



November 2019

## 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.