

FAQ: The Massachusetts \$15 Minimum Wage Proposal

By Jeremy Thompson, *Senior Policy Analyst*

This FAQ updates a previous version written by Nicole Rodriguez. It includes new data from the 2017 Current Population Survey.

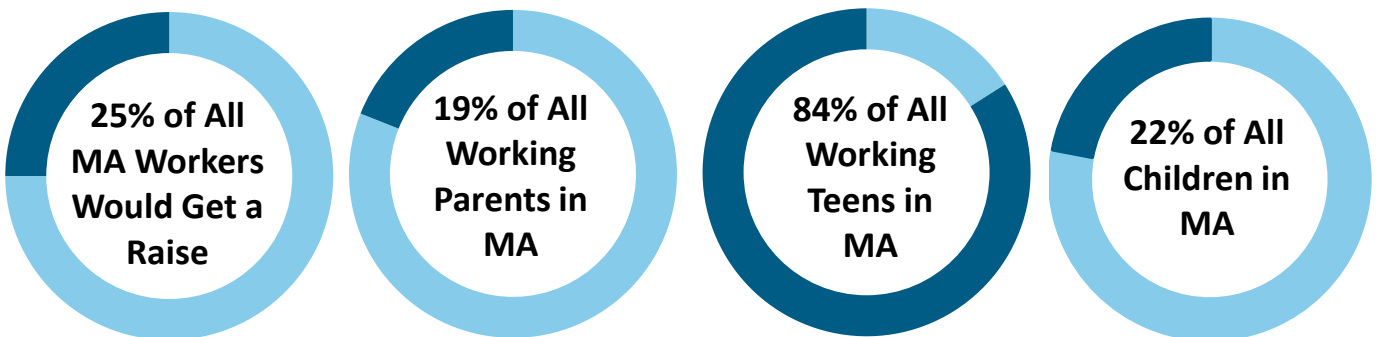
In a well-functioning economy, people who work full time should be able to earn enough to support themselves and their families. That’s important for families and for the overall economy, which relies on consumer spending to keep local businesses thriving.

Last week, in response to a multiyear grassroots campaign, the Massachusetts Legislature enacted H.4640, which, among other things, would increase the Massachusetts minimum wage from \$11 an hour to \$15 by 2023. The bill would also increase the minimum wage that employers are obligated to pay tipped workers from \$3.75 to \$6.75 by 2023. This FAQ analyzes the minimum wage provisions of H.4640, which now awaits the Governor’s signature or veto.

Who would be affected by a minimum wage increase to \$15 by 2023 in Massachusetts?

Projections show that increasing the minimum wage from its current \$11 level to \$15 in 2023 would raise the wages of about 840,000 workers, or 25 percent of the workforce statewide. That includes 19 percent of all working parents. And more than 313,000 kids statewide (or 22 percent of all Massachusetts children) have at least one working parent that would get a raise. Among teen workers (those under 20), 84 percent would get a raise. In [Teens, Employment, and the Minimum Wage](#), MassBudget found that teen wages account for over 7 percent of their family’s income, on average. Among low-income families, teen wages account for 18 percent of family income.

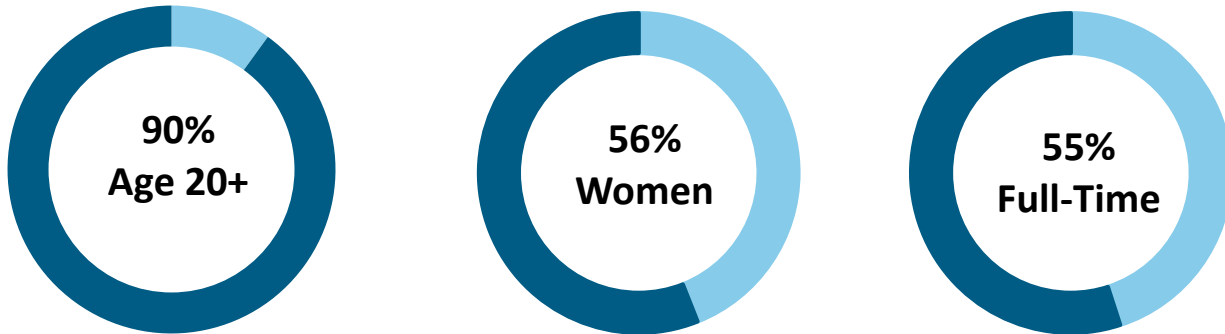
25 Percent of Massachusetts Workers, Including 19 Percent of Working Parents and 84 Percent of Working Teens, Would Get a Raise If Minimum Wage Increased to \$15 in 2023. 22 Percent of Massachusetts Children Have a Parent Who Would Get a Raise.



Economic Policy Institute analysis of U.S. Census, Current Population Survey Outgoing Rotation Group microdata, 2017

Of these affected workers, 90 percent are adults (20 years old and above), 56 percent are women, and 55 percent work full-time.

