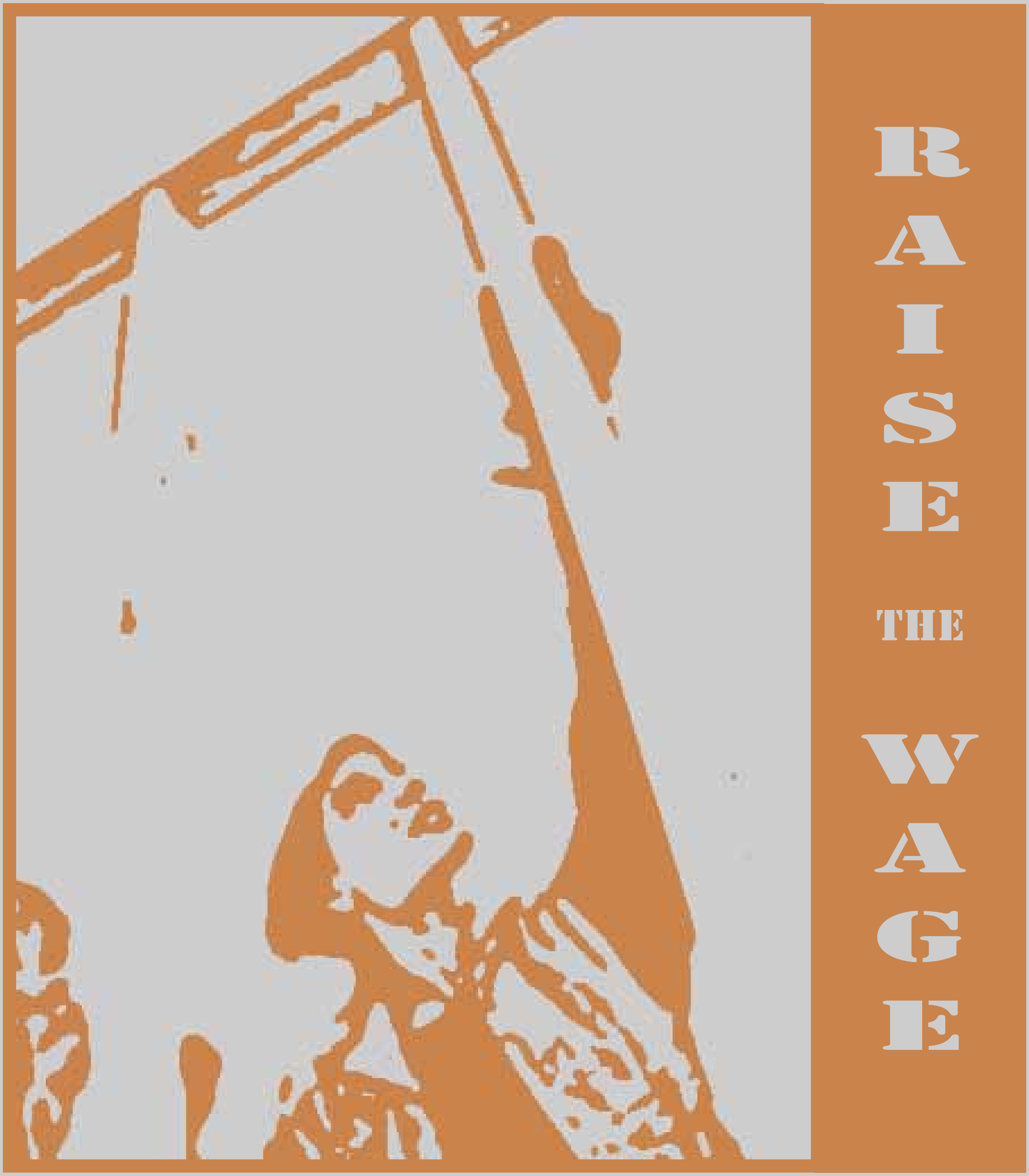
# State of Working Pennsylvania 2015

by Mark Price and Stephen Herzenberg



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# Contents

# Executive Summary

The release of July's job numbers (the latest available) for Pennsylvania did not generate much attention: the unemployment rate remained unchanged at 5.4% and total nonfarm jobs were up by a respectable 8,000 jobs. Buried in the numbers, however, was some better news than Pennsylvania has had in some time: over the past year Pennsylvania created 66,500 jobs, an increase of 1.1%. That pace of growth ranks Pennsylvania 34th out of the 50 states. That's roughly the average Pennsylvania rank since 1990: but it's the best 12-month performance in July since 2011, when the state ranked 26th.

Pennsylvania's job growth is back to normal!

