



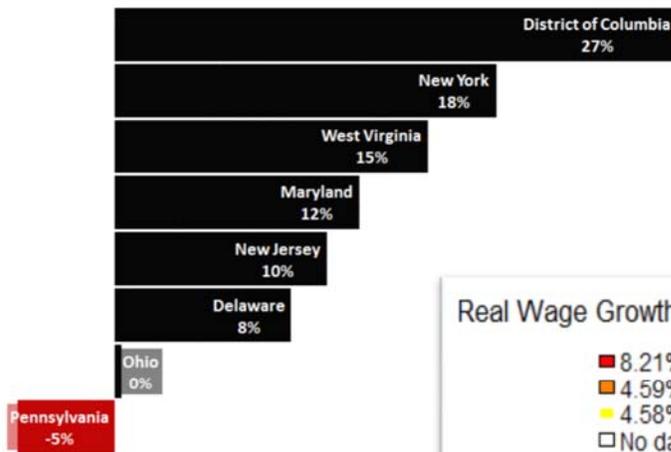
The Pennsylvania Minimum Wage 2018

January 2, 2018

By Mark Price

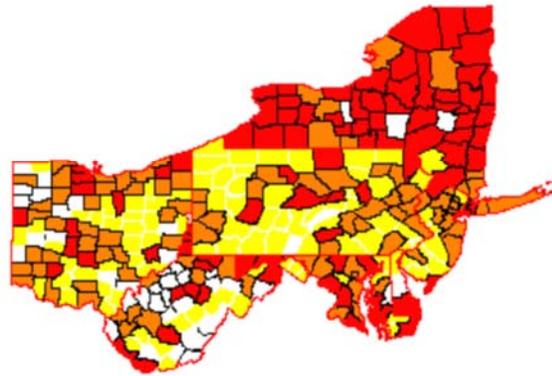
Real Change in the Minimum Wage

Change in the real purchasing power of the minimum wage 2012 to 2016 (2016 \$)



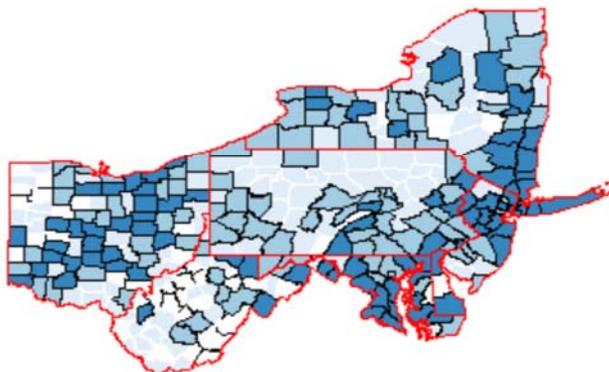
Real Wage Growth in Food Services

- 8.21% or more
- 4.59% to 8.20%
- 4.58% or less
- No data



Employment Growth in Food Services

- 9.50% or more
- 4.00% to 9.49%
- 3.99% or less%
- No data



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Table of Contents

Executive Summary	2
Changes in Pennsylvania Wages Since 1968.....	4
Recent Changes State Minimum Wages in Our Region	7
Box 1: The Illusion of Precision in the IFO’s Minimum Wage Analysis.....	10
Growth in Wages and Employment by County 2012 to 2016	11
Important Changes to the Pennsylvania Minimum Wage Act.....	14
The Road to \$15	14
Subminimum Wages	18
Local Preemption	18
Indexing	18
Wage Theft.....	19
Conclusion	20
End Notes.....	20

Executive Summary

The maps on the front of this brief tell a story. Due to the Pennsylvania legislature's failure to raise our state minimum wage, Pennsylvania's minimum-wage workers have lost ground relative to their counterparts in surrounding states. Low-wage Pennsylvania workers in large parts of rural Pennsylvania have lost the most ground. In food services, the prototypical low-wage industry, low wage growth in much of rural Pennsylvania has been coupled with the slowest job growth in Pennsylvania and its six neighboring states.

Pennsylvania minimum-wage workers have also lost ground relative to workers in the middle of the wage distribution, in both the short and long run. The Pennsylvania General Assembly last raised the minimum wage in July 2007, to \$7.15 per hour or about two fifths (39%) of the-then typical (median) wage for full-time, full-year workers in Pennsylvania (\$18.29).

With the Pennsylvania minimum wage now fixed at the federal minimum of \$7.25, we project that Pennsylvania minimum-wage earners will earn less than a third (31.9%) of what the typical Pennsylvania worker earns (\$22.93 in 2018).

Back in 1968, Pennsylvania minimum-wage workers earned over half (51%) of what the typical Pennsylvania worker made (\$1.60 compared to \$3.15).

As of this January, the minimum wage:

- will have increased in 26 states since December 2013.
- in Pennsylvania at \$7.25 stands 13.8% below the minimum wage in Delaware (where the minimum wage is \$8.25), 14.5% below the wage in Ohio (\$8.30), 18.6% below New Jersey's minimum (\$8.60), 20.7% below the minimum in West Virginia (\$8.75), 27.6% below Maryland's wage (\$9.25), 43.4% below the minimum wage in most of New York state (\$10.40, the minimum in New York City, Long Island & Westchester will range from \$11 to \$13 in 2018), and 72.4% below the minimum wage in the District of Columbia (\$12.50).

Laws already on the books will lead to further increases in the minimum wage between now and January 2024 in six neighboring states and the District of Columbia. Assuming no additional legislative changes, the minimum wage will rise 9% in Maryland, 15% in Ohio and New Jersey, 28% in the District of Columbia and 29% in most of New York state (outside of New York City, Nassau, Suffolk, and Westchester Counties where the minimum wage is already higher and scheduled to rise to \$15). As there are active campaigns to raise the minimum wage to \$15 in New Jersey and Maryland, it is likely the minimum wage will rise further in those states and across the region before 2024.

Given the rise in minimum wages in the region, we examine the change in real hourly earnings over the last four years for low-wage workers (defined as those at the 10th percentile) and find:

- the 10th percentile wage in the last four years (through the first six months of 2017) has risen by \$1.02 per hour, to \$9.73 per hour in the region (defined as our six neighboring states plus Washington D.C.). That increase amounts to \$2,104 per year for a full-time, full-year worker.
- In Pennsylvania, the increase in the 10th percentile has been only a third as large, 33 cents per hour. If our 10th percentile wage had seen an increase as large as neighboring states, **full-time, full year workers at this wage level would have another \$1,435 in annual income.**
- Counting just those in the 10th percentile and below, **Pennsylvania workers received \$362 million LESS in their paychecks in the 12 months spanning the second half of 2016 and first half of 2017 than if lawmakers had emulated their peers in neighboring states.**

Examining county-level data on employment and average weekly wages drawn from a survey of employers in food services and drinking places (hereafter food services), a sector with a large share of low-wage workers, we observe more growth in wages and employment, especially in New York, northern West Virginia, and Maryland than in Pennsylvania.

- Overall in Pennsylvania real wages in food services grew by just 5% while on average across the region (Delaware, District of Columbia, Maryland, New Jersey, New York, Ohio, and West Virginia) they grew 7.8% between 2012 and 2016.
- Not only has wage growth been stronger in the rest of our region where the minimum wage has increased, so has employment growth. As the purchasing power of the minimum wage rose 12% across the region, payroll growth in food services was up 12.3% compared to much slower growth of 6.8% in Pennsylvania where the minimum wage lost 4.7% of its purchasing power from 2012 to 2016.

These trends in wages and employment overall and in food services illustrate that minimum wage increases have neither harmed economic performance in the region nor, in the case of Pennsylvania where the real purchasing power of the minimum wage has declined, boosted the states relative economic fortunes. These results also line up with the finding of the best research evidence on state minimum wage increases, where minimum wage increases since 1990 have been found to have little to no impact on employment but strong positive impacts on wages and incomes for low-wage workers. We recommend that policymakers move to raise the minimum wage starting this July from \$7.25 to \$9 and ultimately settle on a schedule of increases that raise the wage to \$15.

