

Hearing on Impact of Minimum Wage Increase in Pennsylvania
House Commerce Committee
February 16, 2021
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Good morning Chairman Roae, Chairman Galloway and members of the committee. I appreciate the opportunity to submit material for this hearing. This submission includes five tables that are also included in the hearings packet transmitted by the IFO to the House Appropriations Committee. The tables are as follows:

- The **first table** shows job losses in the Commonwealth for three months: April, August and December 2020. The latest data for December show a year-over-year contraction of 472,000 jobs (-7.7 percent). (Excludes self-employed.) Job losses are concentrated in the retail-wholesale trade, education and food service-accommodation sectors.
- The **second table** provides detail for the education sector, subsectors with significant jobs contraction (e.g., clothing stores) and certain subsectors that have expanded.
- The **third table** shows the impact from COVID-19 on Pennsylvania job losses across age groups. Preliminary data show that younger workers were disproportionately impacted. Those workers were employed in the retail trade and food service sectors.
- The **fourth table** shows minimum wage rates across states for the current year and two subsequent years.
- The **fifth table** displays the state wage distribution for 2019 by hourly wage rate and the preliminary IFO projection for 2022. Due to the pandemic, the IFO projects that there will be 230,000 fewer jobs in 2022 compared to 2019. The job losses will be concentrated in the retail-wholesale trade, food service, and accommodation/travel sectors.

The IFO will release a more comprehensive analysis of the proposed higher minimum wage from the Executive Budget in late March or early April. That report will also include an analysis of the combined reporting and personal income tax revenue proposals.

Thank you. I would be happy to answer any questions that you may have.

2020 PA Payroll Employment: Change from Prior Year

	Number (000s)			Percent		
	Apr	Aug	Dec	Apr	Aug	Dec
Total	-1,062	-502	-472	-17.5%	-8.3%	-7.7%
Construction	-104	-16	-5	-40.1	-6.0	-2.1
Manufacturing	-77	-39	-35	-13.3	-6.7	-6.0
Retail and Wholesale Trade	-155	-72	-48	-18.9	-8.7	-5.7
Transport and Warehouse	-27	-22	4	-9.1	-7.5	1.3
Financial and Real Estate	-3	0	-1	-0.9	0.0	-0.2
Professional and Technical	-21	-18	-13	-5.8	-5.0	-3.6
Admin and Waste Management	-53	-34	-26	-16.8	-10.7	-8.0
Education (excludes local SD)	-42	-12	-50	-16.1	-5.9	-19.9
Healthcare-Social Assistance	-120	-50	-39	-11.4	-4.7	-3.6
Arts-Entertainment	-58	-32	-27	-60.9	-25.5	-29.9
Accommodation-Food Service	-280	-140	-140	-58.6	-28.6	-29.5
Other Services	-86	-36	-38	-32.8	-13.4	-14.5
All Government	-17	-7	-32	-2.3	-1.0	-4.4
Federal	2	10	1	2.5	9.9	1.2
State	1	-3	-9	0.6	-2.0	-5.8
Local (includes local SD)	-20	-14	-24	-4.4	-3.3	-5.2
All Other	-21	-23	-24	-8.2	-9.2	-9.3

Note: Data are not seasonally adjusted. December data are preliminary. Excludes self-employed.

Source: U.S. Bureau of Labor Statistics, State and Metro Area Employment.

Subsector Detail: PA Employment Change from Prior Year

	December Level (000s)		Change 2019 to 2020	
	2019	2020	Number	Percent
Education				
Local School Districts	281.7	264.5	-17.2	-6.1%
Private Schools (elementary, secondary)	48.4	48.0	-0.4	-0.8
Colleges, Universities and Professional	169.8	130.0	-39.8	-23.4
State Education (state system, related)	60.3	51.9	-8.4	-13.9
Significant Contraction				
Full Service Restaurants	193.8	124.2	-69.6	-35.9
Limited Service Restaurants	162.3	135.7	-26.6	-16.4
Clothing and Accessory - Retail	45.8	24.1	-21.7	-47.4
Accommodation	58.4	35.1	-23.3	-39.9
Air Transportation	13.4	7.9	-5.5	-41.0
Personal Care - Dry Cleaning	70.9	49.6	-21.3	-30.0
Amusements-Gaming	61.5	48.0	-13.5	-22.0
Nursing and Residential Care	202.0	189.0	-13.0	-6.4
Expansion				
Couriers and Messengers (FedEx, UPS)	48.8	58.6	9.8	20.1
Building and Garden - Retail	43.2	48.5	5.3	12.3
Real Estate	45.3	48.3	3.0	6.6

Note: Data are not seasonally adjusted. December 2020 data are preliminary. Excludes self-employed.
 Source: U.S. Bureau of Labor Statistics, State and Metro Area Employment.

