

Increasing the Minimum Wage to \$15/Hour by 2027 Raises Wages for More Than 1.6 Million Workers in Pennsylvania

Who Are They?

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by
Claire Kovach
and
Diana Polson



KEYSTONE RESEARCH CENTER
AND
PA BUDGET AND POLICY CENTER

The Demographic Impacts of a Minimum Wage Increase¹

Governor Wolf’s budget includes a plan to raise the current \$7.25 per hour minimum wage to \$12 in July 2021, followed by 50-cent increases yearly until July 2027, where it will be set at \$15 per hour. This proposal also aims to eliminate the tipped minimum wage, allowing currently tipped workers to join the climb to \$15 starting with \$12 in July 2021. In this report, we outline the demographic characteristics of workers who will benefit from this plan to increase the minimum wage.

Table 1

| Summary of minimum wage increases under proposed increase of Pennsylvania minimum wage and numbers of workers affected by the increases, 2021–2027 | | | | | | |
|--|----------------|--|-------------------|---------------------|------------------|--|
| Date | Minimum wage | Total estimated state wage-earning workforce | Directly affected | Indirectly affected | Total affected | Affected workers' share of state workforce |
| 1-Dec-20 | \$7.25 | | | | | |
| 1-Jul-21 | \$12.00 | 5,870,254 | 919,072 | 499,153 | 1,418,225 | 24.2% |
| 1-Jul-22 | \$12.50 | 5,877,533 | 989,565 | 470,099 | 1,459,665 | 24.8% |
| 1-Jul-23 | \$13.00 | 5,885,273 | 1,026,795 | 489,595 | 1,516,390 | 25.8% |
| 1-Jul-24 | \$13.50 | 5,893,484 | 1,052,338 | 504,277 | 1,556,615 | 26.4% |
| 1-Jul-25 | \$14.00 | 5,902,174 | 1,076,579 | 508,355 | 1,584,934 | 26.9% |
| 1-Jul-26 | \$14.50 | 5,911,353 | 1,098,817 | 509,132 | 1,607,949 | 27.2% |
| 1-Jul-27 | \$15.00 | 5,921,032 | 1,119,313 | 511,115 | 1,630,427 | 27.5% |

Notes: Values reflect the result of the proposed change in the state minimum wage. Wage changes resulting from existing state and local minimum wage laws are accounted for by EPI's Minimum Wage Simulation Model. Totals may not sum due to rounding. Shares are calculated from unrounded values. Directly affected workers will see their wages rise as the new minimum wage rate exceeds their existing hourly pay. Indirectly affected workers have a wage rate just above the new minimum wage (between the new minimum wage and 115 percent of the new minimum). They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage. Wage increase totals are cumulative of all preceding steps.

Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2020. Dollar values adjusted by projections for CPI-U in CBO August 2020 projections.

A minimum wage increase will benefit workers all across Pennsylvania. The first increase proposed for July 2021 would affect more than 1.4 million workers in Pennsylvania, either directly or indirectly, with the final \$15 wage reaching more than 1.6 million people. Of the 1.6 million workers estimated to be affected by a \$15 minimum wage, 1.1 million would be directly affected and more than 500,000 would be indirectly affected. Directly affected workers currently earn less than \$15 per hour while indirectly affected workers make slightly more than \$15. However, our projections show that they would see a slight wage increase as pay scales are adjusted upward because employers would raise wages to retain workers who would have more employment

Special thanks to Stephanie Frank for producing the graphs for this report.

¹ This report is based on the Economic Policy Institute’s (EPI) Minimum Wage Simulation Model, which uses data from the Census Bureau, the Bureau of Labor Statistics, and the Congressional Budget Office. EPI provided us with state-level estimates that serve as the template for this state-level report.

alternatives that pay \$15 an hour or slightly more. By July 2027, 27.5 percent of Pennsylvania’s workforce would be affected by this minimum wage increase.

Table 2 shows the wage impacts of raising the minimum wage. The average affected worker would see a \$2.09 per hour increase in July 2021, or \$3,100 a year for full-time, year-round workers. This change represents a 16.6% increase in their income. By 2027, when the minimum wage has reached \$15 per hour, the average affected worker would see a \$2.56 per hour increase, or \$3,800 increase for full-time, year-round work. In all, Pennsylvania workers would see a \$6.2 billion increase in yearly wages, which would provide a significant stimulus to the Pennsylvania economy.

