State of Working Pennsylvania 2022

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by
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The Keystone Research Center (KRC) was founded in 1996 as an independent, non-partisan research and policy organization to broaden public discussion on strategies to achieve a more prosperous and equitable Pennsylvania economy. Since its creation, KRC has become a leading source of independent analysis of Pennsylvania’s economy and public policy. KRC is located at 412 North Third Street, Harrisburg, Pennsylvania 17101-1346. Most of KRC’s original research is available on the KRC/PBPC website at www.krc-pbpc.org. KRC welcomes questions or other inquiries about its work at 717-255-7181.

About the Authors


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Executive Summary

The COVID-19 pandemic brought unprecedented economic and policy challenges to the United States and other countries. Navigating our way out of the pandemic slowdown is another novel experience, which makes it more difficult to answer the question addressed each year in the “State of Working Pennsylvania”: how is the Pennsylvania economy performing from the perspective of working people? Are we about to enter a recession brought on by Federal Reserve interest rate hikes? Will inflation persist and erode real wages or will inflation decline quickly while real wages grow? Will the recent shrinkage of the Pennsylvania labor force—the “Great Resignation”—result in an enduring and long overdue increase in workers’ power relative to employers in the labor market?

Our read of the current Pennsylvania economy is that the economy and workers’ place in it hang in the balance. Even more than usual, national and state policies over the next several years will make a decisive difference to working families. With smart, worker-friendly policies, Pennsylvania workers could enjoy the most sustained period of shared prosperity since the 1960s. Policies that reduce workers’ power in the job market, individually and collectively, could quickly restore wage stagnation and decline, especially while inflation remains above 3%, and further entrench inequality for the long term.

Turning to our more specific findings in the seven sections of this year’s “State of Working Pennsylvania” (each of which will be the focus of a stand-alone blog during the next few weeks):

1) The State of the Pennsylvania Economy
   • The size of the economic pie—gross domestic product (GDP)—declined in Pennsylvania in the second quarter of 2022 (by 0.2%) as it did nationally. State and national GDP, however, remain just above pre-pandemic levels (i.e., above GDP in the fourth quarter of 2019).
   • In Pennsylvania and the United States, job growth has remained robust in recent months. Pennsylvania added 60,000 non-farm jobs in the second quarter of this year (April–July 2022), although we remain 116,000 non-farm jobs short of pre-pandemic levels.
   • One constraint on job growth is the still-depressed state of low-wage, in-person service industries, most prominently “leisure and hospitality” (which includes restaurants and fast food). This sector is still 49,000 below pre-pandemic levels due to the lingering virus and possibly a permanent decline in business travel and eating out.

2) The State of the Pennsylvania Labor Market—How Great the Resignation?
   • Another constraint on job growth: the slow recovery of the Pennsylvania labor force and of the share of the population working in all age groups but the youngest (16 to 24). More people are staying home because of some mix of family responsibilities in the pandemic, concerns about infection, early retirements, and workers’ decisions that the jobs available to them aren’t worth it.
   • With demand for workers growing but fewer people in the labor force, the number of unemployed people in Pennsylvania in August 2021 dipped below the number of job openings for the first time since the Bureau of Labor Statistics began collecting job openings data two decades ago.
By May 2022, the number of unemployed Pennsylvanians had fallen to only 60% of the number of job openings.

In tandem, job openings climbed to over 7% of employment plus job openings compared to 4%–5% pre-pandemic.

And quit rates have climbed to more than 2% (of employment) while layoff and discharge rates have dropped to less than 1%.

In sum, individual workers have more leverage in the labor market today than they have had since the early 1970s.

3) The State of Wage Growth in Pennsylvania

The most recent Pennsylvania wage data we have ends in 2021 and so only partially reflects the impact of inflation, which rose steadily in 2021 and in the first half of 2022 before slowing in July.

- In the last decade, especially since about 2014, Pennsylvania workers have seen their first sustained, broad-based increases in wages since the long economic expansion under President Bill Clinton in the 1990s. From 2014 to 2021, inflation-adjusted wages rose 9% to 19% for workers throughout the wage distribution—near the top of this range for low- and high-wage workers and near the bottom for workers in the middle.

- Wages have been volatile in the pandemic, in part because of “compositional effects.” (If a lot of low-wage workers leave the job market, those still employed are disproportionately higher wage workers and, without any change in what workers actually earn, wages throughout the earnings distributions appear to go up; when low-wage workers return to the job market, wages appear to go down.) Even so, wages in 2021 were higher than in 2019, continuing the trend from 2014 to 2019.

- The median wage for Pennsylvania’s Black and Hispanic workers remains about three-quarters of the white median wage and the wage for women at about 79% of the male median wage.

4) The State of Pennsylvania’s Low-Wage Labor Market

While wages have risen in Pennsylvania over the past decade, they have risen more slowly than neighboring states’ wages at the low end, especially wages in New York, New Jersey, and Maryland.

- Since 2013, the gap in earnings for low-wage workers in Pennsylvania (at the 20th percentile) compared to New York, New Jersey, and Maryland has grown from about 20 cents per hour—near parity—to over $1 per hour.

- In the low-wage leisure and hospitality industry, the gap in pay between Pennsylvania northern-tier counties and neighboring southern-tier counties of New York is truly stunning: New York leisure and hospitality border-county workers are paid over $100 more per week than their Pennsylvania counterparts ($518 per week versus $412). This amounts to around a $5,200 yearly difference.

- One big reason for these growing gaps: New York, New Jersey, and Maryland legislators put their minimum wages on a path to $15 per year, while Pennsylvania’s Republican
majority has left our minimum wage at the federal $7.25 per hour level.
• As a result of legislative inaction, many low-wage workers in Pennsylvania—roughly a quarter of our jobs and about 1.5 million people—earn well below a living wage.

5) The State of Corporate Profits and Inflation
• After dipping slightly in 2020, corporate profits in the United States rose in 2021 and the first part of 2022. In the year ending with the first quarter of this year, inflation-adjusted profits were 22% higher (in nominal terms) than in 2019.
• Corporate profits buoyed by pandemic price increases have been a major driver of inflation. Profits accounted for more than half (54%) of price increases from the second quarter of 2020 to the fourth quarter of 2021 compared to just over 10% (11.4%) from 1979 to 2019.
• Inflation declined in July 2022 after a year of steady increases, and moderating energy prices signal the possibility of further reductions in inflation in the next few months.
• The federal Inflation Reduction Act could also moderate inflation over time. For instance, Medicare has new authority to lower the cost of prescription drugs and there will be increases in subsidies for health care through the Affordable Care Act.
• Beyond (and exacerbated by) the pandemic, the main structural force driving inflation is corporate market power—unlike the 1970s, automatic cost-of-living adjustments for workers negotiated into union contracts are not a factor.
• Given structural dynamics of price and wage setting in today’s labor market, the Federal Reserve needs to avoid raising interest rates too much: a general slowing of the economy will have a limited impact on corporate market power and could undermine workers’ leverage in the labor market, leading to more wage stagnation or decline.

6) The State of Unions in Pennsylvania
• Polls show more support for unions in America than at any time since the 1960s and that about half of non-union workers would join a union if they had the chance (up from a third in two earlier surveys).
• In the last year, unions have had initial successes at some of the giant companies of the 21st-century U.S. economy—Starbucks and Amazon—and, in Pennsylvania, at one of the anchors of the Pittsburgh “eds and meds” economy, the University of Pittsburgh.
• To date, however, the aggregate numbers on unions do not show trend increases. The overall unionization rate in Pennsylvania has been flat since 2014, fluctuating around 14% while the national rate has fallen from about 13% to about 12% in the same period.
• Even so, recent organizing successes foreshadow a possible union organizing wave like that in the 1930s with union membership growing, especially in non-mobile service industries and in giant companies who, once unionized, want their competitors unionized also.

7) Policy: Door Number One or Door Number Two

On the policy front, our main message—not for the first time—is that policy matters.

