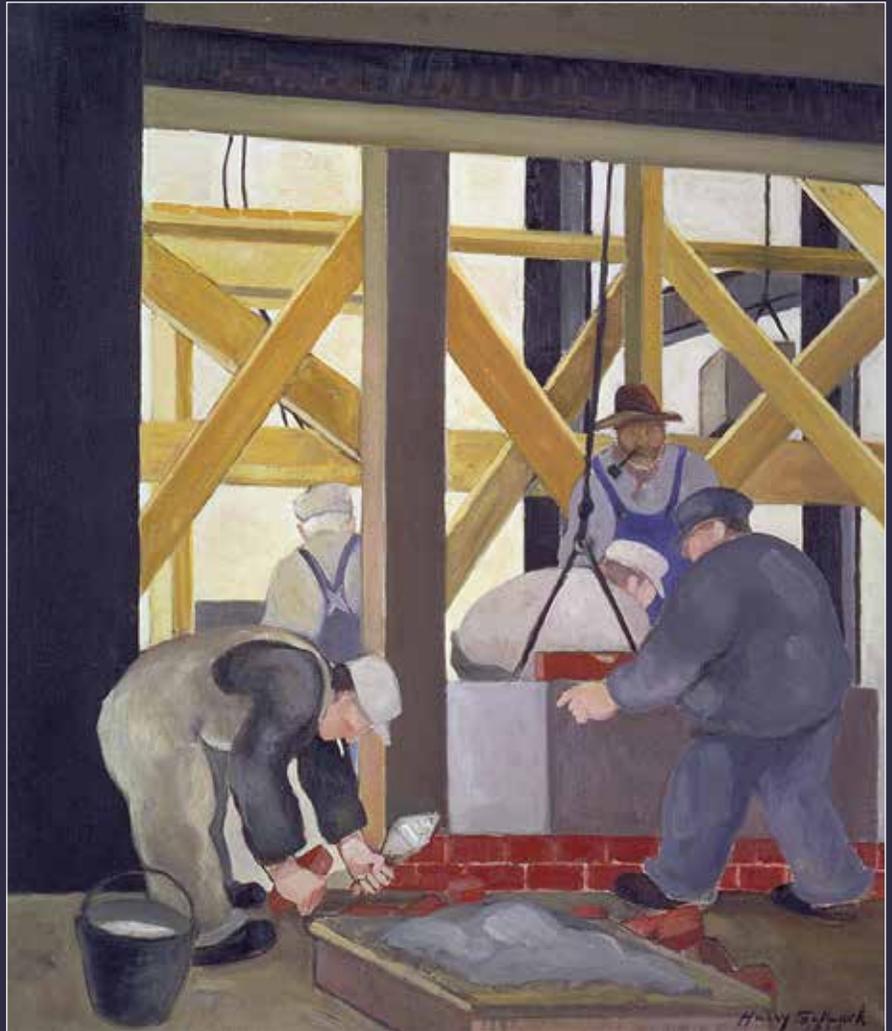


State of Working Pennsylvania 2021



September 2021

by
Stephen Herzenberg
Muhammad Maisum Murtaza
and Claire Kovach



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

Stephen Herzenberg, KRC's executive director, holds a PhD in economics from MIT. He writes widely on how Pennsylvania and the United States can achieve an economy that works for all. His writings for national audiences include *Towards an AI Economy That Works for All*, Keystone Research Center, 2019; *Losing Ground in Early Childhood Education*, Economic Policy Institute (EPI), 2005; *New Rules for a New Economy: Employment and Opportunity in Postindustrial America*, Cornell/ILR Press, 1998; *U.S.-and Mexico Trade: Pulling Together or Pulling Apart?*, Office of Technology Assessment, U.S. Congress, 1992.

Muhammad Maisum Murtaza is a research associate who joined KRC in 2020 after interning for the organization in summer of 2019. He has an undergraduate degree in economics from Pennsylvania State University where he also got experience teaching and organizing lesson plans for an ecology course that he approached from a sustainability perspective. He was later a guest lecturer, for that same course, tackling the basic economic trade-offs of expanding conservation and social services. During his internship with KRC, Maisum helped Stephen Herzenberg write *The State of Working Pennsylvania 2019* and is now working on several projects on sustainability, immigration, and new developments in the labor force.

Claire Kovach is KRC's senior research analyst. She holds a Ph.D. in Sociology from The Pennsylvania State University where her research centered quantitative measurement of poverty and material hardship. She interned with The Center on Budget and Policy priorities in Washington, D.C. where she worked on data-driven poverty and immigration policy topics. Her most recent work for a national audience is *Poverty and the Incidence of Material Hardship, Revisited*.

Acknowledgments

Thanks to Stephanie Frank, KRC office manager, for generating the charts, figures and cover for this report; Ryan Markel for making the maps; Kirstin Snow, communications director for KRC and its Pennsylvania Budget and Policy Center (PBPC), for assistance with the release of the report; and to Erica K Freeman, deputy communications director, for editing the document.

Cover Art

Workers on the Cathedral of Learning, 1934 by Harry W. Scheuch

Courtesy of the Smithsonian American Art Museum: <https://www.flickr.com/photos/29985643@N06/3314830802>

Support KRC

The work of KRC is supported by grants from charitable foundations, research contracts with various organizations, and contributions from organizations and individuals who share KRC's vision of broadly shared prosperity in Pennsylvania. To learn how you or your organization can support KRC, please visit the KRC website at www.krc-pbpc.org or call 717-255-7181.

Executive Summary

The United States and Pennsylvania economies are at a pivot point: will we build forward better or will we build back the same? Will we make things even worse? A glass-half-full person might interpret the data as evidence we are on a promising path. A glass-half-empty person might see us on an unpromising path. But the reality is the path we take still depends on POLICY over the next months and years. Will we choose to fill the glass with actions that increase economic and racial justice short-term and long? Or will we let the water in our metaphorical glass evaporate, leaving working people and low-income communities parched as they have been for most of the past half-century?

So far, at the federal level, policies in 2021 have been headed mostly in the right direction. At the state level, policies this year have been going mostly in the wrong direction. At the federal level, we need to enact effective policies on infrastructure and climate in the next two or three months. At both the federal and state levels within the next few years, we need to address the most important issues in a capitalist democracy—labor rights and voting rights.

By historical analogy with the last time America faced a choice between permanent oligarchy and a shift to shared prosperity, it is the early 1930s. The nation enacted the core New Deal legislation—labor law reform, a minimum wage, unemployment insurance, and Social Security—between 1933 and 1938. The next four years really matter to the future of our state, our country, and our globe.

The end of this report revisits the policy choices that lie ahead. Most of this annual checkup on the Pennsylvania economy, our 26th *State of Working Pennsylvania*, presents labor market and other economic data that amount to a statement of need: our state and our country must, finally and firmly, enact national and state policies that make our economy work for all, and for the common good.

The Economywide Impact of COVID

The U.S. and Pennsylvania economies have rebounded a lot, in part because of rising vaccination rates for COVID-19 and, until the spread of the Delta variant, falling infection rates. But we still have a long way to go.

- The size of the economic pie in Pennsylvania, the gross domestic product (GDP), was 2% short of its pre-pandemic level in the first quarter of this year, the latest data available.
- The labor market remains much further from pre-pandemic levels than GDP. In July 2021, Pennsylvania had 360,800 fewer non-farm jobs than in February 2020, a loss of 5.9% of our roughly six million non-farm jobs before the pandemic.
- The unemployment rates in Pennsylvania and the United States both remain almost two-percentage points higher (1.6% and 1.9%, respectively) than before the pandemic.

Who Suffered Most from the COVID Recession

With respect to businesses and to workers, those more vulnerable before the pandemic have been hit hardest by its economic impacts.

- The recovery of small business revenues has stalled in recent months in what may be, in part, a Delta variant effect. Pennsylvania small business revenues in August 2021 remain a stunning 30% or more below pre-pandemic levels.
- Employment of low-wage workers (in jobs paying less than \$27,000 per year)—disproportionately woman and people of color—fell an eye-popping 40% in the first two months of the COVID crash and is still down nearly 20%. Employment of middle-wage workers (earning up to \$60,000) and high-

wage workers (over \$60,000) dropped by less (26% and 16%, respectively) early in the pandemic. Employment of high-wage workers now exceeds pre-pandemic levels by 9.3% and employment of middle-wage workers is up 2.7%. The larger job loss among low-wage workers partly stems from their concentration in the leisure and hospitality industry. This sector had far-and-away the largest decline in employment in the pandemic and remained nearly 20% (18.7%) below pre-pandemic job levels in July 2021.

- Wage growth in 2020 appears to have been robust, with increases from the bottom to the top—but that’s partly a statistical illusion. Because more of the jobs lost in 2020 were low-wage, the wages of the jobs and people still employed are higher at every place in the distribution (10th percentile, median, 90th percentile, etc.), even though those individuals may not have seen a wage increase.

Who Thrived in the COVID Economy: The Super-Wealthy

Billionaires have thrived in the COVID economy. Over the 17 months from March 2020 to August 2021, the wealth of Pennsylvania billionaires more than doubled, from \$33 to \$61 billion, a leap of \$28 billion.

Long-Term Inequality Trends

Even before COVID hit, savage inequalities characterized the U.S. and Pennsylvania economies.

- The top 1% and 10% income shares nationally are at or near their peaks in U.S. history, now garnering about one-fifth and nearly one-half of the economic pie, respectively.
- New data for Pennsylvania show that in 2018 our state’s top 1% income share was 17%, roughly the average share in the 1920s and twice the share in the mid-1970s.
- The ratio of Black to white wages has also trended down steadily since the 1980s, from over 90% to as low as 70%.
- Wage inequality based on education has also grown sharply since 1979. For example, college-educated workers now make 2.7 times as much as those without a high school degree, up from 1.7 times in 1979.
- The wage gap between men and women has declined since 1979 but remains about 20% (at the median wage for each gender) and has not declined in the past 19 years.

Policy Mattered: In Recent Years and Over the Past Century

After analyzing recent and long-term economic trends, we illustrate that “policy mattered” in the past with the following examples.

State minimum wage policy: Every one of Pennsylvania’s neighboring states has increased its minimum wages since 2013—to as high as \$15 per hour, more than twice the federal and Pennsylvania minimum wages of \$7.25 per hour. As a result,

- the lowest-paid 30 percent of Pennsylvania workers have seen their wages rise by about \$1 per hour less than their counterparts in surrounding states.
- Because of the inaction of the Pennsylvania legislature on the minimum wage, about 2 million Pennsylvania workers take home about \$3 billion less every year.

Emergency federal relief in the pandemic: the U.S. Congress in 2020 and 2021 reacted with unusual speed to enact four emergency relief bills that injected \$5.2 trillion into the economy. This decisive action played a critical role in sustaining families and businesses and stimulating an economic recovery.

- Three expansions of unemployment insurance—for gig/self-employed workers, to extend benefits for workers who had already received the state maximum of 26 weeks (in Pennsylvania) of unemployment compensation (UC), and to supplement weekly UC checks by \$300 (previously \$600)—currently (until Sunday) inject an estimated \$376 million into the Pennsylvania economy weekly, \$19.5 billion on an annualized basis, 2.4% of Pennsylvania GDP.
- Household surveys indicate that after the passage of additional emergency relief in December 2020 (on a bipartisan basis) and then in March 2021 (through the American Rescue Plan), the share of adults struggling to pay expenses dropped from 35% in Pennsylvania to under 25% and the share with no confidence they could pay the next rent or mortgage check declined by half (from nearly 12% to about 6%).
- After the expansion of the child tax credit in the ARP, the share of adults in families with children who report sometimes or often not having enough to eat fell from 11% to 8.4%.

The New Deal and Its dismantling: Two of the most powerful illustrations of the idea that “policy mattered” in the past are the creation and dismantling of the New Deal. This section of this report summarizes historical and quantitative evidence on how New Deal policies and institutions—especially industry wide collective bargaining and regular increases in the minimum wage so that low-wage workers enjoyed the same boosts in living standards as manufacturing workers—delivered decades of shared prosperity. It also highlights how the end of minimum wage increases and deunionization of the economy—in tandem with economic deregulation, Federal Reserve policy, and trade deficits—have brought back an economy for the 1%.

Build Forward Better

Two lessons emerge from our analysis of economic trends and the impact of public policy. First, federal policymakers must not quit while they are ahead—they are winning the battle to mitigate the economic damage of the COVID recession and should not stop providing emergency relief too soon (as Franklin Roosevelt did in 1937). There are ample reasons to worry about this possibility. With the expanded unemployment benefits in the ARP running out, the Pennsylvania economy next week will see a \$376 million per week drop off in the purchasing power of jobless workers and their families. With the Supreme Court of the United States blocking the Biden Administration’s attempt to extend a national eviction moratorium in most of the country, we also face a threat of a surge of evictions. To continue the analogy, the Pennsylvania legislature should “quit while it’s behind”—it should start using the ample resources at its disposal to help struggling Pennsylvania families and small businesses.

Second, policymakers must redress the imbalance of power between workers and employers and give low-income people a permanent boost in wages and incomes—as they did in the original New Deal. The emergency relief enacted in the past 18 months will not reverse the growth of inequality in Pennsylvania over the past 40 years, or deliver racial and gender equity.

Along with further strengthening the economic recovery and reducing inequality more permanently, policy in the current moment must also rise to a third challenge—reducing climate emissions. The end of this report outlines how to accomplish all three goals.

The U.S. Congress should:

1. Pass the president’s Build Back Better Plan—a combination of the bipartisan infrastructure proposal and a robust budget reconciliation package—that includes
 - a large Civilian Climate Corps (CCC) that incorporates key elements of Senator Casey’s CCC proposal, including pathways from corps positions to apprenticeship, and CCC positions for

returning citizens and others whose labor force participation has declined because of a lack of good jobs.

- labor and community requirements that increase the share of federal infrastructure investments that create good union jobs for all—including dislocated fossil-fuel workers, people of color, and low-income workers.
 - investments in innovation and clean manufacturing.
 - targeting of resources to places like Pennsylvania that have been scarred by a century of extraction and have lost more fossil-fuel jobs than other states.
 - Modernizing unemployment insurance to make it a more adequate and equitable source of support for people unemployed through no fault of their own. Pre-pandemic only 28% of U.S. unemployed workers received UI benefits and their benefits on average only replaced 40% of their income on their prior job.
 - Major investments in child care and universal pre-kindergarten, paid family and medical leave for all workers, tuition-free community college, and making permanent the child tax credit.
2. Enact the Richard L. Trumka Protect the Right to Organize (Act) so that the federal government once again “promotes” the rights to organize and bargain collectively, and in this case does it for ALL workers, not exempting occupations in which workers of color predominate (as Congress did in the 1930s).
 3. Pass an increase in the federal minimum wage to \$15 per hour and index the minimum wage to average wages going forward.
 4. Complement a more robust UI system by providing innovation grants to states to create a universal system of work-linked learning opportunities and career guidance. This would make workers more resilient if they lose jobs, increase advancement opportunities for low-wage workers, and make the U.S. economy more productive.

Taken together, these four pillars would shift the balance of power to workers in the labor market, much as the minimum wage, National Labor Relations Act, Social Security, and unemployment insurance did in the 1930s. They could undergird a “New Deal that works for US” in Pennsylvania, in our neighboring Ohio River Valley states (Ohio, West Virginia, and Kentucky), and in all of a Reimagined America.

The Pennsylvania legislature should put to use more than \$7.5 billion dollars in state and federal tax dollars to lean in with the federal government to “build back better.” It should help those who have been left behind by the pandemic and take a first step toward addressing the deep inequities that long preceded it.

Both the federal and Pennsylvania state governments should enact reforms to strengthen our democratic rights. That means making it easier, not harder, to vote. In Pennsylvania, now that we have the results of the 2020 Census, it also means drawing fair, new congressional and state legislative districts. A more responsive democracy at the state and federal levels would dramatically increase the chance of locking in a sustainable “New Deal that works for US” over the next few years.