Table 2

| Wage impacts of increasing the Pennsylvania minimum wage to \$15 by 2027 (2021Q1\$) | | | | | | |
|--|----------------------------------|--------------------------------|---|---|---|---|
| Date | Minimum wage (nominal \$) | Minimum wage (2021Q1\$) | All (directly & indirectly) affected workers | | | |
| | | | Total wage increase (thousands 2021Q1\$) | Change in average hourly wage (2021Q1\$) | Change in avg. annual income (year-round workers) (2021Q1\$) | Real percent change in average annual income |
| 1-Dec-20 | \$7.25 | \$7.25 | | | | |
| 1-Jul-21 | \$12.00 | \$11.89 | \$4,338,000 | \$2.09 | \$3,100 | 16.6% |
| 1-Jul-22 | \$12.50 | \$12.16 | \$4,773,250 | \$2.22 | \$3,300 | 17.5% |
| 1-Jul-23 | \$13.00 | \$12.37 | \$5,117,860 | \$2.28 | \$3,400 | 17.7% |
| 1-Jul-24 | \$13.50 | \$12.57 | \$5,426,782 | \$2.35 | \$3,500 | 18.0% |
| 1-Jul-25 | \$14.00 | \$12.74 | \$5,720,754 | \$2.43 | \$3,600 | 18.4% |
| 1-Jul-26 | \$14.50 | \$12.91 | \$5,994,382 | \$2.50 | \$3,700 | 18.8% |
| 1-Jul-27 | \$15.00 | \$13.07 | \$6,244,645 | \$2.56 | \$3,800 | 19.1% |

Notes: See Table 1.

Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2020. Dollar values adjusted by projections for CPI-U in CBO August 2020 projections.

Who benefits? Demographics of affected workers

Conventional ideas paint the average low-wage worker as someone just starting out in the work force, maybe a teenager with a first job, or someone working for pocket money as a secondary earner in a household. Contrary to this belief, most minimum-wage workers in Pennsylvania are not teenagers, and many have significant work experience. Of all workers in Pennsylvania, 27.5 percent earn wages that would be impacted by this minimum wage increase. The following analysis shows who would be directly impacted by a minimum wage increase (those earning less than \$15 per hour) and those who would be indirectly affected (those who earn between the new minimum and 115 percent of the new minimum). The underlying data that supports the claims of each section of this report can be found in Appendix 1.

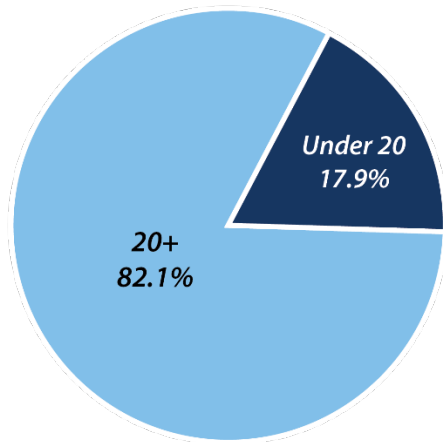
Age

Only 17.9 percent of workers who benefit from a \$15 minimum wage are teenagers—the vast majority are older. Figure 3 shows that 82.1 percent of workers who would see a wage increase are 20 or older.

Figure 1

Most Workers Who Would Benefit From a \$15 Minimum Wage Increase Are Not Teens

Share of those who would benefit from an increase to \$15 in 2027 by age category



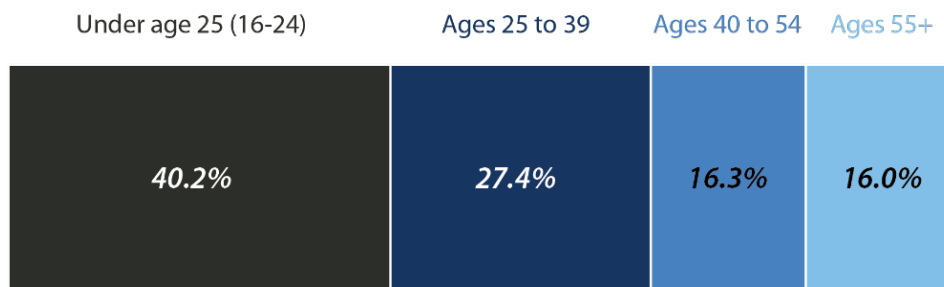
Source: Keystone Research Center based on data from the Economic Policy Institute.

Figure 2 breaks down the age distribution of affected workers.

Workers under age 25 make up 40.2 percent of those who would benefit. People aged 25-39 are 27.4 percent of those benefited. Middle-aged workers (40-54) make up 16.3 percent of the share of workers who would benefit. Older workers (age 55+) are 16 percent of affected workers. This chart, along with Figure 3, show that 32.3 percent of those who would benefit are age 40 or older, while only 17.9 percent are teenagers. This is contrary to mainstream ideas of low-wage workers being primarily younger entry workers.

Figure 2

Share of Affected Workers Who Are in Each Age Category



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

Gender

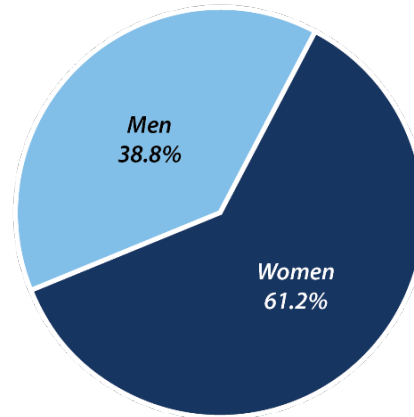
The minimum wage increase would benefit all low-wage workers, but women disproportionately work low-wage jobs. Figure 3 shows that of all the workers who would benefit from a minimum wage increase to \$15 by 2027, 61.2 percent of them are women. In fact, by 2027, 34 percent of all women in the Pennsylvania workforce would benefit from a minimum wage increase, while 21.2 percent of all men would benefit. (See Appendix 1.)

