

Increasing the Minimum Wage  
to \$15/Hour by 2025 Raises  
Wages for Over 2 Million  
Workers in Pennsylvania.  
Who Are They?

the Demographic Impacts of a Minimum Wage Increase

May 2019

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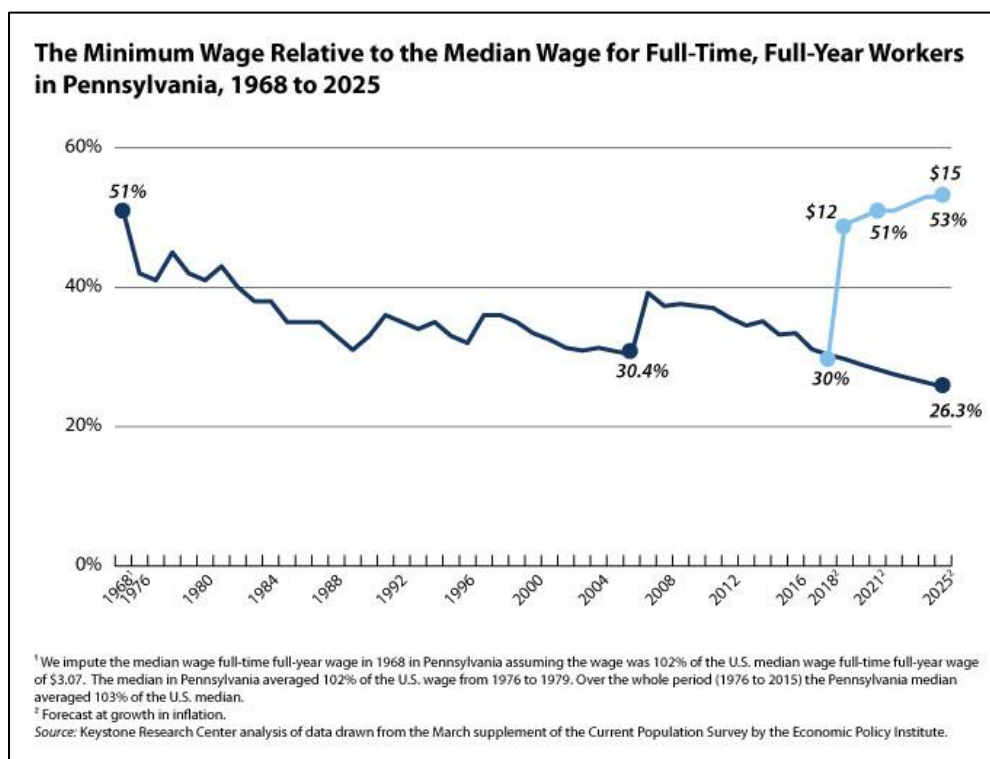
## Increasing the Minimum Wage to \$15/hour by 2025 Would Raise Wages for Over 2 Million Workers in Pennsylvania. Who Are They?

### The Demographic Impacts of a Minimum Wage Increase<sup>1</sup>

Wrapped into his 2019 budget proposal, Governor Wolf has proposed to raise the minimum wage in July 2019 to \$12/hour, with yearly 50-cent increases until it reaches \$15/hour in 2025. After 2025, the minimum wage would be adjusted for inflation. Also included in this plan is to eliminate the separate tipped minimum wage of \$2.83/hour—tipped workers would earn \$12 in July 2019 and would follow the same scheduled changes each year.

This increase is needed to make up for the declining value of the minimum wage over time. Figure 1 shows the minimum wage relative to the median wage for full-time, full-year workers in Pennsylvania over time. In 1968, the minimum wage was 51% of the median wage in Pennsylvania; the minimum was \$1.60 compared to the median of \$3.15. As you can see by the dark blue line, this value has decreased steadily over time. Today, the minimum wage is only 30% of the median wage in Pennsylvania. Doing nothing and maintaining a \$7.25 minimum wage will result in this falling to 26.3% by 2025. Alternatively, Governor Wolf's plan to raise the minimum wage to \$15/hour by 2025 will bring the minimum back to about half of the median wage, where it was in the late 1960s.

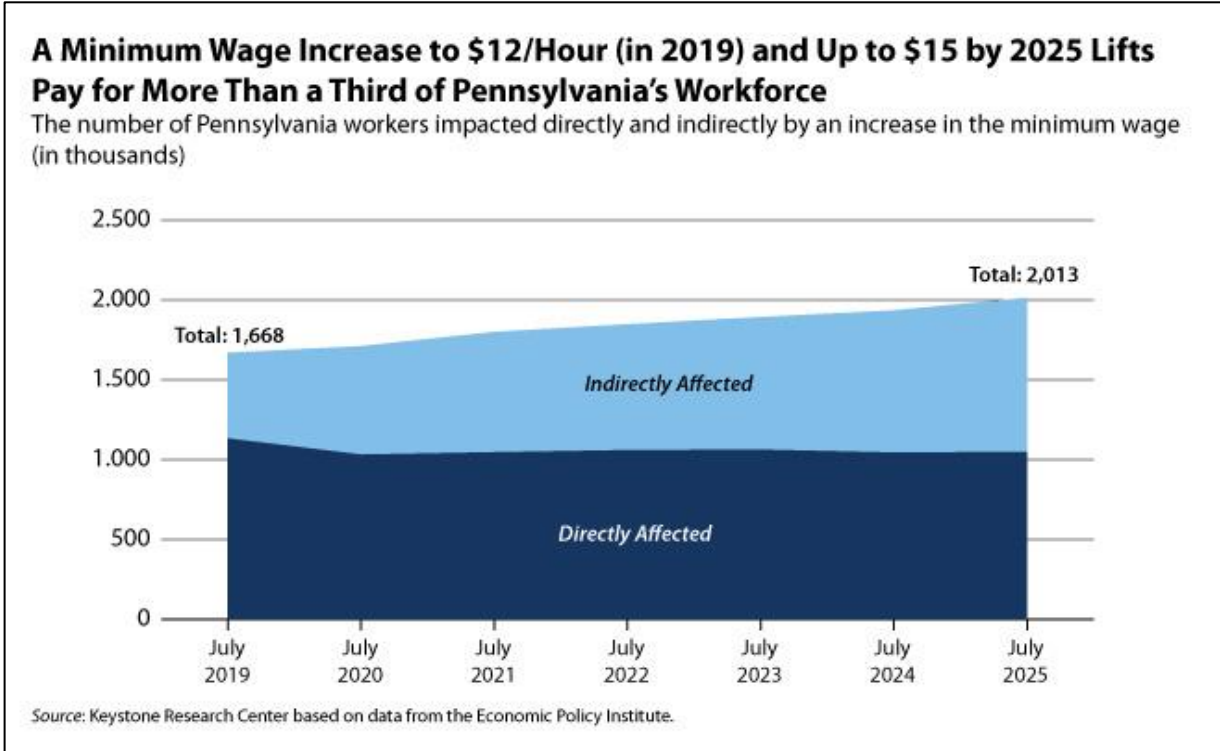
Figure 1



<sup>1</sup> This report is based on an Economic Policy Institute report by David Cooper (source below) who provided us with state-level data and his report which served as a template for this state-level report. His analysis uses the EPI's revised Minimum Wage Simulation Model, estimating the workforce affected by changes in the minimum wage nationally. This report focuses on the impacts of such a wage increase in Pennsylvania. David Cooper. 2019. "Raising the federal minimum wage to \$15 by 2024 would lift pay for nearly 40 million workers." Economic Policy Institute. February 5, 2019.