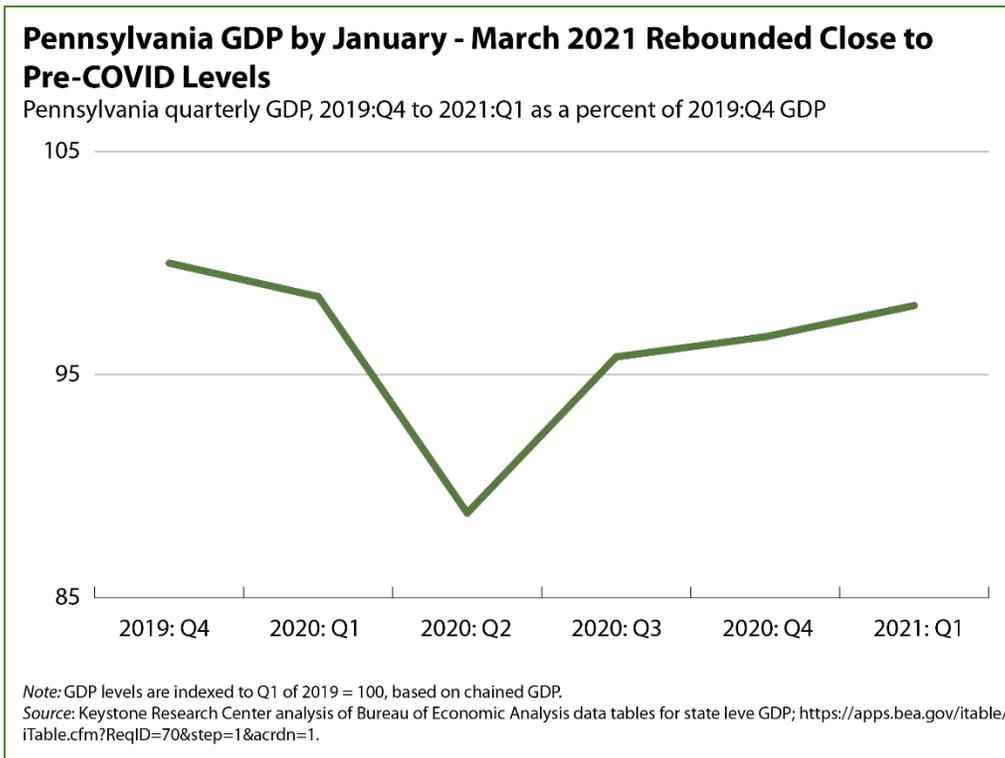
The Impact of COVID

The U.S. and Pennsylvania economies have bounced back from the deep February to April 2020 decline but remain far short of pre-pandemic job and unemployment levels.

The Size of the Economic Pie—Gross Domestic Product

Figure 1 shows the size of the state’s economic pie—gross domestic product (GDP)—as a percentage of GDP in the fourth quarter of 2019, the last full quarter before the pandemic. It shows that, by the first three months of this year (the latest data available as of this writing), GDP had recovered to about 98% of pre-pandemic levels.

Figure 1.



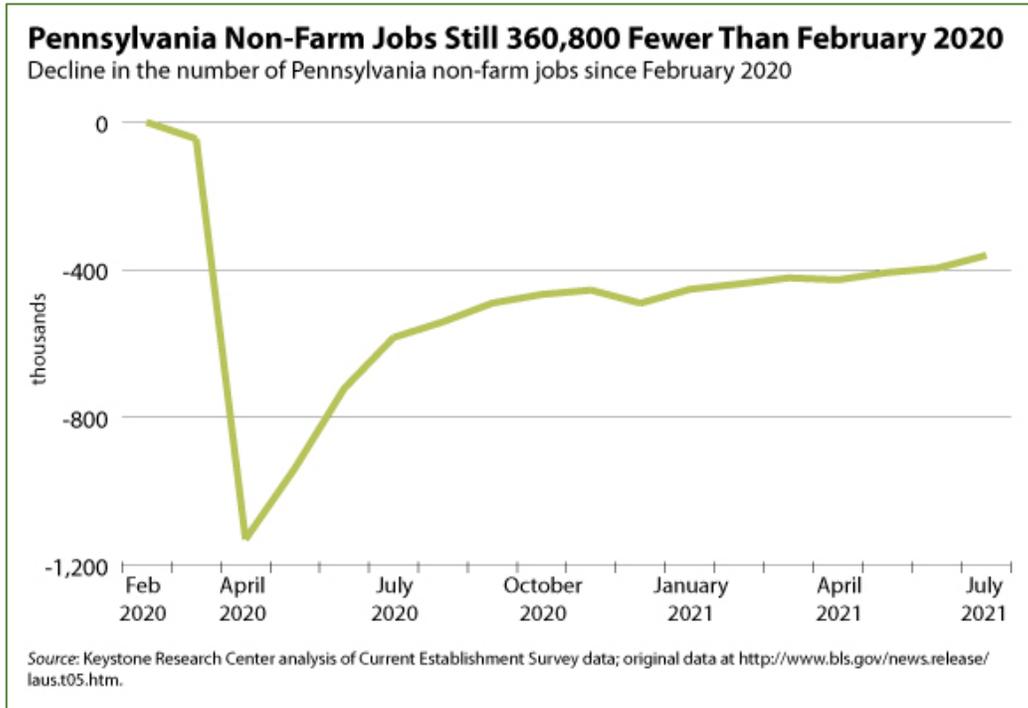
The Number of Non-Farm Jobs

Jobs too have rebounded, but not as much (Figure 2). Pennsylvania lost 1.13 million jobs from February 2020 to April 2020, a stunning and more rapid decline than in any other downturn in U.S. history, including the Great Depression. This plunge reflected the fact that, in “non-essential” businesses in which workers cannot work from home (e.g., eat-in restaurants, hospitality), businesses had to shut down partly or completely so that customers and workers would not contract or spread the coronavirus.

The number of Pennsylvania jobs then grew quickly from May to July 2020 as many businesses re-opened, perhaps prematurely in some cases. After the Pennsylvania coronavirus case rate reached a second peak in July 2020, job growth slowed in the second half of 2020. The number of Pennsylvania non-farm jobs even declined in December 2020, when the coronavirus case rate reached its third and (so far) highest peak—a 7-day average of more than 10,000 cases per day, more than five times higher than the previous two peaks (in April and July, 2020).

The economy has grown in fits and starts in 2021 as we observe a public health tug-of-war between rising vaccination rates and the virus, now in the form of the Delta variant. Delta brought Pennsylvania case rates by late August 2021 to their second-highest peak, albeit a rate less than 50% of the U.S. rate. As of July 2021, Pennsylvania still had 360,800 fewer non-farm jobs than in February 2020.

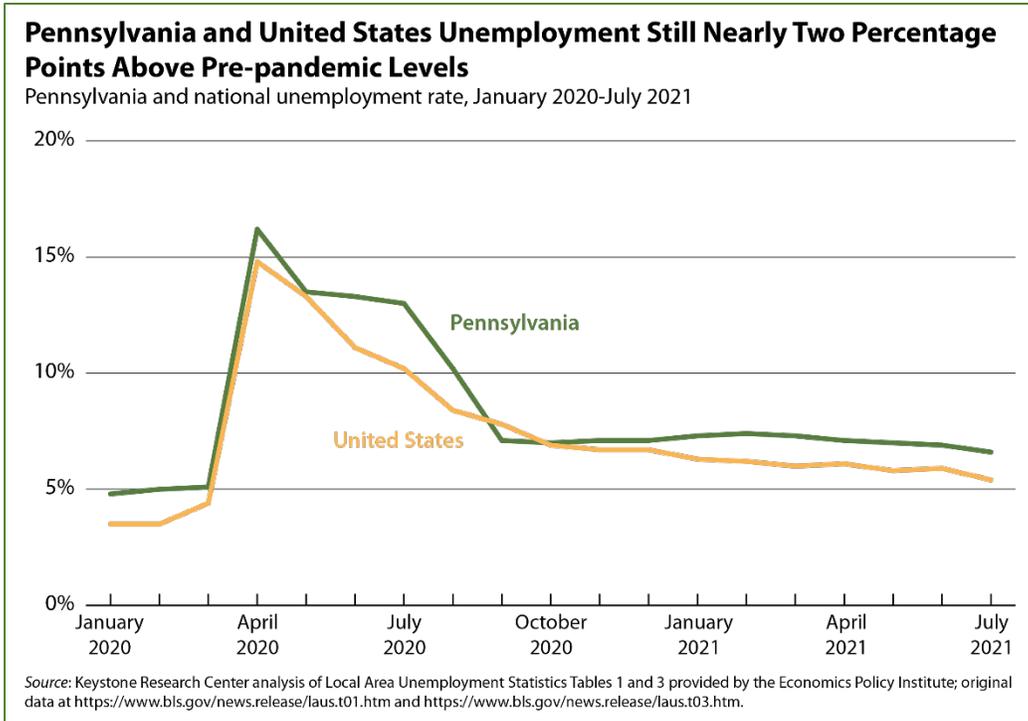
Figure 2.



Unemployment and Underemployment

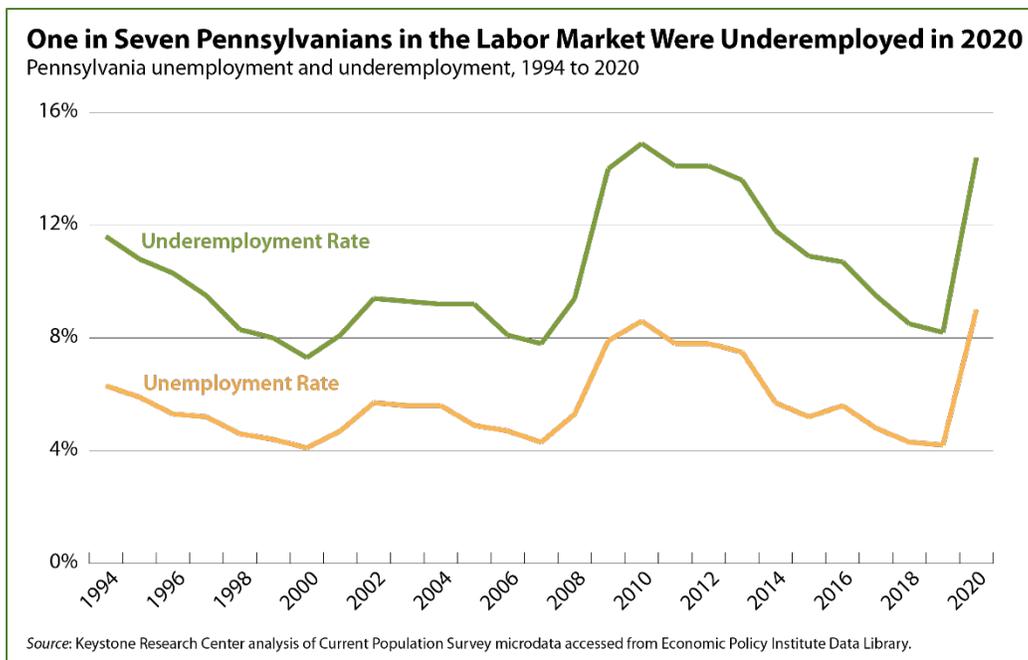
In both Pennsylvania and nationally, the unemployment rate in July 2021 remained nearly two percentage points higher than before the pandemic—6.6% in Pennsylvania and 5.4% in the United States in July 2021, versus 5% and 3.5%, respectively, in February 2020 (Figure 3). Keep in mind that this increase underestimates the amount of slack in the job market because many people who have lost jobs do not count as unemployed (e.g., if they are not looking for a job because they are “discouraged” or, in the pandemic, fear infection). The 5.9% decline in Pennsylvania jobs since February 2020 better reflects the labor market impact of the COVID recession than does the smaller 1.6-percentage-point increase in the unemployment rate.

Figure 3.



Underemployment, a more comprehensive measure of labor-market slack than unemployment, includes, as well as the unemployed, discouraged workers and people working part time who want to work full time. Since it includes these additional groups, the underemployment rate jumped by eight percentage points in 2020, while unemployment rose by only five percentage points. More than 14% of Pennsylvanians were underemployed in 2020—one out of every seven people who are in the labor market or underemployed.

Figure 4.

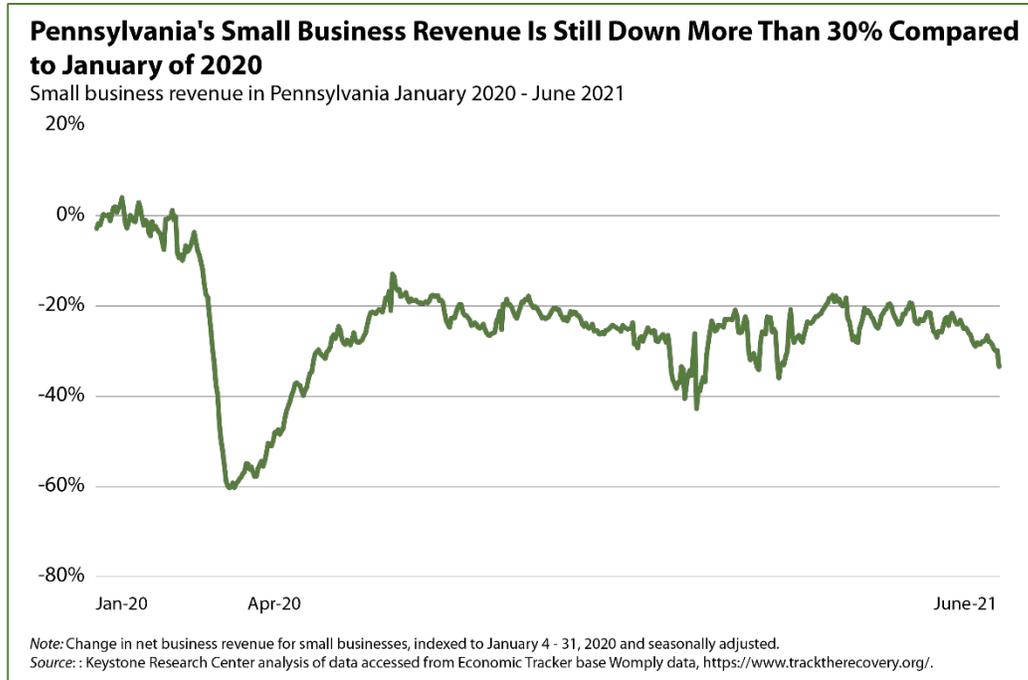


Who the COVID Downturn Hurt the Most

Small Businesses

The COVID recession dramatically impacted Pennsylvania small businesses, which remain today a long way from fully recovered (Figure 5). In the first month of the pandemic, Pennsylvania small business revenue plunged 60%, to 40% of pre-pandemic levels. From April to mid-July 2020, small business revenue doubled to about 80% of pre-pandemic levels. In the year since July 2020, small business revenues has stalled, hovering between 20% and 30% below pre-pandemic levels.

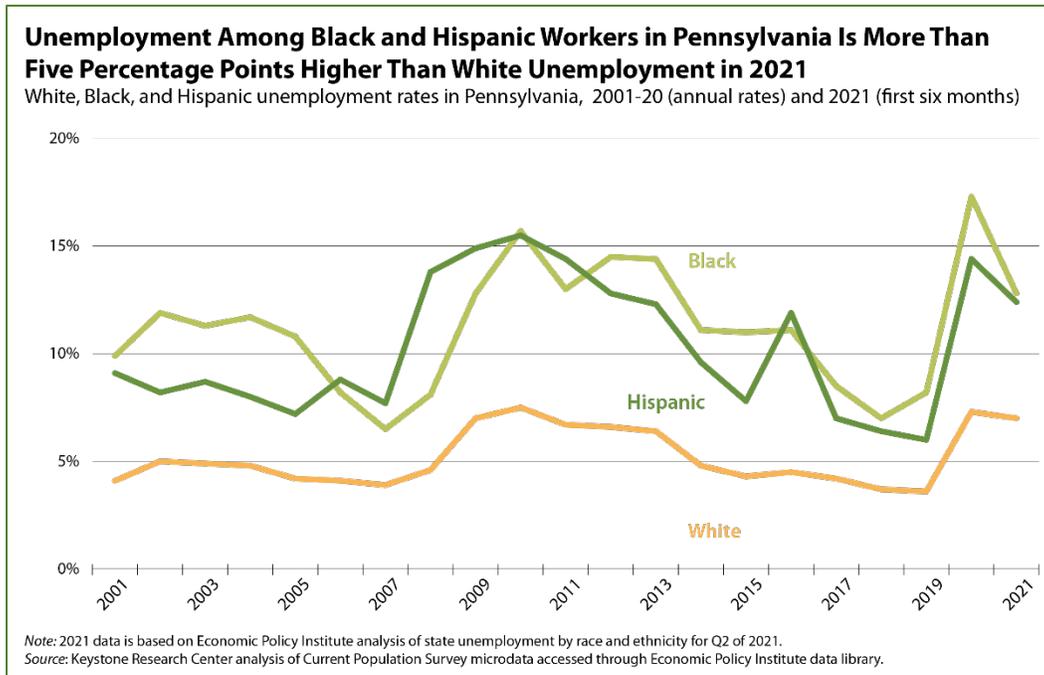
Figure 5.