Door number one: With policies that support workers and unions over the next few years, recognizing the opportunity created by high demand for workers and the depressed supply,
Pennsylvania and the United States could finally begin to create what Keystone Research Center has called, since the 1990s, a “New Deal for a New Economy.” We highlight the three policy areas most directly relevant to increasing equity in the labor market that should guide a new governor and legislature starting in 2023:

- The policy most important to the birth of another “New Deal” is support for the growth of broad-based (area-wide, sectoral) unions, using the limited policy tools available to the state and the bully pulpit available to a new governor and new lawmakers. As workers at Amazon, Starbucks, and elsewhere seek to organize, Pennsylvania policymakers need to have their back and to elevate the fact that organizing successes can usher in a new era of shared prosperity.
- Raising wages: Pennsylvania needs to raise its minimum wage to catch up with New York, New Jersey, and Maryland. Pennsylvania also needs to establish wage and benefit standards far above the minimum wage in particular industries—as already happens on public construction through the state’s prevailing wage laws. We need sectoral wage standards in trucking, caregiving, manufacturing, health care, and higher education—to name just a few sectors in which raising wages across the board would both benefit workers and serve the public good because it would raise productivity, competitiveness, quality, and/or safety.
- Third, Pennsylvania needs to get serious about building a skills and career infrastructure for a 21st-century economy. Under the past four governors, Pennsylvania pursued incremental change in this direction, investing in industry (training) partnerships and apprenticeship. It’s time to stop playing at the margins and to use a creative approach to shared investment in work-relevant skills by businesses and government. We outline such an approach. Pennsylvania also needs to fix its broken unemployment insurance (UI) administrative system, restore its unemployment compensation trust fund to solvency, reverse the cuts in UI benefits and eligibility that took place a decade ago, and then modernize unemployment compensation by linking it with effective training that leads to the next equally good job.

The last critical new policy we highlight is the need for the next gubernatorial administration to fully embrace a holistic recognition that there is no such thing as a free market. Given this, the primary economic responsibility of government should be to structure the rules of marketplace competition and make the investments in public goods that lead to a more productive, racially and economically just, and sustainable economy.

Door number two: An alternative to our prescriptions would be policies that reduce workers’ power, individually and collectively, in the job market—e.g., sustained higher interest rates and a return to austerity at least while President Biden is in office, continued inaction on the minimum wage nationally and in Pennsylvania, a Pennsylvania “right to work” law, repeal of the Pennsylvania prevailing wage law on public construction, further evisceration of unemployment compensation beyond the 24% cut (as of 2021) in the maximum benefit at the start of Governor Corbett’s single term, and other policies from the southern, red state, playbook. These policies would lower real wages during the period it takes for inflation to fall back below 3%, and, in part because they weaken unions further, they would entrench more deeply and for the long-term economic inequality and a state legislature that’s unresponsive to working people.
These two approaches to policy are not picked randomly. They roughly correspond to the alternative directions offered to Pennsylvania voters in this November’s election, although we acknowledge that achieving a full-throated version of door number one will require “inside” and “outside” advocacy by progressive stakeholders. We hope this report can help Pennsylvanians of all stripes—members of the media, legislators, candidates, and their staff—to decide on the basic policy direction that they think would most benefit the state.

1) The State of the Pennsylvania Economy

One year ago, we outlined the strides that Pennsylvania, the United States, and the world had taken to combat the dramatic initial effects of the COVID-19 pandemic and the deep, two-month recession that followed the first effort to tamp down the virus. Now, one year since that report and two and a half years since the first reported COVID-19 case in Pennsylvania, world economies have continued to recover, and Pennsylvania’s economy is no exception. Key economic indicators outlined below show where we’re making great strides and what areas might need extra attention as we work toward a recovery for all.

Pennsylvania Gross Domestic Product (GDP) dipped 11 percentage points between the first and second quarter of 2020 and then recovered to fourth quarter of 2019 levels by the fourth quarter of 2021 (figure 1).

*Figure 1*

**Pennsylvania’s Quarterly GDP Percent Change Largely Tracks National Number**
Quarterly GDP Percent Change in PA and US, 2010-2021

*Note:* GDP growth rate is shown quarterly for the rolling 12-month average. For example, Q2 of 2021 shows growth over last two quarters of 2020 and first two quarters of 2021.

Figure 2 magnifies the last 30 months in figure 1 and expresses it as a percent of the last full quarter before the pandemic, making it easier to see recent GDP trends and that the Pennsylvania GDP has tracked national GDP. With a drop in Pennsylvania GDP in the first quarter of 2022, GDP remained just above the pre-pandemic level.

**Figure 2**

*Quarterly GDP for Pennsylvania and United States Is Just Above Pre-Pandemic Levels*

Quarterly GDP for Pennsylvania and U.S., indexed to Q4 of 2019, 2019: Q4 to 2022: Q1

Advance U.S. GDP estimates for the second quarter of 2022 point to a second quarter of negative growth in the national data, leaving experts debating whether we have entered, or soon will enter, another recession.

Economists have pointed to strong jobs numbers—the U.S. added 528,000 jobs in July 2022—and low unemployment (3.5%, nationally) as evidence that we’re not in a recession.¹

Pennsylvania remains 116,000 non-farm jobs short of the pre-pandemic total, but the data show continued steady recovery in recent months. From April to July 2022, Pennsylvania added more than 60,000 non-farm jobs.

Employment recovery has not been equal across industries (figure 4). “Trade, transportation, utilities” and “professional business service” industries saw 3% and 2% employment growth, respectively, while other industries still have employment below their February 2020 levels. Employment in the Pennsylvania “leisure and hospitality” industry remains 48,000 jobs (8.2%) short of its February 2020 level. The large education and health sector accounts for another third of the overall 116,000 decline in jobs, losing 40,000. Most of the remaining job loss has been in government (minus 39,000 jobs), with roughly 10,000 jobs lost in Pennsylvania in construction and manufacturing.

**Figure 4**

**Employment Levels of Most Industries in Pennsylvania Have Not Recovered to Their Pre-pandemic Levels**

Percent Change in Employment Levels by Pennsylvania Industry, Feb 2020 to July 2022

County-level data show that employment growth rates vary throughout Pennsylvania, with pockets of higher job growth in eastern and south-central parts of the state (figure 5). Between Q4 2020 and Q4 2021, nine of Pennsylvania’s 67 counties saw employment losses. Pennsylvania counties saw a median employment gain of 2.6% across all private industries, with Bedford county seeing the largest employment increase (7.6%). Fulton County, an outlier, experienced the largest employment decrease, a drop of 13.2%. Forest County experienced the next largest employment decrease, a decline of only 4.4%.

*Figure 5*

Unemployment trends also show continued economic recovery. As figure 6 shows, Pennsylvania’s unemployment rate has recently dipped below its pre-pandemic rate. In July 2022, Pennsylvania’s unemployment rate was 4.3%, 0.7 percentage points lower than February 2020 and 0.8 percentage points higher than the U.S. rate. Pennsylvania’s July 2022 unemployment rate of 4.3% equals a 12-year low also seen in mid-2018 and 2019.
Figure 6

Unemployment Rate for Pennsylvania Dips Below Pre-pandemic Level, Still Higher Than United States Level

Monthly unemployment rate for Pennsylvania and United States, January 2020-July 2022

Source: Keystone Research Center analysis of Local Area Unemployment Statistics Tables 1 and 3 provided by the Economics Policy Institute; original data at https://www.bls.gov/news.release/laus.t01.htm and https://www.bls.gov/news.release/laus.t03.htm.

While the overall unemployment rate is lower, the unemployment rates for Pennsylvania’s Black and Hispanic workers remain more than double the unemployment rate for white Pennsylvanians (figure 7). The pandemic widened racial gaps in unemployment rates. In Q4 of 2019, Black and Hispanic unemployment rates were 5 and 2.6 percentage points higher than white unemployment, respectively. By Q4 2021, Black and Hispanic unemployment rates were 6.2 and 5.8 percentage points higher than white unemployment. The widening of racial unemployment gaps followed a pattern seen in prior recessions but was also exacerbated early in the pandemic because higher shares of Black and Hispanic workers worked in service industries that faced the most precipitous employment declines in the effort to stem the spread of COVID-19.
The last section showed that Pennsylvania’s unemployment rate is 0.7 percentage points lower than before the pandemic, but we have 116,000 fewer jobs. How can this be? The answer is that Pennsylvania has a smaller labor force than in 2019. Our labor force fell by 234,000 from its pre-pandemic peak by April 2020 and remained 130,000 short of that level in June 2022, a decline of 2% from November 2019 (figure 8).

Figure 7
Unemployment Rates for Black and Hispanic Workers in Pennsylvania Are More Than Double the Unemployment of White Pennsylvanians
Black, Hispanic, and White Unemployment Rates in Pennsylvania, 2001-2021

Source: Keystone Research Center based on Economic Policy Institute analysis of Local Area Unemployment Statistics (LAUS) and Current Population Survey (CPS) data.

2) The State of the Pennsylvania Labor Market—How Great the Resignation?