That's not the kind of headline that sells newspapers or, in this digital age, gets retweets and favorites. And even this modest improvement is currently at risk: just as Pennsylvania has shaken off the economy-wide impact of the loss of 33,000 jobs in the education sector thanks to budget cuts in 2011, the state's new Democratic governor and Republican-led House and Senate remain, as of September 3rd, locked in a standoff over the 2015-16 state budget.

Every week that the budget deadlock continues increases the risk to the state's economy. All Pennsylvania public schools and many service providers receive a portion of their operating budget from the state. Without a state budget, these schools and service providers have to dip into their cash reserves to meet payroll and pay vendors. When those funds run out, furloughs will follow. Those layoffs and the resulting reduction in consumer spending could throw the Pennsylvania economy back into neutral.

This year's *The State of Working Pennsylvania* finds that this new threat to the state's economy comes at a time when there is substantial excess capacity in the Pennsylvania labor market. As of July, the share of the working-age population with a job stood at 59.3% — just over two percentage points below the level before the Great Recession.  The situation is no better for prime-age workers (25 to 54 years of age), 77.4% of whom had a job in the most recent year, which is almost 3 percentage points lower than before the Great Recession.

If the Pennsylvania labor market were close to full employment (as it was in December 2007) there would be 226,000 more people in the commonwealth with a job than there are now. This "job deficit" exists because the monthly pace of job growth in this expansion, 4,100 jobs per month, is only just over half the pace of the late 1990s when the Pennsylvania economy added, on average, 7,400 jobs per month.

*To examine monthly job growth since the late 90s in your county and metropolitan area go to http://goo.gl/QdJkFS*

Slow job growth and a labor market still short of full employment have resulted in stagnant wages and little growth in income in Pennsylvania. Real wages for the typical (median-wage) Pennsylvania worker are down 2% since 2001.  That loss in real earnings doubles (to 4% to 5.1%) for the bottom 30% of workers. The bottom 70 percent of Pennsylvania workers have also seen their wages decline in the current economic recovery, between 2009 and 2014.

Falling real wages for the majority of workers have been accompanied by the breathtaking growth in the gap between the incomes of most families and the highest earners (CEOs, financial executives, and other high earners in the private sector). While market incomes (income before taxes and transfers such as unemployment insurance payments) fell 5% for the bottom 99% of Pennsylvania families since 2001, the top 1% have seen their real market incomes climb 27%.

Wage and income trends since 2001 contrast with Pennsylvania's economic performance from 1997 to 2000, when an economy close to full employment and enjoying rapid job growth generated a 6% increase in real earnings for the typical Pennsylvania worker and boosted earnings for the bottom 30 percent of workers by 9% or more. Market incomes for the bottom 99% of families in the late 1990s grew 9.1%. Although income growth was more broadly shared in the late 1990s, the top 1% of Pennsylvania families still managed to enjoy a greater rise in market incomes of 19.2%.

***To examine the change in income for the top 1% and bottom 99% in your county and metropolitan area go to http://goo.gl/HlQc42***

In order for the majority of Pennsylvania families to see real income growth in the years ahead we will need a combination of faster job growth and economic policies that actively seek to raise wages for more workers.

Some specific policies that could achieve this combination include:

- Pennsylvania can raise the wages of 1.2 million workers by increasing the minimum wage to $10.10 per hour. (See the number of workers impacted by county and metropolitan area here http://goo.gl/ORvzvJ)
- Policymakers in Washington, D.C., are in the process of updating the rules that govern overtime (the requirement that workers be paid 1.5 times their regular pay rate for each hour of work per week beyond 40 hours) for salaried workers. The weekly salary below which salaried workers automatically qualify for time-and-a-half would rise from $455 per week to $933. This proposal would make 493,000 more Pennsylvania salaried workers eligible for overtime. On an hourly basis this rule change would extend overtime protection to workers currently earning between roughly $11.50 and $23 per hour, a substantial part of Pennsylvania's middle class.
- Pittsburgh and Philadelphia have enacted earned sick leave, which guarantees workers a certain number of paid sick days for each hour worked. Legislation has been introduced in the Pennsylvania Senate that would entitle all workers in Pennsylvania to accrue one hour of paid leave for every 30 hours of work up to seven days of earned leave each year. This legislation would benefit well over one million Pennsylvania workers.
- The Federal Reserve should NOT raise interest rates until the national economy is much closer to full employment, and there is actual evidence (currently completely lacking) of a threat of inflation.
- The Wolf Administration should develop a comprehensive action plan to achieve its goal of more "jobs that pay," spelling out specific executive and legislative actions that will lift wages and incomes for the Pennsylvania 99 percent by 10 percent by the year 2018.

By lifting wages, these policies will also create more “economy-boosting jobs,” fueling consumer demand and generating a virtual circle of faster job growth, falling unemployment, and continuing wage growth.