Black and Hispanic Workers

Turning to workers, those most impacted include many workers of color. Figure 6 shows the unemployment rate for whites, Blacks, and Hispanics on an annual basis from 2001 to 2020 and the rate in the first half of 2021 based on six months of data. The unemployment rate doubled or more for all three racial groups in 2020. Moreover, because Black and Hispanic unemployment started out higher, the percentage-point-increases for these groups were also higher in 2020. Black unemployment leapt from 8.2% to 17.3% in 2020, Hispanic from 6% to 14.4%, and white from 3.6% to 7.3%. In the first six months of 2021, Black and Hispanic unemployment rates came down substantially—to 12.8% and 12.4%, respectively. White unemployment in the first half of 2021 dropped only from 7.3% to 7%. As the Figure 6 title notes, however, Black, and Hispanic unemployment rates remain more than five percentage points higher than white.

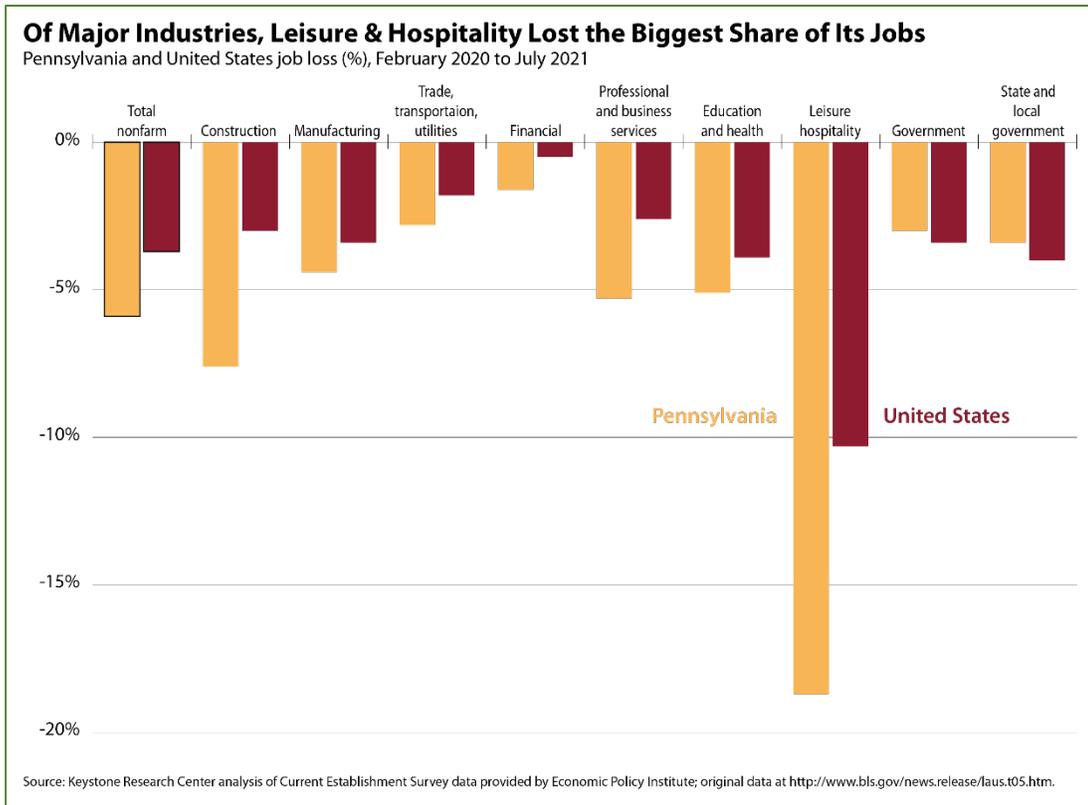
Figure 6.



Leisure and Hospitality Workers

Figure 7 shows that, of major industries, leisure and hospitality lost the biggest share of its jobs because of the COVID recession in Pennsylvania and nationally. In the most recent data (for July 2021), leisure and hospitality jobs in Pennsylvania remained nearly 20% (18.7%) down compared to February 2020—more than three times the 5.9% percent drop in non-farm jobs overall. Leisure and hospitality includes restaurants, bars, hotels, casinos, theatres, and other similar venues. Many businesses in the sector faced closures, reduced capacity rules, extra safety protocols for open businesses, and a decimated travel and tourism industry that severely cut back revenues. Business was slow for owners and workers who remained, and in an industry with more tipped workers than any other, this meant reduced and more unpredictable take-home earnings. Also, since this sector has many low-wage workers, women, and workers of color, the impact of COVID on the industry contributed to the greater impact of the virus on these groups.

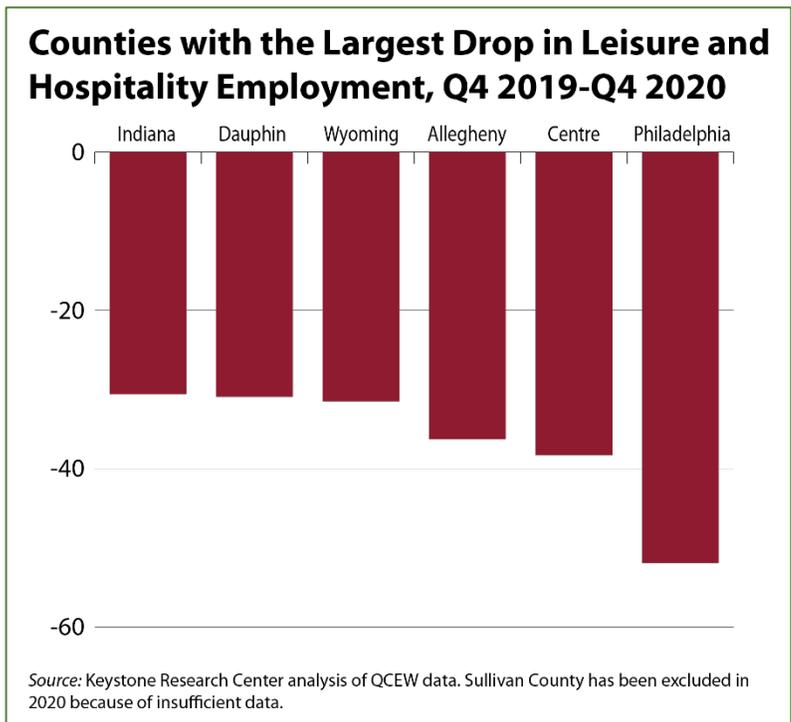
Figure 7.



The decline in the leisure and hospitality sector hit counties hardest that had vibrant restaurant, bar, business travel, and/or tourism industries and those that had large numbers of college students. Figure 8 shows the six Pennsylvania counties which experienced the largest drop in leisure and hospitality employment from the last quarter of 2019 to the last quarter of 2020. Philadelphia saw leisure and hospitality employment dip by more than half. Centre County, its economy driven ordinarily by college students living on campus, experienced a nearly 40% decline because students switched to online learning from home rather than being in residence at the Penn State main campus.

Employment in this industry made some recovery by the end of 2020 as businesses adapted to public health safety measures and opened back up. The July 2021 data show additional

Figure 8.



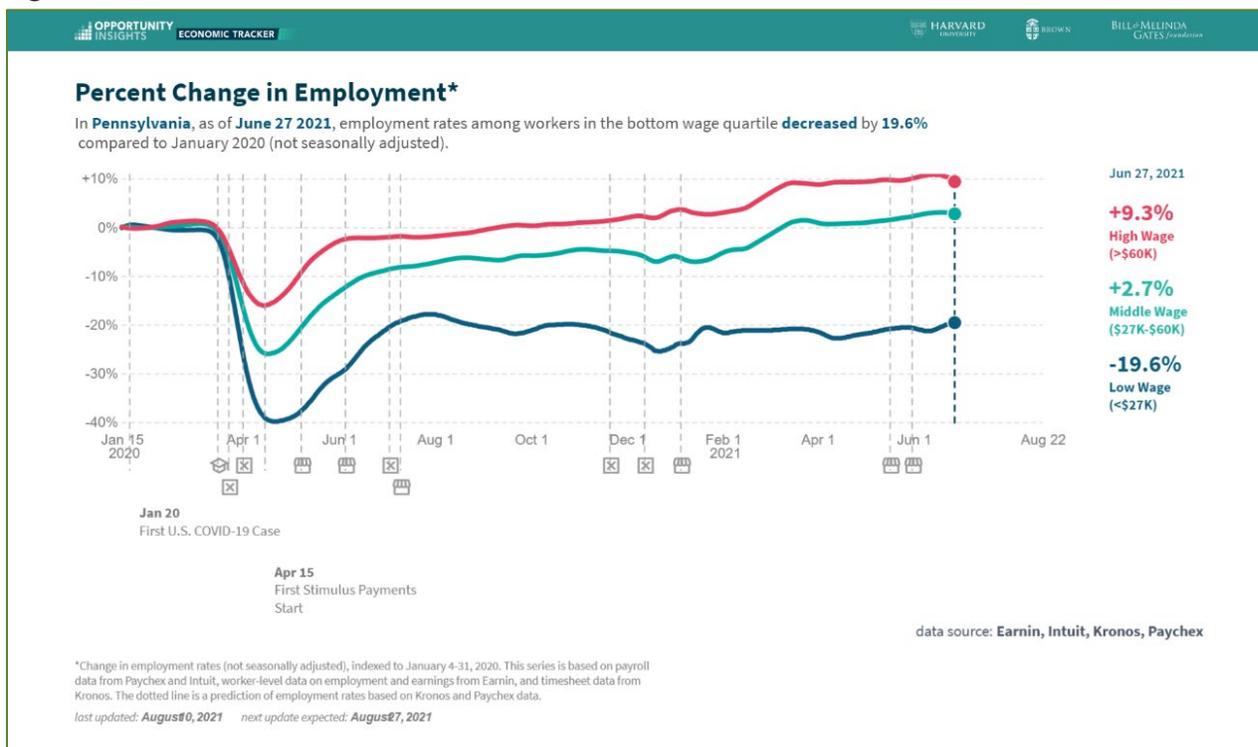
recovery as vaccination rates have increased, summer weather has allowed for more outdoor dining and entertainment, and public safety restrictions have relaxed; but employment in this industry remains far below pre-pandemic levels.

Low-Wage Workers

One distinctive feature of the COVID recession has been its greater impact on low-wage workers. In an analysis of national data in February 2021 compared to February 2020. The Economic Policy Institute (EPI) found that, within hard-hit sectors such as leisure and hospitality, the recession hit workers in the lowest-average-wage and lowest-average-hour occupations the hardest, and these remained the most impacted occupations a year later.¹ Within the hardest-hit sector, leisure and hospitality, Black women, Hispanic women, and men and women in the Asian American and Pacific Islander populations saw disproportionate losses. EPI notes that its findings partly reflect occupational segregation, with whites in higher-wage management and professional occupations being more insulated than lower-paid, hourly workers.

A “Recovery Tracker” website tracks state-level data on the impact of the COVID recession on low-, middle-, and high-wage workers. The researchers define “low-wage” as those in the bottom wage quartile—below about \$27,000 on an annual basis—from January 4 to January 31, 2020; “middle-wage” as those from \$27,000 to \$60,000; and “high-wage” as those earning more than \$60,000 per year.² Figure 9 shows the results for Pennsylvania.

Figure 9.



¹ Elise Gould and Melat Kassa, “Low-wage, low-hours workers were hit hardest in the COVID-19 recession: The State of Working America 2020 employment report,” Economic Policy Institute, May 20, 2021; accessed at <https://www.epi.org/publication/swa-2020-employment-report/>.

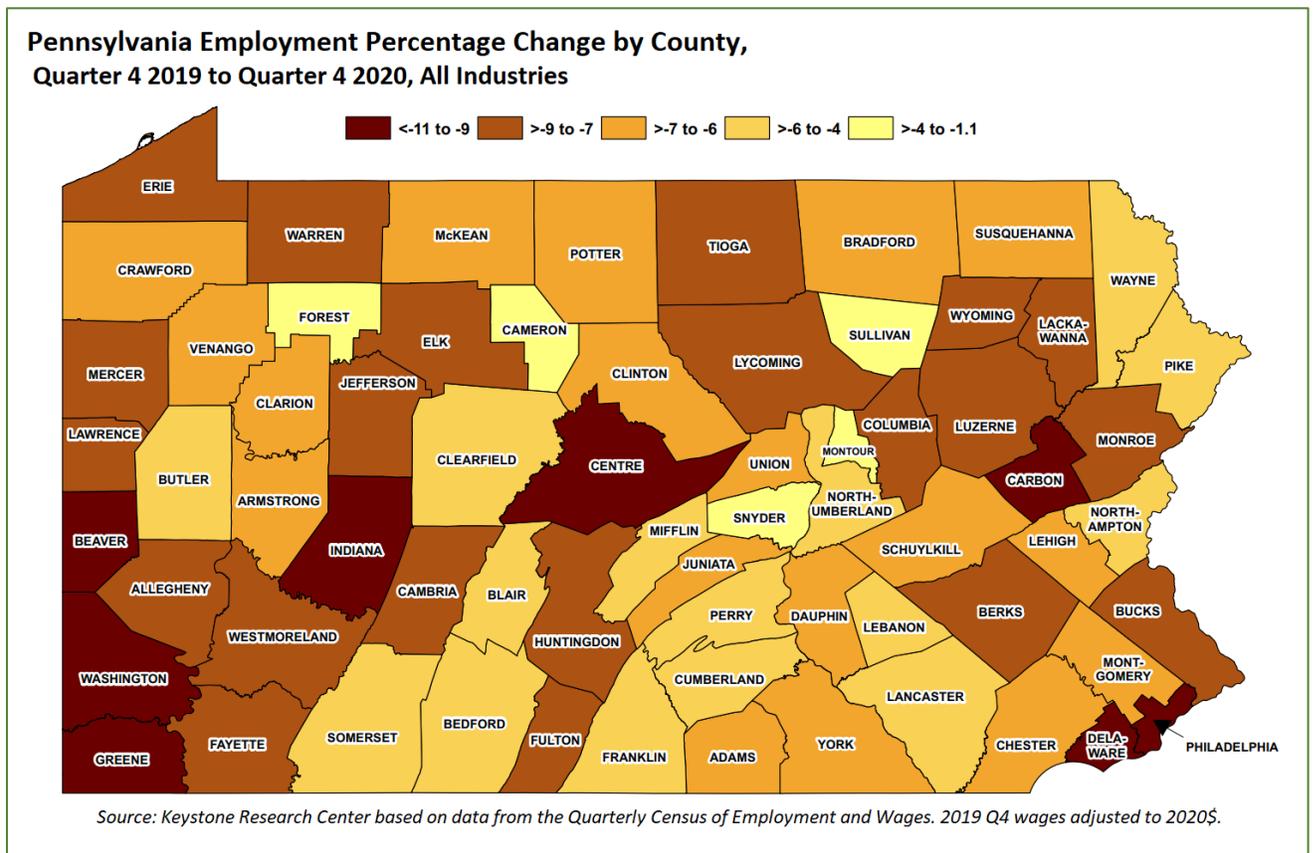
² For details on the methodology and data sources, go to <https://tracktherecovery.org/?nosplash=true>, then go to “Menu” at the upper right and select “data documentation.”

Low-wage workers took a 40% hit in the opening two months of the pandemic, while middle-wage workers saw a decline in employment of just over a quarter (26%), and high-wage a decline of 16%. By July 2020, high-wage employment had almost fully recovered. It took until March 10, 2020, for middle-wage employment to exceed the January 2020 level. As of August 22, 2021, high-wage employment exceeded the January 2020 level by 9.3%, and middle-wage exceeded that level by 2.7%. Low-wage employment on August 22, 2021, remained 19.6% below the January 2020 level.

Impacts by County

Employment loss rippled through the Pennsylvania economy at the end of the first quarter of 2020 and into the second quarter. Figure 10 shows the overall employment changes in all industries by county between the last pre-COVID quarter (October to December 2019) and the last quarter of 2020 (October to December 2020).

Figure 10.



Between the end of 2018 and the end of 2019, the year before the pandemic, most counties saw between a 2% increase and a 1% decrease in employment. The counties with the largest decrease in employment were both rural areas: Sullivan (-9.8%) and Cameron County, (-6.9% change). In recessions over the past four decades, moreover, rural counties have also seen the biggest percentage declines in jobs and increases in unemployment.

