



---

April 22, 2026

Policy Brief: Volume 26, Number 15

---

### Revisiting the minimum wage debate

**Introduction:** The governor’s 2026-27 executive budget proposal and remarks included a renewed push to raise the minimum wage in Pennsylvania to \$15 per hour. Legislation recently passed by the state House of Representatives would do just that.

---

#### *Background Issues*

The [bill](#) would raise the minimum wage to \$11 per hour in 2027, \$13 per hour in 2028 and \$15 per hour in 2029, effective Jan. 1 of each year. Beginning Jan. 1, 2030, and each year thereafter, the minimum wage would then be subject to an annual cost-of-living adjustment. Counties would be permitted, by ordinance, to adopt a minimum wage up to \$15 per hour at any point after Dec. 31, 2026.

This *Brief* will discuss the oft-ignored damaging effects that raising the minimum wage to \$15 per hour would likely have on the commonwealth’s economy and examine the purported benefits of doing so. The fallacy that Pennsylvania must increase its minimum wage to maintain economic parity with neighboring states will be addressed in a future *Brief*.

#### *Industry effects in Pennsylvania*

In June 2023, with the Legislature considering a similar proposal to raise the minimum wage in steps to \$15 per hour by 2026, *Policy Brief Vol. 23, No. 24*, raised various concerns about the impact on businesses and workers in Pennsylvania, particularly those in low-wage industries.

A March 2026 report by the Pennsylvania Minimum Wage Advisory Board (PMWAB) estimated that roughly 189,900 of nearly 3 million total Pennsylvania hourly workers earned between \$7.26 and \$12.00 per hour in 2025. Another 320,900 hourly workers were estimated to be earning between \$12.01 and \$15 per hour.

All hourly workers earning below the minimum wage would immediately receive a jump in pay. Keep in mind that entry-level and low-wage employees having their wages

boosted will also put upward pressure on wages for those earning at or modestly above \$15 per hour. As the prior *Brief* noted, “[e]mployees who have put in the time and have the knowledge and experience to currently earn \$15 per hour will not sit still to see their experience and knowledge be devalued.”

Note, too, that hourly wages are not the only cost of labor as payroll taxes, such as matching employer Medicare and Social Security payments, will also increase. Sick days, earned vacation time, perks and other benefits which add to the cost of labor would also likely be adjusted.

Smaller firms and those which operate on low profit margins or rely on lower-wage labor will be disproportionately affected, potentially leading to layoffs, reducing hours and/or benefits and business closures. Some firms may be forced to experiment with automation, outsource jobs or be reluctant to hire. This would likely impact younger and inexperienced workers the most, especially those working part-time, leading to less flexibility and fewer opportunities to gain workplace experience.

According to 2024 [Occupational Employment and Wage Statistics \(OEWS\) data](#) from the Pennsylvania Department of Labor and Industry – the latest available – two sectors in Pennsylvania had entry-level wages under \$11 per hour – food prep and service (\$10.65) and personal care (\$10.87). The average wage for each industry was \$15.93 and \$17.31, respectively. Other likely-to-be-affected sectors analyzed in the prior *Brief* include sales and related, healthcare support and building and grounds maintenance with entry-level wages of \$12.45, \$12.94 and \$13.51 per hour, respectively. The average wage for each industry was \$24.09, 17.26 and \$18.36 per hour, respectively.

A 2025 analysis on raising the minimum wage to \$15 per hour by Pennsylvania’s Independent Fiscal Office (IFO) assumes that “60 [percent] of the wage increase is passed on to resident consumers through higher prices.” A reduction in profits and non-wage compensation (20 percent), efficiency gains (10 percent) and non-residents, through exports or tourism (10 percent), would make up for the remaining 40 percent.

Firms in each of the five sectors mentioned would likely be subject to significant increases in the cost of labor which would likely be passed on, in part, through higher prices to all consumers. Those firms which cannot successfully pass on, or absorb the costs, will be forced to reduce employee hours, lay off workers, reduce non-wage compensation or close altogether – likely to the detriment of some of the very workers a minimum wage increase is supposed to help.

Lastly, bear in mind that the impact of a minimum wage hike will vary between counties where the average annual wage in 2024 ranged from a high of \$72,800 (\$35 per hour) in Montgomery County to a low of \$47,410 (\$22.79 per hour) in Snyder County. Entry-level wages ranged from a high of \$33,740 (\$16.22 per hour) in Montour County to a low of \$26,160 (\$12.58 per hour) in Cambria County. While a schedule setting different minimum wages for different counties seemingly addresses this issue, as the prior *Brief*

concluded, that “would at best be a Band-Aid that will not prevent major economic dislocations in those counties as displaced workers look to other areas for jobs.”

### *Examining purported benefits*

The governor’s 2026-27 budget states that raising the minimum wage to \$15 per hour – effective Jan. 1, 2027 – would “generate economic activity, increase the purchasing power of Pennsylvania residents, and add more than \$80 million annually in increased revenue to the Commonwealth once fully implemented.” It would also “decrease the cost of entitlement programs ... [resulting] in over \$300 million in total savings....”