Race/Ethnicity

White, non-Hispanic workers in Pennsylvania make up 66.5 percent of those who benefit from the proposed minimum wage increase. Out of all workers benefited, 14.5 percent of them are Black and 13 percent Hispanic, with smaller shares for workers who identify as Asian or as another race/ethnicity.

Figure 3

Women Make Up Over 60% of Workers Who Would Benefit From a Minimum Wage Increase to \$15/Hour by 2027



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

Figure 4

White Workers Make Up Most of Those Who Would Benefit From a 2027 Raise to \$15/Hour; Larger Shares of Workers of Color Would Benefit

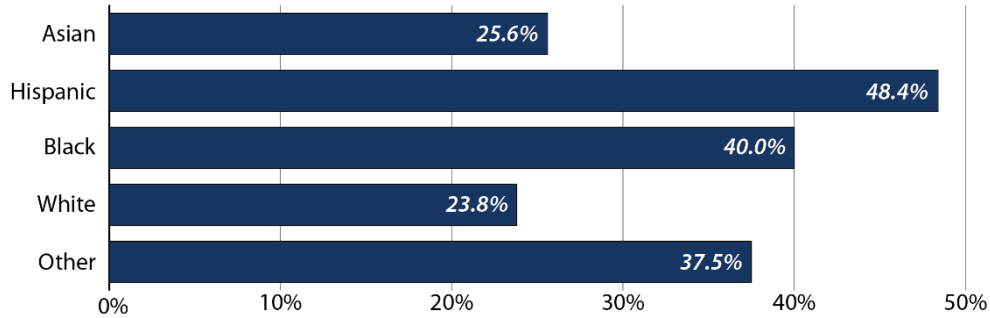


Source: Keystone Research Center based on data from the Economic Policy Institute.

Whites make up the largest share of workers who would benefit from a higher minimum wage, but other racial and ethnic groups benefit at higher rates. Figure 5 shows that 48.4 percent of all Hispanic workers in Pennsylvania would benefit from a 2027 raise in the minimum wage to \$15/hr. 40 percent of Black workers in the state would see a wage increase, and over a quarter of all Asian workers would benefit.

Figure 5

Share of Workers in Each Racial/Ethnic Group That Would Benefit From a \$15 Wage in 2027



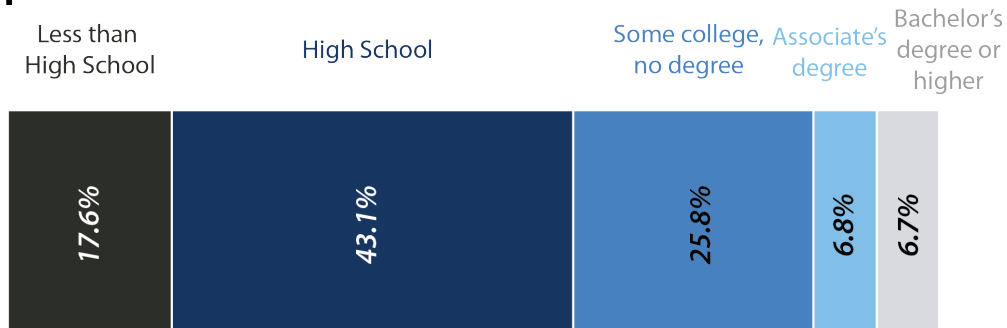
Source: Keystone Research Center based on data from the Economic Policy Institute.

Education

High school graduates make up the largest education group who would benefit from a \$15 minimum wage by 2027. Of those who benefit, 17.6 percent have less than a high school education. One common misconception about low-wage work is that is overwhelmingly done by people with low education levels. However, Figure 6 shows that almost 40 percent of those who would benefit have at least some college experience.

Figure 6

Of Those Workers Who Would Benefit From a Minimum Wage Increase to \$15 by 2027, Four in Ten Have Some College Experience



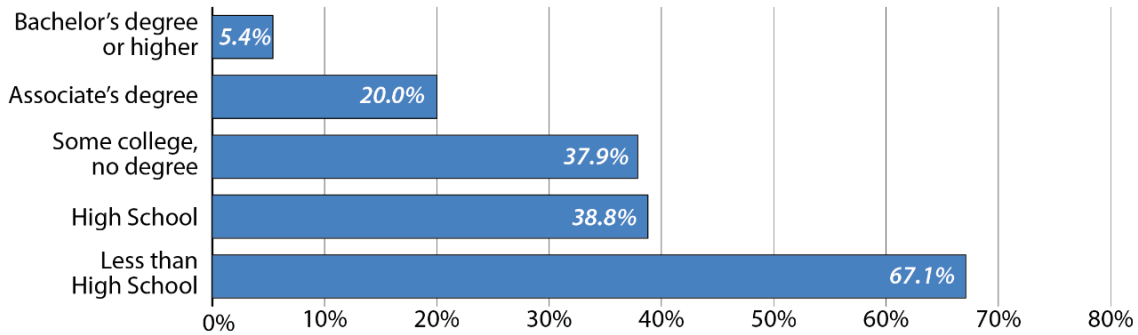
Source: Keystone Research Center based on data from the Economic Policy Institute.