The last section showed that Pennsylvania’s unemployment rate is 0.7 percentage points lower than before the pandemic, but we have 116,000 fewer jobs. How can this be? The answer is that Pennsylvania has a smaller labor force than in 2019. Our labor force fell by 234,000 from its pre-pandemic peak by April 2020 and remained 130,000 short of that level in June 2022, a decline of 2% from November 2019 (figure 8).
Figure 8 suggests that the decrease in the labor force reflects a drop in what economists call “prime-age” workers—people aged 25 to 54—and in the older population (55+). In the prime-age population, the decline could reflect family responsibilities, including the need to provide child care for children home from school and/or concerns about bringing the virus back home from a workplace. There was a small recovery in the share of prime-age adults working in 2021 compared to 2020. The same recovery isn’t seen in workers aged 55+. Although we don’t have data on employment rates separately for workers aged 65 and over for Pennsylvania, national data—and the fact that the Pennsylvania 65-plus population share is larger than the same share in most other states—suggest that this oldest group could have contributed to the fall in the Pennsylvania labor force. Pre-pandemic (in 2018) 29% of the U.S. population aged 65 to 72 were still in the labor force, up from 21% and 19% for the two previous generations. When COVID-19 hit U.S. shores in early 2020, baby boomers (then aged 55–73) left the labor force in droves, many retiring, some because of infection concerns.

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Figure 9

Employment to Population Ratio of Most Workers in Pennsylvania Trending Up After COVID Recession From 2019 to 2020

Employment to Population Ratio of Workers Aged 16 to 24, 25 to 54, and 55+, 2011-2021


Figure 10 shows that the employment-to-population ratios for women and for men both declined by about two percentage points in 2020, and then increased by roughly one-half of a percentage point in 2021.

Figure 10

Pennsylvania Employment to Population Ratio Starting to Recover After COVID Recession for Male and Female Workers

Employment to Population Ratio for Males and Females in Pennsylvania, 2011-2021

While modest, the decline in the Pennsylvania labor force and in the number of older and prime-age workers seeking employment has produced the tightest labor force in decades. This can be seen using a new data set available monthly since December 2000—the Job Openings and Labor Turnover (JOLTS) survey. JOLTS directly measures job openings in each state and also measures whether separations result because workers quit or because employers lay workers off or discharge them.

In August 2021, the number of job openings rose above the number of unemployed people for the first time in the nearly 22 years that the Bureau of Labor Statistics has collected JOLTS data. By June 2022, there were only about six unemployed Pennsylvania workers for each 10 reported job openings in the state (figure 11).

*Figure 11*

**Since August 2021, There Are Fewer Unemployed Workers Than Job Openings in Pennsylvania**
Pennsylvania Total Nonfarm Unemployed Workers to Job Openings Ratio Three-Month Rolling Average, January 2012 to May 2022


Figure 12 shows that job openings have now climbed to over 7% of employment compared to 4%–5% pre-pandemic.⁴

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⁴ Technically, the job openings rate shown in figure 12 is defined as job openings as a percent of the total number of people employers would like to employ—i.e., employment PLUS job openings.
Furthermore, quit rates have climbed to over 2% while layoff and discharge rates have dropped to less than 1% (figure 13). Put simply, more workers have the freedom to quit a job they don’t like now, confident they can get a new job. Moreover, employers have to think twice about firing workers because it’s difficult to find replacements. This helps explain why real wages did not decline in 2021 despite rising inflation. Individual workers had the ability to win pay hikes from their employers and many employers chose to raise pay across the board to retain more workers.

Figure 13
Pennsylvania Quits Increase Recently While Layoffs and Discharges Fall
Rates of job openings, quits, layoffs and discharges in Pennsylvania three-month rolling average, January 2012 to May 2022

3) The State of Wage Growth in Pennsylvania

This section turns to wage trends, examining how inflation-adjusted wages have changed throughout the earnings distribution and examining the pay of different demographic groups, workers with different levels of education, and blue-collar workers in selected industries.

For most of the period since 1979, Pennsylvania’s wages followed a consistent pattern: slower wage growth for lower-earning deciles, faster wage growth for higher earners. Since 2011, however, wages have increased across the board. Table 1 shows that the 10-year period from 2011 to 2021 breaks into three sub-periods. From 2011 to 2014, wages were flat for the top half of the distribution and declined slightly for the bottom four deciles. From 2014 to 2019, a period of falling unemployment and continued economic expansion—not unlike the second half of the 1990s—wages increased across the board, a bit more quickly for 90th percentile earners.

Since 2019, wages have been somewhat volatile. They rose rapidly in 2020, especially at the 20th to 40th percentiles and at the 60th percentile, likely because of pandemic-related compositional effects discussed in our last report: as low-wage, face-to-face service workers saw high levels of job loss in the attempt to stem the spread of COVID-19, the wage distribution appeared to move to the right to higher wage levels. In 2021, large numbers of low-wage workers returned to jobs, pulling the distribution back to the left to lower wage levels. Looking at 2019-21 as a whole makes compositional effects less important (because compositional influences on wages in the two years offset each other) and makes it easier to see the longer-term trend. Over this two-year period, wages rose the most in the bottom third of the wage distribution. Workers at the 10th, 20th, and 30th deciles saw 5%, 9%, and 6% wage growth, respectively, while no higher decile saw more than 4% wage growth.

Over the 2014-2021 period, combining two of our “sub-periods” in the last decade (2014-19 and 2019-21), wage growth has been robust by the standards of the past four decades. In these seven years, wages rose 13% to 19% at the bottom three deciles—roughly 2% annually or more. In the middle three deciles, the 40th to the 60th, wages rose 9% to 11%. In the highest three deciles, wages rose 12% to 17%.
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Pennsylvania’s racial wage disparities are striking. In 2021, the median hourly wage for white workers was $5.51 higher than the median wage for Black Pennsylvanians and $6.50 higher than the median for Hispanic Pennsylvanians. Figure 14 shows median wages for white, Black, and Hispanic Pennsylvania workers over time (Hispanic back to 2000, white and Black back to 1979). In the 1980s, the Black median hourly wage bounced around $1 to $2 per hour below the white median—i.e., typical Black workers earned 90% of the wage a typical white worker earned. In the last three decades the Black median hourly wage has declined to three-quarters of the white. The Hispanic median hourly wage was lower still during the late 1990s through 2015, but more recent data show that it is now closer to and tracks the Black median. In 2021, Black and Hispanic median hourly wages were 76% and 72% of the white median wage, respectively.
Turning to gender pay disparity, the gap between men’s and women’s wages shrank by over half from 1979 to 2011-12, both in Pennsylvania and nationally. The female median wage worker made nearly 40 cents on the dollar less than the male in 1979, that figure declining to about 20 cents on the dollar in 2011 (figure 15). In the last 10 years, the progress of women relative to men at the median wage for each gender has stalled in Pennsylvania. Pennsylvania women’s median wage was 79% of the men’s median wage in 2021, compared to 86% nationally.


Figure 14
Pennsylvania Median Hourly Wages for Black and Hispanic Workers Trail White Wages (Shown in 2021 dollars)

Figure 15
Pennsylvania Women’s Median Wage Was 79% of Men’s Median Wage in 2021
Pennsylvania and United States Female Median Wage as a Percent of Male Median Wage, 1979-2021

National data has consistently shown that education is associated with higher earnings, and the story is no different in Pennsylvania. Figure 16 shows that Pennsylvania workers with less than a bachelor’s degree have seen wages stagnate or even drop (for those with less than a high school education) since 1979. Median wages for Pennsylvania workers with a bachelor’s degree or higher steadily trended upwards from 1979 to 2000 but then stagnated for most of two decades before rising again since about 2018. In 2021, Pennsylvania workers with a bachelor’s degree or higher earned a median wage of $33.30.

Figure 17 looks at wages one more way—for blue-collar workers in four key industries (trucking, warehousing, construction, and manufacturing). In all four industries, inflation-adjusted wages have stagnated since the mid-1980s. Wages would likely show a bigger decline in these sectors if our data went back to 1979 because, as figure 16 showed, 1979-85, were years of wage decline for workers without a high school degree or with just a high school degree. (While our data for figure 17 start in 1983, the first year shown in the chart is “1985” because we use five-year averages—i.e., 1985 is the five-year average for 1983-87.) If we had separate data for non-residential construction and for unionized construction, those would likely show less decline that all blue-collar construction because of a combination of a smaller fall in union density in non-residential construction than other parts of the private sector and because of U.S. and Pennsylvania prevailing wage laws, which lift wages on government-funded construction. (The construction line in figure 17 is for all construction workers—i.e., it shows the median wage for all union and non-union blue-collar trades in residential plus non-residential construction.)

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4) The State of Pennsylvania’s Low-Wage Labor Market

As of the publication of this report, Pennsylvania’s minimum wage remains $7.25 per hour, the same level as the federal minimum wage.

