About 217,000 households secure federal housing assistance in Pennsylvania and 57% of those households, 123,690, have at least one working person who could be impacted by a minimum wage increase. This is a fairly small share of the of more than 2 million people who would benefit from a minimum wage increase to \$15 per hour.

These tables show that single-parent families with two kids would, after-taxes and benefits, be better off as the minimum wage increases than they are today with a minimum wage of \$7.25, whether they receive a housing subsidy or not. In both of these instances, the safety net is operating as it should—helping workers struggling in poverty afford basic needs.

Table 5

Composition of monthly net income at each wage rate for a single parent working full time with 2 children (1-year-old and 3-year-old), with housing subsidy			
Type of Income and Expense	Hourly Wage Rate		
	\$7.25	\$12	\$15
Earnings	\$1,257	\$2,080	\$2,600
Taxes			
Federal income tax (excluding EITC)	\$151	\$167	\$136
Federal EITC	\$436	\$298	\$189
Payroll tax	(\$71)	(\$118)	(\$147)
State income tax	\$0	\$0	(\$80)
Total taxes	\$516	\$347	\$98
TANF	\$0	\$0	\$0
SNAP	\$505	\$505	\$505
WIC	\$87	\$87	\$87
Housing Subsidy	\$568	\$347	\$215
Child Care Expenses	(\$74)	(\$152)	(\$208)
Child Support	\$0	\$0	\$0
Health care premium costs*	\$0	\$0	(\$65)
Premium under CHIP (health care for kids)	\$0	\$0	\$0
Total Net Income	\$2,859	\$3,214	\$3,232

*Health care premium costs set equal to zero if people qualify for Medicaid and otherwise equal to the (estimated) monthly premium of an Affordable Care Act (ACA) silver plan. We assume a single adult (age 40) living in Harrisburg with a 1-year-old and a 3-year-old, working 40 hours per week, paying \$900 per month in rent and \$1580 in child care, having no liquid assets, and owning a car worth \$5,000.

Sources: Pennsylvania Budget and Policy Center based on: the Urban Institute, Net Income Change Calculator (NICC); Economic Policy Institute on the mean cost of childcare in PA (<https://www.epi.org/child-care-costs-in-the-united-states/#/PA>); PA Code, Chapter 3041, Subsidized Child Care Eligibility <https://www.pabulletin.com/secure/data/vol49/49-24/908.html>; <https://www.healthcare.gov/lower-costs/> and https://www.chipcoverspakids.com/AboutCHIP/Documents/chip_income_chart_2019.pdf; and and Community Legal Services (CLS provided SNAP data).

Table 6

Composition of monthly net income at each wage rate for a single parent working full time with 2 children (1-year-old and 3-year-old)			
Type of Income and Expense	Hourly Wage Rate		
	\$7.25	\$12	\$15
Earnings	\$1,257	\$2,080	\$2,600
Taxes			
Federal income tax (excluding EITC)	\$151	\$167	\$136
Federal EITC	\$436	\$298	\$189
Payroll tax	(\$71)	(\$118)	(\$147)
State income tax	\$0	\$0	(\$80)
Total taxes	\$516	\$347	\$98
TANF	\$0	\$0	\$0
SNAP	\$505	\$505	\$505
WIC	\$87	\$87	\$87
Housing Subsidy	\$0	\$0	\$0
Child Care Expenses	(\$74)	(\$152)	(\$208)
Child Support	\$0	\$0	\$0
Health care premium costs*	\$0	\$0	(\$65)
Premium under CHIP (health care for kids)	\$0	\$0	\$0
Total Net Income	\$2,291	\$2,867	\$3,017

*Health care premium costs set equal to zero if people qualify for Medicaid and otherwise equal to the (estimated) monthly premium of an Affordable Care Act (ACA) silver plan. We assume a single adult (age 40) living in Harrisburg with a 1-year-old and a 3-year-old, working 40 hours per week, paying \$900 per month in rent and \$1580 in child care, having no liquid assets, and owning a car worth \$5,000.

Sources: Pennsylvania Budget and Policy Center based on: the Urban Institute, Net Income Change Calculator (NICC); Economic Policy Institute on the mean cost of childcare in PA (<https://www.epi.org/child-care-costs-in-the-united-states/#/PA>); PA Code, Chapter 3041, Subsidized Child Care Eligibility <https://www.pabulletin.com/secure/data/vol49/49-24/908.html>; <https://www.healthcare.gov/lower-costs/> and https://www.chipcoverspakids.com/AboutCHIP/Documents/chip_income_chart_2019.pdf; and and Community Legal Services (CLS provided SNAP data).

Two-parent working families

Two-parent working families in which both parents earn near the minimum wage will see their earnings increase more dramatically when the minimum wage is increased than single parents because of their two incomes. A two-parent family both working full-time at minimum wage jobs will see their yearly income increase from \$30,156 at a \$7.25-per-hour minimum wage to \$62,400 with a \$15-per-hour minimum wage. For a one-child family, this significant income increase will result in higher taxes, child care expenses and health care expenses (for both adults and for the child under CHIP). Still, these families will see an increase of \$845 between \$7.25/hour and \$15/hour, a monthly increase in their post-benefit, post-tax income of 35% between a \$7.25-per-hour wage and a \$15-per-hour wage (Table 7).

Table 7

Composition of monthly net income at each wage rate for a two-parent family working full time with 1 child (3-year-old)			
Type of Income and Expense	Hourly Wage Rate		
	\$7.25	\$12	\$15
Earnings	\$2,513	\$4,160	\$5,200
Taxes			
Federal income tax (excluding EITC)	\$83	(\$127)	(\$283)
Federal EITC	\$159	\$0	\$0
Payroll tax	(\$142)	(\$235)	(\$294)
State income tax	(\$77)	(\$128)	(\$160)
Total taxes	\$24	(\$490)	(\$736)
TANF	\$0	\$0	\$0
SNAP	\$117	\$0	\$0
WIC	\$0	\$0	\$0
Housing Subsidy	\$0	\$0	\$0
Child Care Expenses	(\$208)	(\$420)	(\$673)
Child Support	\$0	\$0	\$0
Health care premium costs*	(\$10)	(\$246)	(\$426)
Premium under CHIP (health care for kids)	\$0	(\$53)	(\$84)
Total Net Income	\$2,436	\$2,951	\$3,281

*Health care premium costs set equal to zero if people qualify for Medicaid and otherwise equal to the (estimated) monthly premium of an Affordable Care Act (ACA) silver plan. We assume a married couple (both parents age 40) living in Harrisburg with a 5-year-old, both adults working 40 hours per week, paying \$900 per month in rent and \$673 in child care, having no liquid assets, and owning a car worth \$5,000.

Sources: Pennsylvania Budget and Policy Center based on: the Urban Institute, Net Income Change Calculator (NICC); Economic Policy Institute on the mean cost of childcare in PA (<https://www.epi.org/child-care-costs-in-the-united-states/#/PA>); PA Code, Chapter 3041, Subsidized Child Care Eligibility <https://www.pabulletin.com/secure/data/vol49/49-24/908.html>; <https://www.healthcare.gov/lower-costs/> and https://www.chipcoverspakids.com/AboutCHIP/Documents/chip_income_chart_2019.pdf; and and Community Legal Services (CLS provided SNAP data).

Two-parent families with two kids receiving a child care subsidy will face a benefits cliff if both parents work full-time at the minimum wage because the child care subsidy disappears when they earn \$15 per hour (which is the 235% of the FPIG child care cliff), a loss of over \$1,000 in benefits compared to when they earn \$12 per hour (Table 8). However, a two-parent family with two kids working 80 hours between them is just over the 235% child care cliff—so even if one of the parents works 37 hours a week or less, they wouldn't see such a cliff. When considering these cliffs, however, it is important to remember that only 12.4% of workers benefiting from a minimum wage increase by 2025 are married with kids, and even fewer have two or more children in need of child care. Even fewer families receive the child care subsidy in Pennsylvania. As of March 2019, there were 120,344

children receiving subsidies.⁶ In a similar family with school-aged kids not receiving the child care subsidy, the cliff disappears (Table 9).

Table 8

Composition of monthly net income at each wage rate for a two-parent family working full time with 2 children (1-year-old, 3-year-old)			
Type of Income and Expense	Hourly Wage Rate		
	\$7.25	\$12	\$15
Earnings	\$2,513	\$4,160	\$5,200
Taxes			
Federal income tax (excluding EITC)	\$167	\$40	(\$102)
Federal EITC	\$298	\$0	\$0
Payroll tax	(\$142)	(\$235)	(\$294)
State income tax	\$0	(\$128)	(\$160)
Total taxes	\$323	\$323	(\$556)
TANF	\$0	\$0	\$0
SNAP	\$642	\$0	\$0
WIC	\$87	\$87	\$87
Housing Subsidy	\$0	\$0	\$0
Child Care Expenses	(\$195)	(\$412)	(\$1,560)
Child Support	\$0	\$0	\$0
Health care premium costs*	\$0	(\$183)	(\$345)
Premium under CHIP (health care for kids)	\$0	\$0	(\$106)
Total Net Income	\$3,370	\$3,975	\$2,720

*Health care premium costs set equal to zero if people qualify for Medicaid and otherwise equal to the (estimated) monthly premium of an Affordable Care Act (ACA) silver plan. We assume a married couple (both parents age 40) living in Harrisburg with a 1-year-old and a 3-year-old, both working 40 hours per week at minimum wage jobs, paying \$900 per month in rent and \$1580 in child care, having no liquid assets, and owning a car worth \$5,000.
Sources: Pennsylvania Budget and Policy Center based on: the Urban Institute, Net Income Change Calculator (NICC); Economic Policy Institute on the mean cost of childcare in PA (<https://www.epi.org/child-care-costs-in-the-united-states/#/PA>); PA Code, Chapter 3041, Subsidized Child Care Eligibility <https://www.pabulletin.com/secure/data/vol49/49-24/908.html>; <https://www.healthcare.gov/lower-costs/> and https://www.chipcoverspakids.com/AboutCHIP/Documents/chip_income_chart_2019.pdf; and Community Legal Services (CLS provided SNAP data).

Table 9

Composition of monthly net income at each wage rate for a two-parent family working full time with 2 children (5-year-old, 8-year-old)			
Type of Income and Expense	Hourly Wage Rate		
	\$7.25	\$12	\$15
Earnings	\$2,513	\$4,160	\$5,200
Taxes			
Federal income tax (excluding EITC)	\$141	(\$46)	(\$202)
Federal EITC	\$298	\$0	\$0
Payroll tax	(\$142)	(\$235)	(\$294)
State income tax	\$0	(\$128)	(\$160)
Total taxes	\$298	(\$409)	(\$656)
TANF	\$0	\$0	\$0
SNAP	\$257	\$0	\$0
WIC	\$0	\$0	\$0
Housing Subsidy	\$170	\$0	\$0
Child Care Expenses	\$0	\$0	\$0
Child Support	\$0	\$0	\$0
Health care premium costs*	\$0	(\$183)	(\$345)
Premium under CHIP (health care for kids)	\$0	\$0	(\$106)
Total Net Income	\$3,238	\$3,568	\$4,093

*Health care premium costs set equal to zero if people qualify for Medicaid and otherwise equal to the (estimated) monthly premium of an Affordable Care Act (ACA) silver plan. We assume a married couple (both parents age 40) living in Harrisburg with a 5-year-old and an 8-year-old, both working 40 hours per week at minimum wage jobs, paying \$900 per month in rent, having no liquid assets, and owning a car worth \$5,000.
Sources: Pennsylvania Budget and Policy Center based on: the Urban Institute, Net Income Change Calculator (NICC); <https://www.healthcare.gov/lower-costs/> and https://www.chipcoverspakids.com/AboutCHIP/Documents/chip_income_chart_2019.pdf; and Community Legal Services (CLS provided SNAP data).

The cliff present in the child care subsidy is the primary cliff that will lead a very small percentage of workers to experience a benefits cliff, where a small increase in earnings can result in the loss of benefits.

Very few struggling working households receive a full package of public assistance. Among the working households receiving public assistance, most are more likely to receive SNAP, if they qualify, and the EITC or CTC if they are parents to minor children. Very few face benefit cliffs even when receiving public assistance.

