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2021**

# Analysis of the Pennsylvania Minimum Wage

MINIMUM WAGE ADVISORY BOARD

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## **Preface**

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

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



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## Introduction

This report contains statistical information on Pennsylvanians **who earn hourly wages of the minimum wage or less**, analyzes 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.

**Wage rates used in this report refer to the wage rates earned by hourly workers at their main jobs, excluding overtime pay, tips and commissions.** A portion of workers reported as making minimum wage or below may have received additional compensation such as tips. Employers are legally obligated to supplement the earnings of tipped employees, as necessary, to ensure that hourly rates are never below 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 \$7.25 since then. While the nominal minimum wage has not changed since 2009, changes in the economy and other factors have impacted those earning the minimum wage or less.

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

Both federal and state law provide for several exemptions and lower thresholds to the minimum wage for certain employers and certain job classifications. Farm workers, some seasonal workers, and newspaper deliverers are exempt from both state and federal minimum wage law while lower minimum wages are allowed for tipped employees and full-time students. Other exemptions that were based on the number of employees employed by the business or the age of the worker have expired. The CPS data lack direct indicators to permit removal of exempt individuals.

The cohort of workers earning above but close to the minimum wage are considered "near minimum wage," a category without a precise range. A formal analysis of this cohort began with the 2013 report at which time it was defined as \$7.26 to \$9.25. From 2015 to 2017, it was defined as between \$7.26 and \$10.10. Due to recent interest in a minimum wage of \$12.00, it has been defined as \$7.26 to \$12.00 since the 2018 report. As "near minimum wage" is not standard, one should not compare characteristics of this group to previous reports.

Pennsylvania's minimum wage data and analyses in this report should be used with some caution due to the small size of the CPS sample. It should also be noted that the report utilizes the most current annual data available at the time of publication. Demographic data from the CPS and inflation data from the Consumer Price Index (CPI) are from 2020, the calendar year of the report. However, the most recent data on poverty thresholds and the state's average wage are lagged a year and based on 2019 data, because the data for the most current calendar year will not be released until later this year.



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

While reliable data on minimum wage and price levels go back at least as far as the inception of the Federal Minimum Wage Law (1938), reliable historical demographic data of the minimum wage or below populations of years prior to 1994 are not readily available, and might not be comparable with the current minimum wage or below population due to definitional and methodological changes over time. These would include changes in categories of race and ethnicity, industry and occupational classifications, and methods of collecting and weighting samples. Reliable estimates of the current percentage of at or below 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 or below population, it was not specifically designed to do so and therefore may lead to both overcounting and undercounting of certain segments of the minimum wage or below population. For instance, tipped employees, such as servers, may legally be paid a lower cash minimum wage, which is usually referred to as the tipped minimum wage (\$2.83 per hour in Pennsylvania since 1998), due to the employer being able to offset the cash wage paid with a tip credit; however, employers are legally obligated to supplement their earnings if necessary to ensure that hourly rates are never below the minimum wage. Such employees may inaccurately be included in the category of those earning below the minimum wage although their combined earnings including tips may be at or above the minimum wage. Alternatively, with respect to wage rate data, salaried and other non-hourly workers are excluded from the survey. This may lead to undercounting the number of workers earning at or below the minimum wage.

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

The previously mentioned caveats regarding potential shortcomings of the CPS are still operative. In addition, the pandemic that manifested itself in 2020 created complications in data collection that exacerbated these issues. Further, the economic changes wrought in the wake of the pandemic (decreased employment generally and particularly in certain industries, changes in the wage distribution, etc.) may make the 2020 data less typical. The decreased employment of workers earning the minimum wage or below (and other subgroups) makes the sample sizes even smaller, making estimates less reliable.

## 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 earners at or below the minimum wage and the industries that employ them.

### **Wage Distribution of All Hourly Workers**

- In 2020, there were an estimated 74,400 Pennsylvania workers earning minimum wage or less. This is the lowest number of at or below minimum wage workers on record in this annual report series. It is 16,300 (-18.0 percent) lower than the previous low of 2019 when it was 90,700, at which time the minimum wage was at the 2009 level of \$7.25 per hour. Workers earning minimum wage or less represented 2.4 percent of all hourly workers and 1.3 percent of all workers.
- Pennsylvania's hourly employment decreased by 295,800 (-8.6 percent), while Pennsylvania's overall employment decreased by 369,400 (-5.9 percent). U.S. hourly employment decreased by 8,979,000 (-10.9 percent), while the nation's overall employment decreased by 9,743,000 (-6.2 percent). The proportion of all workers receiving hourly rates decreased slightly in both Pennsylvania and the nation from 2019. In 2020, the percentage of the employed earning hourly rates was higher in Pennsylvania (53 percent) than in the U.S. overall (50 percent).
- In 2020, there were an estimated 693,100 Pennsylvania workers earning near minimum wage (\$7.26-\$12.00). It was 245,300 (-26.1 percent) lower than in 2019 when it was 938,400, at which time the minimum wage was at the 2009 level of \$7.25 per hour.
- Labor markets in the U.S. and Pennsylvania both deteriorated in response to the pandemic, as employment decreased dramatically. The pandemic-induced decrease in employment and hourly workers was concentrated in lower wage workers which contributed to both the absolute and relative changes in the wage distribution. This had the effect that, statistically, average wages rose as the share of workers earning higher wages (e.g., more than \$15.00) increased, while the share of those at the lower wage end of the distribution fell. Partly as a result, the median wage in Pennsylvania increased from \$15.14 to \$16.50, while it rose from \$15.30 to \$16.32 in the nation.
- Pennsylvania had a higher percentage (2.4 percent) of workers at or below the federal minimum wage of \$7.25 than the nation (1.5 percent). More than half of wage earners in both Pennsylvania and the U.S. were in the highest wage category (of above \$15.00). Pennsylvania's share of wage earners in this category rose by 6.8 percentage points to 56.9 percent, while the nation's percentage rose 5.6 percentage points to 56.1 percent.

## **Comparison of Minimum Wage or Below Worker Characteristics to Other Populations**

- A majority of Pennsylvania earners at or below the minimum wage in 2020 were from one or more of the following groups vs. its percentage in the population 16 and over:
  - ❑ Female 77% vs. 52%
  - ❑ White 68% vs. 78%
  - ❑ 16-to-24-year-olds 70% vs. 14%
  - ❑ High school graduates or less 54% vs. 44%
  - ❑ Never married 86% vs. 33%
- Females outnumbered males by over 3 to 1 (77.4 percent to 22.6 percent) among at or below minimum wage workers in Pennsylvania during 2020.
- Pennsylvania's 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 vs. its percentage in the population 16 and over:
  - ❑ White 76% vs. 78%
  - ❑ 25-to-54-year-olds 55% vs. 44%
  - ❑ High school graduates or more 91% vs. 89%
  - ❑ Married (now or in the past) 56% vs. 67%
- Pennsylvania's workers who earned near minimum wage were from one or more of the following demographic groups vs. its percentage in the population 16 and over:
  - ❑ Female 65% vs. 52%
  - ❑ White 71% vs. 78%
  - ❑ 16-to-34-year-olds 64% vs. 30%
  - ❑ High school graduates or less 61% vs. 44%
  - ❑ Never married 67% vs. 33%
- The proportions of Pennsylvania earners at or below minimum wage who were either female, 16-to-24-year-old, non-high school graduates, or never married were higher than their corresponding proportions in the population. However, the percentages of those demographic groups in the Pennsylvania minimum wage or below population were most similar to the corresponding percentages of minimum wage or below earners in the nation as a whole as well as those earning "near minimum wage" in Pennsylvania. Whites, who constituted almost seven out of every 10 minimum wage or below earners in Pennsylvania, were underrepresented relative to the total Pennsylvania population.
- Workers having no children (of their own under age 18) made up 84 percent of those earning the minimum wage or less in Pennsylvania. Married parents constituted six percent of minimum wage or below workers in Pennsylvania and 10 percent were single parents. In 2020, almost half of the single parents in the Pennsylvania minimum wage or below population had one child.
- Over 25 percent of those who earned the minimum wage or less were in families with less than \$30,000 per year and 41 percent were in families whose combined income was less than \$50,000 per year. In contrast, over 34 percent had annual family incomes of \$75,000 or more a year and almost 22 percent had annual family incomes of \$100,000 or more per year. See chart on page 15.

## **Industry and Occupational Distributions**

- Pennsylvania workers earning at or below the minimum wage were most likely to be employed in the following **industries**: food services and drinking places, retail trade, and educational services. Combined, these industries employed 83 percent of all minimum wage or below earners in 2020 with food services and drinking places by itself accounting for 56 percent.
- In 2020, 64 percent of hourly wage workers in Pennsylvania earning the minimum wage or less worked part time. Seventy-five percent of hourly wage workers earning above the minimum wage worked full time.
- The retail trade industry in Pennsylvania employs a large number of hourly wage workers across all wage levels. Consequently, it accounted for a large proportion of both workers earning more than the minimum wage and those earning the minimum wage or less.
- In 2020, 62 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 (15 percent) or transportation & material moving occupations (five percent).
- Food preparation & serving related occupations accounted for only 20 percent of workers earning near minimum wage and seven percent of those earning above the minimum wage.

## **Recent Historical Comparisons (One and Five Years)**

- The number of at or below minimum wage workers fell by 77,000 (50.9 percent) from 2015 to 2020. The absolute decrease in the number of at or below minimum wage workers from 2015 most likely reflects the relative decrease in the minimum wage compared to the average wage in Pennsylvania and the pandemic's impact.
- The relative predominance of food services and drinking places grew from 46.1 percent to 55.8 percent over the five-year interval as it decreased on an absolute scale by 28,300 workers (40.6 percent).
- The occupational category whose percentage of minimum wage or less earners decreased the most over the five-year interval was personal care & service occupations which fell by six percentage points. The share of minimum wage or below earners in the sales and related occupations fell by three percentage points. From 2015 to 2020, food preparation & serving related occupations increased its share by 13 percentage points to 62 percent even as the number of such workers declined. On an absolute basis, the healthcare support occupations joined the production occupations as the only two occupational groups with more minimum wage and below workers in 2020 than in 2015 (see chart on page 23).

## **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, a lower percentage than at any point since the enactment of a federal minimum wage in 1938. The increase in the minimum wage to \$7.25 in 2009 brought the minimum wage up to 34 percent of the average wage. By 2019, Pennsylvania's minimum wage had fallen to 26 percent of the average wage (still marginally above the percentage in 2006).
- Inflation adversely affects the purchasing power of an unchanging minimum wage. In 2009, the last year in which the minimum wage increased, the purchasing power of the minimum wage was \$8.75 (in 2020 dollars) and has been steadily declining since then. The value of the 2020 minimum wage of \$7.25 is projected to fall to \$7.13 in 2021 and \$7.01 in 2022 after adjusting for estimated inflation.
- In 2019, the annual income for an individual working full time in Pennsylvania making the minimum wage (\$7.25) was \$15,080. This income level exceeded the 2019 Federal Poverty Threshold for a one-person household (\$13,011), but fell short of the poverty threshold for a two-person (\$16,521) and a three-person household (\$20,335).

## **Other States**

- During 2020, 29 states had higher minimum wage rates than Pennsylvania ranging from \$8.56 to \$13.50 per hour. States' minimum wage rates are discussed on page 34.
- Since the beginning of 2015, all of Pennsylvania's neighboring states have had higher minimum wage rates than Pennsylvania. The 2020 minimum wage rates of Pennsylvania's neighboring states ranged from \$8.70 to \$12.50.
- Alaska, Arizona, Colorado, Florida, Maine, Michigan, Minnesota, Montana, New York, Ohio, South Dakota, Vermont, and Washington currently have their minimum wages tied to the Consumer Price Index or other similar measures to provide automatic increases that keep pace with inflation. Other states that previously had an automatic cost of living adjustment for their minimum wages have temporarily replaced it with a schedule of increases to get to a target wage (generally \$12 or \$15) after which they will reinstate it. Overall, 25 states raised their minimum wages in 2020 and with significant overlap 24 states have already done so or are projected to do so in 2021.
- The tipped minimum wage in Pennsylvania has been at \$2.83 since 1997. During 2020, 28 states had higher tipped minimum wage rates than Pennsylvania ranging from \$3.13 to \$13.50 per hour.