As a result of inflation, today’s minimum wage has 27% less buying power than it did when last raised in 2009 (figure 18). The U.S. and Pennsylvania minimum wages are now at their lowest inflation-adjusted value in 66 years—since February 1956. Minimum-wage workers today earn 40% less than in early 1968, the historic high point in the history of the U.S. and Pennsylvania minimum wages.

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Pennsylvania remains unique in the region because all six of our neighboring states have a minimum wage above the federal $7.25 per hour (figure 19).
The impact of the differences in state minimum wage policy can be seen clearly in wage trends in our neighboring states compared to Pennsylvania (table 2). If you compare table 2 to table 1 showing Pennsylvania wage trends, you will see that from the 50th to the 90th percentile, wage growth in our neighbors was lower than wage growth in Pennsylvania from 2011 to 2021 and was similar or lower from 2014 to 2021. From the 10th to the 40th percentile, however, our neighbors’ wage growth has been faster than Pennsylvania’s—since 2011 and since 2014.

**Table 2**

<p>| Neighboring Region Wages by Decile, 2011–2022 (inflation-adjusted 2021 dollars) |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|</p>
<table>
<thead>
<tr>
<th>Year</th>
<th>10</th>
<th>20</th>
<th>30</th>
<th>40</th>
<th>50</th>
<th>60</th>
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<tr>
<td>2014</td>
<td>$9.92</td>
<td>$11.84</td>
<td>$14.55</td>
<td>$17.20</td>
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<td>$24.69</td>
<td>$29.87</td>
<td>$37.46</td>
<td>$50.32</td>
</tr>
<tr>
<td>2019</td>
<td>$11.26</td>
<td>$13.58</td>
<td>$15.79</td>
<td>$18.50</td>
<td>$21.70</td>
<td>$26.24</td>
<td>$32.09</td>
<td>$40.13</td>
<td>$56.11</td>
</tr>
<tr>
<td>2020</td>
<td>$11.91</td>
<td>$14.78</td>
<td>$17.04</td>
<td>$20.04</td>
<td>$23.85</td>
<td>$28.54</td>
<td>$34.55</td>
<td>$43.06</td>
<td>$59.51</td>
</tr>
<tr>
<td>2021</td>
<td>$12.11</td>
<td>$14.59</td>
<td>$16.80</td>
<td>$19.76</td>
<td>$23.00</td>
<td>$27.64</td>
<td>$33.51</td>
<td>$41.47</td>
<td>$57.07</td>
</tr>
<tr>
<td>% Change 2011-14</td>
<td>-1%</td>
<td>0%</td>
<td>-1%</td>
<td>-2%</td>
<td>-1%</td>
<td>-2%</td>
<td>-1%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>% Change 2014-19</td>
<td>14%</td>
<td>15%</td>
<td>9%</td>
<td>8%</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>% Change 2019-21</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>% Change 2011-21</td>
<td>21%</td>
<td>23%</td>
<td>14%</td>
<td>13%</td>
<td>9%</td>
<td>10%</td>
<td>11%</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>$ Change 2011-21</td>
<td>$2.12</td>
<td>$2.70</td>
<td>$2.13</td>
<td>$2.28</td>
<td>$1.97</td>
<td>$2.52</td>
<td>$3.29</td>
<td>$4.11</td>
<td>$7.65</td>
</tr>
</tbody>
</table>

Note: States included in the neighboring region are Delaware, New York, New Jersey, Ohio, Maryland, and West Virginia. Weighted regional wages are based on seasonally adjusted total nonfarm jobs numbers from the Current Establishment Survey, Table 5, http://www.bls.gov/news.release/laus.t05.htm, provided by the Economic Policy Institute.

Source: Keystone Research Center based on Current Population Survey data provided by the Economic Policy Institute data.

Unsurprisingly, the growth in the wage gap with Pennsylvania at the low end is more pronounced if you compare us with just the three states whose minimum wages are on a path to $15 per hour: New York, New Jersey, and Maryland. Figure 20 shows the gap between Pennsylvania’s wage at the 20th percentile since 2013 and the (weighted) average of the 20th percentile wage in New York, New Jersey, and Maryland. From a mere 20-cent-per-hour wage advantage over Pennsylvania in 2013, the year before New York’s minimum wage first increased, these three neighboring states have seen their 20th percentile wage advantage grow to an average of $1.40 per hour from 2019 to 2021, which is equivalent to nearly $3,000 per year for a full-time, full-year worker.

In our recent update to a study by the Federal Reserve Bank of New York, we found that, despite recent yearly minimum wage increases, leisure and hospitality employment grew more in New York counties that border Pennsylvania since 2013 than it did in Pennsylvania counties that border New York. Even during the large employment dip and recovery spike in 2020-2021, New York
border county leisure and hospitality employment grew more than Pennsylvania border county employment. At the same time, earnings for New York workers far outpaced those of Pennsylvania workers. In PA-NY border counties, New York leisure and hospitality workers are paid over $100 more per week than their Pennsylvania counterparts, $518 versus $412 per week. This amounts to around a $5,200 difference in a year for a worker paid all 52 weeks.

Figure 20

Pennsylvania’s Low-Wage Workers Now Trail High Minimum Wage Neighboring State Counterparts by More Than a Dollar an Hour
Dollar gap between the (employment-weighted) average of the 20th percentile wage in New York, New Jersey, and Maryland and the 20th percentile wage in Pennsylvania, 2013 to 2021

The failure to increase Pennsylvania’s minimum wage results in large numbers of Pennsylvania workers earning less than a “living wage”—a wage high enough to cover the cost of a family budget without public assistance. Researchers from Massachusetts Institute of Technology (MIT) have estimated living wages for every U.S. county, including no money in their basic needs budgets for any entertainment, eating prepared foods (grocery store-prepared or at restaurants), vacation, or savings. The living wage for one adult working full time in Pennsylvania is $16.67. (The statewide living wage is computed using statewide averages for the components of a basic needs budget.) Figure 21 shows the living wage for one adult in each Pennsylvania county.

Looking back at table 1, $16.67 is roughly a third of the way between the 30th and 40th percentile wage in Pennsylvania. Thus, one-third of Pennsylvania workers—about 2 million people—earn less than a living wage for a one-adult family. Adding one child to the household nearly doubles the living wage required to cover the cost of a bare-bones family budget. Only about a third of Pennsylvania workers earn a living wage from one income that is sufficient to support a one adult-one child family.

Phasing in an increase in the Pennsylvania minimum wage to $15 per hour has been the end goal of several recent budget years-long debates and proposals from Governor Wolf. While $15 per hour may have been a living wage (by MIT’s definition) when advocacy for a $15 per hour minimum wage began nearly a decade ago, it no longer meets that definition for most families in most of Pennsylvania.
5) The State of Corporate Profits and Inflation

Many workers and families struggled to pay their bills as prices for fuel, food, and other basics rose amid the pandemic. Meanwhile, as *Fortune* magazine put it recently, “U.S. companies posted their biggest profit growth in decades by jacking up prices during the pandemic.”10 Already humming along at high levels prior to the pandemic, profits moderated slightly in 2020, then leapt to $2.89 trillion in the most recent four quarters available, ending with the first quarter of 2022. This equals a 22% increase from $2.37 trillion in 2019.11 The increase from 2020 to 2021 was the largest since 1976 and the largest after tax since 1948.12 Economic research suggests that increases in profits due to price gouging can happen in a pandemic through a phenomenon called “rockets and feathers” most easily explained with reference to the gasoline market, but applicable to other markets.13 The phrase in quotation marks means that, when shortages occur, prices go up like a rocket (including on gasoline that stations bought at low prices) and then come down when shortages abate “like a feather” (slowly). Put differently, corporations increase their “mark ups” when prices spike because their customers won’t notice as much because of the overall increases—or won’t be able to differentiate price gouging from passing on input price hikes. Put most simply, corporations increase their prices enough to boost profits because they can.