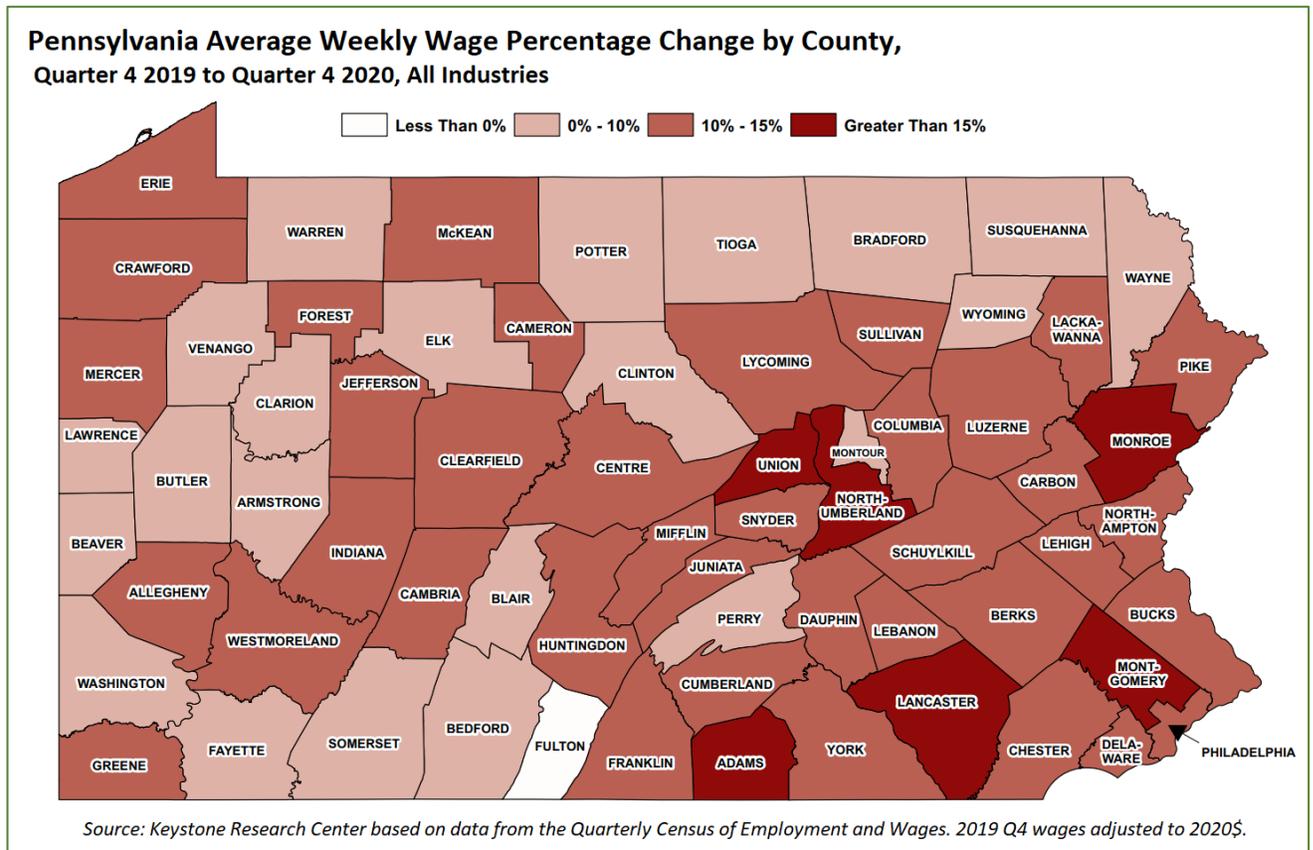
Figure 10 shows patterns different than in 2019 and in typical recessions. Eight counties (dark brown) saw decreases of 9% and 11% in all industry employment, with no counties seeing employment

increases. Some urban counties had the largest declines in employment (9% or more) (e.g., Delaware, Carbon), as did some counties with colleges (e.g., Centre, Indiana). Three of the six counties that had the largest drops in leisure and hospitality employment (see Figure 8 above) also were among the eight counties with the largest overall job loss. Unlike typical recessions, most rural counties (though not the in the northeast or Tioga) and south-central Pennsylvania had lower declines in employment; this might reflect lower COVID caseloads in the first nine months of the pandemic (i.e., the period covered by Q4 2020 data).

The Impact of COVID on Wages

The disproportionate loss of jobs in low-wage industries, led by leisure and hospitality, also contributed to atypical wage trends in 2020. In all but one Pennsylvania county (Fulton), the average Pennsylvania worker’s weekly wage *increased* between Q4 2019 and Q4 2020 (not adjusted for inflation, although this makes only a small difference) (Figure 11).

Figure 11.



On the surface this appears to be good news. A closer look reveals why it may not be. As we have seen in EPI’s national data and the Pennsylvania Recovery Tracker data cited above, a larger percentage of low-wage workers lost jobs in the pandemic than middle- and high-wage workers. Therefore, more low-wage workers dropped out of the pool of workers from which the state computes the average wage by county. With fewer low-wage jobs in the data to pull down the average, average wages tended to

increase.³ As Figure 11 shows, in six Pennsylvania counties, average (nominal) wages in 2020 increased by more than 15%, and in another 39 average wages rose by 10% to 15%. Pre-pandemic, between 2018 and 2019, nominal wage increases mostly hovered between 1% and 5%.

Who Thrived in the COVID Economy: the Wealthiest!

At the opposite end of the income and wealth distributions from low-wage workers, billionaires have thrived in the COVID economy. Over the 17 months from March 2020 to August 2021, the wealth of Pennsylvania billionaires more than doubled from \$33 to \$61 billion, a remarkable leap of \$28 billion or 3.9% of annual GDP in Pennsylvania (Table 1). Pennsylvania's 116% growth in the wealth of billionaires (that *Forbes* tracks) from March 18, 2020 to August 17, 2021 ranked sixth highest across all 50 states.

³ One way to understand the intuition of this composition effect on wages is to imagine a scenario in which the bottom half of workers all lose their jobs while workers who retain their jobs see no changes in their wages. The new median wage would shift up to what had been the 75th percentile. Average wages would also increase a lot.

Table 1. Wealth of U.S. and Pennsylvania Billionaires Rises Dramatically in the Pandemic

Name	Net Worth 3/18/20 (Millions)	Net Worth 8/17/21 (Millions)	17-Month Growth (Millions)	17-Month % Growth	Source	Industry	Gender	Age
United States Total								
# of Billionaires	614	708						
All Billionaires' Net Worth	\$2,947,500	\$4,765,922	\$1,818,422	61.7%				
Pennsylvania Total								
# of Billionaires	11	17						
All Billionaires' Net Worth	\$28,400	\$61,414	\$33,014	116.2%				
Net Worth of 10 in List 3/20 & 8/21	\$28,400	\$40,852	\$12,452	43.8%				
Jeff Yass	N/A	\$12,000	N/A	N/A	trading, investments	Finance & Investments	M	62
Victoria Mars	\$6,200	\$8,121	\$1,921	31.0%	candy, pet food	Food & Beverage	F	63
Michael Rubin	\$2,900	\$7,984	\$5,084	175.3%	online retail	Fashion & Retail	M	48
Mary Alice Dorrance Malone	\$3,800	\$3,537	-\$263	-6.9%	Campbell Soup	Food & Beverage	F	70
Jeffrey Lurie	\$2,700	\$3,453	\$753	27.9%	Philadelphia Eagles	Sports	M	69
John Middleton	\$3,300	\$3,397	\$97	2.9%	tobacco	Food & Beverage	M	65
Thomas Hagen	\$3,100	\$3,268	\$168	5.4%	insurance	Finance & Investments	M	84
Thomas Tull	\$1,200	\$3,050	\$1,850	154.2%	movies, investments	Media & Entertainment	M	50
Maggie Hardy Knox	\$1,400	\$2,918	\$1,518	108.4%	building materials	Service	F	55
Jared Isaacman	N/A	\$2,421	N/A	N/A	Payment Processing	Service	M	37
Brian Roberts	\$1,700	\$1,985	\$285	16.8%	Comcast	Service	M	61
David Paul	\$1,000	\$1,967	\$967	96.7%	medical devices	Healthcare	M	53
Edward Stack	N/A	\$1,903	N/A	N/A	Dick's Sporting Goods	Fashion & Retail	M	65
Alan Miller & family	N/A	\$1,471	N/A	N/A	healthcare services	Healthcare	M	83
Alfred West, Jr.	N/A	\$1,403	N/A	N/A	money management	Finance & Investments	M	
Richard Hayne	N/A	\$1,364	N/A	N/A	Urban Outfitters	Fashion & Retail	M	73
Richard Yuengling, Jr.	\$1,100	\$1,172	\$72	6.6%	beer	Food & Beverage	M	77
Sources: Extracted by the Institute for Policy Studies and Americans for Tax Fairness. Data for March 18, 2020, from "Forbes Publishes 34th Annual List Of Global Billionaires," https://www.forbes.com/sites/forbespr/2020/04/07/forbes-publishes-34th-annual-list-of-global-billionaires/?sh=4264a8823edf . Data for August 17, 2021, accessed August 17, 2021, from "The World's Real-Time Billionaires, Today's Winners and Losers," https://www.forbes.com/real-time-billionaires/#58b83cc33d78 .								

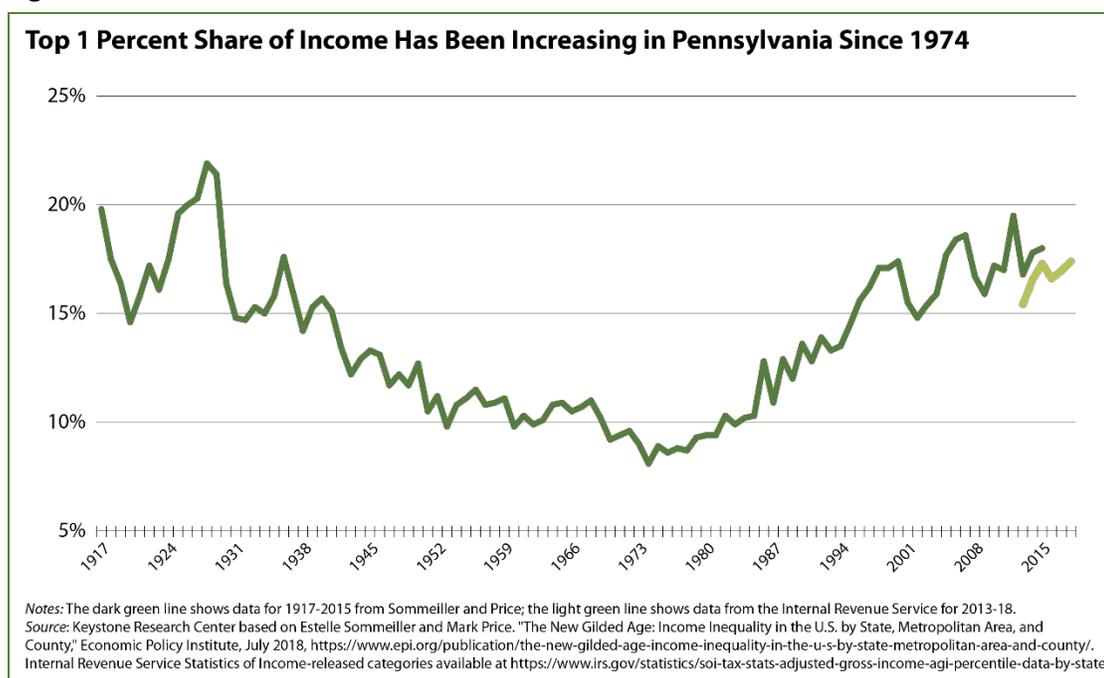
The Long-Term Rise in Inequality

So far, this report has focused mostly on the short-run impact of the COVID recession. This section turns to long-term trends over the past four decades and the last 100 years. These trends underscore that, even before the pandemic, extreme levels of inequality characterized the Pennsylvania and U.S. economies.

The Income of the Top 1% Approaches Its Peak in Pennsylvania History

Figure 12 shows income inequality in Pennsylvania over the course of the century that began in 1917. The income share of the top 1% has more than doubled since the 1970s.⁴ Over the 102-year period covered by the chart, the top 1% income share has only been higher than it was in 2018 (the most recent year for which we have data) in seven years (1917, 1925-29, and 2012).

Figure 12.

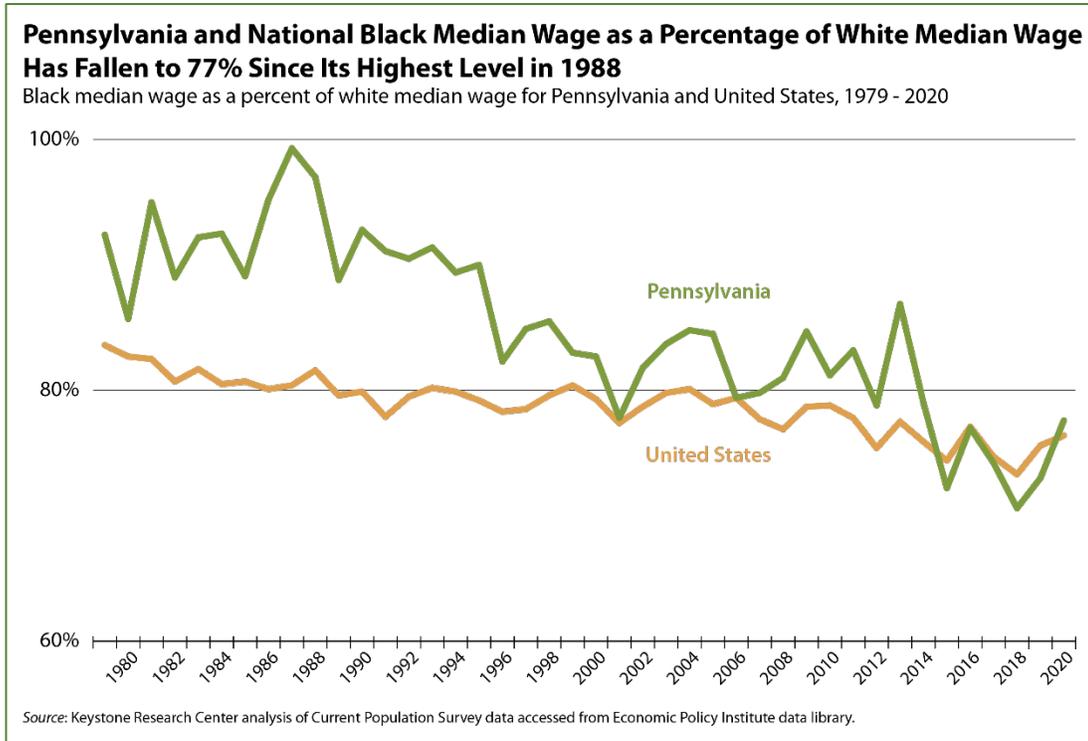


⁴ Figure 12 combines estimates generated in a 2018 report co-authored by former Keystone Research Center economist Mark Price (the green line going from 1917 to 2015) with Internal Revenue Service estimates for 2013-18 (the short blue line). (See Estelle Sommeiller and Mark Price, "The New Gilded Age: Income Inequality in the U.S. by State, Metropolitan Area, and County," Economic Policy Institute, July 2018, <https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/> and Internal Revenue Service Statistics of Income-released categories available at <https://www.irs.gov/statistics/soi-tax-stats-adjusted-gross-income-agi-percentile-data-by-state>.) For the three years in which the two data sources overlap, their estimates of inequality are similar (within 4% and 8% of one another and closest for 2015, the last year of overlap). The IRS and Price estimates of the top 1% income share, both increase from 2013 to 2015, the former by 12.1% the latter by 6.8%. The qualitative story that emerges from long-term income inequality trends updated from 2013 to 2018 by the new IRS data is unchanged from the qualitative story that emerges from the earlier Sommeiller and Price report.

Wage Inequality Based on Race and Education Level Has Also Grown Since 1979

In Pennsylvania, at the end of the 1970s and for most of the 1980s, the Black median wage equaled 90% to 95% of the white median wage (Figure 13). From the mid-1980s to 2019, the Black median wage in Pennsylvania declined to 70% of the white median wage. In 2020, this ratio increased to 77%. As with earlier discussion of wage trends, this may be a statistical anomaly—a reflection of bigger job losses among low-wage Black workers, with the result that the new Black “median” moved further up the wage distribution in 2020 than the white median.