In sum, our message to Pennsylvania policymakers this Labor Day is two-fold: first, “do no harm” – enact a sustainable state budget NOW that reinvests in education, communities, and jobs, and avoids a repeat of the economy-sapping budget mistakes of 2011.

Second, do some good: enact policies that will lift wages and incomes starting, in Pennsylvania, with a minimum wage increase.

# The State of the Pennsylvania Economy

In the 12 months ending in July, Pennsylvania created 66,500 jobs. At 1.1% increase, that's the fastest year-over-year job growth reported in any July since 2005. That was the 34th fastest pace out of the 50 states and the best Pennsylvania has ranked since July 2011 when it ranked 26th.

July 2011 is of note because former Gov. Corbett's first budget was signed shortly before the stroke of midnight June 30, 2011. While on time, the budget was even more remarkable because it cut $1 billion from education spending and set off a wave of school district layoffs that, as of the end of the last school year, tallied to 33,000 jobs. Not surprisingly, layoffs on that scale delivered a body blow to a state economy still recovering from the worst recession since the Great Depression. This body blow reduced Pennsylvania's job growth ranking within a year to 44th and by July 2013 to 48th.

As of this July, job growth in the commonwealth is finally back to normal – Pennsylvania has ranked, on average, 35th for job growth since 1990. The future of the Pennsylvania labor market, however, is cloudier than it should be thanks to the deadlock over this year's state budget.

Table 1.

Year-over-year employment change in Pennsylvania each July from 1990 to 2015

| Year | Change from previous July | Percent change from previous July | Rank of percent change (1=fastest job growth, 50=slowest job growth) |
|---|---|---|---|
| 1991 | -112,300 | -2.2% | 37 |
| 1992 | 16,500 | 0.3% | 42 |
| 1993 | 41,900 | 0.8% | 45 |
| 1994 | 84,100 | 1.6% | 43 |
| 1995 | 34,100 | 0.7% | 46 |
| 1996 | 73,300 | 1.4% | 42 |
| 1997 | 96,900 | 1.8% | 41 |
| 1998 | 75,100 | 1.4% | 41 |
| 1999 | 110,600 | 2.0% | 32 |
| 2000 | 113,400 | 2.0% | 30 |
| 2001 | -33,700 | -0.6% | 30 |
| 2002 | -37,400 | -0.7% | 22 |
| 2003 | -38,700 | -0.7% | 34 |
| 2004 | 43,500 | 0.8% | 42 |
| 2005 | 70,600 | 1.3% | 36 |
| 2006 | 39,800 | 0.7% | 41 |
| 2007 | 54,300 | 0.9% | 29 |
| 2008 | 1,000 | 0.0% | 21 |
| 2009 | -219,300 | -3.8% | 13 |
| 2010 | 38,900 | 0.7% | 13 |
| 2011 | 55,700 | 1.0% | 26 |
| 2012 | 32,200 | 0.6% | 44 |
| 2013 | 18,900 | 0.3% | 48 |
| 2014 | 51,400 | 0.9% | 42 |
| 2015 | 66,500 | 1.1% | 34 |

Source. Keystone Research Center based on seasonally adjusted Current Employment Statistics.

Gov. Wolf unveiled in March of this year a budget plan that addressed the state's structural deficit and included the increased education funding for which Pennsylvania voters indicated strong support last November.

Nearly four months after Gov. Wolf released his budget, legislative leaders invited the governor's veto by introducing, in the evening of another June 30, a budget proposal of their own which ignored the ideas advanced earlier by the governor. This budget only allotted a net $8 million in new funding for schools while growing Pennsylvania's structural budget deficit in the years ahead.

After Gov. Wolf's veto of the Republican budget, Harrisburg became something of a ghost town. In the second half of August, Republican leaders advanced a "take it or leave it" offer that promised to give Gov. Wolf the education spending he requested in March, but without specifying a revenue source.

*Compare the Wolf and Republican budget proposals*
*https://goo.gl/p591Rl*

Another catch was that Republicans demanded that the governor sign a new version of their pension proposal, Senate Bill 1. This proposal would not substantially reduce taxpayer pension costs but would cut pension benefits for teachers and other school employees who work a full career by as much as 70 percent.[1] SB 1 achieves this undesirable combination by switching future workers to individual retirement savings accounts with high costs and low investment returns.

*Read more about Senate Bill 1*
*http://goo.gl/rruJoi*

SB 1 would also cripple the capacity of the commonwealth to recruit and retain good employees. Currently, Pennsylvania nurses and other public servants accept lower salaries than comparable private sector workers, in part, because they receive good pensions.