We estimate:

- a minimum wage increase this July to \$9 will close the gap that has emerged since 2007 in the earnings of the lowest wage workers and those at the median. Doing so would raise the wages of 791,000 workers, boosting their total earnings by \$894 million.
- that a schedule of minimum wage increases that boost the minimum wage by \$1 each year from this July to July 2024 will boost the total earnings of all workers affected by \$9.1 billion, lifting earnings for 2.1 million Pennsylvania workers (or 37% of workforce).

The majority of workers in Pennsylvania that would get a raise if the minimum wage were increased to \$9 this July are adults (80.6%) working 20 or more hours a week (75%) with a family income less than \$75,000 (67.8%).

A minimum wage increase in Pennsylvania is long overdue and would provide a critical boost to family incomes while making important progress towards reducing income inequality.

Changes in Pennsylvania Wages Since 1968

Prior to 1968, the minimum wage was adjusted up regularly by federal policymakers. Those increases tracked with growth in productivity so that as the productive capacity of the economy expanded, the minimum wage was also adjusted upward. National time series illustrate from the 1940s to late 60s broadly shared growth in incomes, a result guaranteed at the bottom of the labor market by those regular increases in the federal minimum wage.

In 1968, the minimum wage in Pennsylvania was set at just over half (51%) the value of the median wage (\$1.60 compared to \$3.15) for full-time full-year workers. After 1968, minimum wage increases were less frequent and never made up for the ground lost between increases considered relative to inflation or, as illustrated in Table 1, relative to the median wage.

By our projections the minimum wage in 2018 will stand at 31.9% of median wage for Pennsylvania workers, its lowest point since 2006 when it stood at 30% of the median

wage. In 2006, Pennsylvania policymakers agreed to raise the Pennsylvania minimum wage in 2007 from \$5.15 to \$7.15. Figure 1 also provides some context for the aspirations of advocates for a higher minimum wage. Raising the minimum to \$9 this July would push the minimum wage to 39% of the median – its relative value in 2007. A \$12 minimum wage pushes the minimum wage to 49% of the median, just shy of its

Figure 1.

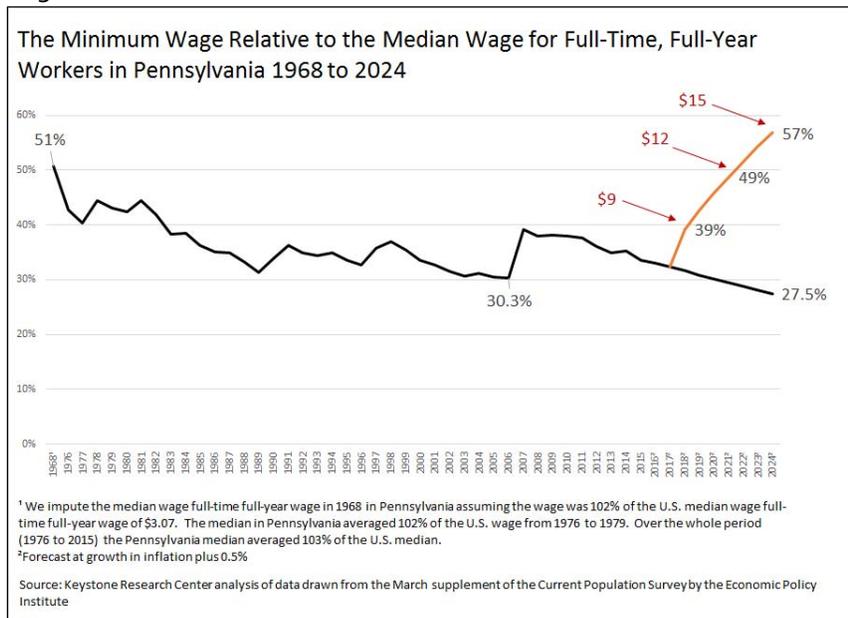


Table 1 (on the next two pages) presents, without adjusting for inflation, the median full-time, full-year wage for Pennsylvania workers from 1968 to 2015 with future growth from 2016 to 2024 conservatively projected at the rate of inflation plus 0.5%. We also present the minimum wage over the same period as well as the minimum wage under the schedule of increases (which we label the Road to \$15) that begin with an increase from \$7.25 to \$9 this July followed each July until 2024 with a dollar increase until the minimum wage reaches \$15. The last two columns of Table 1 present the minimum wage as a percentage of the median (see also Figure 1 above).

level relative to the median in 1968, and \$15 pushes the relative value of minimum beyond that previous peak to 57% of the median wage.

Table 1.

Nominal Median full-time, full-year wages and the Minimum Wage in Pennsylvania

Year	Median wage, full-time, full-year	Minimum Wage	Road to \$15	Minimum / Median	Road to \$15 / Median
1968 ¹	\$3.15	\$1.60		51%	
1976	\$5.38	\$2.30		43%	
1977	\$5.69	\$2.30		40%	
1978	\$5.95	\$2.65		45%	
1979	\$6.73	\$2.90		43%	
1980	\$7.30	\$3.10		42%	
1981	\$7.53	\$3.35		44%	
1982	\$7.99	\$3.35		42%	
1983	\$8.75	\$3.35		38%	
1984	\$8.72	\$3.35		38%	
1985	\$9.25	\$3.35		36%	
1986	\$9.54	\$3.35		35%	
1987	\$9.59	\$3.35		35%	
1988	\$10.09	\$3.35		33%	
1989	\$10.67	\$3.35		31%	
1990	\$10.88	\$3.69		34%	
1991	\$11.42	\$4.14		36%	
1992	\$12.17	\$4.25		35%	
1993	\$12.34	\$4.25		34%	
1994	\$12.15	\$4.25		35%	
1995	\$12.65	\$4.25		34%	
1996	\$13.38	\$4.38		33%	
1997	\$13.63	\$4.88		36%	
1998	\$13.96	\$5.15		37%	
1999	\$14.50	\$5.15		36%	

Table 1 (cont.)

Nominal Median full-time, full-year wages and the Minimum Wage in Pennsylvania

Year	Median wage, full-time, full- year	Minimum Wage	Road to \$15	Minimum / Median	Road to \$15 / Median
2000	\$15.31	\$5.15		34%	
2001	\$15.78	\$5.15		33%	
2002	\$16.38	\$5.15		31%	
2003	\$16.77	\$5.15		31%	
2004	\$16.53	\$5.15		31%	
2005	\$16.85	\$5.15		31%	
2006	\$17.01	\$5.15		30%	
2007	\$18.29	\$7.15		39%	
2008	\$18.85	\$7.15		38%	
2009	\$18.73	\$7.15		38%	
2010	\$19.10	\$7.25		38%	
2011	\$19.24	\$7.25		38%	
2012	\$20.09	\$7.25		36%	
2013	\$20.80	\$7.25		35%	
2014	\$20.56	\$7.25		35%	
2015	\$21.56	\$7.25		34%	
2016 ²	\$21.94	\$7.25		33%	
2017 ²	\$22.43	\$7.25		32%	
2018 ²	\$22.93	\$7.25	\$9.00	32%	39%
2019 ²	\$23.47	\$7.25	\$10.00	31%	43%
2020 ²	\$24.02	\$7.25	\$11.00	30%	46%
2021 ²	\$24.60	\$7.25	\$12.00	29%	49%
2022 ²	\$25.19	\$7.25	\$13.00	29%	52%
2023 ²	\$25.79	\$7.25	\$14.00	28%	54%
2024 ²	\$26.40	\$7.25	\$15.00	27%	57%

¹ We impute the median full-time full-year wage in 1968 in Pennsylvania assuming the wage was 102% of the U.S. median full-time full-year wage of \$3.07. The median in Pennsylvania averaged 102% of the U.S. wage from 1976 to 1979. Over the whole period (1976 to 2015) the Pennsylvania median averaged 103% of the U.S. median.