This proposal to raise the minimum wage would have far-reaching impacts on workers across the state (see Figure 2 and Table 1). An increase to \$12/hour on July 1, 2019 would impact a total of 1.7 million Pennsylvania workers. More than 1.13 million would see a direct increase, meaning they earn less than \$12/hour on July 1, 2019 and would see an increase specifically due to the legislated increase. There are also 540,000 people who make slightly more than \$12/hour as of July 2019, but would see their wages increase as scales are adjusted upwards. Typically, raising the minimum wage results in increases for workers who are higher paid because employers want to maintain progression within their pay scales.<sup>2</sup> With each minimum wage increase from 2020 to 2025, additional workers will benefit. By July 1, 2025 when the minimum wage reaches \$15/hour, a total of 2.01 million workers will see benefits: 1.05 million directly and 970,000 indirectly. By 2025, one-third (34%) of Pennsylvania’s workforce would see a raise.

**Figure 2**



<sup>2</sup> Wicks-Lim, Jeannette. 2006. “Mandated Wage Floors and the Wage Structure: New Estimates of the Ripple Effects of Minimum Wage Laws.” Political Economy Research Institute at the University of Massachusetts Amherst, Working Paper no. 116.; David Cooper. 2019. “Raising the federal minimum wage to \$15 by 2024 would lift pay for nearly 40 million workers.” Economic Policy Institute. February 5, 2019.

**Table 1**

Summary of minimum wage increases under proposed increase of Pennsylvania minimum wage and numbers of workers affected by the increases, 2019–2025						
Date	Minimum wage	Total estimated state workforce	Directly affected	Indirectly affected	Total affected	Affected workers' share of state workforce
1-Apr-19	\$7.25					
1-Jul-19	\$12.00	5,851,000	1,132,000	536,000	1,668,000	28.50%
1-Jul-20	\$12.50	5,874,000	1,031,000	679,000	1,710,000	29.10%
1-Jul-21	\$13.00	5,876,000	1,046,000	753,000	1,799,000	30.60%
1-Jul-22	\$13.50	5,899,000	1,059,000	788,000	1,846,000	31.30%
1-Jul-23	\$14.00	5,922,000	1,062,000	835,000	1,897,000	32.00%
1-Jul-24	\$14.50	5,945,000	1,044,000	896,000	1,940,000	32.60%
1-Jul-25	\$15.00	5,969,000	1,048,000	965,000	2,013,000	33.70%

Notes: Values reflect the result of the proposed change in the state minimum wage. Totals may not sum due to rounding. Shares calculated from unrounded values. Directly affected workers will see their wages rise as the new minimum wage rate exceeds their existing hourly pay. Indirectly affected workers have a wage rate just above the new minimum wage (between the new minimum wage and 115 percent of the new minimum). They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage. Wage increase totals are cumulative of all preceding steps. Estimate assumes tipped workers will be paid the full minimum wage.

Source: Keystone Research Center, from Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.

Table 2 documents the wage impacts of a minimum wage increase in the state. The average affected worker will see an increase of \$2.11/hour in July 2019, which works out to \$3,214 per year for full-time, full-year workers. These additional wages represent an increase of 17.5% in income in the first year after an increase. By 2025, the average affected worker will see an increase of \$3.10/hour or \$4,729 a year for full-time work; this is an increase in income of 21.3%. Workers across Pennsylvania will see more than \$9.5 billion in yearly wages, which will most likely be put right back into our economy.

**Table 2**

Wage impacts of increasing the Pennsylvania minimum wage to \$15 by 2025, 2019–2025 (2018\$) for all (directly & indirectly) affected workers						
Date	Minimum wage (nominal \$)	Minimum wage (2018\$)	Total wage increase (thousands 2018\$)	Change in average hourly wage (2018\$)	Change in avg. annual income (year-round workers) (2018\$)	Real percent change in average annual income
1-Apr-19	\$7.25	\$7.08				
1-Jul-19	\$12.00	\$11.73	\$5,361,309	\$2.11	\$3,214	17.50%
1-Jul-20	\$12.50	\$11.92	\$5,841,049	\$2.25	\$3,416	17.90%
1-Jul-21	\$13.00	\$12.09	\$7,122,902	\$2.56	\$3,959	20.20%
1-Jul-22	\$13.50	\$12.25	\$7,578,755	\$2.65	\$4,104	20.20%
1-Jul-23	\$14.00	\$12.40	\$8,110,598	\$2.76	\$4,276	20.30%
1-Jul-24	\$14.50	\$12.54	\$8,640,375	\$2.87	\$4,453	20.30%
1-Jul-25	\$15.00	\$12.68	\$9,517,975	\$3.10	\$4,729	21.30%

Notes: See Table 1.

Source: Keystone Research Center from Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.

## Who will benefit? Demographic characteristics of affected workers

There are several common misconceptions of who low-wage workers are. One is that low-wage workers are mostly teenagers who are getting their first work experience and will soon move on to a more lucrative position as they get more training or complete other levels in school. Another misconception is that low-wage workers are primarily individuals who have other means such as stay-at-home parents with a partner working, whose earnings are not needed to pay the bills. Others think that low-wage workers have low education levels or that only a very small portion of workers make up the low-wage workforce. Contrary to these common assumptions however, one-third (34%) of all workers in Pennsylvania would see a wage increase with a minimum wage increase to \$15/hour. This shows how widespread low wages are and how much we really rely on the low-wage workforce to do the important work that makes our state run. Below, we examine who will benefit from this policy change, looking specifically at the population who will benefit once the minimum wage increase has been fully implemented to \$15/hour by 2025. This analysis includes those who are both directly and indirectly affected by the increase. Each demographic section has figures within the section which come from the table in Appendix 1.

### Age

Minimum wage and low-wage workers are often thought to be teenagers. While some minimum wage and low-wage workers are, indeed, young, this stereotype is incorrect. As Figure 3 shows, nearly 90% of workers who would be affected by a 2025 increase to \$15/hour are workers aged 20 and older.

Figure 3

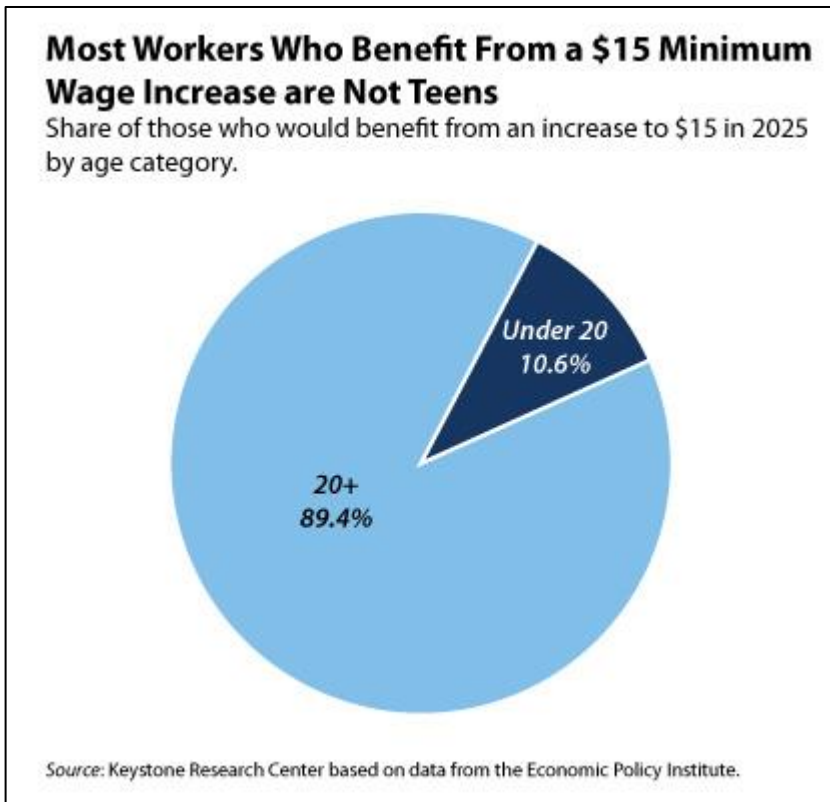
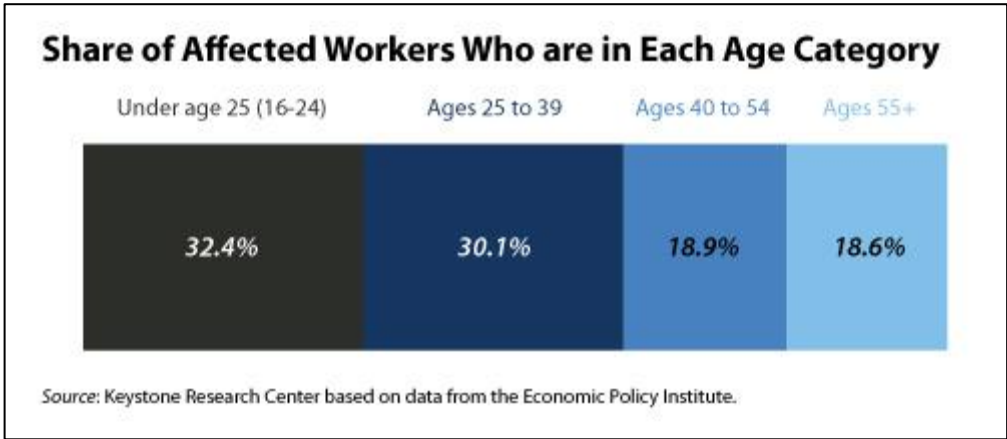