*Compare public and private sector compensation in Pennsylvania*
*http://goo.gl/d1Uvji*

Every week the current deadlock continues raises the risk that the budget standoff could set back the state's economy yet again. All Pennsylvania public schools and many service providers receive a portion of their operating budget from the state. Without a state budget, these schools and service providers will have to dip into their cash reserves to meet payroll and pay vendors. When those funds run out, furloughs will follow. Therein lies the risk to all Pennsylvanians – another round of layoffs and reduced consumer spending that injures an already bruised economy that has yet to produce meaningful wage or income gains for the bottom 99 percent of families (see below).

*Read about the natural gas severance tax*
*https://goo.gl/OC2fF2*

While Pennsylvania needs a budget soon it also needs a sustainable budget that eliminates the state's structural deficit and strengthens the economy – by investing in education, communities, and job creation. To raise the revenue for a sustainable budget the state needs to enact a severance tax on gas drillers. Communities would also be strengthened if the budget included property tax relief – which many Republicans have championed in the past.

[1] See *Senate Proposal Goes Backwards, Not Forwards, on Pensions*, Pension Primer #12, Keystone Research Center, June 3, 2015, online at http://goo.gl/ajNAxH. The 70 percent figure is based on estimates by the actuary for the Public School Employees' Retirement System of benefit cuts under the original SB 1. Small increases in employer contributions to the SB 1 retirement plans proposed recently by Senate Republicans likely reduce these benefit cuts slightly.

The need for a quick budget resolution – but also for a sound budget that will strengthen the recovery – stems from the still fragile nature of the Pennsylvania job market, the subject of the next section.

## There Remains Significant Excess Capacity in the Pennsylvania Labor Market

Although job growth has picked up, the Pennsylvania labor market continues to be characterized by substantial excess capacity. As of July, the share of the working-age population with a job stood at 59.3% (Table 2, 1st column).[2] Before the full impact of the Great Recession was felt,[3] the percent of the population with a job averaged 61.5%. If as high a share of working-age Pennsylvanians were employed this July as before the Great Recession, there would be 225,685 more employed people in the commonwealth than there are currently.[4]

Narrowing our focus to prime-age workers, those between the ages of 25 and 54, confirms that there is substantial excess capacity in the Pennsylvania labor market. On average in 2014, 77.4% of the prime-age population in Pennsylvania had a job. This compares to an average of 80.2% during the strongest years of the last economic expansion.

A decline in the share of working-age people gainfully employed tends to increase the number of applicants for new job openings. This, in turn, reduces the pressure employers feel to raise wages to retain existing workers or to increase the pool of applicants for new job openings.

In the late 1990s (see below for more detail), especially after 1997, Pennsylvania experienced much more rapid job growth than in the 15 years since then. As we have illustrated (Table 2 again), that strong job growth occurred in an economy with much less excess capacity in the labor market than exists currently. In the next section we reveal how these differences in the tightness of the labor market impacted wage and income growth.

[2] 6,077,452 people in Pennsylvania reported paid employment in July or 59.3% of the civilian non-institutionalized population, which was estimated in July at 10,249,003 http://www.bls.gov/lau/ststdsadata.txt

[3] The employment-to-population ratio averaged 61.5% from July 2005 to July 2008. Readers will note the Great Recession officially began in 2008 but large-scale employment losses didn't begin to register until after July of that year.

[4] To put that employment gap in context, at the pace of job growth in the last 12 months, it would take over three years for Pennsylvania to add another 225,000 jobs.

Table 2.

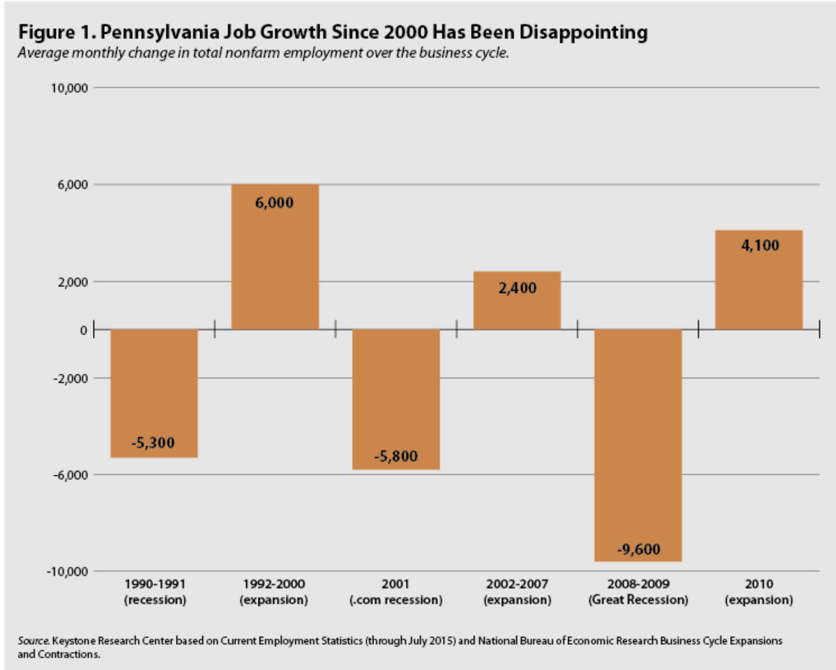
Percent of the working-age population (16 and over) with a job in July and percent of prime-age (25 to 54) population with a job (annual average)

