The Minimum Wage

How many Pennsylvanians earn the minimum wage?

According to the U.S. Bureau of Labor Statistics, 45,000 people are earning exactly minimum wage, and 51,000 “below” minimum, which means tipped workers. That 45,000 represents 1.3% of those with hourly pay, only 0.7% of all employees. The median hourly wage is $18.49, and average annual pay is $50,030.

What is the impact of a minimum wage increase?

A recent IFO analysis estimates a $12 minimum wage would result in a raise for 1.08 million workers of $2,885 annually. This comes at a cost of 34,100 positions and annual wage reductions of $10,646 for those workers. It would also indirectly impact about 826,000 workers earning up to $15 an hour. Critically, the IFO assumes workers that retain their jobs do not see a significant cut in hours. But experience shows these workers often see dramatic reductions.

Minimum wage workers are seeing their hours cut.

Target: Target is increasing its minimum wage to $15 an hour by 2020. Now, employees are experiencing a reduction in hours, resulting in less take home pay.

Heather, an employee in Florida used to work 40 hours a week, but recently her hours dropped to 20 hours a week. Heather told CNN, “I got that dollar raise, but I’m getting $200 less in my paycheck.”

Amazon: Amazon raised its wage floor for hourly workers in their warehouses earlier this year. But workers also lost incentive pay and stock option rewards. The result is a loss in total compensation for the highest performing employees.

Sackets Harbor Country Mart: Workers in small business are harmed too. In New York, another small business announced it is shutting its doors after over 25 years in operation due in part to the $15 minimum wage. The Country Mart was a part of the Jefferson Rehab Center as a place to provide work for people with disabilities.

Minimum wage workers lose other benefits.

A study from the Competitive Enterprise Institute details how mandated wage increases reduce other employer based benefits such as tips, health insurance, employee discounts, flexible hours, and tuition assistance.
**History of minimum wage proposals.**

For the last four years, Gov. Wolf has proposed raising the minimum wage up to $12, which would make Pennsylvania’s minimum wage in the fifth highest state-wide wage in the country. In 2016, he raised the minimum wage for most government workers to $10.15. This fall Governor Wolf announced a raise in the threshold for overtime pay for salaried workers from those who make $455 a week to those making up to $875 a week.

**Minimum wage hikes are short-sighted.**

State laws should bolster long-term prosperity. Raising the entry level wage harms entry level employees the most—those that need the work experience to move into family-sustaining careers. Studies show there is no link between higher minimum wages and permanent poverty alleviation.

According to a study by University of California economists and the National Bureau of Economic research: “each $1 increase in the minimum wage has, in disadvantaged neighborhoods over the past three decades, increased poverty rates and the receipt of public assistance by roughly three percent.”

**Wages are already rising for low-income workers**

Thanks to the Tax Cut and Jobs Act, along with a tight labor market, economists are noting wage growth is the strongest for workers in low-wage industries, such as clothing stores, supermarkets, amusement parks, and casinos. And even among that bottom half, the biggest gains are going to workers earning the least.

**Gov. Wolf recognizes the burdens.**

Gov. Wolf seems to acknowledge wage mandates are a burden. His mandated minimum wage increase for government workers did not include contracts with the Department of Human Services because, in his words, “we didn’t want to put additional burdens” on human services providers in the midst of the budget impasse.

**Free-Market reforms can raise wages without reducing the number of jobs.**

If Gov. Wolf and other policymakers are truly concerned about increasing wages and lifting people out of poverty, they should pursue the following proven reforms:

- **Lower the cost of doing business:** It is possible to raise wages and increase hiring at the same time. According to a Mercatus Center study, a one-percentage point drop in the state corporate tax rate would likely increase annual economic growth by 0.1 to 0.2%.

- **Reward hard work:** Restructure welfare programs to avoid the arbitrary benefit cutoffs that discourage employment and trap families in poverty.

- **Lower barriers to employment:** Scale back professional licensing requirements to give low-wage earners the opportunity to increase their incomes through entrepreneurship.
• **Expand school choice:** School choice programs improve high school graduation rates, increasing students’ future earning potential. Expanding school choice ensures more children can escape failing schools, graduate, and ultimately increase their income.