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Analysis of the Pennsylvania Minimum Wage in 2012

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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 reflects 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 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. The National Bureau of Economic Research has determined that the national economy's recession which began in December of 2007 ended in June of 2009. Labor markets typically lag behind output markets, and the recovery thus far has been slow and sluggish, particularly regarding employment and the unemployment rate. Therefore, a comparison is made between the years 2011 and 2012 to determine the effect of the early stages of recovery, following the recession, on hourly workers earning at or near the minimum wage.

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 for the U.S. Bureau of Labor Statistics. 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 minimums to the minimum wage for certain employers and certain job classifications. For example, farm workers, seasonal workers, and newspaper deliverers are exempt from both state and federal minimum wage law, while lower minimums 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 minimums. 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 age 20 making a training wage for the first 60 days of employment expired on July 24, 2009.

Minimum wage workers are defined in this report as workers earning the minimum wage or below at their main job, 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).

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.

Note: This report has been prepared using available data from United States Census Bureau and the 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.

While reliable data on minimum wage and price levels go back at least as far as the inception of the 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. 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, which may lead to both over counting and undercounting of certain segments of the minimum wage population. For instance, tipped employees, such as servers, who typically earn a wage of less than \$7.25 per hour, but often earn tips in sufficient amounts to bring their actual average earnings per hour above minimum wage, are inaccurately included in the cohort of those earning minimum wage or below. Additional sources of potential over inclusion and under inclusion exist, but are too numerous to list.

Further, many characteristics of the minimum wage population which 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 conduct 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 2012, there were 194,500 Pennsylvania workers earning minimum wage or less, or 5.6 percent of all hourly workers and 3.3 percent of total employment. This constituted a decrease of 400 workers (0.2 percent) from 2011. The number of workers earning exactly the minimum wage (\$7.25) fell by almost 12,000, while the number earning less than the minimum wage rose by more than 11,500.
- Pennsylvania employment increased by roughly 109,300 (1.9 percent) in 2012, and U.S. employment rose by 2,600,000 (1.9 percent). Pennsylvania's hourly employment gained 43,500 (1.3 percent), and U.S. hourly employment increased by 1,370,000 (1.9 percent). The proportion of all workers receiving hourly rates fell slightly in Pennsylvania, while it was virtually unchanged in the nation from 2011. In 2012, the percentage of the employed earning hourly rates was higher in Pennsylvania (58 percent) than in the U.S. overall (53 percent).
- Pennsylvania's wage distribution was fatter at the tails and thinner at the middle relative to that of the U.S. (i.e. the lowest and highest wage categories, depicted in the graph on page 14, had higher percentages and the categories between them had lower percentages than the comparison population), with 78.0 percent of hourly workers earning \$2.00 or more per hour above the minimum wage (\$9.25 or more), and 5.6 percent earning the minimum wage or below. This compares with 75.9 percent and 4.7 percent, respectively, for the U.S.
- In both Pennsylvania and the U.S., the proportion of hourly workers who earned at or below the minimum wage decreased slightly, while the proportion of those earning at least \$2.00 more than the minimum wage increased slightly. The decrease in the former proportion was more pronounced for the U.S. than for Pennsylvania.
- The labor markets in Pennsylvania and the U.S. improved slightly in 2012, both in terms of employment and its percentage rate of change from 2011. This is evidence that the recovery from the recession which ended in June of 2009 is gaining a little traction.

Comparison of Minimum Wage Worker Characteristics to Other Populations

- A majority of Pennsylvania earners at or below the minimum wage in 2012 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 similar to the corresponding percentages of minimum wage earners in the nation as a whole. While these demographic groups were relatively over represented in the Pennsylvania minimum wage population, whites, who constituted more than three out of every four minimum wage earners in Pennsylvania, were still underrepresented relative to the comparison populations.
- Workers having no children made up 77 percent of those earning the minimum wage or less in Pennsylvania.
- Sixteen percent of minimum wage workers were single parents, and 7 percent were married with one or more children.
- The household income of those who earned the minimum wage or below varied greatly. Over fifty-four percent of such households earned less than \$50,000 per year, and almost 38 percent made less than \$30,000 per year. In contrast, 25 percent had annual household incomes of \$75,000 or more a year, and 14 percent made \$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

Industrial and Occupational Distributions

- In Pennsylvania, the industries most likely to employ workers at or below the minimum wage were food services & drinking places; retail trade; other services; and social assistance. These industries employed 81 percent of all minimum wage earners in 2012, with food services and drinking places by itself accounting for almost 54 percent. However, more than four-fifths of the industry groups contained some minimum wage workers.
- In 2012, 73 percent of hourly-paid workers earning the minimum wage or less worked part time, while 76 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, and therefore accounted for a large proportion of both workers earning more than the minimum wage and those earning the minimum wage or less. Retail trade, in combination with manufacturing and non-hospital health care services accounted for more than 38 percent of all workers earning above the minimum wage in 2012.
- In 2012, more than 47 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 (19 percent), transportation & material moving (11 percent), and personal care & service (7 percent).
- Workers who earned the minimum wage or less were concentrated in the same occupations (food preparation & serving-related occupations, sales & related occupations, transportation & material moving, and personal care & service), whether they were situated in Pennsylvania or elsewhere in the U.S. However, the occupational distribution of these workers was dissimilar to that of workers earning above the minimum wage in Pennsylvania, which was more diverse and was led by office and administrative support occupations and production occupations.

Recent Historical Comparisons (1 and 5 Years)

- The number of minimum wage workers fell by 64,600 (24.9 percent) from 2007 to 2012. Over this period, total employment fell by 1.4 percent while the number of those paid an hourly rate increased by 0.4 percent. The minimum wage in Pennsylvania was raised twice in 2007 (from \$5.15/hour), first to \$6.25 on January 1, and then to \$7.15 on July 1. It was raised again in July of 2009 to its current level of \$7.25. The absolute decrease in numbers from 2007 most likely reflects the decrease in employment, due in part to the recession, combined with a decrease in the minimum wage compared to the average wage in Pennsylvania.
- The percentage of minimum wage workers in food service & drinking places increased from 40 percent to almost 54 percent over the five-year interval from 2007 to 2012. Pennsylvania minimum wage workers who worked in food preparation & serving related occupations also increased by 7 percentage points from 2007 to 2012, while those employed in office and administrative support occupations decreased by 4 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 2011, Pennsylvania's minimum wage had fallen to 32 percent of the average wage.
- Inflation adversely affects the purchasing power of an unchanging minimum wage. The value of the 2012 minimum wage of \$7.25 as measured in 2012 dollars was, of course, \$7.25. However, adjusting for projected inflation, it is projected to fall to \$7.07 in 2013 and \$6.90 in 2014.
- In 2011, the annual income for an individual in Pennsylvania making the minimum wage (\$7.25) was \$15,080 or 103 percent of the 2011 Federal Poverty Threshold for a two-person household (\$14,657). If the minimum wage remains unchanged at \$7.25 in 2013, the earnings of an individual working full time at that wage almost certainly will dip 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 2011 Federal Poverty Threshold for one-person (\$11,484) and two-person households (\$14,657), but fell short of this poverty threshold for three-person households (\$17,916).

Other States

- In 2012, 18 states had higher minimum wage rates than Pennsylvania, ranging from \$7.40 to \$9.04. As of January 1, 2013, Missouri joined that group, raising the number to 19. For more information, please see the table on page 38.
- In 2012, the remaining 32 states (including Pennsylvania) all effectively had a minimum wage of \$7.25 per hour, which is the federal minimum wage. Of these 32 states, 23 (including Pennsylvania) had a minimum wage requirement equal to the federal rate, 4 states had a formal minimum lower than the federal level, and five states had no 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 nine 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, which also is Pennsylvania's rate.
- Of Pennsylvania's neighboring states, Ohio had the highest minimum wage in 2012 (\$7.70). Pennsylvania and the rest of its neighboring states will be at the same minimum wage in 2013 (\$7.25). (However, there are two pieces of pending legislation in New Jersey to allow it to be raised either by referendum or statute).

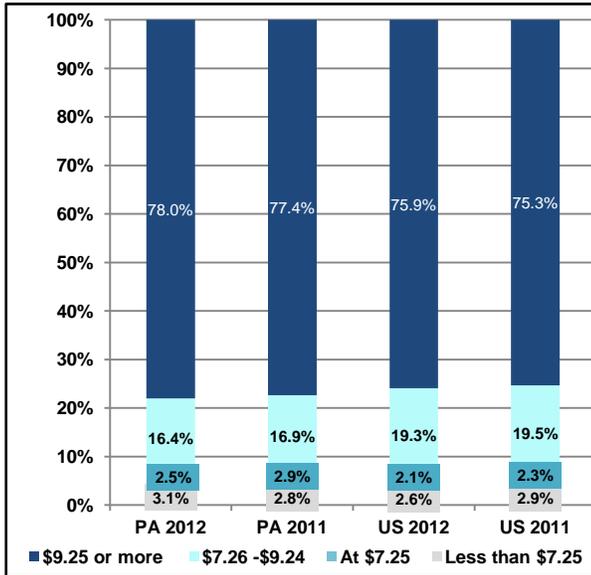
- Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont and Washington have their minimum wage rates tied to the Consumer Price Index to provide automatic increases that keep pace with inflation. In 2012, all of these states except Missouri and Nevada increased their minimum wage rates. Effective January 1, 2013, Rhode Island raised its rate to \$7.70, nine of these states raised their rates again, and Nevada may do so in July of 2013.