## Conclusion

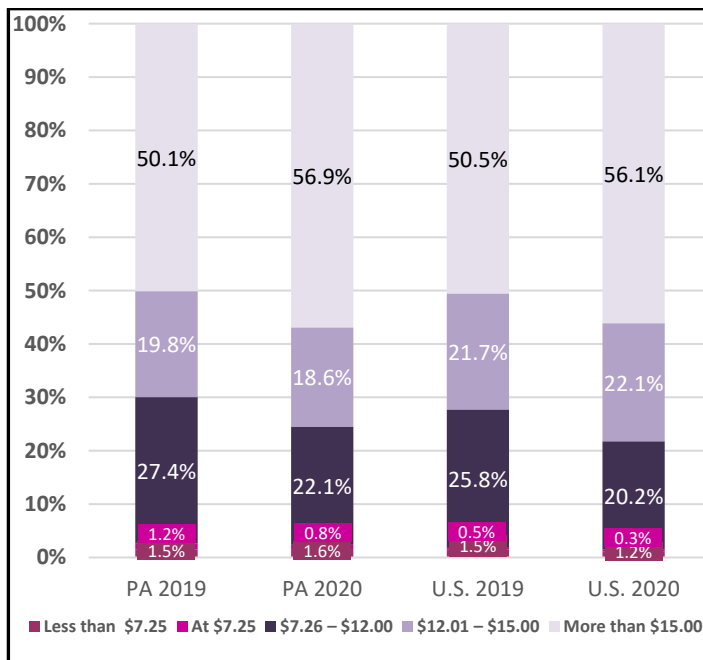
- In 2020, there were an estimated 74,400 Pennsylvania workers earning minimum wage or less. This is the lowest number of at or below minimum wage workers on record in this annual report series. It is 16,300 (18.0 percent) lower than the previous low of 2019 when it was 90,700, at which time the minimum wage was set at \$7.25 per hour, unchanged from 2009. Workers earning minimum wage or less represented 2.4 percent of all hourly workers and 1.3 percent of all workers.
- In 2020, 693,100 Pennsylvania workers (22.1 percent) earned above \$7.25 per hour up to \$12 per hour and another 581,700 (18.6 percent) earned up to \$15 per hour. More than half of all of Pennsylvania's hourly workers earned above \$15.00 per hour.
- 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.
- Pennsylvanians earning from \$7.26 per hour through \$12.00 per hour tended to be from one or more of the following groups: female, White, 25-year-olds and older, high school graduates or more, or never married.
- The number of at or below minimum wage workers fell by 77,000 (50.9 percent) from 2015 to 2020. The absolute decrease in the number of at or below minimum wage workers from 2015 most likely reflects the relative decrease in the minimum wage compared to the average wage in Pennsylvania and the pandemic's impact.
- Workers earning at or below the minimum wage were most likely to be employed in the following **industries**: food services and drinking places, retail trade, and educational services. Full-time workers accounted for more than one out of every three hourly workers earning the minimum wage or below.
- Inflation adversely affects the purchasing power of an unchanging minimum wage. In 2009, the last year in which the minimum wage increased, the purchasing power of the minimum wage was \$8.75 (in 2020 dollars) and has been steadily declining since then. The value of the 2020 minimum wage of \$7.25 is projected to fall to \$7.13 in 2021 and \$7.01 in 2022 after adjusting for estimated inflation.
- In 2020, 29 states had higher minimum wage rates than Pennsylvania ranging from \$8.56 to \$13.50. Since January 1, 2015, all of Pennsylvania's neighboring states have minimum wages exceeding Pennsylvania's rate.
- Thirteen states have their minimum wage rates tied to the Consumer Price Index or other similar measures. Other states that previously had an automatic cost of living adjustment for their minimum wages have temporarily replaced it with a schedule of increases to get to a target wage (generally \$12 or \$15), after which they will reinstate it.
- The tipped minimum wage in Pennsylvania has been at \$2.83 since 1997. During 2020, 28 states had higher tipped minimum wage rates than Pennsylvania.



# WAGE DISTRIBUTION OF ALL HOURLY WORKERS



**Pennsylvania and U.S. Employed Wage & Salary Workers Paid Hourly Rates  
2020 Average Compared to 2019 Average (numbers of workers in thousands)**



Source: U.S. Bureau of the Census, Current Population Survey  
Both the U.S. minimum wage and the PA minimum wage were \$7.25 during 2019 and 2020.  
Totals and differences may not sum due to rounding.

Total, 16 Years and Over	2019		2020	
	US	PA	US	PA
Total Paid an Hourly Rate	82,358	3,425.8	73,379	3,130.0
Total at or below \$7.25	1,609	90.7	1,119	74.4
Less than \$7.25	1,214	50.4	871	50.2
At \$7.25	395	40.3	248	24.2
\$7.26 – \$12.00	21,232	938.4	14,856	693.1
\$12.01 – \$15.00	17,888	679.5	16,228	581.7
More than \$15.00	41,629	1,717.3	41,176	1,780.9
Median Wage	\$15.30	\$15.14	\$16.32	\$16.50

In 2020, there were an estimated 74,400 Pennsylvania workers earning minimum wage or less. This is the lowest number of at or below minimum wage workers on record in this annual report series. It is 16,300 (-18.0 percent) lower than the previous low in 2019 when it was 90,700. The decrease in 2020 was due primarily to a decrease of 16,200 in those earning the minimum wage of \$7.25 per hour. Workers earning minimum wage or less represented 2.4 percent of all hourly workers and 1.3 percent of all workers.

Pennsylvania's hourly employment decreased by 295,800 (-8.6 percent), while its overall employment decreased by 369,400 (-5.9 percent). U.S. hourly employment decreased by 8,979,000 (-10.9 percent), while the nation's overall employment decreased by 9,743,000 (-6.2 percent). The proportion of all workers receiving hourly rates decreased slightly in both Pennsylvania and the nation from 2019. In 2020, the percentage of the employed earning hourly rates was higher in Pennsylvania (53 percent) than in the U.S. overall (50 percent).

Using broader income categories of minimum wage or below, near minimum wage (\$7.26 - \$12.00), and above minimum wage, the U.S. and Pennsylvania had similar experiences. The pandemic-induced decrease in employment and hourly workers was concentrated in lower wage workers which contributed to both the absolute and relative changes in the wage distribution discussed below. The proportions of hourly workers in the lower wage categories fell, while increasing for those above \$15.00 an hour. Pennsylvania's share of above \$15.00 per hour workers rose by 6.8 percentage points to 56.9 percent, while the nation's percentage rose 5.6 percentage points to 56.1 percent. The median wage in Pennsylvania increased from \$15.14 to \$16.50, while it rose from \$15.30 to \$16.32 in the nation. Pennsylvania had a higher percentage (2.4 percent) of workers at or below the federal minimum wage of \$7.25 than the nation (1.5 percent). In both Pennsylvania and the nation, the largest percentage point decline amongst the categories was in those earning the near minimum wage.

# COMPARISON OF MINIMUM WAGE OR BELOW WORKER CHARACTERISTICS TO OTHER POPULATIONS

<b>Pennsylvania and U.S. 2020 Averages</b> <b>Demographic Characteristics of Various Populations</b> <b>(total numbers of workers in thousands, breakdown by characteristic in percent)</b>							
Demographic Characteristics	Minimum Wage or Below		Above Minimum Wage		All Employed <sup>2</sup>	Population 16 and Over	
			Near	Total			
	PA <sup>1</sup>	U.S. <sup>1</sup>	PA	PA	PA	PA	U.S.
<b>TOTAL</b>	<b>74.4</b>	<b>1,119</b>	<b>693.1</b>	<b>3,055.6</b>	<b>5,855.2</b>	<b>10,282.6</b>	<b>260,329</b>
<b>Gender</b>							
Male	22.6%	33.4%	34.9%	49.3%	52.0%	48.2%	48.4%
Female	77.4%	66.6%	65.1%	50.7%	48.0%	51.8%	51.6%
<b>Race</b>							
Black, non-Hispanic	10.5%	16.5%	13.6%	11.7%	9.3%	10.3%	12.0%
Hispanic	6.0%	18.3%	9.0%	7.6%	6.1%	6.1%	17.0%
Other, non-Hispanic	15.0%	8.4%	6.9%	4.7%	5.3%	5.4%	8.7%
White, non-Hispanic	68.4%	56.8%	70.56%	76.0%	79.3%	78.2%	62.3%
<b>Age</b>							
16-19	26.8%	20.2%	23.3%	6.8%	4.0%	6.0%	6.4%
20-24	43.0%	27.5%	25.6%	13.1%	9.6%	8.3%	8.0%
25-34	14.0%	22.3%	15.2%	22.4%	21.3%	15.8%	17.2%
35-44	7.2%	12.1%	9.6%	17.0%	20.3%	14.5%	15.9%
45-54	4.4%	7.9%	9.1%	15.9%	18.2%	13.9%	15.3%
55-64	1.5%	6.8%	9.0%	18.4%	19.1%	17.8%	16.2%
65 and over	3.0%	3.2%	8.2%	6.5%	7.5%	23.7%	21.0%
<b>Education</b>							
Less than a high school diploma	13.7%	15.6%	22.4%	8.6%	5.9%	10.6%	12.3%
High school graduates, no college	40.0%	34.9%	39.0%	40.0%	29.7%	33.8%	27.6%
Some college, no degree	35.2%	27.7%	20.1%	15.3%	12.4%	13.1%	17.0%
Associate degree	5.5%	7.4%	8.6%	12.7%	10.2%	9.0%	9.6%
Bachelor's degree or higher	5.5%	14.5%	10.0%	23.4%	41.7%	33.5%	33.6%
<b>Marital Status</b>							
Married Spouse Present	10.8%	19.5%	23.9%	42.5%	52.0%	48.8%	49.6%
Marital Status Other	3.3%	10.9%	8.8%	14.0%	13.2%	18.1%	18.7%
Never Married	85.9%	69.7%	67.4%	43.5%	34.9%	33.1%	31.7%

<sup>1</sup>Both the U.S. and PA minimum wages were \$7.25 during 2020.

<sup>2</sup>All Employed includes hourly workers (minimum wage or below and above minimum wage) and workers not earning an hourly wage.

Totals may not sum due to rounding.

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

## Gender

The gender composition of Pennsylvania's at or below minimum wage workers was most similar to that of other at or below minimum wage workers in the U.S. and to a lesser extent, to those in Pennsylvania earning the near minimum wage (\$7.26 to \$12.00). The overall population of those 16 years and older in both Pennsylvania and the U.S. was almost evenly divided between males and females as was the total population of those earning above the minimum wage in Pennsylvania. The Pennsylvania population of all employed was also almost evenly divided between males and females, but with a higher proportion of males. In contrast, females outnumbered males by almost 3.5 to 1 (77.4 percent to 22.6 percent) among at or below minimum wage workers in Pennsylvania during 2020.

## Race

Whites represented a significant majority of Pennsylvania's at or below minimum wage workers, as they did for all of Pennsylvania's other reported wage categories. They were underrepresented in all of the wage categories depicted relative to their percentage of all employed and to their percentage in the population of those 16 and over. However, they were less underrepresented in the higher wage categories than at lower wage categories.

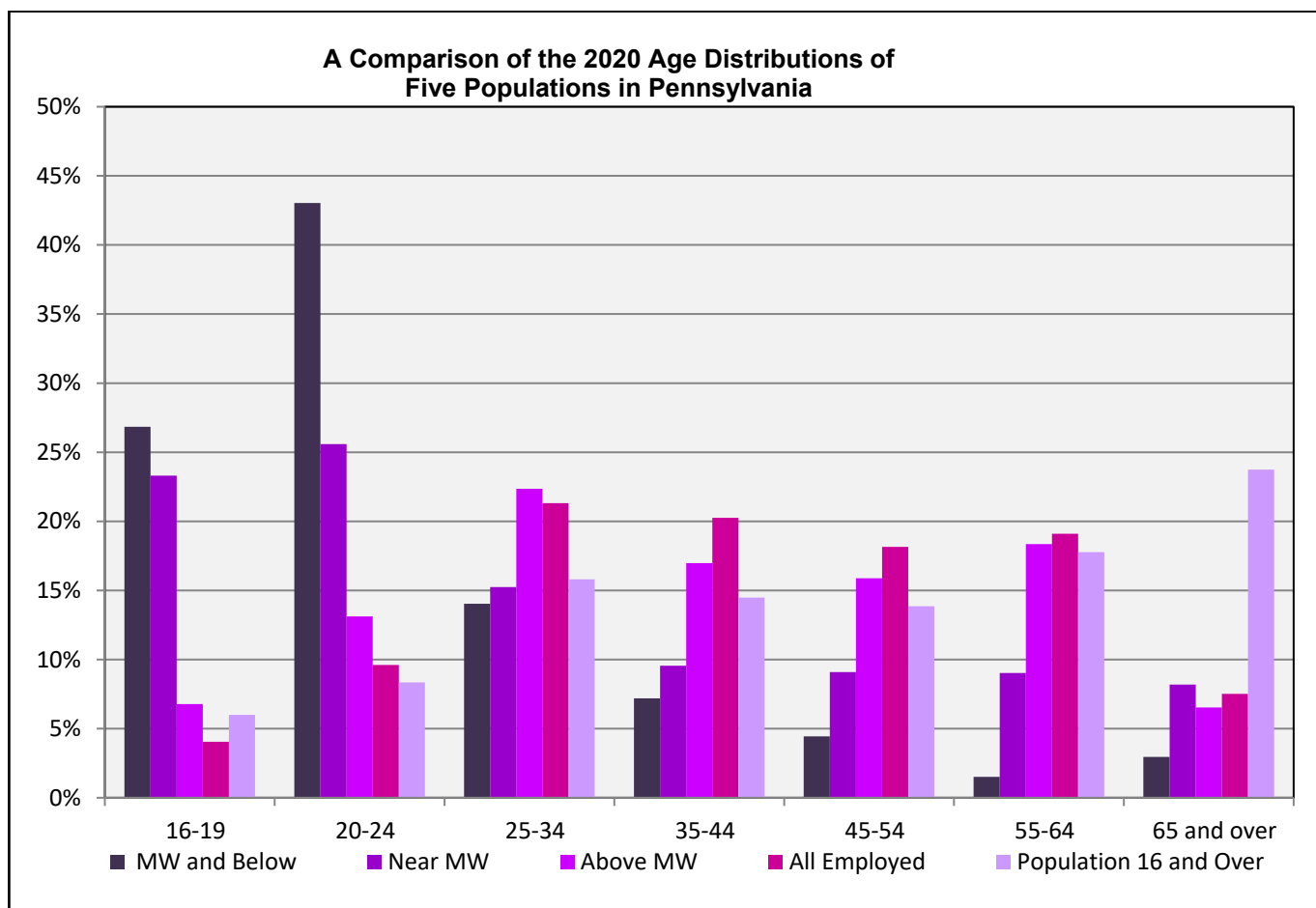
The second largest group of minimum wage or below workers was Other non-Hispanics, which is the smallest group among the employed and population of those 16 and over in Pennsylvania. Due to the group being a very small cohort, estimates of its percentage in

subgroups (e.g., minimum wage or below earners) are subject to large sampling errors and consequently greater variability over time.

Blacks made up the next highest percentage of all those employed and of the population in Pennsylvania. Their proportion of at or below minimum wage workers exceeded their percentage of the employed in Pennsylvania and was similar to that of the population 16 and older.

Nationally among at or below minimum wage workers, Blacks and Hispanics were overrepresented, while Whites were underrepresented relative to their overall populations.