The connections between profits, price gouging, and inflation are direct and incontestable. The Economic Policy Institute estimates that profits contributed about 11% percent to price growth in the non-financial corporate sector from 1979 to 2019. From mid-2020 to the end of 2021, fatter profits accounted for more than half (54%) of inflation in this sector compared to 11 percent from 1979 to 2019 (figure 22).14

11 Bureau of Economic Analysis, “Gross Domestic Product (Third Estimate), Corporate Profits (Revised Estimate), and GDP by Industry, First Quarter 2022,” Table 9, p. 18, https://www.bea.gov/news/2022/gross-domestic-product-third-estimate-gdp-industry-and-corporate-profits-revised-first#~text=BEA%202022%2D2Q8-%20Gross%20Domestic%20Product%20(Third%20Estimate)%2C%20GDP%20by%20Industry%2C%20the%20Bureau%20of%20Economic%20Analysis. As shown on a graph accessible on the website of the St. Louis Fed, profits as a share of GDP were similar to pandemic levels in Q1: 2012 and this metric has declined in the last three quarters since its Q2:2021 peak. (To pull up the Fed graph of profits as a share of GDP, go to https://fred.stlouisfed.org/graph/?g=1Pik#0 and click on “Max” on the “Edit Graph” line slightly to the left of “Edit Graph.”) Profits as a share of GDP could fall back to the high pre-pandemic levels as supply chain bottlenecks ease. That said, the most recent profits as a share of GDP estimate (for Q1:2022) is higher than every pre-pandemic quarter since the 1947 start of the data set except one—Q1:2012.
14 Josh Bivens, “Corporate profits have contributed disproportionately to inflation. How should policymakers respond?” Economic Policy Institute, Apr 21, 2022; online at https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/.
Some CEOs have spoken frankly to investors about the opportunities to raise prices and increase profits in the pandemic and in the context of the Russian invasion of Ukraine.¹⁵

- Shell’s CEO said that, because of the war in Ukraine, “we are very short refining and we are short products and that is largely because of Russia, of course, because a lot of Russian refining capacity is basically locked out.” Global supply shortfalls led to increases in profits that Shell then plowed into stock buybacks benefiting executives and wealthy shareholders.

- An executive at Hormel, the grocery brand processing company, boasted, “I think we’ve done a great job with our pricing,” improving its operating income by 19% in the first quarter of 2022 compared to 2021.

- Constellation Brands, which makes the beers Modelo and Corona, noted that its consumer base “skews a bit more Hispanic” and the company wants to “take as much as [we] can” from them.

While inflation has already persisted longer than some economists, including Federal Reserve Board chair Jerome Powell, initially expected, we think the weight of the evidence is that inflation will prove mostly temporary—although “temporary” could be another year or two. Gasoline and energy prices have already moderated, supply chain bottlenecks have begun to ease and more goods to flow, the overall inflation rate dipped in July, and more significant (since July is only one month of data), the Fed projects that inflation will fall back below 3 percent next year without a recession.¹⁶ Box 1


explains in more detail how increasing corporate market power—the fact that in many sectors, one company (i.e., a monopoly), or a small number of companies, control a lot of the market—likely contributes more to price increases today than in the 1980s, while the power of workers and unions to win automatic cost-of-living adjustments in their pay packets has diminished.

Index (GSCPI) tracked by the Federal Reserve Bank of New York suggests that supply chain bottlenecks have begun to clear. The index has fallen from 4.52 standard deviations above the average value in December 2021 to 1.83 above in July 2022. (https://www.newyorkfed.org/research/policy/gscpi#/interactive). The Bank created the index “...to develop a parsimonious measure of global supply chain pressures...” Changes in the index have been associated with goods and produce price inflation in the United States and the parts of Europe that use a common currency (the euro) in the pandemic and back to 1997 the first year for which the index has been computed. (https://www.newyorkfed.org/research/policy/gscpi#/overview.)

Box 1: Why Current Inflation Differs From the 1970s and Requires Different Policy Responses

In U.S. puzzling over inflation in the last year—what’s causing it, how do we fix it—a major challenge has been the unprecedented nature of the pandemic economy. A lack of parallel past experience has made it more difficult to unravel how much of inflation is temporary (e.g., because of supply chain bottlenecks) and how much of inflation is (or could get) baked into price-setting, wage-setting, and people’s expectations, becoming more permanent.

To better understand today’s inflation, it may help to consider how the current economy has changed since the United States last had high inflation, in the 1970s and early 1980s. In the 1970s, two institutional forces that fueled inflation after oil price shocks in 1973 and 1979 were relatively low levels of price competition in domestic oligopolies (e.g., the “Big Three”—GM, Ford, and Chrysler—dominated the U.S. auto industry); and automatic “cost of living adjustments” (COLAs) then built into collective bargaining contracts in manufacturing and in some non-manufacturing industries (e.g., construction and grocery store collective bargaining). Restrained price competition and automatic adjustment of wages for many workers to offset the impact of inflation meant that, after price hikes in the oil market and in the market for agricultural products in the early 1970s, rising prices spread to product markets with higher input costs and also spread to the labor market (although not at the low end because Congress stopped increasing the federal minimum wage to keep pace with other collectively bargained wages, hence with inflation, in 1968).1

Paul Volcker, the Federal Reserve chairman nominated by President Jimmy Carter and then renominated by President Ronald Reagan wrung inflation out of the economy by imposing high interest rates in 1979 and the early 1980s, which triggered a deep recession. These interest rates also increased demand for, and thus the value of, the U.S. dollar, making our exports more expensive in other countries and leading to a flood of imports in core industries such as auto (especially from Japan) and steel. The recession and big increase in the trade deficit decimated U.S. manufacturing. With companies running up huge losses, plants closing, and manufacturing union members jobless, the tradition of annual (roughly 3%) real wage increases plus COLAs built into collective bargaining by about 1950 was ended by 1982 to 1984. In addition, big U.S. manufacturers in many sectors lost some of their market power to pass on increases in input costs to customers. For most of the four decades since the early 1980s, global price competition in manufacturing sectors and workers’ lack of bargaining power in the job market have contributed to sustained low U.S. inflation.

Fast forward to the past two years—what’s different? In the labor market, some workers who became jobless in the pandemic have not rejoined the labor force. In addition, some workers may now have concluded that returning to a stressful, low-wage job where they get treated without much respect is just not worth it. While some in the media have

called this the “Great Resignation,” the word “resign” underestimates the agency that individual workers demonstrate by not returning to the job market. Individual workers opting out of “building back the same” and groups of workers collectively seeking to unionize are both responses to the lack of compensation and voice/dignity that moderate- and low-wage workers experience on the job every day. Because people staying out of the labor market operates through the aggregation of lots of individual decisions—i.e., not in some organized, collective way—it’s impact on wages, and on inflation, depends on maintaining a low ratio of unemployed workers to job openings. Even in 2022’s tight labor market, workers’ wages this year in the aggregate may not keep up with inflation. In fact, they haven’t so far: from July 2021 to 2022, the average U.S. worker’s wage increased 5.2%, while inflation in that timeframe was 8.5%. And as we saw after the late 1990s, take away tight labor markets and workers do not currently have the institutional power to maintain wage increases that offset, or exceed, high inflation. In sum, the current labor market will not contribute much to self-perpetuating inflation and even a mild recession could translate into renewed real wage declines.

Goods and service markets are another matter. Since globalization exposed some manufacturing sectors to more competition in the 1970s and 1980s, there has been a gradual decrease in how competitive U.S. markets are over time. Small numbers of companies now dominate many local, national, and even global markets that cater to consumers’ basic needs. In addition to Amazon and Walmart, the best known companies with market power, many regional health care companies are monopolies or oligopolies, the meat industry is dominated by four companies that increased their gross profits by 120% in the pandemic, two companies control 70% of the market for diapers, three companies dominate the global shipping industry, four companies control the domestic rail sector, and one company controls the global chip market. In global manufacturing, the pandemic has also relieved price pressure on U.S. producers. This relief could end soon, although, over a decade or more, climate considerations—and the carbon emissions associated with global shipping—could make imports a smaller share of U.S. sales in some manufacturing industries and give branded manufacturers more power to pass on increases in the price of inputs and to gouge consumers on an enduring basis.


In sum, in addition to—and in conjunction with—short-run supply shortages, one long-term “structural” factor that fuels inflation today is corporations’ excessive market power. To address this root cause of price gouging we need policy instruments, mostly federal, less blunt than the power of the Federal Reserve and Congress to engineer a recession. One example of more surgical federal policy: the Inflation Reduction Act’s (IRA) authorization for Medicare to bargain over the price of prescription drugs. National economic policymakers, by contrast, can drive the macroeconomy off a cliff, but it won’t do much about health care prices, or housing prices (where rapacious real estate flippers and speculators drive up costs), or the big four meat producers, or Amazon’s market dominance. While it might not restrain corporations from raising prices, a steep recession could eliminate the leverage that individually workers’ at last have in the labor market.
6) The State of Unions in Pennsylvania

Over the past year, both national and Pennsylvania union drives have captured headlines. With union victories at the University of Pittsburgh, Starbucks locations, Amazon in Staten Island, New York, and more union votes on the way, organized labor has been making headlines. These union victories, however, have not yet translated into a sustained increase in the percent of workers that belong to a union or are covered by a union contract. In fact, union coverage has been decreasing for decades, although in Pennsylvania it has leveled off since about 2013 at about 13%–14% of the overall (public and private) workforce, including 13.7% in 2021, 7.7% in the private sector.