Figure 7 shows the share of workers who would benefit from a minimum wage increase in each educational category: 67.1 percent of workers with less than a high school education would see a wage increase. More than a third of workers with either a high school degree or some college would get a increase. One fifth of workers

with an associate degree would see a wage increase, and 5.4 percent of workers with a bachelor’s degree or higher would get a raise with a \$15 per hour minimum wage by 2027.

Figure 7

Share of Workers in Each Educational Attainment Group That Would Benefit From a 2027 Minimum Wage Raise to \$15



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

Hours of Work

Almost half of workers who would benefit from a 2027 minimum wage increase to \$15 per hour are full-time workers who work 35 or more hours a week. Workers who work 20-34 hours per week (mid-time) make up 28.6 percent of those who would benefit. Those working less than 20 hours per week make up about a quarter of those who would benefit.

Figure 8

Full-time Workers Would Benefit the Most From a Minimum Wage Increase to \$15 by 2027

Share of affected workers by hours worked



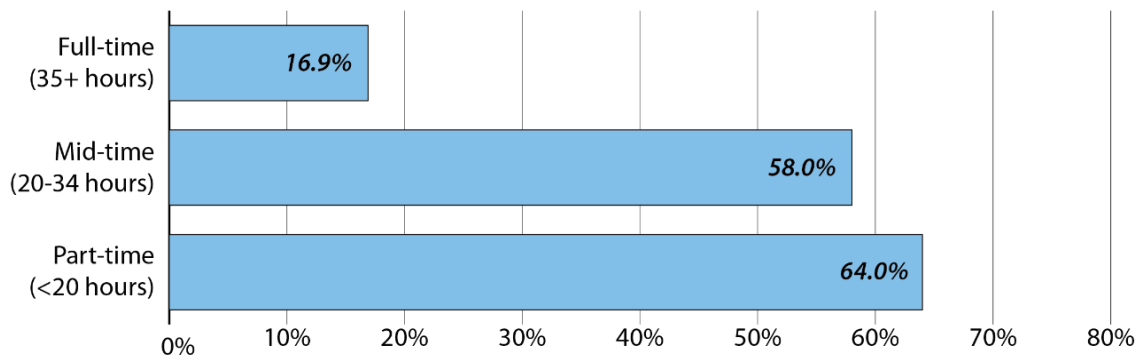
Source: Keystone Research Center based on data from the Economic Policy Institute.

While full-time workers are the plurality of workers who benefit from a wage increase, Figure 9 shows that only 16.9 percent of all full-time workers would see a wage increase. Higher shares of mid-time (58 percent) and

part-time (64 percent) workers would benefit. While many people work part-time voluntarily, many others work multiple part-time jobs, or work part-time involuntarily because of other responsibilities like child care, elder care or school.

Figure 9

Share of Each Employment Group That Would Benefit From a \$15 Minimum Wage by 2027



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

Family Income

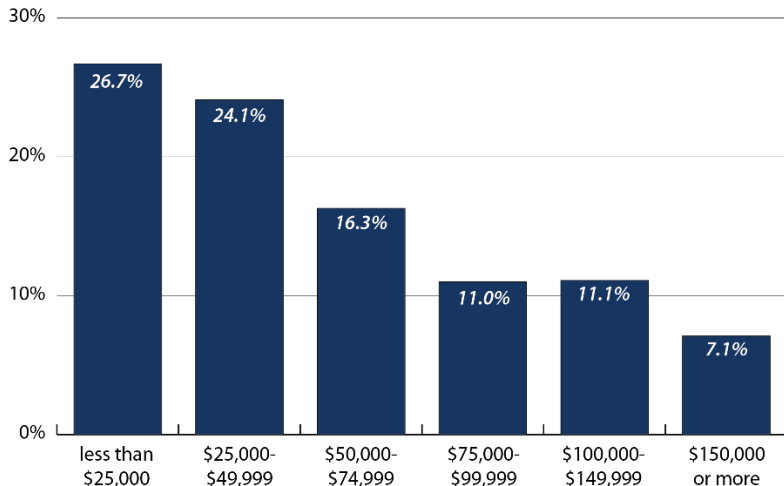
Another misconception about low-wage workers is that their income isn't needed to help their family make ends meet because their wages are in addition to a larger paycheck from parents or a spouse. Figure 10 shows that this is not necessarily the case in most households. More than half of all workers who would benefit from a \$15 per hour minimum wage by 2027 live in families whose total family income is \$49,999 or less. A minimum wage increase doesn't just help workers from lower-income families, though, as about half of the remaining workers who benefit come from families who earn more than \$50,000 a year. A wage increase impacts workers all across the family-income range. It is still important for those with higher incomes because it reduces worker exploitation for all, regardless of family income levels.²

² ["Raising the federal minimum wage to \\$15 by 2024 would lift pay for nearly 40 million workers" | Economic Policy Institute \(epi.org\).](https://www.epi.org/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/)

