

Analysis of the Pennsylvania Minimum Wage

MINIMUM WAGE ADVISORY BOARD



**MARCH
2017**

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Preface

The General Assembly of Pennsylvania, in 2006, via Act 2006-112, amended the Minimum Wage Act and raised the state's minimum wage from \$5.15 an hour to \$6.25 on Jan. 1, 2007, and to \$7.15 on July 1, 2007. The minimum wage had last been raised in 1997. Effective July 24, 2009, the federal minimum wage increased from \$6.55 an hour to \$7.25. This change reflected the third and final federal minimum wage increase provided by the amended Fair Labor Standards Act (FLSA). As mandated by Act 2006-112 and FLSA, Pennsylvania's minimum wage also increased to \$7.25, which became effective the same date as the federal minimum wage increase under the FLSA.

The amended Minimum Wage Act directs the Pennsylvania Department of Labor & Industry to produce an annual report by March 1 detailing data on the previous calendar year's demographics and any other relevant characteristics of workers paid the minimum wage or below. This duty is assigned by the Secretary of Labor & Industry to the Center for Workforce Information & Analysis (CWIA).

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Introduction

This report contains statistical information on Pennsylvanians **who earn hourly wages of the minimum wage or less**, analyzes the demographic characteristics of such hourly workers, details the industry characteristics of those making at or near the minimum wage, discusses the issues of inflation and poverty in relation to the minimum wage, and considers other states' minimum wage data.

Minimum wage workers are defined in this report as hourly workers earning the minimum wage or below at their main jobs, excluding overtime pay, tips and commissions. A portion of workers reported as making minimum wage or below actually did receive additional compensation (mainly in the form of tips).

Pennsylvania last raised its minimum wage on July 24, 2009, from \$7.15 to \$7.25, when the federal minimum wage was increased from \$6.55 to \$7.25. It has remained at that level since then. While the nominal minimum wage has not changed since then, changes in the economy and other factors have impacted the population in question.

The primary data source used for this report is the Current Population Survey (CPS), a nationwide monthly survey of about 60,000 households (approximately 2,000 in Pennsylvania) conducted by the U.S. Bureau of the Census (Census Bureau) for the U.S. Bureau of Labor Statistics (BLS). The CPS is the primary source of information on the labor force characteristics of the civilian noninstitutional population. Respondents are interviewed to obtain information about the employment status of each member of the household 15 years of age or older. This report focuses on those 16 years of age and older.

Both federal and state law provide for several exemptions and lower thresholds to the minimum wage for certain employers and certain job classifications. For example, farm workers, some seasonal workers, and newspaper deliverers are exempt from both state and federal minimum wage law, while lower minimum wages are allowed for tipped employees and full-time students. The CPS data lack direct indicators to permit removal from the sample of those individuals affected by these exemptions and lower minimum wages. Some former exemptions have expired: the exemption for businesses with fewer than 10 full-time (or equivalent) employees expired on July 1, 2008; and the exemption for employees under the age of 20 making a training wage for the first 60 days of employment expired on July 24, 2009.

The cohort of workers earning above the minimum wage, but close to it, are considered "near minimum wage," a category that has no precise range. A formal analysis of this cohort began with the 2013 report, at which time it was defined as \$7.26 to \$9.25, i.e., up to \$2.00 above the minimum wage. Since 2015, due to interest in a minimum wage of \$10.10, the "near minimum wage" category used in this report has been the range between \$7.26 and \$10.10. Therefore, one should not compare characteristics of this group to previous reports.

Finally, Pennsylvania's minimum wage data and its analysis in this report should be used with some caution due to the small size of the CPS sample. It should also be noted that the report utilizes the most current annual data available at the time of publication.

Demographic data from the CPS and inflation data from the Consumer Price Index (CPI) are from the calendar year of the report (2016). However, the most recent data on poverty thresholds and the state's average wage are lagged a year (2015), because the data for the most current calendar year will not be released until later this year.

Note: This report has been prepared using available data from the U.S. Bureau of the Census and the U.S. Bureau of Labor Statistics. While it is a comprehensive analysis of data collected on minimum wage workers in the state and the nation, there are limitations of the data. Details of the reliability of CPS estimates, in general, can be found at, https://www.bls.gov/cps/eetech_methods.pdf, while limitations of subnational (e.g. state) data can be found at, <https://www.bls.gov/gps/notescps.htm>.

While reliable data on minimum wage and price levels go back at least as far as the inception of the Federal Minimum Wage Law (1938), reliable historical demographic data of the minimum wage populations of years prior to 1994 are not readily available, and might not be comparable with the current minimum wage population due to definitional and methodological changes over time. These would include changes in categories of race and ethnicity, industry and occupational classifications, and methods of collecting and weighting samples. Reliable estimates of the current percentage of minimum wage workers in Pennsylvania who are working part time involuntarily (i.e. they would prefer to work full time and only work part time due to no full-time opportunities) are also not currently available.

Although the survey can be used to analyze the minimum wage population, it was not specifically designed to do so; that may lead to both overcounting and undercounting of certain segments of the minimum wage population. For instance, tipped employees, such as servers, may legally be paid a lower minimum wage (set at \$2.83 per hour in Pennsylvania, since 1998) prior to tips; however, employers are legally obligated to supplement their earnings if necessary to ensure that hourly rates are never below the minimum wage. Such employees may inaccurately be included in the category of those earning below the minimum wage although their combined earnings including tips may be at or above the minimum wage. Alternatively, with respect to wage rate data, salaried and other non-hourly workers are excluded from the survey. This may lead to undercounting the number of workers earning at or below the minimum wage.

Further, many characteristics of the minimum wage population that might be desirable to measure are not captured in the survey. For example, the average length of time for which a person earns the minimum wage is not measured. The survey is a federally-taken snapshot in time and does not gather such information. Analysis of such data would require the commissioning and conducting of an additional survey.

Summary

The purpose of the minimum wage is to set a minimum threshold of wages for workers. On July 24, 2009, Pennsylvania raised the minimum wage to \$7.25 as provided by the amended Fair Labor Standards Act (FLSA). This report describes the characteristics of minimum wage earners and the industries that employ them.

Wage Distribution of All Hourly Workers

- In 2016, there were 145,400 Pennsylvania workers earning minimum wage or less, which was 5,900 (3.9 percent) lower than the 2015 level. The decrease in 2016 was due to a decrease of 25,400 in those earning below the minimum wage, while the number of those earning exactly the minimum wage (\$7.25 per hour) increased by 19,400.
- Pennsylvania's total employment increased by 58,800 (1.0 percent) in 2016, while U.S. employment increased by 2,602,000 (1.7 percent). Pennsylvania's hourly employment decreased by 4,800 (-0.1 percent), while U.S. hourly employment increased by 1,656,000 (2.1 percent). The proportion of all workers receiving hourly rates decreased slightly in Pennsylvania and increased slightly in the nation from 2015. In 2016, the percentage of the employed earning hourly rates was higher in Pennsylvania (57 percent) than in the U.S. overall (53 percent).
- Of the wage categories depicted on page 10, Pennsylvania had greater percentages in the three extreme categories (below minimum wage, at minimum wage, and more than \$15.00) relative to that of the U.S. In Pennsylvania, 73.5 percent of hourly workers earned more than \$10.10 per hour and 4.1 percent earned the minimum wage or below. These figures compare with 73.8 percent and 2.7 percent, respectively, for the U.S.
- In both Pennsylvania and the U.S., the combined proportion of hourly workers who earned at or below the minimum wage decreased, while the biggest percentage point decrease in both the U.S. and Pennsylvania was of those earning "near minimum wage". The proportion of those earning at the minimum wage increased in Pennsylvania and decreased in the U.S. The proportion of those earning at least \$10.10 increased in both the U.S. and in Pennsylvania.
- In terms of increased employment, the labor markets in the U.S. as well as in Pennsylvania improved in 2016, with U.S. employment growing by a greater percentage. In addition, the wage distribution in the U.S. shifted to the right (smaller percentages earning at all the lower wage rate categories and a larger percentage earning at the highest wage rate category). Wage improvement in Pennsylvania was less pronounced, as the percentage (and number) of workers earning at the minimum wage increased, while that of workers earning in below minimum wage decreased. However, there was a decrease in the number and percentage of the combined "at or below minimum wage" category, while the number and percentage of those earning in excess of \$10.10 per hour increased.

Comparison of Minimum Wage Worker Characteristics to Other Populations

- A majority of Pennsylvania earners at or below the minimum wage in 2016 were from one or more of the following groups:
 - ❑ Female
 - ❑ White
 - ❑ 16-to-24-year-olds
 - ❑ High school graduates or less
 - ❑ Never married
- The proportions of Pennsylvania minimum wage earners who were either female, 16-to-24-year-old, non-high school graduates, or never married were higher than their corresponding proportions in the populations of Pennsylvanians who were at least 16 years old, employed, or earning above the minimum wage. However, the percentages of those demographic groups in the Pennsylvania minimum wage population were most similar to the corresponding percentages of minimum wage earners in the nation as a whole, as well as those earning “near minimum wage” in Pennsylvania. While these demographic groups were relatively overrepresented in the Pennsylvania minimum wage population, whites, who constituted almost eight out of every 10 minimum wage earners in Pennsylvania, were underrepresented (very slightly) when compared to their proportion among the employed and the overall Pennsylvania population.
- Workers having no children (of their own under age 18) made up 85 percent of those earning the minimum wage or less in Pennsylvania.
- Seven percent of minimum wage workers were single parents and nine percent were married with one or more children.
- The family income of those who earned the minimum wage or below varied greatly. Fifty-eight percent of them were in families whose combined income was less than \$50,000 per year and 39 percent were in families with less than \$30,000 per year. In contrast, 24 percent had annual family incomes of \$75,000 or more a year, and 16 percent had annual family incomes of \$100,000 or more per year.
- All employed Pennsylvanians as well as Pennsylvania workers who earned above the minimum wage were approximately equally likely to be male or female, and often were from one or more of the following demographic groups:
 - ❑ White
 - ❑ 25-to-54-year-olds
 - ❑ High school graduates
 - ❑ Married

Industry and Occupational Distributions

- In Pennsylvania, workers earning at or below the minimum wage were most likely to be employed in the following industries: food services and drinking places; retail trade; other services; and arts, entertainment, and recreation. These industries employed almost 74 percent of all minimum wage earners in 2016, with food services and drinking places by itself accounting for almost 46 percent. However, more than four-fifths of the industry groups contained some minimum wage workers.
- In 2016, 69 percent of hourly-paid workers in Pennsylvania earning the minimum wage or less worked part time, while 73 percent of hourly workers earning above the minimum wage worked full time.
- The retail trade industry in Pennsylvania employs a large number of hourly-paid workers across all wage levels. Consequently, it accounted for a large proportion of both workers earning more than the minimum wage and those earning the minimum wage or less. Retail trade, together with manufacturing and non-hospital health care services, accounted for 39 percent of all workers earning above the minimum wage in 2016.
- In 2016, 48 percent of Pennsylvanians who earned the minimum wage or less worked in food preparation & serving related occupations. Such workers also were likely to be employed in sales & related occupations (12 percent), transportation & material moving (nine percent), and office & administrative support (nine percent).
- The distribution of occupational groups for Pennsylvanians who earned above the minimum wage was more diverse and differed considerably from those who earned the minimum wage or less. The top three occupational groups were office & administrative support (17 percent), transportation & material moving (10 percent) and production (nine percent). Food preparation & serving related occupations accounted for only 18 percent of workers earning near minimum wage and eight percent of those earning above the minimum wage.

Recent Historical Comparisons (One and Five Years)

- The number of minimum wage workers fell by 49,500 (25.4 percent) from 2011 to 2016. Over this period, total employment increased by 5.1 percent while the number of those paid an hourly rate rose by 3.4 percent. The absolute decrease in the number of minimum wage workers from 2011 most likely reflects the relative decrease in the minimum wage compared to the average wage in Pennsylvania, inasmuch as there has been an improvement in the labor market over that time span. The decrease would probably have been more pronounced had it not been for the increase in employment.
- The percentage of minimum wage workers in food service & drinking places decreased slightly from 46.5 percent to 45.7 percent over the five-year interval from 2011 to 2016, while the absolute number of workers in that industry decreased by almost 27 percent over that interval. From 2011 to 2016, Pennsylvania minimum wage workers who worked in office & administrative support occupations increased by seven percentage points and those in food preparation & serving related occupations increased by four percentage points, while those employed in sales & related occupations decreased by six percentage points.