Figure 4 shows more detail on the age distribution of affected workers. Those under age 25 (16-24) make up nearly a third (32.4%) of workers who would be affected by the minimum wage increase. Not quite another third (30.1%) is made up of workers ages 25-39. Middle-aged workers (ages 40-54) make up 18.9% of the share

of workers who would benefit. And, contrary to popular belief, older workers (age 55+) in Pennsylvania make up a larger share of workers (18.6%) who would receive a wage increase than teenagers do (10.6%).

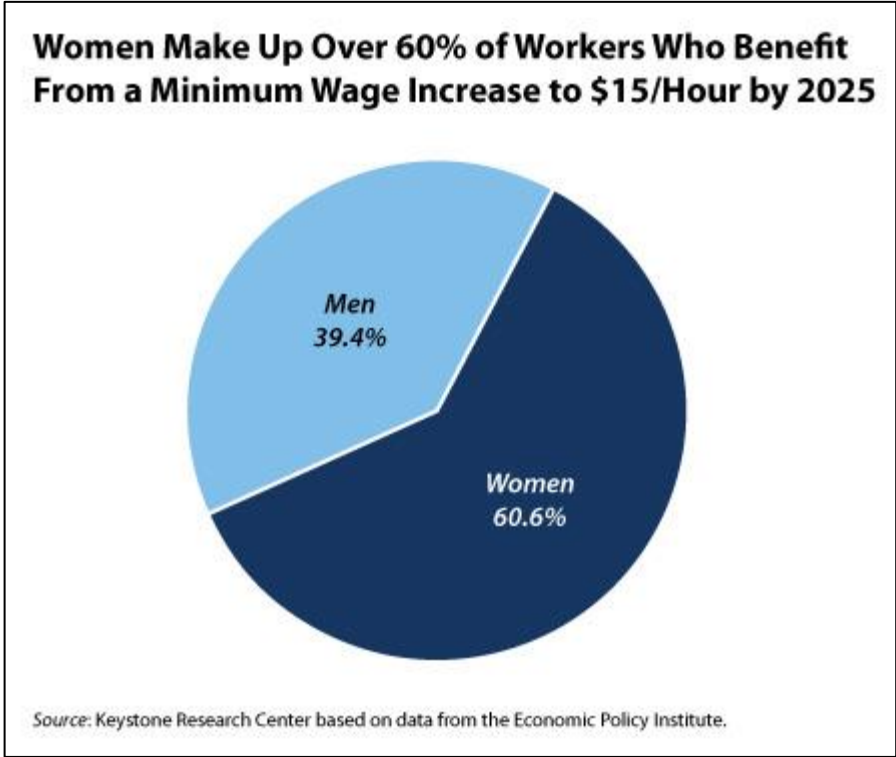
Figure 4



Gender

The minimum wage increase would benefit both men and women. However, because women are disproportionately working in low-wage jobs, the benefits would disproportionately raise pay for women. As Figure 5 shows, of those workers who would benefit from a minimum wage increase to \$15/hour by 2025, 61% are women. In fact, by 2025, 41.1% of all women in the Pennsylvania workforce will benefit from a minimum wage increase (and 26.4% of all working men in the state) (Appendix 1).

Figure 5



## Race/ethnicity

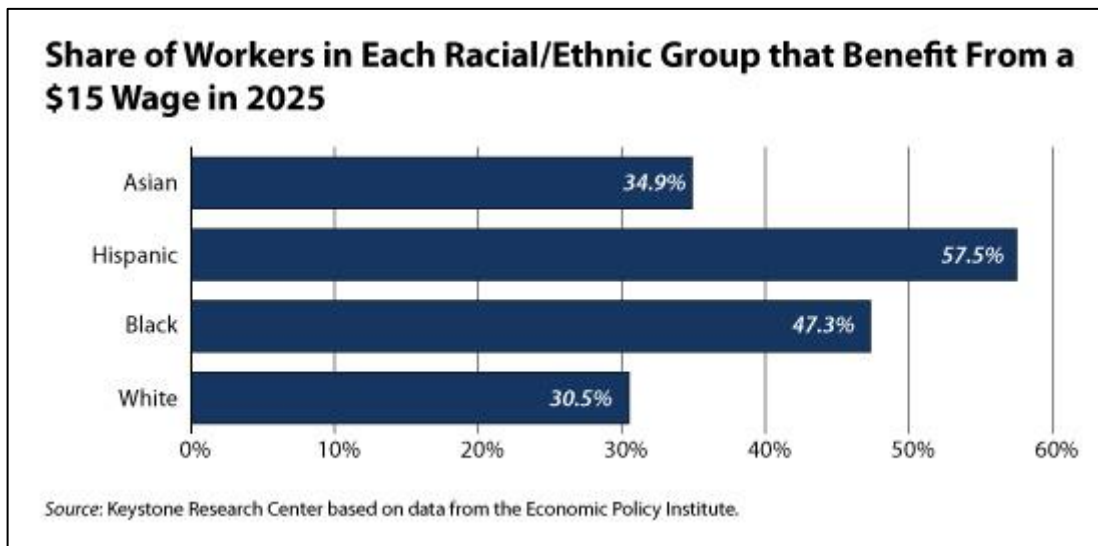
White, non-Hispanic workers in Pennsylvania make up the vast majority (72.8%) of people who would benefit from a 2025 minimum wage increase to \$15. Nearly 13% of workers benefiting are African American, 10% Hispanic, and 5% Asian/other race/ethnicity (Figure 6).

Figure 6



While whites make up the majority of workers who would benefit, people of color would benefit at higher rates. As Figure 7 shows, a majority (58%) of Hispanic workers in Pennsylvania would benefit from a 2025 raise in the minimum wage to \$15/hour. Nearly half (47%) of African American workers would see a raise by that point. Among Asian workers, 35% would benefit. Nearly one third (31%) of white workers would benefit.

Figure 7





## Education

High school graduates make up 44% of workers who would benefit from a \$15 minimum wage by 2025. Fifteen percent of those who will see an increase have less than a high school degree. Perhaps most striking about Figure 8 is that 41% of workers who would benefit from a minimum wage increase have at least some college experience. This is contrary to the common misconception that almost all low-wage workers have low education levels.