## **Age**



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

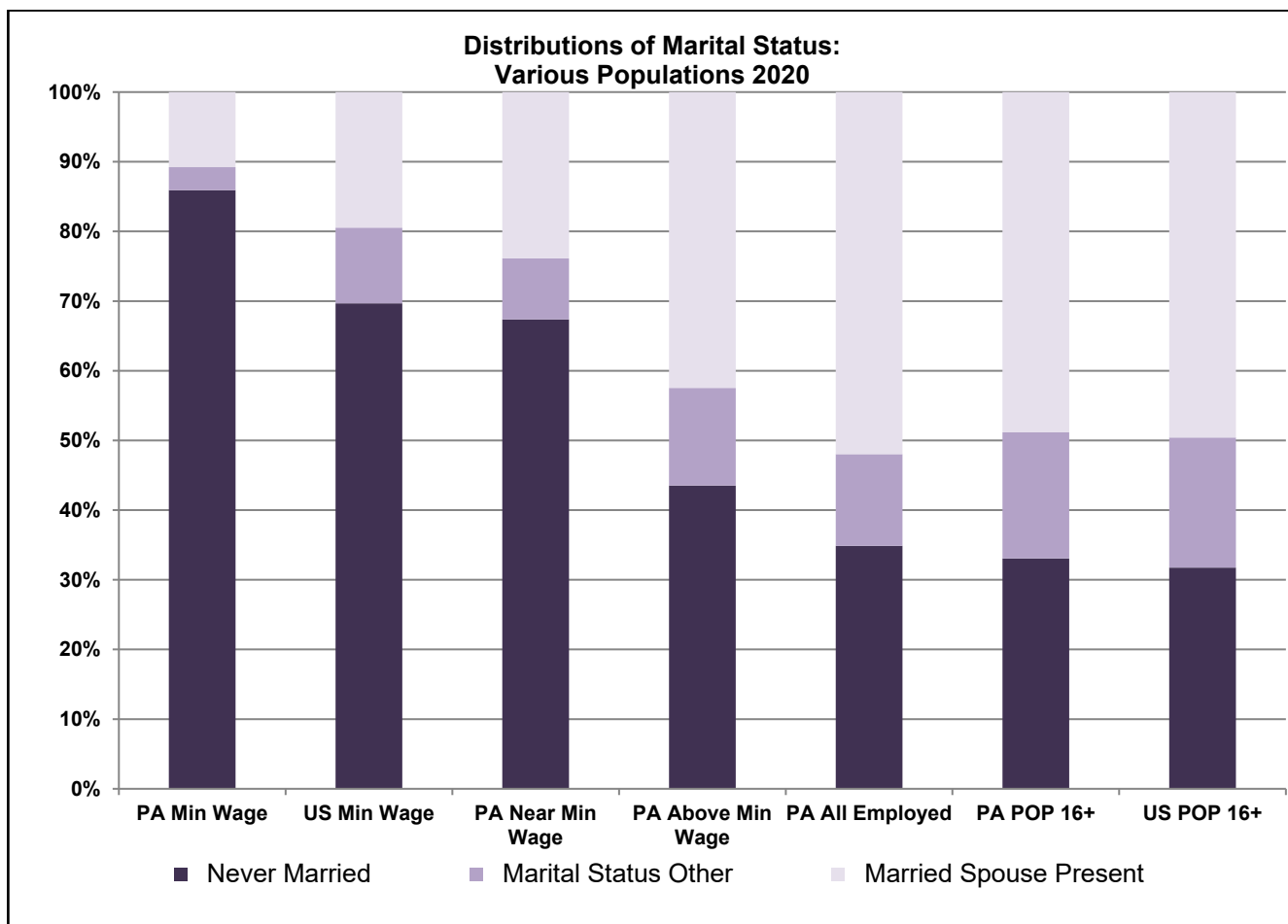
Almost 70 percent of Pennsylvania's minimum wage or below population was under 25 years of age, while less than 14 percent of all employed were under 25 years of age. Less than 26 percent of Pennsylvania's minimum wage or below workers were between 25 and 54 years of age, while almost 60 percent of the all employed group was in that age range.

Less than 5 percent of minimum wage or below workers were 55 years old or older, while almost 27 percent of the all employed population was. The 55-64 and 65 and over age groups constituted over 41 percent of the Pennsylvania population who were at least 16 years old.

## Education

In general, at or below minimum wage workers in Pennsylvania tended to be less educated than other employed workers in the state. Those with a high school diploma or less accounted for 54 percent of those earning the minimum wage or less in 2020 as compared to 36 percent for all employed. At the other end of the education spectrum, 11 percent of minimum wage or below workers had at least an associate's degree while the percentage of all employed with at least an associate's degree was 52 percent. The difference regarding bachelor's degrees was more pronounced. Only six percent of those earning the minimum wage or less had bachelor's degrees compared to almost 42 percent among all employed in Pennsylvania.

## Marital Status



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

A sizable majority (85.9 percent) of minimum wage earners had never been married. The remainder was split between those who were married with spouse present at 17.8 percent and those with a marital status of other (divorced, separated, or widowed) at 3.3 percent.

<b>Family Status and Family Income of Workers Paid Hourly Rates:</b> <b>2020 Selected Groups in Pennsylvania and the U.S.</b> <b>(numbers of workers in thousands)</b>					
Characteristics	At or Below the Minimum Wage		Above the Minimum Wage		Total Hourly Workers
	PA <sup>1</sup>	U.S. <sup>1</sup>	Near PA	Total PA	
TOTAL	74.4	1,119	693.1	3,055.6	73,379
<b>Family Status<sup>2</sup></b>					
No Children (Single or Married)	84%	80%	82%	74%	71%
Married Parent	6%	10%	9%	17%	20%
Single Parent	10%	10%	9%	9%	9%
1 child	5%	5%	6%	5%	5%
2 children	3%	1%	2%	3%	3%
3 children	2%	1%	0%	1%	1%
4 or more children	0%	0%	0%	0%	0%
<b>Family Annual Income</b>					
\$9,999 or less	4%	5%	3%	2%	3%
\$10,000 to \$19,999	11%	8%	8%	5%	5%
\$20,000 to \$29,999	11%	10%	9%	6%	8%
\$30,000 to \$39,999	12%	15%	11%	11%	11%
\$40,000 to \$49,999	4%	9%	6%	8%	9%
\$50,000 to \$59,999	5%	7%	12%	11%	10%
\$60,000 To \$74,999	19%	11%	11%	13%	12%
\$75,000 To \$99,999	12%	10%	11%	16%	15%
\$100,000 To \$149,999	15%	13%	15%	16%	16%
\$150,000 and Over	7%	11%	13%	12%	12%

<sup>1</sup> PA and U.S. minimum wages in 2020 were \$7.25.

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

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

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

Workers having no children made up 84 percent of those earning the minimum wage or less in Pennsylvania. Married parents constituted a smaller percentage (6 percent) than the other U.S. and Pennsylvania populations depicted above. The family status of those earning near the minimum wage in Pennsylvania was more like the nation's at or below minimum wage population than that of the Pennsylvania's minimum wage or below population.

In 2020, almost half of the single parents in the Pennsylvania minimum wage or below population had one child. The remaining percentage was split with twice as many having two children than those with three children.

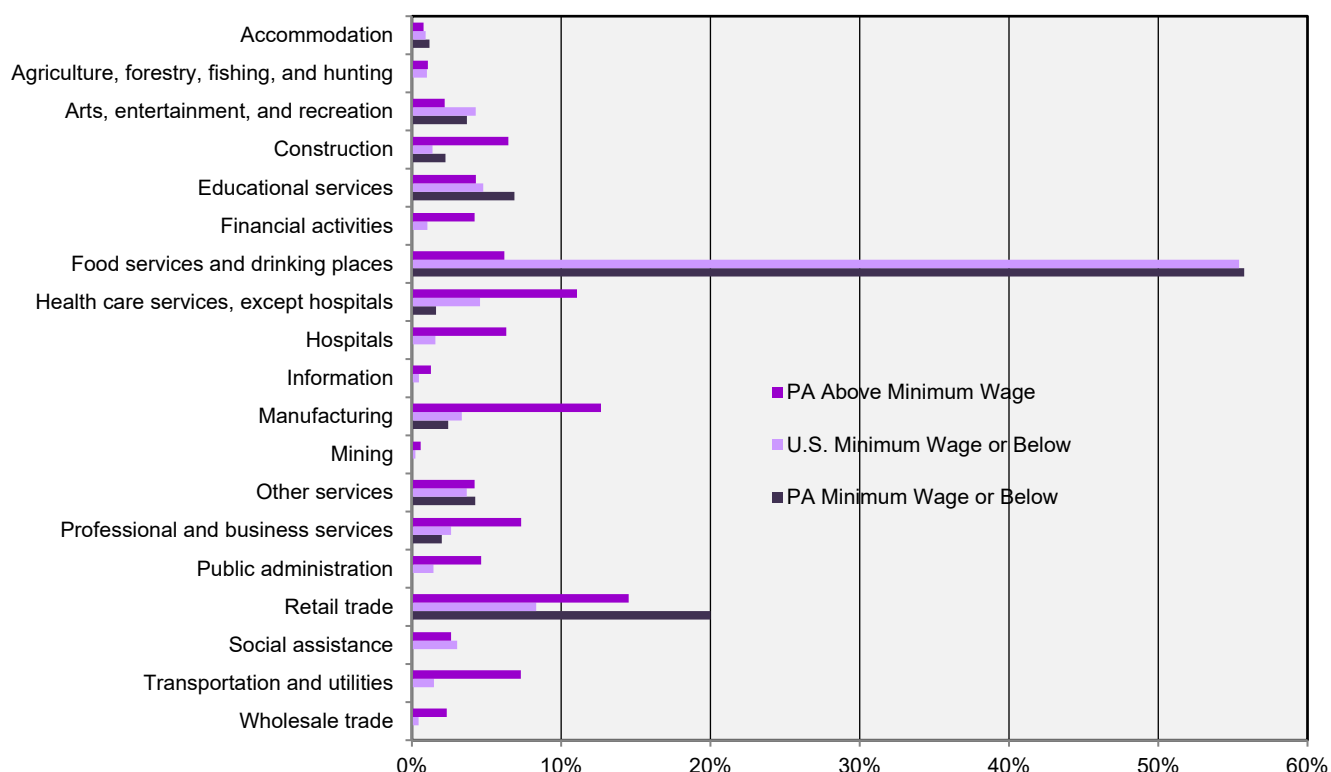
The family income of those who earned the minimum wage or less in Pennsylvania varied greatly. Slightly more than 41 percent of such workers were in families whose combined income was less than \$50,000 per year and over 25 percent were in families with less than \$30,000 per year. In contrast, over 34 percent had annual family incomes of \$75,000 or more a year and almost 22 percent had annual family incomes of \$100,000 or more per year. The family income distribution of near minimum wage workers in Pennsylvania was similar to that of both the U.S. and Pennsylvania minimum wage or below populations with fewer in families whose combined income was less than \$50,000 per year and more in households with annual family incomes of \$100,000 or more per year.



# INDUSTRY AND OCCUPATIONAL DISTRIBUTIONS



### A Comparison of Industry Distributions in 2020 of Various Populations: Pennsylvania and the United States



Source: U.S. Bureau of the Census, Current Population Survey  
PA and U.S. minimum wages in 2020 were both at \$7.25.

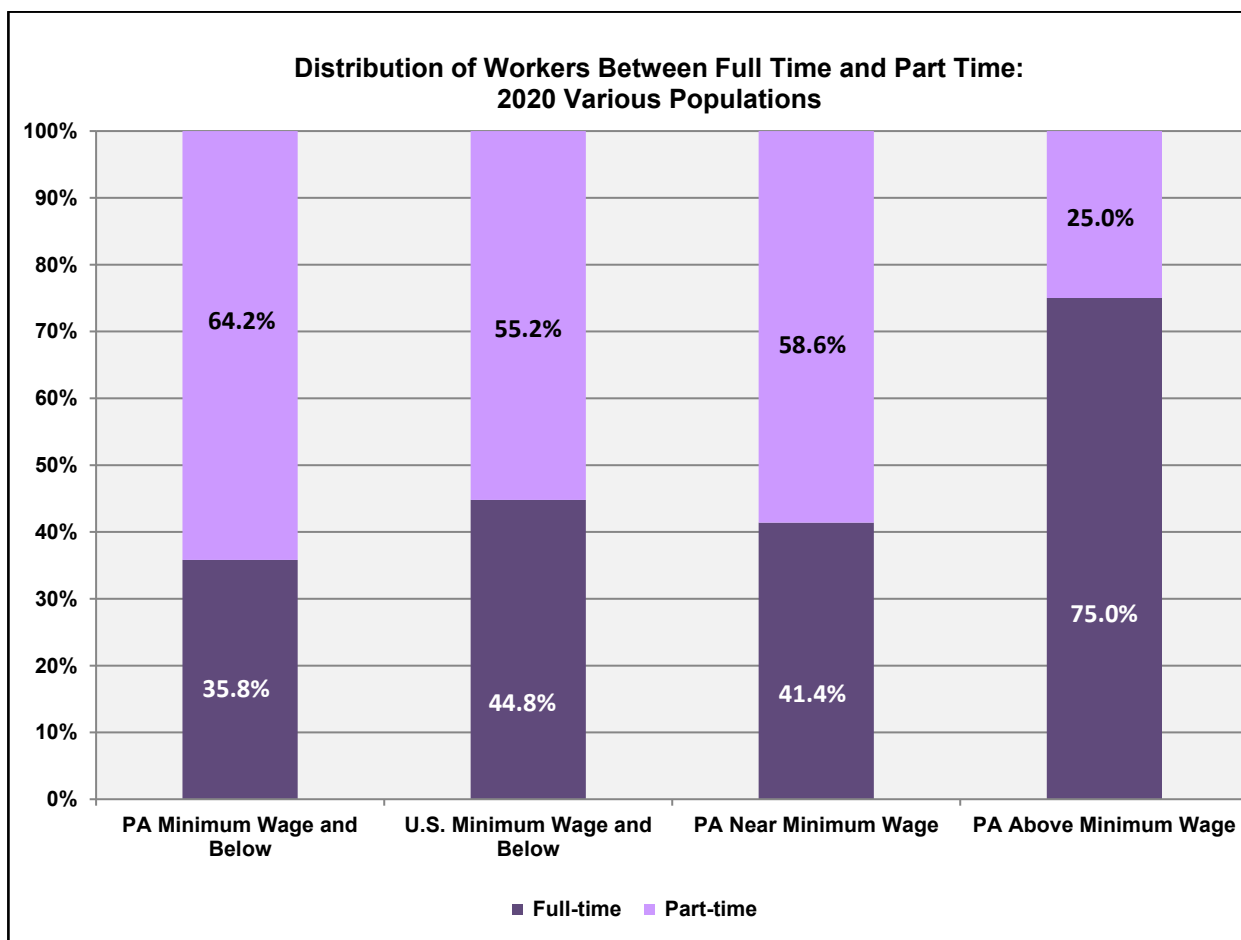
In Pennsylvania, workers earning at or below the minimum wage were most likely to be employed in the following industries: food services and drinking places, retail trade, and educational services. Combined, these industries employed 83 percent of all minimum wage earners in 2020.