A Historical Perspective on the Minimum Wage in Relation to Inflation and the Poverty Threshold

- In 2006, Pennsylvania's minimum wage was 26 percent of the average wage, an all-time low since this information first was documented (1938). The increase in the minimum wage to \$7.25 in 2009 brought the minimum wage up to 34 percent of the average wage, still below the original level set in 1938 of 50 percent of the then present average wage. By 2015, Pennsylvania's minimum wage had fallen to 29 percent of the average wage.
- Inflation adversely affects the purchasing power of an unchanging minimum wage. The value of the 2016 minimum wage of \$7.25 as measured in 2016 dollars was, of course, \$7.25. However, adjusting for projected inflation, it is projected to fall to \$7.12 in 2017 and \$7.00 in 2018.
- In 2015, the annual income for an individual working full time in Pennsylvania making the minimum wage (\$7.25) was \$15,080 or 98.0 percent of the 2015 Federal Poverty Threshold for a two-person household (\$15,391). If the minimum wage remains unchanged at \$7.25 in 2017, the earnings of an individual working full time at that wage almost certainly will remain below 100 percent of the Federal Poverty Threshold for a two-person household.
- The full-time earnings of \$15,080, which the minimum wage worker received, exceeded the 2015 Federal Poverty Threshold for a one-person household (\$12,082). However, it fell short of the poverty threshold for a two-person (\$15,391) and three-person households (\$18,871).

Other States

- During 2016, 29 states had higher minimum wage rates than Pennsylvania, ranging from \$7.50 to \$10.00. The number was unchanged from that of 2015. For more information, please see the table on page 34.
- In 2016, the remaining 21 states (including Pennsylvania) all effectively had a minimum wage of \$7.25 per hour, which is the federal minimum wage. Of these 21 states, 14 (including Pennsylvania) had a minimum wage requirement equal to the federal rate, two states had a formal minimum lower than the federal level, and five states had not adopted a statutorily established minimum wage. When the federal rate exceeds the state rate, it supplants the latter rate since federal law supersedes state law. Therefore, the seven states without a minimum wage or with one that is lower than the federal requirement effectively have a minimum wage equal to \$7.25/hour.
- Since the beginning of 2015, all of Pennsylvania's neighboring states have had higher minimum wages than Pennsylvania. In 2016 the minimum wages of Pennsylvania's neighboring states ranged from \$8.10 to \$9.70.

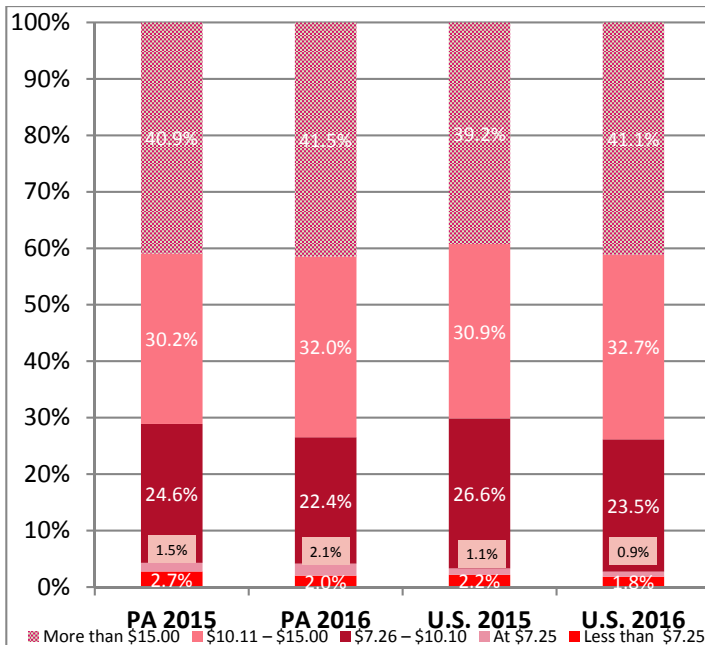
- Alaska, Arizona, Colorado, Florida, Missouri, Montana, Nevada, New Jersey, Ohio, Oregon, Vermont, and Washington currently have their minimum wage rates tied to the Consumer Price Index to provide automatic increases that keep pace with inflation. In 2016, only Colorado and South Dakota increased their minimum wages due to the inflation provision in their laws. Overall, 16 states raised their minimum wages in 2016 and so far 21 states (including Alaska which begins indexing its minimum wage in 2017) have or are projected to do so in 2017.

Conclusions

- In 2016, there were 145,400 Pennsylvania workers earning minimum wage or less, or 4.1 percent of all hourly workers and 2.4 percent of total employment. This was a decrease of 5,900 or 3.9 percent from 2015, when there were 151,300 workers making minimum wage or less.
- From 2015 to 2016, the number of Pennsylvania workers at or below the minimum wage decreased by 3.9 percent, while total employment increased by 1.0 percent and the number of all hourly workers decreased by 0.1 percent.
- Pennsylvania earners at or below the minimum wage tended to be from one or more of the following groups: female, white, 16-to-24-year-olds, high school graduates or less, or never married.
- The number of minimum wage workers fell by 49,500 (25.4 percent) from 2011 to 2016. Over this period, total employment increased by 5.1 percent while the number of those paid an hourly rate rose by 3.4 percent. The absolute decrease in the number of minimum wage workers from 2011 most likely reflects the relative decrease in the minimum wage compared to the average wage in Pennsylvania, inasmuch as there has been an improvement in the labor market over that time span. The decrease would probably have been more pronounced had it not been for the increase in employment.
- Workers earning at or below the minimum wage were most likely to be employed in the following industries: food services and drinking places; retail trade; other services; and arts, entertainment, and recreation. Part-time workers accounted for almost seven out of every ten hourly workers earning the minimum wage.
- Inflation adversely affects the purchasing power of an unchanging minimum wage. Adjusting for projected inflation, the value of the 2016 minimum wage of \$7.25 is projected to fall to \$7.00 by 2018, as measured in 2016 dollars.
- In 2016, 29 states had higher minimum wage rates than Pennsylvania, ranging from \$7.50 to \$10.00. Since January 1, 2015, all of Pennsylvania's neighboring states have minimum wages exceeding Pennsylvania's. Twelve states have their minimum wage rates tied to the Consumer Price Index.

WAGE DISTRIBUTION OF ALL HOURLY WORKERS

**Pennsylvania and U.S. Employed Wage & Salary Workers Paid Hourly Rates
2015 Average Compared to 2016 Average (Numbers of workers in thousands)**



Total, 16 Years and Over	2015		2016	
	US	PA	US	PA
Total Employment	148,834	6,104.2	151,436	6,162.9
Total Paid an Hourly Rate	78,288	3,526.9	79,944	3,522.1
Total at or below \$7.25	2,571	151.3	2,165	145.4
Less than \$7.25	1,697	96.7	1,458	71.3
At \$7.25	874	54.6	707	74.0
\$7.26 - \$10.10	20,801	866.8	18,750	789.0
\$10.11 - \$15.00	24,194	1,065.20	26,141	1,127.4
More than \$15.00	30,722	1,443.60	32,888	1,460.3

Source: U.S. Bureau of the Census, Current Population Survey
Both the U.S. minimum wage and the PA minimum wage were \$7.25 during 2015 and 2016.
Totals and differences may not sum due to rounding.

In 2016, there were 145,400 Pennsylvania workers earning minimum wage or less, which was 5,900 (3.9 percent) lower than the 2015 level. The decrease in 2016 was due to a decrease of 25,400 in those earning below the minimum wage, while the number of those earning exactly the minimum wage (\$7.25 per hour) increased by 19,400. These workers constituted 2.4 percent of total employment and 4.1 percent of all hourly workers.

Employment in both the U.S. and Pennsylvania labor markets continued to improve in 2016. Pennsylvania's total employment increased by 58,800 (1.0 percent) in 2016, while U.S. employment increased by 2,602,000 (1.7 percent). Pennsylvania's hourly employment decreased by 4,800 (-0.1 percent), while U.S. hourly employment increased by 1,656,000 (2.1 percent). The proportion of all workers receiving hourly rates decreased slightly in Pennsylvania and increased slightly in the nation from 2015. In 2016, the percentage of the employed earning hourly rates was higher in Pennsylvania (57 percent) than in the U.S. overall (53 percent).

Of the wage categories depicted above, Pennsylvania had greater percentages in the three extreme categories (below minimum wage, at minimum wage, and more than \$15.00) relative to that of the U.S. In Pennsylvania, 73.5 percent of hourly workers earned more than \$10.10 per hour and 4.1 percent earned the minimum wage or below. These figures compare with 73.8 percent and 2.7 percent, respectively, for the U.S. The proportion of workers earning minimum wage or less in Pennsylvania decreased slightly, due to a shift from below minimum wage to at minimum wage, while those earning "near minimum" decreased by 2.2 percentage points. For the U.S. overall, the proportion of workers in the two highest wage categories, (\$10.10 - \$15.00 and More than \$15.00) were the only categories to increase, while those in the near minimum wage category fell by 3.1 percentage points. This would imply that workers in the nation as well as Pennsylvania were shifting from lower to higher wages, although the wage improvement in Pennsylvania was not as pronounced, as the percentage of workers earning at the minimum wage increased.

COMPARISON OF MINIMUM WAGE WORKER CHARACTERISTICS TO OTHER POPULATIONS

Pennsylvania and U.S. 2016 Averages
Demographic Characteristics of Various Populations
(Total numbers of workers in thousands, breakdown by characteristic in percents)

Demographic Characteristics	Minimum Wage or Below		Above Minimum Wage		All Employed PA	Population 16 and Over	
			Near PA	Total PA		PA	U.S.
	PA ¹	U.S. ¹	PA	PA	PA	PA	U.S.
TOTAL	145.4	2,165	789.0	3,376.7	6,162.9	10,278.3	253,538
Gender							
Male	40.8%	35.8%	40.2%	48.5%	51.8%	48.1%	48.3%
Female	59.2%	64.2%	59.8%	51.5%	48.2%	51.9%	51.7%
Race							
Black, non-Hispanic	8.9%	17.4%	13.0%	9.8%	8.3%	9.9%	11.9%
Hispanic	4.7%	17.1%	10.3%	7.0%	5.6%	6.0%	16.0%
Other, non-Hispanic	7.6%	6.8%	4.8%	4.1%	4.7%	4.8%	8.2%
White, non-Hispanic	78.7%	58.7%	71.8%	79.0%	81.3%	79.3%	63.9%
Age							
16-19	22.1%	20.6%	18.6%	5.7%	3.8%	6.5%	6.6%
20-24	28.6%	25.0%	27.4%	13.6%	9.9%	8.8%	8.6%
25-34	13.1%	24.4%	16.6%	19.9%	20.5%	15.4%	17.2%
35-44	8.8%	11.4%	10.4%	16.8%	18.7%	13.9%	15.7%
45-54	10.7%	9.8%	10.8%	19.0%	20.9%	15.8%	16.7%
55-64	11.8%	6.0%	9.0%	18.6%	19.3%	18.2%	16.3%
65 and over	4.9%	2.9%	7.2%	6.3%	6.9%	21.3%	18.9%
Education							
Less than a high school diploma	16.9%	21.4%	18.8%	9.2%	6.9%	12.5%	14.2%
High school graduates, no college	40.9%	30.9%	38.4%	41.5%	31.8%	34.6%	28.3%
Some college, no degree	33.8%	27.4%	23.5%	17.7%	14.6%	14.5%	18.2%
Associate degree	6.7%	8.9%	7.6%	12.0%	10.9%	9.3%	9.2%
Bachelor's degree or higher	1.7%	11.3%	11.7%	19.7%	35.6%	29.1%	30.0%
Marital Status							
Married Spouse Present	17.3%	21.3%	27.1%	45.9%	52.7%	49.5%	50.0%
Marital Status Other	12.6%	13.3%	11.0%	15.2%	14.8%	19.0%	19.4%
Never Married	70.1%	65.4%	61.8%	38.8%	32.5%	31.5%	30.6%

¹Both the U.S. and PA minimum wages were \$7.25 during 2016.

Totals may not sum due to rounding.