Conclusion

- In 2012, there were 194,500 Pennsylvania workers earning minimum wage or less, or 5.6 percent of all hourly workers and 3.3 percent of total employment. This was a decrease of 400 or 0.2 percent from 2011, when there were 194,900 workers making minimum wage or less.
- From 2011 to 2012, in the early stages of the recovery from the recession which ended in June of 2009, the number of Pennsylvania workers at or below the minimum wage decreased (by 0.2 percent), while total employment and the number of all hourly workers increased by 1.9 percent and 1.3 percent, respectively.
- 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 64,600 (24.9 percent) from 2007 to 2012. Over this period, total employment fell by 1.4 percent, while the number of those paid an hourly rate increased by 0.4 percent. The minimum wage in Pennsylvania was raised twice in 2007 (from \$5.15/hour), first to \$6.25 on January 1, and then to \$7.15 on July 1. It was raised again in July of 2009 to its current level of \$7.25. The absolute decrease in numbers from 2007 most likely reflects the decrease in employment, due in part to the recession, combined with a decrease in the minimum wage compared to the average wage in Pennsylvania.
- The industries most likely to employ workers at or below the minimum wage were food services & drinking places; retail trade; other services; and social assistance. Part-time workers accounted for almost three out of every four 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 2012 minimum wage of \$7.25 is projected to fall to \$6.90 by 2014, as measured in 2012 dollars.
- In 2012, 18 states had higher minimum wage rates than Pennsylvania, ranging from \$7.40 to \$9.04. As of January 1, 2013, Missouri joined that group. Ten such states have their minimum wage rates tied to the Consumer Price Index. Of Pennsylvania's neighboring states, Ohio had the highest minimum wage in 2012 (\$7.70).

WAGE DISTRIBUTION OF ALL HOURLY WORKERS

**Pennsylvania and U.S. Employed Wage & Salary Workers Paid Hourly Rates
2011 Average Compared to 2012 Average (Numbers of workers in thousands)**



| Total, 16 Years and Over | 2011 | | 2012 | | Percentage Point Change 2011 to 2012 | |
|-------------------------------|---------|---------|---------|---------|--------------------------------------|-------|
| | US | PA | US | PA | US | PA |
| Total Employment | 139,869 | 5,863.6 | 142,469 | 5,972.9 | - | - |
| Total Paid an Hourly Rate | 73,979 | 3,405.4 | 75,349 | 3,448.9 | - | - |
| Total at or below \$7.25 | 3,854 | 194.9 | 3,562 | 194.5 | - | - |
| Less than \$7.25 (in percent) | 2.9% | 2.8% | 2.6% | 3.1% | -0.3% | 0.3% |
| At \$7.25 (in percent) | 2.3% | 2.9% | 2.1% | 2.5% | -0.2% | -0.4% |
| \$7.26 – \$9.24 (in percent) | 19.5% | 16.9% | 19.3% | 16.4% | -0.1% | -0.5% |
| \$9.25 or more (in percent) | 75.3% | 77.4% | 75.9% | 78.0% | 0.6% | 0.6% |

Source: U.S. Census Bureau, Current Population Survey
Both the U.S. minimum wage and the PA minimum wage were \$7.25 during 2011 and 2012
Totals may not sum due to rounding

In 2012, there were 194,500 Pennsylvania workers earning minimum wage or less, which was 400 (0.2 percent) lower than the 2011 level. The decrease in 2012 was due to an increase of more than 11,500 in those earning below the minimum wage, while the number of those earning exactly the minimum wage (\$7.25 per hour) decreased by almost 12,000. These workers constituted 3.3 percent of total employment and 5.6 percent of all hourly workers.

The labor markets in Pennsylvania and the U.S. improved slightly in 2012, both in terms of employment and its percentage rate of change from 2011. Pennsylvania's total employment increased by roughly 109,300 (1.9 percent) in 2012, while U.S. employment increased by 2,600,000 (1.9 percent). Pennsylvania's hourly employment increased by 43,500 (1.3 percent), while U.S. hourly employment increased by 1,370,000 (1.9 percent). The proportion of all workers receiving hourly rates fell slightly in Pennsylvania while it was virtually unchanged in the nation from 2011. In 2012, the percentage of the employed earning hourly rates was higher in Pennsylvania (58 percent) than in the U.S. overall (53 percent).

Pennsylvania's wage distribution (across the categories depicted above) was fatter at the tails and thinner at the middle relative to that of the U.S. (i.e. the lowest and highest wage categories had higher percentages and the categories between them had lower percentages than the comparison population), with 78.0 percent of hourly workers earning \$2.00 or more per hour above the minimum wage (\$9.25 or more), and 5.6 percent earning the minimum wage or below. These figures compare with 75.9 percent and 4.7 percent, respectively, for the U.S. The proportion of workers at the lower end decreased slightly in Pennsylvania, while that of the upper tail increased slightly. For the U.S. overall, the proportion of minimum wage or below workers fell by 0.5 percentage points, while the proportion of workers earning at least \$2.00 more than the minimum wage increased by 0.6 percentage points.

COMPARISON OF MINIMUM WAGE WORKER CHARACTERISTICS TO OTHER POPULATIONS

| Pennsylvania and U.S. 2012 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 | Population 16 and over | |
| | PA ¹ | US ¹ | PA | PA | PA | US |
| TOTAL | 194.5 | 3,562 | 3,254.5 | 5,972.9 | 10,191.8 | 243,284 |
| Gender | | | | | | |
| Male | 34.0% | 36% | 50.9% | 52.6% | 47.9% | 48% |
| Female | 66.0% | 64% | 49.1% | 47.4% | 52.1% | 52% |
| Race | | | | | | |
| Black, non-Hispanic | 9.3% | 14% | 10.0% | 9.0% | 10.0% | 12% |
| Hispanic | 6.1% | 20% | 5.6% | 4.8% | 5.1% | 15% |
| Other, non-Hispanic | 6.9% | 6% | 2.6% | 3.1% | 3.4% | 7% |
| White, non-Hispanic | 77.7% | 60% | 81.8% | 83.1% | 81.5% | 66% |
| Age | | | | | | |
| 16-19 | 25.5% | 24% | 4.4% | 3.6% | 6.3% | 7% |
| 20-24 | 30.6% | 27% | 13.9% | 10.2% | 9.4% | 9% |
| 25-34 | 22.6% | 20% | 19.4% | 19.3% | 15.0% | 17% |
| 35-44 | 6.9% | 11% | 18.5% | 20.0% | 14.8% | 16% |
| 45-54 | 7.9% | 10% | 22.6% | 24.5% | 18.9% | 18% |
| 55-64 | 4.0% | 5% | 16.2% | 17.2% | 16.4% | 16% |
| 65 and over | 2.5% | 2% | 4.8% | 5.2% | 19.3% | 17% |
| Education | | | | | | |
| Less than a high school diploma | 26.2% | 28% | 8.0% | 6.9% | 13.1% | 16% |
| High school graduates, no college | 30.5% | 29% | 44.1% | 34.8% | 38.1% | 29% |
| Some college, no degree | 30.1% | 28% | 18.6% | 15.4% | 14.4% | 19% |
| Associate degree | 5.1% | 6% | 12.5% | 10.6% | 8.8% | 9% |
| Bachelor's degree or higher | 8.2% | 8% | 16.8% | 32.3% | 25.6% | 27% |
| Marital Status | | | | | | |
| Married Spouse Present | 13.9% | 22% | 48.3% | 53.6% | 49.5% | 51% |
| Marital Status Other | 13.2% | 13% | 15.1% | 14.9% | 19.4% | 20% |
| Never Married | 72.9% | 65% | 36.6% | 31.4% | 31.1% | 30% |

¹Both the U.S. and PA minimum wages were \$7.25 during 2012

Totals may not sum due to rounding

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

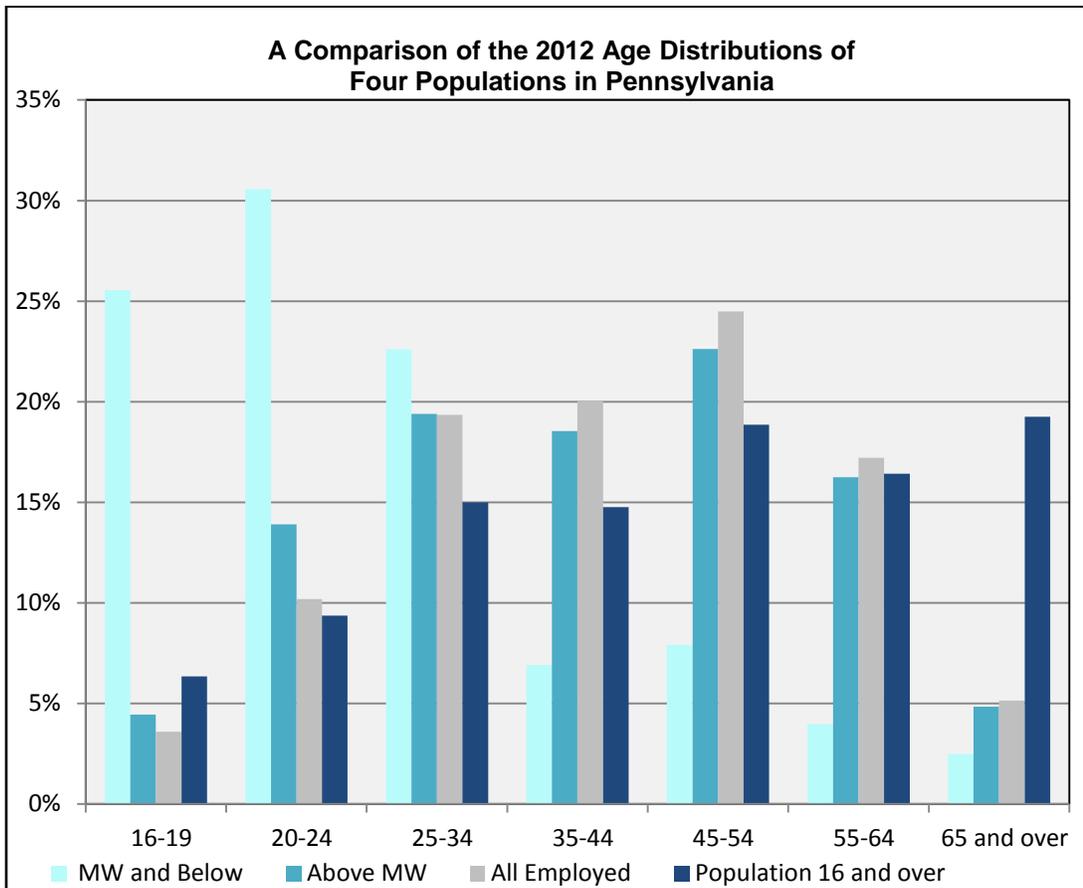
Gender

The gender composition of Pennsylvania's minimum wage workers, in 2012, was similar to that of other minimum wage workers in the U.S., 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). The Pennsylvania populations of both all those employed and workers earning more than the minimum wage were also almost evenly divided between males and females (although these populations had slightly higher percentages of males). In contrast, among minimum wage workers in Pennsylvania during 2012, females outnumbered males by almost 2 to 1 (66.0 percent to 34.0 percent).

