

MINIMUM WAGE

Myths and Facts

✗ MYTH

Most minimum wage earners work for large national corporations who can afford to pay their workers more.

✓ FACT

The vast majority of minimum wage earners do not work for large corporations. In fact, [according to data from the U.S. Census Bureau](#), the majority of the minimum wage workforce is employed by small businesses. And [according to the U.S. Department of Treasury](#), most small businesses owners' annual income is less than \$50,000 per year.

✗ MYTH

Employers exaggerate when they say mandatory wage increases will harm business and employment prospects.

✓ FACT

Minimum wage advocates shrug off concerns raised by the business community but the impacts of mandatory government-imposed wage increases are real. According to a [Feb. 2014 report from the nonpartisan Congressional Budget Office](#), raising the minimum wage to the oft-cited level of \$10.10 would result in approximately 500,000 lost jobs and possibly up to a million. A Pennsylvania specific study by the state's [Independent Fiscal Office](#), found that an increase to \$10.10 could lead to the loss of more than 30,000 jobs throughout the Commonwealth. Other states that have mandated increases have seen a negative impact on employment. A recent study from the University of Washington found that Seattle's \$13 an hour minimum wage rate – which went into effect in 2016 – has led to employee hours dropping by 9 percent and has actually lowered the average monthly income for low wage workers by \$125. Here in Pennsylvania, many employers reported adverse impacts in the months following the minimum wage increase in 2006, such as Kennywood Park outside Pittsburgh, which had to lay off 70 employees; or a chain of fitness stores in the Lehigh Valley, which had to lay off 100 workers. Ignoring concerns raised by employers who will face increased labor costs of anywhere from 65 to 500 percent (as various proposals aim to do) is shortsighted and unfair to the employers and employees who will be impacted.

✗ MYTH

Increasing the minimum wage is the best way to fight poverty.

✓ FACT

This common rationale for mandating wage increases is a myth for multiple reasons. The majority of those living at or below the poverty line cannot benefit from a mandatory wage increase because, [according to the U.S. Census Bureau](#), they don't have a job in the first place. A University of California at Irvine economist concluded that 85 percent of major academic studies on the minimum wage found a negative employment effect on low-skilled workers. Moreover, most minimum wage earners do not fit the demographic description that supporters use in their narrative. For example, according to the 2019 Pennsylvania Department of Labor and Industry's Minimum Wage Advisory Board [report](#): 84 percent of minimum wage earners have no children; well over a third are teenagers and almost 60 percent are under 25. Additionally, the report shows that more minimum wage earners live in households with income exceeding \$75,000 than those under \$20,000. The best way for government to truly help low-wage workers is to strengthen workforce development programs to provide necessary skills-training for in demand jobs in the Commonwealth. Additionally, more targeted approaches – such as a state Earned Income Tax Credit – will better help low-wage earners as they move upward through the workforce.

✗ MYTH

The legislature should at least raise the minimum wage to \$10 because that's around what it would be if it had been increased based on the rate of inflation since 1968.

✓ FACT

Advocates of a higher minimum wage consistently use 1968 as a historical reference point because that is the year in which the minimum wage hit its inflation-adjusted high point. Anyone can pick an arbitrary year: had minimum wage tracked inflation from, say, 1948, today it would be a little over \$3; or from 1988, it would be \$6.50. The federal government first set a minimum wage in 1938 at 25 cents, which means that, based on the logic employed by advocates, the minimum wage should be about \$4.07 today.

✗ MYTH

Minimum wage will help the economy because people will have more money to spend.

✓ FACT

Government-mandated raises will indeed put more money in some people's pockets; but that money comes from someone else's pocket, most likely a small business owner. Therefore, while some people will benefit, others will lose their job or employers will not be able to expand, add new positions or hire back workers who had been laid off. Even more likely is that workers will see hours reduced, considering around three quarters of minimum wage earners work hourly part-time jobs. Advocates who claim artificially raising wages would significantly boost the economy seem to forget that the federal minimum wage was increased in 2007, 2008 and 2009 – years in which the country suffered through a debilitating recession and historically sluggish recovery.

✗ MYTH

Workers deserve a raise which is why we have to increase the minimum wage.

✓ FACT

Standard rhetoric from minimum wage advocates implies that, unless the government takes action, those earning the minimum wage will never experience a wage increase. In reality, minimum wage is typically a starting or training wage for employees entering the workforce who usually earn commensurate wage increases as they gain experience and skills. [Overall, the number of minimum wage earners has generally declined as the size of the workforce has increased and the age of minimum wage earners is getting younger.](#) These facts indicate that people usually do not get "stuck" at minimum wage.