Source: U.S. Bureau of the Census, Current Population Survey

Gender

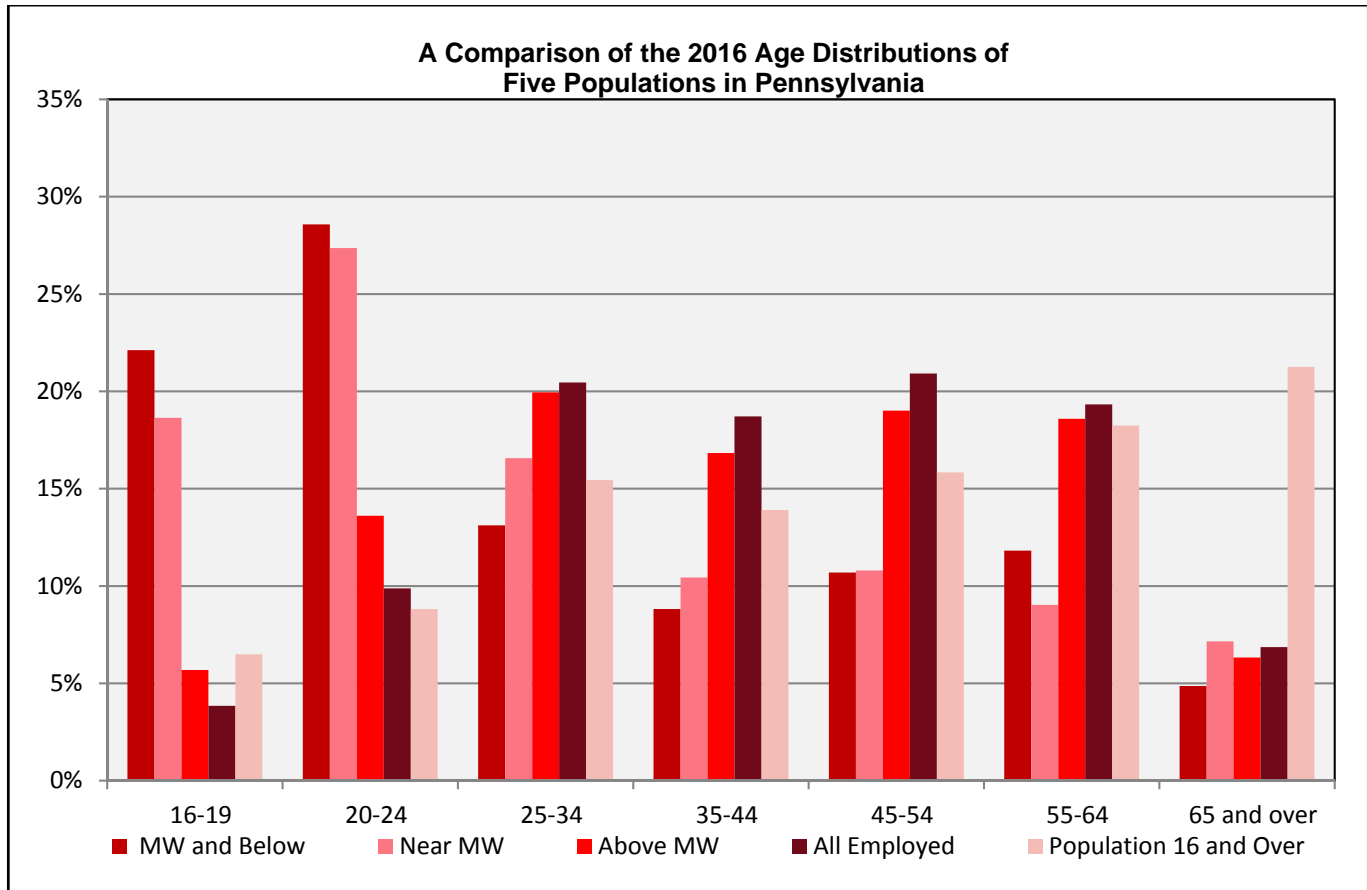
The gender composition of Pennsylvania's minimum wage workers, in 2016, was most similar to that of other minimum wage workers in the U.S. and to those in Pennsylvania earning the near minimum wage (between \$7.26 and \$10.10 inclusive), but differed considerably from other populations within Pennsylvania and the country overall. The overall population of those 16 years and older in both Pennsylvania and the U.S. was almost evenly divided between males and females, (with a slight edge to females), as was the total population of those earning above the minimum wage in Pennsylvania. The Pennsylvania population of all employed was also almost evenly divided between males and females (although that population had a slightly higher percentage of males). In contrast, among minimum wage workers in Pennsylvania during 2016, females outnumbered males by almost 1.5 to 1 (59.2 percent to 40.8 percent).

Race

Being a significant majority of Pennsylvania's population, Whites, not unexpectedly, were similarly a significant majority of Pennsylvania's minimum wage workers, (as well as the other populations depicted), however, they were slightly underrepresented relative to their percentage of all employed and to their percentage in the population of those 16 and over. There was a greater underrepresentation of Whites in the near minimum wage population in Pennsylvania. Blacks made up the next highest percentage of all those employed and of the population in Pennsylvania. Their proportion of minimum wage workers exceeded their percentage of the employed in Pennsylvania, but was less than that of the population 16 and

older. The minimum wage population of Hispanics was underrepresented, while that of Other non-Hispanics was overrepresented relative to their percentages of employment and of their populations of those 16 years and older. Nationally among minimum wage workers, Blacks and Hispanics were overrepresented, while Whites and non-Hispanics were underrepresented relative to their overall populations.

Age



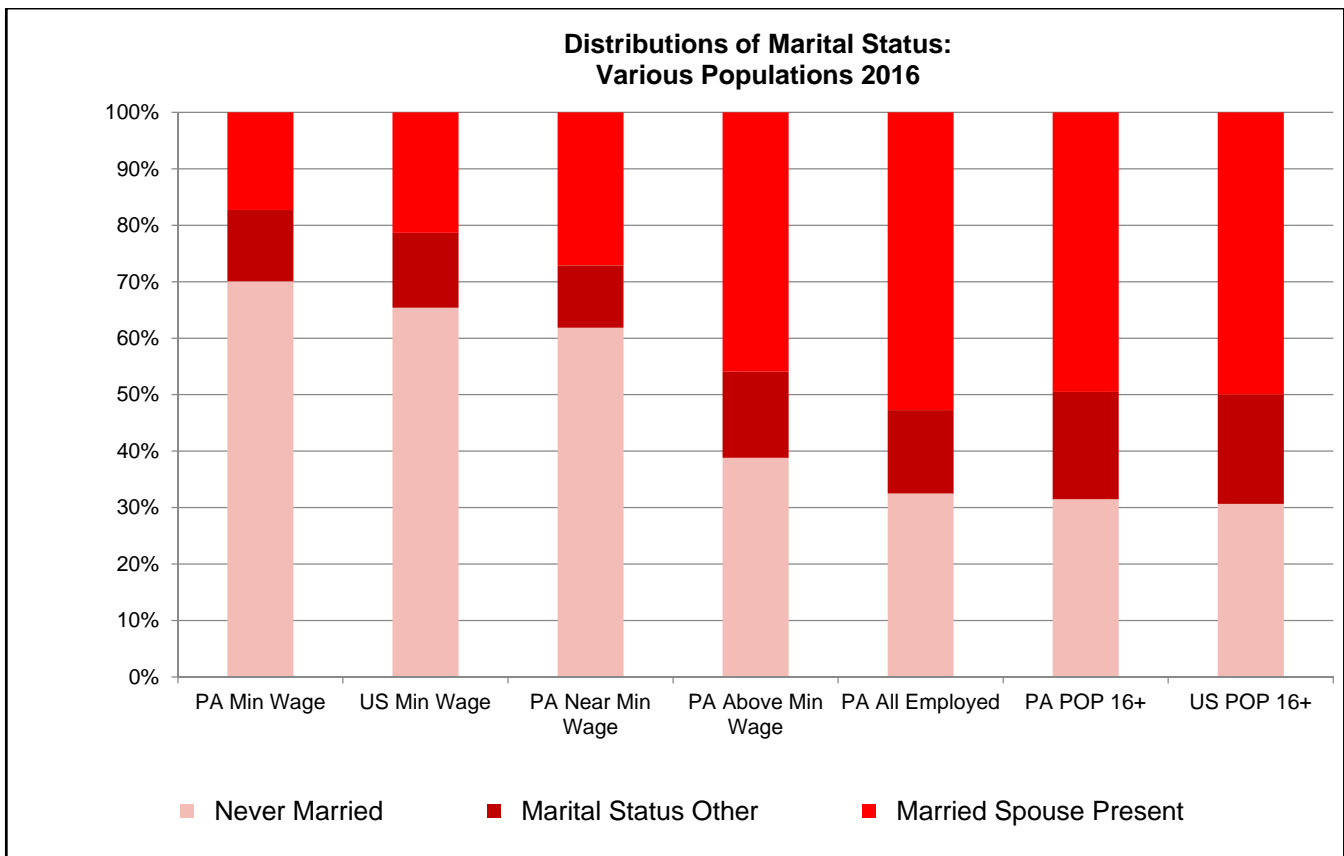
Source: U.S. Bureau of the Census, Current Population Survey

During 2016, Pennsylvania’s minimum wage workers tended to be younger than Pennsylvania’s or the nation’s overall population (16 and over). They also tended to be younger than the Pennsylvania population of all the employed or of workers earning above the minimum wage. Of the seven populations depicted in the table on the previous page, the age distribution of Pennsylvania’s minimum wage workers was most similar to minimum wage workers in the U.S. and near minimum wage earners in Pennsylvania, while being most different from the Pennsylvania overall population and that of all employed. Almost 51 percent of Pennsylvania’s minimum wage population was under 25 years of age, while less than 14 percent of all employed were in that age group. Also 33 percent of Pennsylvania’s minimum wage workers were between 25 and 54 years of age, while the corresponding percentage for all employed was over 60 percent. Minimum wage workers who were 55 years old or older constituted only 16.7 percent of that population, while for the all employed population it was more than 26 percent. (This age group constituted more than 39 percent of the Pennsylvania population who were at least 16 years old).

Education

The 2016 distribution of educational attainment for minimum wage earners in Pennsylvania was similar to such workers in the nation and to those earning near minimum wage, but differed from the population of all Pennsylvania's employed workers. A plurality (roughly 40 percent) of Pennsylvania workers being paid an hourly wage (independent of that wage) were high school graduates with no college, while the percentage for the employed population was smaller. In general, minimum wage workers in Pennsylvania tended to be less educated than other employed workers in the state (which, given the age distribution, is not surprising). Those with a high school diploma or less accounted for almost 58 percent of those earning the minimum wage or less in 2016, as compared to about 39 percent for all employed. At the other end of the distribution, only 1.7 percent of minimum wage workers had at least a bachelor's degree, while the percentage for all employed was almost 36 percent.

Marital Status



Source: U.S. Bureau of the Census, Current Population Survey

A sizable majority (over 70 percent) of minimum wage earners had never been married, while the remainder was split between those who were married with spouse present (17.3 percent) and those with a marital status of other (divorced, separated, or widowed with 12.6 percent). While similar to the distribution of minimum wage workers in the nation, the percentage who had never married was roughly two times that of other Pennsylvania populations analyzed here with the exception of those earning near minimum wage.

**Family Status and Family Income of Hourly Wage and Salary Workers Paid Hourly Rates:
2016 Selected Groups in Pennsylvania and the U.S.
(Numbers of workers in thousands)**

Characteristics	At or Below the Minimum Wage		Above the Minimum Wage		Total Hourly Workers
	PA ¹	U.S. ¹	Near	Total	
			PA	PA	U.S.
TOTAL	145.4	2,165	789.0	3,376.7	79,944
Family Status²					
No Children (Single or Married)	85%	76%	81%	72%	69%
Married Parent	9%	11%	11%	19%	21%
Single Parent	7%	13%	8%	9%	10%
1 child	4%	7%	5%	5%	5%
2 children	3%	4%	2%	2%	3%
3 children	0%	1%	0%	1%	1%
4 or more children	0%	1%	1%	1%	0%
Family Annual Income					
\$9,999 or less	16%	10%	8%	4%	4%
\$10,000 to 19,999	11%	12%	10%	5%	8%
\$20,000 to 29,999	11%	13%	11%	9%	11%
\$30,000 to 39,999	12%	13%	11%	11%	12%
\$40,000 to 49,999	8%	9%	8%	9%	10%
\$50,000 to 59,999	7%	8%	6%	9%	9%
\$60,000 To 74,999	11%	10%	11%	14%	12%
\$75,000 To 99,999	7%	11%	17%	19%	14%
\$100,000 To 149,999	11%	9%	12%	13%	13%
\$150,000 and Over	5%	6%	6%	7%	7%

¹ PA and U.S. minimum wages in 2015 were \$7.25.

² Classification of an individual as a parent requires having at least one own child under the age of 18. All references to children also refer to own children under the age of 18. Totals in the table are rounded to the nearest percent and may differ from those in the text and may not sum correctly due to rounding.

Percentages less than one half of one percent were rounded to 0 percent.