One reason families subject to cliff effects account for a tiny share of all families (including of those who benefit from a higher minimum wage) is that some benefits programs with potential cliffs—i.e., where a small increase in earnings can result in the loss of eligibility—only serve a small fraction of low-income families. These programs are not entitlement programs, are not adequately funded, and have long waiting lists. The child care subsidy in Pennsylvania, for example, serves about 120,000

6

<http://dhs.pa.gov/learnaboutdhs/wheredotaxdollarsgo/numberofpeopleenrolledindepartmentbenefitprograms/cildcareenrollments/index.htm>

children from even fewer families, a very small number in comparison to the 2.01 million workers in the state who would benefit from a \$15-per-hour minimum wage increase by 2025.

In sum, Pennsylvania legislators concerned about cliff effects should rest easy. For almost all families the increased income that comes from raising the minimum wage is greater, and in most cases, far greater than the loss in benefits and higher taxes they would pay. That said, given the potential of these effects to have an impact on some hard-working families still struggling to get by after a minimum wage increase, concerned legislators should explore the opportunity to increase funding for and potentially modify eligibility criteria for safety net programs to further reduce cliff effects and maintain public benefits for families that need them.



KEYSTONE RESEARCH CENTER
AND
PA BUDGET AND POLICY CENTER

Would There Be a Child Care Benefit Cliff if We Raise the Minimum Wage?

An examination of the likelihood of a benefits cliff if the minimum wage were increased in Pennsylvania, Part II

By Marc Stier

July 9, 2019

Introduction

Raising the minimum wage is one of the most important steps that Pennsylvania can take to fix a political economy that has been tilted against working people for decades. Two bills before the General Assembly, HB1215 and SB12, propose increasing the minimum wage to \$12 per hour on July 1, 2019, and increasing the wage in 50-cent increments until it reaches \$15 per hour in 2025. Raising the minimum wage to \$15 would ultimately lift wages for two million Pennsylvanians, not only those who make the minimum wage now or who would after an increase, but also many whose wages would be pushed higher when the floor on wages is raised. Raising the minimum wage would also help local economies and the economy of the state as a whole by giving working people the capacity to buy more goods and services. Every state around Pennsylvania has raised the minimum wage in recent years and we have found that, as a result, both employment and wages have gone up in those states in the typically low-wage food service sector, the industry where opponents of raising the minimum wage expect to see declines in employment.

One concern about raising the minimum wage is whether doing so would make it impossible for low-income workers to receive some of the federal and state benefits they obtain now such as SNAP (food stamps), the Earned Income and Child Care Tax Credits (EITC and CTC), LIHEAP, and subsidies to secure child care. It would be a pyrrhic victory to raise the minimum wage for Pennsylvania's long-suffering low-wage workers if they were only to find that their circumstances are not much improved because their higher wages result in much reduced social safety net benefits. Or, to use the common phrase, we don't want low-wage workers to fall off the benefits cliff as their wages go up.

As Pennsylvania considers Governor Wolf's proposal to raise the minimum wage in the state to \$12 on July 1 and then in stages to \$15, it is time to consider this issue in some detail. This is the second of two papers on cliff effects, focusing on one of the most important programs Pennsylvania offers low-income families: subsidized child care benefits. The [first paper](#) integrates the finding of this one in a broader look at the impact of federal and state taxes and a range of federal and state safety net programs, including Medicaid and the ACA, SNAP, the Earned Income and Child Care Tax Credits, and child care subsidies.

Pennsylvania's Child Care Works Program

Pennsylvania's Child Care Works program subsidizes child care for low-income families. At the end of June 2019, 120,409 children benefited from their families' receiving subsidized child care.¹ This subsidy is critical to helping parents take jobs who could not otherwise afford child care. The program also seeks to provide very high quality care that can help children be better prepared for school. It is funded by both the state and federal government and is managed by the Early Learning Resource Center in each county under the supervision of the state Department of Human Services.

Not every child or family eligible for subsidized child care receives it. Child care places are limited by the amount of funding provided by the federal and state governments. Typically there is a waiting list of about 10,000 children for the program. We do not know how many other children might be eligible but are discouraged by the long list from applying.

Eligibility

Pennsylvanians eligible for the program are those who work 20 or more hours per week, work 10 hours and train or go to school for 10 hours or more a week, or have a promise of a job that will start within 30 days of their application for subsidized care. Families are initially eligible for subsidized child care if their income does not exceed 200% of the federal poverty line (FPL). But once they receive subsidized child care they remain eligible for the program until their income exceeds 235% of the federal poverty line. As we will see in detail below, this last provision protects almost all families receiving subsidized child care from losing it if their income were to rise along with the minimum wage. Table 1 provides current federal poverty line data for families of different sizes as well as our estimates of what they will be in 2025 when, under HB1215 and SB12, the minimum wage is projected to rise to \$15 per hour.

Table 1

Estimate of Federal Poverty Line Today and in 2025					
Family Size	Federal Poverty Line (FPL)	200% of FPL	235% of FPL	Estimate of 200% of FPL in 2025	Estimate of 235% of FPL in 2025
2	\$16,910	\$33,820	\$39,739	\$38,453	\$43,760
3	\$21,330	\$42,660	\$50,126	\$48,547	\$55,247
4	\$25,750	\$51,500	\$60,513	\$58,607	\$66,695
5	\$30,070	\$60,140	\$70,665	\$68,439	\$77,884
6	\$34,390	\$68,780	\$80,817	\$78,272	\$89,073

Source: PBPC analysis of [Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, 2019 Poverty Lines](#). Estimates for the FPL in 2025 are constructed using projections of the CPI-U presented by the [Congressional Budget Office in January 2019](#).

Co-pays and Subsidies

The Child Care Works program provides a subsidy for child care costs. Families pay the other part of the costs, the co-pay. The co-pay varies with the income and size of the family. Go to the PA Bulletin at <http://dhs.pa.gov/learnaboutdhs/wheredotaxdollarsgo/numberofpeopleenrolledindepartmentbenefitprog>

¹PA Department of Human Services website accessed June 19, 2019, <http://dhs.pa.gov/learnaboutdhs/wheredotaxdollarsgo/numberofpeopleenrolledindepartmentbenefitprograms/childcareenrollments/index.htm>.

[rams/childcareenrollments/index.htm](https://rams.childcareenrollments/index.htm) to find current co-pay levels. Both the subsidy and the co-pay go directly to the child care provider.

Costs of Child Care

We calculate the benefits for different low-income families in Pennsylvania under the current minimum wage of \$7.25, a \$12 minimum wage in 2019, and a \$15 minimum wage in 2025 with data on the required co-pay in 2019 and the expected co-pay in 2025, as well as the average costs of full-time child care for both infants and children in pre-school today and expected in 2025.

The average cost of child care in 2019 and projected for 2025 is found in Table 2.

Table 2

Mean Cost of Full-Time Child Care in Pennsylvania Per Year		
	2019	Estimated 2025
Infants	10,640	12,108
Pre-schoolers	8,072	9,186

Source: PBPC analysis of Economic Policy Institute, [The Cost of Child Care in Pennsylvania](#). Estimates for the FPL in 2025 are constructed using projections of the CPI-U presented by the [Congressional Budget Office in January 2019](#).

The Minimum Wage and Eligibility for Child Care

In this section of the paper we look at how raising the minimum wage would affect eligibility for child care subsidies.

Child Care Eligibility and Benefits in 2019 with Minimum Wage of \$7.25

Tables 3a and 3b show that, at the current minimum wage of \$7.25, families with both one and two full-time minimum wage workers are well under the cut-off points for both continuing in the Child Care Works program (which requires them to have an income at or below 235% of the federal poverty line) and initially joining the program (which requires them to have an income below 200% of the federal poverty line). Indeed, at a minimum wage of only \$7.25 these families are well under the federal poverty line and the more children they have the farther below the FPL they find themselves.

The tables also show that both one and two full-time minimum wage workers receive substantial child care benefits from the Child Care Works program, although even with these substantial benefits they remain under the poverty line. The column “mean child care benefit per year” is the mean or average subsidy for child care received by each family type minus the co-pay they pay per year.

These benefits are very substantial for those who can secure them. An average family with one full-time minimum wage worker and one child will received an average child care subsidy of \$9,548. An average family with one full-time minimum wage worker, one infant, and two toddlers would receive a child care subsidy of \$26,264.

Table 3a

Minimum Wage of \$7.25 Per Hour--One full-time minimum wage worker in family, 2019						
Family Size	Family Composition	Yearly Wage for 1 Full-Time Min Wage Worker	Co-pay Per Year for Child Care	Mean Child Care Subsidy Per Year	235% of FPL	200% of FPL
2	1 Adult, 1 Infant	\$15,080	\$1,092	\$9,548	\$39,739	\$33,820
3	1 Adult, 2 Infants	\$15,080	\$884	\$20,396	\$50,126	\$42,660
4	1 Adult, 1 Infant, 2 Toddlers	\$15,080	\$520	\$26,264	\$60,513	\$51,500
5	1 Adult, 2 Infants, 2 Toddlers	\$15,080	\$520	\$36,904	\$70,665	\$60,140
6	1 Adult, 2 Infants, 3 Toddlers	\$15,080	\$520	\$44,976	\$80,817	\$68,780

An average family with two full-time minimum wage workers and one infant would receive a subsidy of \$8,144 while an average family with two full-time minimum wage workers, two infants and one toddler would receive a subsidy of \$27,272 (Table 3b).

Table 3b

Minimum Wage of \$7.25 Per Hour--Two full-time minimum wage workers in family, 2019						
Family Size	Family Composition	Yearly Wage for 2 Full-Time Min Wage workers	Co-pay Per Year	Mean Child Care Subsidy Per Year	235% of FPL	200% of FPL
3	2 Adults, 1 Infant	\$30,160	\$2,496	\$8,144	\$50,126	\$42,660
4	2 Adults, 1 Infant, 1 Toddler	\$30,160	\$2,340	\$16,372	\$60,513	\$51,500
5	2 Adults, 2 Infants, 1 Toddler	\$30,160	\$2,080	\$27,272	\$70,665	\$60,140
6	2 Adults, 2 Infants, 2 Toddlers	\$30,160	\$1,872	\$35,552	\$80,817	\$68,780

Child Care Eligibility and Benefits in 2019 with Minimum Wage of \$12.00

The impact of raising the minimum wage to \$12 per hour in 2019 is shown in Tables 4a and 4b. Note first that increasing the minimum wage to \$12 per hour brings families with two full-time minimum wage workers and one child above the poverty line. The third column in both tables shows that an increase in the minimum wage from \$7.25 to \$12 boosts the income of one full-time minimum wage worker from \$15,080 to \$24,960 and of two full-time minimum wage workers from \$30,160 to \$49,920. These are substantial increases and show us exactly why raising the minimum wage is so critical to Pennsylvania families.

These tables also show us that while an increase in the minimum wage to \$12 per hour would, under current law, increase the co-pay each family would have to provide and reduce the value of their child care subsidy, they would all still receive substantial child care subsidies. For families with one full-time minimum wage worker, co-pays would roughly double if they have one child and triple if they have five children. For families with two full-time minimum wage workers, co-pays would roughly double.

Yet, as the fifth column in each table shows, child care subsidies would remain substantial. And as the seventh column in each table shows, the benefit of increasing the minimum wage from \$7.25 to \$12 would remain substantial even after the increase in co-pays for subsidized child care. For families with one full-time minimum wage worker the net increase in wages would range from \$6,552 to \$7,852 per family. For families with two full-time minimum wage workers the additional wages would range from \$12,220 to \$13,728.

Because families are allowed to receive child care subsidies up to an income of 235% of the federal poverty line, no families that are already receiving child care subsidies would lose them as a result of the increase in the minimum wage from \$7.25 to \$12. However, families with two full-time minimum wage workers and one infant would no longer be eligible to begin receiving a child care subsidy. This is one down-side to raising the minimum wage, and we will return to how to deal with this issue in the conclusion.