Despite the lack of an overall uptick in union coverage, public opinion about unions and the potentially transformative nature of recent organizing both suggest that a major union revival could be over the horizon. In a 2021 Gallup poll, approval ratings for unions reached their highest level since the mid-1960s, 68%.\textsuperscript{19} The poll shows that unions’ approval rating has never dipped below 48% (in 2009) but declined gradually from the peak level of 75% in the 1950s to 55% in 1979. It then fluctuated between 55% and 65% for three decades before dipping to 48% in 2009, before climbing back up to 68% by 2021. This last period of a dozen years included the “Occupy Wall Street” movement, which highlighted the problem of inequality, and the “Fight for $15 and a Union” movement.

One striking feature of these Gallup poll numbers is that they suggest that one-half to three-quarters of Americans have always appreciated that unions grow the middle class, provide a vital source of balance in our economy and in public policy, and increase overall, racial, and gender equity. Support for unions was strongest at the height of the New Deal in the 1950s when there was a widely shared concrete understanding (a) of how unions fit into our economy and politics and (b) that union strength benefited not only union members but the entire country. This understanding held that collective bargaining, by increasing workers’ real wages in the nation’s powerful mass manufacturing sector, sustained consumer demand, and prevented another downward spiral of buying power and the economy like the Great Depression. In addition, unions provided workers with protection on the factory floor against arbitrary supervision and an inhumane work pace. In politics, unions were at the core of a social democratic political coalition that fought for legislation that benefited all workers: a higher minimum wage, Social Security, and health care. (Unions led the fight for health care that culminated with the establishment of Medicare and Medicaid in the 1960s.)

Starting in the 1960s, social unrest over the Vietnam War and in America’s cities frayed the social democratic coalition. By the late 1970s and early 1980s, rising inflation and imports flooding into the U.S. market brought to public discourse a new interpretation—that unions, their wage demands, and their shop floor work rules were now part of the problem not the solution, hurting U.S. competitiveness. But while conservative politicians, such as President Reagan, and an ascendant and well-funded right-wing network of think tanks and conservative legislators have aggressively sold this narrative for nearly half a century, it has only made a modest dent in people’s views of unions. In fact, over the last dozen years, heightened public awareness of income and wealth inequality has fueled renewed appreciation of the value of unions. Consolidation of a concrete understanding of how unions are THE answer to the very specific economic, social, and environmental challenges.

**Figure 24**

**Labor Unions Have Highest Approval Rating Since 1965**

America and Pennsylvania face today could bring support for unions back to the 75% level of the 1950s.

Further evidence of increasing support for unions comes from a 2018 survey on “worker voice,” which found that nearly half (48%) of non-union workers say they would vote for a union compared to about one-third in surveys conducted in 1977 (33%) and 1995 (32%).

So what is the concrete understanding of how unions fit into today’s economy and politics that could underpin a new period of shared prosperity? Recent unionization efforts—building on innovative organizing over the past two decades—point to two complementary ways unions could become a major force in setting labor standards for many workers in many industries. One way is by achieving significant density in industries rooted in local areas because that is where their customers are—industries such as higher education (e.g., the University of Pittsburgh), coffee bars (e.g., Starbucks), health care, business services (e.g., janitorial and security guard services in Pittsburgh and Philadelphia), in-person retail, education from zero to adulthood (pace distance learning), construction, the restaurant and hospitality industries, and last mile/local distribution. Capital flight is not an option in these sectors: if unions gain a big share of the market in a geographical area within any “inherently local” industry they can raise wages, benefits, and working conditions in that area even if they have no presence in other geographical areas. In fact, scattered evidence suggests that unions with high density in non-mobile private industries can raise wages and benefits a lot, transforming janitorial jobs for example from $10 per hour with few benefits to twice that level with health care and a retirement saving plan. Moreover, non-mobile industries are a huge share of our economy today: despite globalization (and in part because productivity growth keeps shrinking the manufacturing employment share, now below 10%), non-mobile sectors account for a majority of jobs and a larger majority of low-wage jobs.

The second way, foreshadowed by recent organizing, that unions could become more influential in wage setting is by coming to represent all the frontline workers at companies such as Starbucks and Amazon. Unionization of giant companies could follow a path similar to manufacturing unions in the 1930s. For example, the organizing of one plant in Flint, Michigan, in 1937-38 led

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22 A study of the casino and hospitality industry in highly unionized Las Vegas compared to mostly non-union Reno, for example, found that “…the typical worker in Las Vegas working as, for example, a baggage porter, kitchen helper, or guest room attendant (maid), among other highly unionized occupations, earns an average of 40% more in hourly wages than his or her counterparts in the identical occupations in Reno.” C. Jeffrey Waddoups, “Wages in Las Vegas and Reno: How Much Difference Do Unions Make in the Hotel, Gaming, and Recreation Industry?” UNLV Gaming Research & Review Journal, 6(1), pp. 6-21. In Houston, to cite a second example, the first union for 5,300 janitors in 2005 brought a 47% pay increase and an increase in guaranteed weekly hours of work. See Matt Vidal and David Kusnet, “Organizing Prosperity: Union Effects on Job Quality, Community Betterment, and Industry Standards,” Economic Policy Institute and UCLA Institute for Research on Labor and Employment, 2009, https://www.epi.org/publication/book_organizing_prosperity/ (cited in Economic Policy Institute, “Unions help reduce disparities and strengthen our democracy,” April 23, 2021, https://files.epi.org/uploads/226030.pdf).
to union recognition throughout General Motors, contributing to the unionization later of Ford and Chrysler. At some point in the 1930s, manufacturing workers on a mass basis began to sense that “wait a minute, if we all join a union, together we can get a better deal and better treatment.” Once manufacturing workers generally perceived the practical possibility of a new and better world of work, unionization in the original New Deal had reached a take-off point. (Box 2 profiles a Philadelphia food service local union that illustrates how organizing in non-mobile industries and giant companies could together fuel a mass organizing wave.)

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**Box 2: Philadelphia’s Food Service “Local 80”—Seeding the Next New Deal**

A new local union in Philadelphia focused on organizing coffee shops, including Starbucks, and other restaurants highlights how area-wide organizing in non-mobile industries and organizing in giant companies could end up proving complementary routes to a big jump in union density. Called “Local 80” after the 80 people initially involved in its creation, the local was chartered in May as part of Philadelphia Joint Board (http://www.pjbworkersunited.org/what-our-members-do.html), the city’s branch of Workers United, a part of the Service Employees International Union.

The worker organizing that resulted in the formation of Local 80 began in the city’s independent cafes. Philadelphia coffee shop workers began sharing wages and work conditions in 2019 via a Google spreadsheet. Around the same time, a group started meeting in person to discuss the state of the industry, forming a “citywide barista council” with 30-40 workers. The pandemic heightened awareness among workers that current conditions in the industry are unacceptable. As organizer Eli Zastempowski describes it, “I am risking my life to serve you something that’s not really an essential product.”

The new local has been energized by Starbucks organizing across the country but aims to “bring positive change” to the entire food service industry. Zastempowski says, “Right now, I would say our work is sectoral.” Future plans include organizing bakeries and restaurants. Zastempowski again: “What we aim to be really is an industrial union...organized along all of the supply lines, right down to distributors.” Workers United already represents Philadelphia food service workers in the catering industry, at Aramark at various colleges, at the Philadelphia Zoo, and at the Pennsylvania Convention Center (see https://workersunited.org/who-we-ar/buy-union9).

The affiliation of what began as bottom-up worker organizing with Workers United brought resources, office space, strategic guidance, and experience with the nuts and bolts of negotiating a union contract including access to company finances so that workers’ demands are affordable. After the new local went public, it quickly gained recognition from the founder and owner of South Philadelphia’s Korshak Bagels. An enlightened manager, he saw the union as compatible with his company’s “root truth” of being in a service business. The developing union relationship at Korshak has included one worker, a former head chef, developing sandwich options that bring in more revenue and enable the company to pay better. One asset the union has is that Local 80 leaders, “...before becoming organizers, they themselves worked in food service and hospitality.”