²Forecast at growth in inflation plus 0.5%

Source: Keystone Research Center analysis of data drawn from the March supplement of the Current Population Survey by the Economic Policy Institute

Recent Changes State Minimum Wages in Our Region

As Figure 2 illustrates, as of January 2018, the minimum wage in Pennsylvania is lower than in each of its bordering states. At \$7.25, the Pennsylvania minimum wage is 13.8% below the minimum in Delaware and 43.4% lower than in most of New York state.¹ Altogether, since December 2013, the minimum wage has increased in 26 states.² That figure includes all six states that border Pennsylvania (plus the District of Columbia). In these six states and D.C., the minimum wage increased by an average of 26% between December 2013 and January 2018 (Figure 3).

Laws already on the books will lead to further increases in the minimum wage between now and January 2024 (Figure 3). There is a 29% increase scheduled for most of New York State (minimum wages are higher now and will increase a further 26% in New York City, Nassau, Suffolk, and Westchester Counties), a 28% increase is on the books in D.C., a 15% increase will occur in New Jersey and Ohio, and finally a further 9% increase is scheduled for Maryland. There are active campaigns to raise the minimum wage beyond these scheduled increases in New Jersey and Maryland, so it is likely that in the region the minimum wage will rise further before 2024.

Figure 2.

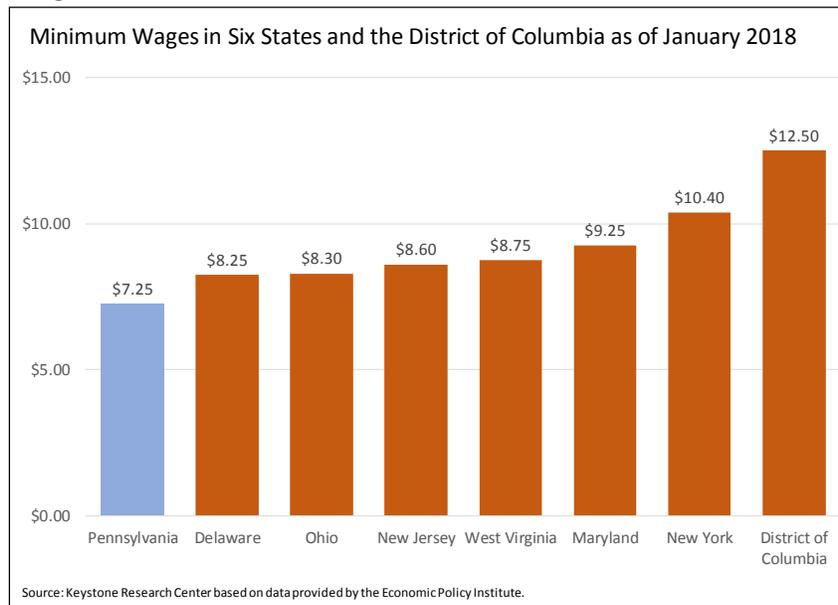


Figure 3.

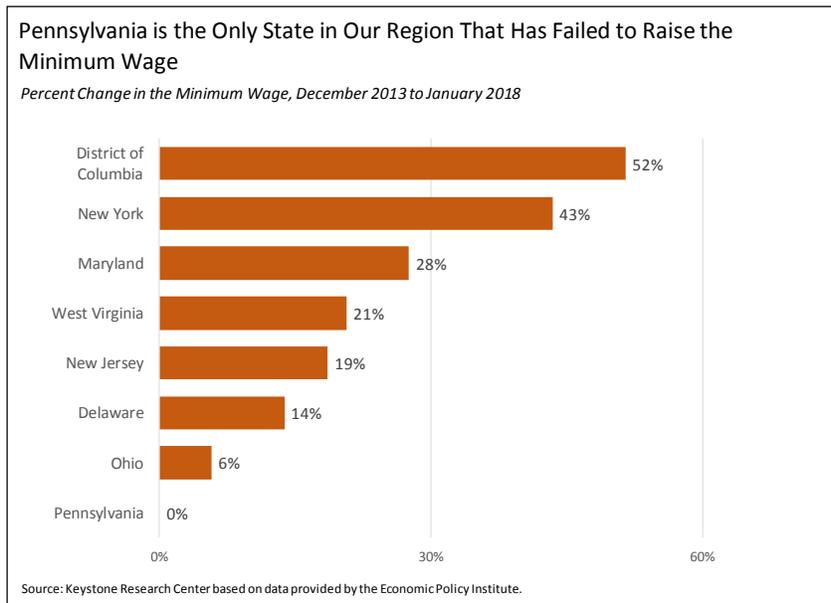
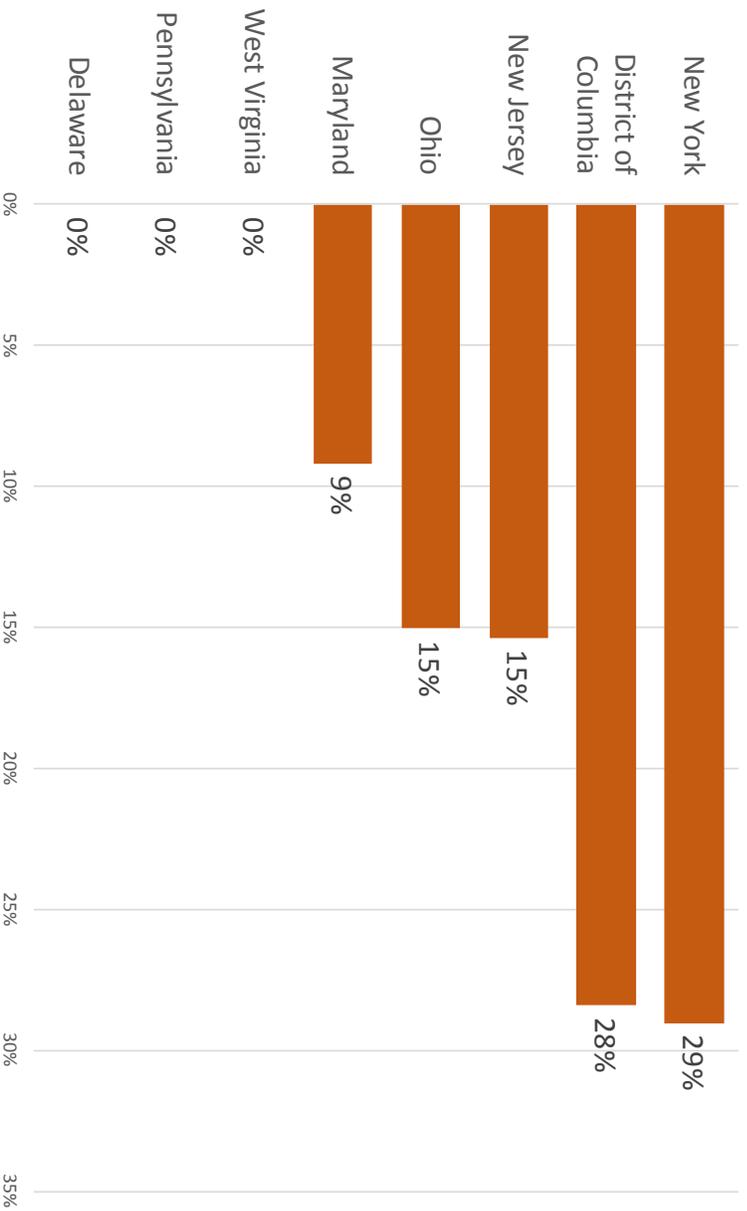


Figure 4.