Figure 8

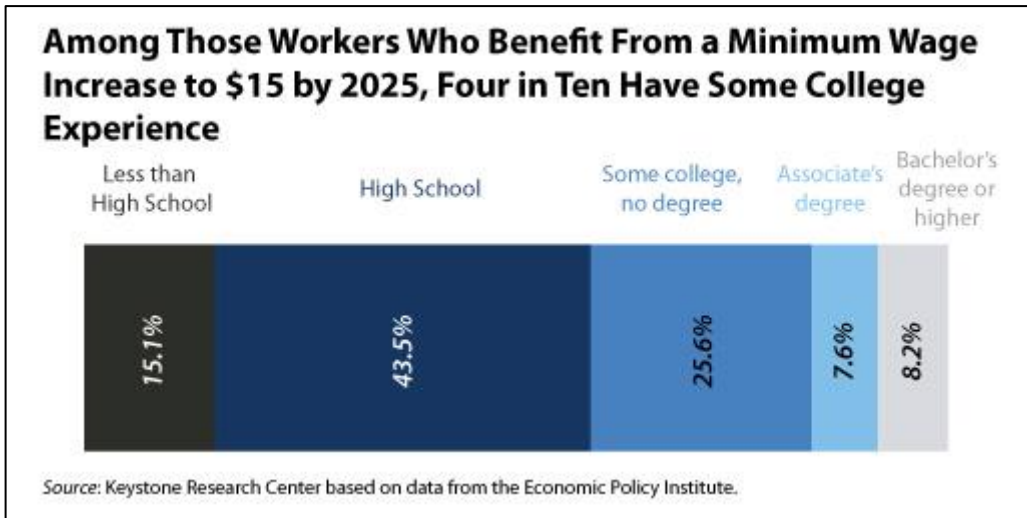
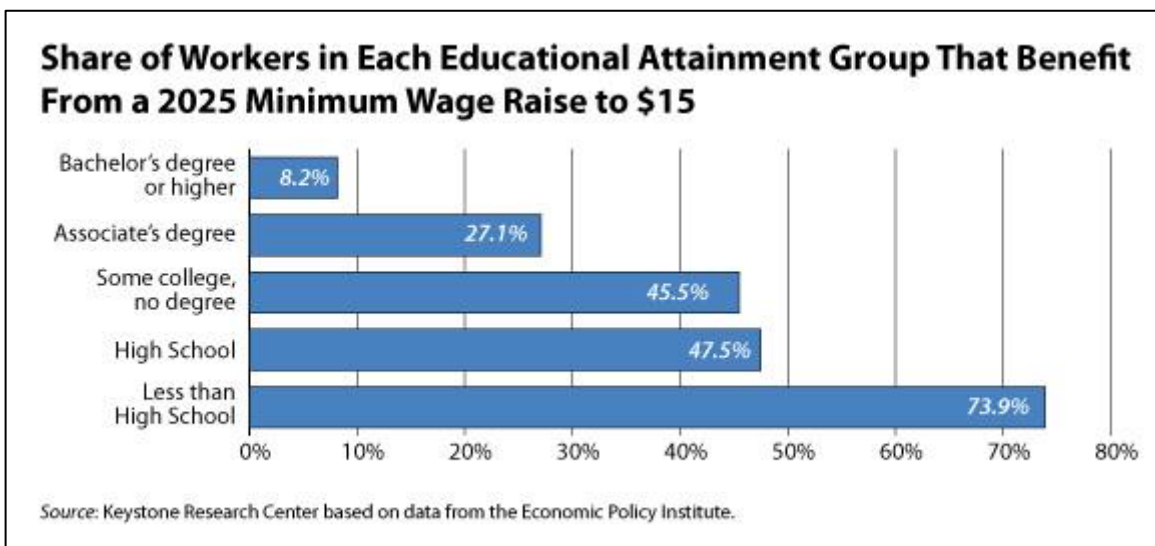


Figure 9 shows the share of workers who would benefit from a minimum wage increase in each educational category. Seventy-four percent of those with less than a high school degree would see a wage increase. Close to half of those with a high school degree (48%), and those with some college (46%), would also get a raise. Even a good percentage of those with a degree would see an increase – 27% of those with an associate degree would benefit.

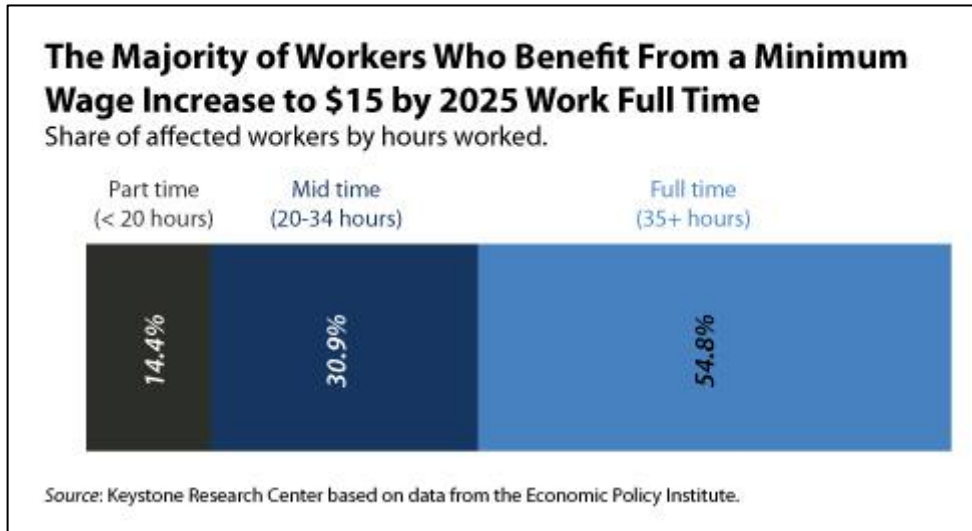
Figure 9



## Hours of Work

The majority (55%) of workers who would benefit from a 2025 minimum wage increase to \$15/hour are full-time workers (defined as working 35 or more hours a week). Workers who work 20-34 hours per week make up 31% of those who would benefit. Those working less than 20 hours per week only make up 14% of the total (Figure 10).

