



INDEPENDENT FISCAL OFFICE

October 7, 2019

The Honorable Jim Cox
Pennsylvania House of Representatives
209 Ryan Office Building
Harrisburg, PA 17120-2129

Dear Representative Cox:

Thank you for your recent letter that requests the Independent Fiscal Office (IFO) to provide additional data on the minimum wage analysis included in the *Analysis of Revenue Proposals* published by the office in March 2019. Your letter requests additional detail regarding the net wage gains displayed in Table 2.6 of the report. Your letter also inquires about reduced work hours and reduced benefits from a higher minimum wage.

The attached table presents the gross figures (i.e., the gains prior to any losses) for the tabulations from Table 2.6 of the report. The top portion of the table displays the number of workers who retain employment and their incremental wage gains from moving the minimum wage rate to \$12.00 per hour. The analysis estimates that 1.08 million workers that previously earned under \$12.00 per hour (referred to as “directly affected” workers in the analysis) would receive a higher wage and retain employment. The analysis assumed that another 826,000 indirectly-affected workers earning between \$12.00 and \$14.99 would also receive a modest average pay increase of four percent. Overall, the incremental income gain for all workers that benefit from the policy change is \$3.87 billion.

The middle portion of the table presents the same data for workers who do not retain or secure employment due to the policy change. The analysis estimates that 34,100 positions would be eliminated through a combination of layoffs, a slower pace of hiring and leaving vacant positions unfilled. The wage income reduction for those workers is \$363 million.

The bottom portion of the table presents the same data from Table 2.6 of the original analysis. On net, the analysis estimates that wage income for all workers affected by the higher minimum wage will increase by \$3.51 billion. The bottom rows of the table present data for directly-affected workers only who earn less than \$12.00 per hour. For those who retain employment, average annual wage income increases by \$2,885. For those who do not retain or secure employment, average annual wage income falls by \$10,646.

Regarding the impact on hours worked, the analysis assumed a two to four percent reduction in hours worked for most part-time employees affected by the proposal, and a one to two percent reduction for

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full-time employees. The income gains for workers who retain employment reflect the reduced hours worked. Regarding reduced benefits, the analysis did not include those impacts because most data sources suggest that the majority of workers who earn less than \$12.00 per hour do not receive healthcare benefits or participate in an employer-sponsored savings plan. However, some affected employees do receive some healthcare benefits or participate in a savings plans, and it is possible that employers could reduce some of those benefits in response to a higher minimum wage.

I hope this letter addresses your request. If you have any further questions regarding the analysis, please do not hesitate to contact my office (717-230-8293). Per office policy, this letter will be posted to the IFO website three days after transmittal to your office.

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel". The signature is written in a cursive style with a large initial "M".

Matthew J. Knittel
Director, Independent Fiscal Office

Impact from a \$12.00 Minimum Wage in 2018

	Number of Jobs Affected (000s)			Income Change (\$ millions)		
	Part-time	Full-time	Total	Part-time	Full-time	Total
Retain Employment						
\$7.25 to \$7.99	77.7	23.7	101.4	\$324	\$202	\$526
\$8.00 to \$9.99	227.6	132.5	360.1	\$674	\$739	\$1,413
\$10.00 to \$10.99	191.3	168.5	359.9	\$308	\$559	\$868
\$11.00 to \$11.99	118.8	136.8	255.6	\$95	\$205	\$300
\$12.00 to \$14.99	<u>205.0</u>	<u>621.0</u>	<u>826.0</u>	<u>\$106</u>	<u>\$660</u>	<u>\$766</u>
TOTAL	820.4	1,082.4	1,902.9	\$1,507	\$2,366	\$3,873
Lose or Do Not Secure Employment						
\$7.25 to \$7.99	-11.3	-2.3	-13.6	-\$83	-\$35	-\$118
\$8.00 to \$9.99	-11.4	-4.5	-15.9	-\$99	-\$81	-\$181
\$10.00 to \$10.99	-2.7	-1.5	-4.1	-\$27	-\$30	-\$57
\$11.00 to \$12.00	-0.2	-0.2	-0.4	-\$2	-\$5	-\$8
\$12.00 to \$14.99	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>
TOTAL	-25.6	-8.6	-34.1	-\$211	-\$152	-\$363
Net Change						
\$7.25 to \$7.99	n.a.	n.a.	n.a.	\$241	\$167	\$408
\$8.00 to \$9.99	n.a.	n.a.	n.a.	\$574	\$658	\$1,232
\$10.00 to \$10.99	n.a.	n.a.	n.a.	\$281	\$529	\$810
\$11.00 to \$11.99	n.a.	n.a.	n.a.	\$93	\$200	\$293
\$12.00 to \$14.99	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>\$106</u>	<u>\$660</u>	<u>\$766</u>
TOTAL	n.a.	n.a.	n.a.	\$1,296	\$2,214	\$3,510
Addendum: Directly-Affected Workers Only						
Retain Employment	615.4	461.4	1,076.9	\$1,401	\$1,706	\$3,107
Lose/Do Not Secure Employment	-25.6	-8.6	-34.1	-\$211	-\$152	-\$363
Net Change	n.a.	n.a.	n.a.	\$1,190	\$1,554	\$2,744

Note: Wage ranges reflect hourly wage prior to increase to \$12.00 per hour.

Source: Analysis of Revenue Proposals, Table 2.6, Independent Fiscal Office (March 2019).