



The Honorable John Galloway  
Democratic Chair, House Commerce Committee  
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February 11, 2021

Chairman Galloway:

Thank you for the opportunity to provide written testimony for the record to the House Commerce Committee on the Governor's proposal to increase the minimum wage to \$15 per hour by 2027. My testimony includes some historical background on the minimum wage, how the Governor's minimum wage proposal will benefit Pennsylvanian businesses and communities alike, and the evidence that supports the Governor's position that this is the right move right now for Pennsylvania.

In the decades immediately after World War II, American workers' productivity and wages increased hand in hand and built the world's strongest economy. Since 1960, however, the productivity of the American worker soared to 220% while wages stagnated—increasing at less than half that rate. Despite periodic minimum wage increases at the state and federal levels, the purchasing power of the minimum wage has declined since 1968, when that purchasing power was at its highest (\$1.60 in 1968 dollars equates to \$12.27 adjusted for inflation for 2021 dollars).

It has been 11 years since the minimum wage increased in Pennsylvania, and 13 years since the General Assembly voted to increase the Pennsylvania minimum wage. The minimum wage last rose in Pennsylvania in July 2009 from the state rate of \$7.15 an hour to the federal rate of \$7.25 an hour. Since the first federal minimum wage was introduced in 1938, these last 11 years represent the longest period of time without an increase in the minimum wage.

The benefits of raising the minimum wage to \$15 per hour are many. Not doing so places Pennsylvania workers and Pennsylvania businesses at a competitive disadvantage over the next decade. Pennsylvania businesses have been consistent both before and during the pandemic in highlighting their challenges to hire enough skilled, qualified, and available workers to help their enterprises grow. Pennsylvania already has the lowest minimum wage of all its neighboring states, which range from \$8.75 in West Virginia to \$12.50 in New York. Keeping the minimum wage at \$7.25 will continue to make it difficult for businesses to find sufficient workers.

Raising the minimum wage to \$15 per hour by 2027 will ensure that Pennsylvania attracts the workers it needs to compete in a 21<sup>st</sup> century economy. Approximately 42% of the American workforce currently lives in states that are already on a path to a \$15 per hour minimum wage. An additional nine states have already approved minimum wage increases to between \$12 and \$14.75 per hour. In November 2020, Florida became the latest state to create a path to \$15 within this decade when voters passed a

ballot measure to that effect. These states are looking to the future of their economies and not allowing COVID-19 to dictate that future. These states are not controlled by one party or the other, they run the gamut of political leanings. Some imposed lockdowns and robust public health mandates, some did not. All are looking to build 21<sup>st</sup> century economies that attract workers and equip businesses with the people they need to succeed.

Pennsylvania wages must remain competitive with other states for our economy to grow. Pennsylvania has the seventh-highest median age (40.8) and the eighth-largest percentage of residents over 65 years of age (17.8%). Our population is projected to grow far slower (1.1%) through 2028 than the nation at large (6.9%). If we do not attract workers to move to Pennsylvania, our economy will be left behind.

Governor Wolf's proposal to increase the minimum wage to \$12 per hour and then incrementally to \$15 per hour by 2027 will provide a boost to Pennsylvania workers and local businesses. It will benefit 27% of all Pennsylvania workers, including 34% of all female workers. In its first year, the increase to \$12 will add \$4.4 billion to the PA economy in workers' wages. That \$4.4 billion is just in the first year alone. That \$4.4 billion increases to \$6.2 billion per year when the minimum wage reaches \$15 per hour in 2027. These wages will flow directly into small businesses, boost local economies, and accelerate our commonwealth's recovery from this pandemic. These wages will be "high velocity" dollars and will produce a greater economic value because they will be spent quickly and locally. This proposal will affect all Pennsylvania workers, including those employed by the multinationals, big box stores, and national chains that have pushed out local businesses, paid low wages, and exported profits created by the hard work of Pennsylvania workers to other states and countries. A \$15 per hour minimum wage will return some of those profits back to Pennsylvania communities in the form of local wages and increased spending at local and community businesses.