Race

Being a significant majority of Pennsylvania's population, Whites, not unexpectedly were similarly a significant majority of Pennsylvania's minimum wage workers, however they were slightly underrepresented relative to their percentage in the population. Black workers made up the next highest percentage of minimum wage workers. Hispanic and Other non-Hispanic workers were somewhat overrepresented relative to their population percentages.

Age

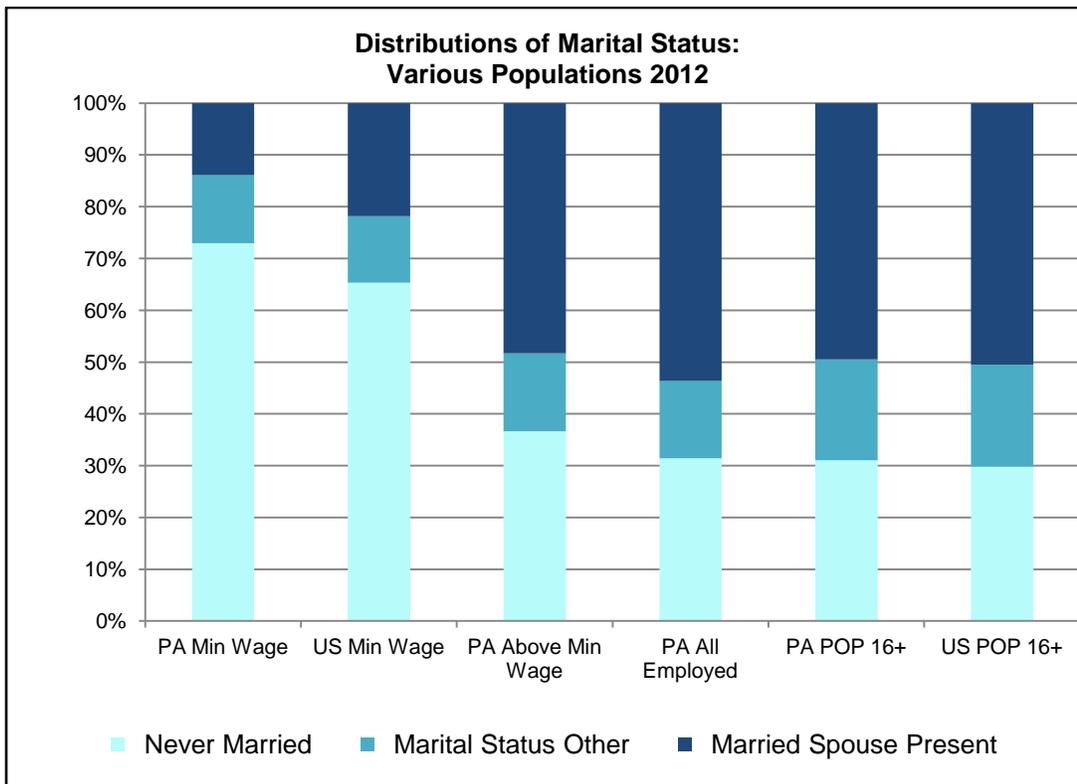


During 2012, Pennsylvania’s minimum wage workers tended to be younger than its or the nation’s population (16 and over). They also tended to be younger than the Pennsylvania population of all the employed or of workers earning above the minimum wage. Of the six populations depicted in the table on the previous page, the age distribution of Pennsylvania’s minimum wage workers was most similar to minimum wage workers in the U.S. and most different from the Pennsylvania population of all employed. More than 56 percent of Pennsylvania’s minimum wage population was under 24 years of age, while only 13.8 percent of all employed were in that age group. About 36 percent of Pennsylvania’s minimum wage workers were between 25 and 54 years of age, while the corresponding percentage for all employed was almost 64 percent. Minimum wage workers who were 55 years old or older constituted only 6.5 percent of that population while for the all employed population it was 23.4 percent. (This age group constituted almost 36 percent of the Pennsylvania population who were at least 16 years old.)

Education

The 2012 distribution of educational attainment for minimum wage earners in Pennsylvania was similar to such workers in the nation, but differed from the population of all employed workers in Pennsylvania. In particular, 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 made up almost 58 percent of those earning the minimum wage or less in 2012, as compared to less than 42 percent for all employed. At the other end of the distribution, only 8.2 percent of minimum wage workers had at least a bachelor's degree, while the percentage for all employed exceeded 32 percent.

Marital Status



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

A sizable majority (almost 73 percent) of minimum wage earners never had been married, while the remainder is split almost evenly between those who are married with spouse present and those with a marital status of other (divorced, separated, widowed). While similar to the distribution of minimum wage workers in the nation, the percentage who had never married was roughly two (or more) times that of other Pennsylvania populations analyzed here.

**Pennsylvania and U.S. Selected Groups of Hourly Wage and Salary Workers
At the Minimum Wage or Below
(Numbers of workers in thousands)**

| Characteristics | At or Below the Minimum Wage | | Above the Minimum Wage | Total Hourly Workers |
|---------------------------------|------------------------------|-----------------|------------------------|----------------------|
| | PA ¹ | US ¹ | PA | US |
| TOTAL | 194.5 | 3,562 | 3,254.5 | 75,349 |
| Family Makeup | | | | |
| No Children (Single or Married) | 77% | 76% | 70% | 68% |
| Married Parent | 7% | 12% | 22% | 23% |
| Single Parent | 16% | 11% | 8% | 9% |
| 1 child | 9% | 7% | 4% | 5% |
| 2 children | 6% | 3% | 2% | 3% |
| 3 children | 0% | 1% | 1% | 1% |
| 4 or more children | 0% | 0% | 0% | 0% |
| Household Annual Income | | | | |
| \$9,999 or less | 8% | 10% | 3% | 5% |
| \$10,000 to 19,999 | 12% | 15% | 7% | 9% |
| \$20,000 to 29,999 | 13% | 15% | 10% | 12% |
| \$30,000 to 39,999 | 11% | 12% | 12% | 13% |
| \$40,000 to 49,999 | 6% | 9% | 10% | 10% |
| \$50,000 to 59,999 | 9% | 9% | 11% | 10% |
| \$60,000 to 74,999 | 10% | 9% | 15% | 12% |
| \$75,000 to 99,999 | 17% | 9% | 15% | 13% |
| \$100,000 to 149,999 | 9% | 8% | 11% | 11% |
| \$150,000 and Over | 6% | 5% | 5% | 5% |

¹ PA and U.S. minimum wages in 2012 were \$7.25

Totals may not sum due to rounding. For percentages less than one half of one percent, round to 0 percent

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

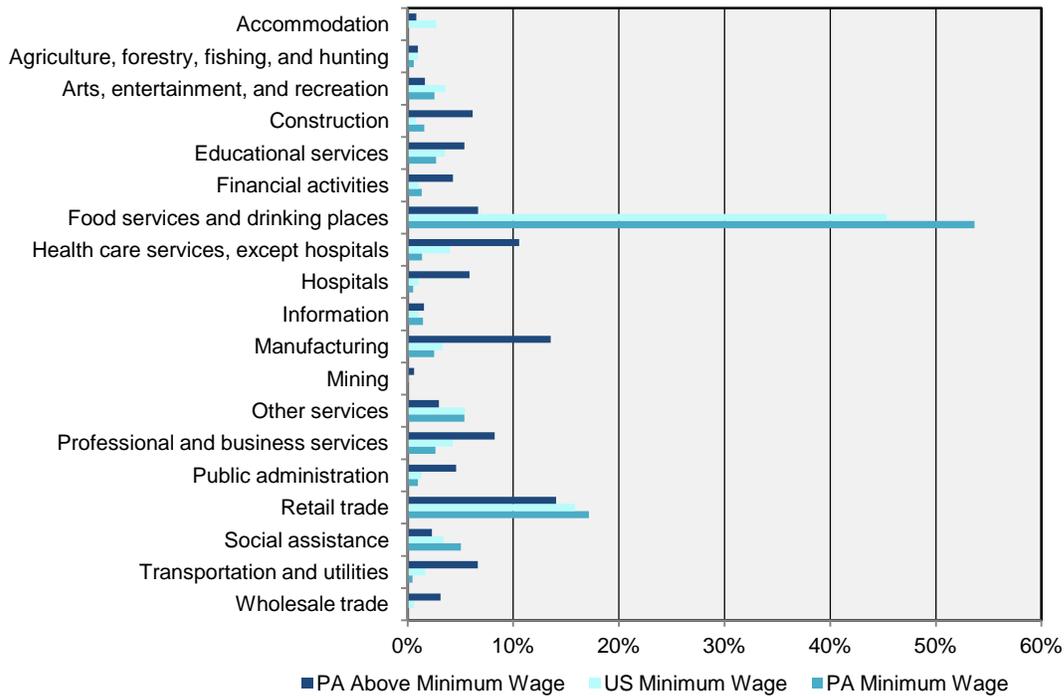
Workers having no children made up 77 percent of those earning the minimum wage or less in Pennsylvania, while single parents comprised 16 percent of that group. These percentages were slightly higher than similar workers in the U.S. overall, but differed considerably from workers in Pennsylvania earning 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 (a 3.1 to 3.3 multiple of the percentage for minimum wage workers in Pennsylvania), and smaller percentages of single parents and those without children.

In 2012, close to 60 percent of the single parents among Pennsylvania's minimum wage workers had only one child, while only three percent of them had three or more children.