Source: U.S. Bureau of the Census, Current Population Survey

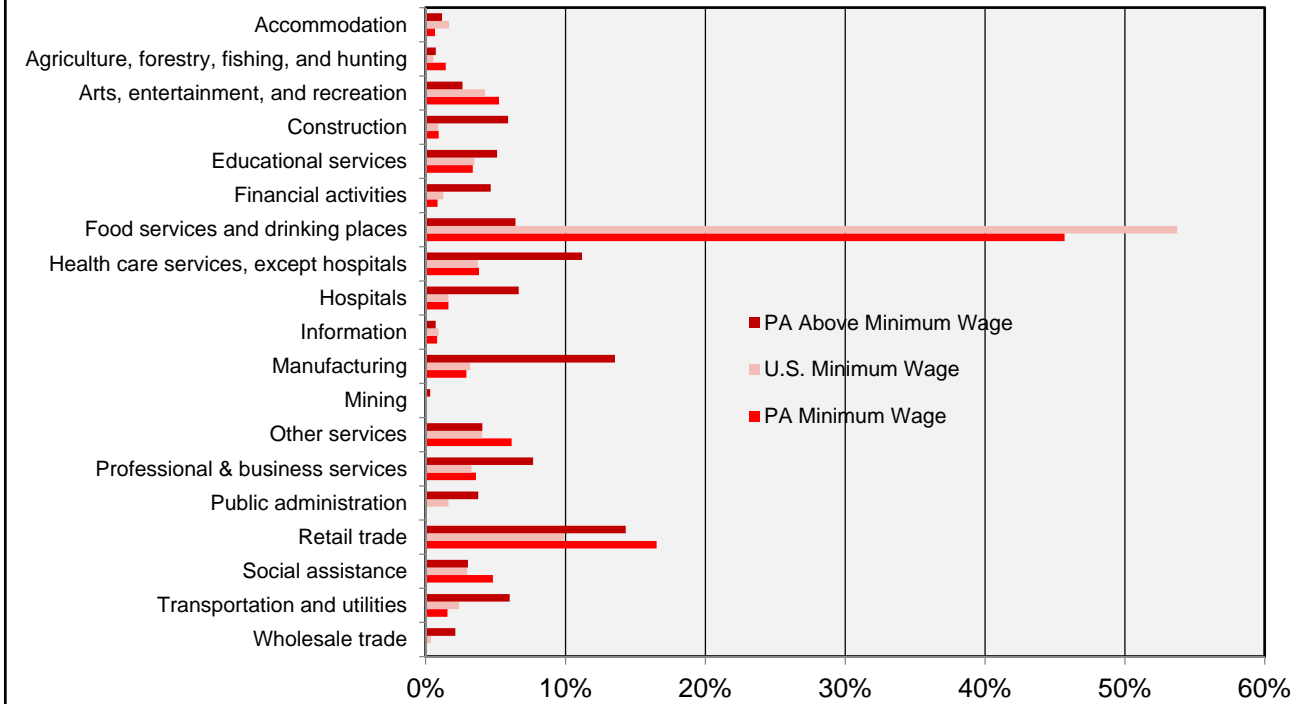
Workers having no children made up 85 percent of those earning the minimum wage or less in Pennsylvania, which was more than the percentage for the same population for the U.S., while married parents (nine percent) and single parents (seven percent) constituted a smaller percentage than the corresponding U.S. population. The family statuses of those earning near the minimum wage in Pennsylvania was more similar to the minimum wage population in Pennsylvania than that of the nation's minimum wage population. These three populations differed considerably (regarding family status) from workers in Pennsylvania earning more than the minimum wage and hourly workers in the U.S. These latter two groups were characterized by a much larger percentage of married parents (more than a two-to-one multiple of the percentage for minimum wage workers in Pennsylvania) and smaller percentages of those without children.

In 2016, 58 percent of the single parents among Pennsylvania's minimum wage workers had only one child, while none of them had three or more children.

The family income of those who earned the minimum wage or less varied greatly. Fifty-eight percent of them were in families whose combined income was less than \$50,000 per year and 39 percent were in families with less than \$30,000 per year. In contrast, 24 percent had annual family incomes of \$75,000 or more a year, and 16 percent had annual family incomes of \$100,000 or more per year. This distribution was similar to near minimum wage workers in Pennsylvania, where 35 percent had family incomes of less than \$30,000 per year and 26 percent had annual family incomes of \$75,000 or more a year.

INDUSTRY AND OCCUPATIONAL DISTRIBUTIONS

A Comparison of Industry Distributions in 2016 of Various Populations: Pennsylvania and the United States

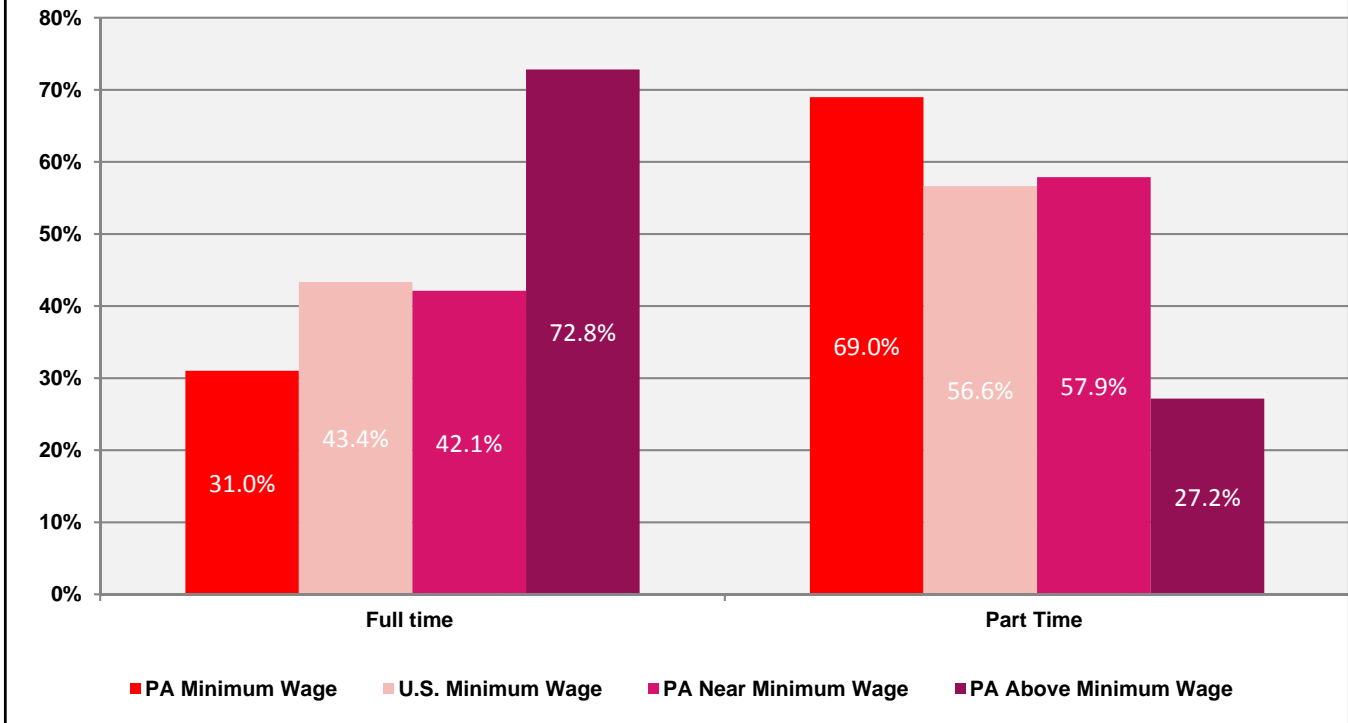


Source: U.S. Bureau of the Census, Current Population Survey
PA and U.S. minimum wages in 2016 were both at \$7.25.

In Pennsylvania, workers earning at or below the minimum wage were most likely to be employed in the following industries: food services and drinking places; retail trade; other services; and arts, entertainment, and recreation. These industries employed almost 74 percent of all minimum wage earners in 2016, with food services and drinking places by itself accounting for almost 46 percent. In contrast, this industry accounted for only six percent of those earning above minimum wage. However, more than four-fifths of the industry groups contained some minimum wage workers. Almost 72 percent of workers earning at or below the minimum wage in the nation, as a whole, worked in food services and drinking places; retail trade; other services; and arts, entertainment, and recreation. Food services and drinking places by itself accounted for more than 50 percent of minimum wage earners at the national level. Including tips, workers in this industry may earn above the minimum wage, but be counted as below minimum wage earners since the measured wage excludes tips.

The retail trade industry in Pennsylvania employs a large number of hourly-paid workers across all wage levels, and therefore, accounted for a large proportion of workers earning more than the minimum wage (14 percent), as well as those earning the minimum wage or less (17 percent). Among workers earning the near minimum wage, the proportion was even higher (24 percent). Retail trade, in combination with manufacturing and non-hospital health care services, accounted for 39 percent of all those earning above the minimum wage in 2016. The industry distribution for workers earning more than the minimum wage in Pennsylvania had representation in all of the major industry groups and was not as concentrated as that of workers in Pennsylvania earning at or below the minimum wage. More detailed information on these industry distributions as well as that of the near minimum wage population can be found in the Appendix on page 40.

**Distribution of Workers Between Full Time and Part Time:
2016 Various Populations**



Source: U.S. Bureau of the Census, Current Population Survey
PA and U.S. minimum wages in 2016 were both at \$7.25.

Any worker who works at least 35 hours for pay in the survey week is classified by the U.S. Bureau of the Census as full time. This is irrespective of whether those hours were worked at one job or at many. Conversely, any worker whose cumulative hours worked in the survey week was between one and 34 hours is classified as part time. In 2016, slightly less than one out of every three minimum wage earners in Pennsylvania worked full time, while more than two out of three of those workers were employed on a part-time basis. The proportions for all hourly workers earning above the minimum wage in Pennsylvania were more extreme, but reversed when compared to minimum wage workers, with more than seven out of ten of such workers working on a full-time basis. The ratio of full-time to part-time work for minimum wage workers in the nation as a whole was similar to that of Pennsylvania workers earning near (but above) the minimum wage. That ratio was also closer to the full-time to part-time ratio of minimum wage earners in Pennsylvania than to that of workers earning above the minimum wage in Pennsylvania.

2016 Occupational Groups Distributions: Pennsylvania's Minimum Wage Population Compared to its Above Minimum Wage Population and the Minimum Wage Population of the U.S.



Both the PA and U.S. minimum wages were \$7.25 in 2016.
 Source: U.S. Bureau of the Census, Current Population Survey

In 2016, almost half (48 percent) of Pennsylvanians who earned the minimum wage or less worked in food preparation & serving related occupations. In addition, such workers also were likely to be employed in sales & related occupations (12 percent), transportation & material moving (nine percent), and office & administrative support (nine percent). These same occupational groups were the top four for U.S. workers earning at or below the minimum wage. Minimum wage workers in Pennsylvania were slightly more concentrated in these top four occupational groups than those of the U.S. with 79 percent in them compared with 76 percent for the U.S.

The distribution of occupational groups for Pennsylvanians who earned above the minimum wage was more diverse and differed considerably from those who earned the minimum wage or less. The top three occupational groups were office & administrative support (17 percent), transportation & material moving (10 percent) and production (nine percent). Food preparation & serving related occupations accounted for only 18 percent of workers earning near minimum wage and eight percent of those earning above the minimum wage.

RECENT HISTORICAL COMPARISONS (ONE AND FIVE YEARS)

Pennsylvania Demographic Characteristics of Hourly Wage & Salary Workers Paid Hourly Rates at or Below the Minimum Wage Annual Average 2016 Compared to Annual Average 2015 and 2011 (Total numbers of workers in thousands, all other numbers in percent)					
Demographic Characteristics	2011	2015	2016	Percentage Point Change	
	PA ¹	PA ²	PA ²	2011 to 2016	2015 to 2016
TOTAL	194.9	151.3	145.4	-	-
Gender					
Male	31%	35%	41%	10%	6%
Female	69%	65%	59%	-10%	-6%
Race					
Black, non-Hispanic	14%	13%	9%	-5%	-4%
Hispanic	8%	10%	5%	-3%	-5%
Other, non-Hispanic	5%	5%	8%	3%	3%
White, non-Hispanic	73%	71%	79%	6%	8%
Age					
16-19	39%	25%	22%	-17%	-3%
20-24	24%	26%	29%	4%	3%
25-34	21%	21%	13%	-7%	-8%
35-44	7%	7%	9%	2%	2%
45-54	3%	11%	11%	7%	0%
55-64	3%	8%	12%	9%	4%
65 and over	3%	2%	5%	2%	3%
Education					
Less than a high school diploma	33%	21%	17%	-16%	-4%
High school graduates, no college	33%	38%	41%	8%	3%
Some college, no degree	24%	28%	34%	10%	6%
Associate degree	5%	3%	7%	1%	4%
Bachelor's degree or higher	5%	9%	2%	-4%	-7%
Marital Status					
Married Spouse Present	16%	19%	17%	1%	-2%
Marital Status Other	8%	14%	13%	4%	-1%
Never Married	76%	67%	70%	-5%	3%

¹ The minimum wage in 2011, 2015, and 2016 was \$7.25 and was unchanged during those years.

Totals and changes may not sum due to rounding.