Fifty-six percent of minimum wage or below earners worked at food services and drinking places. In contrast, only six percent of those earning above minimum wage worked in this industry. Workers in this industry may earn above the minimum wage when tips are included; however, they are counted as below minimum wage earners since the measured wage excludes tips.

As the number of minimum wage or below workers has declined, minimum wage workers were represented in fewer industry groups. In 2020, minimum wage workers were present in slightly more than half of the industry groups shown above.

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 (15 percent) as well as those earning the minimum wage or less (20 percent). Among workers earning the near minimum wage, the proportion was even higher (27 percent). Retail trade, in combination with manufacturing and non-hospital health care services, accounted for 38 percent of all those earning above the minimum wage in 2020.

More detailed information on these industry distributions as well as that of the near minimum wage population can be found in the Appendix on page 40.

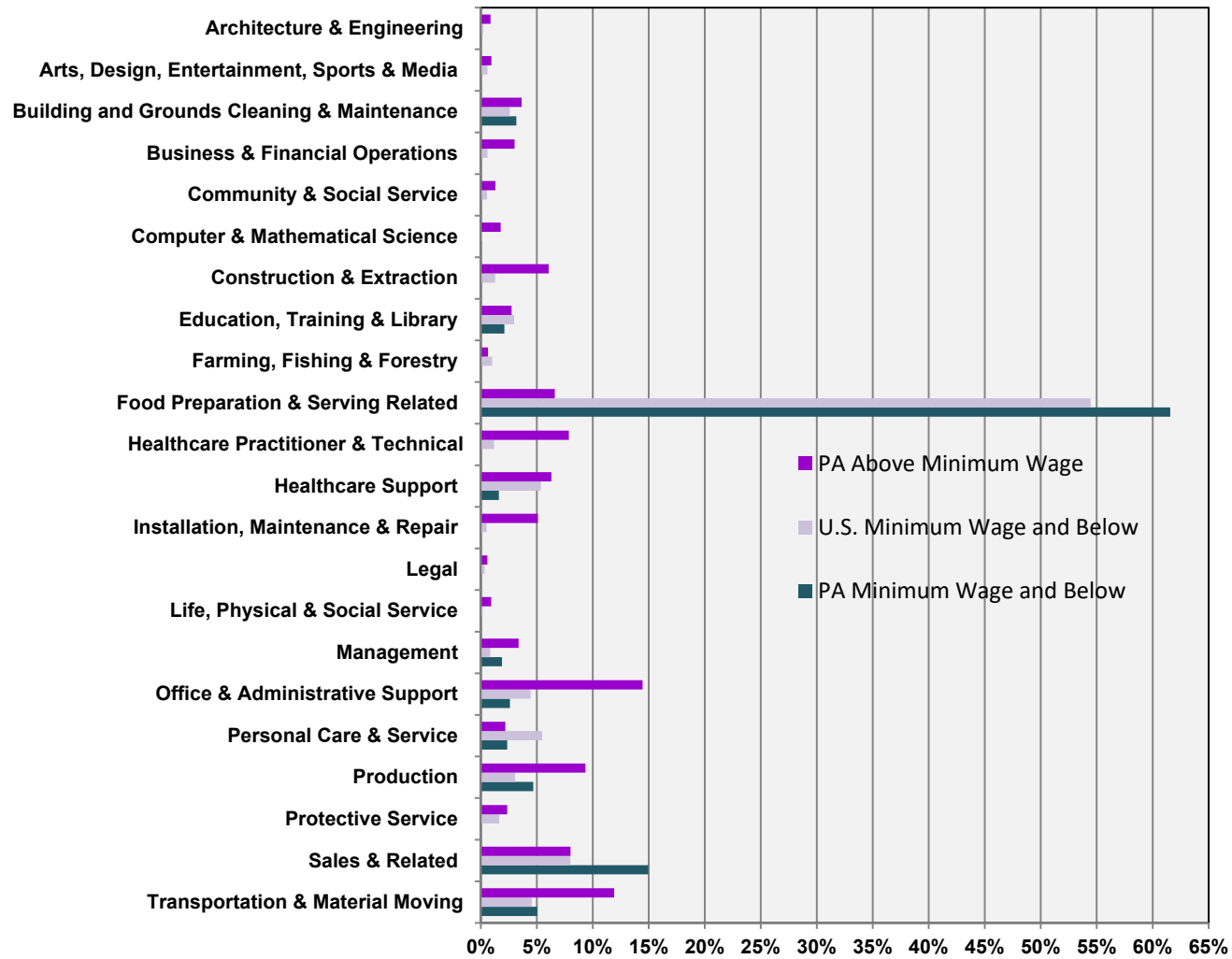


Source: U.S. Bureau of the Census, Current Population Survey  
PA and U.S. minimum wages in 2020 were both at \$7.25.

Any worker who works at least 35 hours for pay (aggregate) in the survey week is classified by the Census as full time. This is irrespective of whether those hours were worked at one or more jobs. Conversely, any worker whose cumulative hours worked in the survey week was between one and 34 hours is classified as part time.

In 2020, slightly more than one out of every three at or below minimum wage earners in Pennsylvania worked full time. Three out of four of all hourly workers earning above the minimum wage in Pennsylvania worked full time. While the ratio of full-time to part-time minimum wage or below workers is less than the ratio for the other three depicted populations, the ratio for the nation's minimum wage or below population was mostly similar to that of the near minimum wage population in Pennsylvania (approximately 1.1 to one).

**2020 Occupational Group Distributions: Pennsylvania's Minimum Wage and Below Population Compared to its Above Minimum Wage Population and the Minimum Wage and Below Population of the U.S.**



Both the PA and U.S. minimum wages were \$7.25 in 2020.

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

In 2020, 62 percent of Pennsylvanians who earned the minimum wage or less worked in food preparation & serving related occupations, 15 percent were employed in sales & related occupations and five percent in transportation & material moving occupations. Minimum wage or below workers in Pennsylvania were more concentrated in the food preparation & serving and sales & related occupational groups listed above than those of the U.S. with 77 percent compared with 62 percent for the U.S.

The distribution of occupations for Pennsylvanians who earned above the minimum wage was more diverse than those who earned the minimum wage or less. Their top four occupational groups were office and administrative support (14 percent), transportation & material moving (12 percent), production (9 percent), and sales & related (8 percent). Food preparation & serving related occupations accounted for only 20 percent of workers earning near minimum wage and seven percent of those earning above the minimum wage. Workers earning above the minimum wage were represented in all 22 of the listed occupational groups, while only 45 percent of them had representation from the at or below minimum wage cohort.

More detailed information on these occupational distributions as well as that of the near minimum wage population can be found in the Appendix on page 41.

# RECENT HISTORICAL COMPARISONS (ONE AND FIVE YEARS)

<b>Pennsylvania</b> <b>Demographic Characteristics of Workers Paid Hourly Rates at or Below the Minimum Wage</b> <b>Annual Average 2020 Compared to Annual Average 2019 and 2015</b> <b>(total numbers of workers in thousands, all other numbers in percent)</b>					
Demographic Characteristics	2015	2019	2020	Percentage Point Change	
	PA <sup>1</sup>	PA <sup>2</sup>	PA <sup>2</sup>	2015 to 2020	2019 to 2020
<b>TOTAL</b>	<b>151.3</b>	<b>90.7</b>	<b>74.4</b>	-	-
<b>Gender</b>					
Male	35%	21%	23%	-12%	1%
Female	65%	79%	77%	12%	-1%
<b>Race</b>					
Black, non-Hispanic	13%	13%	11%	-3%	-2%
Hispanic	10%	5%	6%	-4%	1%
Other, non-Hispanic	5%	0%	15%	10%	15%
White, non-Hispanic	71%	82%	68%	-3%	-13%
<b>Age</b>					
16-19	25%	22%	27%	1%	5%
20-24	26%	34%	43%	17%	9%
25-34	21%	8%	14%	-7%	6%
35-44	7%	11%	7%	0%	-4%
45-54	11%	11%	4%	-6%	-7%
55-64	8%	13%	2%	-6%	-12%
65 and over	2%	1%	3%	1%	2%
<b>Education</b>					
Less than a high school diploma	21%	19%	14%	-8%	-6%
High school graduates, no college	38%	35%	40%	2%	5%
Some college, no degree	28%	31%	35%	7%	4%
Associate degree	3%	8%	6%	2%	-3%
Bachelor's degree or higher	9%	6%	6%	-4%	-1%
<b>Marital Status</b>					
Married Spouse Present	19%	18%	11%	-8%	-7%
Marital Status Other	14%	10%	3%	-11%	-7%
Never Married	67%	72%	86%	19%	14%

<sup>1</sup> The minimum wage in 2015, 2019, and 2020 was \$7.25 and was unchanged during those years.

Totals and changes may not sum due to rounding.

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

From 2015 through 2020, the minimum wage in Pennsylvania was constant at \$7.25, having last been increased in July 2009. During that period, the number of minimum wage or below workers in Pennsylvania dramatically declined by 77,000 or 50.9 percent. Labor market conditions from 2015 through 2019 improved in Pennsylvania as evidenced by the growth in employment as well as by an increase in average wages. The pandemic and the public response to it in 2020 caused a steep recession from which the labor market is still recovering. The pandemic led to shutdowns throughout the economy and jobs shifted to telework where possible. Employment (total and hourly) declined dramatically (particularly in March and April) and many low wage jobs where teleworking was not viable disappeared. These factors added to the secular trend of fewer minimum wage or below workers that was caused by generally increasing wage rates.

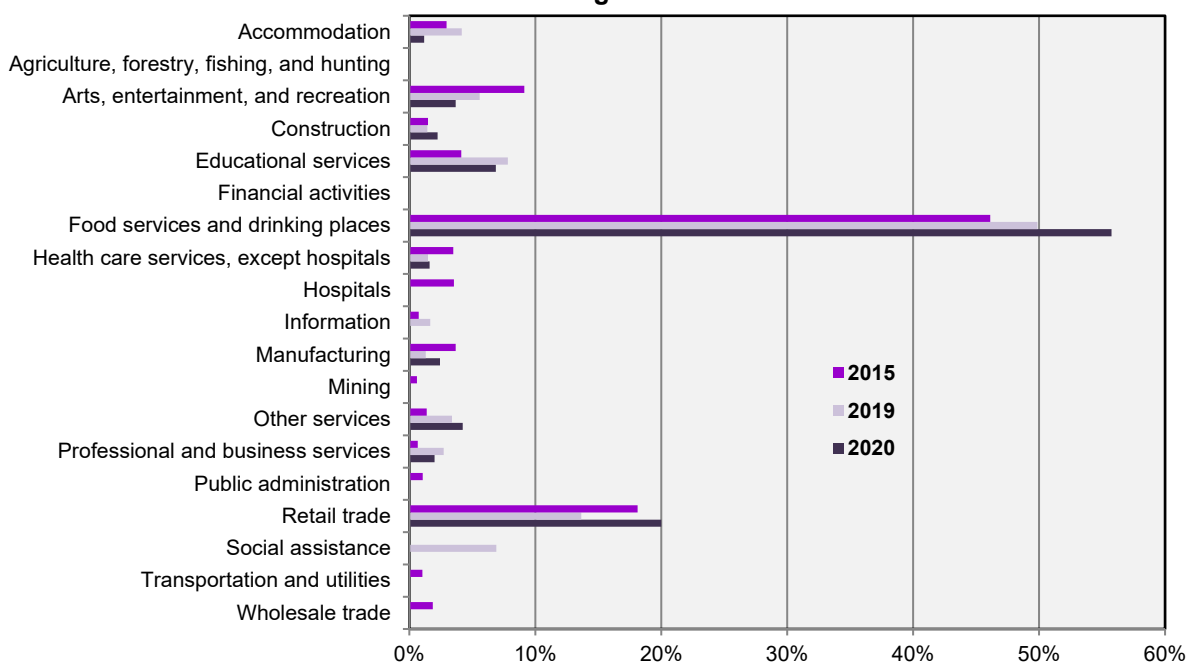
In 2020, males comprised 23 percent of minimum wage or below workers. This represented a decrease of 12 percentage points from 2015 and an increase of one percentage point from 2019.

From 2015 to 2020, the proportion of Pennsylvania's minimum wage or below earners under 25 years of age increased by 19 percentage points, while those between 25 and 54 decreased by 20 percentage points.

Over this period, there was also a shift in the composition of minimum wage or below workers towards Other non-Hispanics and away from all the other depicted race categories.