COVID Job Losses Affect Younger Workers Most

	Age Group							Total
	14-18	19-24	25-34	35-44	45-54	55-64	65+	
YOY Employment Growth								
2019 Q4	3.7%	-0.3%	0.9%	1.8%	-1.6%	0.7%	6.2%	0.8%
2020 Q1	4.8%	-0.4%	0.8%	2.0%	-1.3%	0.7%	6.0%	0.9%
2020 Q2	-17.7%	-13.9%	-7.3%	-4.7%	-7.1%	-5.6%	-6.4%	-7.2%
Share of 2019 Q2 Jobs	2.4%	9.4%	21.5%	20.0%	20.8%	19.0%	6.9%	100.0%
Share of 2020 Q2 Job Loss	5.8%	18.1%	21.9%	13.1%	20.3%	14.8%	6.1%	100.0%

Important Notes for 2020 Q2 Data

- The preliminary data are incomplete because it only reflects jobs losses at the very beginning of 2020 Q2.
- Hence, the data only reflect job losses of -7.2%, whereas data for entire quarter show job losses of -14.0%.

Source: U.S. Bureau of Labor Statistics and U.S. Census Bureau, Quarterly Workforce Indicators.

Minimum Wage Rates by State (as of January 1st)

State/Territory	2021 Rank	2021	2022	2023
Washington D.C.	1	\$15.00	\$15.30	\$15.60
California	2	14.00	15.00	15.30
Washington	3	13.96	14.24	14.52
Massachusetts	4	13.50	14.25	15.00
New York	5	12.50	12.75	13.01
Colorado	6	12.32	12.57	12.82
Arizona	7	12.15	12.40	12.65
Maine	7	12.15	12.40	12.65
Oregon	9	12.00	12.75	13.50
Connecticut	9	12.00	13.00	14.00
New Jersey	9	12.00	13.00	14.00
Maryland	12	11.75	12.50	13.25
Vermont	12	11.75	12.55	12.80
Rhode Island	14	11.50	11.50	11.50
Arkansas	15	11.00	11.00	11.00
Illinois	15	11.00	12.00	13.00
New Mexico	17	10.50	11.50	12.00
Alaska	18	10.34	10.55	10.76
Missouri	19	10.30	11.15	12.00
Hawaii	20	10.10	10.10	10.10
Minnesota	21	10.08	10.28	10.49
Michigan	22	9.87	10.10	10.33
South Dakota	23	9.45	9.65	9.85
Delaware	24	9.25	9.25	9.25
Nebraska	25	9.00	9.00	9.00
Nevada	25	9.00	9.75	10.50
Ohio	27	8.80	9.00	9.20
West Virginia	28	8.75	8.75	8.75
Montana	28	8.75	8.95	9.15
Florida	30	8.56	10.00	11.00
Virginia	31	7.25	9.50	11.00
Pennsylvania	31	7.25	7.25	7.25
Other	31	7.25	7.25	7.25

Note: Over 50 localities have adopted a minimum wage above their state's minimum wage. Projections use a 2.0% growth rate to estimate inflation adjustments for future years.

Source: The Economic Policy Institute. Minimum Wage Tracker (published January 7, 2021).

PA Worker Distribution by Hourly Wage Rates

	Number of Payroll Employees (000s)		
	CY 2019	CY 2022	Change
Non-Tipped Workers			
\$7.25 to \$7.99	78	nominal	-78
\$8.00 to \$9.99	428	310	-119
\$10.00 to \$10.99	260	250	-11
\$11.00 to \$11.99	278	205	-72
\$12.00 to \$14.99	764	696	-68
\$15.00 or more	<u>3,916</u>	<u>4,065</u>	<u>149</u>
TOTAL	5,725	5,526	-198
Directly Affected by \$12 Minimum Wage	1,044	765	-279
Directly Affected by \$15 Minimum Wage	1,808	1,461	-347
Total Tipped Workers	177	147	-30
Directly Affected by \$12 Minimum Wage	119	105	-14

Notes for CY 2022 Projection

- CY 2022 projections use 2019 OES data with adjustments for general wage growth and employment contraction targeted to specific sectors (e.g., retail trade, food service).
- Assumes that average payroll employment in CY 2022 will be 230,000 lower than CY 2019.
- Assumes that all workers with hourly wage under \$8.00 migrate to next highest wage group.
- OES for CY 2020 will be released late March.

Note: Excludes self-employed. Data will be updated in IFO's Analysis of Revenue Proposals in Spring 2021.

Source: Occupational Employment Statistics (OES), 2019.