

Raising Wages Is Good For Philadelphia's Economy: The Impact of Raising the Minimum Wage to \$15 Per Hour

When a significant number of jobs in Philadelphia don't pay enough for our neighbors to afford the basics – things like food, car repairs and eyeglasses – it hurts the local economy. For many people in our community, wages are so low that they don't even cover rent and the cost of getting around, forcing working people to rely on the local food bank to help make ends meet. Raising the wage floor can help restore spending on the basics and, in the process, boost the local economy.

Today, in the Pennsylvania Legislature, there is a proposal to raise the minimum wage to \$15 per hour by 2024. An increase in the minimum wage to \$15 per hour would boost the wages of 253,698, or 39.7%, of the city's resident workforce. In total, wages in Philadelphia would increase by \$1.1 billion.

As illustrated in Table 2 (see reverse), the majority of workers in this region who would get a raise as a result of a statewide minimum wage increase are adults (96.7%) working full-time (71.9%). On average, the workers here that would benefit from a minimum wage increase earn 60.9% of their family's income.

There are other proposals to raise the minimum wage, which benefit fewer workers by covering fewer of the basics (see Figure 1 to the right). While these are just proposals, ALL of our neighboring states from Ohio, West Virginia, Maryland, Delaware, New Jersey to New York have already raised the minimum wage and those not already on a path to \$15 have active campaigns to get there.

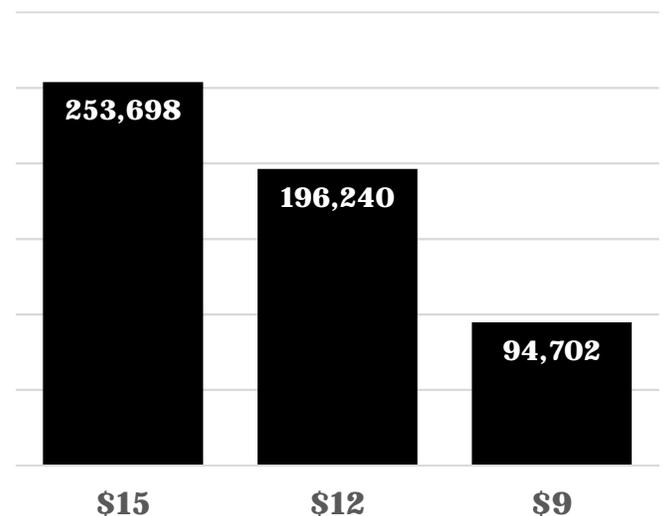
Job growth has been stronger in those states than in Pennsylvania, both overall and in industries like food services that are more likely to be affected by a minimum wage increase. Meanwhile wage growth for the workers most likely to benefit from an increase in the minimum has been slower in Pennsylvania than in our neighboring states since they raised their minimum wage. The majority of working people support a minimum wage increase. Yet it has been more than a decade since the legislature took action to raise the wage. Increasing the minimum wage is long overdue, and raising it to \$15 per hour would result in a meaningful boost in family incomes in the region and help grow Philadelphia's economy.

Table 1. Monthly Budget for Single Adult With No Children in Philadelphia¹

	HOUSING	\$744
	FOOD	\$265
	CHILD CARE	\$0
	TRANSPORTATION	\$548
	HEALTH CARE	\$361
	OTHER NECESSITIES	\$407
	TAXES	\$460
	MONTHLY EXPENSES	\$2,785
	MONTHLY INCOME AT \$7.25/hour	\$1,257

Figure 1. Increasing the Minimum Wage to \$15 Per Hour Would Benefit 253,698 Philadelphia Residents

Number of Workers Affected by a Minimum Wage Increase to \$15, \$12 and \$9 per hour



When discussing the minimum wage with your neighbors, it's important to talk about the following four issues:

WE NEED ONE FAIR WAGE

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. Sounds a little complicated, doesn't it? Well it's a recipe for wage theft by employers, and it also makes workers poorer. Tipped workers in states like Pennsylvania face higher rates of poverty and a greater reliance on public assistance than workers in states with one fair wage.

Some corporate lobbyists also advocate for a lower minimum wage for teens. For many families, employment by a teen in the family is an important means of making ends meet. In Philadelphia teens currently earn an average of 29% of their family's income. Denying these families a raise, while giving businesses an incentive to discriminate by age in hiring, is a bad idea.

WE NEED LOCAL CONTROL

The cost of living varies from community to community in Pennsylvania, so it is important when establishing a statewide minimum wage to give local communities the option to establish a higher local minimum wage to better reflect a higher local cost of living. The law in Pennsylvania currently prevents local communities from setting a higher minimum wage more reflective of things like higher local housing costs.