The household income of those who earned the minimum wage or less varied greatly. Fifty-four percent of such households had household incomes less than \$50,000 per year and 38 percent made less than \$30,000 per year. In contrast, 25 percent had annual family incomes of \$75,000 or more, and 14 percent made \$100,000 or more per year. This distribution was similar to all hourly workers in the U.S., where 49 percent earned less than \$50,000 per year, and 29 percent had annual family incomes of \$75,000 or more a year.

INDUSTRIAL AND OCCUPATIONAL DISTRIBUTIONS

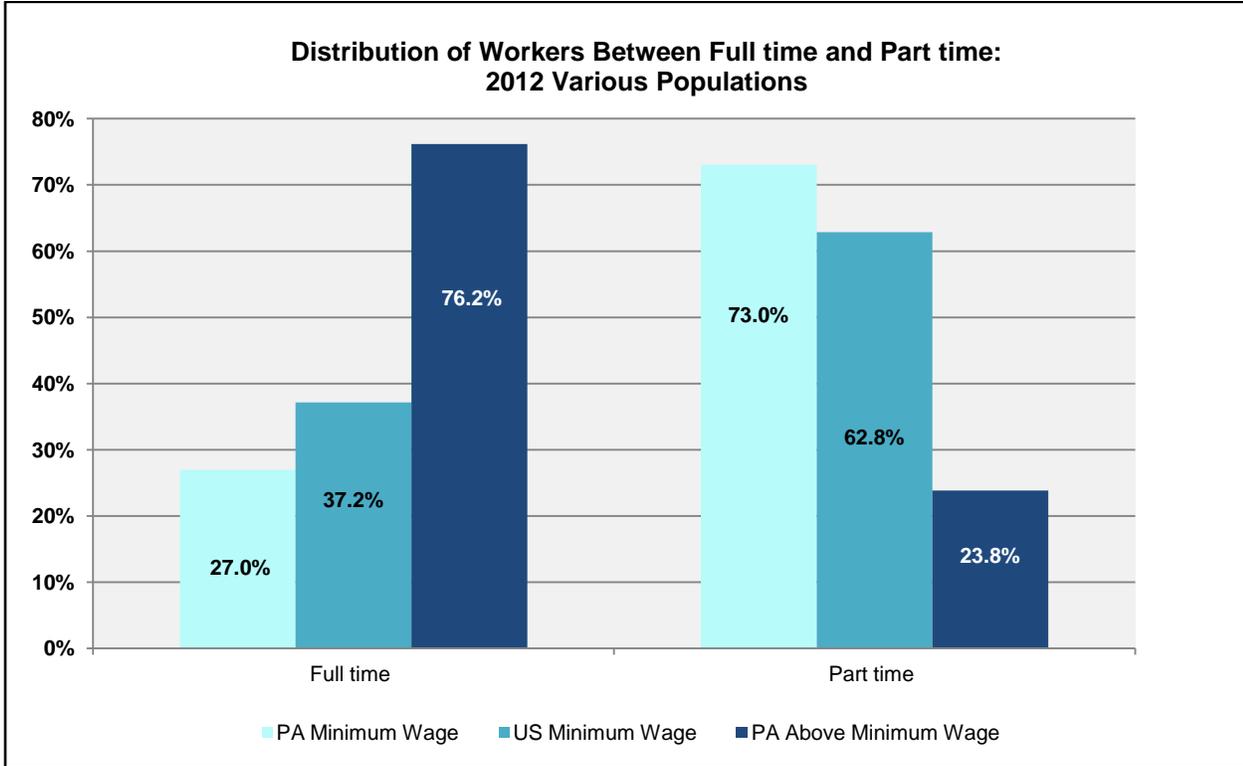
A Comparison of Industry Distributions in 2012 of Various Populations: Pennsylvania and the United States



Source: U.S. Census Bureau, Current Population Survey
 PA and U.S. minimum wages in 2012 were both at \$7.25

In Pennsylvania, the industries most likely to employ workers at or below the minimum wage were food services & drinking places; retail trade; other services; and social assistance. These industries employed 81 percent of all minimum wage earners in 2012, with food services and drinking by itself accounting for almost 54 percent. However, more than four-fifths of the industry groups contained some minimum wage workers. Almost two out of three workers earning at or below the minimum wage in the nation as a whole worked in the industries of food services & drinking places; retail trade; and other services.

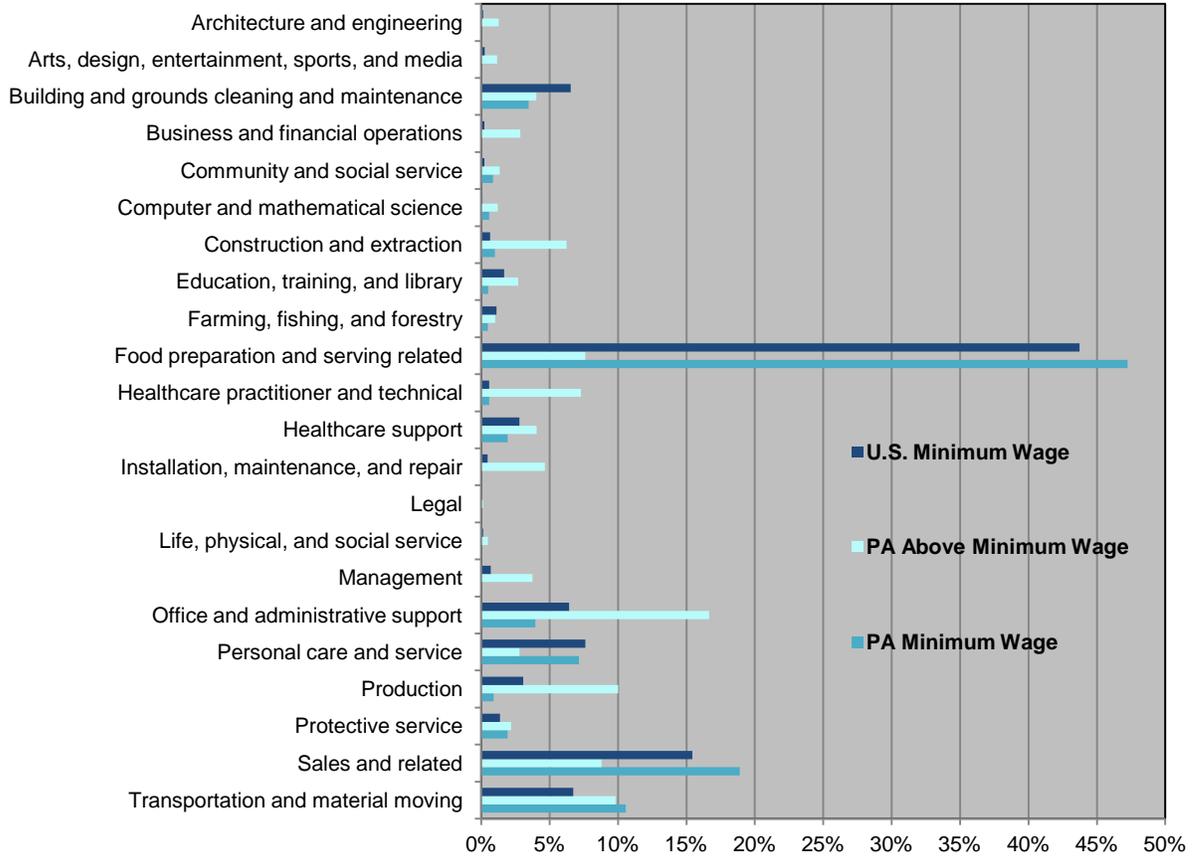
The retail trade industry in Pennsylvania employs a large number of hourly-paid workers across all wage levels, and therefore accounted for a large proportion of workers earning more than the minimum wage (14.1 percent), as well as those earning the minimum wage or less. Retail trade, in combination with manufacturing and non-hospital health care services, accounted for more than 38 percent of all those earning above the minimum wage in 2012. 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.



Source: U.S. Census Bureau, Current Population Survey
 PA and U.S. minimum wages in 2012 were both at \$7.25

In 2012, slightly more than one out of four minimum wage earners in Pennsylvania worked full time, while almost three out of four of those workers were employed on a part-time basis. These were basically the reverse of the proportions for hourly workers earning above the minimum wage in Pennsylvania. Workers earning at the minimum wage or below in the nation as a whole had a higher proportion of full-time workers (and consequently a lower proportion of part-time workers) than the counterpart population in Pennsylvania, but the distribution between full and part time was more similar to the counterpart in Pennsylvania than it was to workers earning above the minimum wage in Pennsylvania.

2012 Occupational 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 2012
 Source: U.S. Census Bureau, Current Population Survey

In 2012, a plurality (more than 47 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 occupations (19 percent), transportation & material moving (11 percent), and personal care & service (7 percent). These same occupations were the top four for U.S. workers earning at or below the minimum wage, however personal care & service moved up to third place and transportation & material moving fell to fourth. Minimum wage workers in Pennsylvania were more concentrated than those of the U.S. in these top three occupations, with almost 77 percent in them, compared with 67 percent for the U.S.

The distribution of occupations 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 occupations were office and administrative support (17 percent), production (10 percent), and transportation and material moving (almost 10 percent). However, food preparation & serving-related occupations accounted for less than 8 percent.