Several Neighboring States Will Raise the Minimum Wage Further by 2024

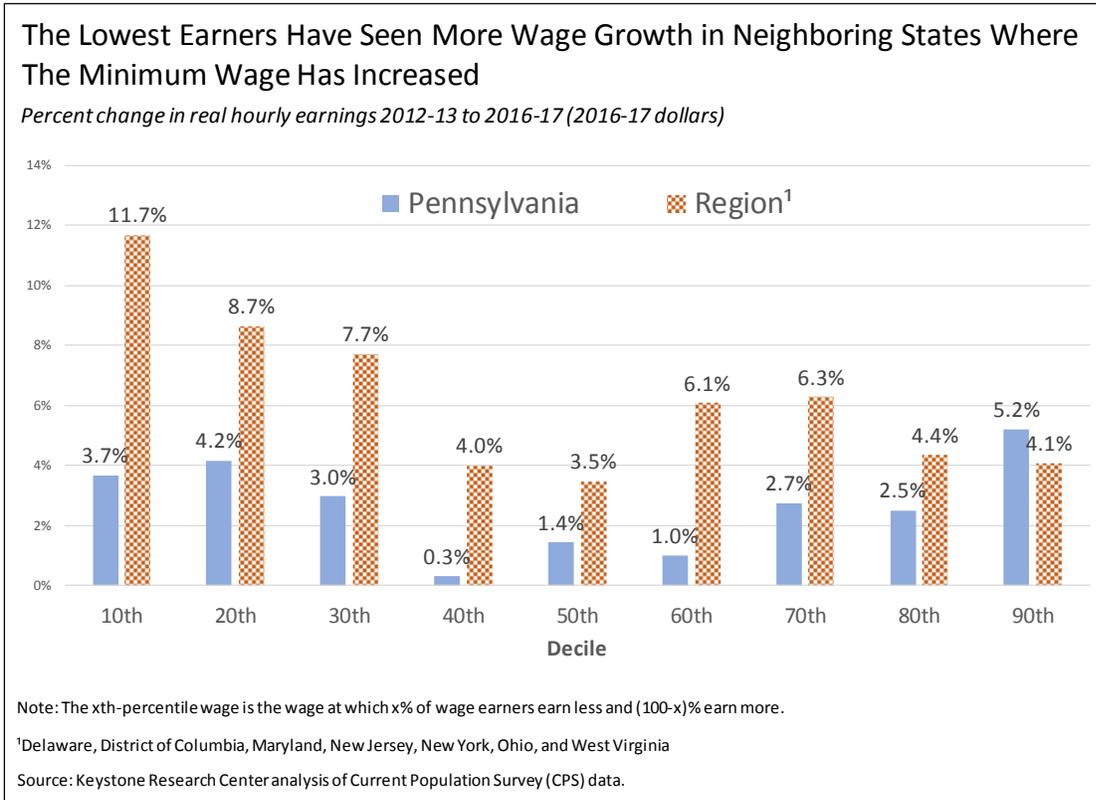
Percent Change in the Minimum Wage, January 2018 to January 2024



¹ We report here the change in the lower minimum wage that applies to downstate New York. The minimum wage in New York City, Nassau, Suffolk, and Westchester Counties will rise 58% to \$15 in 2020.

Source: Keystone Research Center based on data provided by the Economic Policy Institute.

Figure 5.



Examining the changes in wages by decile in Pennsylvania and neighboring states reveals large differences in earnings growth since 2012-13 (Figure 5 above and Table 2 next page). Real hourly earnings for 10th percentile workers in states neighboring Pennsylvania plus D.C. grew by 11.7% from 2012-13 to 2016-17, to \$9.73. In Pennsylvania, real hourly earnings for the 10th percentile grew by just 3.7%, to \$9.26 in 2016-17. Real wages overall have grown faster in neighboring states than in Pennsylvania, but the gap is largest for the lowest-wage workers and completely disappears by the time you arrive at the 90th percentile, where wages grew slightly faster in Pennsylvania than in neighboring states.³ Across the country, a combination of steadily-tightening labor markets and rising minimum wages have boosted earnings growth for workers in the bottom half of the wage distribution. **If wages for the bottom 10%⁴ of workers grew as fast in Pennsylvania as the rest of the region since 2012-13, total pay in Pennsylvania for these workers would have been \$362 million higher in 2016-17.⁵**

Table 2.

Percent change in hourly wages by percentile in Pennsylvania 2012-13 to 2016-17 (2016-17 \$)

Percentile	Pennsylvania			Region ¹		
	2012-13	2016-17	Percent Change	2012-13	2016-17	Percent Change
10th	\$8.93	\$9.26	3.7%	\$8.71	\$9.73	11.7%
20th	\$10.71	\$11.16	4.2%	\$10.59	\$11.50	8.7%
30th	\$12.86	\$13.25	3.0%	\$12.82	\$13.81	7.7%
40th	\$15.35	\$15.39	0.3%	\$15.60	\$16.23	4.0%
50th	\$17.76	\$18.02	1.4%	\$18.56	\$19.21	3.5%
60th	\$20.77	\$20.99	1.0%	\$22.11	\$23.46	6.1%
70th	\$24.50	\$25.17	2.7%	\$27.06	\$28.76	6.3%
80th	\$30.43	\$31.19	2.5%	\$34.07	\$35.56	4.4%
90th	\$40.16	\$42.26	5.2%	\$46.19	\$48.08	4.1%

Note: The xth-percentile wage is the wage at which x% of wage earners earn less and (100-x)% earn more.

¹Delaware, District of Columbia, Maryland, New Jersey, New York, Ohio, and West Virginia

Source: Keystone Research Center analysis of Current Population Survey (CPS) data

Box 1: The Illusion of Precision in the IFO’s Minimum Wage Analysis

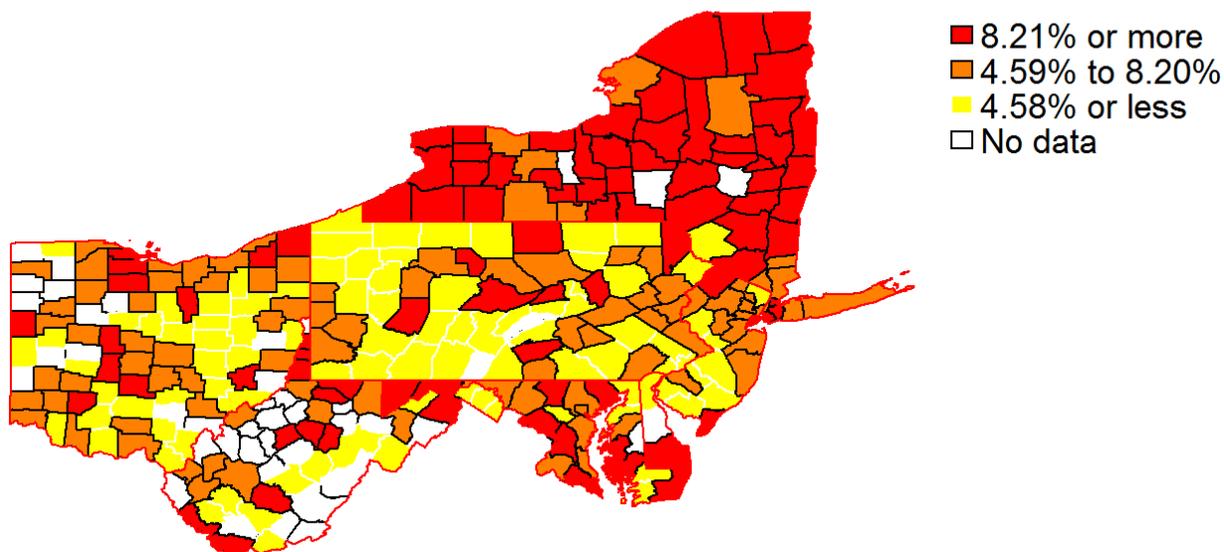
Pennsylvania’s Independent Fiscal Office (IFO) models itself after the Congressional Budget Office (CBO) in that it seeks to provide policymakers with non-partisan analysis of proposed legislation. The IFO’s two evaluations of proposals to raise the minimum wage in Pennsylvania are modeled after CBO analysis of federal legislation to raise the minimum wage.⁶ Mirroring the CBO’s minimum wage findings, the IFO estimated that over a million Pennsylvania workers would see their wages rise, but also assumed there would be some job loss associated with a higher minimum wage.

Where the IFO and CBO analysis differ is the CBO analysis presented a range from zero to a million jobs lost from a federal minimum wage increase. In the judgement of the CBO, the most likely scenario was identified as a loss of half a million jobs in the U.S., but in presenting a range it acknowledged research literature, discussed briefly in the next section, that finds no job loss associated with modest minimum wage increases.⁷ The IFO’s failure to include a similar range in its own analysis assumes more confidence than supported by the research literature in the precision of its estimates.