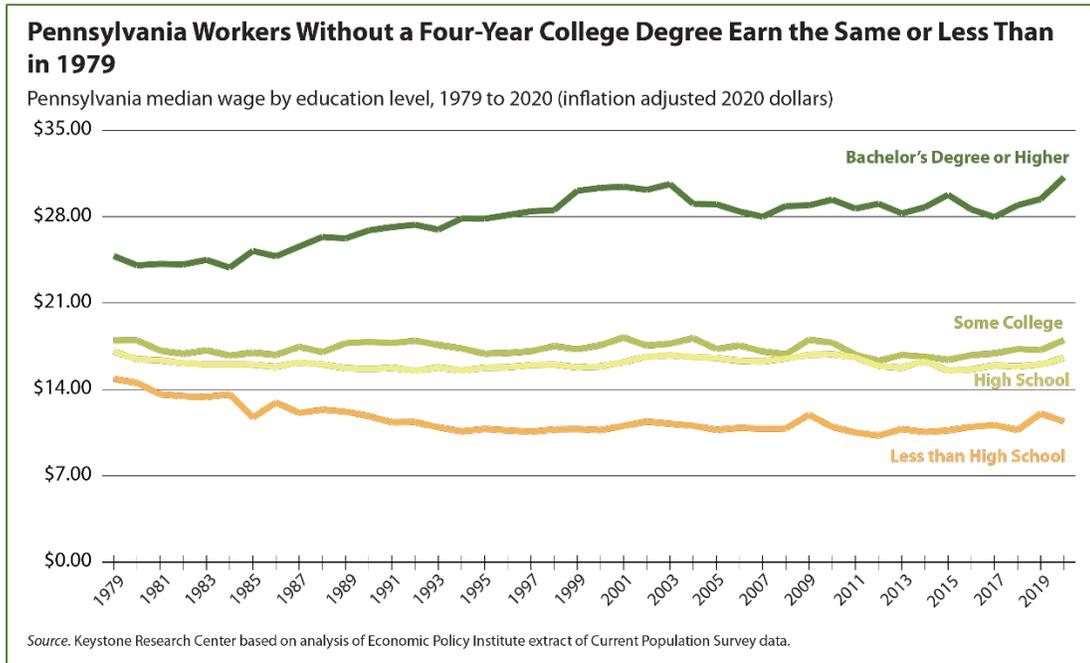
Figure 13.



Growing Wage Inequality Based on Education Levels

Figure 14 shows that wage inequality has also increased based on education since 1979. In 1979, the ratios of Pennsylvania college-educated workers’ median wage to those with some college, a high school degree, and less than a high school degree equaled 1.4, 1.5, and 1.7, respectively. By 2020, these same three ratios equaled 1.7, 1.9, and 2.7. Over that 41-year period, workers without a high school degree experienced a 23% decline in their wages. Workers with only a high school degree saw a 3% decline in their wages over this period and workers with some college saw no change. Only college-educated workers experienced a significant rise in their median wage, 25.7%. Even the median wage of college-educated workers has stagnated over the past 20 years, as the gains of economic growth have accrued to profits and a thin slice of the highest-wage earners.

Figure 14.



Gender wage equity has improved since 1979 (Figure 15). The female median wage climbed from about 61% of the male median wage in 1979-81 to 78%-80% today. That gain occurred, however, from 1979 to 2002, and in part because men’s median wage did not rise over those 23 years. Since 2002, the female median wage in Pennsylvania has not increased relative to the male median wage.

Figure 15.



Policy Mattered—in Recent Years and in the Last Century

This section turns from the presentation of data on the economy’s performance to explicit considerations of the impact of public policy on economic outcomes. We present four illustrations that policy has mattered—in the last eight years, the last two years, and then in the last century. That analysis sets the stage for our final section, which focuses on how policy matters going forward.

Pennsylvania’s Failure to Raise Its Minimum Wages Holds Back Nearly Two Million of Our Workers

We start by considering the impact of state minimum wage policy. Table 2 shows the stark difference from 2013 to 2021 between minimum wage policy in Pennsylvania and in our six neighboring states. Three of Pennsylvania’s neighbors enacted phased increases of the minimum wage to \$15 per hour in the last decade: New York in 2013 and New Jersey and Maryland in 2019. By 2020, the minimum wage in all three of those states equaled at least \$11.75 per hour. As early as 2019 in New York City, the state minimum wage reached \$15 per hour for most workers (those working for employers with more than 10 employees).

Table 2: The Minimum Wage in Pennsylvania and Neighboring States, 2012-20									
State	2013	2014	2015	2016	2017	2018	2019	2020	2021
Delaware	7.25	7.75	8.25	8.25	8.25	8.25	9.25	9.25	9.25
Maryland	7.25	7.25	8.25	8.75	9.25	10.10	11.00	11.00	11.75
New Jersey	7.25	8.25	8.38	8.38	8.44	8.60	8.85-10.00	11.00	12.00
New York	7.25	8.00	8.75	9.00	9.70	10.40	11.10	11.80	12.50
Ohio	7.85	7.25-7.95	7.25-8.10	7.25-8.10	8.15	8.30	8.70	8.70	8.80
Pennsylvania	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25
West Virginia	7.25	7.25	8.00	8.75	8.75	8.75	8.75	8.75	8.75

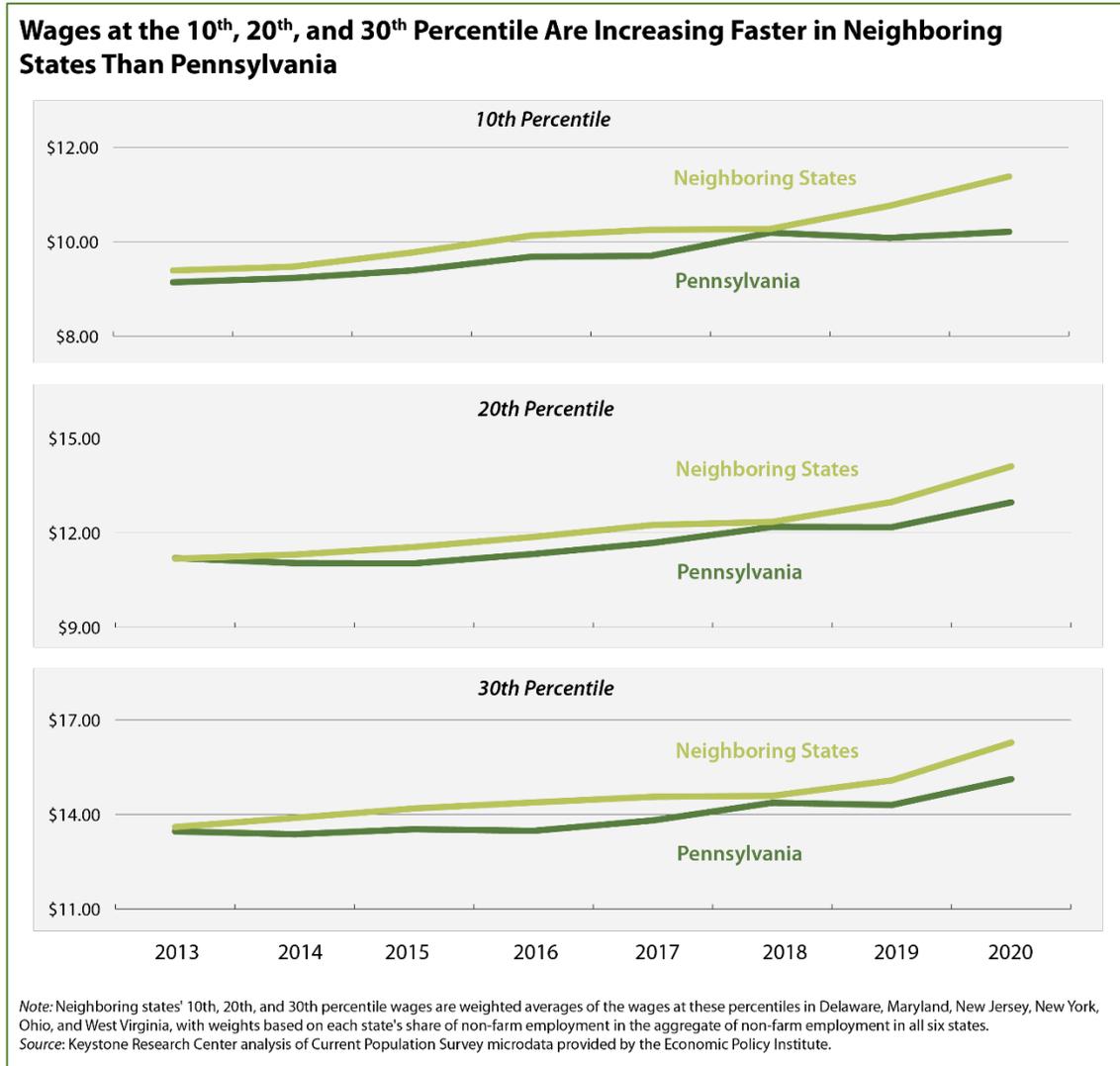
Notes: The New York minimum wage reached \$15 in New York City for employers with 11 or more employees on December 31, 2018, and for smaller employers in NYC a year later. The NY minimum wage in Long Island and Westchester reached \$13 per hour in 12/31/19, \$14 per hour on 12/31/20; and is scheduled to reach \$15 on 12/31/21. The Delaware minimum wage increased to \$9.25 on October 1, 2019. There is a training rate of \$8.75 for adults (18 and over) for the first 90 days on a new job. Also, effective January 1, 2019, Delaware established a youth rate of \$8.75 for 14- to 17-year-olds. The Maryland minimum wages shown in 2016-18 became effective July 1. Effective 1/1/21, for businesses with 14 or fewer employees, the minimum wage is \$11.60 not the \$11.75 shown, which applies to businesses with 15 or more employees. The Montgomery County, Maryland, minimum wage increased on July 1, 2021—to \$15 per hour for large employers, \$14.50 for mid-size employers, and \$14 for small employers. (See https://www.montgomerycountymd.gov/humanrights/Resources/Files/Minimum_Wage_Transition_Table.pdf.) Ohio has a training wage for employees under 20 years old for the first 90 days of employment. There is also a student wage of \$7.48 for up to 20 hours of work per week at work study programs and specific employers. For West Virginia, the minimum wage was raised from \$8.00 to \$8.75 effective January 1, 2016, if at least six or more non-exempt employees work at the same separate, distinct, and permanent work location. If that requirement is not met, the federal minimum wage of \$7.25 may apply.

Sources: New York minimum wages from <https://www.ny.gov/new-york-states-minimum-wage/new-york-states-minimum-wage>. For New Jersey, since 2018, see https://www.nj.gov/labor/forms_pdfs/wagehour/mw-571.pdf. For Delaware starting 2019, see <https://labor.delaware.gov/divisions/industrial-affairs/labor-law/minimum-wage/>. For Maryland changes in minimum wages since 2016, see Maryland Department of Labor at <https://www.dlrr.state.md.us/labor/wages/wagehrfacts.shtml>. For Ohio, see <https://www.minimum-wage.org/ohio> and https://www.com.ohio.gov/documents/dico_2021MinimumWageposter.pdf. For West Virginia, see https://labor.wv.gov/Wage-Hour/Minimum_Wage/Pages/default.aspx. For earlier years in New Jersey, Delaware, and Maryland, see U.S. Department of Labor, “Changes in Basic Minimum Wages in Non-Farm Employment Under State Law: Selected Years 1968 to 2020;” <https://www.dol.gov/agencies/whd/state/minimum-wage/history>.

The three charts within Figure 16 show the hourly wages of workers in Pennsylvania and neighboring states at the 10th, 20th, and 30th percentiles of the earnings distribution from 2013 to 2020. (We do not have wage data for the first half of 2021 yet.) In our neighboring states, workers at these three deciles have enjoyed wage increases of \$2 to \$3 per hour in the past seven years. Pennsylvania workers have seen wage increases of only \$1 to \$2 per hour. The upshot: because of the Pennsylvania legislature’s

inaction on the minimum wage, the lowest-paid 30 percent of Pennsylvania workers—nearly 2 million people—earn \$2,000 less per year (if they work full time) than if they were in the lowest-paid 30 percent of our neighboring states. Across the entire economy, lower-wage Pennsylvania workers take home at least \$3 billion less every year because of our lawmakers’ refusal to raise our minimum wage as much as our neighbors have.⁵

Figure 16.



⁵ Given the roughly six million employed people in Pennsylvania, the bottom 30 percent includes 1.8 million people. If those workers average 26.7 hours per week, 52 weeks per year, then they work 1,387 hours in a year. If their wages are \$1 per hour less than they would be in a neighboring state, they earn \$1,387 less per year because our state minimum wage lags behind. \$1,387 times 1.8 million workers equals \$3 billion.

Emergency Federal Relief Mitigates the Impact of the Pandemic

A second illustration of the importance of policy relates to the four federal emergency relief bills enacted in the March 2020 to March 2021 period—three under President Trump and the American Rescue Plan under President Biden.⁶ As a group, these four bills injected \$5.2 trillion into the U.S. economy, not far short of one-quarter of annual U.S. GDP (\$22.7 trillion currently).

Expanded unemployment benefits: The three biggest emergency relief bills expanded U.S. unemployment compensation in three ways—badly needed enhancements because of the inadequacy of unemployment insurance before the pandemic (Box 1).

- Pandemic Unemployment Assistance (PUA) provides unemployment benefits to gig workers and other self-employed individuals not eligible for regular unemployment compensation, which goes only to people classified as “employees” at their previous job.
- Pandemic Emergency Unemployment Compensation (PEUC) provides additional weeks of unemployment compensation beyond the maximum number of weeks people may receive benefits in their state (26 weeks in Pennsylvania).
- The CARES (Coronavirus Aid, Relief, and Economic Security) Act provided a \$600 supplement to weekly unemployment benefits for all benefit recipients (regular UI, PUA, and PEUC). The ARP reduced that supplement to \$300 per week.

Box 1. The Fraying U.S. Unemployment Insurance Safety Net

The United States’ unemployment compensation system is fundamentally unchanged since the 1930s. It is also more inadequate than in the early post-WW II period, in part because of shifts in our economy. Regressive state policies have also reduced benefit levels, eligibility, and lengths (the maximum number of weeks of unemployment compensation), more in other states than Pennsylvania but to some degree in Pennsylvania. As a consequence of economic shifts and regressive state policies, the unemployment compensation system now performs poorly even its original and most basic purpose—replacing workers’ income when they lose a job—. This hurts all of us because inadequate unemployment compensation makes recessions longer and deeper.

When created in the Great Depression, unemployment insurance, as well as enabling jobless workers and their families to pay for necessities, was designed to boost consumer demand. Initially, we needed demand to pull the economy out of the depression. Post-WW II, Keynesian economists (named after English economist Lord Maynard Keynes) viewed UI benefits as an “automatic stabilizer” during downturns—by putting money in the pockets of the unemployed, the economy would be less likely to spiral down as it had at the beginning of the Great Depression.

The power of UI to stabilize the macro-economy, however, depends on how much of workers’ income it replaces. Prior to the pandemic, only about 28% of the unemployed received benefits; in addition, average benefits

⁶ The three pieces of legislation passed by Congress and signed by President Trump were 1) the Families First Coronavirus Response Act (\$192 billion), passed March 18, 2020; 2) the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) (\$2.2 trillion), passed March 27, 2020; and 3) the COVID-19 Relief Package (officially the Consolidated Appropriations Act, 2021), passed December 27, 2020, which included \$900 billion in stimulus relief. The American Rescue Plan relief funds totaled \$1.9 trillion.

equaled only about 40% of prior wages.⁷ Taking both these figures into account, we estimate that unemployment benefits replace only about 25% of the income of all unemployed workers in the aggregate prior to their becoming unemployed.⁸ Twenty-five cents on the dollar is a weak automatic stabilizer. The weakness of “regular UI” (in lower-unemployment periods when there are no federal extended benefits or other federal enhancements) is why it was so vital for federal pandemic relief to expand unemployment insurance, covering more workers and families and also increasing their benefits.