RECENT HISTORICAL COMPARISONS (1 AND 5 YEARS)

| Pennsylvania Demographic Characteristics of Hourly Wage & Salary Workers at the Minimum Wage or Below Annual Average 2012 Compared to Annual Average 2011 and 2007 (Total numbers of workers in thousands, all other numbers in percent) | | | | | |
|---|-----------------|-----------------|-----------------|-------------------------|--------------|
| Demographic Characteristics | 2007 | 2011 | 2012 | Percentage Point Change | |
| | PA ¹ | PA ² | PA ² | 2007 to 2012 | 2011 to 2012 |
| TOTAL | 259.1 | 194.9 | 194.5 | - | - |
| Gender | | | | | |
| Male | 37% | 31% | 34% | -3% | 3% |
| Female | 63% | 69% | 66% | 3% | -3% |
| Race | | | | | |
| Black, non-Hispanic | 8% | 14% | 9% | 1% | -5% |
| Hispanic | 4% | 8% | 6% | 2% | -2% |
| Other, non-Hispanic | 0% | 5% | 7% | 7% | 2% |
| White, non-Hispanic | 88% | 73% | 78% | -10% | 5% |
| Age | | | | | |
| 16-19 | 37% | 39% | 26% | -12% | -13% |
| 20-24 | 18% | 24% | 31% | 12% | 6% |
| 25-34 | 14% | 21% | 23% | 8% | 2% |
| 35-44 | 7% | 7% | 7% | 0% | 0% |
| 45-54 | 11% | 3% | 8% | -4% | 5% |
| 55-64 | 7% | 3% | 4% | -3% | 1% |
| 65 and over | 5% | 3% | 2% | -2% | -1% |
| Education | | | | | |
| Less than a high school diploma | 37% | 33% | 26% | -11% | -6% |
| High school graduates, no college | 34% | 33% | 30% | -4% | -3% |
| Some college, no degree | 20% | 24% | 30% | 10% | 6% |
| Associate degree | 4% | 5% | 5% | 2% | 0% |
| Bachelor's degree or higher | 5% | 5% | 8% | 3% | 3% |
| Marital Status | | | | | |
| Married Spouse Present | 23% | 16% | 14% | -9% | -2% |
| Marital Status Other | 10% | 8% | 13% | 3% | 5% |
| Never Married | 67% | 76% | 73% | 6% | -3% |

¹For 2007, the average number of PA minimum wage workers under the two regimes (\$6.25 from January to June 2007 and \$7.15 for the rest of the year) was used

²The minimum wage in 2011 and 2012 was \$7.25 and was unchanged during those years

Totals and differences may not sum due to rounding

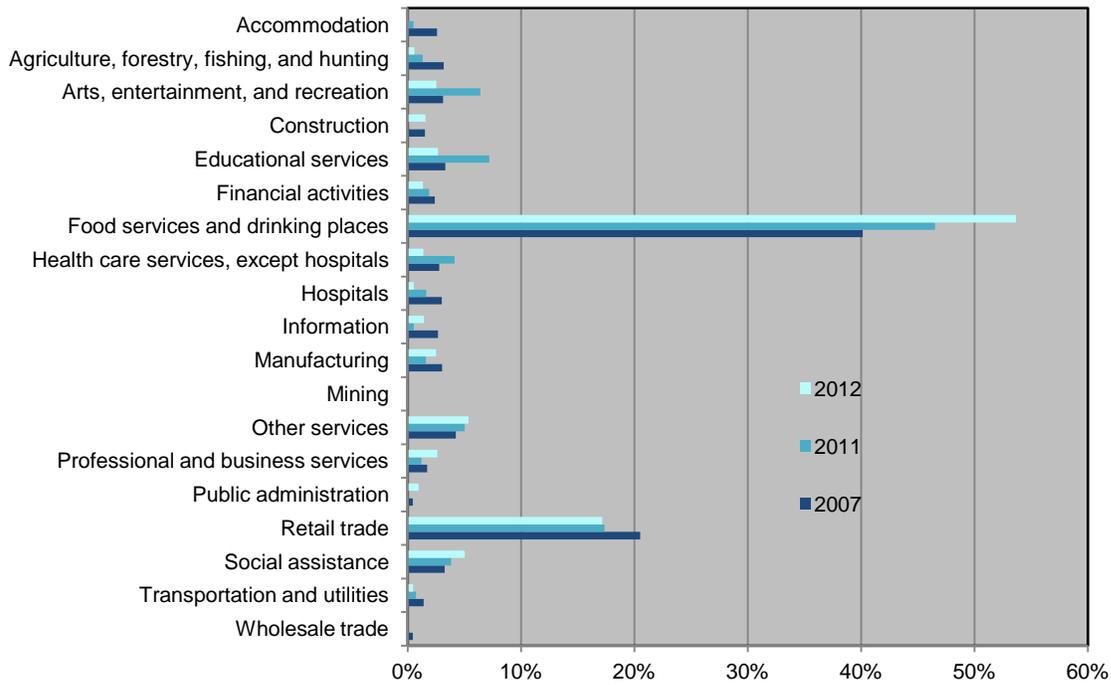
Source: U.S. Census Bureau: Current Population Survey

In December of 2007, a national recession began, making that year a pre-recession year; however, growth in the economy had already slowed. The number of minimum wage workers fell by 64,600 (24.9 percent) over that five-year span. Over this period, total employment fell by 1.4 percent while the number of those paid an hourly rate increased by 0.4 percent. The minimum wage in Pennsylvania was raised twice in 2007 (from \$5.15/hour), first to \$6.25 on January 1, and then to \$7.15 on July 1. It was raised again in July of 2009 to its current level of \$7.25. The absolute decrease in the number of minimum wage workers from 2007 most likely reflects the decrease in overall employment combined with a decrease in the minimum wage compared to the average wage in Pennsylvania. This latter effect is supported by the fact that the number of minimum wage workers fell from 2011 to 2012, while both the number of the employed and those paid an hourly wage rose over that period.

Males comprised 34 percent of minimum wage workers, a lower percentage than existed in 2007, but an increase of 3 percentage points from 2011.

From 2007 to 2012, the population of minimum wage earners became younger (a greater percentage under 35 years of age, due to the age 20-24 group rising by more than the decrease in the age 16-19 group as well as an increase in the age 25-34 group) and more formally educated. Those with only a high school diploma or less declined by 15 percent, a demographic which was replaced primarily with those with some college, but without a degree.

A Comparison of Industry Distributions of Pennsylvania's Workers Earning At or Below the Minimum Wage: 2012 vs. 2011 and 2007¹



¹For 2007, the average of the number of PA minimum wage workers under the two regimes (\$6.25 from January to June 2007 and \$7.15 for the rest of the year) was used. The minimum wage in 2011 and 2012 was \$7.25 and was unchanged during those years
 Source: U.S. Census Bureau: Current Population Survey

In 2007 and 2012, the industries most likely to employ workers at or below the minimum wage were food services & drinking places, retail trade, and other services. (In 2011, the other services industry dropped to fifth place and was surpassed by educational services and arts, entertainment, and recreation). In fact, the predominance of food services & drinking places increased over the interval, going from 40.2 percent in 2007, to 53.5% in 2012. While the number of workers earning at or below the minimum wage declined by 25 percent from 2007 to 2012, the absolute number of these workers employed in the food service and drinking places industry was slightly higher in 2012 than it was in 2007. Retail sales fell in both absolute and relative terms from 2007 to 2011, and again (slightly) from 2011 to 2012. Over the five-year interval, the industries, in addition to retail sales, whose share of minimum wage workers decreased by the most (in percentage points) were: agriculture, forestry, fishing, and hunting and accommodations (both at 2.6 percentage points), and hospitals (2.5 percentage points). Educational services and arts, entertainment, and recreation, which had spiked from 2007 to 2011, fell to below their 2007 shares in 2012.

Between 2007 and 2011, the proportion of hourly workers earning the minimum wage or less who worked part time increased from 69.5 percent to 72.9 percent, and again to 73.0 percent in 2012. While almost three out of every four of those workers worked part time, the 2012 percentage was lower than the percentage that existed in 2006.

**Occupational Characteristics of Hourly Wage & Salary Workers at the Minimum Wage or Below
 Pennsylvania Annual Average 2012 Compared to Annual Average 2011 and 2007
 (Total numbers of workers in thousands, all others are in percents)**

| Occupation | 2007 | 2011 | 2012 | Percentage Point Change | |
|---|-----------------|-----------------|-----------------|-------------------------|--------------|
| | PA ¹ | PA ² | PA ² | 2007 to 2012 | 2011 to 2012 |
| TOTAL | 259.1 | 194.9 | 194.5 | - | - |
| Architecture and engineering | 0% | 0% | 0% | 0% | 0% |
| Arts, design, entertainment, sports and media | 1% | 1% | 0% | -1% | -1% |
| Building, grounds cleaning and maintenance | 4% | 4% | 3% | -1% | -1% |
| Business and financial operations | 0% | 0% | 0% | 0% | 0% |
| Community and social service | 0% | 0% | 1% | 0% | 1% |
| Computer and mathematical science | 0% | 1% | 1% | 1% | 0% |
| Construction and extraction | 2% | 0% | 1% | -1% | 1% |
| Education, training and library | 2% | 2% | 1% | -2% | -2% |
| Farming, fishing and forestry | 3% | 2% | 0% | -3% | -1% |
| Food preparation and serving related | 40% | 44% | 47% | 7% | 4% |
| Healthcare practitioner and technical | 1% | 1% | 1% | -1% | 0% |
| Healthcare support | 2% | 2% | 2% | 0% | 0% |
| Installation, maintenance and repair | 0% | 1% | 0% | 0% | -1% |
| Legal | 0% | 1% | 0% | 0% | -1% |
| Life, physical and social service | 0% | 0% | 0% | 0% | 0% |
| Management | 1% | 1% | 0% | -1% | -1% |
| Office and administrative support | 8% | 2% | 4% | -4% | 2% |
| Personal care and service | 6% | 14% | 7% | 2% | -7% |
| Production | 3% | 1% | 1% | -2% | 0% |
| Protective service | 1% | 1% | 2% | 1% | 1% |
| Sales and related | 19% | 18% | 19% | 0% | 1% |
| Transportation and material moving | 8% | 7% | 11% | 3% | 3% |

¹An average of the number of PA minimum wage workers under the two regimes (\$6.25 from January to June 2007 and \$7.15 for the rest of the year)

²The PA minimum wage in both 2011 and 2012 was \$7.25

Totals and changes may not add up due to rounding

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

In 2007, a plurality (40 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 (19%) and office & administrative support (8 percent) and transportation & material moving occupations (8 percent).