| Year | Employment-to-population ratio in July of each year | Employment-to-population ratio prime-age workers (25 to 54 years of age) annual averages |
|---|---|---|
| 1990 | 59.7% | 79.1% |
| 1991 | 58.7% | 78.3% |
| 1992 | 58.9% | 78.0% |
| 1993 | 58.9% | 77.9% |
| 1994 | 59.1% | 77.5% |
| 1995 | 59.3% | 77.8% |
| 1996 | 60.3% | 79.6% |
| 1997 | 61.0% | 80.8% |
| 1998 | 61.2% | 80.6% |
| 1999 | 61.4% | 81.2% |
| 2000 | 61.7% | 81.4% |
| 2001 | 61.8% | 81.5% |
| 2002 | 61.6% | 80.5% |
| 2003 | 60.5% | 79.2% |
| 2004 | 60.9% | 79.9% |
| 2005 | 61.3% | 80.1% |
| 2006 | 61.4% | 80.1% |
| 2007 | 61.6% | 80.5% |
| 2008 | 61.7% | 80.9% |
| 2009 | 58.9% | 77.8% |
| 2010 | 58.0% | 76.8% |
| 2011 | 58.2% | 76.1% |
| 2012 | 58.8% | 76.8% |
| 2013 | 58.7% | 76.5% |
| 2014 | 58.9% | 77.4% |
| 2015 | 59.3% | |

Source. Keystone Research Center based on Bureau of Labor Statistics data http://www.bls.gov/lau/ststdsadata.txt and Economic Policy Institute analysis of Current Population Survey data on employment-to-population ratios for prime-age workers.

# The State of Working Pennsylvania

Over this and the last economic expansion (taken together) monthly job growth in Pennsylvania has averaged 3,200 jobs.[5] This is roughly half the pace of job growth during the 1990s expansion (Figure 1). Although job growth has been stronger since 2010 it still substantially lags the best years of the late 1990s (1997 to 2000) when the Pennsylvania economy added 7,400 jobs a month.




*To examine monthly job growth in the late 90s and since the turn of the century in your county and metropolitan area go to* http://goo.gl/QdJkFS

Table 3.

Hourly wages by percentile in Pennsylvania (2014 $)

| Percentile | 1997 | 2001 | 2009 | 2014 | Percent Change | | |
|---|---|---|---|---|---|---|---|
| | | | | | 1997 to 2001 | 2009 to 2014 | 2001 to 2014 |
| 10th | $8.14 | $9.16 | $8.93 | $8.76 | 12.5% | -1.9% | -4.4% |
| 20th | $10.19 | $11.08 | $11.08 | $10.51 | 8.7% | -5.1% | -5.1% |
| 30th | $12.00 | $13.14 | $13.17 | $12.62 | 9.5% | -4.2% | -4.0% |
| 40th | $14.34 | $14.98 | $15.34 | $14.91 | 4.5% | -2.8% | -0.5% |
| 50th | $16.45 | $17.54 | $17.76 | $17.19 | 6.6% | -3.2% | -2.0% |
| 60th | $19.29 | $20.36 | $20.81 | $20.01 | 5.5% | -3.8% | -1.7% |
| 70th | $22.43 | $23.99 | $24.40 | $24.16 | 7.0% | -1.0% | 0.7% |
| 80th | $26.95 | $28.67 | $28.85 | $29.92 | 6.4% | 3.7% | 4.4% |
| 90th | $35.00 | $37.80 | $38.34 | $38.38 | 8.0% | 0.1% | 1.5% |

Source. Economic Policy Institute (EPI) analysis of Current Population Survey (CPS) data

Strong job growth in an economy nearer full employment directly translated into a 6.6% increase in real wages for the typical Pennsylvania worker from1997 to 2001 (50th percentile in

[5] Using seasonally adjusted data Pennsylvania has created an average of 3,600 jobs a month in a period that includes each month from 2003 to 2007 and each month from 2010 to June 2016.

Table 3).[6] Notably, the lowest-paid workers enjoyed the fastest wage growth from 1997 to 2001 (10th to 30th percentile in Table 1).[7]

Thanks to two recessions and two weak expansions (Figure 1) wages for the typical Pennsylvania worker are down 2% since the turn of the century (2001). The lowest-paid workers (the 10th to 30th percentile) have seen the largest real declines in hourly earnings of any group of workers since 2001. But for an increase in the Pennsylvania[8] minimum hourly wage in 2007 (to $7.15 from $5.15, followed by a very small federal minimum wage increase to $7.25 in 2009) low-wage workers would likely have fallen further behind. Even over the course of the current recovery 2009 to 2014, real hourly earnings have fallen for the bottom 70% of Pennsylvania workers (Table 3).