While *some* workers will undoubtedly benefit from an increase in the minimum wage, this claim comes with a few caveats. First, increasing the cost of labor and placing a higher burden on businesses while contributing to unemployment must be considered against any meaningful gains in economic activity. Likewise, the purchasing power of Pennsylvania residents is unlikely to rise significantly if businesses must increase prices to absorb the costs imposed by raising the minimum wage.

The \$80 million annually in increased revenue is based on an increase in net revenue due to higher personal income tax and sales and use-tax collections offset by corporate net income tax collections – a result of employers claiming higher payroll taxes as a deduction. As *Policy Brief Vol. 26, No. 11*, noted, doubling down on anti-business measures to raise revenue for state coffers is poor public policy.

It’s also unclear what impact increasing the minimum wage would have on entitlement programs. Moving enough residents beyond the income threshold for certain benefits would result in a fall in total claimants. However, it’s important to remember that workers who see reduced hours, are laid off or cannot find work may become qualified for new or additional benefits such as Unemployment Compensation or Medicaid, which will increase the cost of those programs.

Again, rising prices may also impact the effectiveness of claimants’ purchasing power and increase expenditures, including labor costs, elsewhere in the state budget. A [House Fiscal Note](#) attached to a similar bill passed in 2025 stated that, at least, subsidized child care and home medical assistance expenditures would likely face increases but the overall ramifications were indeterminate.

### *Why increase the minimum wage at all?*

Interestingly, the IFO also estimated that “nearly 99 [percent] of non-tipped jobs will earn more than \$11 per hour and roughly 97 [percent] will earn more than \$12 per hour [in 2025].” The PMWAB report estimates only 42,900 employees earned the minimum wage or less in 2025, a 9 percent decline from the year prior. In fact, the number of Pennsylvania workers earning the minimum wage decreased by 42 percent in the last five years. As such, the “effective statewide market minimum wage is approximately \$11 to \$11.50 per hour.”

To wit, the same five industries identified in *Policy Brief Vol. 23, No. 24*, have all seen increases in their entry-level and average wages based on OEWS data from 2022 to 2024.

**Pennsylvania Industry Wages (\$, per hour)**

Industry	2022		2024		2022-2024 Change	
	Entry-Level	Average	Entry-Level	Average	Entry-Level	Average
Food Prep and Service	9.68	14.17	10.65	15.93	10%	12.4%
Personal Care	9.95	15.87	10.87	17.31	9.2%	9.1%
Sales and Related	11.06	22.60	12.45	24.09	12.6%	6.6%
Healthcare Support	12.04	15.92	12.94	17.26	7.5%	8.4%
Building and Grounds Maintenance	12.03	16.76	13.51	18.36	12.3%	9.6%

Keep in mind that – although the latest available – this data is from 2024, meaning the entry-level and average wages for each industry are likely to have increased. If the number of workers earning the minimum wage has fallen in the last few years, each of the sectors most likely to be affected have naturally seen entry-level and average wages increase and the overall wage market has produced a higher effective minimum wage, then why raise the minimum wage at all?

*Concluding thoughts*

The IFO analysis found that “the proposal would modestly reduce non-tipped employment (-16,000 jobs) and raise income for directly affected low-income workers (684,000) largely due to an income transfer from higher-income consumers and certain business owners to lower-income workers.” By that logic, increasing the minimum wage is no more than a progressive wealth redistribution scheme wrapped in sheep’s clothing.

At best, increasing the minimum wage to \$15 – even if over time – will be an unnecessary price floor that will benefit *some* workers at the expense of others and impose higher costs on *some* businesses at the expense of others. At worst, it is a state mandate to force firms to pay above-market wages, likely raising prices for Pennsylvanians, displacing entry-level workers and hurting businesses, especially smaller ones.

If the governor and Legislature wish to help workers in Pennsylvania, raising the minimum wage is the wrong prescription. To sustainably increase wages and employment opportunities, elected officials should be looking to alleviate the burden on businesses imposed by the state’s regulatory and tax climate instead of adding to it.

Likewise, it would be far more sensible to enact policies which encourage businesses to relocate and invest in Pennsylvania – without relying on corporate handouts and targeted subsidies and incentives.

---

**Alex Sodini, Research Associate**

---

*Policy Briefs may be reprinted as long as proper attribution is given.*

Allegheny Institute for Public Policy  
305 Mt. Lebanon Blvd.\* Suite 208\* Pittsburgh PA 15234  
Phone (412) 440-0079  
E-mail: [aipp@alleghenyinstitute.org](mailto:aipp@alleghenyinstitute.org)  
Website: [www.alleghenyinstitute.org](http://www.alleghenyinstitute.org)  
X (Twitter): [AlleghenyInsti1](https://twitter.com/AlleghenyInsti1)