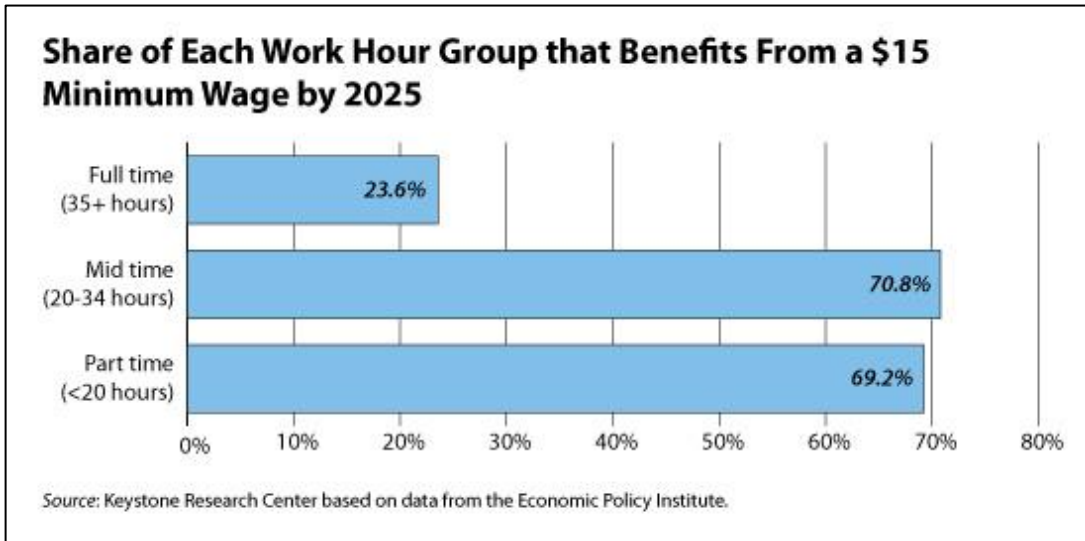
**Figure 10**



While full-time workers make up the majority of those benefiting, those who work less than full-time are more likely to benefit (Figure 11). About a quarter (24%) of full-time workers will see an increase by 2025, while 71% of those working 20-34 hours a week and 69% of those working less than 20 hours a week will benefit. Many workers who work part-time are not doing so voluntarily. In fact, today the share of involuntary part-time work remains at recessionary levels, reflecting employers' excessive use of part-time workers, especially in certain industries like retail, leisure, and hospitality.<sup>3</sup> Other part-time workers cannot pursue full-time work due to their particular circumstances, whether it is a lack of access to child care, other care-taking responsibilities, school or other reasons. No matter the reason, many part-time workers face a wage penalty and need higher earnings.

<sup>3</sup> Golden, Lonnie. 2016. "Still Falling Short on Hours and Pay: Part-Time Work Becoming New Normal." Economic Policy Institute. December 2016. Accessed at: <https://www.epi.org/publication/still-falling-short-on-hours-and-pay-part-time-work-becoming-new-normal/#epi-toc-17>.

Figure 11

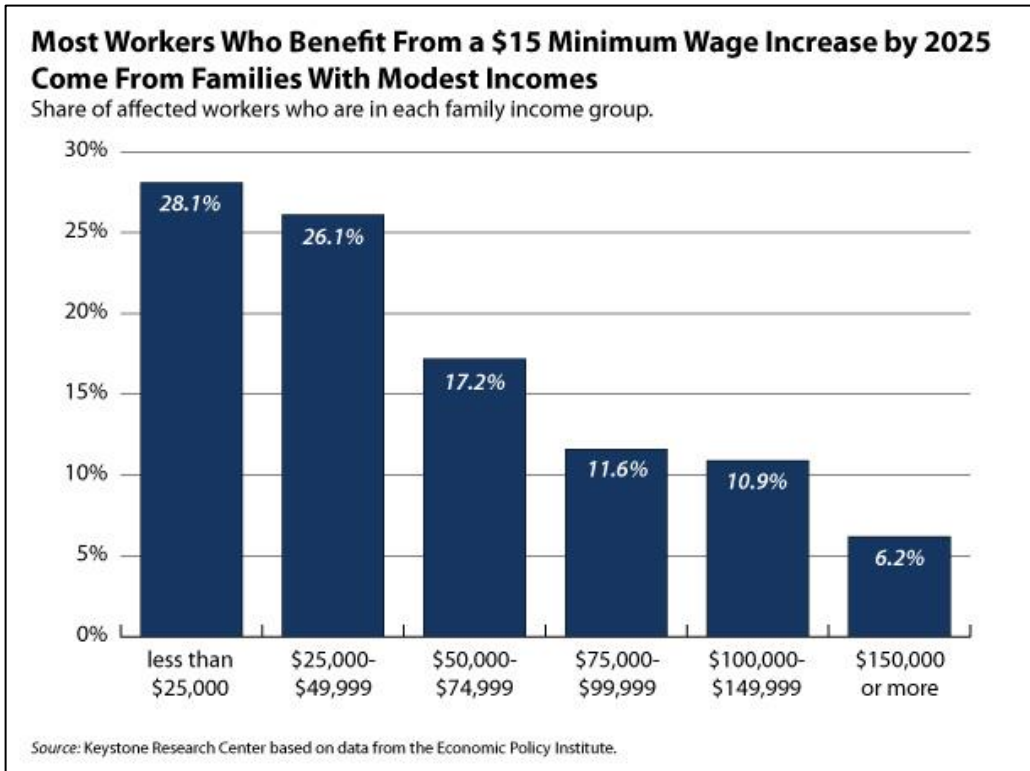


### *Family Income*

Another misconception about low-wage workers is that their income is not needed to help their family make ends meet because their wages are in addition to a larger paycheck from parents or a spouse. As Figure 12 shows, however, nearly three quarters of Pennsylvanians (71%) who would benefit from a 2025 minimum wage increase have modest family incomes (under \$75,000/year). Twenty-eight percent of those who would benefit have family incomes of less than \$25,000/year; 26% are workers whose family income is between \$25,000-\$49,999; and an additional 17% have a family income between \$50,000-\$74,999 a year. While the minimum wage increase will primarily impact workers of modest means, it will help workers across the income spectrum. As David Cooper explains, the minimum wage has a poverty-reducing affect, but its broader purpose is to prevent the exploitation of labor for all workers, regardless of their family income.<sup>4</sup>

<sup>4</sup> <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>

Figure 12



### Poverty Status

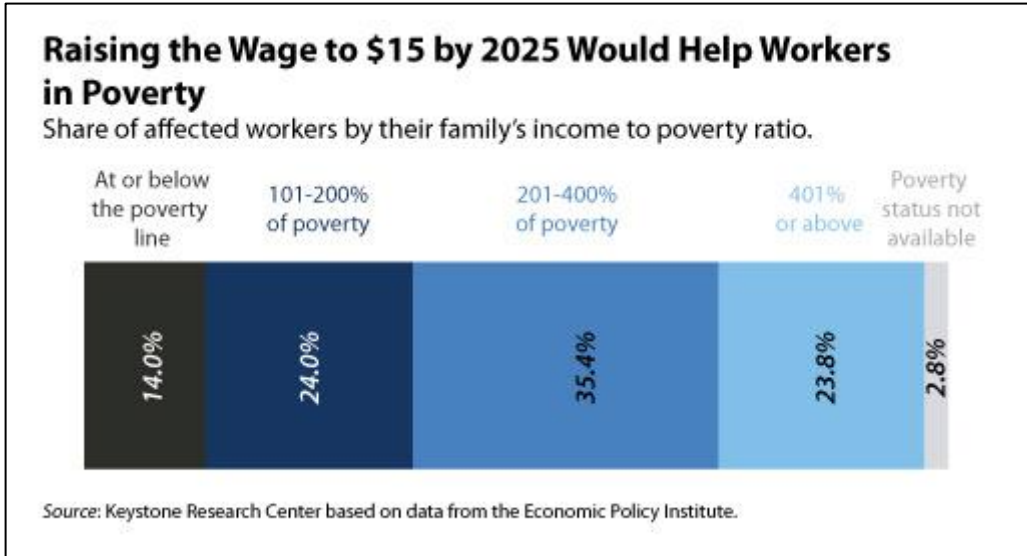
Contrary to the misconception that poor people don't work, nationally, two-thirds of all employable poor people have a job and over 40% work full time.<sup>5</sup> So, raising the minimum wage is an effective tool for reducing poverty. One researcher found that for every 10% increase in the minimum wage, the poverty rate should decrease by about 5.3% in the long run.<sup>6</sup>

Raising the minimum wage to \$15 by 2025 in Pennsylvania would help reduce poverty in the state. A full 38% of those workers who would benefit in the state have a family income below 200% of the federal poverty level (Figure 13). More than a third of workers (35%) benefiting have a family income between 200% and 400% of the federal poverty level.