Growth in Wages and Employment by County 2012 to 2016

Map 1. Rural Pennsylvania Workers Left Behind: Wage Growth in Food Services Trails Most Counties in Neighboring States

Percent Change in Real Annual Average Weekly Wage: Food Services and Drinking Places, 2012 to 2016



Source: Keystone Research Center analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>)

Map 1 (above) presents the percent change in real annual average weekly wages by county in Pennsylvania and in six bordering states (Delaware, Maryland, New Jersey, New York, Ohio, and West Virginia) and the District of Columbia in food services, an industry with a relatively high share of workers affected by a minimum wage increase (see the online technical appendix for employment and wage data by county <https://goo.gl/xb3yyN>). The counties shaded in red (darkest shades if you printed this out in black and white) had the most growth in wages between 2012 and 2016 (2016 is the last full year of data available in our data source, the Quarterly Census of Employment and Wages) and yellow the least. As the map makes clear, especially in New York, northern West Virginia, and Maryland there was more growth in wages in food services than in Pennsylvania. Overall in Pennsylvania, real wages in food services grew by just 5% while across the region they grew 7.8% (see Table 3 next page).⁸

Not only has wage growth been stronger in the rest of our region where the minimum wage has increased, but so has employment growth (Table 3 next page and Map 2 on page 13). Even as the purchasing power of the minimum wage rose 12% across the region, payroll growth in food services was up 12.5% compared to much slower growth of 6.8% in Pennsylvania, where the minimum wage lost 4.7% of its purchasing power.

Table 3.

Percent change in weekly wages and the minimum wage (both adjusted for inflation (2016 \$)) and employment, all industries and food service and drinking places, 2012 to 2016

State	Real Minimum Wage	Percent Change in Real Annual Average Weekly Wages 2012 to 2016		Percent Change in Average Annual Employment 2012-2016	
		All industries	Food Services and Drinking Places	All industries	Food Services and Drinking Places
Delaware	8.5%	-0.1%	5.3%	8.3%	13.2%
District of Columbia	27.1%	3.1%	9.8%	5.8%	19.4%
Maryland	11.8%	2.6%	7.8%	4.5%	11.6%
New Jersey	10.2%	1.4%	5.3%	4.7%	10.5%
New York	18.3%	4.5%	9.9%	7.2%	15.8%
Ohio	0.3%	2.4%	6.0%	5.0%	9.4%
West Virginia	15.1%	0.5%	7.9%	-3.6%	2.9%
Six States	12.0%	3.0%	7.8%	5.6%	12.5%
Pennsylvania	-4.7%	2.8%	5.0%	2.6%	6.8%

Note: The figures above are an employment weighted average of the percent change in wages and employment measured at the county level. Weights are an average of employment by industry in 2012 and 2016.

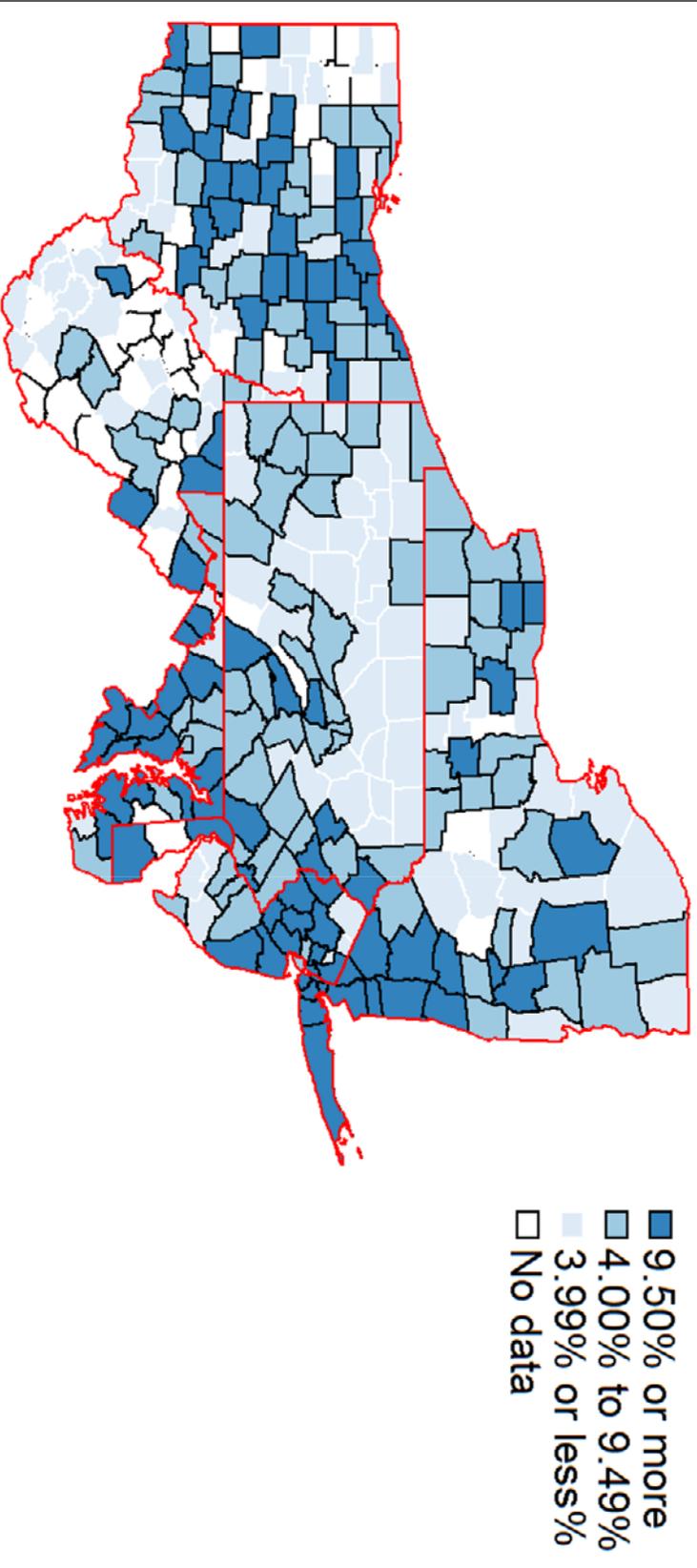
Source: Keystone Research Center analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>)

In general, researchers do not link minimum wage increases to changes in overall employment, but corporate lobbyists in opposition to wage increases frequently claim minimum wage increases imperil broader job growth. While wages at the bottom of the Pennsylvania labor market have grown less than they would have if our lawmakers had raised the minimum wage as policymakers throughout the region have, Pennsylvania’s policy choice has not resulted in faster growth of employment in the state overall or in industry sectors that rely more heavily on low-wage labor.

The research literature focused on what happens to employment after minimum wages increases in the early 1980s estimated that a 10% increase in the minimum wage reduced the employment of teens (age 16 to 19) by between zero and 1.5 percent, but observed no clear relationship between minimum wage increases and adult (25 and older) employment.⁹ Dale Belman of Michigan State and Paul Wolfson of Dartmouth College, using a statistical method called meta-study to guide their review of the research literature conducted since 2000 concluded that, “if negative effects of employment are present, they are too small to be statistically detectable.”¹⁰ Increases in the minimum wage in Pennsylvania in line with those enacted around the country since 1990 would boost wages for over a million Pennsylvania workers and pose minimal risk of job loss.

Map 2. Rural Pennsylvania Workers Left Behind: Employment Growth in Food Services Also Trails Most Counties in Neighboring States

Percent Change in Annual Average Employment: Food Services and Drinking Places, 2012 to 2016



Source: Keystone Research Center analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>)

Important Changes to the Pennsylvania Minimum Wage Act

The failure to raise the minimum wage in Pennsylvania has cost low-wage workers hundreds of millions of dollars in lost wages. Not surprisingly, the long-term erosion of the purchasing power of the minimum wage (down 25% since 1968) has led to campaigns across the country to raise local and state minimum wages.