The changes from 2019 to 2020 were generally less pronounced than those from five years ago but were greater than normal due to the pandemic. The small sample of minimum wage or below workers may also explain some of the recent volatility in some of the demographic characteristics.

### A Comparison of Industry Distributions of Pennsylvania's Workers Earning At or Below the Minimum Wage: 2020 vs. 2019 and 2015<sup>1</sup>



<sup>1</sup> The minimum wage was constant at \$7.25 from 2015 through 2020.

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

In 2015 and 2020, workers earning at or below the minimum wage were most likely to be employed in the industries of food services and drinking places or retail trade. These top two groups of industries maintained their relative standing over the five-year interval despite decreasing respectively by 41 percent and 46 percent in their absolute numbers of minimum wage or below workers. The relative predominance of food services and drinking places grew from 46.1 percent to 55.8 percent over the five-year interval as it decreased on an absolute scale by 28,300 workers (40.6 percent). Retail trade similarly grew from 18.1 percent to 20.0 percent over the interval, while shedding 12,600 workers. Minimum wage or below workers in this industry decreased by a lesser percentage than the percentage decrease in the total number of workers earning at or below the minimum wage.

Hospitals, information, mining, public administration, transportation & utilities, and wholesale trade were six industry groups with minimum wage or below workers in 2015 which no longer had any in 2020. The number of minimum wage or below workers in arts, entertainment & recreation decreased by 80.2 percent over the five-year interval, leading to their relative share declining by 5.4 percentage points. The next highest percentage point decrease (-3.5) was in hospitals. While the number of such workers in accommodation fell by 80.5 percent over that interval due to the impact of the pandemic, its share fell only by 1.8 percentage points because it accounted for only 3.0 percent of minimum wage or below workers in 2015. The two industry groups that experienced growth in their absolute (and therefore also in their relative) number of minimum wage or below workers over the five-year period were other services and professional & business services.

Between 2015 and 2020, the proportion of hourly workers earning the minimum wage or less who worked part time decreased from 68.8 percent to 64.2 percent as their absolute number fell by 54.2 percent.

Occupational Characteristics of Wage & Salary Workers Paid Hourly Rates at or Below the Minimum Wage Pennsylvania Annual Average 2020 Compared to Annual Average 2019 and 2015 (total numbers of workers in thousands, all others are in percent)					
Occupation	2015	2019	2020	Percentage Point Change	
	PA <sup>1</sup>	PA <sup>1</sup>	PA <sup>1</sup>	2015 to 2020	2019 to 2020
TOTAL	151.3	90.7	74.4	-	-
Architecture & Engineering	0%	0%	0%	0%	0%
Arts, Design, Entertainment, Sports & Media	0%	0%	0%	0%	0%
Building and Grounds Cleaning & Maintenance	2%	7%	3%	1%	-4%
Business & Financial Operations	0%	0%	0%	0%	0%
Community & Social Service	0%	2%	0%	0%	-2%
Computer & Mathematical Science	0%	0%	0%	0%	0%
Construction & Extraction	1%	0%	0%	-1%	0%
Education, Training & Library	1%	2%	2%	1%	0%
Farming, Fishing & Forestry	0%	0%	0%	0%	0%
Food Preparation & Serving Related	49%	55%	62%	13%	7%
Healthcare Practitioner & Technical	2%	0%	0%	-2%	0%
Healthcare Support	1%	3%	2%	1%	-1%
Installation, Maintenance & Repair	0%	1%	0%	0%	-1%
Legal	0%	0%	0%	0%	0%
Life, Physical & Social Service	0%	0%	0%	0%	0%
Management	1%	0%	2%	0%	2%
Office & Administrative Support	5%	4%	3%	-2%	-1%
Personal Care & Service	8%	8%	2%	-6%	-6%
Production	2%	1%	5%	3%	3%
Protective Service	2%	1%	0%	-2%	-1%
Sales & Related	18%	12%	15%	-3%	3%
Transportation & Material Moving	7%	3%	5%	-2%	2%

<sup>1</sup> The PA minimum wage in 2015, 2019, and 2020 was \$7.25.

Totals and changes may not add up due to rounding.

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

In 2015, almost half (49 percent) of Pennsylvanians who earned the minimum wage or less worked in food preparation & serving related occupations. Another 18 percent of Pennsylvanians who earned the minimum wage or less were employed in sales & related occupations. From 2015 to 2020, the proportion of Pennsylvania minimum wage or below earners who worked in food preparation & serving related occupations increased, while that of sales & related occupations decreased slightly.

The occupational category whose percentage of minimum wage or below earners decreased the most over the five-year interval was personal care & service occupations which fell by six percentage points. This decrease came from 2019 to 2020, as the share was the same in 2015 and 2019. The share of minimum wage or below earners in the sales and related occupations fell by three percentage points, while the decrease in other groups was less. From 2015 to 2019, food preparation & serving related occupations increased its share by seven percentage points to 56 percent and added another six percentage points from 2019 to 2020. Production occupations increased their share by three percentage points over this five-year period.

On an absolute basis, the healthcare support occupations joined the production occupations as the only two occupational groups with more minimum wage and below workers in 2020 than in 2015. The large decrease in the number of minimum wage and below workers caused by the pandemic in 2020 caused dramatic changes in the occupational distribution of such workers in 2020 relative to that of 2019 and 2015. Such volatility may be due to small sample sizes or to the differential impact of the pandemic on various occupational groups.

<b>Pennsylvania Family Status and Family Income Characteristics of Workers Paid Hourly Rates At or Below the Minimum Wage Comparison of 2020, 2019, and 2015</b>					
Characteristic	2015	2019	2020	Percentage Point Change	
	PA <sup>1</sup>	PA <sup>1</sup>	PA <sup>1</sup>	2015 to 2020	2019 to 2020
TOTAL (in thousands)	151.3	90.7	74.4	-	-
Family Status <sup>2</sup> (in Percent)					
No Children (Single or Married)	80%	78%	84%	4%	6%
Married Parent	10%	12%	6%	-4%	-6%
Single Parent	10%	10%	10%	0%	-1%
1 child	7%	7%	5%	-2%	-3%
2 children	2%	2%	3%	1%	2%
3 children	2%	1%	2%	0%	0%
4 or more children	0%	0%	0%	0%	0%
Family Annual Income (in Percent)					
\$9,999 or less	9%	3%	4%	-5%	1%
\$10,000 to \$19,999	10%	12%	11%	1%	-1%
\$20,000 to \$29,999	15%	17%	11%	-3%	-6%
\$30,000 to \$39,999	7%	5%	12%	5%	6%
\$40,000 to \$49,999	8%	6%	4%	-5%	-2%
\$50,000 to \$59,999	9%	8%	5%	-3%	-3%
\$60,000 To \$74,999	14%	7%	19%	5%	13%
\$75,000 To \$99,999	11%	17%	12%	2%	-4%
\$100,000 To \$149,999	11%	11%	15%	4%	4%
\$150,000 and Over	6%	14%	7%	0%	-7%

<sup>1</sup> The PA minimum wage in 2015, 2019, and 2020 was \$7.25.

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

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

The biggest change in family composition of minimum wage or below workers from 2015 to 2020 was the increase (four percentage points) of those having no children. From 2019 to 2020, the increase in those without children was more pronounced (six percentage points) and was countered by a six percent decrease to married parents. The year-to-year changes in the last few years have exhibited greater volatility than in the past. This is most likely due to smaller sample sizes which was exacerbated by the impact of the pandemic as discussed below.

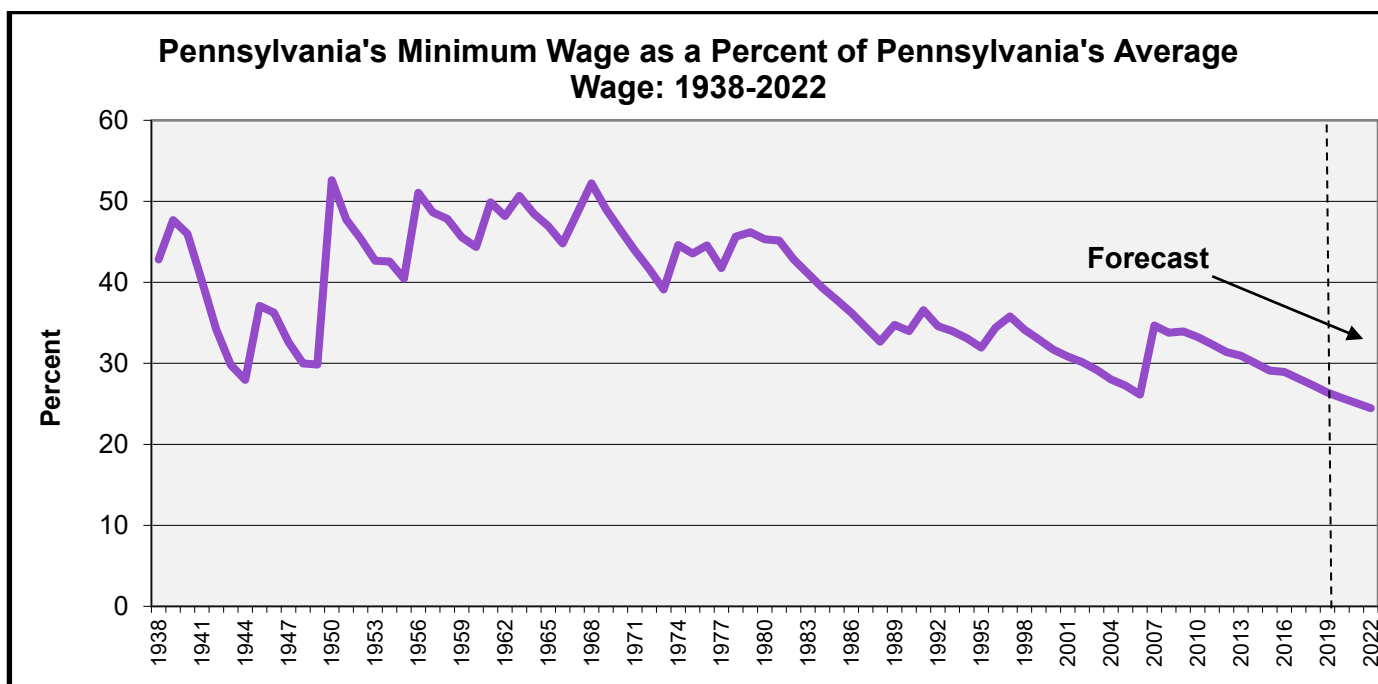
On a relative basis, the distribution of family income of minimum wage and below workers shifted from the lower incomes and towards the higher incomes over the last five years. From 2015 to 2020, the percentage of minimum wage or below workers whose family income was less than \$30,000 decreased by eight percentage points to 25 percent and was seven percentage points lower than in 2019. At the same time, the percentage of such workers with family income of at least \$100,000 was 22 percent which was four percentage points higher than in 2015, but three percentage points lower than in 2019. The lowest family income cohort (with family income under \$10,000) fell by five percentage points compared to five years prior but increased by one percentage point compared to 2019.

Given the relatively small CPS sample size of total minimum wage or below workers, the smaller subsamples for some of the characteristics above can lead to volatility in making comparisons over time. In 2020, the pandemic caused a dramatic decline in the employment of low wage workers which was concentrated in certain industries, occupations, and demographic groups. Therefore, it is difficult to determine whether these results are simply statistical anomalies due to small sample sizes or caused by pandemic induced changes.





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



The Average Wage forecast was based on its ten-year arithmetic average.  
The minimum wage in 2020 was \$7.25.

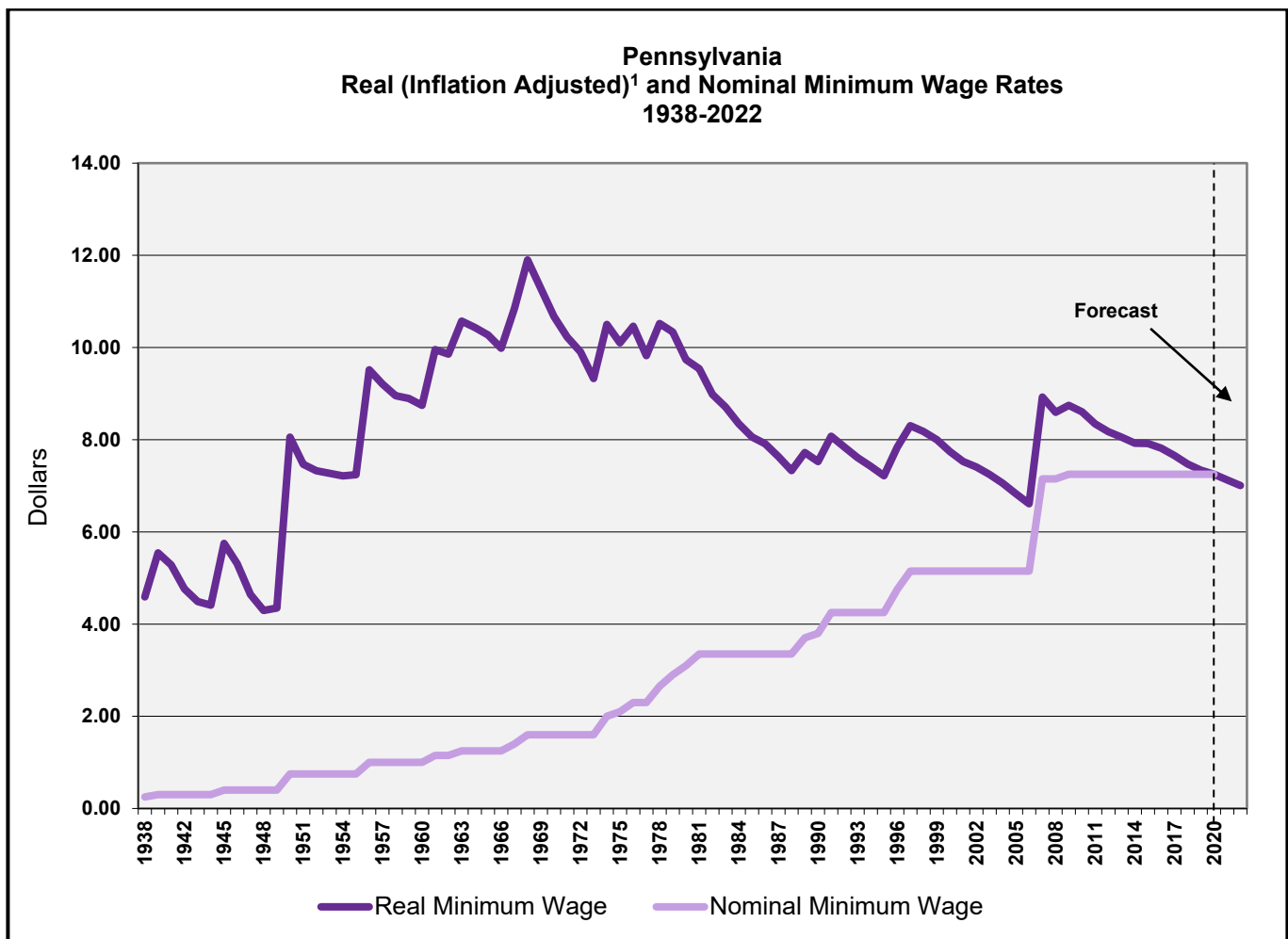
The original level of the minimum wage was set in 1938 at 25 cents which was 50 percent of the national average manufacturing wage. According to Jonathan Grossman, a Department of Labor historian, "... The act applied only to interstate commerce and to accommodate various interests, exemption after exemption was granted. A 'guesstimate'<sup>1</sup> is that one fifth of the American labor force,...were covered by the FLSA."<sup>2</sup> Over time, as the coverage of the minimum wage expanded and manufacturing employment declined as a percentage of total employment, the statewide average wage replaced the average manufacturing wage as the relevant comparison wage, as shown in the above chart. Adjusted for projected wage inflation using its 10-year average, 50 percent of the average wage was \$13.74 in 2019. It is projected to rise to \$14.09 in 2020, \$14.45 in 2021, and \$14.82 in 2022.