<sup>5</sup> Elise Gould, Alyssa Davis and Will Kimball. 2015. "Broad-Based Wage Growth Is a Key Tool in the Fight Against Poverty." Economic Policy Institute. May 20, 2015. Accessed at: <https://www.epi.org/publication/broad-based-wage-growth-is-a-key-tool-in-the-fight-against-poverty/>

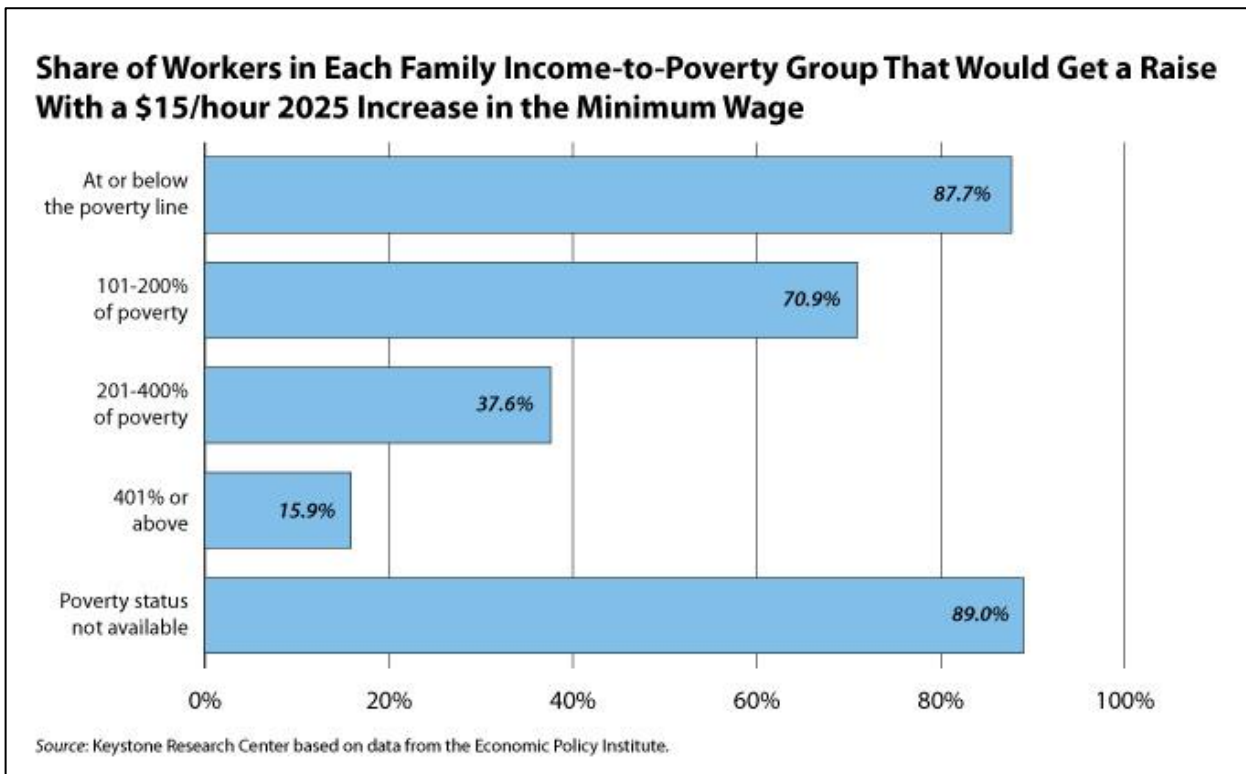
<sup>6</sup> Arindrajit Dube. 2018. "Minimum Wages and the Distribution of Family Incomes." NBER Working Paper no. 25240, November 2018.

Figure 13



Those with a lower family income have a much higher chance of benefiting from the minimum wage increase (Figure 14). Nearly 9 in 10 workers (88%) with family incomes at or below the poverty line will benefit from a 2025 minimum wage increase. Seventy-one percent of the “near poor” with family incomes at 101-200% of the federal poverty line will benefit. Workers in families with a higher family income (401% or above the poverty line) will be less likely to benefit (16%).

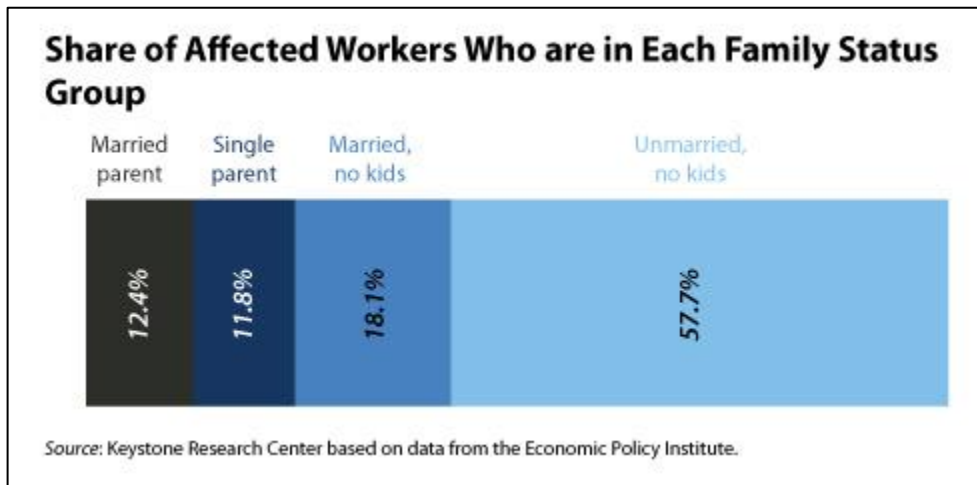
Figure 14



### Family status and children

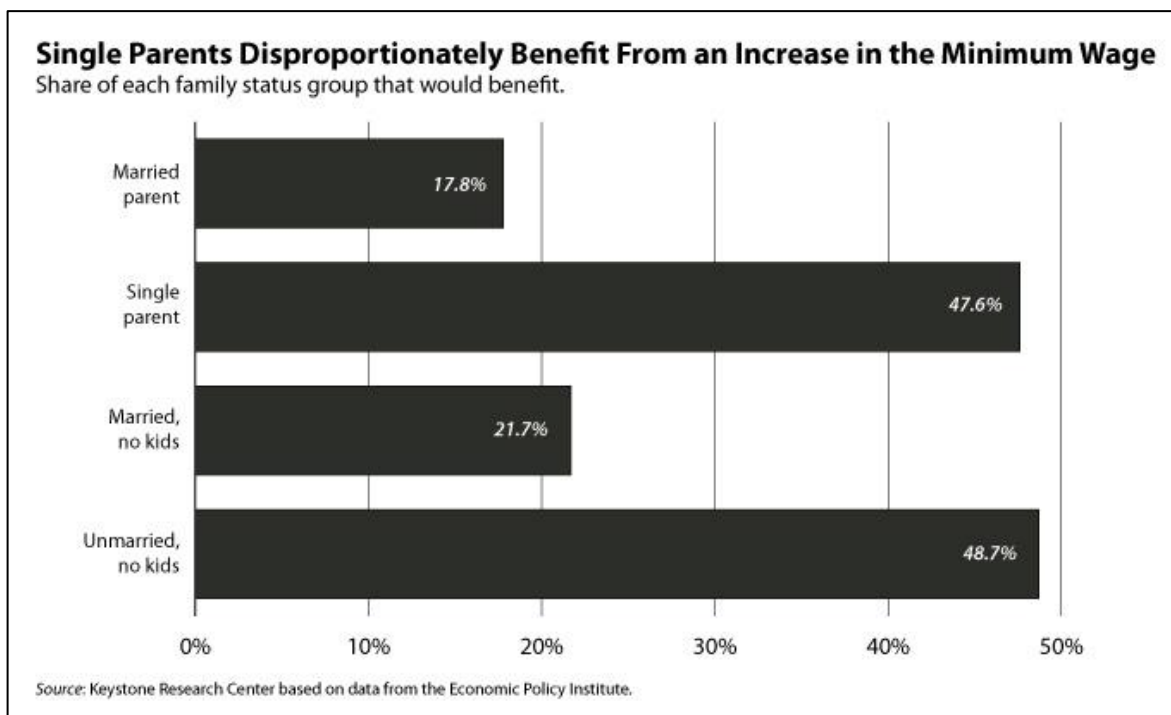
In Pennsylvania, nearly a quarter of workers who would benefit by a minimum wage increase to \$15/hour by 2025 are parents. Twelve percent are single parents, supporting their children on their own. While single parents make up a relatively small group benefiting from a minimum wage increase, they do disproportionately benefit since they make up only 8% of the total Pennsylvania workforce but represent 12% of those benefiting. About one-third of workers (31%) benefiting are married, and 58% are unmarried with no kids.