Table 4a

Minimum wage of \$12 Per hour--One full-time minimum wage worker in family, 2019								
Family Size	Family Composition	Yearly Wage for 1 Full-Time Min Wage Worker	Co-pay Per Year for Child Care	Mean Child Care Subsidy Per Year	Benefit of Increasing Minimum Wage Before Change in Co-Pay	Benefit of Increasing Minimum Wage After Change of Co-Pay	235% of FPL	200% of FPL
2	1 Adult, 1 Infant	\$24,960	\$2,236	\$8,404	\$9,880	\$6,552	\$39,739	\$33,820
3	1 Adult, 2 Infants	\$24,960	\$1,820	\$19,460	\$9,880	\$7,176	\$50,126	\$42,660
4	1 Adult, 1 Infant, 2 Toddlers	\$24,960	\$1,716	\$25,068	\$9,880	\$7,644	\$60,513	\$51,500
5	1 Adult, 2 Infants, 2 Toddlers	\$24,960	\$1,612	\$35,812	\$9,880	\$7,748	\$70,665	\$60,140
6	1 Adult, 2 Infants, 3 Toddlers	\$24,960	\$1,508	\$43,988	\$9,880	\$7,852	\$80,817	\$68,780

Table 4b

Minimum wage of \$12 Per hour--Two full-time minimum wage workers in family, 2019								
Family Size	Family Composition	Yearly Wage For Two Full-Time Min Wage Workers	Co-pay Per Year	Mean Child Care Subsidy Per Year	Benefit of Increasing Minimum Wage Before Change in Co-Pay	Benefit of Increasing Minimum Wage After Change of Co-Pay	235% of FPL	200% of FPL
3	2 Adults, 1 Infant	\$49,920	\$5,044	\$5,596	\$19,760	\$12,220	\$50,126	\$42,660
4	2 Adults, 1 Infant, 1 Toddler	\$49,920	\$4,940	\$13,772	\$19,760	\$12,480	\$60,513	\$51,500
5	2 Adults, 2 Infants, 1 Toddler	\$49,920	\$4,316	\$25,036	\$19,760	\$13,364	\$70,665	\$60,140
6	2 Adults, 2 infants, 2 Toddlers	\$49,920	\$4,160	\$33,264	\$19,760	\$13,728	\$80,817	\$68,780

Child Care Eligibility and Benefits in 2019 with Minimum Wage of \$15

Tables 5a and 5b estimate the impact of raising the minimum wage to \$15 per hour in 2025. Recall that in calculating these estimates, we adjusted estimates for the federal poverty line, mean child care costs, child care co-pays, and child care benefits in 2025 for projected inflation.

Increasing the minimum wage to \$15 brings even more families with two full-time workers out of poverty. The third column in both tables shows that an increase in the minimum wage from \$7.25 to \$15 boosts the income of one full-time minimum wage worker from \$15,080 to \$31,200 and of two full-time minimum wage workers from \$30,160 to \$62,400. These are, again, substantial increases. At \$15 per hour, full-time workers would still have relatively low incomes, but they would reach a level of income that provides them with a far more comfortable and dignified life than they are able to attain today.

These tables also show us that while an increase in the minimum wage to \$15 per hour would, under current law, increase the co-pay each family would have to provide and reduce the value of their child care subsidy, they would all still receive substantial child care subsidies. For families with one full-time minimum wage worker, co-pays would roughly triple if they have one child and be five times greater if they have five children.

For families with two full-time minimum wage workers, co-pays would increase by roughly three and a half times if they have one child or if they have four children.

Yet, as the fifth column in each table shows, the child care subsidies would remain substantial with a value of \$8,676 to \$49,348 depending on the family. And as the seventh column in each table shows, the benefit of increasing the minimum wage from \$7.25 to \$15 would remain substantial even after the increase in co-pays for subsidized child care. For families with one full-time minimum wage worker the net increase in wages would range from \$11,596 to \$13,174 per family. For families with two full-time minimum wage workers the additional wages would range from \$21,163 to \$23,563.

Because families are allowed to receive child care subsidies up to an income of 235% of the federal poverty line, only families with two full-time minimum wage workers and one child would lose them as a result of the increase in the minimum wage from \$7.25 to \$15. But note that at this income level for a family of two full-time minimum wage workers, the co-pay for subsidized child care has increased to the point that the average child care benefit is only \$4,568. The value of an increase in the minimum wage from \$7.25 to \$15 is worth \$32,240. Even if they lose their child care benefits, the income of these families would be \$28,712 greater than today.

Families with two full-time minimum wage workers and one or two children would no longer be eligible to begin receiving a child care subsidy. This is certainly a negative consequence of an increase in the minimum wage from \$7.25 to \$15. But, even after losing child care benefits, a family with two full-time minimum wage workers and an infant would have an income that is \$10,946 greater than it is with a minimum wage of \$7.25. But the loss of child care benefits would reduce the value of increasing the minimum wage by \$14,311.

Table 5a

Minimum wage of \$15 Per hour in 2025--One full-time minimum wage worker in family								
Family Size	Family Composition	Yearly Wage for 2 Full-Time Min Wage Workers	Estimated Co-Pay Per Year in 2025	Mean Child Care Subsidy Per Year	Benefit of Increasing Minimum Wage Before Change in Co-Pay	Benefit of Increasing Minimum Wage After Change of Co-Pay	235% of Estimated FPL in 2025	200% of Estimated FPL in 2025
2	1 Adult, 1 Infant	\$31,200	\$3,432	\$10,640	\$16,120	\$11,596	\$43,760	\$38,453
3	1 Adult, 2 Infants	\$31,200	\$2,840	\$21,376	\$16,120	\$12,396	\$55,247	\$48,547
4	1 Adult, 1 Infant, 2 Toddlers	\$31,200	\$2,663	\$27,817	\$16,120	\$12,937	\$66,695	\$58,607
5	1 Adult, 2 Infants, 2 Toddlers	\$31,200	\$2,604	\$39,985	\$16,120	\$12,996	\$77,884	\$68,439
6	1 Adult, 2 infants, 3 Toddlers	\$31,200	\$2,426	\$49,348	\$16,120	\$13,174	\$89,073	\$78,272

Table 5b

Minimum wage of \$15 Per Hour in 2025--Two full-time minimum wage workers in family								
Family Size	Family Composition	Yearly Wage for 2 Full-Time Min Wage workers	Estimated Co-Pay Per Year in 2025	Mean Child Care Subsidy Per Year	Benefit of Increasing Minimum Wage Before Change in Co-Pay	Benefit of Increasing Minimum Wage After Change of Co-Pay	235% of Estimated FPL in 2025	200% of Estimated FPL in 2025
3	2 Adults, 1 Infant	\$62,400	\$12,108	\$0*	\$32,240	\$17,636	\$55,247	\$48,547
4	2 Adults, 1 Infant, 1 Toddler	\$62,400	\$6,983	\$14,311	\$32,240	\$22,917	\$66,695	\$58,607
5	2 Adults, 2 Infants, 1 Toddler	\$62,400	\$7,160	\$26,242	\$32,240	\$23,000	\$77,884	\$68,439
6	2 Adults, 2 infants, 2 Toddlers	\$62,400	\$6,509	\$36,079	\$32,240	\$23,859	\$89,073	\$78,272

*Does not qualify for child care subsidy so co-pay would be the whole cost of child care. If a family with 2 adults and 1 infant temporarily decreased their hours to receive under \$48,547 a year in income, they would pay a co-pay of \$7,540 with a mean child care benefit of \$4,568.

Dealing With the Negative Impact of Raising the Minimum Wage

We undertook this research because some supporters fear that raising the minimum wage would have the perverse effect of causing many low-income families that now benefit from substantial child care subsidies to lose them. This is the “cliff effect.”

Summary of Findings

First, we have found that for most family configurations, and for all families with only one full-time minimum wage worker, there is no cliff effect.

We have found, secondly, that the only families that are already receiving child care subsidies who might lose them are those two full-time minimum wage workers and one or two children.

Finally, the extent to which a family of two full-time minimum wage workers and two children would benefit from an increase in the minimum wage would be reduced a great deal—by \$14,311—as the minimum wage increases from \$7.25 to \$15 per hour. The accompanying paper to this one examines all the taxes and benefits received by various family configurations and shows that at a \$15 per hour minimum wage a two-minimum wage worker family that was receiving child care benefits would face a benefit cliff. Their post-benefit, post-tax income would actually be lower at a \$15 per hour minimum wage than one at the current minimum wage of \$7.25.

The Extent of the Problem

What we can’t say at this point is how many families fall into these categories. We do know that about 55% of minimum wage workers work full time. But presently we don’t have data about how many families there are consisting of two full-time minimum wage workers and one or two children.

More importantly, we don’t know how many families there are in which two minimum-wage workers are able, even if they are willing, to work full time for the entire year. We know that minimum wage work is

often transient. Indeed, one reason we have called for fair scheduling laws is that so many minimum wage workers aren't able to work full time when they want to do so.

We also have reason to believe that many two-income minimum worker families with children might have good reason not to work full time. They may want, or need, to take some time off to care for children who are sick. And, as we will discuss in more detail below, some families might decide that a higher minimum wage allows them to take some time off from work.

Thus, many two-worker minimum wage families with one or two children that, whether by choice or necessity, don't work full time are likely to retain eligibility for child care subsidies even when the minimum wage is increased to \$15.

If, for example, the minimum wage workers in a family with two workers and one child, worked on average 40, not 52, weeks a year, they would be initially eligible for child care subsidies. And they would stay eligible even if they worked 46 weeks a year on average.

Similarly, if the minimum wage workers in a family with two children, each worked only 49 rather than 52 weeks a year, their income would be just below 200% of the federal poverty line and they would be initially eligible for child care subsidies. Then, they could stay on the program even if they were able to work for 52 weeks a year.

Given the uncertainties of minimum wage work, we believe it is likely that many families of the kind who might lose child care subsidies are not likely to do so because they are not able to work a full 52 weeks a year.

How Families Could Adjust to the Problem

That some reduction in work hours allows families with two minimum wage workers to secure and retain child care benefits suggests that they could deliberately adjust their work hours to secure child care benefits.

This strategy would not really make sense for a family with two full-time minimum wage workers and one child. The reduction in work hours and wages necessary to be initially eligible for subsidized child care is \$13,853—and to retain eligibility for it is \$7,153 while the value of subsidized care for one child would be only \$4,568. And given that there is a waiting list for securing child care benefits, such a family would have to reduce their income for an unknown, and possibly long, period of time.

On the other hand, a family with two full-time minimum wage workers and two children would likely make a different calculation. If they do not already receive child care subsidies, they could become eligible for them if they only worked on average 49 weeks a year instead of 52 weeks a year. Then, once they secured child care subsidies, they could both work 52 weeks a year without losing them.

Requiring families to adjust work hours to secure child care subsidies is both potentially burdensome and unfair. It would require difficult choices about putting off meeting immediate needs to save for weeks that one does not work. And many people with low-incomes don't have easy access to bank accounts. It would be helpful if social service agencies provided counseling to families about how to deal with these difficulties. Yet we should also remember that one reason we want to increase the minimum wage—and wages generally—is so that men and women do not have to work week after week without a vacation in order to support their families. Indeed, the inability of low-income workers to take time off while providing for their families is one of the great injustices of our time. It would be preferable if everyone at all levels of work could receive paid vacation time. But raising the minimum wage so that working people can at least afford to take unpaid time off is certainly a step forward. Indeed, at a \$15 minimum wage we would expect that, regardless of the impact child care subsidies, some families and especially those with young children, would choose to reduce their work time to some degree, enabling them to spend more time at home and to take vacation time.

Should Child Care Policy Be Adjusted Along with the Minimum Wage?

Child care, especially high-quality child care, is expensive. And in an ideal world, families at much higher levels of income would be eligible for subsidized infant care, and universal pre-K education would be available for toddlers younger than school age. In such a world, we would not have to worry about benefit cliff effects when the minimum wage is increased.

And in a better world, Pennsylvania might choose to slightly adjust the income eligibility levels for subsidized child care when raising the minimum wage so as to ensure that no family loses child care benefits.