Workers at other popular coffee shops will seek employer recognition in the next few months. Currently, Zastempowski

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1 This box is based on and the quotes are taken from Jordan Levy, “Introducing Local 80, a new Philly union focused on organizing coffee shop floors, August 19, 2022, https://billypenn.com/2022/08/19/philadelphia-union-local-80-coffee-starbucks-workers-united/.
An observation made by organizer and writer Jane McAlevey suggests why we could be approaching a take-off point for mass union organizing. McAlevey writes that “Movement moments…happen when large numbers of people…are truly pissed off and there is no other option, or because for some reason the horizon of what they think they are capable of achieving suddenly expands—or, most likely, a combination of both.”24 The more that workers’ organizing today fuels a belief in the practical possibility of a better future—one that blends area-wide unionization in local industries and union contracts in giant companies—the more will workers’ horizons expand, and the more will organizing spread like wildfire. Each recognition of another union or signing of another contract will lead more workers in more places, more industries, and more outlets of giant companies to believe that they could raise their compensation and gain a louder voice on the job if they come together like baristas at 209 Starbucks stores and counting, higher education workers in Boston, security guards and janitors in Pittsburgh, and others.25 Once workers perceive in a concrete way that “wait a minute, if we all join a union, together we can get a better deal and be listened to on the job,” unionization in today’s private sector could reach a take-off point.

A wave of unionization in Pennsylvania and the United States could become institutionalized in the form of multi-employer, area-wide bargaining in local service industries and some single-company bargaining in large national or regional companies. Higher industrywide standards for wages, benefits, working conditions, and worker input on the job would thus spread through a mix of multi-employer agreements and loose “pattern bargaining,” whereby unions use bargaining victories in other industries and/or places as a reference point and a source of leverage to achieve similar terms. Innovative new organizing would also likely spark increased organizing and bargaining success among long-established unions—e.g., in construction, grocery stores, and possibly even manufacturing (although capital flight and the real threat of disinvestment will continue to make organizing challenging in manufacturing).

On the political side, growing union membership could strengthen labor’s political power and influence over public policy. Strength would beget strength. For example, the political power to raise

25   For an overview of recent organizing at name brand U.S. companies, see Katie Schoolov, “Unions are forming at Starbucks, Apple and Google. Here’s why workers are organizing now,” CNBC, August 5, 2022, https://www.cnbc.com/2022/08/05/why-starbucks-apple-and-google-are-unionizing-now-for-the-first-time.html.
the overall minimum wage or the minimum in specific industries, to expand health care further, to make Social Security more solvent, to achieve more aggressive climate action that enables fossil fuel workers to get new jobs as good as their old—these types of gains would achieve progress for workers of every race and gender. They would unify working people, and environmentalists and unions, and reinvigorate the New Deal conviction that labor is at the core of a political coalition that benefits people generally. (Box 3 summarizes research evidence on some of the ways unions benefit all workers and society as a whole).

Box 3: How Union Strength Benefits All Workers and the Public Good in Today’s America

While labeled by their critics a “special interest,” the evidence shows that unions benefit society as a whole as well as their own members. In the current political moment, economic inequality, racial injustice, and democracy too often responsive to corporations and the very wealthy are widely recognized as fundamental challenges in America. Research shows that labor unions are critical to solving each of these challenges. In fact, we can’t achieve a just economy and responsive democracy without strong labor unions. The bullets below summarize discrete ways that unions promote economic justice and democracy, each backed by solid research.¹

Wages and Benefits
- Over 100+ years, higher union density in the United States is associated with lower income inequality and a smaller share of income going to the top 1% and 10%.
- Strong unions set wage standards for entire industries and occupations, making wages more equal within occupations, and closing pay gaps between white workers and workers of color.
- Unions raise wages for both union and nonunion workers.
- Unions bring living wages to low-wage jobs, transforming jobs in hospitality, nursing, and janitorial services into positions with living wages and opportunities for advancement.
- Unions help raise wages for women and reduce racial economic disparities.
- Unions workers are more likely to participate in a retirement plan.
- Union workers are more likely to be covered by employer-provided health insurance and union employers contribute more to workers’ health care benefits.

Unions and Families
- Unions support strong families by reducing the tension between work and family responsibilities.
  - Union workers have greater access to paid sick days.
  - Union workers are more likely to have paid vacation and holidays and their employers contribute more to paid vacation and holidays that non-union employers.
  - Union workers have more input into the number of hours they work.
  - Union workers get more advance notice of their work schedules.

Unions and Responsive Democracy
- Unions boost civic participation including voter turnout.
- Unions are key supporters of progressive policies that help all workers—such as minimum wage increases, Social Security, Medicare and Medicaid, Occupational Safety and Health, the Civil Rights Act, fair scheduling, paid sick days laws, and paid family and medical leave.
- Unions also support adequate investment in public goods, including education and infrastructure.

¹ These bullets are based on an Economic Policy Institute (EPI) fact sheet which contains more detail along with references to support each fact. See EPI, “Unions help reduce disparities and strengthen our democracy: Fact Sheet,” April 23, 2021, https://files.epi.org/uploads/226030.pdf
7) Policy: Towards a New Deal for a New Economy

We now come to the final section of our report—policy recommendations. Our overall message: policy matters. Why? Because stark differences in national and state public policy could result depending on voters’ choices this November.

Door number one: With policies that support workers and unions over the next few years, recognizing the opportunity created by high demand for workers and the depressed supply, Pennsylvania and the United States could finally begin to create what Keystone Research Center has called, since the 1990s, a “New Deal for a New Economy.”

Door number two: An alternative to our prescriptions would be policies that reduce workers’ power, individually and collectively, in the job market. This direction would lower real wages during the period it takes for inflation to come back down below 3%, and, in part because it weakens unions further, entrench more deeply and for the long-term economic inequality and a state legislature unresponsive to working people.

Door number one: Towards Shared prosperity in Pennsylvania.

We highlight three core economic policy areas. Compared to some previous States of Working Pennsylvania and the comprehensive agenda of the We The People – Pennsylvania campaign, the agenda we focus on here is “narrow” and aimed at reshaping the wage and income distribution—at achieving shared prosperity. Enact the recommendations below in these areas, particularly the first—promoting union growth—and progress in a wide range of other areas would become easier.

Promote Broad-Based Unionism

The policy most important to the birth of any New Deal is support for the growth of broad-based (area-wide sectoral) unionism and collective bargaining. Federal pre-emption sharply curtails state legislative authority to promote workers’ union rights in the private sector—although states can act in parts of the private economy not covered by the National Labor Relations Act (such as domestic workers and agricultural workers). It is unlikely that the composition of either the U.S. Congress or the Pennsylvania legislature in 2023-24 will be conducive to passing new laws to promote unionization (e.g., the federal Protect the Right to Organize Act or the Pennsylvania workers’ bill of rights). These realities do not, however, prevent lawmakers or a new governor from seeking to make Pennsylvania a leader in a new wave of mass organizing anchored in industry giants and local service industries.

28 More detailed recommendations (than those in this section) on how the executive branch (at the federal level—but many
Elected leaders need, first, to have workers’ back when they have the courage needed in a climate of legalized employer intimidation of workers who attempt to unionize, and rampant violation of prohibitions on firing workers who lead organizing efforts. In some southern states, currently, conservative politicians do exactly the opposite—speak out publicly to oppose unionization. Beyond using the bully pulpit to champion broad-based unionism, Pennsylvania’s new governor needs to creatively use executive authority to strengthen workers’ freedom to unionize. One way to do this would be emulate at the state level President Biden’s creation, through executive order, of a Task Force on Worker Organizing and Empowerment with a mission to “…identify executive branch policies, practices, and programs that could be used, consistent with applicable law, to promote my Administration’s policy of support for worker power, worker organizing, and collective bargaining.” A Pennsylvania task force of this kind could flesh out how the state as a “model employer” and through executive action (e.g., regulations, guidance, funding) could strengthen worker organizing, and then oversee the implementation of resulting recommendations.

**Raise Wages: the Minimum Wage and Occupational/Sectoral Labor Standards**

As discussed in the body of this report, Pennsylvania needs to double its minimum wage within a few years to keep up with the minimum wage in New York, New Jersey, and Maryland. Despite the failure of the Pennsylvania 2021–22 legislative majority to increase the minimum wage at all, the next governor should continue Governor Wolf’s pursuit of a path to $15 per hour—and higher than that given the erosion of through inflation of the purchasing power of $15 since that goal was first advanced nearly a decade ago. The gold standard for a Pennsylvania minimum wage remains a package of reforms already enacted in the most progressive states: a minimum wage of $15 per hour then indexed at least to inflation (ideally the minimum wage would be indexed to the median or average wage); the elimination of the tipped minimum wage; the elimination of state pre-emption so that Pennsylvania cities and counties with higher wage levels and living costs can enact minimum wages above the state level.