Governor Wolf's proposal leaves no worker behind by introducing one fair minimum wage of \$15 per hour for all workers, including tipped workers. Approximately 162,000 Pennsylvanians earn the tipped minimum wage at \$2.83 per hour. Tipped workers disproportionately represent people of color and women. Seven states pay their workers the full minimum wage plus tips. An additional 21 states have tipped wages higher than Pennsylvania.<sup>1</sup> Increasing tipped workers' wages to \$15 per hour would add \$2.5 billion into the Pennsylvania economy through increases in wages to these workers.

There are some who have suggested that now is not the time to raise the minimum wage. This was the same argument employed the last time the Governor proposed an increase to the minimum wage, when the unemployment rate was at an all-time low and the economy, by all accounts, was booming. If the time was not then, and it is not now, then when is the time to raise the minimum wage and increase the pay for 1.6 million Pennsylvania workers? If a company's business model is reliant upon paying poverty wages to its workers who must then rely on public food, housing, heating, and healthcare assistance programs to survive, that is not a successful business model. Rather, it is one that requires workers to suffer low wages so as to subsidize the revenue and expenditures of that business. This is not only

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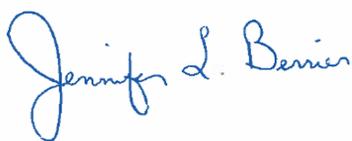
<sup>1</sup> <https://www.dol.gov/agencies/whd/state/minimum-wage/tipped>

unjust, it is immoral. Rejecting an increase to the minimum wage is telling the lowest paid workers in our communities, many of whom are essential workers, that we do not have their back and, instead, they need to suffer first and most so that business can prosper and thrive. Rejecting an increase to a \$12 minimum wage in 2021 tells local businesses and economies that they do not deserve an additional \$4.4 billion to be spent in their shops and restaurants this year. Increasing the minimum wage is a direct and immediate stimulus to the Pennsylvania economy by increasing the wages of the lowest paid individuals in the state. It has been proven many times that these individuals do not save increases in their pay, instead, these increased wages are used to pay off bills and contribute to local economies. (See appendix A)

I hear and understand the concerns expressed by your colleagues and by business owners and their advocates who call attention to the struggles shared throughout this pandemic. The possibility that a minimum wage increase so close to our commonwealth's highest ever unemployment rate (16.1% in April 2020) is one that should be considered seriously, and it should be analyzed thoroughly. Recent economic analyses have shown that the predictions that a minimum wage increase would lead to job losses are not borne out by the evidence or by experience. A 2019 study of 138 state minimum wage increases between 1979 and 2016 found "no evidence of disemployment when we consider higher minimum wages."<sup>2</sup> Studies of states and cities that have either increased their minimum wage to \$15 per hour or started on the path to \$15 have returned similar findings.

Thank you for the opportunity to provide testimony on this issue important to the workers, businesses, and future of Pennsylvania. I look forward to opportunities to speak with you and your colleagues in support of the Governor's minimum wage proposal in the future.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer L. Berrier". The signature is written in a cursive style with a large initial "J".

Jennifer Berrier

Acting Secretary

PA Department of Labor & Industry

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<sup>2</sup> Doruk Cengiz, Arindrajit Dube, Attila Linder, and Ben Zipperer, "The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator," NBER Working Paper Series, January 2019. [https://www.nber.org/system/files/working\\_papers/w25434/w25434.pdf](https://www.nber.org/system/files/working_papers/w25434/w25434.pdf)

## Appendix A

<b>Date of Minimum Wage Increase</b>	<b>Minimum Wage (nominal \$)</b>	<b>Total Wage Increase in Quarter 1 2021 Value</b>
July 1, 2021	\$12.00	\$4.34 Billion
July 1, 2022	\$12.50	\$4.77 Billion
July 1, 2023	\$13.00	\$5.12 Billion
July 1, 2024	\$13.50	\$5.43 Billion
July 1, 2025	\$14.00	\$5.72 Billion
July 1, 2026	\$14.50	\$5.99 Billion
July 1, 2027	\$15.00	\$6.24 Billion

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 2020. Dollar values adjusted by projections for CPI-U in CBO August 2020 projections.