From 2007 to 2012, the proportion of Pennsylvania minimum wage earners who worked in food preparation & serving-related occupations increased by 7 percentage points and those in transportation & material moving increased by 3 percentage points. The occupations whose proportions decreased by the largest percentage were office and administrative support occupations which fell by 4 percentage points and farming, fishing & forestry, which fell by 3 percentage points. Minimum wage earners in personal care & service occupations increased by 2 percentage points from 2007 to 2012, despite falling by 7 percentage points from 2011 to 2012.

**Pennsylvania Family and Household Income Characteristics of Hourly Wage & Salary Workers
At the Minimum Wage or Below
Comparison of 2012 to 2011 and 2007**

| Characteristic | 2007 | 2011 | 2012 | Percentage Point Change | |
|---|-----------------|-----------------|-----------------|-------------------------|---------------|
| | PA ¹ | PA ² | PA ² | 2007 to 2012 | 2011 to 2012 |
| TOTAL (in thousands) | 259.1 | 194.9 | 194.5 | (5 Year) - | (1 year) - |
| Family Makeup (in Percent) | | | | | |
| No Children (Single or Married) | 84% | 79% | 77% | -6% | -2% |
| Married Parent | 9% | 12% | 7% | -2% | -5% |
| Single Parent | 8% | 8% | 16% | 8% | 7% |
| 1 child | 4% | 6% | 9% | 5% | 3% |
| 2 children | 3% | 2% | 6% | 3% | 4% |
| 3 children | 0% | 0% | 0% | 0% | 0% |
| 4 or more children | 0% | 0% | 0% | 0% | 0% |
| Household Annual Income (in Percent) ³ | | | | | |
| \$9,999 or less | - | 4% | 8% | - | 4% |
| \$10,000 to 19,999 | - | 16% | 12% | - | -4% |
| \$20,000 to 29,999 | - | 18% | 13% | - | -4% |
| \$30,000 to 39,999 | - | 7% | 11% | - | 4% |
| \$40,000 to 49,999 | - | 10% | 6% | - | -4% |
| \$50,000 to 59,999 | - | 7% | 9% | - | 2% |
| \$60,000 To 74,999 | - | 14% | 10% | - | -3% |
| \$75,000 To 99,999 | - | 10% | 17% | - | 7% |
| \$100,000 To 149,999 | - | 12% | 9% | - | -4% |
| \$150,000 and Over | - | 2% | 6% | - | 3% |

¹An average of the number of PA minimum wage workers under the two regimes (\$6.25 from January to June 2007 and \$7.15 for the rest of the year)

²The PA minimum wage in both 2011 and 2012 was \$7.25

³The U.S. Census Bureau changed the Household Annual Income variable in 2010 making 2007 data non-comparable to that of 2011 and 2012

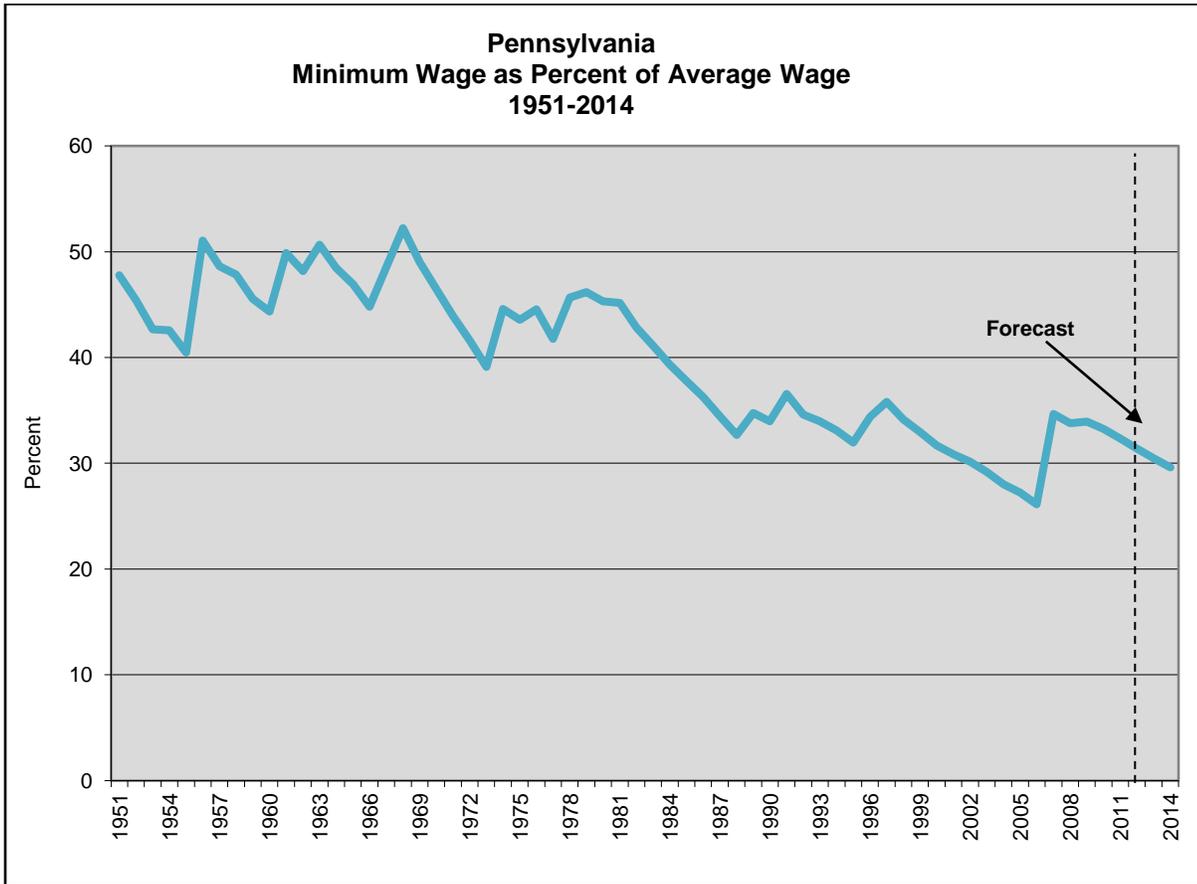
Totals and changes may not add up due to rounding

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

Workers having no children made up 77 percent of those earning the minimum wage or less in Pennsylvania in 2012, which was slightly lower than in 2011, but 6 percentage points lower than in 2007. Conversely, the proportion of such workers who were single parents increased by 8 percentage points from that of 2007 and 2011 (which were almost the same).

From 2011 to 2012, the percentage of minimum wage workers whose household income was less than \$30,000 fell by 5 percentage points to 33 percent. At the same time, the percentage of such workers with household income of at least \$75,000 increased by over 6 percentage points to 31 percent.

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

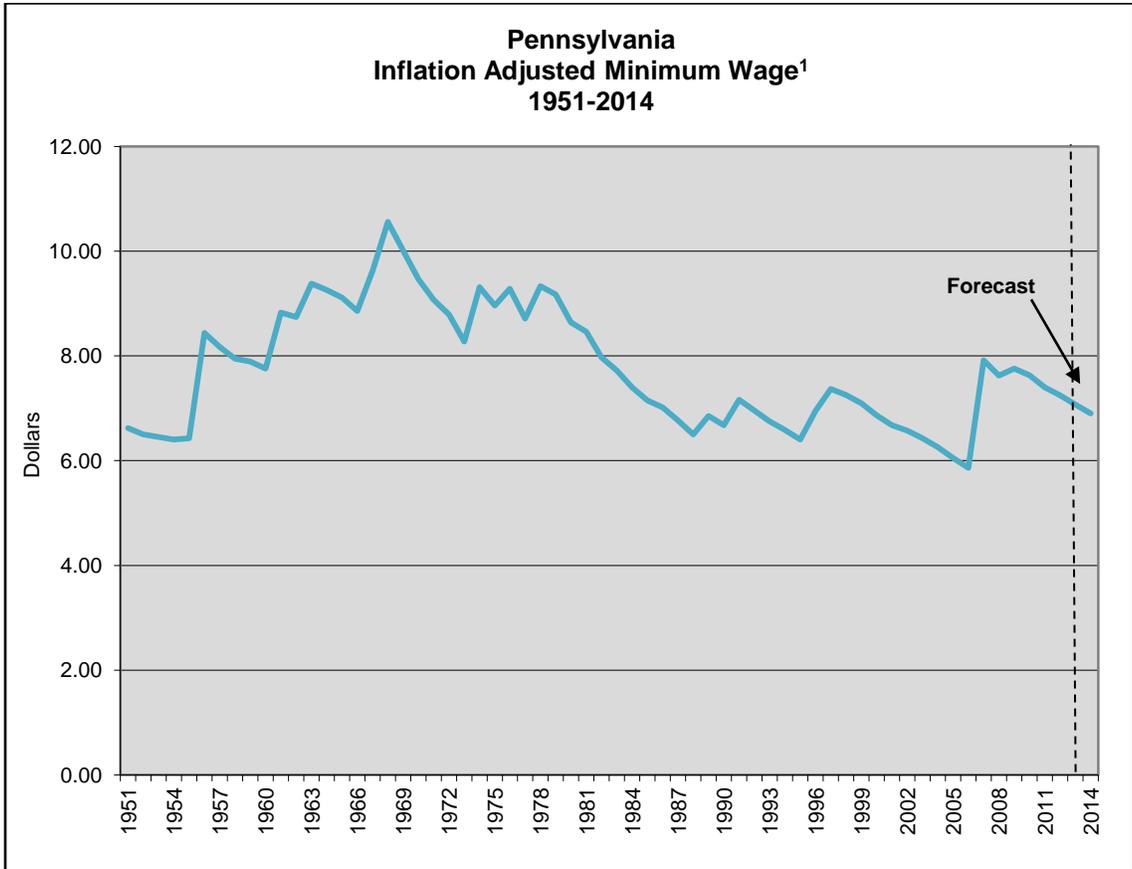


Average Wage forecast based on ten-year arithmetic average
The minimum wage in 2012 was \$7.25

The original level of the minimum wage was set in 1938 at 50 percent of the average manufacturing wage. 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. Adjusted for projected wage inflation (based on its 10-year average), 50 percent of the average wage was \$11.21 in 2011. It was projected to rise to \$11.55 in 2012, \$11.89 in 2013 and \$12.25 in 2014.