Figure 15



Nearly half of workers who are unmarried with no kids (49%) and single parents (48%) will see an increase in their wages by 2025 with a minimum wage increase to \$15/hour (Figure 16). Eighteen percent of married parents would see an increase, and 22% of married workers with no kids would benefit.

Figure 16



## Industry

As Figure 17 shows, workers working in many different industries will benefit from a 2025 minimum wage increase to \$15/hour. However, more than half (54%) of those who will benefit come from three service industries vital to our economy: retail trade (20.4%), health care (17.8%), and restaurants and food service (15.6%).

**Figure 17**

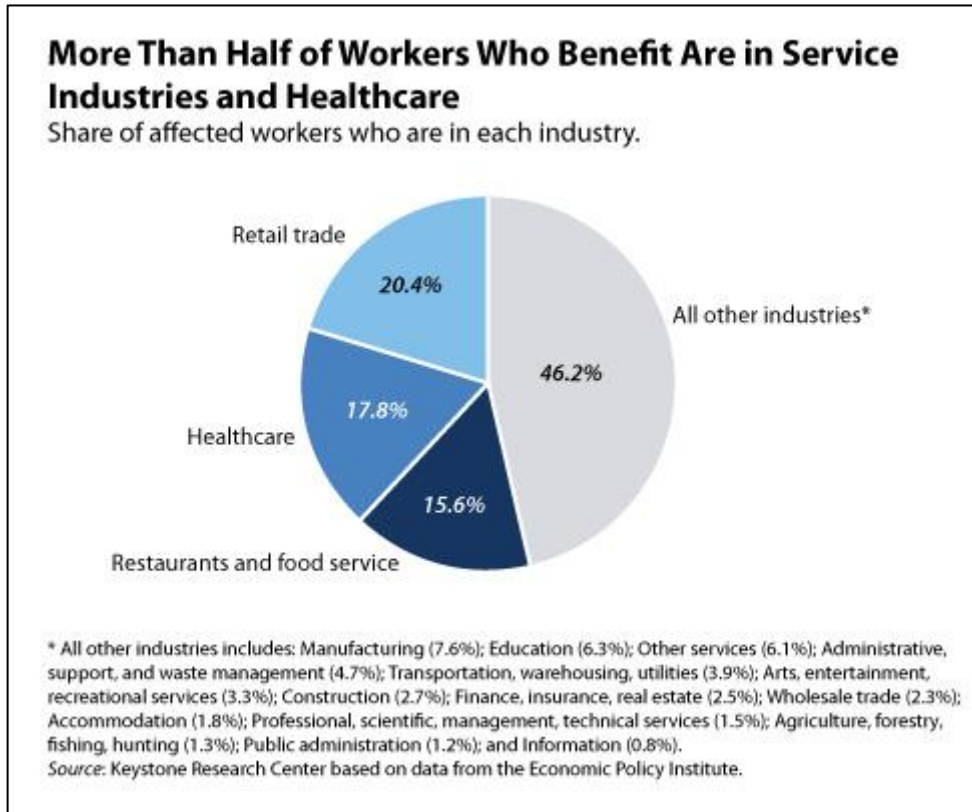
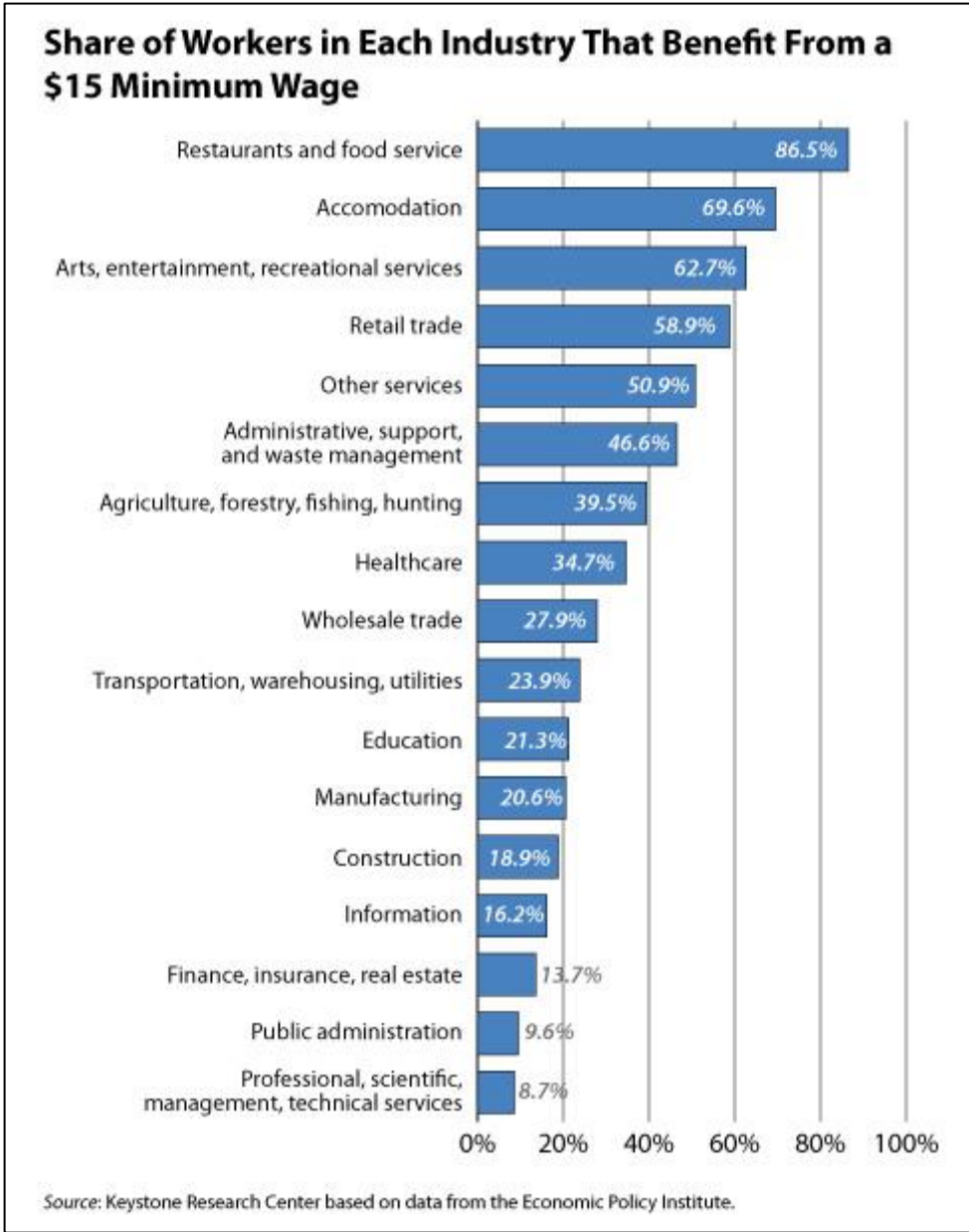


Figure 18 shows the share of workers in each industry that will benefit. Those most likely to benefit work in service industries. Most likely to see a raise are restaurant and food service workers, with 87% getting a raise by 2025, followed by accommodation workers (70%); arts, entertainment, and recreational service workers (63%), retail trade workers (59%); and those who provide other services (51%).