The years since the turn of the century have also been accompanied by a breathtaking growth in the gap between the incomes of most families and the highest earners (CEOs, financial executives, and other high earners in the private sector). While market incomes (income before taxes and transfers like unemployment insurance payments) climbed 9.1% for the bottom 99% of Pennsylvania families from 1997 to 2000, they have fallen 5% since 2001 (Table 1). At the same time the highest earners in Pennsylvania have seen the growth in their market incomes accelerate from 19.2% in the late 90s to 27% since 2001.[9]

Table 4.

Percent change in top 1% and bottom 99% incomes in Pennsylvania 2001 to 2012

| Year | top 1% | bottom 99% |
|---|---|---|
| 1997 to 2000 | 19.2% | 9.1% |
| 2001 to 2012 | 27.2% | -5.3% |

Source. Estelle Sommeiller and Mark Price. 2015. "The Increasingly Unequal State of America: Income Inequality by State, 1917 to 2012." Economic Analysis Research Network.

*To examine the change in income for the top 1% and bottom 99% in your county and metropolitan area go to http://goo.gl/HlQc42*

In order for the majority of Pennsylvania families to see income growth in the years ahead we will need a combination of faster job growth and economic policy that actively seeks to raise wages for more workers.

[6] Change in inflation adjusted wages 1997 to 2001.

[7] There was also a modest minimum wage increase in 1997 from $4.75 to $5.15. This was the second step of increase from $4.25 that occurred in the previous year http://www.dol.gov/whd/minwage/chart.htm#fn5

[8] http://www.dol.gov/whd/state/stateMinWageHis.htm

[9] State and county level data on top incomes while the most accurate is only available through 2012. 2013 data will be released later this fall. Preliminary estimates of top incomes through 2014 for the U.S. have been published by Emmanuel Saez. 2015. "Striking It Richer: The Evolution of Top Incomes in the United States." http://goo.gl/w8WVze. Saez's data indicate the average income of the bottom 99% of U.S. families fell 5.1% between 2001 and 2014. The average income of the top 1% of families increased over this period by 15%.

# Economic Policies That Raise Wages

## Raise the Minimum Wage

The most direct route to raising wages for low-wage workers is to raise the minimum wage. Federally the campaign to raise the minimum wage remains blocked by a Republican majority in the U.S. House and Senate.

Similarly here in Pennsylvania the leadership of the Republican majorities in both chambers of the General Assembly have yet to permit a vote on any one of several bills that would raise the minimum wage from $7.25 to between $8.75 and $15 per hour. So far this year only the Senate's Labor and Industry Committee chaired by Lisa Baker (R) and minority chair Christine Tartaglione (D) has even held a hearing on the minimum wage. None of the minimum-wage bills have been voted out of that committee and considered by the full Senate.

Although Gov. Wolf included his support for a higher minimum wage in his initial state budget proposal he has not made passage of a higher minimum wage a condition of his final compromise with the Republican leadership over the state budget.

Continuing delay of a state minimum-wage increase is costly to millions of Pennsylvania workers. Raising the minimum wage to $10.10 would raise the wages of 1.2 million workers and boost total wages by $1.8 billion.

*To examine the number of workers in your county that would see their wages rise if the minimum wage were raised go to http://goo.gl/ORvzvJ*

Currently 29 states including the District of Columbia have a minimum wage higher than $7.25. Across the country in the last year, there has been a growing movement to increase the minimum wage. For example, the City of Los Angeles adopting a proposal to raise the minimum wage to $15 per hour and most recently the state of New York adopted a minimum wage for fast food workers of $15 per hour.

There is broad public support[10] in Pennsylvania for a higher minimum wage. Moreover, Republicans have introduced their own legislation to raise the minimum wage. All that remains is for leadership in both chambers to allow a vote.

## Overtime Pay

Most blue-collar workers are entitled to be paid 1.5 times their regular pay rate for each hour of work per week beyond 40 hours. Overtime eligibility for workers paid a salary depends on how much they are paid and the nature of their job duties. Currently, salaried employees earning less than $455 per week – $23,660 per year – are automatically eligible for overtime.[11] The U.S.

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[10] Two thirds of registered Pennsylvania voters support raising the minimum wage to $10.10 per hour. http://www.fandm.edu/uploads/files/943825657393157904-franklin-marshall-college-poll-march-2015.pdf

[11] Salaried workers earning more than $455 a week are exempted from the right to receive overtime if their job duties fall into one of three categories: professionals, administrators, and executives.