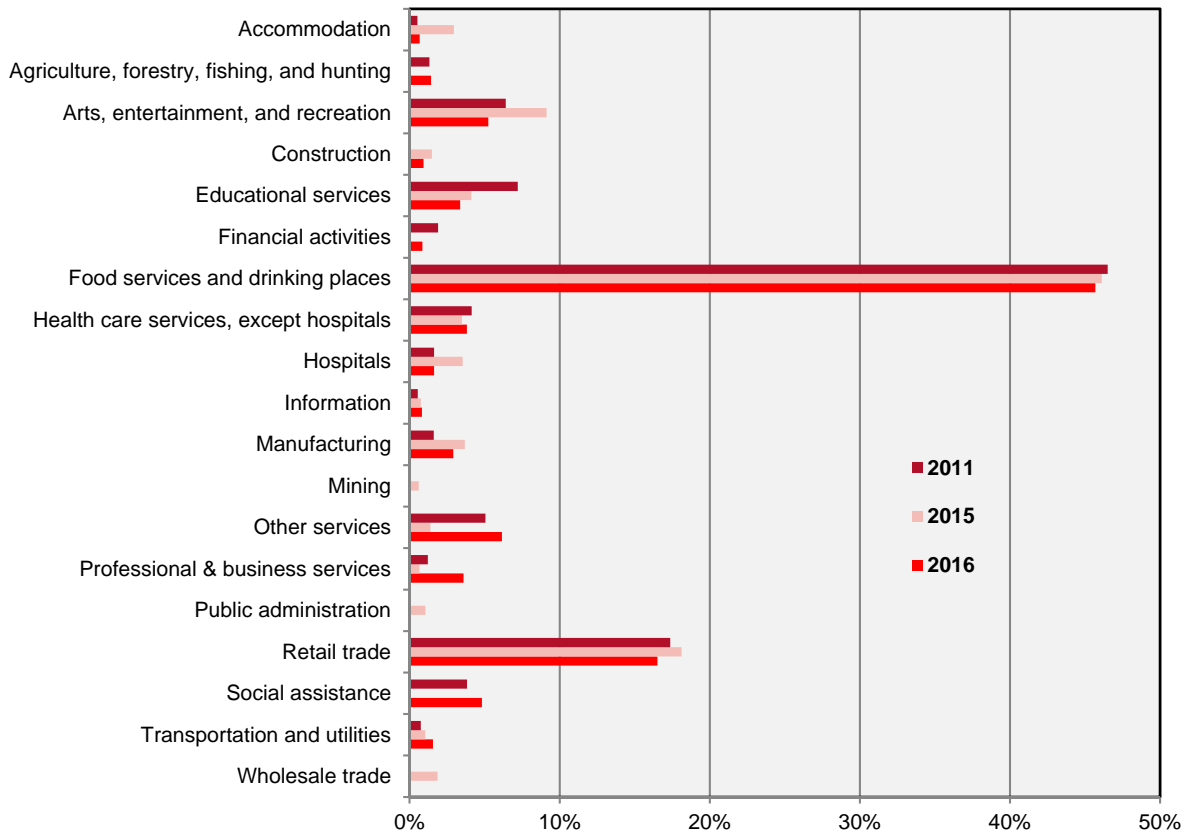
Source: U.S. Bureau of the Census: Current Population Survey

From 2011 through 2016, the minimum wage in Pennsylvania remained unchanged at \$7.25 having last been increased in July of 2009. During that period, the number of minimum wage workers in Pennsylvania dramatically declined by 49,500 or 25.4 percent, while overall employment increased by 5.1 percent and the number of hourly workers increased by 3.4 percent. Labor market conditions over this period improved in Pennsylvania as evidenced by the growth in employment as well as by an increase in average wages. The labor market in 2011 was slowly recovering from the effects of the Great Recession. As overall wages were increasing, it is likely that the entire wage distribution shifted to the right and some formerly minimum wage jobs now paid above minimum wage, leading to the decrease in the number of minimum wage workers. The decrease in the number of minimum wage workers would probably have been greater if overall employment had not increased.

In 2016, males comprised 41 percent of minimum wage workers, a 10 percentage point increase from 2011 and six percentage points higher than in 2015. The absolute number of males earning at or below the minimum wage was slightly lower in 2016 than in 2011, but higher than in 2015.

From 2011 to 2016, the proportion of Pennsylvania's minimum wage earners under 20 years of age decreased dramatically by 17 percentage points, while those older than 44 years of age increased by 18 percentage points. This most likely was a contributing factor to the 16 percentage point decline in minimum wage earners without a high school diploma and the five percentage point decline in those earners who were never married. Over this period, there was also a shift in the composition of minimum wage workers away from Black non-Hispanics and Hispanics toward White and other non-Hispanics. Educationally, there was an increase in high school graduates without higher degrees, while the percentage of those with a bachelor's degree or higher fell.

A Comparison of Industry Distributions of Pennsylvania's Workers Earning at or Below the Minimum Wage: 2016 vs. 2015 and 2011¹



¹The minimum wage was constant at \$7.25 from 2011 through 2016.
Source: U.S. Bureau of the Census: Current Population Survey

In 2011 and 2016, workers earning at or below the minimum wage were most likely to be employed in the industries of food services and drinking places, as well as retail trade. In 2016, other services (services not categorized elsewhere in the industry classification system such as equipment repair, laundry services, and pet care) rose to third place from eleventh place in 2015. Arts, entertainment, and recreation fell to fourth place after being in third place in 2015. The relative predominance of food services and drinking places fell very slightly over the five-year interval, (from 46.5 percent to 45.7 percent), even as it decreased on an absolute scale by 24,200 workers. Minimum wage workers in this industry decreased by almost 27 percent, while the total number of workers earning at or below the minimum wage declined by over 25 percent from 2011 to 2016. Retail trade also fell in both absolute and relative terms from 2011 to 2016. Over the five-year interval, the industries, in addition to food services and drinking places as well as retail trade whose share of minimum wage workers decreased by the most (in percentage points) were: educational services (-3.8 percentage points), arts, entertainment, and recreation (-1.2 percentage points), and financial activities (-1.0 percentage points). The five industries which experienced growth in the number of minimum wage workers over the five-year period were: professional and business services (which had the largest absolute and relative increase), construction, manufacturing, transportation and utilities, and information.

Between 2011 and 2015, the proportion of hourly workers earning the minimum wage or less who worked part time decreased from 72.9 percent to 68.8 percent. The proportion then rose slightly to 69.0 percent in 2016.

**Occupational Groups of Hourly Wage & Salary Workers Paid Hourly Rates at or Below the Minimum Wage
Pennsylvania Annual Average 2016 Compared to Annual Average 2015 and 2011
(Total numbers of workers in thousands, all others are in percents)**

Occupational Group	2011	2015	2016	Percentage Point Change	
	PA ¹	PA ¹	PA ¹	2011 to 2016	2015 to 2016
TOTAL	194.9	151.3	151.3	-	-
Architecture & Engineering	0%	0%	0%	0%	0%
Arts, Design, Entertainment, Sports & Media	1%	0%	0%	-1%	0%
Building & Grounds Cleaning & Maintenance	4%	2%	5%	1%	3%
Business & Financial Operations	0%	0%	0%	0%	0%
Community & Social Service	0%	0%	0%	0%	0%
Computer & Mathematical	1%	0%	0%	-1%	0%
Construction & Extraction	0%	1%	0%	0%	-1%
Education, Training & Library	2%	1%	1%	-1%	0%
Farming, Fishing & Forestry	2%	0%	1%	-1%	1%
Food Preparation & Serving Related	44%	49%	48%	4%	-1%
Healthcare Practitioners & Technical	1%	2%	1%	0%	-1%
Healthcare Support	2%	1%	3%	1%	2%
Installation, Maintenance & Repair	1%	0%	0%	-1%	0%
Legal	1%	0%	0%	-1%	0%
Life, Physical & Social Science	0%	0%	0%	0%	0%
Management	1%	1%	1%	1%	0%
Office & Administrative Support	2%	5%	9%	7%	4%
Personal Care & Service	14%	8%	7%	-7%	-1%
Production	1%	2%	3%	2%	1%
Protective Service	1%	2%	0%	-1%	-2%
Sales & Related	18%	18%	12%	-6%	-6%
Transportation & Material Moving	7%	7%	9%	2%	2%

¹The PA minimum wage in 2011, 2015 and 2016 was \$7.25.
Totals and changes may not add up due to rounding.
Source: U.S. Bureau of the Census, Current Population Survey

In 2011, a plurality (44 percent) of Pennsylvanians who earned the minimum wage or less worked in food preparation & serving related occupations. In addition, such earners also were likely to be employed in sales & related (18 percent), and personal care & service (14 percent).

From 2011 to 2016, the proportion of Pennsylvania minimum wage earners who worked in food preparation & serving related occupations increased by four percentage points, in spite of falling by one percentage point from 2015 to 2016. The occupational group whose proportion decreased by the largest percentage was personal care & service occupations, which fell by seven percentage points. The share of minimum wage earners in the sales & related occupations, which was unchanged from 2011 to 2015, decreased by six percentage points from 2015 to 2016. The share of minimum wage workers in the office & administrative support occupations increased by three percentage points from 2011 to 2015 and by another four percentage points from 2015 to 2016 (seven points total over the five-year period). In 2016, with the exceptions of the aforementioned occupational groups, all the other occupational groups were within two percentage points of their percentages in 2011.

Pennsylvania Family Status and Family Income Characteristics of Hourly Wage & Salary Workers Paid Hourly Rates at or Below the Minimum Wage Comparison of 2016 to 2015 and 2011					
Characteristic	2011	2015	2016	Percentage Point Change	
	PA ¹	PA ¹	PA ¹	2011 to 2016	2015 to 2016
TOTAL (in thousands)	194.9	151.3	145.4	-	-
Family Status² (in Percent)					
No Children (Single or Married)	79%	80%	85%	5%	5%
Married Parent	12%	10%	9%	-4%	-1%
Single Parent	8%	10%	7%	-2%	-4%
1 child	6%	7%	4%	-2%	-3%
2 children	2%	2%	3%	1%	1%
3 children	0%	2%	0%	0%	-2%
4 or more children	0%	0%	0%	0%	0%
Family Annual Income (in Percent)					
\$9,999 or less	4%	9%	16%	12%	7%
\$10,000 to 19,999	16%	10%	11%	-5%	1%
\$20,000 to 29,999	18%	15%	11%	-6%	-3%
\$30,000 to 39,999	7%	7%	12%	5%	5%
\$40,000 to 49,999	10%	8%	8%	-2%	-1%
\$50,000 to 59,999	7%	9%	7%	-1%	-2%
\$60,000 To 74,999	14%	14%	11%	-2%	-3%
\$75,000 To 99,999	10%	11%	7%	-3%	-3%
\$100,000 To 149,999	12%	11%	11%	-1%	0%
\$150,000 and Over	2%	6%	5%	3%	-1%

¹ The PA minimum wage in 2011, 2015, and 2016 was \$7.25.

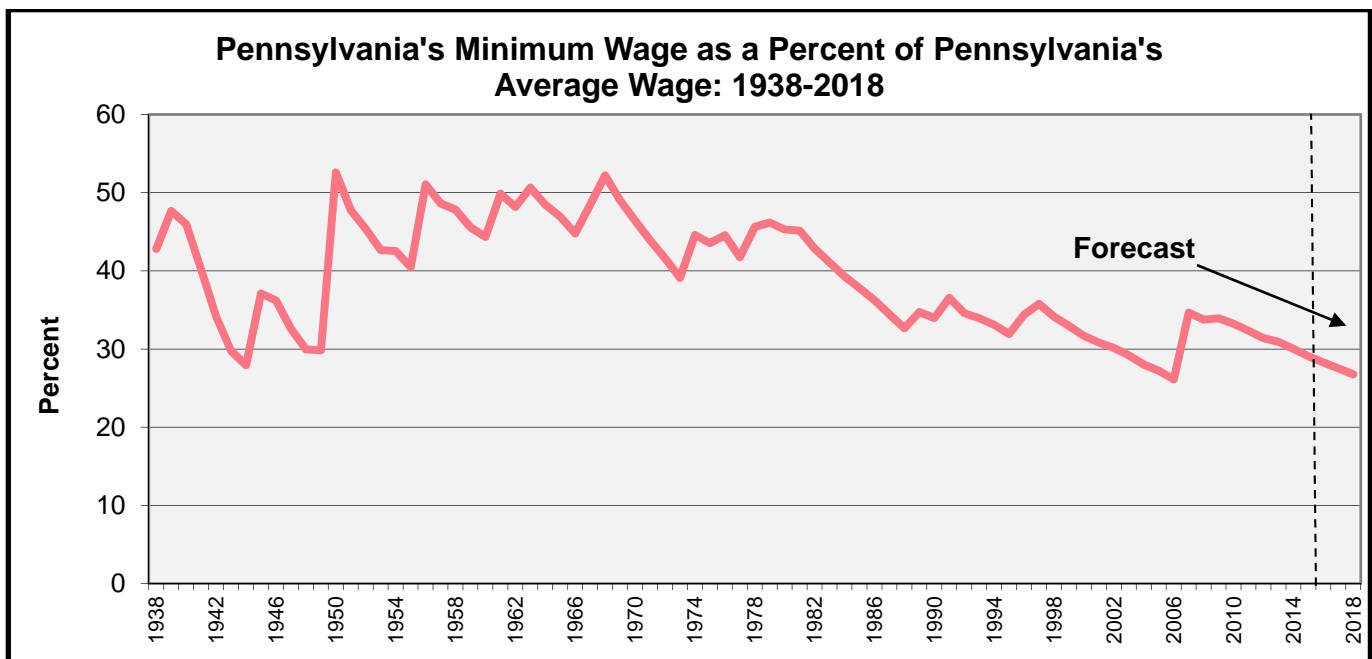
² Classification of an individual as a parent requires having at least one own child under the age of 18. All references to children also refer to own children under the age of 18. Totals in the table are rounded to the nearest percent and may differ from those in the text and may not sum correctly due to rounding.