WE NEED TO STOP WAGE THEFT

One in 10 minimum-wage-eligible workers in Pennsylvania has been the victim of wage theft by their employer. Pennsylvania needs more cops on the beat and larger penalties for employers who willfully violate the law by not paying workers what they are owed.

WE NEED TO ACCOUNT FOR CHANGES IN THE COST OF LIVING

Eighteen states, including New York, New Jersey, Ohio, and the District of Columbia, adjust the minimum wage annually to reflect changes in the cost of living. Once the minimum wage reaches \$15 per hour, making a small annual adjustment, typically adding about 23 cents depending on rate of inflation, to the minimum wage would stop politicians from using your family budget as a bargaining chip in the political games that dominate decision making in the General Assembly.

Table 2. The Demographic Characteristics of Workers in Philadelphia That Would Get A Raise With A Minimum Wage Of \$15 Per Hour

<i>Category</i>	<i>Percent of affected workers</i>
Sex	
Female	54.0%
Male	46.0%
Age	
Under 20	3.3%
20 to 39	56.9%
40 and older	39.8%
Race/ethnicity	
White	35.1%
Black	41.5%
Hispanic	13.1%
Asian	10.3%
Family status	
Married parent	16.8%
Single parent	17.0%
Married, no kids	11.2%
Unmarried, no kids	55.0%
Family income	
Less than \$40,000	52.6%
\$40,000 to \$74,999	27.7%
\$75,000 or more	19.7%
Current Average Share of Family Income Earned by All Affected Workers	60.9%
Current Average Share of Family Income Earned by Affected Teens	28.8%
Work hours	
Part-time (< 20h)	7.4%
Mid-time (20-34)	20.7%
Full-time (35+)	71.9%
Education	
Less than high school	12.7%
High school	35.5%
Some college	31.3%
Bachelor's degree or higher	20.5%

¹For more details on the components of basic family budget as well as different family types see <http://www.epi.org/resources/budget/>. Source: Keystone Research Center analysis based on data drawn from the Current Population Survey, Local Area Unemployment Statistics, American Community Survey and the Economic Policy Institute. Questions or comments contact price@keystoneresearch.org.

Frequently Asked Questions About A Minimum Wage Increase in Philadelphia

“Doesn’t raising the minimum wage effect mostly teenagers?”

- In Philadelphia 97% of the people impacted by a minimum wage increase to \$15 are age 20 and older; strikingly 40% are over the age of 40.

“Do teenagers really need a pay raise?”

- Of those teenagers that would be affected by a minimum wage increase in Philadelphia, they currently bring home on average 29% of their family’s income. The jobs impacted by the minimum wage are an important source of income for many working families.

“Doesn’t raising the minimum wage destroy businesses and jobs, hurting those the minimum wage was intended to help?”

- The minimum wage has increased in every state neighboring Pennsylvania and those increases have not impacted overall job growth or job growth in sectors most affected by a minimum wage increase like food services. In fact, even with the lowest minimum wage in the region, job growth overall and in food services have been SLOWER in Pennsylvania than in neighboring states.²

“Won’t raising the minimum wage hurt small business?”

- Both big and small businesses pay low wages, and none of us would accept a small or larger business polluting our rivers or poisoning our food just to keep profits high. Raising the minimum wage rewards small and large businesses that profit while also paying living wages to their workers. To learn more about good employers that support a higher minimum wage, visit <https://www.businessforafairminimumwage.org/>

“Don’t studies show that minimum wage increases lead to job losses?”

- There is a vigorous debate among economists about the impact of minimum wage increases. Although some economists disagree, the weight of evidence currently finds that modest increases in the minimum wage since 1990 of a dollar to two dollars from low levels have no observable impact on employment for workers most likely affected by a minimum wage increase.³ This means that increased labor costs are absorbed through other channels like lower turnover costs, higher prices, and lower profits. There has been less time to evaluate bold proposals that move the minimum wage to \$15, but there is good reason to expect that, although some workers may end up working fewer hours in the year, their annual incomes thanks to the higher minimum wage will increase.⁴

“Wasn’t the minimum wage intended to be an entry level wage, not a living wage?”

- The minimum wage has always impacted both entry level wages and many lower-wage jobs held by adults for a career. The problem is the minimum wage doesn’t buy what it used to, pulling down wages in both entry level and career jobs. In 1968, the minimum wage in Pennsylvania was set at just over half (51%) the value of the median wage (\$1.60 compared to \$3.15) for full-time full-year workers. The minimum wage in 2018 is less than 32% of median wage (\$7.25 compared to \$22.93) – its lowest point since the last time Pennsylvania raised the minimum wage in 2006. Workers impacted by minimum wage increases are more productive and better educated today than similar workers in the past.⁵ It’s long past time to restore the purchasing power of the minimum wage.