As of August 2021, an estimated 450,000-500,000 Pennsylvania workers (and 7.5 million workers nationally) receive benefits through PUA and PEUC.⁹ These workers, plus 125,000 recipients of regular UI, also receive the \$300 per week. These three UC enhancements currently inject an estimated \$376 million per week, \$19.5 billion on an annualized basis, into the Pennsylvania economy—2.4% of Pennsylvania GDP (Table 3). That buying power helped GDP recover after April 2020 and also reduced the nonetheless-large declines in the number of Pennsylvania jobs and Pennsylvania small business revenue.

⁷ Josh Bivens et al., *Reforming Unemployment Insurance: Stabilizing a System in Crisis and Laying the Foundation for Equity*, a joint project of Center for American Progress, Center for Popular Democracy, Economic Policy Institute, Groundwork Collaborative, National Employment Law Project, National Women’s Law Center, and Washington Center for Equitable Growth, June 2021, p. 2 and p. 5.

⁸ The aggregate replacement rate for all unemployed workers (of their income in prior jobs) depends on the share of the unemployed who receive benefits (i.e., 28% in 2019), the average replacement rate for that group (40% in 2019), and the ratio of the average wage prior to unemployment of those who receive benefits and the average wage prior to unemployment of those who receive no benefits. Mathematically, it is $(\% \text{ Receiving UI} * \text{Replacement Rate} * \text{AW}(\text{UI})) / ((\% \text{ Receiving UI} * \text{AW}(\text{UI})) + ((100\% - \% \text{ Receiving UI}) * \text{AW}(\text{No UI})))$, where $\text{AW}(\text{UI})$ is the average wage of those receiving UI and $\text{AW}(\text{No UI})$ is the average wage of those not receiving UI. $\text{AW}(\text{No UI})$ will ordinarily be lower for two reasons: some of those who do not receive UI had no prior wage because they became unemployed by returning to the labor force after a period of being out of the labor force and thus having no income; and others who do not receive UI had a prior wage too low to qualify for unemployment. A third group has exhausted its benefits (after 26 weeks or, in some states, less) and may have a prior average wage comparable with those who receive benefits. Plugging in numbers for 2019 (i.e., 28% of the U.S. unemployed received benefits and their replacement ratio was 40%), our formula becomes $(28\% * 40\% * \text{AW}(\text{UI})) / ((28\% * \text{AW}(\text{UI})) + ((72\%) * \text{AW}(\text{No UI})))$. If $\text{AW}(\text{UI}) = \text{AW}(\text{No UI})$ then the aggregate “replacement rate” for all the unemployed = 11.2%. If $\text{AW}(\text{UI}) = 3 \text{AW}(\text{No UI})$ or $5 \text{AW}(\text{No UI})$, then the aggregate replacement ratio = 22% or 26%. And if $\text{AW}(\text{UI}) = \text{infinity} * \text{AW}(\text{No UI})$ then the aggregate replacement ratio=40%.

⁹ Andrew Stettner, “7.5 Million Workers,” says that 179,317 Pennsylvania workers will lose extended benefits (PEUC) and 311,143 will lose PUA benefits. The Economic Policy Institute reports an “upper bound” on the number of Pennsylvania workers who currently receive or are waiting for approval of benefits (in August 2021) as 211,445 for PEUC and 455,383 for PUA (EPI based on U.S. Department of Labor, Employment and Training Administration data, personal communication). EPI warns, however, that some states may report the same people in more than one category, hence double count them (despite instructions from USDOL to report regular UI recipients, PEUC recipients, and PUA recipients as separate, mutually exclusive, categories). In addition, as reported in the press, large numbers of Pennsylvania applicants for UI benefits wait many months for resolution of their claims, which reduces the number of workers who “currently receive” benefits and increases the number “waiting for approval of benefits” out of the PEUC and PUA numbers extracted from USDOL by EPI. For this reason, we use Stettner’s lower estimates of PEUC and PUA recipients in our calculations in Table 2, combining them with EPI’s figures (based on U.S. Department of Labor data) on the number of regular UI recipients.

Table 3. Pennsylvanians Unemployment Compensation Benefits and Weekly Income From Three American Rescue Plan Pandemic Unemployment Benefits (that end midnight September 4)

	Recipients	Weekly Benefit [3]	\$300 Per Week Supplement [4]	Total Benefit	Estimated Weekly Income Boost Total (millions)
Pandemic Extended Unemployment Compensation [1]	179,317	\$400	\$300	\$700	\$126
Pandemic Unemployment Assistance (for self-employed and gig workers) [1]	311,143	\$384	\$300	\$684	\$213
Regular Unemployment Insurance [2]	124,789	No Increase	\$300	\$300	\$37
Weekly Income in Pennsylvania (millions)					\$376
Annualized Income in Pennsylvania (billions)					\$19.5
Annualized Income as a Percent of Pennsylvania GDP in 2021:Q1 (also annualized)					2.4%
<i>Methodology and Sources</i>					
[1] Number of recipients from Andrew Stettner, "7.5 Million Workers Face Devastating Unemployment Benefits Cliff This Labor Day," The Century Foundation, https://tcf.org/content/report/7-5-million-workers-face-devastating-unemployment-benefits-cliff-labor-day/?session=1 , Appendix Table 1, p. 24.					
[2] Number of recipients: Economic Policy Institute, personal communication, based on U.S. Department of Labor, Employment and Training Administration data.					
[3] For PEUC, the average weekly benefit is estimated as \$400 based on the 2019 weekly benefit average in Pennsylvania of \$393.94 as reported in Pennsylvania Department of Labor & Industry, Center for Workforce Information & Analysis, <i>Actuarial Evaluation 2019: Financial Operations of the Pennsylvania Unemployment Compensation System</i> , p. 1; accessed at https://www.workstats.dli.pa.gov/Documents/Actuarial%20Evaluation/2019%20Actuarial%20Eval.pdf . For PUC, the average weekly benefit is estimated as the average of the maximum and minimum weekly benefit as reported online at https://www.media.pa.gov/pages/Labor-and-Industry-details.aspx?newsid=450 . For regular UC recipients, the core benefit does not increase because of federal relief in the American Rescue Plan.					
[4] All three groups have been receiving the \$300 supplement to weekly unemployment insurance.					

The Overall Impact of Emergency Relief: The next two charts rely on data from the experimental [Household Pulse Survey](#) designed by the U.S. Census Bureau to collect data on how people’s lives have been impacted by the coronavirus pandemic. Figure 17 shows that the share of adults finding it somewhat or very difficult to pay household expenses fell sharply from a peak of 35% in Pennsylvania and 37.5% nationally after the passage of the December 2020 COVID-19 relief package (officially the Consolidated Appropriations Act, 2021). This share dropped a bit further by the second half of April, after the passage of the American Rescue Plan (\$1.9 trillion), to a bit over 25% nationally and a bit under 25% in Pennsylvania.

Figure 17.

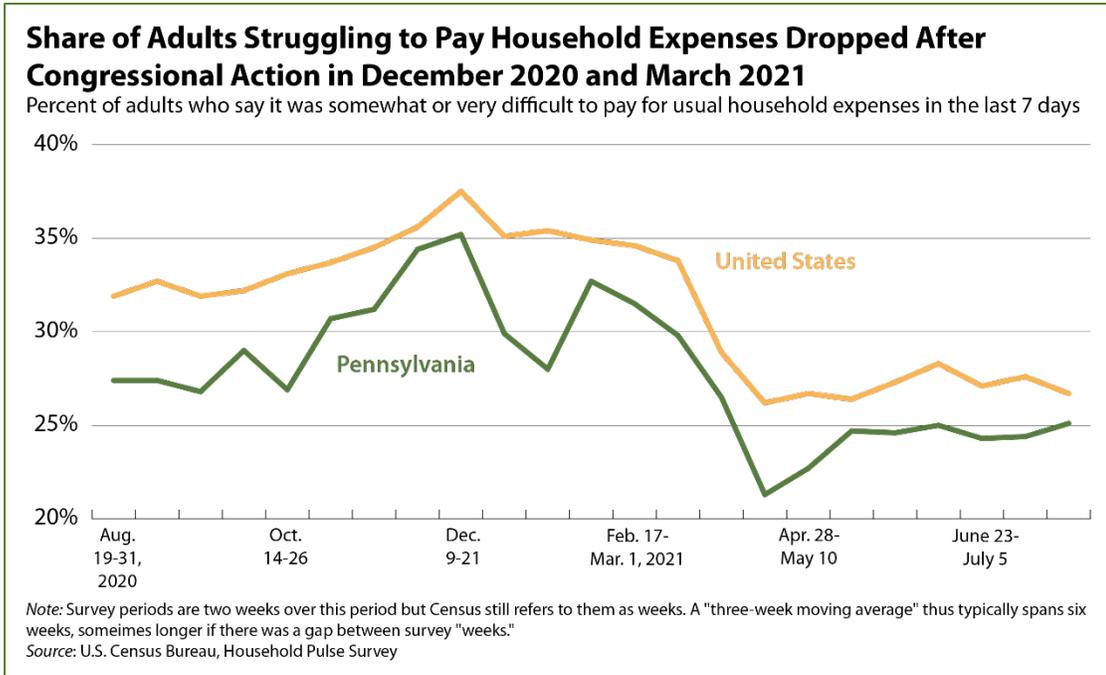
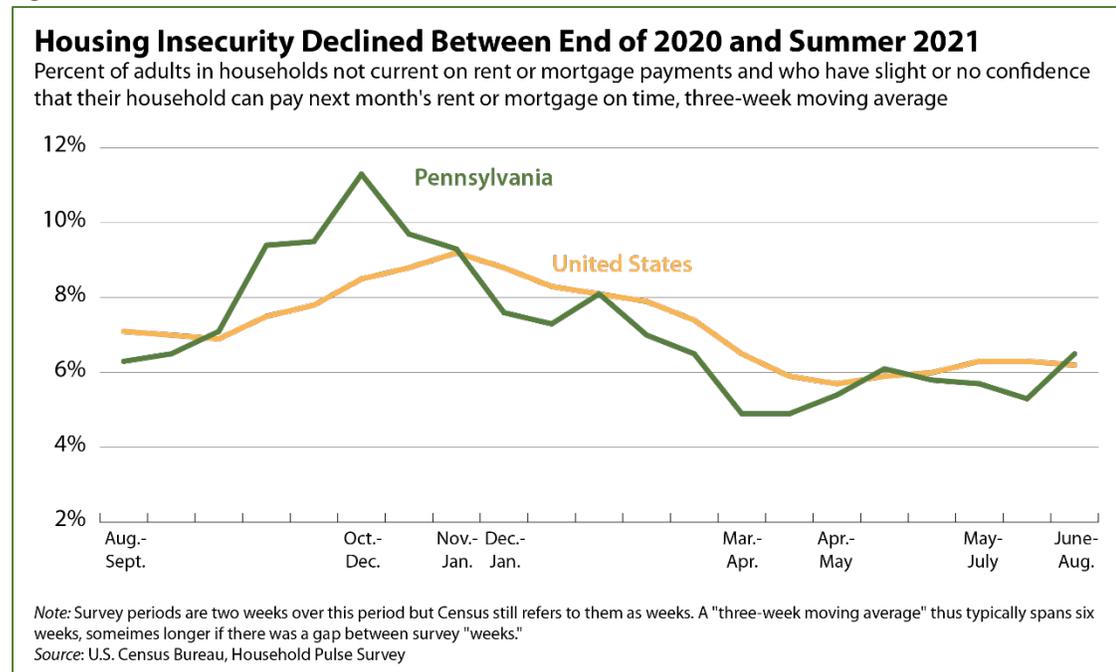


Figure 18 shows a similar time trend with respect to housing insecurity. The share of adults not current on rent or mortgage payment and with slight or no confidence that their household can pay the following month's rent or mortgage on time dropped by more than half, from a peak of 11% in Pennsylvania in late 2020 to around 5% in April, before ticking up a bit recently. U.S. housing insecurity fell by a third from last winter to April-May 2021.

Figure 18.



The Expanded Child Tax Credit: Additional evidence of the impact of policy comes from a recent Census Bureau analysis of the impact of the expanded federal child tax credit.¹⁰ The [American Rescue Plan](#) expanded the child tax credit by making it available to all families with children, including those who are not required to file a federal tax return. The ARP also [increased the credit](#)—up to \$3,600 per year for children ages 5 and under based on income and up to \$3,000 per year for those ages 6 to 17. The IRS began to pay out half of the annual credit amount in advance in checks sent on July 15. [About 35 million eligible families](#) received the first payment of up to \$300 per month for each child ages 5 and under and up to \$250 per month for each child ages 6 to 17. Payments will continue monthly through December 2021.

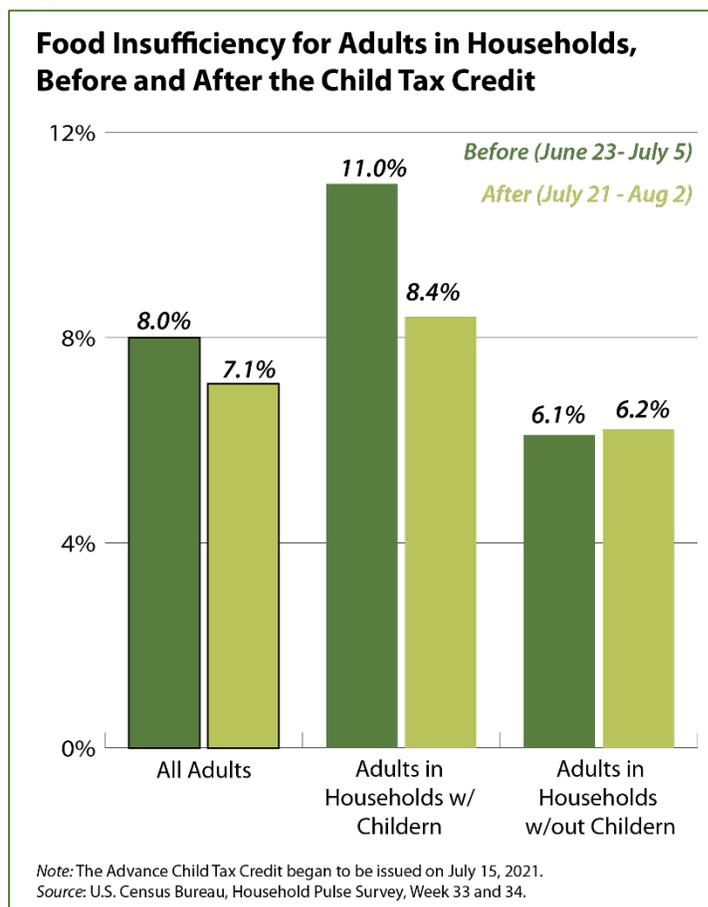
Adults in households with children experienced a 3-percentage-point decline in food insufficiency between the Census Household Pulse Survey conducted before and just after the arrival of the first checks (Figure 19).¹¹ A smaller drop, from 31.5% to 29%, also occurred in the share of adults in families with children who said it was somewhat difficult or very difficult paying household expenses. By contrast, the share of adults in households without children struggling to pay expenses rose slightly from 20.8% to 21.8%.

Why Inequality Has Increased Since the 1970s—and Decreased in the 1930s and 1940s

We now turn to analysis of longer-term impacts of policy. We want to understand why inequality has increased since the 1970s. We also want to know why inequality declined dramatically in the 1930s and 1940s—because that might help us understand how to achieve increases in equity now.

As earlier charts showed, income inequality in the United States increased starting in the 1970s. Box 2 details some of the factors that contributed to this increase—Federal Reserve Bank policy to rein in inflation, rising imports, economic

Figure 19.



¹⁰ Daniel J. Perez-Lopez, “Household Pulse Survey Collected Responses Just Before and Just After the Arrival of the First CTC Checks,” U.S. Census Bureau, August 11, 2021; accessed at <https://www.census.gov/library/stories/2021/08/economic-hardship-declined-in-households-with-children-as-child-tax-credit-payments-arrived.html>.

¹¹ See also Helena Bottemiller Evich, “Round one of child tax credit payments slashed hunger rates, U.S. data shows,” *Politico*, 8/12/2021, accessed at <https://www.politico.com/news/2021/08/12/child-tax-credit-hunger-rates-504258>.

deregulation, minimum wage policy, and the decline of unions. The combined impact of these factors contributed to the collapse of the New Deal economic “system” that delivered shared prosperity from 1940 to the 1970s.