A gradual decline in the minimum wage as a percentage of the Pennsylvania's average wage began in 1968. By 2006, Pennsylvania's minimum wage was 26 percent of the average wage. This is still an all-time low since this information first was documented in 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 2019, Pennsylvania's minimum wage was 26 percent of the average wage. If the minimum wage stays at its current level and the average wage grows at its projected 10-year average rate, the minimum wage will drop to below 26 percent of the average Pennsylvania wage by 2021 and below 25 percent by 2022.

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

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



<sup>1</sup>Indexed to 2020 dollars

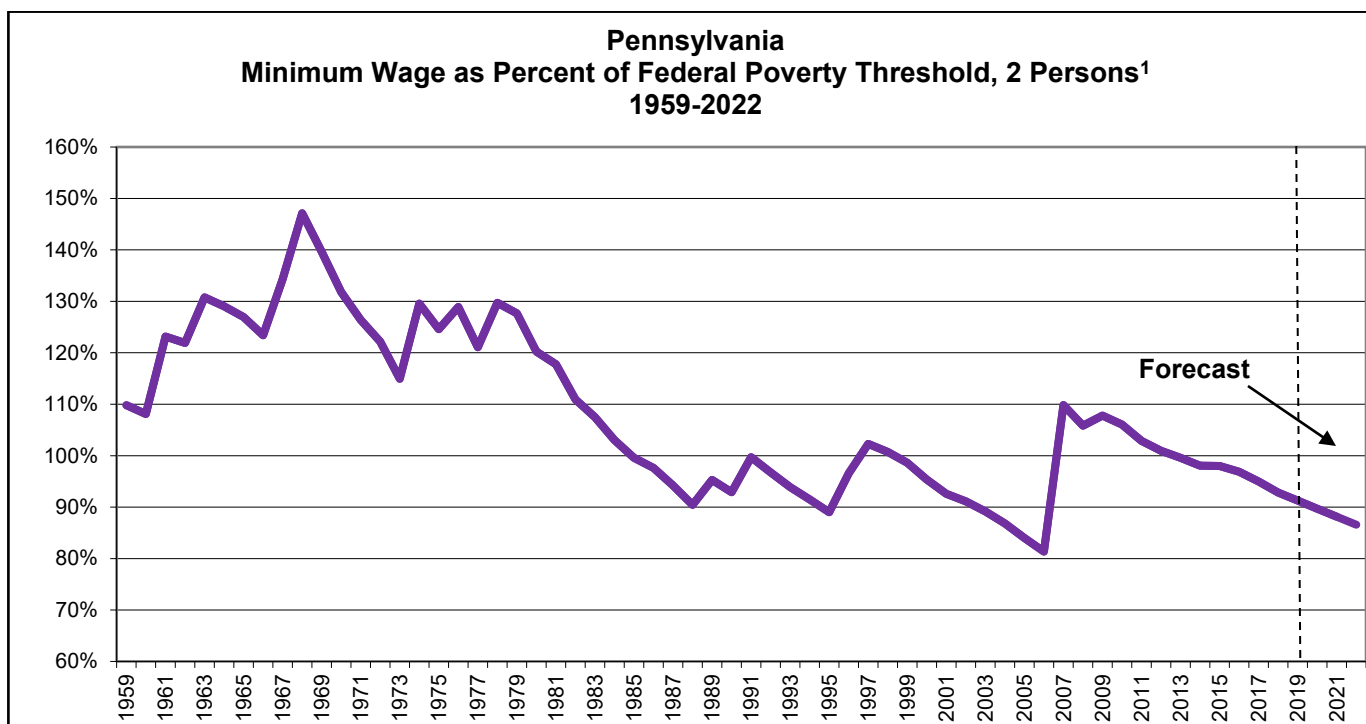
The inflation forecast was based on its 10-year arithmetic average applied to the minimum wage.

The minimum wage in 2020 was \$7.25.

Inflation adversely affects the purchasing power of an unchanging minimum wage. The inflation adjusted or real minimum wage increases when the percentage increase in the nominal minimum wage exceeds the (price) inflation rate and decreases when the reverse is true. All the peaks in the graph above correspond to years in which the nominal minimum wage was increased. In the remaining years the minimum wage was unchanged, but the real minimum wage fell as prices rose. Similarly, if the nominal minimum wage remains at \$7.25, the value of the minimum wage as adjusted for projected inflation is estimated to fall to \$7.13 in 2021 and \$7.01 in 2022.

The 1938 minimum wage of \$0.25 would have been equivalent in purchasing power to \$4.59 in 2020 dollars. The minimum wage was raised to \$0.30 in 1939 and to \$0.40 in 1945 causing its purchasing power to increase. However, the post-war inflation that followed caused the purchasing power of the minimum wage (still \$0.40) to fall to its all-time low of \$4.30 in 1948.

In 1968, the year in which the purchasing power of the minimum wage peaked, the then-current nominal minimum wage of \$1.60 was equivalent to \$11.90 in 2020 dollars. Pennsylvania's minimum wage remained unchanged from September of 1997 to the end of 2006, while prices rose considerably. As the above graph indicates, in 2006 the purchasing power of the minimum wage was less than at any time since the 1950s. In 2009, the last year in which the minimum wage increased, the purchasing power of the minimum wage was \$8.75 (in 2020 dollars) and has been steadily declining since then.



<sup>1</sup> Weighted average threshold (there are slight variations based on the breakdown between adults and children in the household)

The inflation forecast was based on its 10-year average applied to the poverty threshold.

Source: U.S. Bureau of the Census

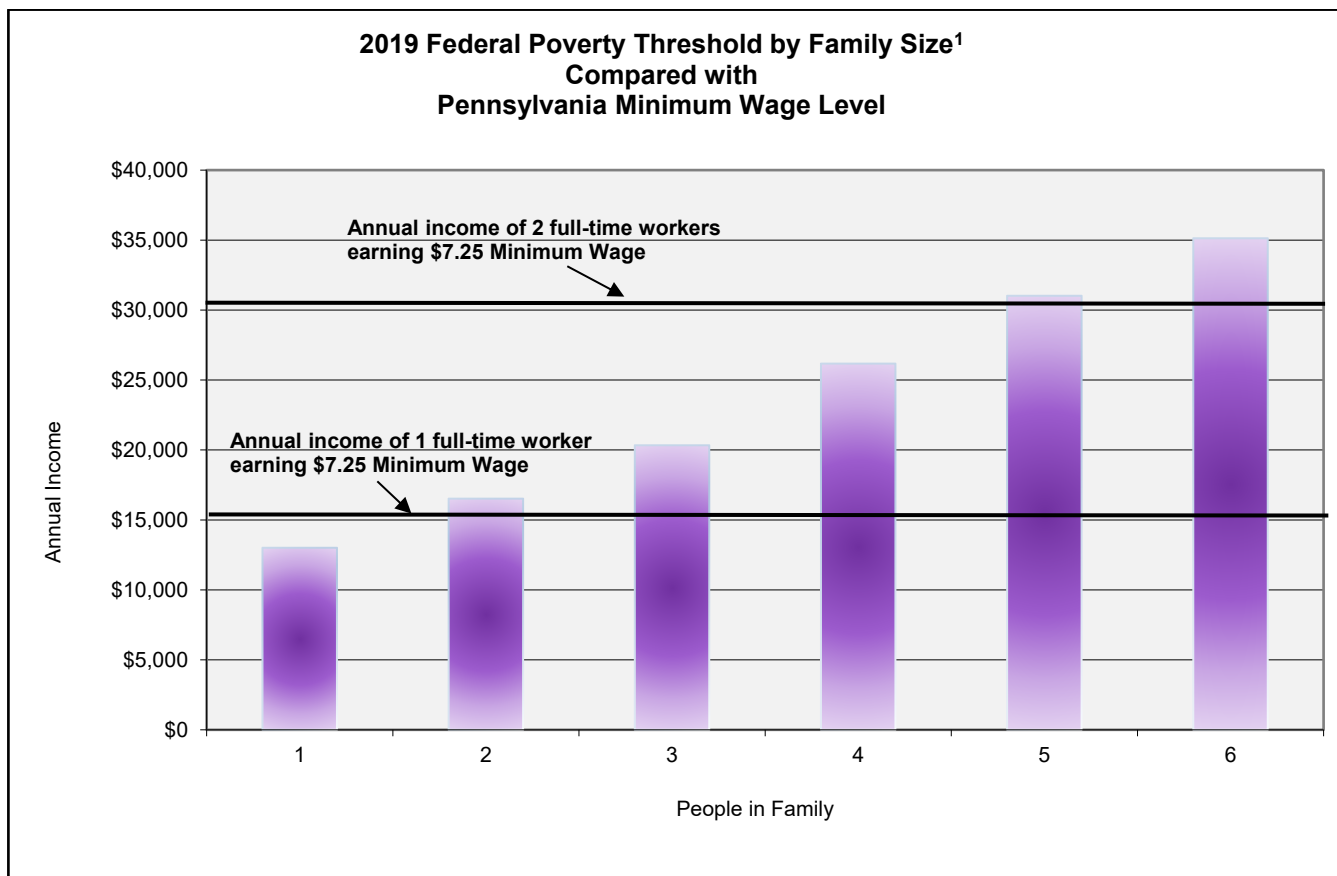
The Census annually sets poverty thresholds for families that vary by family size and the ages of its members. Each threshold is a monetary sum that is compared to the family's income to determine the poverty status of all the members of that family<sup>3</sup>. Family income is pre-tax and includes earnings, unemployment compensation, public assistance, and a variety of other unearned income and transfer payments, but excludes capital gains, noncash benefits (e.g., food stamps), and tax credits (e.g., Earned Income Tax Credit or EITC). To provide perspective on the relation between the minimum wage and poverty, hypothetical examples are constructed and illustrated below and on the following page.

The 2006 Federal Poverty Threshold (see glossary) for a two-person household was \$13,167 and the annual income for an individual working full time<sup>4</sup> at the minimum wage (then \$5.15) was \$10,712 or 81 percent of the poverty threshold. 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 2019, the annual income for an individual in Pennsylvania making the minimum wage (\$7.25) was \$15,080 or 91.3 percent of the 2019 Federal Poverty Threshold for a two-person household (\$16,521).

<sup>3</sup> Poverty thresholds are used mainly for statistical purposes. Poverty guidelines, which are a simplification of poverty thresholds, are issued by the U.S. Department of Health and Human Services for use for administrative purposes, e.g., determining eligibility for federal programs. Go to this link for more information: <https://aspe.hhs.gov/further-resources-poverty-measurement-poverty-lines-and-their-history>.

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



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

A person working full time at the minimum wage of \$7.25 per hour earned \$15,080 (represented by the bold line on the graph) during 2019. This income exceeded the 2019 Federal Poverty Threshold for a one-person household (\$13,011). However, it fell short of the poverty threshold for two-person (\$16,521) and three- person households (\$20,335).