But, currently, we do not live in such a world. The biggest child care problem we face in Pennsylvania is not that eligibility levels for subsidized child care are set too low, but that not enough funds are provided to ensure that all children eligible for such care can receive it. As of June 29, 2018, about 10,000 children who were eligible for subsidized child care were on a waiting list because there were insufficient funds to serve them all.² (There are some indications that waiting list has dropped in the last year.) Many of those children come from families which will remain, even after an increase in the minimum wage, far below the 200% of federal poverty line cut-off because their parents find it impossible to work full time even at the minimum wage. Yet, even though they are eligible for child care benefits, the state does not appropriate enough money to provide benefits to all who are eligible.

Thus, while there is a case in theory for some adjustment in income eligibility rules for child care benefits when the minimum wage is increased, we believe that any increase in funding should go first to reducing the waiting list for subsidized child care. This is a critical and immediate need.

Conclusion

Because it is important to watch out for the unintended consequences of changes in public policy, it is reasonable to be concerned about potential “benefit cliffs” as a result of raising the minimum wage. We undertook this work in order to determine whether a substantial increase in the Pennsylvania minimum wage from \$7.25 to \$12, and then in increments to \$15, would make it harder for low-income families in the state to secure subsidized child care.

Our conclusion is that there is little reason to fear a benefit cliff from the loss of subsidized child care. At a \$12 minimum wage, no problems arise. At a \$15 minimum wage, no problems arise for families with one full-time minimum wage worker or for families with two full-time minimum wage workers with more than two children. The benefits of raising the minimum wage to \$15 are far greater than the loss of child care subsidies for families with two full-time minimum wage workers and one child. And families with two full-time minimum wage workers and two children could make a slight reduction in their work hours in order to become initially eligible for subsidized child care while returning to full-time work once they are on the program. And while small changes in eligibility requirements would eliminate these problems entirely, we believe that any new funding for child care subsidies should go first to eliminating the substantial waiting list for children that are already eligible.

² 2018-2019 OCDEL Budget Overview, The Pennsylvania Key, <https://www.pakeys.org/2018-19-pennsylvanias-early-learning-and-supports-budget/>.



A Review of the Independent Fiscal Office's 2019 Minimum Wage Analysis

By Mark Price

Keystone Research Center • 412 North 3rd St., Harrisburg, PA 17101 • 717-255-7181

August 2019

Executive Summary

The March 2019 analysis by the Independent Fiscal Office¹ of the Wolf Administration's proposal to raise the minimum wage to \$12 per hour this July is broadly positive and consistent with other estimates of the impacts of minimum wage increases. Specifically:

- The IFO finds that a minimum wage increase to \$12 per hour this July will raise wages for 1.9 million workers, with 1.1 million workers benefiting directly as they currently earn less than \$12 per hour, and another 800 thousand workers currently earning between \$12 and \$15 per hour benefiting indirectly.
- Among the 1.1 million workers directly affected by a minimum wage increase the IFO estimates average annual incomes will rise by \$2,470.
- In total the IFO estimates that Pennsylvania incomes will rise by \$3.5 billion boosting Pennsylvania General Fund revenues by \$50 million. Setting aside the IFO's questionable assumptions regarding employment and hours reductions associated with minimum wage increases boosts IFO estimates of wage increases to \$4.5 billion and General Fund revenue increases to \$64 million.
- In terms of demographics of the workers affected the IFO finds:
 - The vast majority (88.4%) of workers that would be affected by a minimum wage increase are adults age 20 or older,
 - with just over 41.5% age 40 and older.
 - A little over half (56.2%) are women.
 - Just over one in four (25.9%) are parents.
 - Just over half (56.3%) are employed full time.
- The IFO, consistent with its last four minimum wage analyses, speculates that 34,000 workers would lose employment as a result of a minimum wage increase to \$12 this July. This is a small number relative to those who benefit—less than 2% of the number the IFO predicts will see higher wages. In addition, the IFO has expanded the scope of its literature review on the relationship between state-level minimum wage increases and employment to include research that finds minimum wage increases have not had negative employment effects. Yet the IFO continues to assume a small amount of employment loss, an assumption out of step with the most current and sophisticated

¹ Independent Fiscal Office. Mar 2019. "Analysis of revenue proposals in the FY 2019-20 executive budget." <http://www.ifo.state.pa.us/releases.cfm?id=261>

research using the strongest research designs (i.e., the best controls for other variables that impact employment, more precisely isolating and estimating employment effects of minimum wage increases).

- The IFO’s estimates of the number of workers who will benefit and of income increases are broadly consistent with those derived from the Economic Policy Institute’s Minimum Wage Simulation Model (MWSM), which finds a minimum wage of \$12 this July will raise wages for 1.6 million workers, boosting total income by \$5.3 billion.
- While the IFO chooses not to estimate the impacts of a \$15 per hour minimum wage by 2025, the EPI model projects that about \$2 million workers would benefit from this change, a third of Pennsylvania’s workforce.
- The IFO does not estimate employment impacts from increasing the tipped minimum wage to \$12 per hour. The IFO cites one recent statistic on employment trends in full-service restaurants—those most likely to employed tipped workers—in New York City. A more careful study of full-service restaurants in New York (which has increased the tipped minimum wage) and neighboring states (which have not) finds faster growth in employment, wages, and the number of business establishments in New York. Industry growth has been especially strong in New York counties that border Pennsylvania relative to the neighboring Pennsylvania counties.
- Data on the broader food services and drinking places industry (which includes fast food and bars as well as full-service restaurants) in Pennsylvania and surrounding states—all of which have increased their minimum wage since 2010—also show more robust employment and wage growth in other states than Pennsylvania.

Introduction

In what follows we review estimates published by the Independent Fiscal Office (IFO) of the number of workers affected, their demographics and the change in their income from a minimum wage increase to \$12 this July. We present alongside the IFO’s estimates our estimates derived from the Economic Policy Institute’s Minimum Wage Simulation Model.²

Workers Affected

Table 1.

The number of affected workers and the change in income from a minimum wage increase to \$15

	Employment (1000s)		Income (millions)	
	IFO	EPI	IFO	EPI
Directly Affected	1,110	1,132	\$2,743	\$4,817
Indirectly Affected	827	536	\$766	\$544
Total Affected	1,937	1,668	\$3,510	\$5,361

² David Cooper, Zane Mokhiber, and Ben Zipperer. 2019. “Minimum Wage Simulation Model technical methodology.” Economic Policy Institute <https://www.epi.org/publication/minimum-wage-simulation-model-technical-methodology/>

Table 1 presents side by side estimates of (a) the number of workers affected by a minimum wage increase to \$12 per hour in July 2019 and (b) the resulting increase in income generated by the IFO and by the Minimum Wage Simulation Model (MWSM). Broadly the two estimates are similar, with the IFO predicting 1.9 workers would be affected and the MWSM estimating 1.6 million workers. The IFO predicts total income would rise by \$3.5 billion while the MWSM predicts an increase of \$5.3 billion (Table 1).

Source: Keystone Research Center based on the Independent Fiscal Office and the Economic Policy Institute's Minimum Wage Simulation Model.

Table 2 identifies the major differences between the two estimates: these differences center around assumptions made in calculating workers indirectly affected by a minimum wage increase, and in estimating the increase in annual income.³

Minimum wage increases are expected to alter the earnings of workers earning just above the new higher minimum wage as employers are compelled to raise wages for workers that were originally above the minimum wage but are now at or much nearer the new higher minimum wage. These workers are identified as indirectly affected workers. The IFO defines workers indirectly affected as those earning between \$12 per hour and \$14.99 whereas the MWSM defines indirectly affected workers more narrowly, as those earning between \$12 and \$13.80 per hour (i.e., up to 115% of a minimum wage of \$12). The IFO's assumption of a wider band of earnings indirectly affected by a minimum wage increase results in a larger count, 827 thousand versus the MWSM's estimate of 536 thousand.

Table 2.

Major Differences in Assumptions between the IFO and Minimum Wage Simulation Model estimates (MWSM)

	IFO	MWSM
1) Definition of Indirectly Affected	Workers earning between \$12 and \$14.99	Workers earning between \$12 and \$13.80
2) Calculating the increase in income	Assumes 1) a loss of 34,000 jobs; 2) part time and full-time workers earning less than \$11 per hour will work 25 fewer hours this year; 3) part-time workers work 20 hours a week for 50 weeks and full-time work 40 hours a week for 50 weeks.	Assumes 1) no job loss; 2) no hours reduction; and 3) calculates the increase in income by multiplying usual hours worked as reported in the Current Population Survey by 52 weeks.

Source: Keystone Research Center based on the Independent Fiscal Office and the Economic Policy Institute's Minimum Wage Simulation Model.

The IFO in calculating the change in income from a minimum wage increase assumes:

³ There are numerous smaller differences in assumptions including the treatment of workers in the Current Population Survey reporting hourly earnings less than \$7.25; the growth in wages (as reported in the 2018 Current Population Survey) by 2019; and the imputation of missing hourly earnings and or/hours of work. While important, these smaller differences do not lead to large material differences in the two sets of estimates.

1. the loss of 34,000 jobs;⁴
2. a reduction in annual total hours worked of 25 hours for part time and full-time workers;
3. a 50-week year;
4. part time workers work 20 hours a week and full-time workers work 40 hours a week.

EPI's Minimum Wage Simulation Model in contrast assumes:

1. no job loss;
2. no reduction in hours worked;
3. a 52-week year;
4. workers work each week the "usual hours worked" reported in the household survey.

The IFO and EPI assumptions about job loss reflect different judgements about the most relevant findings in the academic literature about the observed relationship between minimum wage increases and the employment of low-wage workers.⁵ We discuss these differences in more detail in the next section. The IFO assumption of a reduction in hours worked is based on a paper from a team of researchers at the University of Washington which is plagued by a number of methodological issues and therefore its results are not incorporated into EPI's Minimum Wage Simulation Model.⁶ The IFO assumes a 50-week year while EPI assumes a 52-week year. Finally, the IFO assumes part time employees work 20 hours per week and full-time employees 40 hour. The EPI model relies on estimates of usual hours worked (per week) by affected workers as reported in the Current Population Survey in 2018, which turn out to be 20 hours for part-time workers and 41 for full-time workers it was 41 hours. In sum, the differences in annual earnings resulting from differences in the treatment of hours are trivially small.

Using the IFO's published tables, if we eliminate the IFO job-loss and hours-reduction assumptions, and increase weeks worked to 52, the total income increase using the rest of the IFO's assumptions equal \$4.5 billion (raising the state revenue gain to \$64 million).⁷ This leaves a difference of about \$800 million (or 16%) between the two estimates.⁸

It is also worth underscoring that the IFO, like EPI—and consistent with recent research literature (see Box A)—finds that expected gains in income for employed workers will far exceed losses in income because of job losses or hours reductions. Further, there is also a lot of churn in low-wage labor markets—although there will be less after the minimum wage rises—so any

⁴ In its previous four reports on the impact of a minimum wage increase, the IFO assumed that workers displaced by a minimum wage increase remain jobless for an entire year and subtracted this annual income from the total aggregate change in income. This year, the IFO simply estimates the increase in income for workers not displaced.

⁵ In the academic literature this relationship is referred to as an employment elasticity. The Congressional Budget Office in its 2014 analysis converts elasticities into response parameters, specifically an elasticity of $-.10$ for all teen employment is converted into a response parameter of $-.045$ implying each 10% increase in the minimum wage will reduce teen employment among directly affected teens by 4.5%.

⁶ Ben Zipperer. 2018. "Six reasons not to put too much weight on the new study of Seattle's minimum wage" Economic Policy Institute. <https://www.epi.org/blog/six-reasons-not-to-put-too-much-weight-on-the-new-study-of-seattles-minimum-wage/>

⁷ Here we are assuming the IFO's estimate of higher tax revenue would remain 1.4% of the total increase in wages.

⁸ This remaining difference will likely be explained by some combination of differences in assumptions about hours worked and differences in assumptions about the resulting wage changes for indirectly affected workers.

particular worker who leaves one employer, for whatever reason, will likely be able to find another job that now pays more than they were making before the minimum wage increase.

Box A: The Most Current Research Confirms That Minimum Wage Increases Raise Individual and Family Incomes

Dube (2018) finds minimum wage increases raise family incomes at the bottom of the income distribution and Rinz and Voorheis (2018) observe positive effects on individual earnings that grow in magnitude up to five years after a minimum wage increase.