Box 2: The Creation and Collapse of the New Deal Economic System

An extensive body of institutional and quantitative economic research supports the view that the rise in income inequality since the 1970s in Pennsylvania and nationally resulted from the collapse of an interlocking set of policies and institutions created in the 1930s and 1940s.¹² The economic and social preconditions for the creation of this system developed in prior decades, including the expansion of mass manufacturing and the organizing of the United Mine Workers (see Box 3 below), which sought to establish the first industry-wide union in America. The economic collapse of the Great Depression opened the door to policy experimentation on an unprecedented scale—as the COVID 19 pandemic has done to some extent in the past two years.

Four pillars of the New Deal were united by the idea that they would mitigate human suffering caused by the Depression and get the economy moving again: unemployment insurance allowed jobless workers to support their families and increased consumer buying power; Social Security allowed older Americans to support themselves and increased consumer buying power; the minimum wage enabled low-wage workers to make ends meet and increased consumer buying power; union rights enacted in the National Labor Relations Act of 1935 enabled manufacturing workers to share in the gains of productivity growth and increased consumer buying power.

Of these pillars, unions and the minimum wage had the most powerful influence on the wage and income distributions from the 1940s to the 1970s via 1) a system of “pattern bargaining” through which unions spread annual, real (inflation-adjusted) wage increases of 3% per year within and among key industries (e.g., auto, steel, the grocery industry) and (2) regular increases in the federal minimum wage through which Congress enabled low-wage workers to keep pace with unionized manufacturing workers. Since collective bargaining lifted the middle of the distribution and the minimum wage lifted the bottom, the entire wage structure moved roughly in line with national productivity growth. The rising tide of the robust post-WW II economy lifted all boats.

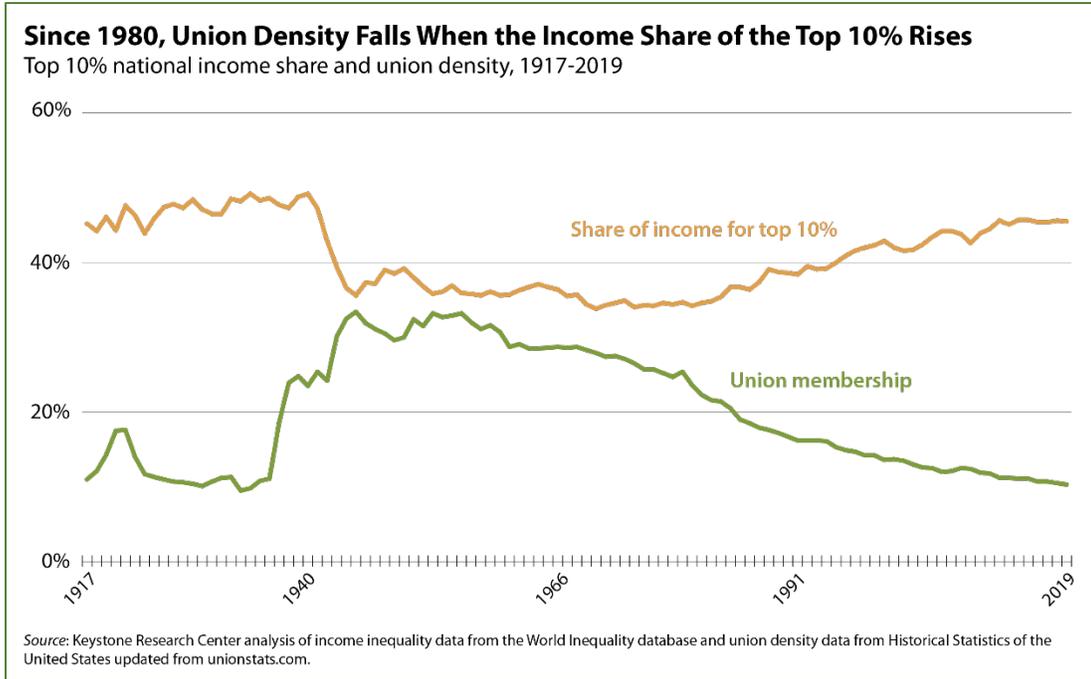
This system started to erode when the U.S. Congress stopped increasing the federal minimum wage regularly in 1968. It collapsed in the early 1980s. The Federal Reserve, starting in 1979, deliberately increased interest rates to drive up unemployment rates and wring inflation out of the economy. High interest rates increased demand for the U.S. dollar and increased the value of the dollar in other currencies. That made imports cheaper and our exports more expensive in other countries. A flood of imports decimated U.S. manufacturing, including the highly influential auto and steel industries. Our big trade deficit and a deep recession in President Reagan’s first term led to the abandonment of regular annual increases for unionized manufacturing workers. President Reagan’s replacement of striking unionized air traffic controllers in 1981 also signaled to the private sector that the federal government would tolerate employer aggressiveness to avoid or weaken unions. Forty years later, we have levels of inequality such as those in the 1920s.

The critical importance of unions and collective bargaining to trends in income inequality comes through powerfully in simple charts showing both union density and inequality. Figure 20 shows union density and the top 10% income share in the United States over the past 100 years. The two lines are essentially mirror images of one another. The chart depicts the stunning increase in union density after the passage of the National Labor Relations Act (NLRA) or “Wagner Act” in mid-1935 and the founding convention of the CIO (see Box 3) in Pittsburgh in November 1935. As unions grew, the top 10% share of income fell

¹² Stephen Herzenberg and John Alic, “Towards an AI Economy That Works for All,” February 2021. See especially Box V-A, “Institutions and Inequality,” accessed at https://krc-pbpc.org/wp-content/uploads/FOW_TowardAIEconomy.pdf.

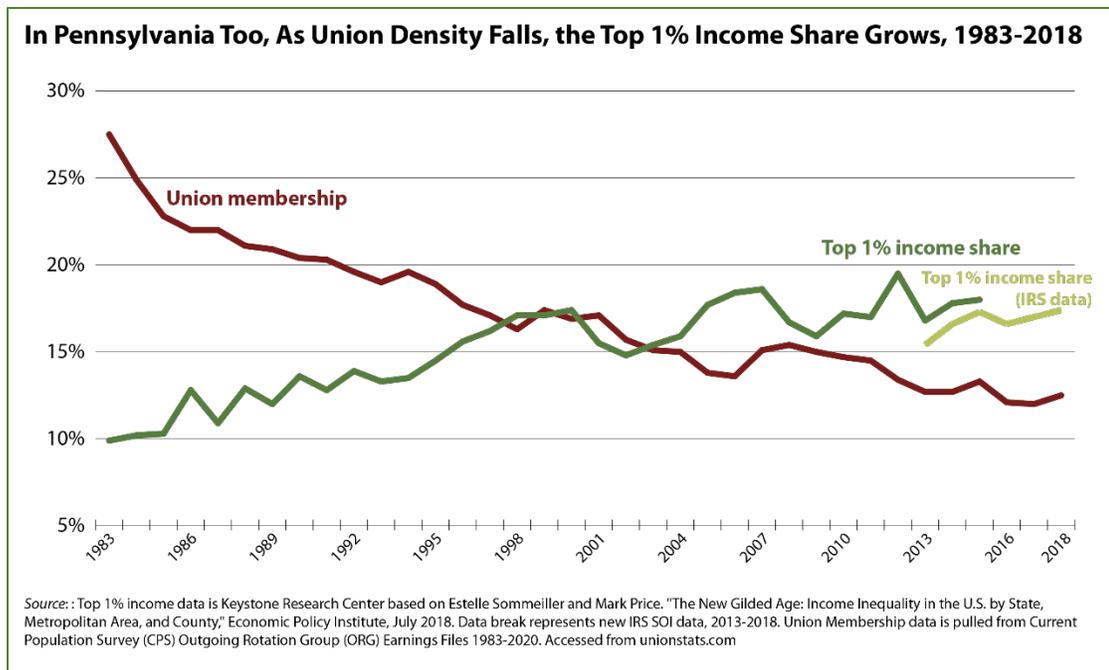
rapidly and, therefore, the bottom 90% share of income (which equals 100% minus the 10% share) grew rapidly.

Figure 20.



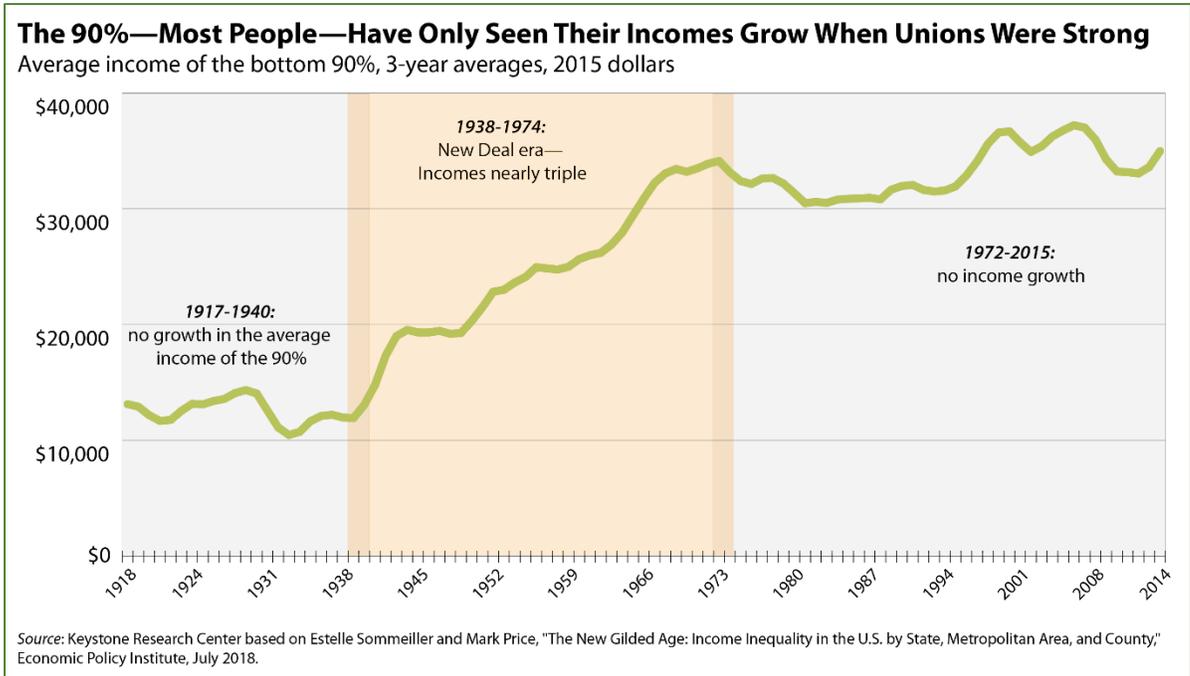
We only have Pennsylvania union density data since 1983. But Figure 21 shows the same relationship as Figure 20—as union density has fallen, the income share of the rich (in this case the top 1%) has grown.

Figure 21.



Another way to understand the importance of unions is to look at the average income of the 90% over the course of the last 100 years. The only period in which this group—the vast majority of Americans—has done well was the New Deal era when unions were strongest.

Figure 22.



The takeaways from this race through a century of economic history are two-fold. If the United States and Pennsylvania want to achieve a new era of shared prosperity it will likely require something akin to the self-conscious system building that took place in the 1930s and 1940s. Second, it is likely also to require a rebound in union density—to give workers more power in the economy and more influence over public policy. Recognizing the political and organizing challenge of achieving these two key steps to shared prosperity, we can take inspiration from the story of the United Mine Workers (UMW) on the centennial of the Battle of Blair Mountain. As Box 3 explains, the UMW was the first U.S. industrial union and played a central role in catalyzing the New Deal.

If the workers of West Virginia, Pennsylvania, Ohio, and Kentucky could wage the “mine wars” of the early 1900s and ultimately win recognition and better wages and working conditions from vicious coal barons while helping our country achieve a more equitable economy, then our region’s workers can do it again one hundred years later. Replicating the union growth sparked by the New Deal could occur through organizing at scale within industries, often in services and other inherently local industries where businesses must locate near the customer. Organizing at scale today could also happen within giant companies, most obviously Amazon, at it happened at General Motors, Ford, and Chrysler in the New Deal to bring industry-wide pattern bargaining to the auto industry. A second key ingredient of a “New Deal That Works for US” in Pennsylvania and neighboring states: providing real rights to organize again by passing the Richard L. Trumka Protect the Right to Organize (PRO) Act, discussed in more detail in the next section.

Box 3: The Importance of Appalachia and the United Mine Workers to the New Deal

This year's *State of Working Pennsylvania* is being published during the centennial commemoration of the "Battle of Blair Mountain" in southwestern West Virginia.¹³ One of the bloodiest conflicts in American labor history, at least 7,000 armed miners faced off against several thousand defenders of mine operators and their local government allies. Ultimately, the arrival of federal troops led miners to retreat and brought the battle to a close.

The battle emerged in response to a flammable mix of conditions: the deplorable exploitation and repression of workers and their families by mine owners who were backed by hired and armed detective agencies and sometimes deputized by local officials allied with employers; the tighter labor markets leading into and during World War I and the conviction of many returning soldiers that they deserved dignity and basic rights to free speech and to organize; and increasing organizing by the United Mine Workers, led by Mother Jones, so that southern West Virginia mines would not undermine efforts to establish industry-wide pay standards.

A further noteworthy feature of the Battle of Blair Mountain, and of much of the organizing in the mines in the region during the "mine wars"—the interracial solidarity of mine workers whose horrific treatment brought more workers, white and Black, to the realization that they had a common enemy and could only advance by making common cause.

The immediate aftermath of the battle was an erosion of UMW strength that coincided with a broader decline in post-WWII labor militancy in the face of employer power, backed by government and the courts. But only 14 years later, the United Mine Workers and their president John L. Lewis would play a pivotal role in sparking the growth of "industrial unions" in America. Frustrated with the unwillingness of craft unions (e.g., cigar makers and carpenters) to try to organize along industrial lines in mass manufacturing, Lewis punched United Brotherhood of Carpenters and Joiners of America president Bill Hutcheson and walked out of the 1935 AFL convention. Lewis then immediately began planning to form the "Committee for Industrial Organization" (later the Congress of Industrial Organizations). The CIO held its founding convention in Pittsburgh on November 8, 1935. Mine workers' dues also helped finance the organizing of manufacturing workers.

Policy Matters in the Future—Build Forward Better

The tasks for federal (and state) policy going forward are to (1) continue to prime the pump of a still-fragile economic recovery and (2) redress the balance of power between workers and employers so that working and low-income people enjoy a permanent boost in wages and incomes. Continued pump priming and emergency assistance is needed because significant protections in the American Rescue Plan have ended or will end soon. The most obvious examples are the federal eviction moratorium, the partial extension of which the U.S. Supreme Court blocked, and the midnight September 4 end of unemployment benefits which will reduce weekly income of Pennsylvania families by \$376 million per week and \$19.5 billion on an annualized basis. In the current moment, policy must also rise to a third challenge—reducing climate emissions. Below, we outline how to accomplish these three goals.

¹³ For additional perspectives on the Battle of Blair Mountain and its contemporary implications, see Myya Helm, "Racial Divisions Distract the Working Class From the Real Problem," ReImagine Appalachia blog, online at <https://reimagineappalachia.org/racial-divisions-distract-the-working-class-from-the-real-problem/>; and Sean O'Leary and Myya Helm, "The State of Working West Virginia: Labor, Race, and Solidarity," August 2021, <https://wvpolicy.org/state-of-working-west-virginia-2021-labor-race-and-solidarity-2/>

The U.S. Congress

1. Pass the president's Build Back Better plan, a combination of the bipartisan infrastructure proposal and a robust budget reconciliation package that includes strong components to reduce carbon emissions. The final infrastructure legislation should include
 - a \$125 million civilian climate corps program that incorporates Senator Casey's [Renew Job Creation, Revitalize Civilian Conservation Corps](#) (REVIVE) proposal. The senator's proposal would make CCC positions pathways to apprenticeship and give returning citizens and others now out of the labor market a chance to contribute to efforts to absorb more carbon. The senator's proposal also would enable farmers to tap CCC participants to adopt "regenerative agriculture" practices that absorb more carbon.
 - labor and community requirements that help ensure that federal infrastructure investments translate into good union jobs for all, including dislocated carbon workers, people of color, and other essential workers of climate response on the front line of carbon emissions reduction.
 - investments in innovation and clean manufacturing targeted to places like Pennsylvania that have lost factory and coal jobs.
 - modernization of unemployment insurance to make it a more adequate and equitable source of income for the jobless (Box 4).
 - major investments in human infrastructure: paid family and medical leave for all workers; a permanent expanded child tax credit; and major investments in child care and education at every stage of life—two years of universal pre-kindergarten, tuition-free community college, and the learning and career infrastructure described in more detail in number 4.