Labor Department has proposed a rule change which would raise this threshold to $933 per week.[12] This change would benefit 493,000 or 24.6% of salaried workers in Pennsylvania.[13]

The U.S. Labor Department published this rule change as a Notice of Proposed Rulemaking in the Federal Register on July 6 of this year and the period for public comment closes on Sept 4th. Once public comments have been collected and analyzed by the U.S. Labor Department the agency will decided whether to modify the current rule as proposed a process that will take another 6 to 10 months.

Like a minimum-wage increase, increasing the number of workers with a right to overtime will help boost the pay of thousands of Pennsylvania workers. Unlike a minimum-wage increase the salaried workers that would benefit have earnings that place them in the broad middle of the wage distribution, between $12 and $24 dollars an hour.[14]

## Earned Leave

Another important dimension of pay is the right to earned leave when a worker gets sick. Access to earned sick leave is much less common among low-wage workers.[15] The Institute for Women's Policy Research estimates that in total 1.8 million Pennsylvania workers do not have access to paid leave.[16]

Since that estimate was released, the City of Philadelphia enacted an ordinance entitling workers in the city of Philadelphia to one hour of earned leave for every 40 hours of work.[17] Pittsburgh followed up this year with its own ordinance entitling worker in the city to one hour of paid leave for every 35 hours of work.[18]

At the state level, Sen. Vincent Hughes (D) has introduced legislation that would entitle all workers in Pennsylvania to accrue one hour of paid leave for every 30 hours of work.[19] A statewide ordinance that establishes a minimum amount of earned leave would benefit well over a million workers (i.e., 1.8 million minus workers already covered by the Pittsburgh and Philadelphia ordinances).

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[12] This is the 40th percentile of earnings for full-time salaried workers in 2013 (expressed in 2014 dollars).

[13] Lawrence Mishel and Ross Eisenbrey 2015. "Raising the overtime threshold would directly benefit 13.5 million workers: Here is a breakdown of who they are", Economic Policy Institute http://www.epi.org/publication/breakdownovertimebeneficiaries/

[14] The workers affected have earnings that place them somewhere between the 30th and 70th percentiles of wage earners.

[15] See for example page 3 of Institute for Women's Policy Research. 2015 "Access to Paid Sick time in Pittsburgh, Pennsylvania"

[16] Institute for Women's Policy Research. 2010. "Fact Sheet: Access to Paid Sick Days in the States, 2010" http://www.iwpr.org/publications/pubs/access-to-paid-sick-days-in-the-states-2010

[17] With the maximum accrual set to 40 hours for workers employed in establishments with 10 or more employees, workers in firms with less than 10 workers are entitled to up to 40 hours of unpaid leave.

[18] With the maximum accrual set to 40 hours for workers employed in establishments with 15 or more employees, workers in firms with less than 15 workers are entitled to up to 24 hours of paid leave starting after May 13 2016.

[19] A most under SB 221 a worker could accrue 56 hours or seven days of paid sick leave in a year.

## Maintain Expansionary Monetary Policy

The Federal Open Market Committee (FOMC) of the Federal Reserve sets a target interest rate that depository institutions (banks) charge one another to borrow funds overnight.[20] This interest rate in turn determines the interest rates that businesses and consumers face when borrowing money – for example, to buy a car or a house. All else held constant raising the target interest rate slows job growth and lowering the rate increases job growth. The current Federal Funds target rate is between zero and 0.25%. By historical standards this target is low[21] and reflects the judgement of a majority of the Open Market Committee until now that inflation is low and the economy is below full employment and thus requires support to boost employment growth.

The FOMC is currently considering whether to raise its target for the federal funds rate. The labor market in Pennsylvania as we have demonstrated remains well below full employment. Inflation also remains substantially below normal with consumer prices in Pennsylvania rising just 1.3% in 2014, a figure less than half the average rate of inflation in the in the last 35 years and also below the Fed's inflation rate target of 2%.[22] Although inflation is low, the substantial excess capacity in the labor market has made the rate of growth in wages even slower. To raise the Federal Funds target interest rate now would dampen job growth and in turn slow the growth in wages for most workers. Keeping the federal funds target low is the course of action most likely to lead to real wage gains for the majority of Pennsylvania workers.[23]

## A Jobs That Pay Action Plan – A Good Jobs Strategy for Pennsylvania

In his inaugural address, Gov. Wolf made "jobs that pay" one of three priorities for his administration (the others being "schools that teach" and "government that works"). To advance that goal, the administration should develop a comprehensive Action Plan that spells out a combination of achievable executive and legislative steps that would achieve more jobs that pay and lift the wages and incomes for the Pennsylvania 99 percent by 10 percent by the year 2018. At one level, this Action Plan would be similar in spirit to U.S. Vice President Joe Biden's Middle Class Task Force, with an added emphasis on ensuring that the analysis of ways to strengthen the middle class translate into concrete actions that move the needle on wages.