These campaigns were invigorated after a wave of strikes at fast food restaurants for a \$15 minimum wage inspired activists around the country to raise their own demands. Prominently, the city of Seattle, followed by New York state and California, all enacted legislation putting them on a road to a \$15 minimum wage. The national campaign to raise the minimum wage moved from a demand of \$10.10, which would restore the purchasing power lost since 1968, to an increase to \$12 by 2020 and to \$15 by 2024.¹¹

Although there is bipartisan support for a higher minimum wage in Pennsylvania, with bills introduced by both Republicans¹² and Democrats,¹³ it has been more than a decade since legislation to raise the minimum wage has moved to the floor of the state House or state Senate for an up or down vote.

In the discussion that follows, we present our recommended schedule of increases along with estimates of workers affected. We conclude this section by reviewing four important policy areas that need to be addressed when updating the Minimum Wage Act in Pennsylvania: subminimum wages, local preemption, indexing and wage theft.

The Road to \$15

The legislation proposed in Pennsylvania includes minimums that range from \$8.75 to \$15. We present here a simplified schedule of increases that lift the minimum wage \$1.75 (24%) to \$9 next July and then raise the minimum wage annually by \$1 until it reaches \$15 by 2024. Although the timing of a minimum wage increase matters for both workers and employers and varies widely in proposed legislation, Table 8 provides a useful guide in comparing the number of workers affected by the different proposals circulating in Harrisburg (Table 5 provides a detailed demographic breakdown of the workers impacted under a \$9, \$12, and \$15 per hour minimum wage). David Cooper and Janelle Jones of the Economic Policy Institute estimate an increase in the minimum wage to \$9 by July 2018 would raise the wages of 791,000 Pennsylvania workers (403,000 directly and another 388,000 indirectly), which is 13.8% of the workforce. Raising the minimum wage to \$12 would raise the wages of just over twice as many workers, 1.6 million, or 28.9% of the workforce. Raising the minimum wage to \$15 would lift the earnings of roughly 2.2 million workers, which is 37% of the Pennsylvania workforce. In terms of the cumulative increase in wages for all affected workers, a \$9 minimum wage would boost annual wages by \$894 million, a \$12 minimum wage would increase total earnings by \$3.9 billion and a \$15 minimum wage increase total earnings by \$9.1 billion.

Table 4.

Workers Affected by a Minimum Wage Increase to \$15 by 2024

Date	New Minimum wage	Directly affected ¹	Indirectly affected ²	Total affected	Share affected
1-Jul-18	\$9.00	403,000	388,000	791,000	13.8%
1-Jul-19	\$10.00	564,000	635,000	1,198,000	20.8%
1-Jul-20	\$11.00	677,000	753,000	1,430,000	24.7%
1-Jul-21	\$12.00	1,064,000	611,000	1,675,000	28.9%
1-Jul-22	\$13.00	1,243,000	579,000	1,822,000	31.2%
1-Jul-23	\$14.00	1,344,000	686,000	2,030,000	34.7%
1-Jul-24	\$15.00	1,543,000	649,000	2,192,000	37.3%

¹Directly affected workers will see their wages rise, as the new minimum-wage rate will exceed their current hourly pay.

²Indirectly-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.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata (2016) and CBO Economic Projections (January 2017).

Table 5.

Number of workers that would be affected by a minimum wage increase to \$9, \$12, and \$15 per hour

Category	\$9 by July 2018		\$12 by July 2021		\$15 by July 2024	
	Total affected	Share of total affected	Total affected	Share of total affected	Total affected	Share of total affected
Total	791,000	100%	1,675,000	100.0%	2,192,000	100.0%
Sex						
Female	476,000	60.2%	995,000	59.4%	1,295,000	59.1%
Male	315,000	39.8%	679,000	40.6%	897,000	40.9%
Age						
20 +	637,000	80.6%	1,460,000	87.2%	1,966,000	89.7%
Under 20	154,000	19.4%	215,000	12.8%	226,000	10.3%
Age Detailed						
16 to 24	365,000	46.2%	592,000	35.4%	675,000	30.8%
25 to 39	169,000	21.4%	454,000	27.1%	603,000	27.5%
40 to 54	132,000	16.7%	320,000	19.1%	459,000	20.9%
55+	125,000	15.8%	309,000	18.4%	455,000	20.8%
Race/ethnicity						
White	577,000	72.9%	1,220,000	72.8%	1,634,000	74.5%
Black	87,000	11.0%	200,000	12.0%	254,000	11.6%
Hispanic	80,000	10.1%	161,000	9.6%	195,000	8.9%
Asian	31,000	3.9%	54,000	3.2%	66,000	3.0%
Other race/ethnicity	17,000	2.1%	39,000	2.3%	44,000	2.0%
Family Status						
Married parent	95,000	12.0%	226,000	13.5%	327,000	14.9%
Single parent	62,000	7.8%	148,000	8.9%	204,000	9.3%
Married, no kids	120,000	15.2%	319,000	19.1%	465,000	21.2%
Unmarried, no kids	514,000	65.0%	981,000	58.6%	1,197,000	54.6%
Family Income						
less than \$10,000	80,000	10.1%	121,000	7.2%	142,000	6.5%
\$10,000 - \$14,999	37,000	4.6%	68,000	4.1%	81,000	3.7%
\$15,000 - \$24,999	74,000	9.4%	181,000	10.8%	229,000	10.4%
\$25,000 - \$34,999	99,000	12.5%	215,000	12.9%	287,000	13.1%
\$35,000 - \$49,999	107,000	13.5%	227,000	13.5%	307,000	14.0%
\$50,000 - \$74,999	140,000	17.7%	335,000	20.0%	445,000	20.3%
\$75,000 - \$99,999	123,000	15.6%	259,000	15.5%	345,000	15.7%
\$100,000 - \$149,999	87,000	11.0%	180,000	10.7%	237,000	10.8%
\$150,000 or more	45,000	5.7%	89,000	5.3%	118,000	5.4%

Table 5 (cont.)

Number of workers that would be affected by a minimum wage increase to \$9, \$12, and \$15 per hour

Category	\$9 by July 2018		\$12 by July 2021		\$15 by July 2024	
	Total affected	Share of total affected	Total affected	Share of total affected	Total affected	Share of total affected
Industry						
Construction	12,000	1.5%	41,000	2.4%	65,000	3.0%
Manufacturing	44,000	5.5%	141,000	8.4%	197,000	9.0%
Retail	168,000	21.2%	349,000	20.8%	423,000	19.3%
Wholesale	11,000	1.4%	29,000	1.8%	46,000	2.1%
Transportation & util.	16,000	2.0%	64,000	3.8%	103,000	4.7%
Information	7,000	0.9%	12,000	0.7%	15,000	0.7%
Financial activities	14,000	1.7%	46,000	2.8%	82,000	3.8%
Admin & waste mgmt.	38,000	4.7%	76,000	4.5%	103,000	4.7%
Professional, sci. & mgmt.	6,000	0.8%	22,000	1.3%	41,000	1.8%
Education	38,000	4.8%	95,000	5.7%	129,000	5.9%
Healthcare	67,000	8.4%	213,000	12.7%	308,000	14.1%
Social assistance	36,000	4.6%	74,000	4.4%	88,000	4.0%
Arts, Ent., Rec., & Accom.	70,000	8.9%	115,000	6.9%	129,000	5.9%
Food & drink	192,000	24.3%	257,000	15.4%	280,000	12.8%
Public administration	3,000	0.4%	27,000	1.6%	44,000	2.0%
Other	69,000	8.7%	114,000	6.8%	139,000	6.3%
Occupation						
Management	13,000	1.7%	47,000	2.8%	77,000	3.5%
Professional	38,000	4.8%	141,000	8.4%	195,000	8.9%
Service	416,000	52.6%	666,000	39.8%	801,000	36.5%
Sales	123,000	15.6%	231,000	13.8%	265,000	12.1%
Office, admin. support	72,000	9.2%	243,000	14.5%	361,000	16.5%
Farm, forestry & fish	8,000	1.0%	19,000	1.1%	20,000	0.9%
Construction & extraction	8,000	1.0%	33,000	2.0%	62,000	2.8%
Installation, maint. & repair	11,000	1.4%	28,000	1.7%	41,000	1.8%
Transportation	64,000	8.0%	155,000	9.3%	224,000	10.2%
Other occ.	38,000	4.8%	111,000	6.6%	147,000	6.7%

Table 5 (cont.)