This research is particularly important because potential dis-employment effects, which the IFO emphasizes, would operate both through job loss and reductions in hours of work if actually present. The findings in both the new studies indicate that any dis-employment effects are not large enough to reduce the earnings of low-wage workers or their families. Both Dube (2018) and Rinz and Voorheis (2018) find the incomes of the bottom 20% of low-wage families unambiguously increased after minimum wage increases.

Arindrajit Dube, 2018. "Minimum Wages and the Distribution of Family Incomes."
American Economic Journal – Applied, forthcoming. <http://ftp.iza.org/dp10572.pdf>

Kevin Rinz and John Voorheis. 2018. "The Distributional Effects of Minimum Wage Increase: Evidence from Linked Survey and Administrative Data." U.S. Census CARRA Working Paper 2018-2. <https://www.census.gov/content/dam/Census/library/working->

In Table 3 we turn our attention to the limited demographic data that the IFO presents and compare that to estimates based on the MWSM. The demographic characteristics of the workers affected are broadly consistent: both approaches find affected workers are majority female, at least 88% adult, majority full-time, and roughly one in four are parents

Table 3.

Comparing the demographic characteristics of workers affected by a \$12 minimum wage according to the Independent Fiscal Office and the Economic Policy Institute's Minimum Wage Simulation Model.

Category	IFO			MWSM		
	Total affected (thousands)	Share of group who are affected	Group's share of state total affected	Total affected (thousands)	Share of group who are affected	Group's share of state total affected
Total	1,937	34%	100%	1,668	29%	100%
Sex						
Women	1,089	39%	56%	1,019	35%	61%
Men	849	29%	44%	649	22%	39%
Age						
20 +	1,713	36%	88%	1,497	27%	90%
Under 20	224	98%	12%	171	78%	10%
Age Detailed						
16 to 24	575	74%	30%	561	73%	34%
25 to 39	558	31%	29%	506	28%	30%
40 +	804	33%	42%	601	18%	36%
Family Status						
Married parent	323	24%	17%	202	15%	12%
Single parent	178	46%	9%	204	42%	12%
Married, no kids	377	25%	19%	288	18%	17%
Unmarried, no kids	1,061	49%	55%	975	42%	58%
Work Hours						
Part time (< 20 hours)	846	67%	44%	243	59%	15%
Mid time (20-34 hours)				543	63%	33%
Full time (35+ hours)	1091	24%	56%	883	19%	53%

Source: Keystone Research Center based on the Independent Fiscal Office and Economic Policy Institute's Minimum Wage Simulation Model

The Responsiveness of Low-Wage Employment to Wage Increases

The Independent Fiscal Office (IFO) has released five evaluations of the effects of proposals to raise the minimum wage since 2015.⁹ These evaluations have been for a minimum wage increase to \$10.10 in 2015, \$10.15 in 2016, and \$12 in 2017, 2018 and 2019. The IFO has consistently estimated that about a million workers would be affected by a minimum wage increase directly with about 3% of that total projected to lose employment (Table 4).

Table 4.

⁹ Independent Fiscal Office. Nov 2015. "Raising the Minimum Wage in Pennsylvania." <http://www.ifo.state.pa.us/releases.cfm?id=18>; Independent Fiscal Office. Apr 2016. "Analysis of revenue proposals in the FY 2016-17 executive budget." <http://www.ifo.state.pa.us/releases.cfm?id=48>; Independent Fiscal Office. Apr 2017. "Analysis of revenue proposals in the FY 2017-18 executive budget." <http://www.ifo.state.pa.us/releases.cfm?id=123>; Independent Fiscal Office. Apr 2018. "Analysis of revenue proposals in the FY 2018-19 executive budget." <http://www.ifo.state.pa.us/releases.cfm?id=198>; Independent Fiscal Office. Mar 2019. "Analysis of revenue proposals in the FY 2019-20 executive budget." <http://www.ifo.state.pa.us/releases.cfm?id=261>

Summary of the Independent Fiscal Office's (IFO's) Five Minimum Wage Estimates Completed Since November 2015

IFO Publication Date	New Minimum Wage	Number of Workers (thousands)			
		Directly Affected	Indirectly Affected	Total Affected	Estimated Job Losses
Nov 2015	\$10.10	1,055	NA	1,055	31
Apr 2016	\$10.15	1,023	NA	1,023	30
Apr 2017	\$12.00	1,342	NA	1,342	54
Apr 2018	\$12.00	1,025	NA	1,025	33
Mar 2019	\$12.00	1,110	827	1,937	34

Notes: (NA) The IFO did not estimate indirectly affected wages in its four-analyses completed prior to 2019.

Source: Keystone Research Center based on the Independent Fiscal Office

The consistency of these employment estimates stems from the fact that the IFO's analysis has relied on the same assumptions about the responsiveness of low-wage employment to minimum wage increases or what the IFO calls "response parameters" in its five reports released between 2015 and 2019. For example, a response parameter of -0.45 for teenagers implies each 10% increase in the minimum wage will reduce directly affected teen employment by 4.5%. In its first two reports (2015/2016) the IFO presented response parameters by age (teens versus adults). In the last three reports (2017/2018/2019) the IFO switched to reporting response parameters by wage level. Although the presentation of response parameters has changed the underlying assumption about how much employment will change in response to higher wages has not.

In the IFO's first minimum wage report from November 2015, relying on the Congressional Budget Office, the IFO assumed that each 10% increase in wages reduced teen employment by 4.5%.¹⁰ For adults, also following the CBO (and arbitrarily), the IFO reduced the teen response parameter by two-thirds, assuming a 10% increase in the minimum wage would reduce employment of directly affected adults by 1.5%. In Appendix A, we show in more detail how the IFO continued to base its employment estimates on the CBO 2014 report including in its most recent report from this March. That is, the IFO continues to rely on research focused on teens to estimate job loss in a workforce that by its own estimates is 88% adults.

The IFO's most recent report (2019) does include one significant improvement—an expanded literature review. That literature review acknowledges a growing body of research that has response parameters approaching or at zero. In particular, the IFO includes a summary of a forthcoming Quarterly Journal of Economics paper by Cengiz, Dube, Linder, and Zipperer (CDLZ) that directly examines the link between minimum wage increases and employment for the entire low-wage workforce after 138 state-level minimum wage increases.¹¹ MIT economist David Autor¹² has called this paper the most important work on minimum wage effects since Card and Kruger's seminal minimum wage paper studying the effects of a minimum wage

¹⁰ U.S. Congressional Budget Office. 2014. "The Effects of a Minimum-Wage Increase on Employment and Family Income."

¹¹ Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer. 2018. "The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator." LSE Center for Economic Performance Discussion Paper 1531. <http://cep.lse.ac.uk/pubs/download/dp1531.pdf> see also <https://www.nber.org/papers/w25434>

¹² <https://twitter.com/mioana/status/949651997917175808>

increase in New Jersey on fast employment (compared to Pennsylvania where the minimum wage didn't change).¹³ Consistent with Card and Krueger's study CDLZ found no dis-employment effects associated with minimum wage increase implemented across the country. The IFO justifies its decision not to rely on CDLZ for its response parameters because a minimum wage increase to \$12 this July will be a larger increase relative to the statewide median wage than was typical in the sample studied by CDLZ. The fact that a proposed increase to \$12 this July in the minimum wage will impact a larger group of workers than most previous minimum wage increases that have been studied only introduces uncertainty as to the potential employment effects; it does not imply that the IFO should continue to rely on the same response parameters they have since 2015. An alternative would have been to acknowledge that no dis-employment effect is also in the range of potential outcomes.

Cengiz (2018) also finds that extrapolating from research on teenagers to all low-wage workers can lead to employment estimates that are overstated.¹⁴ Much of the disagreement in the economic literature is focused on the employment impacts on teenagers, a group that represents less than 12% of affected workers in the IFO's estimates. Unlike the literature on teenagers, Cengiz notes that the research literature focused on adults finds employment effects that are close to zero. By extrapolating from teen response parameters to adults, the IFO's estimates overstate the potential job loss associated with minimum wage increases.

Two final issues raised by the IFO relate to the increase in the proposed minimum wage relative to the median wage and the size of the proposed minimum wage increase, including for tipped workers. On the first issue, we project a minimum wage of \$12 will be 49% of the median wage for full-time full-year workers in Pennsylvania in 2019. In 1968, the minimum wage was 51% of the median wage for full-time full-year workers in Pennsylvania.¹⁵ Thus, while we agree with the IFO that a \$12 minimum wage this July will be higher relative to the median wage than in recent years, it is not high relative to 1968.

On the second issue, the size of the minimum wage increase, including for tipped workers, one natural experiment with such large increases took place in the 1960s. The 1966 Fair Labor Standards Act phased in an extension of the minimum wage to workers in restaurants, nursing homes and other service sector jobs, which at that time employed over a third of all black workers in the U.S.¹⁶ In 1967, Derenoncourt and Montialoux (2018) find that the federal minimum wage went from 0% to 38% of the median wage in the newly covered industries and

¹³ David Card and Alan B. Krueger, 1994. "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania" *American Economic Review*. <http://davidcard.berkeley.edu/papers/njmin-aer.pdf>

¹⁴ Doruk Cengiz. 2018. "Seeing Beyond the Trees: Using machine learning to estimate the impact of minimum wages on affected individuals." Job market paper. https://www.dropbox.com/s/yjnosg503wkm6py/cengiz_seeing_beyond_the_trees.pdf

¹⁵ We rely on median wages for full-time full-year workers because this figure is available back to 1968 whereas median wages for all workers are not available. The median wage for full-time full-year workers is higher than the median wage for all workers because part-time workers tends to earn less than full time one. Our estimates of median wages for full-time full-year in Pennsylvania are based on Economic Policy Institute analysis of data from the March supplement Current Population Survey. We impute the median wage full-time full-year wage in 1968 in Pennsylvania assuming the wage was 102% of the U.S. median wage full-time full-year wage of \$3.07. The median in Pennsylvania averaged 102% of the U.S. wage from 1976 to 1979. Over the whole period (1976 to 2015) the Pennsylvania median averaged 103% of the U.S. median.

¹⁶ Ellora Derenoncourt and Claire Montialoux, "Minimum Wages and Racial Inequality," Mimeograph, November 30, 2018. http://clairemontialoux.com/files/montialoux_jmp_2018.pdf

affected workers in these industries received a 34% wage increase on average. Even though employers in affected sectors like restaurants absorbed a relatively large increase in labor costs, Derenoncourt and Montialoux find no significant dis-employment effects including for black workers. They also find that the minimum wage accounts for 20% of the reduction in the black-white earnings gap in the Civil Rights Era from 1954 to 1968. This research has particular relevance to the Wolf Administration's proposal to raise the tipped minimum wage from \$2.83 to \$12 this July—to the benefit of the mostly female tipped labor force—because it shows that it is not unprecedented for large changes in the minimum wage to have positive effects on earnings without reducing employment.

Box A: The Credibility Revolution in Empirical Economics

David Card and Alan B. Krueger's analysis of a New Jersey minimum wage increase in 1990 is a seminal paper in a body of research sometimes referred to as the credibility revolution in empirical economics. Due to this revolution, improved research designs have improved the accuracy and replicability of statistical (or "econometric") analysis in economics.

Card and Krueger conducted a phone survey of fast-food restaurants in neighboring parts of Pennsylvania and New Jersey, just across the border from each other and with similar economic environments. Using neighboring Pennsylvania fast food restaurants as a "control group" enabled the researchers to attribute any difference in fast food employment growth in New Jersey to the minimum wage increase. They found no difference in fast food job growth between the two states.

This research drew attacks from conservative critics financed by and relying on data manipulated by a restaurant industry think tank.² Krueger and his co-author obtained administrative payroll data from New Jersey and Pennsylvania and confirmed their original findings.