The Jobs That Pay Action Plan should include the implementation of strategic, industry-specific enforcement of labor standards. Traditionally, enforcement of labor standards in the United has been complaint driven (i.e., reactive) and fragmented, with enforcement of each labor standard (wage law, overtime, health and safety, prevailing wage, etc.) done by separate agencies and with little or no communication or coordination across agencies. The Obama Administration and a growing number of states, however, have increasingly shifted to pro-active enforcement of labor

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[20] To read more about the structure of the FOMC see http://www.federalreserve.gov/monetarypolicy/fomc.htm

[21] See federal funds data maintained by the Federal Reserve Bank of New York https://goo.gl/gruvb1

[22] Figures based on the Consumer Price Index - All Urban Consumers in the Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD metropolitan area.

[23] On the particular importance of keeping interest rates low to African-American and minority workers, whose unemployment rates are much higher than white workers, and employment-to-population ratios much lower, see Connie M. Razza, *Wall Street, Main Street, and Martin Luther King Jr. Boulevard*, Center for Popular Democracy (CPD) and Economic Policy Institute (EPI), March 2015, online at http://goo.gl/m18Hn9. CPD, EPI, Action United Philadelphia, KRC and a variety of other national and state groups are partners on the "Fed Up" campaign which aims to shift Fed priorities toward a stronger focus on job creation and raising wages.

standards in specific industries in which violations concentrate. They have also begun to increase communication and coordination between federal and state government – including through data sharing agreements – and across agencies within states. Pennsylvania is behind the curve on these innovations and it should be a best-practice state.

The Jobs That Pay Action Plan should also consider a wide range of other actions. For example, in discussions about raising local minimum wages some observers express concerns about the ability of small businesses to adapt. As long as it is not pre-empted by the state legislature, the state could partner with philanthropy (e.g., in Pittsburgh or Philadelphia) to increase the local minimum wage *coupled with* delivery of a program of technical assistance to help small employers reorganize to improve efficiency so that they can afford to pay higher wages. A third area for examination should be the "wage boards," such as the fast food wage board that lifted the wage for fast food workers to $15 per hour in New York state.[24] Are wage boards a policy innovation that could be applied in Pennsylvania, both in sectors such as fast food where the state is not a funder and in sectors such as long-term care, health care more broadly, and child care, where it is?

As implicit in the policies proposed above, a Jobs That Pay Action Plan should include a sector-specific focus – systematic analysis, sector by sector, of what government can do to create more jobs that pay. The nursing home industry, for example, is powerfully influenced by state government in its role as direct funder of services, indirect funder (e.g., by virtue of means-tested social programs accessed by many nursing home workers because they earn so little, or through funding for training nursing home workers), and regulator. How can each of these roles align in a way that lifts wages, improves the quality of services for consumers, and potentially reduces some costs? (Best-practice nursing homes streamline professional jobs by broadening direct care jobs. Their residents also tend to use less medication.)

***Read more about raising wages and care quality for workers in Pennsylvania nursing homes*** ***http://goo.gl/Im4BZU***

Across the board, a comprehensive Jobs That Pay Action Plan would not just improve jobs. It would also improve economic performance – productivity, quality, service, and innovation. The reason is simple: in every sector, there are variations in competitive – or "business" – strategy. Some companies compete by combining sophisticated technology, smart operating practices, and committed, experienced workers who have "good jobs" (which pay higher wages and benefits than typical for the industry).[25] Other companies rely much more heavily on paying workers low wages and benefits. High labor standards and effective enforcement plus technical assistance and smart public investment in training can shift more companies toward good jobs strategies.

[24] See James Parrott. 2015. "Testimony before the NYS Department of Labor Wage Board Hearing on Increasing the Minimum Wage in the Fast-Food Industry." Fiscal Policy Institute. http://goo.gl/kuqt0M and David Cooper. 2015. "Testimony before the New York State Department of Labor Wage Board Hearing on Increasing the Minimum Wage in the Fast-Food Industry." Economic Policy Institute. http://goo.gl/6YKhF5

[25] For compelling examples of "good job strategies" in retail, see Zeynep Ton, *The Good Jobs Strategy*, New Harvest, 2014.

# Conclusion

Our message to Pennsylvania policymakers this Labor Day is two-fold: first, “do no harm” – enact a sustainable state budget NOW that reinvests in education, communities, and jobs, and avoids a repeat of the economy-sapping austerity budget of 2011.

Second, do some good: enact policies that will lift wages and incomes starting in Pennsylvania – with a minimum wage increase, preferably as a bipartisan sweetener in the final budget deal