Figure 18



While tipped workers make up only 3% of Pennsylvania’s workforce, they make up 7% of the workers who will benefit from a minimum wage increase—this is because 100% of them will see their pay go up with a 2025 wage increase, which includes the elimination of the tipped minimum wage (Appendix 1).



## **Conclusion**

The establishment of the minimum wage in 1938 played a significant role in ensuring that workers could receive adequate wages for their work—wages that could help provide for them and their families. However, because the United States, and Pennsylvania, have not continued to update the minimum wage to keep up with inflation, workers today earn much less than their counterparts did half a century ago. In 1968, Pennsylvania’s minimum wage was 51% of the median wage—but today it is only 30% of the median.

Raising the wage to \$15/hour by 2025 will put Pennsylvania workers back up to where they were in the late 1960s. Wages will increase directly due to the minimum wage increase and indirectly due to employers’ shifting pay scales. And its impact will be significant—more than one-third (34%) of Pennsylvania’s workforce will see an increase in their wages by 2025.

As this report shows, workers across demographic boundaries will benefit. With this policy change, we will see: more than 2 million workers across the state with higher wages; a reduction in poverty across the state; the elimination of disparities between tipped and untipped workers; a decrease in existing gender and race disparities; and more money being injected into our state economy. And with annual wage adjustments linked to inflation, Pennsylvania’s workers of the future won’t have to worry about their wages lagging. The time has come to raise the minimum wage in Pennsylvania.

Appendix 1:

Demographic characteristics of workers who would benefit if the Pennsylvania minimum wage were raised to \$12 in July 2019 and eventually to \$15 in July 2025.							
Category	\$12 by July 2019			\$15 by July 2025			
	Total affected	Share of group who are affected	Group's share of state total affected	Total affected	Share of group who are affected	Group's share of state total affected	
Total	1,668,000	28.5%	100.0%	2,013,000	33.7%	100.0%	
Sex							
Women	1,019,000	35.0%	61.1%	1,220,000	41.1%	60.6%	
Men	649,000	22.0%	38.9%	792,000	26.4%	39.4%	
Age							
20 +	1,497,000	26.6%	89.8%	1,800,000	31.3%	89.4%	
Under 20	171,000	77.6%	10.2%	213,000	94.8%	10.6%	
Age Detailed							
Under age 25 (16-24)	561,000	72.9%	33.6%	652,000	83.0%	32.4%	
Ages 25 to 39	506,000	28.0%	30.3%	606,000	32.9%	30.1%	
Ages 40 to 54	300,000	16.1%	18.0%	380,000	20.0%	18.9%	
Ages 55+	301,000	21.4%	18.1%	374,000	26.0%	18.6%	
Race/ethnicity							
White	1,206,000	25.6%	72.3%	1,465,000	30.5%	72.8%	
Black	215,000	40.5%	12.9%	256,000	47.3%	12.7%	
Hispanic	165,000	49.7%	9.9%	195,000	57.5%	9.7%	
Asian	82,000	30.0%	4.9%	97,000	34.9%	4.8%	
Family Status							
Married parent	202,000	14.6%	12.1%	250,000	17.8%	12.4%	
Single parent	204,000	41.7%	12.2%	237,000	47.6%	11.8%	
Married, no kids	288,000	17.5%	17.3%	365,000	21.7%	18.1%	
Unmarried, no kids	975,000	41.7%	58.4%	1,161,000	48.7%	57.7%	
Family Income							
less than \$25,000	498,000	72.7%	29.9%	565,000	80.8%	28.1%	
\$25,000 - \$49,999	420,000	37.2%	25.2%	525,000	45.7%	26.1%	
\$50,000 - \$74,999	280,000	25.0%	16.8%	346,000	30.2%	17.2%	
\$75,000 - \$99,999	188,000	20.3%	11.3%	233,000	24.6%	11.6%	
\$100,000 - \$149,999	179,000	16.1%	10.7%	219,000	19.3%	10.9%	
\$150,000 or more	102,000	11.8%	6.1%	125,000	14.1%	6.2%	
Industry							
Agriculture, forestry, fishing, hunting	23,000	34.2%	1.4%	27,000	39.5%	1.3%	
Construction	40,000	14.6%	2.4%	54,000	18.9%	2.7%	
Manufacturing	120,000	16.3%	7.2%	154,000	20.6%	7.6%	
Wholesale trade	37,000	22.4%	2.2%	47,000	27.9%	2.3%	
Retail trade	350,000	51.2%	21.0%	410,000	58.9%	20.4%	
Transportation, warehousing, utilities	63,000	19.3%	3.8%	79,000	23.9%	3.9%	
Information	13,000	13.3%	0.8%	16,000	16.2%	0.8%	
Finance, insurance, real estate	38,000	10.3%	2.3%	51,000	13.7%	2.5%	
Professional, scientific, management, technical services	22,000	6.5%	1.3%	31,000	8.7%	1.5%	
Administrative, support, and waste management	81,000	40.2%	4.8%	95,000	46.6%	4.7%	
Education	101,000	17.4%	6.1%	126,000	21.3%	6.3%	
Healthcare	293,000	28.9%	17.6%	359,000	34.7%	17.8%	
Arts, entertainment, recreational services	57,000	54.7%	3.4%	67,000	62.7%	3.3%	
Accommodation	32,000	63.1%	1.9%	35,000	69.6%	1.8%	
Restaurants and food service	275,000	77.3%	16.5%	313,000	86.5%	15.6%	
Other services	107,000	45.1%	6.4%	123,000	50.9%	6.1%	
Public administration	19,000	7.5%	1.1%	25,000	9.6%	1.2%	
Work Hours							
Part time (< 20 hours)	243,000	59.3%	14.6%	289,000	69.2%	14.4%	
Mid time (20-34 hours)	543,000	63.1%	32.5%	621,000	70.8%	30.9%	
Full time (35+ hours)	883,000	19.3%	52.9%	1,102,000	23.6%	54.8%	
Education							
Less than high school	251,000	62.1%	15.0%	305,000	73.9%	15.1%	
High School	734,000	40.6%	44.0%	875,000	47.5%	43.5%	
Some college, no degree	436,000	39.3%	26.1%	515,000	45.5%	25.6%	
Associates degree	122,000	22.1%	7.3%	152,000	27.1%	7.6%	
Bachelor's degree or higher	126,000	6.3%	7.5%	166,000	8.2%	8.2%	
Organizational Type							
For profit	1,420,000	31.9%	85.1%	1,703,000	37.6%	84.6%	
Government	83,000	12.7%	5.0%	106,000	15.9%	5.3%	
Non-profit	165,000	21.9%	9.9%	203,000	26.5%	10.1%	
Poverty Status							
At or below the poverty line	254,000	80.2%	15.2%	283,000	87.7%	14.0%	
101-200 percent of poverty	416,000	62.1%	24.9%	484,000	70.9%	24.0%	
201-400 percent of poverty	568,000	30.6%	34.0%	712,000	37.6%	35.4%	
401 percent or above	384,000	13.0%	23.0%	478,000	15.9%	23.8%	
Poverty status not available	47,000	76.2%	2.8%	56,000	89.0%	2.8%	
Tipped Workers							
Not tipped workers	1,498,000	26.4%	89.8%	1,839,000	31.7%	91.0%	
Tipped workers	170,000	100.0%	10.2%	173,000	100.0%	9.0%	

Source: Keystone Research Center based on Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO 2018.