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recommendations translate to the state level can foster union growth can be found in Stephen Herzenberg, “Goal 8: Decent Work,” in John C. Dernbach and Scott E. Schang (eds), Making America a Better Place for All: Sustainable Development Recommendations for the Biden Administration,” Environmental Law Institute, March 2021, https://www.eli.org/news/making-america-better-place-all-sustainable-development-recommendations-biden-administration. While this source is two pages, a full-length chapter that further fleshes out such options is forthcoming from the Environmental Law Institute (and available from herzenberg@keystoneresearch.org).


The next Pennsylvania governor and legislature should also look for opportunities to enact additional occupational wage standards beyond the prevailing wage law that already exists in Pennsylvania’s construction sector. As we saw in the wage section of this report, wages in blue-collar occupations (trucking, warehousing, construction) have stagnated since 1983, although construction workers’ wages have declined less in non-residential construction because of a combination of a smaller fall in union density plus prevailing wage laws. In many industries there would be a clear public benefit to raising sectoral wage minima well above even a $15 per hour minimum wage. For example, the high turnover and inexperienced workforce created by low wages compromise safety for truck drivers and for drivers of other vehicles. Low wages also compromise safety for members of the public that use the bridges or buildings built by unqualified construction labor. In other service occupations, low wages and high turnover compromise quality (e.g., long-term care, health care, early childhood education, and higher education teaching). In the large, very-low-wage fast food sector, low wages and no benefits impose costs on taxpayers because high proportions of workers qualify for public assistance; poverty and extreme poverty also increase long-term social costs, again at the expense of taxpayers as well as impoverished families.

In sum, in a substantial number of occupations, raising wages and benefits across the board would have significant benefits for consumers and the public as well as for workers themselves. Recognizing this nearly a decade ago, New York dusted off a little-used provision of its minimum wage act that permitted the commissioner of labor in New York to establish a “fast food wage standards board” authorized to examine the benefits of a sector-specific minimum wage above New York’s minimum wage. New York then established fast food minimum wage levels above the high and rising overall New York minimum wage.33 This year, the California State Senate passed AB257 which would establish a 13-member Fast Food Sector council governing a sector with 557,000 workers, two thirds of them women and 80% workers of color. If passed by the California State House and signed by the governor, the council could issue standards on wages, working conditions, and training adequate to ensure and maintain the welfare of fast-food restaurant employees.

If the Pennsylvania legislature proves unwilling to consider this type of legislation in 2023-24, the new governor could still establish sectoral advisory councils that emulate the research process of the statutory wage standards boards in New York. The Pittsburgh City Council did this a few years ago as part of building a case for raising standards sector-wide in the health care sector. Sectoral advisory councils could build the public and legislative will to enact statutory reforms in a future legislature and, even before that, provide research support and public backing for union organizing and wage campaigns aimed at transforming key sectors.

**Build a National Model Skills, Career, and Reemployment Infrastructure**

This past year has seen the U.S. Congress, after years of inaction, finally enact on a bipartisan basis a major investment in our nation’s roads, bridges, water and sewer systems, broadband and other traditional infrastructure. In the 21st-century knowledge economy, investment in workers’ work-relevant skills are as important as investments in roads and bridges. A basic challenge, however, is that our nation and all 50 states underinvest in workers’ skills. And while the public sector invests substantially (but not enough in Pennsylvania) in higher education, most post-secondary and K-12

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education remains disconnected from the economy: thus, public secondary and post-secondary education create a foundation for learning on the job rather than fostering workplace skills directly. Most companies invest little, and unsystematically, in the skills of middle- and low-wage workers. These workers lack the resources to invest in themselves—and there are few options for worker investment with sure returns or clear track records of making workers more marketable.

Four Pennsylvania governors, starting with Mark Schweiker (2001-03), have taken initial steps to create a more effective skills development and career infrastructure. Governor Schweiker invested in health care partnerships when hospitals faced nurse shortages in the early 2000s.\(^{34}\) Governor Rendell and the state legislature scaled up investment in industry partnerships with $20 million in funds for several years starting in 2005-06. Governor Corbett established the state's Reemployment Fund, a flexible state training fund that receives about $10 million in funding annually.\(^{35}\) Governor Wolf promoted apprenticeship by establishing the Apprenticeship and Training Office (ATO) in the Department of Labor and Industry and won legislative approval of $7 million in investments annually in apprenticeship through the PAsmart initiative (https://www.pasmart.pa.gov/).

Even at their peak funding levels, however, Pennsylvania’s Industry Partnership and apprenticeship initiatives amounted, respectively, to a bit over $3 per Pennsylvania worker per year and a bit over $1 per worker per year. That is not a foundation for establishing a real skills development infrastructure embedded in industry. To create the needed system, the next Pennsylvania governor should promote “co-investment” by the public and private sectors in apprenticeships and industry partnerships coordinated on a multi-employer basis. This could be done through a refundable tax credit that gives companies back half their investment in qualifying training and learning. (In a future blog, KRC will spell out in more detail how this multi-employer skills and opportunity co-contributions could work.)

Pennsylvania should complement the creation of a skills and career infrastructure with fixing our broken unemployment insurance (UI) system. The Pennsylvania UI program was already challenged to respond in a timely fashion to UI claimants in 2019 because of earlier closings and staff cutbacks at UI service centers. The pandemic, including the enactment of temporary new federal benefits for pandemic jobless not eligible for regular UI, overwhelmed Pennsylvania’s UI administrative infrastructure. (Similar problems occurred in other states.) This resulted in delays in receipt of benefits, confusion about which benefits workers should apply for, fraud perpetrated partly by organized crime, and efforts to claw back benefits from many workers who had committed no wrongdoing. Many legislators know about the challenges of the UI system because constituents unable to get their cases resolved on their own in the past two years, or to get a service center representative on the phone, often appeal to their elected representatives for help. The next governor should launch a comprehensive UI reform to achieve compliance with federal timeliness and responsiveness standards, restore the unemployment compensation trust fund to solvency, reverse cuts in UI benefits and eligibility that took place a decade ago, and provide training for jobless

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\(^{35}\) Pennsylvania currently allocates to the Reemployment Fund up to 5 percent annually of workers’ contributions to Pennsylvania’s UI Trust Fund. Since workers’ contributions run at something above $200 million per year currently, the Reemployment Fund receives about $10 million per year. While this fund was to sunset this year, the legislature extended it for two years in the fiscal code bill passed with the 2022-23 state budget.
workers that links to opportunities to access good jobs at employers who participate in industry partnerships or in apprenticeships coordinated across multiple companies.

**New Rules for a New Economy**

An overarching message implicit in the recommendations above is that Pennsylvania’s next governor needs to recognize in a holistic way that there is no such thing as a free market. Moreover, the market—even though not “free”—is not an end in itself but a means, a powerful and often effective means but still a means not the goal or end of public policy. Recognizing these realities opens the door to understanding that government’s responsibility is to structure the market, the rules of competition, and make investments in public goods that lead to the values and ends that we want—that lead to a more productive, racially and economically just, and sustainable economy. This emphasis on rules and institutions that shape competition has been a theme of Keystone Research Center’s analysis and recommendations since we began operating in December 1995. After another quarter century of rising inequality, this rules-based view is more widely accepted today. For example, this perspective holds significant sway in the Biden Administration. The perspective of the Biden Administration partly reflects growing concern among economists about inequality, and the growing influence of think tanks such as the Economic Policy Institute, Center for American Progress, and Roosevelt Institute. The support for a rules-focused perspective in the Biden Administration also reflects a 2016 project called “Rewriting the Rules” championed by the Roosevelt Institute and its chief economist, Nobel Prize-winning economist Joseph Stiglitz, in cooperation with the national AFL-CIO.36

**Pennsylvania’s Choice**

The contrasting alternative to our prescriptions would be policies that reduce workers’ power, individually and collectively, in the job market. At the federal level, this could mean sustained higher interest rates and a return to austerity at least while President Biden is in office. It could also mean continued inaction on the minimum wage nationally and in Pennsylvania, a Pennsylvania “right to work” law, repeal of the Pennsylvania prevailing wage law on public construction, further evisceration of unemployment compensation beyond the cuts under Governor Corbett, and other policies from the southern, red state, playbook. This would lower real wages during the period it takes for inflation to come back down to 2%–3%, and, in part because it weakens unions further, entrench more deeply and for the long-term economic inequality in Pennsylvania and a state legislature unresponsive to working people.

These alternative policy agendas are not picked randomly or out of thin air. They roughly correspond to the alternative directions offered to Pennsylvania voters in this November’s election, although we acknowledge that achieving a full-throated version of door number two will require a great deal of effort—by many people and organizations.37 We hope this report can help Pennsylvanians of all stripes, members of the media, and legislators, candidates, and their staff decide on the basic policy direction that they think would most benefit the state.