A single, two-children parent working full time at \$7.25 per hour would earn wages below the applicable poverty threshold. However, a two-parent, two-child family 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 (\$26,172).<sup>5</sup>

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

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



# OTHER STATES



## Minimum Wage Rates by State

Area	2019	2020	2021	Change 2019-2020	Change 2020-2021
Federal	\$7.25	\$7.25	\$7.25	-	-
Alabama	\$7.25	\$7.25	\$7.25	-	-
Alaska <sup>1</sup>	\$9.89	\$10.19	\$10.34	\$0.30	\$0.15
Arizona <sup>1</sup>	\$11.00	\$12.00	\$12.15	\$1.00	\$0.15
Arkansas	\$9.25	\$10.00	\$11.00	\$0.75	\$1.00
California	\$12.00	\$13.00	\$14.00	\$1.00	\$1.00
Colorado <sup>1</sup>	\$11.10	\$12.00	\$12.32	\$0.90	\$0.32
Connecticut	\$11.00	\$12.00	\$13.00	\$1.00	\$1.00
Delaware	\$9.25	\$9.25	\$9.25	-	-
Florida <sup>1</sup>	\$8.46	\$8.56	\$10.00	\$0.10	\$1.44
Georgia	\$7.25	\$7.25	\$7.25	-	-
Hawaii	\$10.10	\$10.10	\$10.10	-	-
Idaho	\$7.25	\$7.25	\$7.25	-	-
Illinois	\$8.25	\$10.00	\$11.00	\$1.75	\$1.00
Indiana	\$7.25	\$7.25	\$7.25	-	-
Iowa	\$7.25	\$7.25	\$7.25	-	-
Kansas	\$7.25	\$7.25	\$7.25	-	-
Kentucky	\$7.25	\$7.25	\$7.25	-	-
Louisiana	\$7.25	\$7.25	\$7.25	-	-
Maine <sup>1</sup>	\$11.00	\$12.00	\$12.15	\$1.00	\$0.15
Maryland	\$10.10	\$11.00	\$11.75	\$0.90	\$0.75
Massachusetts	\$12.00	\$12.75	\$13.50	\$0.75	\$0.75
Michigan <sup>1</sup>	\$9.45	\$9.65	\$9.65	\$0.20	-
Minnesota <sup>1</sup>	\$9.86	\$10.00	\$10.08	\$0.14	\$0.08
Mississippi	\$7.25	\$7.25	\$7.25	-	-
Missouri	\$8.60	\$9.45	\$10.30	\$0.85	\$0.85

Area	2019	2020	2021	Change 2019-2020	Change 2020-2021
Federal	\$7.25	\$7.25	\$7.25	-	-
Montana <sup>1</sup>	\$8.50	\$8.65	\$8.75	\$0.15	\$0.10
Nebraska	\$9.00	\$9.00	\$9.00	-	-
Nevada	\$8.25	\$9.00	\$9.75	\$0.75	\$0.75
New Hampshire	\$7.25	\$7.25	\$7.25	-	-
New Jersey	\$10.00	\$11.00	\$12.00	\$1.00	\$1.00
New Mexico	\$7.50	\$9.00	\$10.50	\$1.50	\$1.50
New York <sup>1</sup>	\$11.80	\$12.50	\$12.50	\$0.70	-
North Carolina	\$7.25	\$7.25	\$7.25	-	-
North Dakota	\$7.25	\$7.25	\$7.25	-	-
Ohio <sup>1</sup>	\$8.55	\$8.70	\$8.80	\$0.15	\$0.10
Oklahoma	\$7.25	\$7.25	\$7.25	-	-
Oregon	\$11.25	\$12.00	\$12.75	\$0.75	\$0.75
Pennsylvania	\$7.25	\$7.25	\$7.25	-	-
Rhode Island	\$10.50	\$11.50	\$11.50	\$1.00	-
South Carolina	\$7.25	\$7.25	\$7.25	-	-
South Dakota <sup>1</sup>	\$9.10	\$9.30	\$9.45	\$0.20	\$0.15
Tennessee	\$7.25	\$7.25	\$7.25	-	-
Texas	\$7.25	\$7.25	\$7.25	-	-
Utah	\$7.25	\$7.25	\$7.25	-	-
Vermont <sup>1</sup>	\$10.78	\$10.96	\$11.75	\$0.18	\$0.79
Virginia	\$7.25	\$7.25	\$9.50	-	\$2.25
Washington <sup>1</sup>	\$12.00	\$13.50	\$13.69	\$1.50	\$0.19
West Virginia	\$8.75	\$8.75	\$8.75	-	-
Wisconsin	\$7.25	\$7.25	\$7.25	-	-
Wyoming	\$7.25	\$7.25	\$7.25	-	-

<sup>1</sup> Minimum wage tied to inflation rate – Consumer Price Index (CPI) or similar.

The data for 2021 (which includes enacted, but not yet effective statutory increases) was accurate as of January 8, 2021. Some states have multiple minimum wage rates due to type of work or number of employees, while others are based on geography. The highest rate is used above for non-geographic rates, while for geographic ones those applicable to most of the state are used. All data are as of year-end.

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

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

During 2020, 29 states had higher minimum wage rates than Pennsylvania, ranging from \$8.56 to \$13.50. Since 2015, the number and composition of the states that had minimum wages in excess of Pennsylvania's has remained unchanged. As of May 1, 2021, Virginia is scheduled to increase its rate by \$2.25 to \$9.50 and become the thirtieth state with a higher minimum wage than Pennsylvania. Since the beginning of 2015, all of Pennsylvania's neighboring states have had higher minimum wages than Pennsylvania which in 2020 ranged from \$8.70 to \$12.50 and for 2021 will range from \$8.75 to \$12.50 plus a TBD inflation adjustment.

Alaska, Arizona, Colorado, Florida, Maine, Michigan, Minnesota, Montana, New York, Ohio, South Dakota, Vermont, and Washington currently have their minimum wages tied to the Consumer Price Index or other similar measures to provide automatic increases that keep pace with inflation. Michigan cancelled its 2021 scheduled increase due to a high unemployment rate, while New York's increase will be determined later this year. Other states that previously had an automatic cost of living adjustment for their minimum wages have temporarily replaced it with a schedule of increases to get to a target wage (generally \$12 or \$15), after which they will reinstate it. Twenty-five states raised minimum wages in 2020 and with significant overlap 24 states have already done so or are projected to do so in 2021.

## Tipped Minimum Wage Rates by State

Area	2019	2020	2021	Change 2019-2020	Change 2020-2021
Federal	\$2.13	\$2.13	\$2.13	-	-
Alabama	\$2.13	\$2.13	\$2.13	-	-
Alaska <sup>1</sup>	\$9.89	\$10.19	\$10.34	\$0.30	\$0.15
Arizona	\$8.00	\$9.00	\$9.15	\$1.00	\$0.15
Arkansas	\$2.63	\$2.63	\$2.63	-	-
California <sup>1</sup>	\$12.00	\$13.00	\$14.00	\$1.00	\$1.00
Colorado	\$8.08	\$8.98	\$9.30	\$0.90	\$0.32
Connecticut	\$6.38	\$6.38	\$6.38	-	-
Delaware	\$2.23	\$2.23	\$2.23	-	-
Florida	\$5.44	\$5.54	\$6.98	\$0.10	\$1.44
Georgia	\$2.13	\$2.13	\$2.13	-	-
Hawaii <sup>1</sup>	\$10.10	\$10.10	\$10.10	-	-
Idaho	\$3.35	\$3.35	\$3.35	-	-
Illinois	\$4.95	\$6.00	\$6.60	\$1.05	\$0.60
Indiana	\$2.13	\$2.13	\$2.13	-	-
Iowa	\$4.35	\$4.35	\$4.35	-	-
Kansas	\$2.13	\$2.13	\$2.13	-	-
Kentucky	\$2.13	\$2.13	\$2.13	-	-
Louisiana	\$2.13	\$2.13	\$2.13	-	-
Maine	\$5.50	\$6.00	\$6.08	\$0.50	\$0.08
Maryland	\$3.63	\$3.63	\$3.63	-	-
Massachusetts	\$4.35	\$4.95	\$5.55	\$0.60	\$0.60
Michigan	\$3.59	\$3.67	\$3.67	\$0.08	-
Minnesota <sup>1</sup>	\$9.86	\$10.00	\$10.08	\$0.14	\$0.08
Mississippi	\$2.13	\$2.13	\$2.13	-	-
Missouri	\$4.30	\$4.73	\$5.15	\$0.43	\$0.42

Area	2019	2020	2021	Change 2019-2020	Change 2020-2021
Federal	\$2.13	\$2.13	\$2.13	-	-
Montana <sup>1</sup>	\$8.50	\$8.65	\$8.75	\$0.15	\$0.10
Nebraska	\$2.13	\$2.13	\$2.13	-	-
Nevada <sup>1</sup>	\$8.25	\$9.00	\$9.75	\$0.75	\$0.75
New Hampshire	\$3.26	\$3.26	\$3.26	-	-
New Jersey	\$2.63	\$3.13	\$4.13	\$0.50	\$1.00
New Mexico	\$2.13	\$2.35	\$2.55	\$0.22	\$0.20
New York	\$7.85	\$8.35	\$8.35	\$0.50	-
North Carolina	\$2.13	\$2.13	\$2.13	-	-
North Dakota	\$4.86	\$4.86	\$4.86	-	-
Ohio	\$4.30	\$4.35	\$4.40	\$0.05	\$0.05
Oklahoma <sup>2</sup>	\$2.13	\$2.13	\$2.13	-	-
Oregon <sup>1</sup>	\$11.25	\$12.00	\$12.75	\$0.75	\$0.75
Pennsylvania	\$2.83	\$2.83	\$2.83	-	-
Rhode Island	\$3.89	\$3.89	\$3.89	-	-
South Carolina	\$2.13	\$2.13	\$2.13	-	-
South Dakota	\$4.55	\$4.65	\$4.73	\$0.10	-
Tennessee	\$2.13	\$2.13	\$2.13	-	-
Texas	\$2.13	\$2.13	\$2.13	-	-
Utah	\$2.13	\$2.13	\$2.13	-	-
Vermont	\$5.39	\$5.48	\$5.88	\$0.09	\$0.40
Virginia	\$2.13	\$2.13	\$2.13	-	-
Washington <sup>1</sup>	\$12.00	\$13.50	\$13.69	\$1.50	\$0.19
West Virginia	\$2.62	\$2.62	\$2.62	-	-
Wisconsin	\$2.33	\$2.33	\$2.33	-	-
Wyoming	\$2.13	\$2.13	\$2.13	-	-

<sup>1</sup> Tipped minimum wage equals the state's minimum wage.

<sup>2</sup> Oklahoma's tipped minimum wage equals 50% of the state's minimum wage, but is shown as \$2.13 because all FLSA covered employees are excluded. The data for 2021 (which includes enacted, but not yet effective statutory increases) was accurate as of January 8, 2021. All data are as of year-end. Data for the Federal government and states that abut Pennsylvania are shaded in gray. Sources: U.S. Department of Labor and state websites.

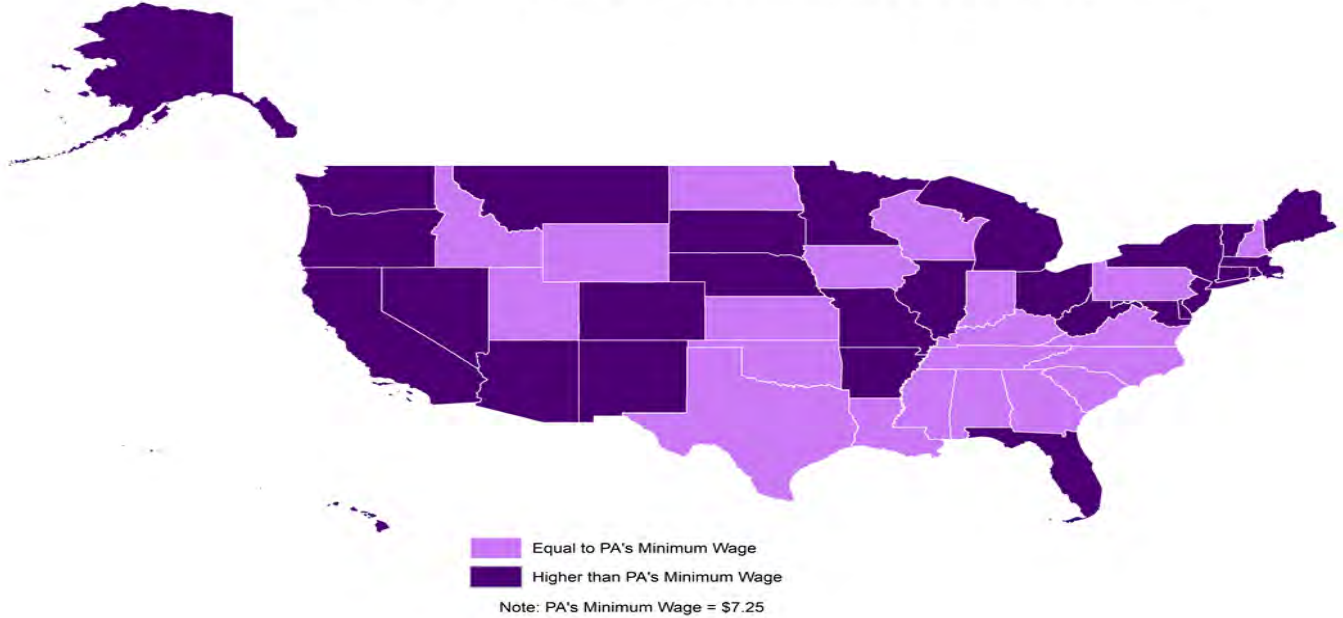
Many states and the federal government allow employers to pay a lower than minimum wage for tipped employees. These laws require that the sum of the direct cash payment and the tipped amount must at least equal the full minimum wage. States vary regarding which employees are covered and many differentiate their rates based on the number of employees in the firm and/or by geography.

The tipped minimum wage in Pennsylvania has been \$2.83 since 1997. Twenty-eight states had higher tipped minimum wage rates than Pennsylvania ranging from \$3.13 to \$13.50 during 2020. Seven of those states do not have a tip credit making their tipped minimum wages equal to their full minimum wage. Hawaii has a tip credit only when tips exceed \$7.00 per hour; otherwise, the tipped worker must receive the full minimum wage.

The federal tipped minimum wage has been at \$2.13 since 1991. Sixteen states had their tipped minimum wage rates equal to the federal level during 2020 while another five states had a tipped minimum wage above the federal level, yet below Pennsylvania's \$2.83. The tipped minimum wages in all of Pennsylvania's six neighboring states exceeds the federal level. In 2020, four of those states had higher rates than Pennsylvania and two were below.