Source: U.S. Bureau of the Census, Current Population Survey

Workers having no children made up 85 percent of those earning the minimum wage or less in Pennsylvania in 2016, which was more than the percentage in 2011. Conversely, the proportion of such workers who were either married parents or single parents decreased over this period. Overall, the distribution of family characteristics (marital status and number of children) was very similar in 2016 to what it was five years prior in 2011, although there was a small increase in the percentage of those without children and an almost equal decrease in the percentage of married parents. From 2015 to 2016, there was an increase in the percentage of those without any children and an almost equal decrease in single parents.

From 2015 to 2016, the percentage of minimum wage workers whose family income was less than \$30,000 increased by five percentage points to 39 percent, but was only one percentage point higher than in 2011. At the same time, the percentage of such workers with family income of at least \$75,000 decreased by four percentage points to 24 percent from 2015, but was only one percentage point lower than in 2011. The decrease for that income class masks two changes within it that were in opposite directions. The percentage of minimum wage workers whose family incomes were at least \$100,000 increased by three percentage points from 2011, while the percentage of such workers with family incomes in a range of \$75,000 to \$99,999 declined by three percentage points over the five-year span. From 2011 to 2016, the share of minimum wage workers whose family income was between \$50,000 and \$99,999 dropped by six percentage points to 25 percent. However, the decrease in this share was even more pronounced from 2015 to 2016, as it fell by eight percentage points.

A HISTORICAL PERSPECTIVE ON THE MINIMUM WAGE IN RELATION TO INFLATION AND THE POVERTY THRESHOLD



The Average Wage forecast was based on its ten-year arithmetic average.
The minimum wage in 2015 was \$7.25.

The original level of the minimum wage was set in 1938 at 25 cents which was 50 percent of the national average manufacturing wage. According to Jonathan Grossman, a Department of Labor historian, “To ..., the act applied only to interstate commerce and to accommodate various interests, exemption after exemption was granted. A ‘guesstimate’¹ is that one fifth of the American labor force, ... were covered by the FLSA.”² Over time, as the coverage of the minimum wage expanded and manufacturing employment declined as a percentage of total employment, the statewide average wage replaced the average manufacturing wage as the relevant comparison wage, as shown in the above chart. Adjusted for projected wage inflation (based on its 10-year average), 50 percent of the average wage was \$12.46 in 2015. It was projected to rise to \$12.81 in 2016, \$13.17 in 2017, and \$13.54 in 2018.

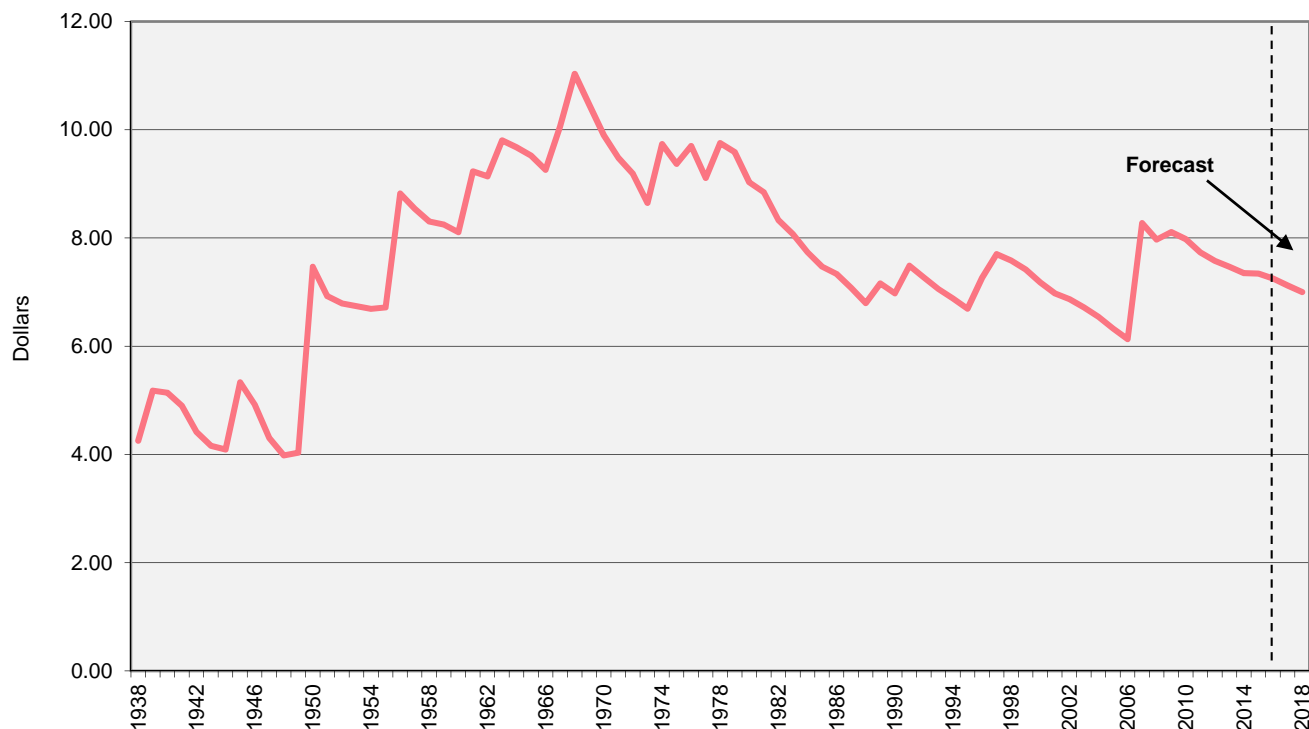
A gradual decline in the minimum wage as a percentage of the Pennsylvania’s average wage began in 1969, such that by 2006 Pennsylvania’s minimum wage was 26 percent of the average wage; an all-time low since this information first was documented (1938).

The increase in the minimum wage to \$7.25 in July 2009 brought the minimum wage up to 34 percent of the average wage. In 2015, Pennsylvania’s minimum wage was 29 percent of the average wage, 21 percentage points below the original level of 50 percent of the average wage. If the minimum wage stays at its current level and the average wage grows at its projected 10-year average rate, the minimum wage will drop to 27 percent of the average Pennsylvania wage by 2018.

¹ Data on the estimated number covered was reported in The Twenty-Seventh Annual Report of the Secretary of Labor (1939), as of September 1938 (p. 198). The section on coverage of the act begins, “It will not be possible to prepare completely accurate estimates of the number of employees who are covered by the act ...” Later it states that the BLS estimated the coverage six months later and it was 1.45 million (18%), higher. Furthermore, it was well known that inter census labor force numbers prior to 1940 (when the CPS (predecessor) began), were not comparable (conceptually and by the fact that they included people 14 years and older) and that data on unemployment may not be accurate. These facts may have led Grossman to characterize the ratio as a ‘guesstimate.’

² Grossman, Jonathan, “Fair Labor Standards Act of 1938: maximum struggle for a minimum wage,” Monthly Labor Review, June 1978 p. 29. Grossman begins that paragraph with, “A major problem with the FLSA was its limited coverage.” This attitude may explain why he compared coverage with the labor force rather than employment, particularly in a year when the unemployment rate was 19%. That would make the cover ratio lower. Not all employees in industries engaged in or producing goods for interstate commerce were covered. Among the exemptions were interstate retailing enterprises, non- railroad transportation workers, and agriculture.

Pennsylvania Inflation Adjusted Minimum Wage¹ 1938-2018

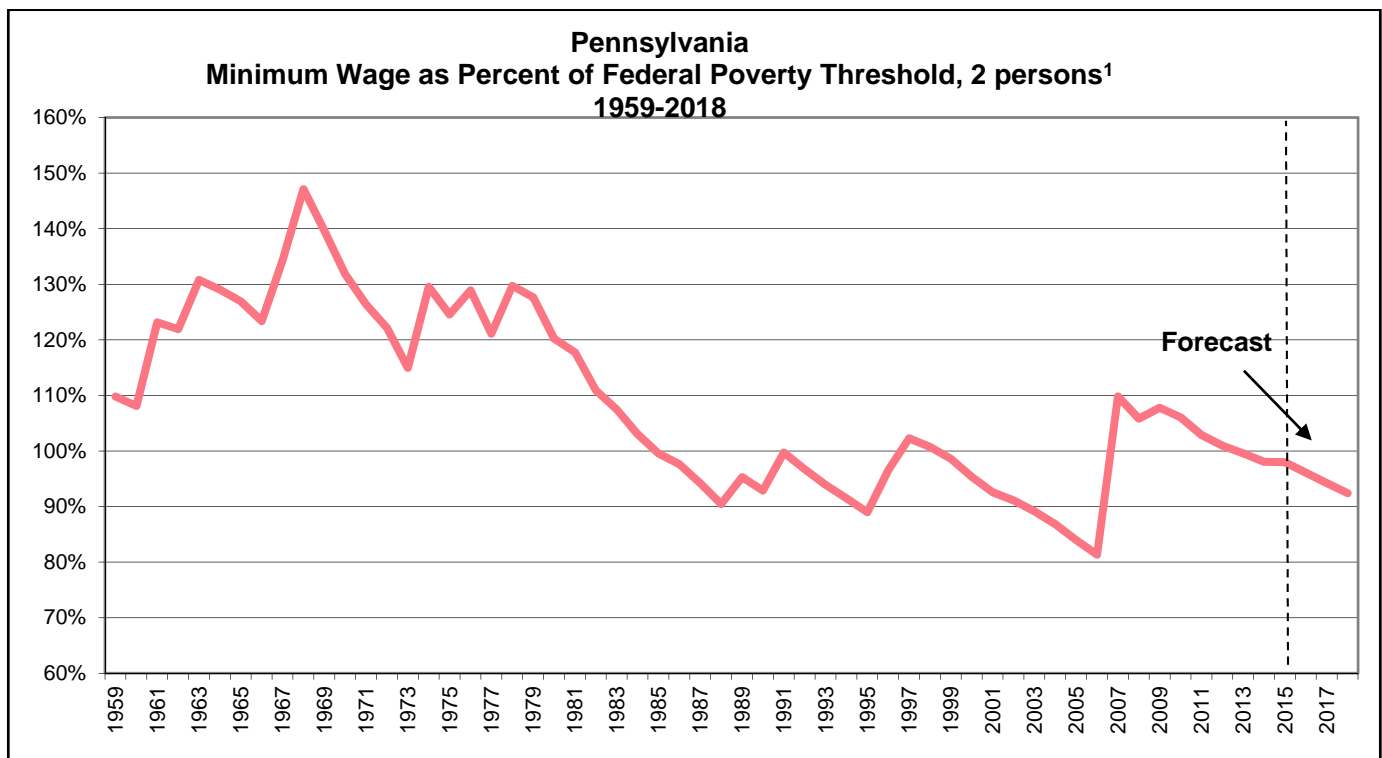


¹Indexed to 2016 dollars
The inflation forecast was based on its 10-year arithmetic average applied to the minimum wage.
The minimum wage in 2016 was \$7.25.

Inflation adversely affects the purchasing power of an unchanging minimum wage. The value of the 2016 minimum wage of \$7.25 as measured in 2016 dollars was, of course, \$7.25. However, adjusting for projected inflation, it is projected to fall to \$7.12 in 2017 and \$7.00 in 2018.

In 1938, the year in which the minimum wage was instituted, its level of \$0.25 would have been equivalent in purchasing power to \$4.26 in 2016 dollars. The minimum wage was raised to \$0.30 in 1939 and to \$0.40 in 1945 causing its purchasing power to increase. However, the post-war inflation that followed caused the purchasing power of the minimum wage (still \$0.40) to fall to its all-time low of \$3.98 in 1948.

In 1968, the year in which the purchasing power of the minimum wage peaked, the then current nominal minimum wage of \$1.60 was equivalent to \$11.03 in 2016 dollars. Pennsylvania's minimum wage (and the federal minimum wage) remained unchanged from September of 1997 to the end of 2006, while prices rose considerably. As the above graph indicates, in 2006 the purchasing power of the minimum wage was less than at any time since the 1950s. The purchasing power of the minimum wage has been steadily declining since 2009, the last year in which it was raised.



¹Weighted average threshold (there are slight variations based on the breakdown between adults and children in the household)
 The inflation forecast was based on its 10-year average applied to the poverty threshold.
 Source: U.S. Bureau of the Census

The U.S. Bureau of the Census annually sets poverty thresholds for families that vary by family size and the ages of its members. Each threshold is a monetary sum that is compared to the family’s income to determine the poverty status of all the members of that family³. For purposes of this comparison, family income is pre-tax and includes earnings, unemployment compensation, public assistance, and a variety of other unearned income and transfer payments, but excludes capital gains, noncash benefits (e.g., food stamps), and tax credits (e.g., Earned Income Tax Credit or EITC). To provide perspective on the relation between the minimum wage and poverty, hypothetical examples are constructed and illustrated below and on the following page.

