

**Written Testimony Submitted to the Senate Labor and Industry Committee
Public Hearing to Consider the Impacts of Raising the Minimum Wage
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I would like to thank the Senate Committee on Labor and Industry for the opportunity to provide written testimony on the positive impacts raising the minimum wage will have on individuals and the Commonwealth. As a Professor of Economics at Shippensburg University, I commend the leadership of Senator Tartaglione on this important social and economic issue, as well as that of Representative Kim in the House of Representatives. Their respective bills, Senate Bill 195 and House Bill 250, will help Pennsylvania move toward sound economic policies by supporting working families and individuals, and increasing the long-term economic vibrancy of the Commonwealth.

The purchasing power of the lower and middle class has been on the decline for decades. Since 1938 when the Fair Labor Standards Act established the minimum wage, nominal wage increases have occurred sporadically rather than at a steady and predictable pace. Not indexed to inflation, research compiled both nationally and state-wide demonstrates that minimum wage increases have failed to keep up with consumer prices. In fact, in 2015 minimum wage earners have less than 60% of the purchasing power that they had in 1968.¹ Among the most encouraging elements of House Bill 250 and Senate Bill 195, is the provision to incorporate an annual cost of living increase into the law. This will create purchasing power stability among low wage earners and will break a 50 year trend of wage devaluation.

Across the nation, many full-time minimum wage workers have been unable to rise above the federal poverty line²; this is no different for minimum-wage earners in Pennsylvania. Poorly remunerated work results in a smaller tax base to help fund state services and simultaneously increases the demand for state and federally-funded social programs required to help low-income individuals to meet their basic needs. Increasing the minimum wage will increase the tax base and help more residents to become financially independent and reduce expenditures on social programs.

Minimum wage earners should be seen as a crucial part of creating sustainable economic growth within the Commonwealth. As immediate spenders, putting money in the pockets of low-wage earners will stimulate local markets by increasing the demand for goods and services. Consumer spending has long been a determinant in forecasting job growth rates; as such, raising the wage holds promising opportunities for job creation.

In Pennsylvania, we are fortunate to be in a position to evaluate the experiences of other states who have already raised their minimum wage above the federally mandated minimum of \$7.25. Contrary to

¹ Elwell, C.K. (2014). *Inflation and the real minimum wage: A fact sheet*. Washington, DC: Congressional research Service. Retrieved from: Cornell School for Industrial Relations.

² Desilver, Drew (2014). *Minimum wage hasn't been enough to lift most out of poverty for decades* (The Pew Research Center). Washington, DC.

long held assumptions that wage increases cause employers to relocate, job creation has been shown to increase in states where wages have gone up.³ Economic history also provides ample examples of the importance of workers as consumers of the same services and goods that their labor produces. If they are to consume such products, they must be able to afford them. It was this very logic that propelled Henry Ford's company to the forefront of the American auto industry.

Beyond the economic arguments in support of raising the minimum wage, the current debate is also personal, particularly for those of us living in rural areas and those who care about accessible higher education. Although the total number of individuals impacted by a wage increase will be highest in urban counties, the proportional impact of raising the minimum wage will affect a larger share of the workforce in rural communities.⁴ This will directly affect the students and families of students that we teach in Pennsylvania's public university system. At Shippensburg University, over 32% of our students come from rural counties; when looking at university attendance of all schools in the Pennsylvania State System of Higher Education (PASSHE) that figure rises to nearly 35% of our student body.⁵ It is PASSHE's mission to provide affordable higher education opportunities in the Commonwealth. Raising the minimum wage is an important part to ensuring that our working students can continue to afford tuition and other enrollment costs. To the extent that workers who benefit will be adults, an increase in the minimum wage will help support the families of students in the PASSHE system.

Ultimately education is the major determinant for individuals seeking to move up the economic ladder. House Bill 250 and Senate Bill 195 provide crucial provisions to better the quality of life for minimum wage earners; improved educational opportunities that will become affordable as a result will help propel individuals into better paid industries.

I encourage the Senate Committee on Labor and Industry to support House Bill 250 and Senate Bill 195, and any other efforts to raise the minimum wage to *at least* \$10.10 per hour, indexed to inflation. These bills represent an important stepping stone moving toward a living wage for all people employed in the Commonwealth. Thank you for your consideration.

³ Center for Economic and Policy Research (2014). *2014 Job Creation Faster in States that Raised the Minimum Wage*. Retrieved: <http://www.cepr.net/blogs/cepr-blog/2014-job-creation-in-states-that-raised-the-minimum-wage>

⁴ Price, Mark (2015). *Giving the Local Economy a Boost: The Impact of Raising the Pennsylvania Minimum Wage to \$10.10 Per Hour by County* (Policy Watch: The Keystone Research Center). Harrisburg, PA. Retrieved from: http://keystoneresearch.org/sites/default/files/KRC_CountyWageBoost.pdf

⁵ APSCUF analysis of PA State System of Higher Education Fact Book (2012-2013)