Number of workers that would be affected by a minimum wage increase to \$9, \$12, and \$15 per hour

Category	\$9 by July 2018		\$12 by July 2021		\$15 by July 2024	
	Total affected	Share of total affected	Total affected	Share of total affected	Total affected	Share of total affected
Work Hours						
Part time (< 20 hours)	198,000	25.0%	313,000	18.7%	345,000	15.7%
Mid time (20-34 hours)	287,000	36.3%	486,000	29.0%	566,000	25.8%
Full time (35+ hours)	306,000	38.7%	875,000	52.3%	1,282,000	58.5%
Education						
Less than high school	153,000	19.4%	245,000	14.7%	279,000	12.7%
High School	317,000	40.1%	694,000	41.4%	920,000	42.0%
Some college, no degr.	202,000	25.5%	369,000	22.0%	466,000	21.3%
AA degree	54,000	6.8%	154,000	9.2%	213,000	9.7%
Bachelor's or higher	65,000	8.2%	212,000	12.7%	313,000	14.3%
Organizational Type						
For profit	706,000	89.2%	1,447,000	86.4%	1,855,000	84.6%
Government	28,000	3.6%	90,000	5.4%	139,000	6.3%
Non-profit	57,000	7.2%	139,000	8.3%	199,000	9.1%
Number of children with at least one affected parent	Total affected	% of all Children	Total affected	% of all Children	Total affected	% of all Children
	265,000	33.5%	641,000	38.3%	849,000	38.7%

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata (2016) and CBO Economic Projections (January 2017).

Subminimum Wages

In Pennsylvania, employers of workers that customarily receive tips are required to pay their tipped workers a base wage of \$2.83 per hour, provided employees' weekly income from tips plus their base wage would bring their hourly rate to \$7.25 – the current minimum wage. Tipped workers in states like Pennsylvania face higher rates of poverty and a greater reliance on public assistance than tipped workers in states that do not have a tipped subminimum wage.¹⁴ For this reason, we recommend streamlining Pennsylvania's minimum wage law by phasing out the tipped minimum wage by 2025. The Economic Policy Institute estimates that raising the tipped minimum in Pennsylvania to \$5.25 while boosting the minimum wage to \$9.00 by next July would boost the wages of 161,688 tipped workers. Two other subminimum wages that policymakers sometimes propose include subminimum wages for younger workers or subminimum wages for workers in small business. These provisions generally do more harm than good by giving employers an incentive to discriminate in hiring by age or by subsidizing inefficient firms, and thus are not recommended.

Local Preemption

As part of a compromise to raise the state minimum wage to \$7.15 an hour in 2006, local governments in Pennsylvania were preempted from establishing a minimum wage higher than the state minimum wage. At the time, Pennsylvania was only one of 10 states to preempt local minimum wage law. Since then, preemption has blossomed nationwide with 25 states preempting higher local minimum wages and a growing number of states using preemption to roll back local efforts to expand paid sick days and fair scheduling laws.¹⁵ We recommend an end to preemption to allow higher-wage, higher-cost-of-living regions in Pennsylvania to establish minimum wage levels more in line with local pay levels and the cost of living.

Indexing

After determining the level of the minimum wage, the single most important technical issue is whether the wage is adjusted annually to reflect changes in the demand for labor.

Currently, 18 states, including New York, New Jersey, Ohio, and the District of Columbia, adjust the minimum wage annually to reflect changes in consumer prices. If after raising the minimum wage to \$7.15 in 2007 had Pennsylvania's minimum wage been adjusted annually based on changes in the Consumer Price Index (CPI) it would be \$8.40 per hour in 2018 (Table 6 next page).

The Raise the Wage Act of 2017¹⁶ introduced in the U.S. Senate last May proposes indexing the minimum wage using the median wage. The advantage of using the median wage is that it more directly reflects conditions in labor markets than consumer prices, where volatile components like food and energy prices tend to be driven by economic factors unrelated to labor market conditions.¹⁷ Adjusting the minimum wage set at \$7.15 in 2007 for changes in the median wage for full-time full-year workers in Pennsylvania since then would lift the minimum wage in 2018 to \$9.60 per hour.¹⁸

The Minimum Wage Advisory Board established by an amendment to the Minimum Wage Act and ably staffed by the Pennsylvania Department of Labor and Industry's Center for Workforce Information and Analysis has the analytical capacity to create an index to adjust annually the minimum wage based changes in the median wages paid to full-time full year Pennsylvania workers.

Table 6.

The Pennsylvania Minimum Wage Indexed to the Consumer Price Index and the Median Wage for Full-Time Full-Year Pennsylvania Workers

Year	Percent Change in the CPI-U ¹	Minimum Wage	Percent Change in Median Wage ²	Minimum Wage
2007	2.2%	\$7.15	7.5%	\$7.15
2008	3.4%	\$7.31	3.1%	\$7.69
2009	-0.4%	\$7.56	-0.6%	\$7.92
2010	2.0%	\$7.56	2.0%	\$7.92
2011	2.7%	\$7.71	0.7%	\$8.08
2012	1.8%	\$7.91	4.4%	\$8.14
2013	1.2%	\$8.06	3.6%	\$8.50
2014	1.3%	\$8.15	-1.1%	\$8.80
2015	-0.1%	\$8.26	4.8%	\$8.80
2016	0.6%	\$8.26	1.8%	\$9.22
2017	1.1%	\$8.31		\$9.39
2018		\$8.40		\$9.60

¹ All items in Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD, all urban consumers. Inflation for 2017 is through the first half of the year.

² Full-time full-year workers

Source: Keystone Research Center based on Bureau of Labor Statistics and Economic Policy Institute data drawn from the March Current Population Survey

Wage Theft

Raising the minimum wage is not enough: for many workers in Pennsylvania, the state needs to do more to combat wage theft. Community Legal Services of Philadelphia reports over a hundred cases each year of clients whose employers simply did not pay them or paid them less than the legal minimum.¹⁹ The Economic Policy Institute, using data from the Current Population Survey, finds 107,000 Pennsylvania workers, or 10% of the minimum-wage-eligible workforce, were victims of wage theft.²⁰ The EPI analysis finds that Pennsylvania employers that commit wage theft are stealing just over a third (34.6%) of the wages to which their victims are legally entitled – a bigger share than in any of the other 10 large states studied by EPI.

Analysis by the Economic Policy Institute finds "Employers in Pennsylvania who commit wage theft are stealing, on average, 34.6 percent of the wages earned by victim employees. If these workers are employed 52 weeks per year, this amounts to losses of \$4,200 per year on paid wages of only \$8,500."

To combat wage theft in Pennsylvania, Community Legal Services of Philadelphia recommends boosting the penalties for wage theft violations, and streamlining and better funding enforcement of existing laws by the Pennsylvania Department of Labor and Industry.²¹ Our "Agenda to Raise Pennsylvania's Pay" (online at

<http://bit.ly/2x6jll0>) also recommends clamping down on wage theft through more effective, strategic, and industry-specific enforcement.

Conclusion

Inequality measured in terms of the income and wealth has been on the rise in America in the last 38 years. According to estimates from the World Inequality Report²² the share of national income flowing to the top 1% has nearly doubled since 1980, an outcome largely at the expense of the share of income national income flowing to the bottom 50% of the population.²³

The World Inequality Report, contrasting the experience of the U.S. and Western Europe, illustrates that not every part of the world has observed the same rapid rise in inequality as has been experienced in the U.S. The difference for the United States is due in part to key policy choices including falling tax rates on high income individuals and the decline in the real purchasing power of the minimum wage.