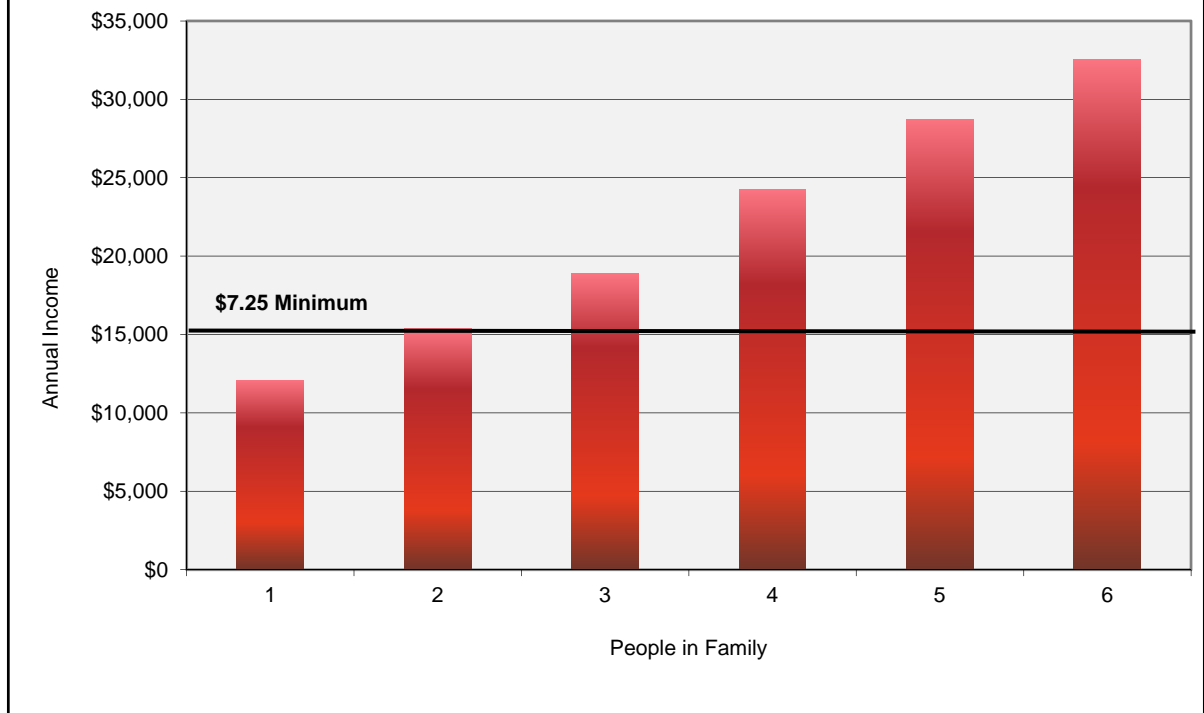
In 2006, the Federal Poverty Threshold for a two-person household was \$13,167, and the annual income for an individual working full time⁴ at the minimum wage (then \$5.15) was \$10,712, or 81 percent of the poverty threshold; an all-time low. The two 2007 increases in the minimum wage (cumulatively to \$7.15) raised the corresponding annual income at year end to \$14,872, which was almost 110% of the poverty threshold.

In 2015, the annual income for an individual in Pennsylvania making the minimum wage (\$7.25) was \$15,080 or 98.0 percent of the 2015 Federal Poverty Threshold for a two-person household (\$15,391). If the minimum wage remains unchanged at \$7.25 in 2017, the earnings of an individual working full time at that wage almost certainly will remain below 100 percent of the Federal Poverty Threshold for a two-person household.

³ Poverty thresholds are used mainly for statistical purposes. Poverty guidelines, which are a simplification of poverty thresholds, are issued by the U.S. Department of Health and Human Services for use for administrative purposes, e.g. determining eligibility for federal programs.

⁴ Full time in this context means working 52 weeks per year and 40 hours per week.

**2015 Federal Poverty Threshold by Family Size¹
Compared with
Pennsylvania Minimum Wage Level**



¹ Weighted average threshold (there are slight variations based on the breakdown between adults and children in the household)
Source: U.S. Bureau of the Census

A person working full time at the minimum wage of \$7.25 per hour earned \$15,080 during 2015. This income exceeded the 2015 Federal Poverty Threshold for a one-person (\$12,082) household. However, it fell short of the poverty threshold for two-person (\$15,391) and three-person households (\$18,871).

Therefore, a single parent with two children, working full time at \$7.25 per hour, would earn wages below the applicable poverty threshold. However, a two-parent family with two children and with both parents working full time at the minimum wage, would earn \$30,160 and would exceed the poverty threshold for a four-person household (\$24,257).⁵

Families of minimum wage workers who are below the poverty threshold may be eligible to participate in state and federal government programs designed to assist the poor. A description of some of these major programs is found in the Appendix on page 42.

⁵ These examples are for illustration purposes only and are not representative of the majority of minimum wage earners, although they may reflect the situation of some families. As pointed out earlier, most minimum wage earners work fewer than 35 hours a week and would earn less than \$15,080 per year.

OTHER STATES

Minimum Wage Rates by State

Area	2015	2016	2017	Change 2015-2016	Change 2016-2017
Federal	\$7.25	\$7.25	\$7.25	-	-
Alabama	\$7.25	\$7.25	\$7.25	-	-
Alaska ¹	\$8.75	\$9.75	\$9.80	\$1.00	\$0.05
Arizona ¹	\$8.05	\$8.05	\$10.00	-	\$1.95
Arkansas	\$7.50	\$8.00	\$8.50	\$0.50	\$0.50
California	\$9.00	\$10.00	\$10.50	\$1.00	\$0.50
Colorado ¹	\$8.23	\$8.31	\$9.30	\$0.08	\$0.99
Connecticut	\$9.15	\$9.60	\$10.10	\$0.45	\$0.50
Delaware	\$8.25	\$8.25	\$8.25	-	-
Florida ¹	\$8.05	\$8.05	\$8.10	-	\$0.05
Georgia	\$7.25	\$7.25	\$7.25	-	-
Hawaii	\$7.75	\$8.50	\$9.25	\$0.75	\$0.75
Idaho	\$7.25	\$7.25	\$7.25	-	-
Illinois	\$8.25	\$8.25	\$8.25	-	-
Indiana	\$7.25	\$7.25	\$7.25	-	-
Iowa	\$7.25	\$7.25	\$7.25	-	-
Kansas	\$7.25	\$7.25	\$7.25	-	-
Kentucky	\$7.25	\$7.25	\$7.25	-	-
Louisiana	\$7.25	\$7.25	\$7.25	-	-
Maine	\$7.50	\$7.50	\$9.00	-	\$1.50
Maryland	\$8.25	\$8.75	\$9.25	\$0.50	\$0.50
Massachusetts	\$9.00	\$10.00	\$11.00	\$1.00	\$1.00
Michigan	\$8.15	\$8.50	\$8.90	\$0.35	\$0.40
Minnesota	\$9.00	\$9.50	\$9.50	\$0.50	-
Mississippi	\$7.25	\$7.25	\$7.25	-	-
Missouri ¹	\$7.65	\$7.65	\$7.70	-	\$0.05

Area	2015	2016	2017	Change 2015-2016	Change 2016-2017
Federal	\$7.25	\$7.25	\$7.25	-	-
Montana ¹	\$8.05	\$8.05	\$8.15	-	\$0.10
Nebraska	\$8.00	\$9.00	\$9.00	\$1.00	-
Nevada ¹	\$8.25	\$8.25	\$8.25	-	-
New Hampshire	\$7.25	\$7.25	\$7.25	-	-
New Jersey ¹	\$8.38	\$8.38	\$8.44	-	\$0.06
New Mexico	\$7.50	\$7.50	\$7.50	-	-
New York	\$9.00	\$9.70	\$10.40	\$0.70	\$0.70
North Carolina	\$7.25	\$7.25	\$7.25	-	-
North Dakota	\$7.25	\$7.25	\$7.25	-	-
Ohio ¹	\$8.10	\$8.10	\$8.15	-	\$0.05
Oklahoma	\$7.25	\$7.25	\$7.25	-	-
Oregon ¹	\$9.25	\$9.75	\$10.25	\$0.50	\$0.50
Pennsylvania	\$7.25	\$7.25	\$7.25	-	-
Rhode Island	\$9.00	\$9.60	\$9.60	\$0.60	-
South Carolina	\$7.25	\$7.25	\$7.25	-	-
South Dakota ¹	\$8.50	\$8.55	\$8.65	\$0.05	\$0.10
Tennessee	\$7.25	\$7.25	\$7.25	-	-
Texas	\$7.25	\$7.25	\$7.25	-	-
Utah	\$7.25	\$7.25	\$7.25	-	-
Vermont ¹	\$9.15	\$9.60	\$10.00	\$0.45	\$0.40
Virginia	\$7.25	\$7.25	\$7.25	-	-
Washington ¹	\$9.47	\$9.47	\$11.00	-	\$1.53
West Virginia	\$8.75	\$8.75	\$8.75	-	-
Wisconsin	\$7.25	\$7.25	\$7.25	-	-
Wyoming	\$7.25	\$7.25	\$7.25	-	-

¹ Minimum wage tied to inflation rate – Consumer Price Index (CPI)

The data for 2017 (which includes enacted, but not yet effective statutory increases) was accurate as of January 5, 2017. Some states have multiple minimum wage rates due to type of work or number of employees, while others are based on geography. The highest rate is used above for non-geographic rates, while for geographic ones those applicable to most of the state are used.

Data for the Federal government and states that abut Pennsylvania are shaded in gray.

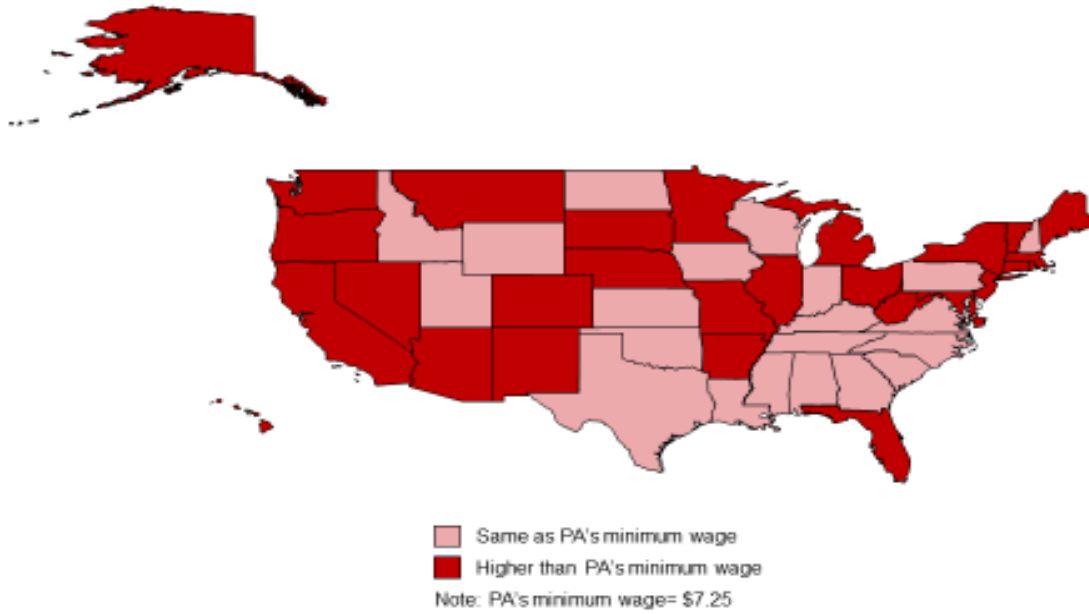
Source: U.S. Department of Labor and state websites

During 2016, 29 states had higher minimum wage rates than Pennsylvania, ranging from \$7.50 to \$10.00. The number was unchanged from that of 2015. Since the beginning of 2015, all of Pennsylvania's neighboring states have had higher minimum wages than Pennsylvania. In 2016 the minimum wages of Pennsylvania's neighboring states ranged from \$8.10 to \$9.70.

In 2016, the remaining 21 states (including Pennsylvania) all effectively had a minimum wage of \$7.25 per hour, which is the federal minimum wage. Of these 21 states, 14 (including Pennsylvania) had a minimum wage requirement equal to the federal rate, two states had a formal minimum lower than the federal level, and five states had not adopted a statutorily established minimum wage. When the federal rate exceeds a state rate, it supplants the latter rate since federal law supersedes state law. Therefore, the seven states without a statutory minimum wage or with one that is lower than the federal requirement effectively have minimum wages equal to \$7.25 per hour, which is also Pennsylvania's rate.