Figure 10

Most Workers Who Would Benefit From a \$15 Minimum Wage Increase by 2027 Come From Families With Modest Incomes

Share of affected workers who are in each family income group



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

Poverty Status

The COVID-19 pandemic has worsened poverty and hardship issues in the United States. Employment has not recovered since the unemployment spike in spring 2020³, and even those who have found new jobs may be struggling to catch up on bills that accumulated while they were unemployed. The Census Bureau has conducted weekly Pulse surveys in an attempt to track these hardship experiences, and have found that food scarcity, housing insecurity, essential expense hardships, and the likelihood of being evicted or foreclosed on are high across Pennsylvania and the United States as a whole.⁴

Raising the minimum wage to \$15 per hour by 2027 in Pennsylvania would help reduce the poverty rate. Figure 11 shows that 45.2 percent of workers who would benefit have a family income that is below 200 percent of the poverty line. Almost 20 percent of these workers live in families with incomes below the poverty line.

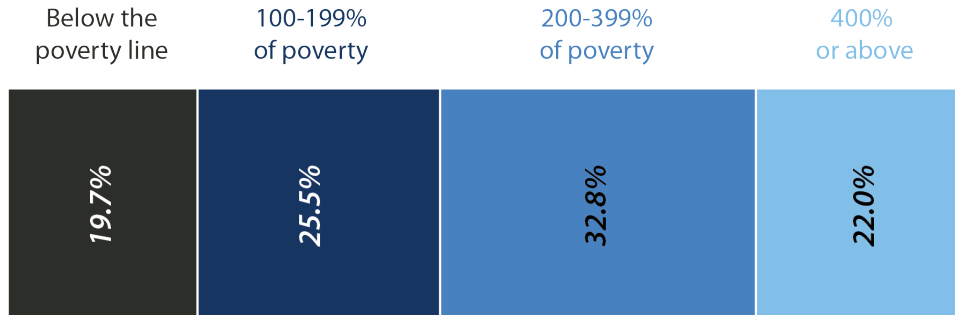
Figure 11

³ <https://www.bls.gov/charts/employment-situation/employment-levels-by-industry.htm>.

⁴ <https://www.census.gov/data/experimental-data-products/household-pulse-survey.html>.

Raising the Wage to \$15 by 2027 Would Help Workers in Poverty

Share of affected workers by their family's income to poverty ratio

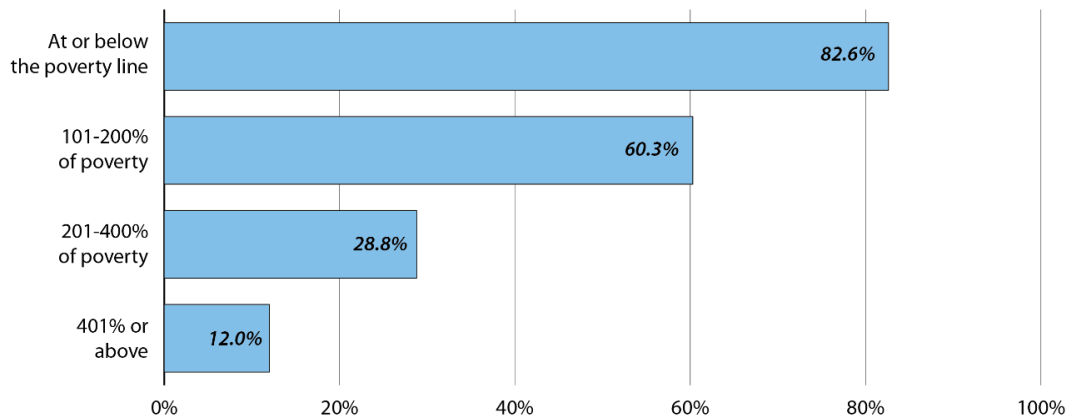


Source: Keystone Research Center based on data from the Economic Policy Institute.

Of all Pennsylvania workers, those with a lower family income have a much higher chance of benefitting from the minimum wage increase (Figure 12). More than 80 percent of people living in families who earn at or below the poverty line would see a wage increase. Nearly 71 percent of workers from “near poor” families—those earning up to 200 percent of the poverty line—would benefit from a \$15 per hour wage in 2027. Fewer percentages of workers from higher-income families would benefit from the change.

Figure 12

Share of Workers in Each Family Income-to-Poverty Group That Would Get a Raise With a \$15/hour 2027 Increase in the Minimum Wage



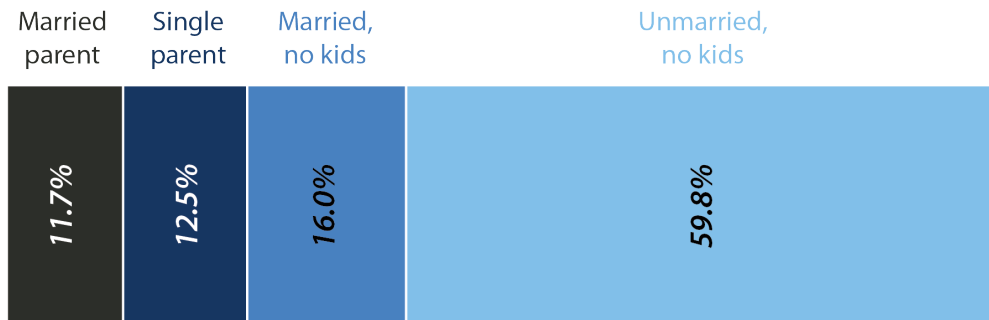
Source: Keystone Research Center based on data from the Economic Policy Institute.