Since the original Card and Krueger study, its basic approach has been replicated on a larger scale with better data.³ One 2010 study compared neighboring counties along every state border in the country, capitalizing on the many cases of one state increasing a minimum wage while another one didn't.⁴ The authors found that a higher minimum wage had a positive effect on employment (albeit a small one that researchers could not be confident was bigger than zero). Last year, a controlled natural experiment study of six cities on their way to \$15 per hour found that wages increased nearly 2% for each 10% increase in the minimum wage. Meanwhile, employment was essentially unchanged.⁵

¹ David Card and Alan B. Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review*, 84(4), (September 1994), pp. 772-793; <http://davidcard.berkeley.edu/papers/njmin-aer.pdf>

² John Schmitt, 1996. "Behind the Numbers: Cooked to Order". *The American Prospect*. <http://cepr.net/publications/op-eds-columns/behind-the-numbers-cooked-to-order>

³ Daniel Kuehn, 2014. "The Importance of Study Design in the Minimum-Wage Debate" *Economic Policy Institute*. <https://www.epi.org/publication/importance-study-design-minimum-wage-debate/>

⁴ Arindrajit Dube, T. William Lester, and Michael Reich. 2010. "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties" *Institute for Research on Labor and Employment, University of California, Berkeley*. <http://irle.berkeley.edu/files/2010/Minimum-Wage-Effects-Across-State-Borders.pdf>

⁵ Sylvia Allegretto, Anna Godoey, Carl Nadler and Michael Reich. 2018. "The New Wave of Local Minimum Wage Policies: Evidence from Six Cities" *Center on Wage and Employment Dynamics, University of California, Berkeley*. <http://irle.berkeley.edu/files/2018/09/The-New-Wave-of-Local-Minimum-Wage-Policies.pdf>

Tipped Workers and Employment Trends in Food Services

In Pennsylvania, employers of workers that customarily receive tips are only required to pay their tipped workers a base wage of \$2.83 per hour, provided their workers' weekly income from tips plus their base pay at \$2.83 brings their hourly rate to \$7.25. Even after factoring in tips, tipped workers in states like Pennsylvania earn 11% less than tipped workers in states like

Alaska, California, Hawaii, Minnesota, Montana, Oregon and Washington State where there is no separate and lower tipped minimum wage.¹⁷

Governor Wolf has proposed eliminating the tipped minimum wage as the minimum wage is raised to \$12 this July. The IFO estimates there are a total of 195,000 tipped workers in Pennsylvania with 132,000 of those workers earning less than \$12 per hour.¹⁸ According to the Economic Policy Institute's Minimum Wage Simulation Model a minimum wage increase to \$12 per hour this July would raise wages in total for 170,000 tipped workers with 123,000 of those directly affected (earning less than \$12 per hour).

In its analysis (on p. 36), "The IFO did not perform a formal analysis for the increase in cash wages for tipped workers from \$2.83 to \$12.00 per hour (324 percent) because no research exists on which to model the proposed change." The IFO does observe that preliminary employment data for full-service restaurants declined by 4% from May 2018 to January 2019, a period imperfectly match to tipped minimum wage increases from \$7.50 per hour in 2017 to \$8.65 in 2018 and \$10.00 in 2019. The IFO then adds four different disclaimers (p. 37) that amount to telling readers not to put any stock in this employment decline.¹⁹ We think the IFO is right in this assessment. Moreover, an October 2018 study of employment trends in New York full-service restaurants from 2015 to 2017—when New York increased its tipped minimum wage from \$5 to \$7.50—found more robust growth in employment, total wages, average wages, and the number of establishments in New York border counties than in the border counties of neighboring states that did not increase their minimum wage.²⁰

Since every neighboring state around Pennsylvania has increased its state minimum wage in recent years, the food services and drinking places sector (NAICS 772; <https://www.bls.gov/iag/tgs/iag722.htm>) also offers another source of evidence on employment and wage trends in a low-wage industry that includes many tipped workers. The most reliable employment data for small areas is the Quarterly Census of Employment and Wages (QCEW), only available with a long lag (i.e., up until part way through 2018 currently). We examine the change in both wages and employment in the QCEW from 2012-13 to 2017-18 for Food Services and Drinking Places across our entire region seven-state region (Pennsylvania, six neighbors, and Washington DC). By focusing on this employment series that contains both limited and full-service restaurants we are examining a larger sector and therefore are more likely to observe

¹⁷ Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata, 2014-2016 <https://www.epi.org/blog/valentines-day-is-better-on-the-west-coast-at-least-for-restaurant-servers/>

¹⁸ The IFO also estimates based on the difference in reported employment in a survey of establishments (Current Employment Statistics) compared to the household survey that there are another 100 thousand part-time tipped workers in what it defines as secondary jobs. Given this estimate is back of the envelop calculation there is no data on earnings for these workers. In its main analysis the IFO imputes wage data for these jobs by assuming they have the characteristics of part time workers in the CPS, however in analyzing tipped workers the IFO chooses not to make a similar imputation.

¹⁹ The four disclaimers: the data is preliminary, year-over-year comparisons (which the IFO does not actually show) are not a "true counterfactual" (e.g., a statistical model with control variables), that any results from New York City (or another city, such as Seattle) will not translate to Pennsylvania, and that limited-service (fast food) restaurants enjoyed solid employment gains in New York in 2018 despite a minimum wage increase from \$12 to \$13.50.

²⁰ Institute for Policy Studies and Restaurant Opportunities Centers United, "New York's Experience after the Tipped Minimum Wage Increase: Restaurant worker wages, employment, and number of establishments have grown in the past two years," October 2019; <https://inequality.org/wp-content/uploads/2018/11/New-York-tipped-minimum-policy-brief-Oct-2018.pdf>

employment in this sector even in the smallest counties across the region. As noted, New York increased its tipped minimum wage and its overall minimum wage. Other neighbors did not increase their tipped minimum wage, but overall minimum wage increases likely pushed up wages for all lower-wage workers in this sector, tipped and non-tipped.

We find, that wage growth in food services has been stronger in the rest of our region where the minimum wage has increased (Table 5). We also find that employment growth has been greater in the rest of our region than in Pennsylvania. Notably in New York State where the minimum wage increased in real terms by at least 29% over the period of our analysis (more in New York City) both employment and wage growth were relatively stronger than in most of the region. Through the entire region as the real purchasing power of the minimum wage rose by 15.9%, payroll growth in food services was up 13.3% compared to the much slower growth of 8.2% in Pennsylvania where the purchasing power of the wages paid to minimum wage workers fell 6.9%.

Map 1 and Map 2 on the next page repeat this analysis at the county level. One key difference between the maps and our analysis in Table 5 is that in the maps we limit our analysis to the change in employment and average weekly wages between 2012 and 2017 in order to maximize the number of counties for which we have data.²¹

²¹ Non-disclosure of data to protect confidentiality limits the availability of employment and average weekly wages for some small-population counties to annual averages. Our analysis in Table 1 relies on quarterly data. The last full year of data available in our data source, the Quarterly Census of Employment and Wages, is 2017.

Table 5.

Percent change in weekly wages and the minimum wage (both adjusted for inflation [2017-18 \$]) and employment, all industries and food service and drinking places, 2012-13 to 2017-18

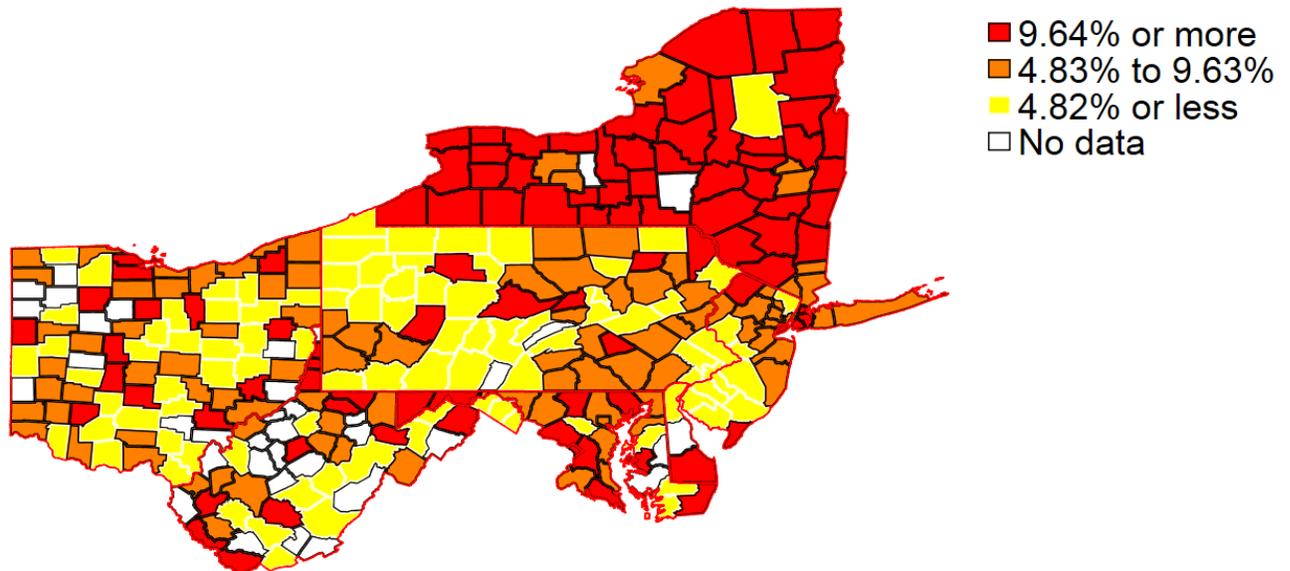
State	Percent Change in Minimum Wage (adjusted for inflation) 2012-13 to 2017-18	Percent Change in Average Weekly Wages 2012-13 to 2017-18		Percent Change in Employment 2012-13 to 2017-18	
		All industries	Food Services and Drinking Places	All industries	Food Services and Drinking Places
Delaware	5.9%	0.8%	5.1%	8.7%	13.4%
District of Columbia	41.0%	4.5%	9.5%	6.8%	22.7%
Maryland	18.7%	4.2%	11.2%	5.6%	10.7%
New Jersey	9.4%	2.3%	6.4%	6.3%	12.5%
New York	29.0%	6.4%	15.0%	8.6%	17.2%
Ohio	-1.5%	4.0%	7.1%	6.1%	9.9%
West Virginia	12.3%	3.7%	8.8%	-3.1%	1.5%
Regional Average (excluding PA) ¹	15.9%	4.8%	11.1%	6.9%	13.3%
Pennsylvania	-6.9%	4.6%	6.6%	4.5%	8.2%

¹ The percent change in real minimum wages and average weekly wages for the region is an employment weighted average across DE, DC, MD, NJ, NY, OH, and WV.

Source: Keystone Research Center analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>)

Map 1. Wage Growth in Food Services and Drinking Places in Pennsylvania Trails Most Counties in Neighboring States

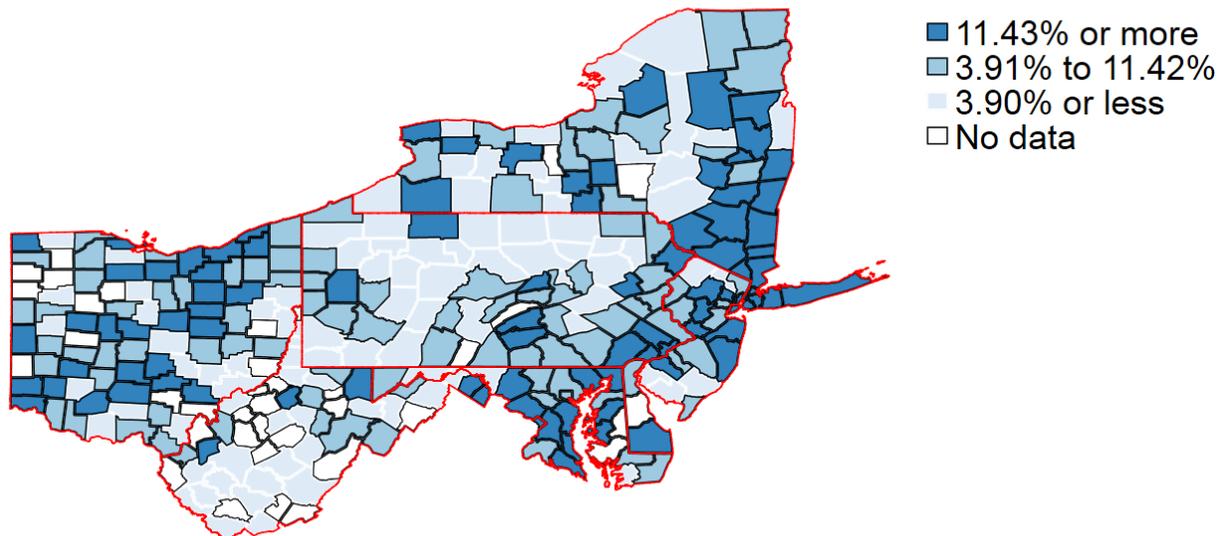
Percent Change in Real Annual Average Weekly Wage: Food Services and Drinking Places, 2012 to 2017



Source: Keystone Research Center analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>)

Map 2. Employment Growth in Food Services Also Trails Most Counties in Neighboring States

Percent Change in Annual Average Employment: Food Services and Drinking Places, 2012 to 2017



Source: Keystone Research Center analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>)

The counties shaded in red in Map 1 (previous page) had the most growth in wages between 2012 and 2017 and yellow, the least. As the map makes clear, there was, in general, more growth in wages in food services and drinking places across the region than in Pennsylvania. Similarly, in Map 2 (previous page), employment growth in this sector at the county level has been stronger in the region (counties in dark blue grew the fastest) compared to Pennsylvania. This stronger employment growth was also present in the counties that make up New York City.