Box 4: Towards a More Adequate and Equitable Unemployment Insurance System

To make unemployment compensation a more adequate and equitable source of income for the jobless, a cooperative project of policy groups recommends five long-term reforms to unemployment insurance. In a report released in June of this year, national policy groups issued a joint report with the following five recommendations for strengthening the U.S. unemployment compensation system, especially to increase equity.

1. Expand UI benefit duration to provide longer protection during normal times and use better measures of labor market distress to automatically extend and sustain benefits during downturns. The authors recommend 30 weeks in normal times and triggers which extend benefits for up to 99 weeks when unemployment is high. Automatic triggers and incremental increases and cuts in benefit duration as the economy cools and heats would generate less anxiety for unemployed workers and their families than the current approach of periodic drastic cuts in benefits with political brinksmanship sometimes, but not always, leading to further extensions of benefits, often after intervening periods in which millions lose benefits. Depending on the triggers for extending benefits, this reform might restore some of the PEUC benefits scheduled for elimination by September 5.
2. Create higher national minimum standards for benefit duration and levels, with states free to enact more expansive benefits. This aims particularly at states other than Pennsylvania, at least nine of which have cut benefit duration below Pennsylvania's 26 weeks.
3. Reform financing of UI to eliminate incentives for states and employers to exclude workers and reduce benefits. By basing what employers' pay on how much they reduce total hours of their employees, irrespective of the benefits their workers receive, you eliminate the incentive for employers to fight employees' eligibility for benefits.

4. Update UI eligibility to match the modern workforce, and guarantee benefits to everyone looking for work but still jobless through no fault of their own. This proposal would make permanent unemployment benefits which cover the self-employed and gig workers.
 5. Increase UI benefits to levels sufficient for working families to survive. One approach, borrowing from the best paid family and medical leave programs (e.g., Washington state), would replace 90% of income up to a certain threshold (e.g., the weekly average wage) but then only 50% after that up to the maximum benefit.
2. Enact the Richard L. Trumka Protect the Right to Organize (Act), so that the federal government once again “promotes” the rights to organize and bargain collectively, and in this case does it for ALL workers, not exempting occupations in which workers of color predominate (see Box 5).

Box 5: Why the United States Needs to Pass the Protect the Right to Organize Act and Take Other Steps to Strengthen Workers’ Rights¹⁴

In the National Labor Relations Act (NLRA) passed in 1935, Congress sought not just to “allow” unions in the U.S. private sector but to “promote” them. Eighty-six years later that promise is a hollow one. U.S. private sector workers today face enormous obstacles if they try to form a union, especially one with the scale and industry-wide reach to give unions the power to raise wages, benefits, and reshape working conditions. A key difference between the United States and European countries and even Canada is the scope that U.S. law gives U.S. employers to discourage workers from voting yes in a union recognition election. In other countries, whether workers should have a union is regarded as up to workers, not up to employers. The United States, however, allow employers to use a wide range of union avoidance tactics.

For example, employers have unrestricted access to workers on the job to hold one-on-one or small group “captive audience” meetings between supervisors and workers or to wage sophisticated communications campaigns with slick videos. By contrast, unions have limited or no access to employees at the workplace. Employers can also use a wide range of legal tactics—seeking to expand or shrink the workers eligible to vote in a union election to weaken the support for the union, delaying an election so that turnover erodes union support, or failing to negotiate a first contract. If U.S. employers go beyond the law, firing union activists or threatening facility closure, penalties are a slap on the wrist.¹⁵ The end result is that U.S. union elections have more in common with Russian elections under Vladimir Putin than a free and fair vote. Because of the scope employers have to influence workers’ decision to join a union, a classic study by Human Rights Watch concluded that U.S. employers routinely violate international labor rights standards.¹⁶ Symptomatic of the sad

¹⁴ For another articulation of why the centennial of the Battle of Blair Mountain underscores the need to pass the PRO Act, see Dave Kemper, “A Century after the Battle of Blair Mountain, protecting workers’ rights to organize has never been more important,” Working Economics Blog, August 25, 2021; online at <https://www.epi.org/blog/a-century-after-the-battle-of-blair-mountain-protecting-workers-right-to-organize-has-never-been-more-important/>.

¹⁵ Lawrence Mishel et al., “Explaining the Erosion of Private-Sector Unions,” Economic Policy Institute, 2020; online at <https://files.epi.org/pdf/215908.pdf>.

¹⁶ Lance Compa, *Unfair Advantage: Workers’ Freedom of Association in the United States Under International Human Rights Standards*, Human Rights Watch, 2000; online at <https://ecommons.cornell.edu/handle/1813/75158>.

state of our nation’s labor rights, the United States has not ratified International Labor Organization (ILO) conventions on freedom of association and on organizing and collective bargaining rights.¹⁷

Since the passage of the NLRA, no federal legislation has passed that strengthens workers’ rights, and federal legislation (e.g., in the 1946 Taft-Hartley Act), court interpretations, and state labor laws have all become more favorable to employers. In addition, [27 states now have “right-to-work laws.”](#) (One passed in 1943, 10 in 1947, and five more since 2012). These prohibit requiring workers represented by a union who are not members to contribute any financial resources to the union even though the union bargains for them and has a legally mandated “duty of fair representation” should the worker face disciplinary proceedings or seek other assistance. A 2018 U.S. Supreme Court decision, *Janus v. AFSCME*, made the entire country “right-to-work” when it comes to public sector unions, the culmination of years of efforts by anti-union conservatives. Their explicit goal: to reduce public sector labor unions’ resources to represent workers on the job, in the economy and in public policy, and to limit their ability to organize new unions.

The Protecting the Right to Organize (PRO) Act, which passed the House on March 9, 2021, would be the first comprehensive strengthening of labor rights in the United States since 1935. The Act would make it easier to organize (e.g., increasing penalties for employer violations of workers’ rights) and to reach a first contract; strengthen unions in bargaining (e.g., banning permanent replacement of strikers and broadening definitions of “joint employers” so that unions can bargain with the firm that has the power to make concessions); make it harder to misclassify workers as independent contractors in order to avoid benefits and reduce their organizing rights; eliminate “right-to-work” laws (allowing financial contributions from non-members that unions represent); and legalize secondary boycotts against non-represented employers, a key tool for gaining union recognition among all employers in a sector within a geographical area.¹⁸

As in the 1930s and 1920s, legal reform and organizing will go hand in hand, with progress in either arena strengthening progress in the other. In light of that, the Biden administration should promote stronger labor rights and unionization using every tool at its disposal in addition to trying to pass the PRO Act—executive authority (funding, regulations, convening power), the bully pulpit, creative partnerships with unions, industry stakeholders, and partnering with progressive states and localities.

The broad goal should be to catalyze a wave of union organizing in the private sector that can bring union density back to the U.S. peak of about 35% in the 1950s. One immediate opportunity to advance labor rights is the implementation of federal infrastructure legislation.¹⁹ Through the bipartisan infrastructure bill and anticipated budget reconciliation, up to \$4 trillion in new funding could be distributed for traditional infrastructure, clean energy, capping uncapped oil and gas wells and reclaiming acid mine lands, broadband, energy efficient manufacturing, electric vehicle infrastructure, and other projects. As the federal money is distributed, Biden administration agencies, states, and localities should all seek to ensure protection of labor rights through, for example, project labor agreements that require trades labor on construction projects to come from union referral services or responsible contractor provisions (e.g., that require most workers to have gone through a high-quality apprenticeship). They should also seek to require that permanent jobs created

¹⁷ ILO, *Up-to-Date Conventions and Protocols Not Ratified by United States of America*, http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11210:0::NO::p11210_country_id:102871.

¹⁸ See Lynn Rhinehart, “Six Ways the Protecting the Right to Organize (PRO) Act Restores Workers’ Bargaining Power,” Working Econ. Blog (Feb. 26, 2021), <https://www.epi.org/blog/six-ways-the-protecting-the-right-to-organize-pro-act-restores-workers-bargaining-power/>.

¹⁹ For more detail on the importance of attaching labor standards—and also community benefit standards—to infrastructure legislation, see Amanda K. Woodrum, Kathleen Mulligan-Hansel, Stephen Herzenberg, and Anna McLean, “Maximizing Value: Ensuring Community Benefits,” ReImagine Appalachia, May 2021, online at https://reimagineappalachia.org/wp-content/uploads/2021/05/Community-Benefits_Whitepaper_05-28-2021.pdf.

with federal subsidies (e.g., at a new factory or broadband cooperative) have “labor peace agreements,” which require employers to remain neutral in the event of a union organizing campaign.

3. Pass an increase in the federal minimum wage to \$15 per hour and index the minimum wage to average wages going forward.
4. To complement modernization of U.S. unemployment insurance, the federal government should provide innovation grants to states to establish universal support for workers to learn work-relevant skills, access career guidance and advance, and retool to obtain an equivalent job when dislocated—a “trampoline” to supplement a more adequate UI safety net. Box 6 outlines steps to achieve this.

Box 6: Building a U.S. Work-Based Learning and Career Infrastructure²⁰

The United States is in its most open-ended debate about economic policy since the 1970s. In this debate, the Biden administration is making the case for investing in “human infrastructure.” One part of human infrastructure that should command bipartisan and business support is investment in learning the skills people use on the job.

The case for investing in skills infrastructure mirrors that for investing in bridges, railways, and broadband: it is a foundation for a strong economy.

Like America’s roads, America’s job-related learning infrastructure is full of potholes. The reasons are well known.

Most American companies invest little in training, retaining, and developing frontline workers. Exceptions exist in every industry—think of Trader Joe’s and Costco in high turnover retail.²¹

But the widespread nurturing of most workers within company-specific careers in the post-WWII economy vanished decades ago. As a share of GDP, the U.S. invests a quarter of what other advanced countries do in workforce training and retraining, and less than half what we invested in 2000.²²

Without government help, few low-wage and jobless workers can afford to invest in their own future. Many cycle through poorly paid positions without moving up, with workers, consumers, and employers all suffering.

Government invests substantially in education, including federal Pell grants for college. But most education and public workforce training is disconnected from the world of work. Education and training programs too often leave graduates to find their own jobs, earning the label “train and pray.” Again, both companies and individuals lose.

²⁰ This box is adapted from an op-ed that appeared in several different newspapers: see, for example, Dwight Evans and Stephen Herzenberg, “Build a Learning Infrastructure for a Competitive, Resilient Workforce,” *Bucks County Courier Times* June 14, 2021; <https://www.buckscountycouriertimes.com/story/opinion/2021/06/14/op-ed-build-learning-infrastructure-competitive-resilient-workforce/7655428002/>.

²¹ For details on the Trader Joe’s and Costco examples, see Zeynep Ton, *The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits*, Houghton Mifflin Harcourt Publishing Company, January 2014.

²² See data.oecd.org/social/exp/public-spending-on-labour-markets.htm. Of the countries included, only Mexico spends less than the United States.

Despite the potholes, three innovations in recent decades suggest what a flexible, uniquely American learning infrastructure might look like—avoiding rigid, class-based sorting in high school but with universal support for job-related learning and career guidance.

Sector partnerships bring employers in manufacturing, health care, and other industries together to address their workforce needs. This helps educators and trainers customize curricula to industry requirements and gives them a partner for organizing work-based learning and summer jobs programs. Experienced workers, new employees, and businesses all benefit.

Another secret sauce of sector partnerships—the diffusion of better organizational practices as managers learn from respected peers. In healthcare partnerships, for example, managers learned as much as 25 years ago that not all nursing homes have high workforce turnover.²³

Apprenticeship has recaptured attention as a powerful learning model. It is tightly connected to good jobs in some manufacturing firms and unionized construction.²⁴ And in states such as Pennsylvania, pre-apprenticeship increasingly provides access to apprenticeship for school students and residents of low-income neighborhoods.

Growing numbers of **career pathways** and **career navigation programs** provide work experience—e.g., job shadowing, summer jobs, paid internships and/or co-ops—blended with personalized advising to help individuals navigate education and labor market options.

To scale these innovations into a support system that smooths the road to advancement for tens of millions, Congress should provide innovation grants for states to pilot a work-based learning infrastructure.

The funding approach: co-investment through contributions, and joint governance from businesses, workers and unions, and government—e.g., a training tax equal to 2% of payroll, half paid by companies and half by workers. Flexible training funds in several states, paid for with payroll taxes, point in this direction. But they need expanding into workforce trust funds through a federal-state partnership like that which launched unemployment insurance.²⁵

Policies should aim for functionality and stakeholder buy-in.

- Firms could keep their contributions—if they use them to train their current and future workers.
- Government could make contributions for low-wage workers and encourage pooling of contributions into industry and occupational partnerships with regional span.

²³ On the existence of “break the mold” nursing homes—places to live not places to die—alongside low-quality, high-turnover homes that profit at the expense of workers and residents (and a third category that offers higher-quality but still institutional care), see Susan C. Eaton, “Pennsylvania’s Nursing Homes: Promoting Quality Care and Quality Jobs,” Keystone Research Center, April 1997; https://www.keystoneresearch.org/sites/default/files/krc_qcare_qjobs.pdf.

²⁴ For examples from unionized construction, see Stephen Herzenberg, Diana Polson, and Mark Price, “Construction Apprenticeship in Pennsylvania,” Capital-Area Labor-Management Committee, Inc.; https://www.legis.state.pa.us/WU01/LI/TR/Transcripts/2019_0162_0008_TSTMNY.pdf. For examples of high-quality apprenticeships and pre-apprenticeships in Pennsylvania manufacturing, see the Oberg Industries and Penn United Technologies mini-cases on Keystone Research Center, “Inventory of Pre-apprenticeship Programs in Pennsylvania,” report prepared for the Pennsylvania Department of Labor & Industry, 2019, pp. 38-39 and 41-42; <https://www.dli.pa.gov/Individuals/Workforce-Development/apprenticeship/Documents/Inventory%20of%20Pre-apprenticeship%20Programs%20PA%20Report%202019.pdf>.

²⁵ For more on the idea of co-investment and workforce trust funds, see Earl Buford and Larry Good, “Modernizing and Investing in Workforce Development,” Corporation for a Skilled Workforce and the Better Employment and Training Strategies Taskforce; <https://skilledwork.org/wp-content/uploads/2021/03/Modernizing-and-Investing-in-Workforce-Development.pdf>.

- Unions could jointly govern training at unionized employers and compete to deliver learning services to non-union employees, creating a new cadre of “learning representatives.”
- Individual workers—entry-level, low-wage, and dislocated—would have access to navigational guides who would help them evaluate educational and job options. They would no longer be “on their own” as they seek a first, new, or better job.

Many middle- and low-wage U.S. workers today are treated as disposable. A robust learning and career infrastructure would help us pivot to honoring workers as “our most important asset.” It would also teach more employers what the best ones already know: respected and supported employees are great workers.

Shifting the balance of power to workers in the labor market, these four priorities could restore and improve upon the equity of the 1960s labor market. They could undergird a New Deal that Works for US in Pennsylvania, the four Reimagine Appalachia states (adding Ohio, West Virginia, and Kentucky), and all of a Reimagined America.

The Pennsylvania legislature

The Pennsylvania General Assembly should stop sitting on much of the \$7.5 billion dollars in revenue surplus and American Rescue Plan funding and use those resources to lean in with the federal government to build back better.²⁶ Small businesses and frontline workers need immediate help. And there are sufficient funds to start addressing economic, racial, and gender inequity in how we fund education from pre-K to college and workforce training programs, child care, and health care, as well as to invest in infrastructure that will reduce carbon emissions—broadband, roads, bridges, and public transit.

To the extent that the Pennsylvania legislative majority fails to capitalize on the historic resources provided by the federal government and, through inaction, pursues a default strategy of “building back worse,” Pennsylvania voters should hold them accountable in 2022—just as U.S. voters held Herbert Hoover accountable in 1932.

Federal and Pennsylvania state governments

The federal and Pennsylvania state governments should enact democracy reforms that make it easier, not harder to vote. In Pennsylvania, now that we have the results of the 2020 Census, we also need to draw fair new congressional and state legislative districts. A more responsive democracy at the state and federal levels would dramatically increase the chance of locking in a sustainable “New Deal That Works for US” over the next few years.

²⁶ For more on how state government should use the resources it now has available, see: “[Small Businesses and Workers Need Help From the State—And Each Other](#)” ([krc-pbpc.org](#)) and “[The PA Budget: A Disgrace and Dereliction of Duty](#)” ([krc-pbpc.org](#)).