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

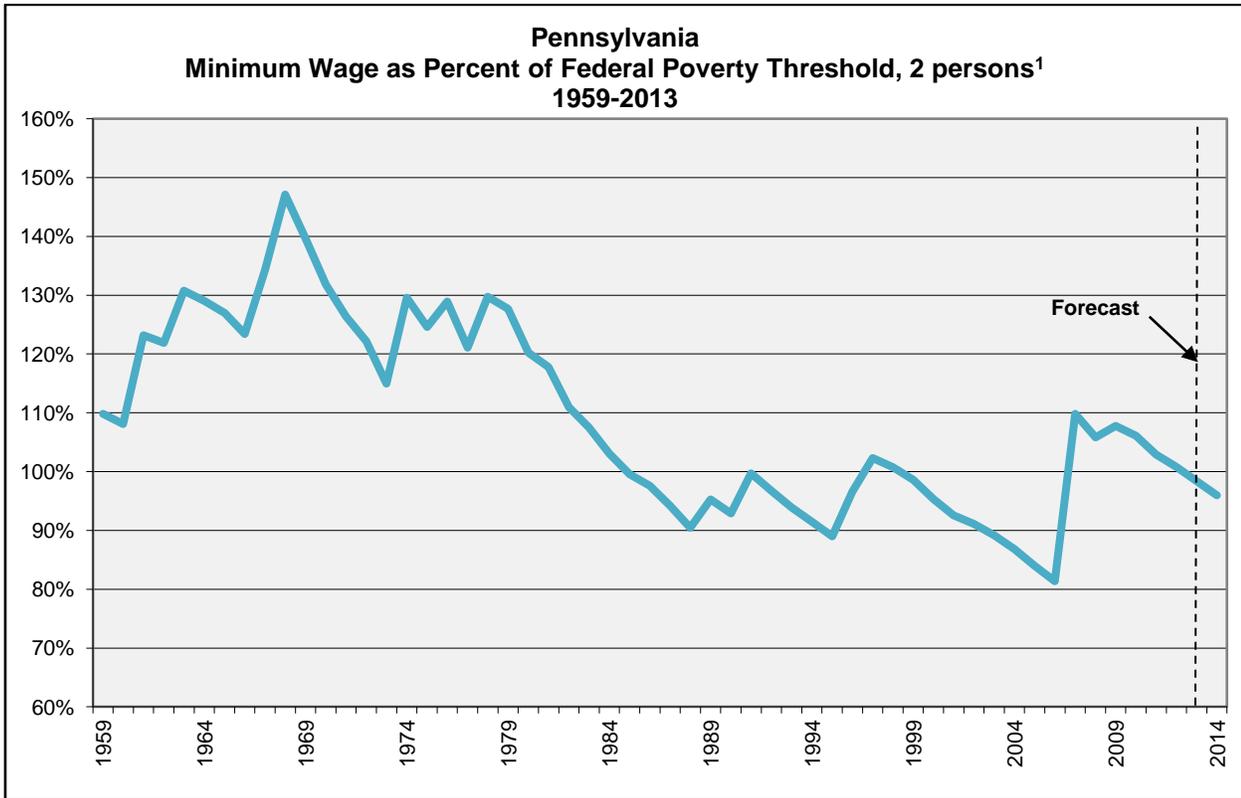
The increase in the minimum wage to \$7.25 in July 2009 brought the minimum wage up to 34 percent of the average wage. In 2011, Pennsylvania’s minimum wage was 32 percent of the average wage, 18 percentage points below the original level of 50 percent of the average wage. If the minimum wage stays at its current level and the average wage grows at its projected 10-year average rate, the minimum wage will drop below 30 percent of the average Pennsylvania wage by 2014.



¹Indexed to 2012 dollars
 Inflation forecast based on 10-year arithmetic average applied to the minimum wage
 The minimum wage in 2012 was \$7.25

Inflation adversely affects the purchasing power of an unchanging minimum wage. The value of the 2012 minimum wage of \$7.25 as measured in 2012 dollars was, of course, \$7.25. However, adjusting for projected inflation, it is projected to fall to \$7.07 in 2013 and \$6.90 in 2014.

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 \$10.56 in 2012 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 before the 1950s. The purchasing power of the minimum wage has been steadily declining since 2009, the last year in which it was raised.

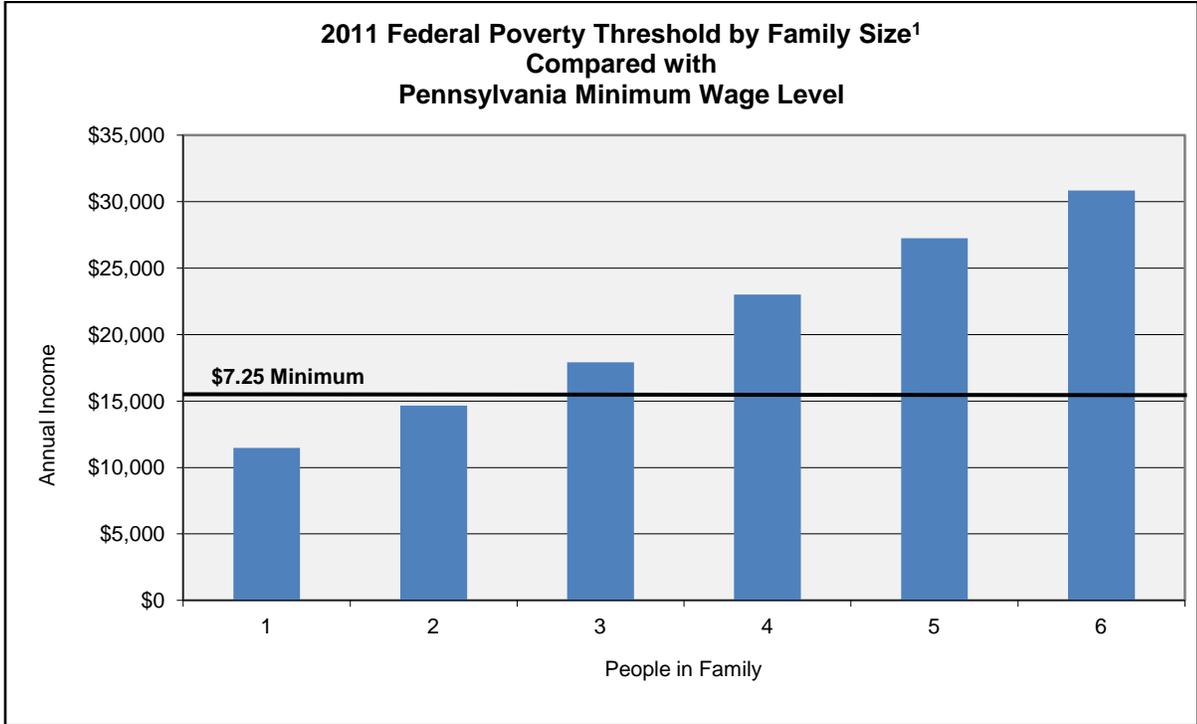


¹Weighted average threshold (there are slight variations based on the breakdown between adults and children in the household)
 Inflation forecast based on 10-year average applied to the poverty threshold
 Source: U.S. Census Bureau

In 2006, the Federal Poverty Threshold for a two-person household was \$13,167, and the annual income for an individual working full time 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 2011, the annual income for an individual in Pennsylvania making the minimum wage (\$7.25) was \$15,080 or 103 percent of the 2011 Federal Poverty Threshold for a two-person household (\$14,657).

If the minimum wage remains unchanged at \$7.25 in 2013, the earnings of an individual working full time at that wage almost certainly will dip below 100 percent of the Federal Poverty Threshold for a two-person household.



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

A person working full time at the minimum wage of \$7.25 per hour earned \$15,080 during 2011. This income exceeded the 2011 Federal Poverty Threshold for one-person (\$11,484) and two-person households (\$14,657). However, it fell short of the poverty threshold for three-person households (\$17,916) and was less than 103 percent of the poverty threshold for two-person households.

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, 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 (\$23,021).