Neither the IFO's simple descriptive analysis of several months of preliminary employment data for full-service restaurants in New York City nor our analysis of employment and wage data for Food Service and Drinking Places across the region, can conclusively answer whether a minimum wage increase reduced employment in the region. This is why, when academic economists study minimum wage increases, they deploy statistical techniques to tease out the impact of a wage increase on employment from other factors.²² As we have summarized earlier in this report the most current and sophisticated research using the best controls for other variables that impact employment and more precisely isolating and estimating employment effects of minimum wage increases find that minimum wage increases do not reduce employment among low-wage workers. There is no evidence, in sum, to support the prediction that the elimination the tipped minimum will reduce employment in Pennsylvania.

²² Sylvia Allegretto, Arindrajit Dube, Michael Reich, Ben Zipperer. 2017. "Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas and Washcher." ILR Review <http://irle.berkeley.edu/credible-research-designs-for-minimum-wage-studies-a-response-to-neumark-salas-and-wascher/>

\$15 by 2025

The IFO’s analysis of the proposal to raise the minimum wage by 50 cents a year starting in July 2020 until it reaches \$15 per hour in July 2025 is truncated reflecting the IFO’s judgement that a minimum wage of \$15 relative to the median wage in 2025 will be higher than it has been in any of the state level minimum wage increases studied between 1979 and 2017.

We present estimates from the Economic Policy Institute’s Minimum Wage Simulation Model (MWSM) of the number of workers affected (Table 6) and the total increase in wages (Table 7) of each proposed minimum wage increase from \$12 this July to \$15 in July 2025. Focusing on the final step to \$15 in 2025 we estimate that 33.7% of the state’s workforce or just over 2 million workers would see their wages rise by 2025.²³ In total a minimum wage of \$15 by 2025 will raise wages by 9.5 billion dollars (2018 dollars). Table 8 on page 16-18 presents the demographic characteristics of the workers affected by a \$12 minimum wage this July and by a \$15 minimum wage in July 2025.

Table 6.
Summary of minimum wage increases under proposed increase of Pennsylvania minimum wage, and numbers of workers affected by the increases, 2019–2025

Date	Minimum wage	Total estimated state workforce	Directly affected	Indirectly affected	Total affected	Affected workers' share of state workforce
1-Apr-19	\$7.25					
1-Jul-19	\$12.00	5,851,000	1,132,000	536,000	1,668,000	28.5%
1-Jul-20	\$12.50	5,874,000	1,031,000	679,000	1,710,000	29.1%
1-Jul-21	\$13.00	5,876,000	1,046,000	753,000	1,799,000	30.6%
1-Jul-22	\$13.50	5,899,000	1,059,000	788,000	1,846,000	31.3%
1-Jul-23	\$14.00	5,922,000	1,062,000	835,000	1,897,000	32.0%
1-Jul-24	\$14.50	5,945,000	1,044,000	896,000	1,940,000	32.6%
1-Jul-25	\$15.00	5,969,000	1,048,000	965,000	2,013,000	33.7%

Notes: Values reflect the result of the proposed change in the state minimum wage. Totals may not sum due to rounding. Shares calculated from unrounded values. Directly affected workers will see their wages rise as the new minimum wage rate exceeds their existing hourly pay. Indirectly affected workers have a wage rate just above the new minimum wage (between the new minimum wage and 115 percent of the new minimum). They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage. Wage increase totals are cumulative of all preceding steps. Estimate assumes tipped workers will be paid the full minimum wage.

Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.

²³ The IFO estimates that as of 2018 there 1.94 million workers with earnings below \$15.

Table 7.

Wage impacts of increasing the Pennsylvania minimum wage to \$15 by 2025, 2019–2025 (2018\$) for all (directly & indirectly) affected workers

Date	Minimum wage (nominal \$)	Minimum wage (2018\$)	Total wage increase (thousands 2018\$)	Change in average hourly wage (2018\$)	Change in avg. annual income (year-round workers) (2018\$)	Real percent change in average annual income
1-Apr-19	\$7.25	\$7.08				
1-Jul-19	\$12.00	\$11.73	\$5,361,309	\$2.11	\$3,214	17.5%
1-Jul-20	\$12.50	\$11.92	\$5,841,049	\$2.25	\$3,416	17.9%
1-Jul-21	\$13.00	\$12.09	\$7,122,902	\$2.56	\$3,959	20.2%
1-Jul-22	\$13.50	\$12.25	\$7,578,755	\$2.65	\$4,104	20.2%
1-Jul-23	\$14.00	\$12.40	\$8,110,598	\$2.76	\$4,276	20.3%
1-Jul-24	\$14.50	\$12.54	\$8,640,375	\$2.87	\$4,453	20.3%
1-Jul-25	\$15.00	\$12.68	\$9,517,975	\$3.10	\$4,729	21.3%

Notes: See Table 6.

Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.

Table 8.

Demographic characteristics of workers who would benefit if the Pennsylvania minimum wage were raised to \$12 in July 2019 and eventually to \$15 in July 2025.

Category	\$12 by July 2019			\$15 by July 2025		
	Total affected	Share of group who are affected	Group's share of state total affected	Total affected	Share of group who are affected	Group's share of state total affected
Total	1,668,000	28.5%	100.0%	2,013,000	33.7%	100.0%
Sex						
Women	1,019,000	35.0%	61.1%	1,220,000	41.1%	60.6%
Men	649,000	22.0%	38.9%	792,000	26.4%	39.4%
Age						
20 +	1,497,000	26.6%	89.8%	1,800,000	31.3%	89.4%
Under 20	171,000	77.6%	10.2%	213,000	94.8%	10.6%
Age Detailed						
16 to 24	561,000	72.9%	33.6%	652,000	83.0%	32.4%
25 to 39	506,000	28.0%	30.3%	606,000	32.9%	30.1%
40 to 54	300,000	16.1%	18.0%	380,000	20.0%	18.9%
55+	301,000	21.4%	18.1%	374,000	26.0%	18.6%
Race/ethnicity						
White	1,206,000	25.6%	72.3%	1,465,000	30.5%	72.8%
Black	215,000	40.5%	12.9%	256,000	47.3%	12.7%
Hispanic	165,000	49.7%	9.9%	195,000	57.5%	9.7%
Asian	82,000	30.0%	4.9%	97,000	34.9%	4.8%
Family Status						
Married parent	202,000	14.6%	12.1%	250,000	17.8%	12.4%
Single parent	204,000	41.7%	12.2%	237,000	47.6%	11.8%
Married, no kids	288,000	17.5%	17.3%	365,000	21.7%	18.1%
Unmarried, no kids	975,000	41.7%	58.4%	1,161,000	48.7%	57.7%
Family Income						
less than \$25,000	498,000	72.7%	29.9%	565,000	80.8%	28.1%
\$25,000 - \$49,999	420,000	37.2%	25.2%	525,000	45.7%	26.1%
\$50,000 - \$74,999	280,000	25.0%	16.8%	346,000	30.2%	17.2%
\$75,000 - \$99,999	188,000	20.3%	11.3%	233,000	24.6%	11.6%
\$100,000 - \$149,999	179,000	16.1%	10.7%	219,000	19.3%	10.9%
\$150,000 or more	102,000	11.8%	6.1%	125,000	14.1%	6.2%

Table 8 (cont.)

Demographic characteristics of workers who would benefit if the Pennsylvania minimum wage were raised to \$12 in July 2019 and eventually to \$15 in July 2025.

Category	\$12 by July 2019			\$15 by July 2025		
	Total affected	Share of group who are affected	Group's share of state total affected	Total affected	Share of group who are affected	Group's share of state total affected
Industry						
Agriculture, forestry, fishing, hunting	23,000	34.2%	1.4%	27,000	39.5%	1.3%
Construction	40,000	14.6%	2.4%	54,000	18.9%	2.7%
Manufacturing	120,000	16.3%	7.2%	154,000	20.6%	7.6%
Wholesale trade	37,000	22.4%	2.2%	47,000	27.9%	2.3%
Retail trade	350,000	51.2%	21.0%	410,000	58.9%	20.4%
Transportation, warehousing, utilities	63,000	19.3%	3.8%	79,000	23.9%	3.9%
Information	13,000	13.3%	0.8%	16,000	16.2%	0.8%
Finance, insurance, real estate	38,000	10.3%	2.3%	51,000	13.7%	2.5%
Professional, scientific, management, technical services	22,000	6.5%	1.3%	31,000	8.7%	1.5%
Administrative, support, and waste management	81,000	40.2%	4.8%	95,000	46.6%	4.7%
Education	101,000	17.4%	6.1%	126,000	21.3%	6.3%
Healthcare	293,000	28.9%	17.6%	359,000	34.7%	17.8%
Arts, entertainment, recreational services	57,000	54.7%	3.4%	67,000	62.7%	3.3%
Accommodation	32,000	63.1%	1.9%	35,000	69.6%	1.8%
Restaurants and food service	275,000	77.3%	16.5%	313,000	86.5%	15.6%
Other services	107,000	45.1%	6.4%	123,000	50.9%	6.1%
Public administration	19,000	7.5%	1.1%	25,000	9.6%	1.2%

Table 8 (cont.)

Demographic characteristics of workers who would benefit if the Pennsylvania minimum wage were raised to \$12 in July 2019 and eventually to \$15 in July 2025.

Category	\$12 by July 2019			\$15 by July 2025		
	Total affected	Share of group who are affected	Group's share of state total affected	Total affected	Share of group who are affected	Group's share of state total affected
Work Hours						
Part time (< 20 hours)	243,000	59.3%	14.6%	289,000	69.2%	14.4%
Mid time (20-34 hours)	543,000	63.1%	32.5%	621,000	70.8%	30.9%
Full time (35+ hours)	883,000	19.3%	52.9%	1,102,000	23.6%	54.8%
Education						
Less than high school	251,000	62.1%	15.0%	305,000	73.9%	15.1%
High School	734,000	40.6%	44.0%	875,000	47.5%	43.5%
Some college, no degree	436,000	39.3%	26.1%	515,000	45.5%	25.6%
AA degree	122,000	22.1%	7.3%	152,000	27.1%	7.6%
Bachelor's or higher	126,000	6.3%	7.5%	166,000	8.2%	8.2%
Organizational Type						
For profit	1,420,000	31.9%	85.1%	1,703,000	37.6%	84.6%
Government	83,000	12.7%	5.0%	106,000	15.9%	5.3%
Non-profit	165,000	21.9%	9.9%	203,000	26.5%	10.1%
Poverty Status						
At or below the poverty line	254,000	80.2%	15.2%	283,000	87.7%	14.0%
101–200 percent of poverty	416,000	62.1%	24.9%	484,000	70.9%	24.0%
201–400 percent of poverty	568,000	30.6%	34.0%	712,000	37.6%	35.4%
401 percent or above	384,000	13.0%	23.0%	478,000	15.9%	23.8%
Poverty status not available	47,000	76.2%	2.8%	56,000	89.0%	2.8%
Tipped Workers						
Not tipped workers	1,498,000	26.4%	89.8%	1,839,000	31.7%	91%
Tipped workers	170,000	100.0%	10.2%	173,000	100.0%	9%

Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.