“Does the minimum wage really impact families with children?”

- Parents with children account for 34% of the workers impacted by a minimum wage increase to \$15 in Philadelphia. Just one child adds \$824 in monthly expenses for childcare in Philadelphia. That single expense is over two-thirds the monthly income for a worker employed full-time at the current minimum wage of \$7.25.

“Isn’t the best path to higher wages a skill or a college degree?”

- Working full-time at the minimum wage a worker will bring home an income of \$1,257 a month. The monthly total cost of attending a Pennsylvania community college full-time for a low-income student is \$630, a figure which balloons to between \$1,408 and \$1,646 for a State System or state-related university. Private and for-profit colleges are even more expensive. It’s impossible to get skills for better-paying jobs when the jobs available don’t pay enough to afford education and training to acquire more skills. Workers stuck in an economic dead end are vulnerable to exploitation by a rogue’s gallery of payday lenders and for-profit colleges eager to saddle workers with debt packaged as a lifeline. A higher minimum wage is a critical first step to families providing themselves and their children the lifetime of better opportunities that come with higher skills.

“I sometimes hear lobbyists for businesses say they prefer an Earned Income Tax Credit to a minimum wage increase, why?”

- The federal Earned Income Tax Credit is available to low-income working families with children and is most effective in lowering poverty and encouraging work when combined with a minimum wage increase. The tax credit is not a substitute for a minimum wage increase. The corporate lobbyists that promote the tax credit as an alternative to a minimum wage increase to date have never actually advanced a proposal to expand the tax credit in Pennsylvania. They seem only to value it as a rhetorical device when justifying their opposition to the minimum wage.

“Won’t raising the minimum wage just raise prices and leave workers no better off?”

- The cost of a bag of French fries might rise by a few cents as a result of a minimum wage increase.⁶ But when the minimum wage is increased, the wages of workers affected by an increase grow faster than inflation, meaning workers have more buying power even if they are paying a few more cents for a bag of French fries. Even in fast food and other low-wage industries, front-line workers’ wages are a small fraction of the costs of goods and services and there are offsetting savings (for example from lower turnover) which hold down price increases.

“If raising the minimum wage is so good for the economy, why stop at \$15?”

- In 1968, the Pennsylvania minimum wage was half (51%) the value of the median wage (\$1.60 vs. \$3.15) for full-time full-year workers. In 2017, the median wage was \$22.93 – more than three times the minimum wage. Our goal is to return the purchasing power of the minimum wage to just over half of the median wage by 2024. With the cost of living below the statewide average in Philadelphia our statewide wage target of \$15 would provide workers here a monthly income of \$2,600, a figure close to the income needed to cover a basic monthly budget for a single adult of \$2,785 in the region. Our goal is not to radically alter the economy, but to get back to rules of the road that guarantee that when the economy grows all workers benefit, not just corporate managers and high-paid ex-politicians-turned-lobbyists.

²Mark Price (2018). “The Pennsylvania Minimum Wage 2018”. Keystone Research Center.

<https://www.keystoneresearch.org/publications/research/minwagerep2018>

³John Schmitt (2015). “Explaining the Small Employment Effects of the Minimum Wage in the United States”, Industrial Relations, October.

<http://onlinelibrary.wiley.com/doi/10.1111/irel.12106/epdf>

⁴David Cooper, Lawrence Mishel, and Ben Zipperer (2018). “Bold increases in the minimum wage should be evaluated for the benefits of raising low-wage workers’ total earnings: Critics who cite claims of job loss are using a distorted frame”. Economic Policy Institute.

<http://epi.org/143838>

⁵John Schmitt and Janelle Jones (2012). “Low Wage Workers Are Older and Better Educated Than Ever”. Center for Economic Policy Research.

<http://cepr.net/documents/publications/min-wage3-2012-04.pdf>

⁶Sylvia Allegretto and Michael Reich (2016). “Are Local Minimum Wages Absorbed by Price Increases? Estimates from Internet-based Restaurant Menus”. IRLE Working Paper No. 124-15. <http://www.irlle.berkeley.edu/files/2015/Are-Local-Minimum-Wages-Absorbed-by-Price-Increases.pdf>

Source: Keystone Research Center analysis based on data drawn from the Current Population Survey, Local Area Unemployment Statistics, American Community Survey and the Economic Policy Institute. Questions or comments contact price@keystoneresearch.org.