Family Status and Children

Nearly a quarter of Pennsylvania workers who would benefit from the proposed minimum wage increase are parents—12.5 percent are single parents. While single parents make up a relatively small share of the group benefitting from a minimum wage increase, overall, nearly 40 percent of all single parents in Pennsylvania would see a wage increase under this proposal (Figure 13).

Figure 13

Share of Affected Workers in Each Family Status Group



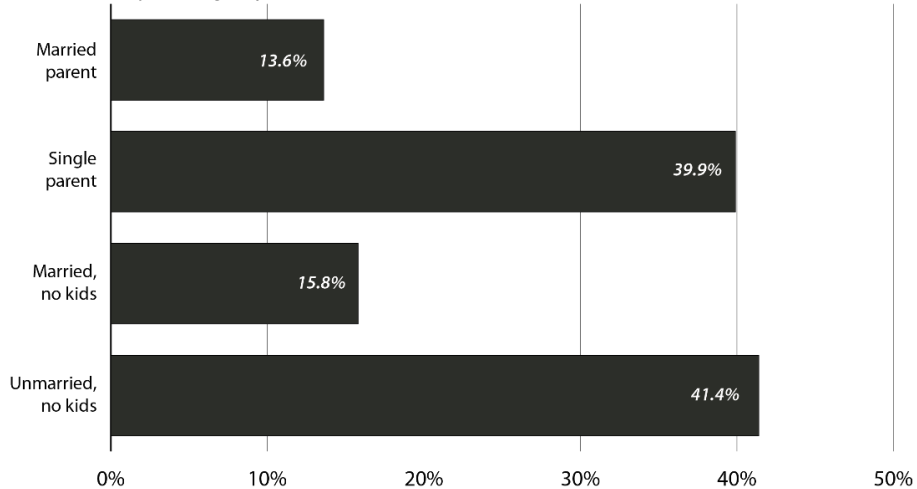
Source: Keystone Research Center based on data from the Economic Policy Institute.

Of workers who are married parents, 13.6 percent would benefit from the proposed wage increase. About 16 percent of workers who are married with no children would benefit, and over 40 percent of workers who are unmarried with no children would benefit.

Figure 14

Single Parents Would Disproportionately Benefit From an Increase in the Minimum Wage

Share of each family status group that would benefit



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

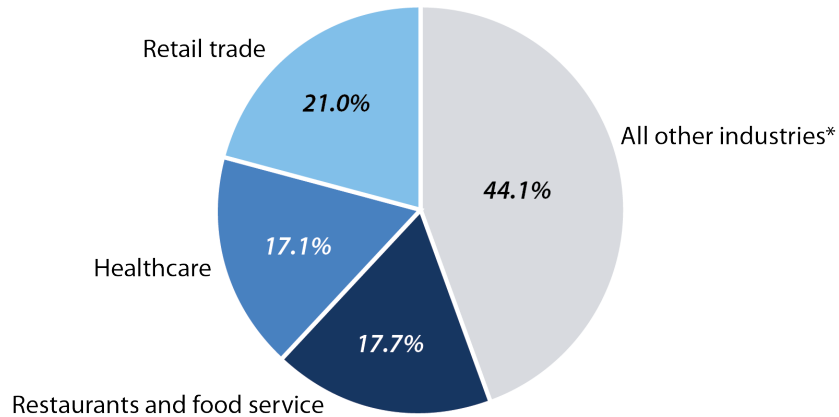
Industry

Workers from many different industries would benefit from the proposed \$15 per hour wage by 2027. Almost 56 percent of these workers are in three service industries that are vital to our economy, especially in the wake of a pandemic: retail trade (21 percent), health care (17.1 percent), and restaurants and food service (17.7 percent). The workers in these industries have been hit especially hard by COVID-19, and while some were lucky enough to receive some extra hazard pay during the ongoing pandemic, those wage increases are likely not permanent and certainly benefit fewer workers than would a \$15 per hour minimum wage.