Appendix A:

In its 2015 and 2016 reports the IFO following the CBO's 2014 analysis reduced the teen response parameter by two-thirds, assuming a 10% increase in the minimum wage would reduce employment for adults by 1.5%.

Starting with its April 2017 report the IFO moved to reporting the response parameters it was using by wage level rather than by age, but the parameters remained based on the original CBO teen parameters with slightly higher parameters (greater than 1.5%) for the lowest-wage workers reflecting a greater concentration of young workers. As you move to higher-wage groups of workers the parameters fall to less than 1.5% and begin approaching zero.

Specifically, in April 2017 the IFO assumed each 10% increase in the minimum wage would reduce employment by 1.8% for the lowest-wage workers (those earning \$7.25 to \$8.99 per hour) with the responsiveness falling to -0.1% for workers with wages just below \$12.

In April 2018 the parameters were adjusted up slightly to 2% for workers earning between \$7.25 and \$8.99 and similarly upward to 1% for those earning less than 12.

The most recent March 2019 report bifurcated the response parameters by part-time and full-time status. Each 10% increase in the minimum wage was assumed to reduce employment for the lowest-wage workers by between 1.5% and 2% with the negative effect falling to 0.3% for workers earning \$11 or more. In Table A2 and Table A3 we report the results of our replication of the IFO's predictions of job loss from previous years using the March 2019 response parameters. There are small differences between the IFOs

Table A1.

IFO Reports	Percent Reduction in Employment from a 10% increase in the minimum wage
Nov 2015	
Teens	-4.5%
Adults	-1.5%
Apr 2016	
Teens	-4.5%
Adults	-1.5%
Apr 2017	
\$7.25 to \$8.99	-1.8%
\$9.00 to \$9.99	-1.4%
\$10.00 to \$10.99	-1.0%
\$11.00 to \$11.99	-0.1%
Apr 2018	
2019: Increase to \$10.00	
\$7.25 to \$8.99	-2.0%
\$9.00 to \$9.99	-1.5%
2020: Increase to \$11.00	
\$10.00	-1.5%
\$10.00 to \$10.99	-1.5%
2021: Increase to \$12.00	
\$11	-1.0%
\$11.00 to \$11.99	-1.0%
Mar 2019	
Part time	
\$7.25 to \$7.99	-2.0%
\$8.00 to \$9.99	-1.3%
\$10.00 to \$10.99	-0.8%
\$11.00 to \$11.99	-0.3%
Full time	
\$7.25 to \$7.99	-1.5%
\$8.00 to \$9.99	-1.0%
\$10.00 to \$10.99	-0.5%
\$11.00 to \$11.99	-0.3%

Source: Keystone Research Center based on the Independent Fiscal Office

original predictions and our replication using their most recent response parameters but overall the data in (Table A2) make it clear the IFO’s job loss predictions are essentially unchanged and derived from a response parameter for teens.

Table A2.

Replicating the Independent Fiscal Office's Job Loss Predictions for Previous Years Using its 2019 Response Parameters

Year ¹	New Minimum Wage	IFO		KRC	
		Estimate of the Number of Workers Directly Affected (1000s)	Predicted Job Losses (1000s)	Estimate of the Number of Workers Directly Affected (1000s)	Predicted Job Losses ² (1000s)
2015	\$10.10	1,055	31	978	23
2016	\$10.15	1,023	30	994	26
2017	\$12.00	1,342	54	1,330	43
2018	\$12.00	1,025	33	1,116	33
2019	\$12.00	1,110	34	1,023	31
	Average	1,111	36	1,088	31

¹ Year represents the year of the analysis, the CPS sample would be in each case from the prior year, for example 2015 represents estimates from the 2014 CPS,

² Differences between our replication and the IFO's original analysis are the result of differences in the number of affected workers and changes in average wages for affected workers. Those differences will be driven variation in sample construction around workers included and differences in the imputation of wages and hours.

Source: Keystone Research Center based on the Merged Outgoing Rotations of the Current Population Survey and Independent Fiscal Office.

Table A3.

Replicating the IFO's Job Loss Estimates Using It's March 2019 Response Parameters

2019											
	Employment (1000s)		Percent Change in Wages to \$12		Response Parameter		Pct. Chg. * Response Parameter		Predicted Employment Loss		
	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	
\$7.25 to \$7.99	82	20	63%	59%	-0.200	-0.150	-13%	-9%	-10	-2	
\$8.00 to \$9.99	213	130	38%	34%	-0.125	-0.100	-5%	-3%	-10	-4	
\$10.00 to \$10.99	170	177	18%	17%	-0.075	-0.050	-1%	-1%	-2	-2	
\$11.00 to \$11.99	104	128	7%	7%	-0.025	-0.025	0%	0%	0	0	
\$12.00 to \$14.99	180	617	4%	4%	0.000	0.000	0%	0%	0	0	
Directly Affected	569	454							-23	-8	
Total		1023								-31	
2018											
	Employment (1000s)		Percent Change in Wages to \$12		Response Parameter		Pct. Chg. * Response Parameter		Predicted Employment Loss		
	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	
\$7.25 to \$7.99	69	29	61%	61%	-0.200	-0.150	-12%	-9%	-8	-3	
\$8.00 to \$9.99	250	184	36%	35%	-0.125	-0.100	-5%	-3%	-11	-6	
\$10.00 to \$10.99	166	176	18%	17%	-0.075	-0.050	-1%	-1%	-2	-2	
\$11.00 to \$11.99	93	150	7%	7%	-0.025	-0.025	0%	0%	0	0	
\$12.00 to \$14.99	147	649	4%	4%	0.000	0.000	0%	0%	0	0	
Directly Affected	577	539							-22	-11	
Total		1116								-33	
2017											
	Employment (1000s)		Percent Change in Wages to \$12		Response Parameter		Pct. Chg. * Response Parameter		Predicted Employment Loss		
	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	
\$7.25 to \$7.99	107	37	62%	62%	-0.200	-0.150	-12%	-9%	-13	-3	
\$8.00 to \$9.99	309	201	37%	35%	-0.125	-0.100	-5%	-3%	-14	-7	
\$10.00 to \$10.99	198	246	18%	17%	-0.075	-0.050	-1%	-1%	-3	-2	
\$11.00 to \$11.99	60	173	7%	6%	-0.025	-0.025	0%	0%	0	0	
\$12.00 to \$14.99	170	620	4%	4%	0.000	0.000	0%	0%	0	0	
Directly Affected	673	657							-30	-13	
Total		1330								-43	

Table A3 (Cont.)

2016										
	Employment (1000s)		Percent Change in Wages to \$10.15		Response Parameter		Pct. Chg. * Response Parameter		Predicted Employment Loss	
	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time
\$7.25 to \$7.99	124	148	36%	36%	-0.200	-0.150	-7%	-5%	-9	-8
\$8.00 to \$9.99	348	35	17%	15%	-0.125	-0.100	-2%	-1%	-7	-1
\$10.00 to \$10.14	98	241	1%	1%	-0.075	-0.050	0%	0%	0	0
\$10.15 to \$10.99	54	146	4%	4%	-0.075	-0.050	0%	0%	0	0
\$11.00 to \$11.99	60	78	4%	4%	-0.025	-0.025	0%	0%	0	0
\$12.00 to \$14.99	148	171	4%	4%	0.000	0.000	0%	0%	0	0
Directly Affected	570	425							-17	-9
Total		994								-26
2015										
	Employment (1000s)		Percent Change in Wages to \$10.10		Response Parameter		Pct. Chg. * Response Parameter		Predicted Employment Loss	
	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time
\$7.25 to \$7.99	140	46	36%	34%	-0.200	-0.150	-7%	-5%	-10	-2
\$8.00 to \$9.99	300	264	18%	14%	-0.125	-0.100	-2%	-1%	-7	-4
\$10.00 to \$10.09	104	124	1%	1%	-0.075	-0.050	0%	0%	0	0
\$10.10 to \$10.99	32	90	4%	4%	-0.075	-0.050	0%	0%	0	0
\$11.00 to \$11.99	50	183	4%	4%	-0.025	-0.025	0%	0%	0	0
\$12.00 to \$14.99	154	614	4%	4%	0.000	0.000	0%	0%	0	0
Directly Affected	544	434							-17	-6
Total		978								-23

Source: Keystone Research Center based on the Merged Outgoing Rotations of the Current Population Survey and Independent Fiscal Office.



My name is Lasaine Latimore, also known as Sandy. I am 74 years around the sun.

The house I live in today is where I was brought home at 6 weeks old and where I was raised. A row house, on Webster Ave in the hill district, right here in Pittsburgh.

When I was 20 I worked in the offices of a steel mill. Back then the mill was a good job. The worst paying job at the mill was a living wage job. You could see the difference in the Hill District when there were good jobs like that around. There were parts of the Hill, like Sugar Top, where we had a "Black Middle Class", like they have in Philly still today. In Pittsburgh that's all gone now. In the 50's and 60's there were a lot more Black Activists that were professionals. Lawyers, teachers, accountants, professors, judges who dedicated their success to lift up all Black people.

Today we are here to talk about the minimum wage. Funny...you hear that term "minimum wage" ...it rings like.. "poverty", "being broke" "having nothing". That's what it is, THE MINIMUM WAGE ---companies are allowed to get away with paying. But that is not what it was intended to be. The companies didn't give it to us. We demanded it and won. It is ours to define.

In 1938 workers teamed up with lawmakers and established limits on paid labor. Our elders built a floor on what workers could be paid, and a ceiling on the hours we could be expected to work in a week. Why? Because companies weren't going to do it. From that floor we built our unions to move each other up higher than the minimum.

What we are really fighting for is A MINIMUM WAGE strong enough TO LIVE A DECENT LIFE. To meet the needs of our family, our home, our health. Over time companies have taken the "minimum wage" from us, keeping wages down while CEOs pay sky rockets. I put a sticker on my walker that says "If the minimum wage had kept pace with the rise in executive salaries since 1990, America's poorest paid workers would be making more than \$23 an hour."

Today we take the minimum wage back.

I have never worked for the state's minimum wage. I have always fought to earn a living wage. Minimum Wage needs to guarantee a LIVING WAGE for everybody.

Back When I was working at the mill one of the better positions came up in the office and I went for it. The boss told me to my face, this was a stepping stone job, and it was only for men. There were no protections, so there was no one to help. I was determined to do better for myself. I signed up for computer classes and kept my eyes on the prize.

When I finished the classes a position in the computer/data department came up. There were no women in the department and the boss made it clear he didn't want me or any women on staff. This time there was something different, someone on my side. A black guy, the only Black man in the entire department, stuck his neck out for me. He pushed and got me that job."



I can still remember how I felt holding my first paycheck in my hand. The smooth pale blue paper, proof of what my time was worth. How much stronger, how much freer I felt.

That's what this all comes down to.

What are we worth?

Are we willing to stand up for each other?

Are we willing to define Minimum wage as what companies can get away with?

--OR-- demand Minimum Wage is WHAT meets the real needs of our neighbors?

You want strong public schools? You want more environmental protections? You gotta have living wage jobs all over this city. Build up economically healthy neighborhoods and community members will have the time and energy to move those mountains too.

The Hill District has always been a vital part of the Pittsburgh story. We have contributed great artists, musicians, thinkers and athletes. We have been workers, shoulder to shoulder with Irish, Italian, Polish immigrants fighting for unions.

But Pittsburgh's story is not over yet, we are laying down a new direction. The days of extracting wealth and labor and natural resources in toxic, selfish ways is over. We say what is best for our town. And what is Best is having every job still make you proud, make you stronger and make you feel more free.

This is the MINIMUM WAGE I am asking you to believe in with me. This is the legacy I'm asking you to build upon. One Pittsburgh, One Pennsylvania, that works for all of us and not just some of us.