

# Minimum Wage Impact on Hourly Wages



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Currently, the Pennsylvania statutory minimum wage is the same as the federal minimum wage of \$7.25 per hour, and some state policymakers have expressed interest in raising the state minimum wage. While advocates note that a higher wage will provide an income boost to low-paid workers, opponents assert that higher business costs will reduce employment, especially for younger workers or those attempting to enter the labor market. To examine how a higher minimum wage might impact workers, this research brief uses the latest data from the Occupational Employment and Wage Statistics (OEWS, U.S. Bureau of Labor Statistics). These state-level data are based on a comprehensive survey of firms and provide hourly wage distributions (10<sup>th</sup>, 25<sup>th</sup>, 50<sup>th</sup>, 75<sup>th</sup> and 90<sup>th</sup> percentiles) for workers in more than 700 occupations. The data facilitate comparisons of hourly wage rates across states that have various statutory minimum wages.

The table below displays the 2022 statutory minimum wage for Pennsylvania and most border states and the May 2022 (latest data) hourly wage rate for the bottom 10% of workers for two large, lower-wage occupations most likely to be impacted by a higher minimum wage.<sup>1</sup> The final two columns display the difference between the hourly wage paid for the lowest-paid cashiers and retail salespersons (sales) and the state minimum wage. A difference close to \$0 implies that the state minimum wage served as an effective wage floor. That is, without the minimum wage, wages paid to those workers would have been lower. For 2022, New York, New Jersey, Maryland and Delaware all had hourly wages the same as, or very close to, the state statutory minimum wage.<sup>2</sup> For Ohio, the state minimum wage did not create an effective wage floor because the market wage paid to those workers was higher by \$1.00 or more per hour.

For Pennsylvania, the market or actual wage paid was lower than all border states shown, but higher than the statutory minimum wage. For 2022, hourly wages for the lowest-paid cashiers (+\$2.32) and retail salespersons (+\$2.97) were considerably higher than the \$7.25 minimum wage. These data suggest that the effective or market minimum wage rate was likely closer to \$10.00 per hour. A minimum wage at that rate or below would likely not have had a material impact on labor market conditions.

**2022 State Minimum vs. Hourly Wage Paid**

State	Min Wage	Wage Bottom 10%		Diff w/ Min Wage	
		Cashiers	Sales	Cashiers	Sales
New York	\$13.20	\$13.74	\$13.95	\$0.54	\$0.75
New Jersey	13.00	13.00	13.00	0.00	0.00
Maryland	12.50	12.50	12.57	0.00	0.07
Delaware	10.50	10.65	10.97	0.15	0.47
Ohio	9.30	10.26	10.55	0.96	1.25
Pennsylvania	7.25	9.57	10.22	2.32	2.97

Note: New York and Maryland have higher minimum wages in selected local areas around New York City and Washington, D.C., respectively. Sales is short for Retail Sales.

Source: Minimum wage is from the Economic Policy Institute, Minimum Wage Tracker (as of January 1, 2022). Wage data from the Bureau of Labor Statistics (BLS) Occupational Employment and Wage Statistics (OEWS) May 2022 Survey.

<sup>1</sup> The next update (data for May 2023) will be published in April 2024.

<sup>2</sup> Although New York's lowest-paid cashiers and retail salespersons were paid over \$0.50/hour more than the state minimum wage, there were higher local statutory minimum wage rates for New York City (\$15 per hour) and most suburbs. Therefore, the weighted average minimum wage would likely have been close to the statewide average wage paid for these lower-wage workers.

Since May 2022, the labor market has recorded significant job gains, and the November 2023 state unemployment rate was at an all-time low (3.4%). To provide insight on how these conditions could impact the effective or market minimum wage for workers in low-wage occupations, the table below displays the number employed and hourly wage data for the 10<sup>th</sup> and 50<sup>th</sup> (i.e., median) percentiles for three lower-wage occupations in May 2022 and May 2024 (estimate) for Pennsylvania. While many occupations would be impacted by a higher minimum wage, these three occupations comprise nearly half of non-tipped workers likely to be impacted. The top bank of figures is published data for May 2022 (latest), the second bank is estimates for May 2024, and the third bank is the differential between the two snapshots. Estimates for employment and hourly wages paid are based on data through December 2023 from the U.S. Bureau of Labor Statistics Current Employment Statistics database. The estimates assume that recent employment and wage trends through December 2023 will continue through May 2024.

From May 2022 to May 2024, the latest data imply that employment of cashiers (+2,400) and retail salespersons (+2,600) will increase 2.0%, while fast food and counter workers will increase 7.4% (+10,000). Driven by a tight labor market and high inflation, hourly wages for these three occupations are projected to record strong growth for the lowest paid 10% of employees to \$10.30 (fast food and counter workers), \$11.05 (cashiers) and \$11.80 (retail salespersons).<sup>3</sup> If these projections hold, and these occupations are generally representative of other occupations that would be

<b>Pennsylvania Employment and Hourly Wage Projections</b>			
	<b>Employment (000s)</b>	<b>Hourly Wage Percentile</b>	
		<b>10th</b>	<b>50th</b>
<b><u>May 2022</u></b>			
Cashiers	121.2	\$9.57	\$11.77
Retail Salespersons	129.8	\$10.22	\$13.97
Fast Food & Counter Workers	134.0	\$8.92	\$12.15
<b><u>May 2024 (Estimate)</u></b>			
Cashiers	123.6	\$11.05	\$13.35
Retail Salespersons	132.4	\$11.80	\$15.83
Fast Food & Counter Workers	144.0	\$10.30	\$13.79
<b><u>Changes: 2024 less 2022</u></b>			
Cashiers	2.4	\$1.48	\$1.58
Retail Salespersons	2.6	\$1.58	\$1.86
Fast Food & Counter Workers	10.0	\$1.38	\$1.64
Source: May 2022 data from the BLS OEWS May 2022 Survey. May 2024 are estimates by IFO.			

impacted by a higher minimum wage, an increase in the state minimum wage to \$10.50 to \$11.00 per hour would likely not have a material impact on overall employment levels or wage rates for Pennsylvania workers because the effective market wage paid is already at that level.

### **Staff Acknowledgments**

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<sup>3</sup> Wages for fast food and counter workers are likely understated as some of these workers receive tips that are not included in reported wage data.