Figure 15

More Than Half of Workers Who Would Benefit Are in Service Industries and Healthcare

Share of affected workers who are in each industry



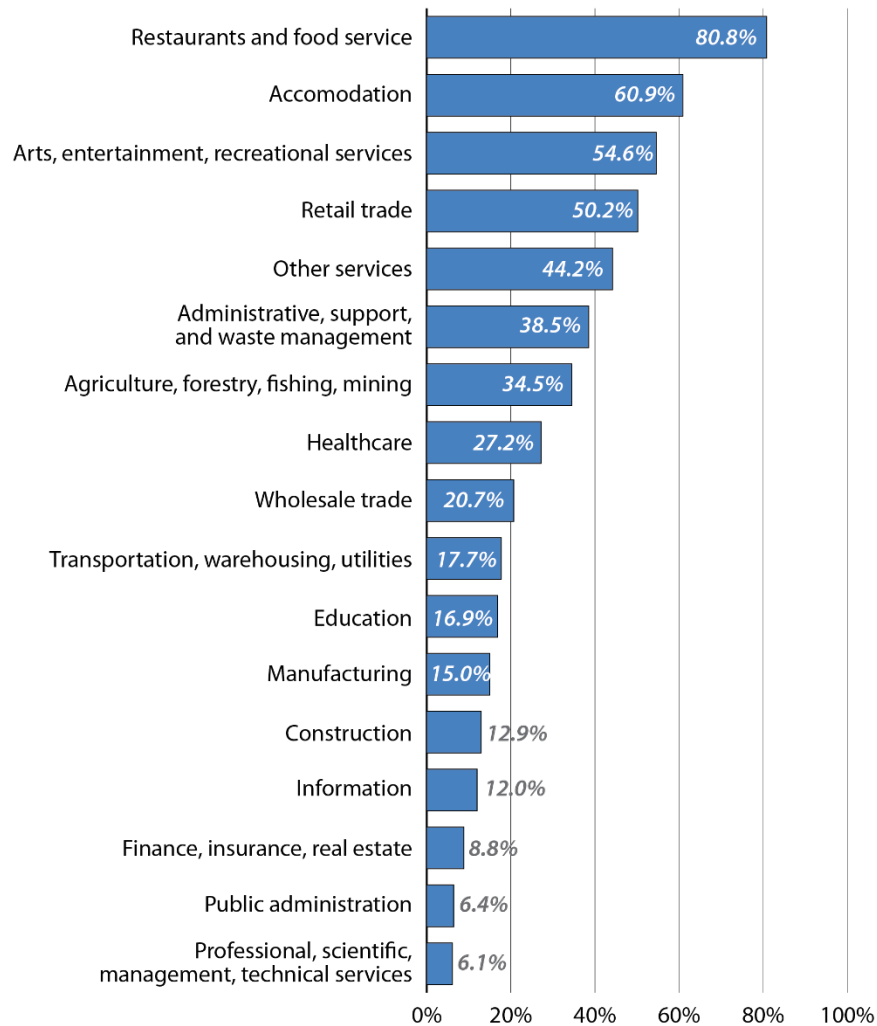
* All other industries includes: Manufacturing (6.8%); Education (6.0%); Other services (6.5%); Administrative, support, and waste management (5.0%); Transportation, warehousing, utilities (3.7%); Arts, entertainment, recreational services (3.5%); Construction (2.2%); Finance, insurance, real estate (2.0%); Wholesale trade (2.1%); Accommodation (1.9%); Professional, scientific, management, technical services (1.3%); Agriculture, forestry, fishing, mining (1.4%); Public administration (1.0%); and Information (0.7%).

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

Figure 16 shows the share of workers in each industry that would benefit. Those most likely to benefit work in service industries like restaurants (80.8 percent), accommodation (60.9 percent), arts/entertainment/recreational services (54.6 percent), and retail trade (50.2 percent), with smaller shares of other industries being affected. Notably, 27 percent of all Pennsylvania health care workers would see a wage increase.

Figure 16

Share of Workers in Each Industry That Would Benefit From a \$15 Minimum Wage



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

Conclusion

The establishment of the minimum wage in 1938 played a significant role in ensuring that workers could receive adequate wages for their work—wages that could help provide for them and their families. However, because the United States and Pennsylvania have not continued to update the minimum wage to keep up with inflation, low-wage workers today find themselves earning a lower and lower wage each year, even if they’re working the same job. As the costs of goods and services have changed, many have fortunately decreased in price. But some essentials like the cost of housing, gasoline, and education have far outpaced inflation, taking larger and larger shares of low-wage workers’ paychecks.

At its start, Pennsylvania’s minimum wage was 43 percent of the average worker’s wage—but today, it is only

around 25 percent of the average wage⁵. Raising the wage to \$15 per hour by 2027 would raise Pennsylvania workers' wages back up to the level they were in the 1950s and 1960s—around half of the average Pennsylvania wage.

Wages would increase directly due to the minimum wage increase and indirectly due to employers' shifting pay scales. And its impact would be significant—more than 27 percent of Pennsylvania's workforce would see an increase in their wages by 2027.

As this report shows, workers across demographic boundaries would benefit. With this policy change, there would be: more than 1.6 million workers across the state with higher wages; a reduction in poverty across the state; the elimination of disparities between tipped and untipped workers; and a decrease in existing gender and race disparities. A pay increase for low-wage workers would directly inject more money into our state economy, which is much needed as we weather and recover from this public health crisis. And with annual wage adjustments linked to inflation, Pennsylvania's workers of the future wouldn't have to worry about their wages lagging. It's time to raise the minimum wage.