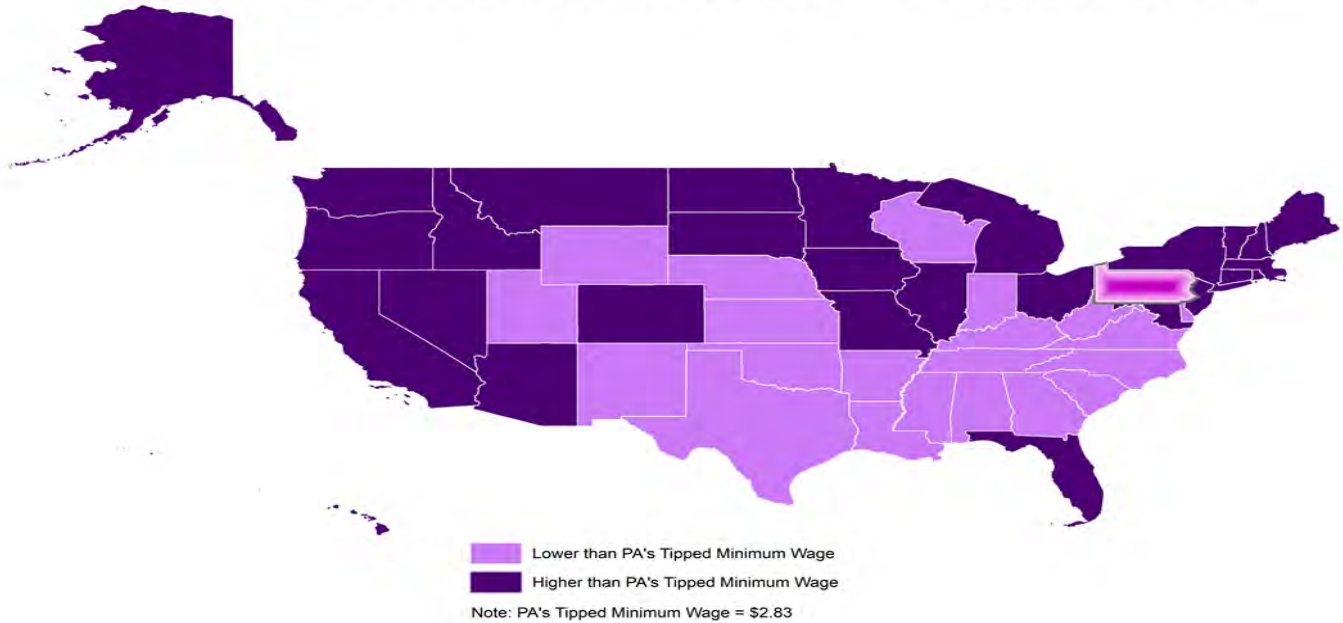
The tipped minimum wage was raised in 21 states during 2020 and has already been increased or is projected to do so by year's end in 20 states in 2021. This includes an inflation increase of undetermined (to date) size scheduled for later this year, which is not depicted on the table above.

## 2020 Pennsylvania and Other States Minimum Wage Comparison



As of 01/08/2021

## 2020 Pennsylvania and Other States Tipped Minimum Wage Comparison



As of 01/08/2021

# APPENDIXES

## Terms, Definitions and Sources

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

- Fair Labor Standards Act (FLSA) – Passed by the U.S. Congress in 1938 to establish minimum wage rates for workers engaged directly or indirectly in interstate commerce, including those involved in production of goods bound for such commerce. In addition to establishing a minimum wage, it also established a maximum workweek, overtime pay, record keeping requirements, and child labor standards affecting full-time and part-time workers in the private sector and in federal, state, and local governments.
- Inflation – Inflation is a sustained increase in the general price level of goods and services in an economy over some period of time. Equivalently, it also represents a decreasing value of the country's money. The inflation rate is the annualized percentage change in some price index. The Consumer Price Index (CPI) is a commonly used standard to measure inflation, since it measures the average change over time of the prices paid by urban consumers for a market basket of consumer goods and services.
- Minimum Wage – Minimum wage is the lowest lawful hourly level at which workers may be compensated by their employers; it is established by the FLSA at the federal level and by the Minimum Wage Act in Pennsylvania.
- National Bureau of Economic Research (NBER) – The NBER is the nation's leading nonprofit economic research organization. Due to its work on national accounts and business cycles, the NBER is well-known for providing start and end dates for recessions in the United States.
- Near Minimum Wage – A range of wage rates somewhat in excess of the legal minimum wage, but close to it. In addition to those earning at or below the minimum wage, the group most likely to be affected by an increase in the minimum wage are those earning the near minimum wage. For purposes of this report, wage rates between \$7.26 and \$12.00 per hour are referred to as the near minimum wage.
- Tipped Minimum Wage – Labor law in many states (including Pennsylvania) as well as federal law allows employers of tipped workers (variously defined) to take a “tip credit” that lowers the mandated cash minimum wage below that of the actual mandated minimum wage, if the combined cash and tip income is at least equal to the full minimum wage. The mandated hourly direct cash payment for these workers is usually referred to as the tipped minimum wage.
- Wage and Salary Workers – These are workers age 16 and older who receive wages, salaries, commissions, tips, payments in kind, or piece rates on their sole or principal job. This group includes employees in both the private and public sectors, as well as both hourly and non-hourly workers. All self-employed workers are excluded whether or not their businesses are incorporated.
- Workers Paid by the Hour (Hourly Workers) – These are employed wage and salary workers who report that they are paid at an hourly rate on their job. Historically, workers paid an hourly wage have made up approximately three-fifths of all wage and salary workers nationally. Estimates of workers paid by the hour include both full- and part-time workers unless otherwise specified.

# Table of Industry Distributions

<b>A Comparison of Industry Distributions of Various Populations</b> <b>Pennsylvania and U.S.: 2020 Averages</b> <b>(total numbers of workers in thousands, breakdown by industry in percent)</b>				
<b>Industry Characteristics of Hourly Wage &amp; Salary Workers at the Minimum Wage or Below</b>	<b>Minimum Wage or Below</b>		<b>Above Minimum Wage</b>	
			<b>Near</b>	<b>Total</b>
	<b>PA<sup>1</sup></b>	<b>U.S.<sup>1</sup></b>	<b>PA</b>	<b>PA</b>
<b>TOTAL</b>	<b>74.4</b>	<b>1,119</b>	<b>693.1</b>	<b>3,055.6</b>
<b>Industry</b>				
Accommodation	1%	1%	3%	1%
Agriculture, forestry, fishing, and hunting	0%	1%	1%	1%
Arts, entertainment, and recreation	4%	4%	3%	2%
Construction	2%	1%	1%	6%
Educational services	7%	5%	5%	4%
Financial activities	0%	1%	1%	4%
Food services and drinking places	56%	55%	18%	6%
Health care services, except hospitals	2%	5%	12%	11%
Hospitals	0%	2%	3%	6%
Information	0%	0%	1%	1%
Manufacturing	2%	3%	5%	13%
Mining	0%	0%	0%	1%
Other services	4%	4%	6%	4%
Professional and business services	2%	3%	5%	7%
Public administration	0%	1%	2%	5%
Retail trade	20%	8%	27%	15%
Social assistance	0%	3%	5%	3%
Transportation and utilities	0%	1%	3%	7%
Wholesale trade	0%	0%	1%	2%
<b>Work Status</b>				
Full-time	36%	45%	41%	75%
Part-time	64%	55%	59%	25%

<sup>1</sup> Both the U.S. minimum wage and the PA minimum wage were \$7.25 during 2020

Totals may not sum due to rounding

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

# Table of Occupational Distributions

<b>A Comparison of Occupational Distributions of Various Populations</b> <b>Pennsylvania and U.S.: 2020 Averages</b> <b>(total numbers of workers in thousands, breakdown by occupation in percent)</b>				
Occupation	Minimum Wage or Below		Above Minimum Wage	
			Near	Total
	PA <sup>1</sup>	U.S. <sup>1</sup>	PA	PA
<b>TOTAL</b>	<b>74.4</b>	<b>1,119</b>	<b>693.1</b>	<b>3,055.6</b>
<b>Occupation</b>				
Architecture & Engineering	0%	0%	0%	1%
Arts, Design, Entertainment, Sports & Media	0%	1%	0%	1%
Building, Grounds Cleaning & Maintenance	3%	3%	6%	4%
Business & Financial Operations	0%	1%	1%	3%
Community & Social Service	0%	1%	0%	1%
Computer & Mathematical Science	0%	0%	0%	2%
Construction & Extraction	0%	1%	1%	6%
Education, Training & Library	2%	3%	3%	3%
Farming, Fishing & Forestry	0%	1%	1%	1%
Food Preparation & Serving Related	62%	54%	20%	7%
Healthcare Practitioner & Technical	0%	1%	1%	8%
Healthcare Support	2%	5%	11%	6%
Installation, Maintenance & Repair	0%	1%	1%	5%
Legal	0%	0%	0%	1%
Life, Physical & Social Service	0%	0%	0%	1%
Management	2%	1%	1%	3%
Office & Administrative Support	3%	4%	10%	14%
Personal Care & Service	2%	5%	5%	2%
Production	5%	3%	4%	9%
Protective Service	0%	2%	1%	2%
Sales & Related	15%	8%	16%	8%
Transportation & Material Moving	5%	5%	16%	12%

<sup>1</sup> Both the U.S. minimum wage and the PA minimum wage were \$7.25 during 2020

Totals may not sum due to rounding

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



## Programs that May Assist Low Income Workers

There are a multitude<sup>6</sup> of state and federal programs including cash aid, education, energy, food aid, health care, etc., that provide assistance to low income families. Below is a brief description of some of the major programs for which some minimum wage or below workers may be eligible. While the requirements of each program differ, they generally have a work requirement and are based on family characteristics and income.

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

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

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

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

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

More detailed information on these programs can be found at:

<https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/do-i-qualify-for-earned-income-tax-credit-eitc>

<https://www.irs.gov/pub/irs-pdf/p972.pdf>

<http://www.dhs.pa.gov/citizens/cashassistance/tanfandmovingtoindependence/>

<http://www.dhs.pa.gov/citizens/supplementalnutritionassistanceprogram/>

<http://www.dhs.pa.gov/citizens/healthcaremedicalassistance/>

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

## Minimum Wage Changes: Pennsylvania<sup>7</sup> and the U.S.<sup>8</sup>

<i>Effective Date of Rate Change</i>	<i>Federal Minimum Wage Rates Under FLSA of 1938 (as amended)</i>	<i>Pennsylvania Minimum Wage Rates Under Minimum Wage Act of 1968 (as amended)</i>	<i>Effective Pennsylvania Minimum Wage Rate</i>
Oct 24,1938	\$0.25		\$0.25
Oct 24,1939	\$0.30		\$0.30
Oct 24,1945	\$0.40		\$0.40
Jan 25,1950	\$0.75		\$0.75
Mar 1,1956	\$1.00		\$1.00
Sep 3,1961	\$1.15		\$1.15
Sep 3,1963	\$1.25		\$1.25
Feb 1,1967	\$1.40		\$1.40
Feb 1,1968	\$1.60		\$1.60
May 1,1974	\$2.00		\$2.00
Jan 1,1975	\$2.10		\$2.10
Jan 1,1976	\$2.30		\$2.30
Jan 1,1978	\$2.65		\$2.65
Jan 1,1979	\$2.90	\$2.90	\$2.90
Jan 1,1980	\$3.10	\$3.10	\$3.10
Jan 1,1981	\$3.35	\$3.35	\$3.35
Feb 1,1989		\$3.70	\$3.70
Apr 1,1990	\$3.80		\$3.80
Apr 1,1991	\$4.25		\$4.25
Oct 1,1996	\$4.75		\$4.75
Sep 1,1997	\$5.15	\$5.15	\$5.15
Jan 1,2007		\$6.25	\$6.25
Jul 1,2007		\$7.15	\$7.15
Jul 24,2007	\$5.85		\$7.15
Jul 24,2008	\$6.55		\$7.15
Jul 24,2009	\$7.25		\$7.25

<sup>7</sup> Source: Minimum Wage Act of 1968 (as amended, see Section 4a), (<https://www.legis.state.pa.us/CFDOCS/LEGIS/LI/uconsCheck.cfm?txtType=HTM&yr=1968&sessInd=0&smthLwln d=0&act=0005.&CFID=341787833&CFTOKEN=29282704>).

<sup>8</sup> Sources: DOL Wage and Hour Division, "FEDERAL MINIMUM WAGE RATES UNDER THE FAIR LABOR STANDARDS ACT" (<https://www.dol.gov/sites/dolgov/files/WHd/legacy/files/chart.pdf>) in tabular form and a more verbal exposition in "History of Changes to the Minimum Wage Law" (<https://www.dol.gov/whd/minwage/coverage.htm>).

Both the Fair Labor Standards Act (henceforth FSLA, which governs the federal minimum wage) and Pennsylvania’s Minimum Wage Act of 1968 (henceforth MWA) have been amended multiple times since their initial enactments. The thrust of these amendments has not only been to increase the minimum wage, but also to expand the coverage of workers governed by the minimum wage. Some workers may have been exempted from these laws, while others may have been allowed by these amendments to be paid less the “standard” minimum wage (which is the rate listed on the adjoining table). Section 4 (a.1) of the MWA mandates that if the minimum wage set by the FSLA is increased above the rate required in Section 4 of the MWA, then the minimum wage required under Section 4 would be increased by the same amount and with the same effective date mandated by the FSLA. Consequently, some of the rates listed as changes in the MWA are reflecting changes mandated by the FSLA. However, since they were listed in the current version of the statute (last amended on July 5, 2012), they are listed in the table on the opposite page. For workers covered by the FSLA, whenever the FSLA mandates a higher minimum wage than state law, federal law (e.g., FSLA) supersedes state law. Consequently, the effective minimum wage rate in the accompanying table is the higher of the rate mandated by the FSLA or the MWA.

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