Setting the Pennsylvania labor market on a path to a \$15 minimum wage, eliminating the tipped minimum wage, indexing the minimum wage to the median wage and cracking down on employer theft of wages are some of the most important and practical steps that we can take to arrest the rise in inequality we have observed in the last four decades in America.

End Notes

¹ In 2018 there will be a higher minimum wage for New York City (\$13 and \$12 for small and large employers respectively) and a minimum of \$11 in Nassau, Suffolk, and Westchester Counties. New York has also established a higher minimum wage for workers employed in Fast Food.

² The minimum wage will increase at some point in 2018 in 19 states and the District of Columbia. Among our neighboring states the minimum wage will rise in January in Ohio (to \$8.30 from \$8.15), New Jersey (to \$8.60 from \$8.44), and New York (in most of the state to \$10.40 from \$9.70; the minimum will rise in New York City for large employers to \$13 from \$11, to \$12 from \$10.50 for smaller employers and in Long Island & Westchester to \$11 from \$10). The minimum wage will rise in July 2018 in Maryland (to \$10.10 from \$9.25) and the District of Columbia (to \$13.25 from \$12.50). New York also sets a higher minimum wage for workers in Fast Food, this January the minimum wage for fast food workers rose from \$12 to \$13.50 in New York City and in the rest of the state from \$10.75 to \$11.75.

³ Examining average wages for the top 80% of earners, we find growth in real hourly earnings of 5.1% in Pennsylvania compared to 5.3% in the region. The disadvantage in terms of the slower pace of growth widens substantially for low wage workers in Pennsylvania where average wages for the bottom 20% of workers grew by 4% compared to 6.3% in the region.

⁴ Dale Belman and Paul J. Wolfson, *What Does The Minimum Wage Do?* (Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research) Chapter 7. NOTE: this chapter reviews the research literature on the link between minimum wages and wage inequality and conclude “higher minimum wages reduced wage inequality by raising the wages of those in the lower tail of the earnings distribution”.

⁵ We estimate that after adjusting for inflation average wages for the bottom 10% of workers in region rose 7.9% between 2012-13 and 2016-17. We adjust this figure down to 6.5% by the difference between wage growth for the top 90% in Pennsylvania (4.7%) and the region (6.2%). We convert hourly wages in 2016-17 and after assuming faster regional growth into annual totals by multiplying the average usual hours of work for the bottom 10% in 2016-17 (29 hours) by 52. Taking the difference between these two totals we arrive our final estimate: If wages in Pennsylvania grew as fast at the bottom as they did in the region total wages in 2016-17 would be \$362 million higher.

⁶ *Raising the Minimum Wage in Pennsylvania*, November 2015, available at: <http://www.ifo.state.pa.us/releases.cfm?id=18> and *Analysis of Revenue Proposals: FY 2017-18 Executive Budget*, pp. 25-40, April 2017, available at: <http://www.ifo.state.pa.us/releases.cfm?id=123>

⁷ In the IFO's most recent minimum wage analysis (see page top of Page 30 of Independent Fiscal Office, "Analysis of Revenue Proposals: FY 2017-18 Executive Budget", April 2017, <http://www.ifo.state.pa.us/releases.cfm?id=123>) it relies on a paper David Neumark (David Neumark, "The Effects of Minimum Wages on Employment," Federal Reserve Bank of San Francisco Economic Newsletter, December 2015, <http://www.frbsf.org/economic-research/publications/economic-letter/2015/december/effects-of-minimum-wage-on-employment/>) in arguing "some consensus" exists for its assumptions regarding job loss implied by minimum wage increases. As the Neumark paper makes clear there is a research literature finding no job loss, but it is Neumark's judgement that the assumption of job loss is more defensible which the IFO presents as "some consensus". The IFO would be better served more closely following the CBO model and acknowledging an active research literature that fails to find negative employment impacts for the moderate minimum wage increases that have been enacted around the country since 1990.

⁸ All the figures presented in Table 2 are an employment weighted average percent changes measured at the county level in the Quarterly Census of Employment and Wages (QCEW). The employment weight is the average of employment in each industry in 2012 and 2016. As illustrated in Map 1 at the county level in the QCEW data observations are not reported for some counties to protect confidentiality.

⁹ John Schmitt, "Explaining the Small Employment Effects of the Minimum Wage in the United States", Industrial Relations, October 2015, <http://onlinelibrary.wiley.com/doi/10.1111/irel.12106/epdf>

¹⁰ Dale Belman and Paul J. Wolfson, *What Does The Minimum Wage Do?* (Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research) Chapter 4.

¹¹ David Cooper, "Raising the minimum wage to \$15 by 2024 would lift wages for 41 million American workers," Economic Policy Institute, April 26, 2017, <http://www.epi.org/publication/15-by-2024-would-lift-wages-for-41-million/>

¹² the Minimum Wage, Senate Co-Sponsorship Memoranda by Senator Scott Wagner, December 19, 2016, <http://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20170&cosponId=21463>

¹³ Raising the Minimum Wage, House Co-Sponsorship Memoranda by Representative Patty Kim, June 5, 2017, <http://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=H&SPick=20170&cosponId=24072>. See also Page 12 of *2017-18 Budget in Brief*, available at:

<http://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2017-18%20Proposed%20Budget/2017-18%20Budget%20In%20Brief%20-%20Web.pdf>

¹⁴ Sylvia A. Allegretto and David Cooper, "Twenty-Three Years and Still Waiting for Change," Economic Policy Institute, Briefing Paper #379, 2014, <http://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/>

¹⁵ Marni von Wilpert, "City governments are raising standards for working people—and state legislators are lowering them back down," Economic Policy Institute, August 26, 2017, <https://goo.gl/QzsUqY>

¹⁶ Raise the Wage Act, S.1242, 115th Cong. (2017). <https://www.congress.gov/bill/115th-congress/senate-bill/1242>

¹⁷ For more on the economics behind indexing to the median wage see Ben Zipperer, "Bolstering the bottom by indexing the minimum wage to the median wage," Washington Center for Equitable Growth, July 2015, <http://equitablegrowth.org/research-analysis/bolstering-bottom-indexing-minimum-wage-median-wage/>

¹⁸ The Pennsylvania Minimum Wage Act was amended in 2006 to establish a Minimum Wage Advisory Board, which annually produces a report tracking the characteristics of minimum wage workers (see 2017's report <https://goo.gl/1v4GtZ>). The board is staffed by Pennsylvania Department of Labor and Industry's Center for Workforce Information and Analysis (CWIA) which conduct analysis of the Current Population Survey to profile minimum wage workers. The mission of the Minimum Wage Advisory Board could be amended to require CWIA staff to analyze the March Current Population Survey to estimate the median wage of full-time full-year workers which could then be used to annually adjust annually the Minimum Wage in the same way legislative salaries are annual adjusted using the Consumer Price Index.

¹⁹ Nadia Hewka, "Testimony: The Importance of Wage Theft," Community Legal Services of Philadelphia, May 8, 2014, <https://clsphila.org/learn-about-issues/testimony-increasing-minimum-wage-and-combating-wage-theft>

²⁰ David Cooper and Teresa Kroeger, "Employers steal billions from workers' paychecks each year," Economic Policy Institute, May 10, 2017, <http://www.epi.org/publication/employers-steal-billions-from-workers-paychecks->

[each-year-survey-data-show-millions-of-workers-are-paid-less-than-the-minimum-wage-at-significant-cost-to-taxpayers-and-state-economies/](#)

²¹ Michael Hollander, "Testimony: The Importance of Combatting Wage Theft," Community Legal Services of Philadelphia, May 5, 2015, <https://clsphila.org/learn-about-issues/testimony-importance-combatting-wage-theft>

²² Facundo Alvaredo, Lucas Chancel, Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, "World Inequality Report 2018", The World Inequality Lab, <http://wir2018.wid.world/>

²³ As we have illustrated previously (see Page 13 of the State of Working Pennsylvania <https://goo.gl/cTtmZe>) the best available data on market incomes also show a disproportionate share of income growth flowing to the top 1% of families in the Commonwealth.