5

<https://www.workstats.dli.pa.gov/Documents/Minimum%20Wage%20Reports/Minimum%20Wage%20Report%202020.PDF>.

Appendix 1.

| Demographic characteristics of workers who would benefit if the Pennsylvania minimum wage were raised to \$15 in July 2027 | | | |
|---|--|--|--|
| Category | Total affected directly or indirectly | Share affected directly or indirectly | Share of the total affected in this group |
| Total | 1,630,427 | 27.5% | 100.0% |
| Sex | | | |
| Male | 632,488 | 21.2% | 38.8% |
| Female | 997,940 | 34.0% | 61.2% |
| Age | | | |
| Teenager | 291,814 | 90.4% | 17.9% |
| Ages 20 and older | 1,338,613 | 23.9% | 82.1% |
| Ages 16 to 24 | 655,872 | 71.2% | 40.2% |
| Ages 25 to 39 | 447,078 | 24.1% | 27.4% |
| Ages 40 to 54 | 266,573 | 14.4% | 16.3% |
| Ages 55 and older | 260,904 | 20.2% | 16.0% |
| Race / ethnicity | | | |
| White, non-Hispanic | 1,083,859 | 23.8% | 66.5% |
| Black, non-Hispanic | 235,801 | 40.0% | 14.5% |
| Hispanic, any race | 211,601 | 48.4% | 13.0% |
| Asian, non-Hispanic | 60,161 | 25.6% | 3.7% |
| Other race/ethnicity | 39,006 | 37.5% | 2.4% |
| Not person of color | 1,083,859 | 23.8% | 66.5% |
| Person of color | 546,569 | 40.0% | 33.5% |
| Family status | | | |
| Married parent | 191,544 | 13.6% | 11.7% |
| Single parent | 203,430 | 39.9% | 12.5% |
| Married, no children | 261,037 | 15.8% | 16.0% |
| Unmarried, no children | 974,417 | 41.4% | 59.8% |
| Usual weekly work hours category | | | |
| Part time (<20 hours per week) | 405,224 | 64.0% | 24.9% |
| Mid time (20-34 hours) | 466,784 | 58.0% | 28.6% |
| Full time (35+ hours) | 758,420 | 16.9% | 46.5% |
| Educational attainment | | | |
| Less than high school | 286,856 | 67.1% | 17.6% |
| High school | 701,939 | 38.8% | 43.1% |
| Some college, no degree | 420,472 | 37.9% | 25.8% |
| Associate degree | 111,403 | 20.0% | 6.8% |
| Bachelor's degree or higher | 109,757 | 5.4% | 6.7% |

Appendix 1 continued:

| Major Industry | | | |
|--|-----------|--------|-------|
| Agriculture, fishing, forestry, mining | 22,883 | 34.5% | 1.4% |
| Construction | 36,511 | 12.9% | 2.2% |
| Manufacturing | 110,908 | 15.0% | 6.8% |
| Wholesale trade | 34,523 | 20.7% | 2.1% |
| Retail trade | 342,032 | 50.2% | 21.0% |
| Transportation, warehousing, utilities | 59,830 | 17.7% | 3.7% |
| Information | 11,961 | 12.0% | 0.7% |
| Finance, insurance, real estate | 32,467 | 8.8% | 2.0% |
| Professional, science, management services | 21,426 | 6.1% | 1.3% |
| Administrative, support, waste services | 81,926 | 38.5% | 5.0% |
| Educational services | 98,237 | 16.9% | 6.0% |
| Health care, social assistance | 278,758 | 27.2% | 17.1% |
| Arts, entertainment, recreational services | 57,600 | 54.6% | 3.5% |
| Accommodation | 30,494 | 60.9% | 1.9% |
| Restaurants | 288,761 | 80.8% | 17.7% |
| Other services | 105,948 | 44.2% | 6.5% |
| Public administration | 16,163 | 6.4% | 1.0% |
| Sector | | | |
| For profit | 1,401,832 | 31.0% | 86.0% |
| Nonprofit | 152,209 | 20.1% | 9.3% |
| Government | 76,386 | 11.8% | 4.7% |
| Family income category | | | |
| Less than \$25,000 | 434,688 | 73.1% | 26.7% |
| \$25,000 - \$49,999 | 392,813 | 36.1% | 24.1% |
| \$50,000 - \$74,999 | 265,595 | 24.6% | 16.3% |
| \$75,000 - \$99,999 | 179,276 | 19.6% | 11.0% |
| \$100,000 - \$149,999 | 181,531 | 15.5% | 11.1% |
| \$150,000 or more | 115,007 | 11.5% | 7.1% |
| Family income-to-poverty status | | | |
| In Poverty | 321,850 | 82.6% | 19.7% |
| 100 -199% poverty | 415,154 | 60.3% | 25.5% |
| 200 - 399% poverty | 535,393 | 28.8% | 32.8% |
| 400%+ poverty | 358,031 | 12.0% | 22.0% |
| Tipped occupations | | | |
| Not tipped | 1,468,499 | 25.5% | 90.1% |
| Tipped workers | 161,929 | 100.0% | 9.9% |
| <i>Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2020.</i> | | | |