



Raising the minimum wage: an economic growth red herring

Introduction: *Policy Brief Vol. 26, No. 15*, examined the negative effects associated with a potential \$15 per hour minimum wage hike in Pennsylvania. This *Policy Brief* will primarily address the argument that Pennsylvania must raise its minimum wage as a matter of economic competition with surrounding states that have already done so.

Background information

In June 2023, *Policy Brief Vol. 23, No. 24*, highlighted the fallacy of looking to jurisdictions with higher minimum wages as a justification for raising Pennsylvania's to \$15 per hour. At the time, only California (\$15.50); Massachusetts (\$15); Washington (\$15.74) and the District of Columbia (D.C., \$16.10) had a minimum wage of \$15 per hour or higher. The caveat was that each of these states and D.C. had a significantly higher cost of living, which includes housing, transportation, food, healthcare and other common goods and services.

However, since then, 14 additional states have raised their minimum wage to at least \$15 per hour. The governor's 2026-27 executive budget notes that all six neighboring states have a higher minimum wage than Pennsylvania's \$7.25 per hour: as of Jan. 1, 2026, New York had the highest hourly rate (\$16), followed by New Jersey (\$15.92); Delaware (\$15); Maryland (\$15); Ohio (\$11) and West Virginia (\$8.75).

As such, the budget narrative explains that not raising the minimum wage in Pennsylvania is a liability for its economic competitiveness: "At \$7.25 per hour, Pennsylvania's minimum wage has remained unchanged for more than 15 years and is lower than all neighboring states and almost every state that's considered an economic competitor. At a time when Pennsylvania's workforce is aging, young Pennsylvanians are increasingly considering other places to build their economic futures."

The following analysis will demonstrate that the claim that Pennsylvania must increase its minimum wage to enhance its economic competitiveness makes two equally untrue assumptions: (1) by not raising its minimum wage, Pennsylvania is diminishing its

economic competitiveness; and (2) states with higher minimum wages are seeing greater levels of population and employment growth.

Examining economic competitiveness

A 2026 [report](#) by the American Legislative Exchange Council (ALEC), entitled *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index*, ranks each state by overall economic performance from 2015-2024, which is comprised of three equal-rated metrics: state Gross Domestic Product (GDP) growth, net domestic migration – the difference between domestic in-migration to a state and domestic out-migration from a state – and non-farm payroll employment growth.

To provide a measure of economic competitiveness, each state will be assessed in the same three metrics and overall rank for economic performance using data from 2020-2025. This allows for the most recent and accurate domestic migration data, which is revised annually. All data for each metric were taken from the U.S. Bureau of Economic Analysis, Census Bureau and Bureau of Labor Statistics, respectively. The following table shows how Pennsylvania and its neighbors – each of which had a minimum wage higher than \$7.25 per hour – fared during this time period.

Pennsylvania and Neighboring States’ Economic Performance (2020-2025)

State	State GDP Growth (% Change)	Net Domestic Migration	Non-farm Payroll Employment Growth (% Change)	Economic Performance Rank
Delaware	50.75	53,212	12.58	12 th
New Jersey	40.25	-222,194	13.36	27 th
New York	38.44	-1,106,013	12.88	34 th
West Virginia	40.94	16,553	7.36	35 th
Pennsylvania	35.74	-54,290	10.08	T-44 th
Ohio	39.52	-30,482	7.61	46 th
Maryland	37.30	-134,770	8.44	T-50 th

Note: Pennsylvania and Maryland tied with Iowa and Illinois, respectively.

Pennsylvania performed abysmally on all three metrics, ranking 44th overall, though both Ohio and Maryland performed worse. Clearly then, the commonwealth has trailed other states in recent years in terms of economic performance. But this is not necessarily due to the lack of a higher minimum wage. Note that Delaware was the only state of the seven sampled which ranked in the top half of all states for overall economic performance. New York ranked 49th in net domestic migration, with 1,106,013 *more* residents leaving for other states than vice versa. New Jersey and Maryland similarly fared poorly in terms of net domestic migration, ranking 47th and 44th, respectively.

