

TESTIMONY
OF
THE PENNSYLVANIA AFL-CIO
ON
PENNSYLVANIA'S MINIMUM WAGE
BEFORE THE
PENNSYLVANIA SENATE LABOR AND INDUSTRY COMMITTEE
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Good morning Senator Baker, Senator Tartaglione and members of the Senate Labor and Industry Committee. My name is Rick Bloomingdale. I am the President of the Pennsylvania AFL-CIO, and I am here today on behalf of the affiliated labor organizations representing over 800,000 hardworking women and men.

Thank you for the opportunity to present testimony regarding Pennsylvania's minimum wage law, an issue that is very important to our organization and to all Pennsylvanians.

The Pennsylvania AFL-CIO supports:

- raising the minimum wage to at least \$10.10 an hour;
- eliminating the antiquated tipped minimum wage;
- adding an annual cost-of-living adjustment;
- removing the prohibition on local governments enacting higher minimum wages;
- stricter enforcement of our wage, payment and collection laws; and
- increasing penalties for employers who violate the law.

Raising the minimum wage has become a national discussion, which is gaining more attention in Pennsylvania as in other states. Some cities have begun to recognize that now is the time to raise the wages for our lowest

earners – that, in order for our local, state, and national economies to begin growing, wages can no longer remain stagnant.

So why is raising the minimum wage so important? For starters, top compensation and corporate profitability have grown rapidly, while the minimum wage has remained flat. Additionally minimum wage has not kept pace with cost of living nor median wages. Adjusted for inflation, the real minimum wage has fallen from a high of \$10.60 in 1968 to \$7.25 in today's dollars. And in terms of median wages, the minimum fell from a high of 55% of the median wage in 1968 to 37% today.

The current *full-time* minimum wage worker makes just \$15,080 per year. That means thousands of workers are trapped in poverty, of which one in four are supporting a child. It also means that there is such a thing in 21st century America as someone perfectly willing to work full-time and yet still be doomed to poverty.

Raising Pennsylvania's minimum wage to \$10.10 would impact at least one million hardworking people. This is a tremendous number, which can have a substantial impact on our economy. To be clear, I am not saying that one million workers earn minimum wage, but rather one million workers are currently making between the \$7.25 minimum wage and \$10.10. I should also note, according to the Department of Labor and Bureau of

Labor Statistics, the number of minimum wage workers in Pennsylvania has more than quadrupled over the last decade, from 21,000 in 2003 to 96,000 in 2013.

What is important to take away from the fact that one million workers in Pennsylvania will get a pay increase is that those one million workers will have more purchasing power, meaning the demand on goods will increase, and thus encourage and promote a growing economy.

In a growing economy, the Commonwealth will also benefit. As wages increase, so will the state's revenue. We believe that increasing the minimum wage to \$10.10 would raise an estimated \$13.5 million to \$15.5 million annually from individuals' personal income tax. Additional revenue would also be recognized from sales tax revenue. Although exact amounts cannot be easily determined, it is clear that, when workers earn more, they spend more.

It's difficult to envision a growing economy in Pennsylvania if our lowest wage workers continue to live below poverty level. The economic recovery would be helped if workers had more money to spend. Therefore, boosting the minimum wage will mean greater demand for goods and less demand for government services such as SNAP (formerly known as food stamps) and Medicaid.

Additionally, raising the minimum wage will be a tool for racial justice. According to the Center for American Progress, African-Americans and Latinos make up 42 percent of minimum wage workers.

Likewise, raising the minimum wage will help women and families meet the basic needs of their children. Almost six-out-of-ten Pennsylvanians who work at a minimum wage are women, and that includes many single income households. Raising the minimum wage to \$10.10 or more would help more than half a million women take a major step toward closing the wage gap between what women and men earn for the same job. A significant majority of the states have introduced legislation the last couple of years to increase their minimum wage. It is high time that Pennsylvania follow suit.

It has been argued over and over again by big business that any increase in the minimum wage would force employers to eliminate jobs. However, numerous studies show that this is not the case. There is no correlation between changes in the minimum wage and job loss. Nobel Prize winning economist Paul Krugman wrote in his March 2nd *New York Times* column, “Walmart’s Visible Hand,” about how even Walmart, one of America’s largest and most notorious employers, announced a couple of weeks ago that it will raise wages for half a million workers. Walmart’s justification for the move “echoes what critics of its low-wage policy have

been saying for years: Paying workers better will lead to reduced turnover, better morale and higher productivity.”

Krugman calls upon us to understand that “the middle-class society we used to have didn’t evolve as a result of impersonal market forces — it was created by political action, and in a brief period of time. America was still a very unequal society in 1940, but by 1950 it had been transformed by a dramatic reduction in income disparities.... [E]xtreme inequality and the falling fortunes of America’s workers are a choice, not a destiny imposed by the gods of the market. And we can change that choice if we want to”

Pennsylvanians have waited too long to recover from the Great Recession. It’s time that we begin to pass legislation that will move us in a direction towards prosperity, rather than continuing to cut jobs and increase the social safety net costs to Pennsylvania. From the unemployed to the under-employed, workers are forced to rely on services provided by the Commonwealth due to the continued elimination of living wage jobs. Simply put, raising the state minimum wage to a living wage will lift many Pennsylvanians out of poverty while boosting the commonwealth’s economy with increased tax revenues and lower safety net costs.

I thank you for your time and for your concern on this very important topic.