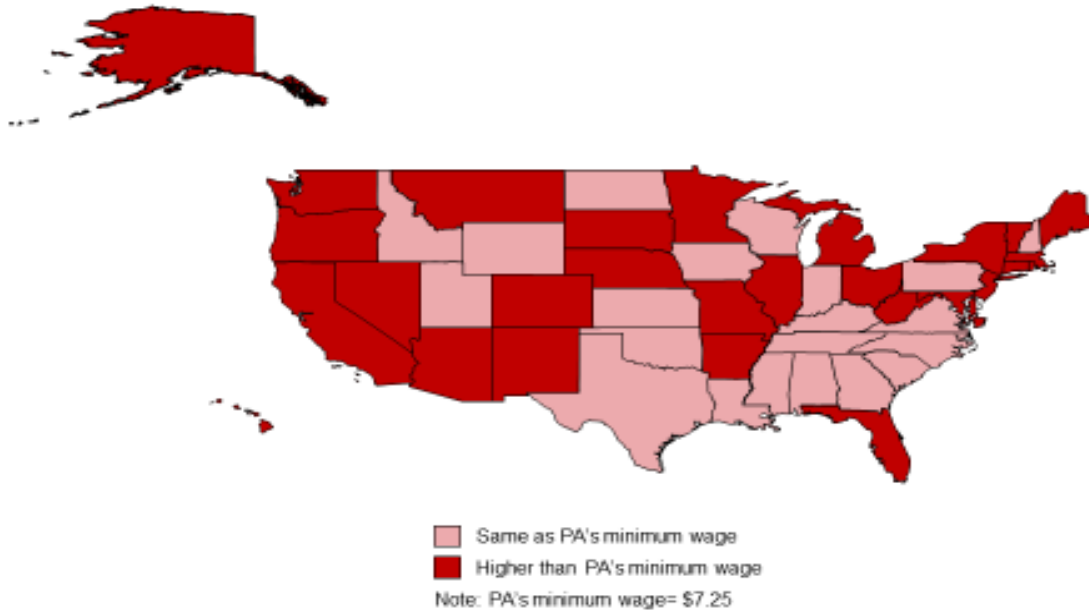
Alaska, Arizona, Colorado, Florida, Missouri, Montana, Nevada, New Jersey, Ohio, Oregon, Vermont, and Washington currently have their minimum wages tied to the Consumer Price Index to provide automatic increases that keep pace with inflation. In 2016, only Colorado and South Dakota increased their minimum wages due to the inflation provision in their laws. Overall, 16 states raised their minimum wages in 2016 and so far 21 states (including Alaska which begins indexing its minimum wage in 2017) have or are projected to do so in 2017.

2015 Pennsylvania and Other States Minimum Wage Comparison



As of 01/05/2017

2016 Pennsylvania and Other States Minimum Wage Comparison



As of 01/05/2017

APPENDIXES

Terms, Definitions and Sources

- Bureau of the Census – The U.S. Bureau of the Census, in the U.S. Department of Commerce, collects general information from individuals and establishments in order to compile statistics.
- Bureau of Labor Statistics (BLS) – The U.S. Bureau of Labor Statistics, in the U.S. Department of Labor, is the principal fact-finding agency for the Federal Government in the broad field of labor economics and statistics.
- Census – A census is an enumeration of the population of a nation or a registration region; a systematic and complete count of all who are living in specified places, usually on a specific date. Like many modern democracies, the United States conducts a complete enumeration every 10 years, under the auspices of the U.S. Bureau of the Census, which publishes detailed reports.
- Consumer Price Index (CPI) – Monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. BLS produces the CPI.
- Cost of Living Adjustment (COLA) – Adjustment of wages designed to offset changes in the cost of living, usually as measured by the Consumer Price Index.
- Current Population Survey (CPS) – The Current Population Survey (CPS) is a statistical survey conducted by the U.S. Bureau of the Census on behalf of the U.S. Bureau of Labor Statistics (BLS). The BLS uses the data to provide a monthly report on the national employment situation. This report provides estimates of the number of unemployed people in the United States.
- Employed – Employed persons are all persons who, during the week that includes the 12th day of the month: (a) did any work as paid employees, worked in their own businesses or professions or on their own farm, or worked 15 hours or more as unpaid workers in enterprises operated by members of their families; or (b) were not working but who had jobs from which they were temporarily absent. Each employed person is counted only once, even if the person holds more than one job.
- Fair Minimum Wage Act of 2007 – The act amended the Fair Labor Standards Act of 1938 to increase the federal minimum wage by \$2.10 over two years – from \$5.15 to \$7.25 an hour. On July 24, 2007, the minimum wage increased from \$5.15 to \$5.85. On July 24, 2008, the minimum wage increased from \$5.85 to \$6.55. On July 24, 2009, the final increase occurred, from \$6.55 to \$7.25.
- Federal Poverty Threshold – The set minimum amount of annual income that a family needs for food, clothing, transportation, shelter, and other necessities as determined by the U.S. Bureau of the Census. The U.S. Bureau of the Census uses a set of annual money income thresholds that vary by family size and composition to determine who is in poverty. Every member of a family is deemed to be in poverty if the family's total income is less than the applicable threshold. The calculation of family income includes before tax income from earnings, unearned income (interest, dividends, rents, etc.), and cash transfer payments (unemployment compensation, Social Security, SSI, public assistance, etc.), but excludes capital gains and losses, tax credits (e.g., EITC), and noncash benefits (e.g., food stamps). The number is adjusted for inflation and reported annually.

- Fair Labor Standards Act (FLSA) – Passed by the U.S. Congress in 1938 to establish minimum living standards for workers engaged directly or indirectly in interstate commerce, including those involved in production of goods bound for such commerce. In addition to establishing a minimum wage, it also established a maximum workweek, overtime pay, record keeping requirements, and child labor standards affecting full-time and part-time workers in the private sector and in federal, state, and local governments.
- Inflation – Inflation is a sustained increase in the general price level of goods and services in an economy over some period of time. Equivalently, it also represents a decreasing value of the country's money. The inflation rate is the annualized percentage change in some price index. The Consumer Price Index (CPI) is a commonly used standard to measure inflation, since it measures the average change over time of the prices paid by urban consumers for a market basket of consumer goods and services.
- Minimum Wage – Minimum wage is the lowest lawful hourly level at which workers may be compensated by their employers; it is established by the FLSA at the federal level and by the Minimum Wage Act in Pennsylvania.
- Minimum Wage Worker – For purposes of this report, workers earning **at or below** the minimum wage are referred to as minimum wage workers.
- National Bureau of Economic Research (NBER) – The NBER is the nation's leading nonprofit economic research organization. Due to its work on national accounts and business cycles, the NBER is well-known for providing start and end dates for recessions in the United States.
- Near Minimum Wage – A range of wage rates somewhat in excess of the legal minimum wage, but close to it. In addition to those earning at or below the minimum wage, the group most likely to be affected by an increase in the minimum wage are those earning the near minimum wage. For purposes of this report, wage rates between \$7.26 and \$10.10 per hour are referred to as the near minimum wage.
- Wage and Salary Workers – These are workers age 16 and older who receive wages, salaries, commissions, tips, payments in kind, or piece rates on their sole or principal job. This group includes employees in both the private and public sectors, as well as both hourly and non-hourly workers. All self-employed workers are excluded whether or not their businesses are incorporated.
- Workers Paid by the Hour (Hourly Workers) – These are employed wage and salary workers who report that they are paid at an hourly rate on their job. Historically, workers paid an hourly wage have made up approximately three-fifths of all wage and salary workers nationally. Estimates of workers paid by the hour include both full- and part-time workers unless otherwise specified.

Table of Industry Distributions

A Comparison of Industry Distributions of Various Populations

Pennsylvania and U.S.: 2016 Averages

(Total numbers of workers in thousands, breakdown by industry in percents)

Industry Characteristics of Hourly Wage & Salary Workers at the Minimum Wage or Below	Minimum Wage or Below		Above Minimum Wage	
			Near	Total
	PA ¹	U.S. ¹	PA	PA
TOTAL	145.4	2,165	789.0	3,376.7
Industry				
Accommodation	1%	2%	2%	1%
Agriculture, forestry fishing, and hunting	1%	1%	1%	1%
Arts, entertainment, and recreation	5%	4%	6%	3%
Construction	1%	1%	2%	6%
Educational services	3%	3%	5%	5%
Financial activities	1%	1%	2%	5%
Food services and drinking places	46%	54%	16%	6%
Health care services, except hospitals	4%	4%	11%	11%
Hospitals	2%	2%	2%	7%
Information	1%	1%	0%	1%
Manufacturing	3%	3%	9%	14%
Mining	0%	0%	0%	0%
Other services	6%	4%	4%	4%
Professional and business services	4%	3%	6%	8%
Public administration	0%	2%	1%	4%
Retail trade	17%	10%	24%	14%
Social assistance	5%	3%	5%	3%
Transportation and utilities	2%	2%	2%	6%
Wholesale trade	0%	0%	2%	2%
Work Status				
Full-time	31%	43%	42%	73%
Part-time	69%	57%	58%	27%

¹ Both the U.S. minimum wage and the PA minimum wage were \$7.25 during 2016

Totals may not sum due to rounding

Source: U.S. Bureau of the Census, Current Population Survey

Table of Occupational Groups Distributions

A Comparison of Occupational Groups Distributions of Various Populations Pennsylvania and

U.S.: 2016 Averages

(Total numbers of workers in thousands, breakdown by occupational group in percents)

Occupation	Minimum Wage or Below		Above Minimum Wage	
	PA ¹	U.S. ¹	Near	Total
			PA	PA
TOTAL	145.4	2,165	789.0	3,376.7
Occupation				
Architecture & Engineering	0%	0%	0%	1%
Arts, Design, Entertainment, Sports & Media	0%	1%	0%	1%
Building, Grounds Cleaning & Maintenance	5%	4%	6%	5%
Business & Financial Operations	0%	0%	1%	3%
Community & Social Service	0%	0%	0%	1%
Computer & Mathematical Science	0%	0%	1%	1%
Construction & Extraction	0%	1%	2%	6%
Education, Training & Library	1%	2%	2%	3%
Farming, Fishing & Forestry	1%	1%	1%	1%
Food Preparation & Serving Related	48%	52%	18%	8%
Healthcare Practitioner & Technical	1%	1%	1%	7%
Healthcare Support	3%	3%	6%	5%
Installation, Maintenance & Repair	0%	1%	2%	4%
Legal	0%	0%	0%	0%
Life, Physical & Social Service	0%	0%	1%	1%
Management	1%	1%	1%	3%
Office & Administrative Support	9%	8%	13%	17%
Personal Care & Service	7%	6%	9%	4%
Production	3%	2%	7%	9%
Protective Service	0%	2%	4%	3%
Sales & Related	12%	9%	17%	8%
Transportation & Material Moving	9%	7%	8%	10%

¹ Both the U.S. minimum wage and the PA minimum wage were \$7.25 during 2016

Totals may not sum due to rounding

Source: U.S. Bureau of the Census, Current Population Survey

Programs that May Assist Minimum Wage Workers

There are a multitude⁶ of state and federal programs including cash aid, education, energy, food aid, health care, etc. that provide assistance to low income families. Below is a brief description of some of the major programs for which some minimum wage workers may be eligible. While the requirements of each program differ, they generally have a work requirement, and are based on family characteristics and income. Consequently, many minimum wage workers may not be eligible.

Earned Income Tax Credit (EITC): is a refundable federal tax credit that offsets some payroll and income taxes of low-income working families. To qualify, one needs to file a tax return (cannot file married, filing separately), have earned income (i.e. work), have both earned and Adjusted Gross Income (AGI) less than \$53,505 (limits are lower for less than three qualifying children and if not filing “married filing jointly”) and no more than \$3,400 in investment income. The maximum benefit ranges from \$506 (no qualifying children) to \$6,269 (three or more qualifying children).

Child Tax Credit (CTC): helps working families offset the cost of raising children. Eligibility requires one to file taxes, have at least one qualified child, and have earned income (work). The maximum modified AGI is as high as \$110,000, for married couples filing jointly. The maximum tax credit is \$1,000 for each qualified child and equals 15 percent of earnings over \$3,000. The Additional Child Tax Credit (ACTC) is a refundable component of the CTC.

Pennsylvania - Temporary Assistance for Needy Families (TANF): is federal program administered through the state via a block grant, and is designed to help needy families achieve self-sufficiency. It is also referred to as Cash Assistance. There are both resource and income constraints as well as a maximum time limit (60 months) that one can access these benefits.

Supplemental Nutrition Assistance Program (SNAP): is the new name for the Food Stamp program. These benefits are used to buy food and help eligible low-income households in Pennsylvania obtain more nutritious diets by increasing their food purchasing power at grocery stores and supermarkets. There are gross monthly income limits based on family size and presence of disabled persons.

Medicaid/ Medical Assistance (MA): pays for health care services for eligible individuals. Income limits are based on a multiple of the Federal Poverty Guidelines, which depends on family size and composition.

More detailed information on these programs can be found at: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/do-i-qualify-for-earned-income-tax-credit-eitc>
<https://www.irs.gov/pub/irs-pdf/p972.pdf>.
<http://www.dhs.pa.gov/citizens/cashassistance/tanfandmovingtoindependence/>.
<http://www.dhs.pa.gov/citizens/supplementalnutritionassistanceprogram/>
<http://www.dhs.pa.gov/citizens/healthcaremedicalassistance/>

⁶ In FY 2012, there were at least 92 federal programs that were designed to help lower-income Americans, according to *The War on Poverty: 50 Years Later*, March 3, 2014, by the House Budget Committee Majority Staff.

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