A 2026 [research brief](#) from Pennsylvania’s Independent Fiscal Office (IFO) examined domestic migration trends based on IRS tax returns filed and processed during calendar years 2022 and 2023 – the latest available – and found that the commonwealth ranked 38th in the nation for total net domestic migration. During the two-year span, 14,880 *more* residents left the commonwealth for other states (and D.C.) compared to those moving in.

Curiously though, the brief also notes that “[s]imilar to recent years, the largest net inflows were from the border states of New York (13,691), New Jersey (4,475) and Maryland (2,467).” This means that 20,633 *more* residents moved into Pennsylvania from these border states than vice versa in 2022 and 2023 – a trend which predates the pandemic. Overall, the commonwealth only recorded positive net inflows from 11 states. But the top three accounted for 95 percent of total net inflows and each had a minimum wage of at least \$12.50 per hour in 2022 and \$13.25 per hour in 2023.

Southern states’ economic and population growth

In terms of largest net outflows from Pennsylvania, the top six were all Southern states except for Delaware (3,622) – a trend which likewise predates the pandemic. The commonwealth lost 23,000 residents on net to Florida (9,650); North Carolina (4,545); South Carolina (3,896); Texas (2,997) and Georgia (2,225) alone in 2022 and 2023. Unsurprisingly, those same five states – in addition to Arizona and Tennessee, also Southern states – ranked the highest in the nation for domestic migration from 2020-2025. The following table looks at how each of the seven Sunbelt states fared on the same economic performance metrics.

Sunbelt States’ Economic Performance (2020-2025)

State	State GDP Growth (% Change)	Net Domestic Migration	Non-farm Payroll Employment Growth (% Change)	Economic Performance Rank
Florida	60.28	890,348	17.03	1 st
Texas	60.41	812,735	16.50	2 nd
South Carolina	52.17	379,062	14.40	5 th
Arizona	53.18	282,626	14.35	6 th
North Carolina	48.90	476,921	14.23	7 th
Tennessee	50.62	292,727	11.93	9 th
Georgia	44.85	232,849	12.62	11 th

Indeed, all the states analyzed rank among the best in the nation in terms of economic and population growth. Each state maintained a \$7.25 per hour minimum wage from 2020-2025, except for Florida and Arizona, and are all Right-to-Work (RTW) states – which tend to enjoy more favorable population and employment growth. Among Pennsylvania and its border states, only West Virginia has adopted RTW.

In terms of overall economic performance rankings, six states out of the top 10 maintain a \$7.25 per hour minimum wage. Despite just 20 states maintaining a minimum wage of \$7.25 per hour, 14 of them had a positive net domestic migration out of 26 total from 2020 to 2025. An IFO demographic outlook [report](#) from 2025 highlighted that total population growth from 2020 to 2024 was dominated by Southern states, as the Northeast states generated a paltry 0.9 percent.

Conclusion

The inability to attract and retain residents and underwhelming economic performance suggests Pennsylvania and most of its neighbors are already highly uncompetitive – even though a majority boast minimum wages at or above \$15 per hour. As such, there’s little evidence to support the idea that Pennsylvania must increase its minimum wage to attract residents or stay economically competitive with surrounding states.

Policy Brief Vol. 26, No. 15, warned increasing the minimum wage would put upward pressure on wages and increase the cost of labor, likely leading to adverse consequences for businesses and workers. If lawmakers are serious about making Pennsylvania more economically competitive, reforming and improving the state’s regulatory and tax climates to help attract businesses, jobs and residents would be a far better solution.

The Tax Foundation has stressed that “[s]tates that maintain competitive, low-burden tax systems continue to attract population and income, while those with higher and more complex tax structures experience sustained outflows. Policymakers seeking to bolster long-term economic growth would do well to consider these trends when evaluating tax reform options.”

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
Website: www.alleghenyinstitute.org
X (Twitter): [AlleghenyInsti1](https://twitter.com/AlleghenyInsti1)