OTHER STATES

Minimum Wage Rates by State

| Area | 2011 | 2012 | 2013 | Change 2011-2012 | Change 2012-2013 | Area | 2011 | 2012 | 2013 | Change 2011-2012 | Change 2012-2013 |
|-----------------------|--------|--------|--------|------------------|------------------|-------------------------|--------|--------|--------|------------------|------------------|
| Federal | \$7.25 | \$7.25 | \$7.25 | - | - | Federal | \$7.25 | \$7.25 | \$7.25 | - | - |
| Alabama | \$7.25 | \$7.25 | \$7.25 | - | - | Montana ¹ | \$7.35 | \$7.65 | \$7.81 | \$0.30 | \$0.16 |
| Alaska | \$7.75 | \$7.75 | \$7.75 | - | - | Nebraska | \$7.25 | \$7.25 | \$7.25 | - | - |
| Arizona ¹ | \$7.35 | \$7.65 | \$7.81 | \$0.30 | \$0.15 | Nevada ¹ | \$8.25 | \$8.25 | TBD | - | TBD |
| Arkansas | \$7.25 | \$7.25 | \$7.25 | - | - | New Hampshire | \$7.25 | \$7.25 | \$7.25 | - | - |
| California | \$8.00 | \$8.00 | \$8.00 | - | - | New Jersey | \$7.25 | \$7.25 | \$7.25 | - | - |
| Colorado ¹ | \$7.36 | \$7.64 | \$7.79 | \$0.28 | \$0.15 | New Mexico | \$7.50 | \$7.50 | \$7.50 | - | - |
| Connecticut | \$8.25 | \$8.25 | \$8.25 | - | - | New York | \$7.25 | \$7.25 | \$7.25 | - | - |
| Delaware | \$7.25 | \$7.25 | \$7.25 | - | - | North Carolina | \$7.25 | \$7.25 | \$7.25 | - | - |
| Florida ¹ | \$7.31 | \$7.67 | \$7.80 | \$0.36 | \$0.13 | North Dakota | \$7.25 | \$7.25 | \$7.25 | - | - |
| Georgia | \$7.25 | \$7.25 | \$7.25 | - | - | Ohio ¹ | \$7.40 | \$7.70 | \$7.85 | \$0.30 | \$0.15 |
| Hawaii | \$7.25 | \$7.25 | \$7.25 | - | - | Oklahoma | \$7.25 | \$7.25 | \$7.25 | - | - |
| Idaho | \$7.25 | \$7.25 | \$7.25 | - | - | Oregon ¹ | \$8.50 | \$8.80 | \$8.95 | \$0.30 | \$0.15 |
| Illinois | \$8.25 | \$8.25 | \$8.25 | - | - | Pennsylvania | \$7.25 | \$7.25 | \$7.25 | - | - |
| Indiana | \$7.25 | \$7.25 | \$7.25 | - | - | Rhode Island | \$7.40 | \$7.40 | \$7.75 | - | \$0.35 |
| Iowa | \$7.25 | \$7.25 | \$7.25 | - | - | South Carolina | \$7.25 | \$7.25 | \$7.25 | - | - |
| Kansas | \$7.25 | \$7.25 | \$7.25 | - | - | South Dakota | \$7.25 | \$7.25 | \$7.25 | - | - |
| Kentucky | \$7.25 | \$7.25 | \$7.25 | - | - | Tennessee | \$7.25 | \$7.25 | \$7.25 | - | - |
| Louisiana | \$7.25 | \$7.25 | \$7.25 | - | - | Texas | \$7.25 | \$7.25 | \$7.25 | - | - |
| Maine | \$7.50 | \$7.50 | \$7.50 | - | - | Utah | \$7.25 | \$7.25 | \$7.25 | - | - |
| Maryland | \$7.25 | \$7.25 | \$7.25 | - | - | Vermont ¹ | \$8.15 | \$8.46 | \$8.60 | \$0.31 | \$0.14 |
| Massachusetts | \$8.00 | \$8.00 | \$8.00 | - | - | Virginia | \$7.25 | \$7.25 | \$7.25 | - | - |
| Michigan | \$7.40 | \$7.40 | \$7.40 | - | - | Washington ¹ | \$8.67 | \$9.04 | \$9.19 | \$0.37 | \$0.15 |
| Minnesota | \$7.25 | \$7.25 | \$7.25 | - | - | West Virginia | \$7.25 | \$7.25 | \$7.25 | - | - |
| Mississippi | \$7.25 | \$7.25 | \$7.25 | - | - | Wisconsin | \$7.25 | \$7.25 | \$7.25 | - | - |
| Missouri ¹ | \$7.25 | \$7.25 | \$7.35 | - | \$0.10 | Wyoming | \$7.25 | \$7.25 | \$7.25 | - | - |

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

The data for 2013 was accurate as of January 17, 2013. Data for the federal government and states that abut Pennsylvania are shaded in gray

Source: U.S. Department of Labor

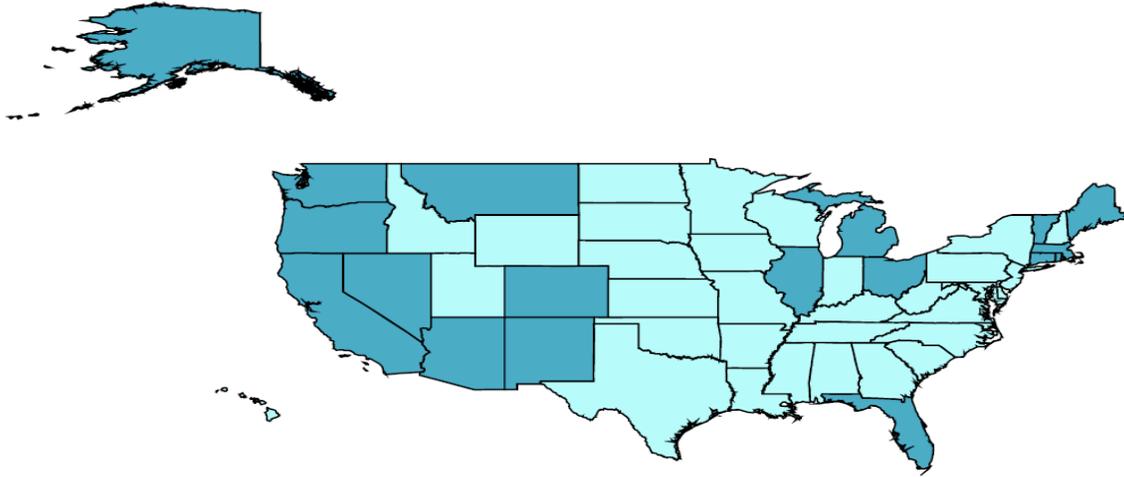
In 2012, 18 states had higher minimum wage rates than Pennsylvania, ranging from \$7.40 to \$9.04. As of January 1, 2013, Missouri joined that group, raising the number to 19.

In 2012, the remaining 32 states (including Pennsylvania) all effectively had a minimum wage of \$7.25 per hour, which is the federal minimum wage. Of these 32 states, 23 (including Pennsylvania) had a minimum wage requirement equal to the federal rate, four states had a formal minimum lower than the federal level, and five states had no 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 nine 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.

Of Pennsylvania's neighboring states, Ohio had the highest minimum wage (\$7.70) in 2012. With the exception of Ohio, Pennsylvania and its neighboring states (shaded above), will be at the same minimum wage (\$7.25) in 2013. (However, there are two pieces of pending legislation in New Jersey that would allow it to be raised, either by referendum or statute.)

Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont and Washington have their minimum wages tied to the Consumer Price Index (CPI) to provide automatic increases that keep pace with inflation. In 2012, all of these states except Missouri and Nevada increased their minimum wages. Effective January 1, 2013, Rhode Island raised its rate to \$7.70, nine of these states raised their rates again, and Nevada may do so in July of 2013.

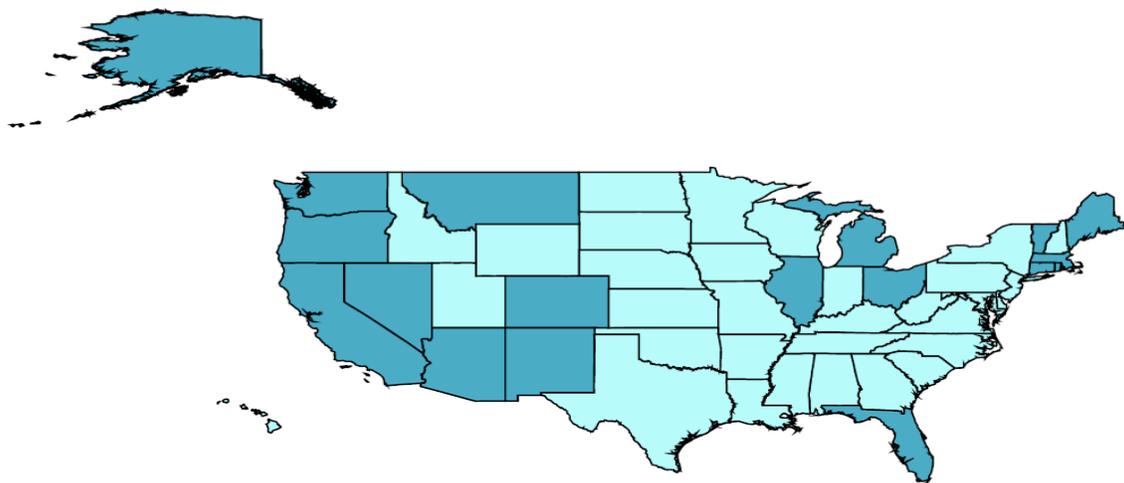
2011 Pennsylvania and Other States Minimum Wage Comparison



Same as PA's minimum wage
Higher than PA's minimum wage
Note: PA's minimum wage= \$7.25

As of 1/17/2013

2012 Pennsylvania and Other States Minimum Wage Comparison



Same as PA's minimum wage
Higher than PA's minimum wage
Note: PA's minimum wage= \$7.25

As of 1/17/2013

APPENDIX

Terms, Definitions and Sources

- Bureau of Labor Statistics (BLS) – The 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 Bureau – The Census Bureau, in the U.S. Department of Commerce, collects general information from individuals and establishments in order to compile 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 Census Bureau, which publishes detailed reports.
- Current Employment Statistics (CES) – Each month, the Current Employment Statistics program surveys about 200,000 national businesses and government agencies in order to provide detailed industry data on employment, hours, and earnings of workers on non-farm payrolls. This is a collaborative effort between BLS and the states.
- 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 Census Bureau on behalf of the 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 amends 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 income that a family needs for food, clothing, transportation, shelter and other necessities as determined by the Census Bureau. Poverty thresholds vary according to family size. 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. A major provision of the act was establishment of a minimum wage, overtime pay, record keeping and child labor standards affecting full-time and part-time workers in the private sector and in the federal, state and local governments.
- Inflation – Inflation is a real process of continuously rising prices or, equivalently, of a continuously falling value of money. The Consumer Price Index is the standard used to measure inflation. Changes in the CPI are the measurements of inflation.
- Minimum Wage – Minimum wage is the lowest lawful 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.
- 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.
- Quarterly Census of Employment and Wages (QCEW) – QCEW is a comprehensive tabulation of employment and wage information for workers covered by Pennsylvania unemployment insurance laws. QCEW covers approximately 98 percent of total employment. The data generally is available nine to 12 months after a quarter ends.
- Unemployed – Unemployed persons are persons aged 16 years and older who had no employment during the reference week (the week containing the 12th day of the month), were available for work (except for temporary illness), and made specific efforts to find employment sometime during the four-week period ending with the reference week. Persons who were waiting to be recalled to jobs from which they had been laid off need not have been looking for work to be classified as unemployed.

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