Majority of Workers Affected by a \$15 Minimum Wage are Adults, Women, & Full-Time Workers



Economic Policy Institute analysis of U.S. Census, Current Population Survey Outgoing Rotation Group microdata, 2017

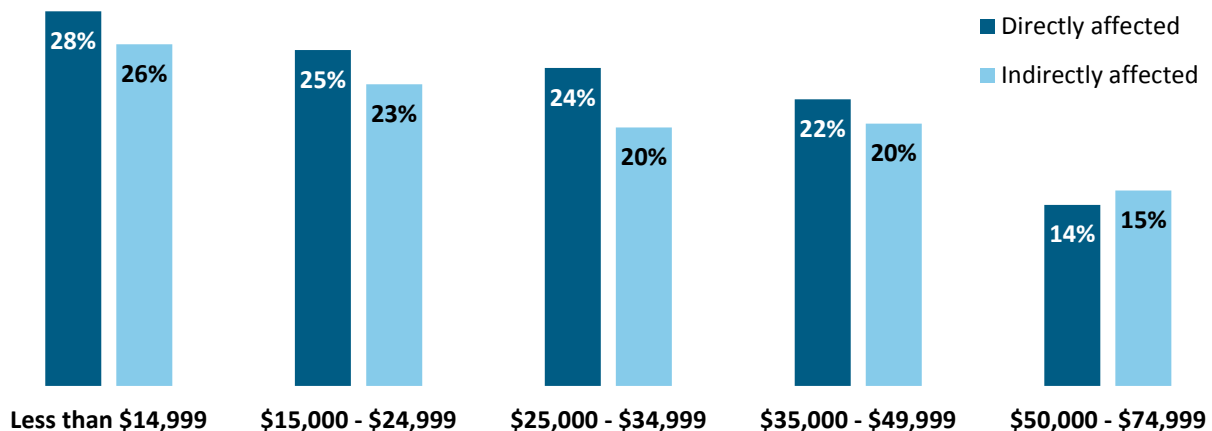
In all, low-wage workers would see a total wage increase of \$2.75 billion over 5 years.

Would middle-income families benefit from a minimum wage increase to \$15 by 2023?

Yes. Increasing the minimum wage to \$15 an hour would raise the earnings of significant shares of workers from both low- and middle-income families. Minimum wage increases affect workers both directly, when the new minimum is higher than workers’ current wage, and indirectly, when workers’ wages at the time of the increase are a little above the new minimum and are pushed up by spillover or “ripple” effects as a result of employers maintaining some progression in their internal pay scales.¹ Over half (54 percent) of workers with family incomes below \$15,000 would get a raise (28 percent directly and 26 percent indirectly), as would 29 percent of workers with family incomes between \$50,000 and \$75,000 (14 percent directly and 15 percent indirectly). For example, there are many two-parent families with incomes between \$50,000 and \$75,000, where one parent is making at or about the minimum wage and the other is making a little bit more.

Middle Income Families Would Also Benefit from a \$15 an Hour Minimum Wage Increase

Share of workers directly and indirectly affected by a \$15 minimum wage in 2023, by income group up to \$75,000



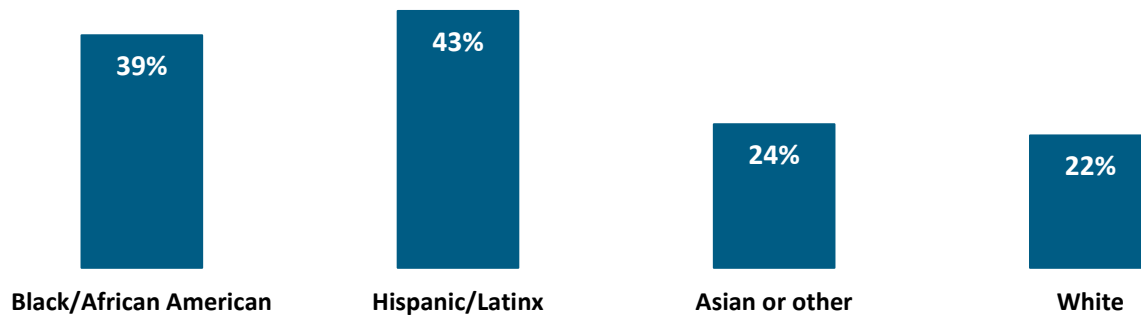
Economic Policy Institute analysis of U.S. Census, Current Population Survey Outgoing Rotation Group microdata, 2017

Would workers of all races and ethnicities benefit from a minimum wage increase to \$15 by 2023?

Yes. In addition to reaching many workers and families across a broad income spectrum, a minimum wage increase to \$15 an hour would reach a wide array of workers of different races and ethnicities. For instance, 39 percent of all Black/African American workers in Massachusetts and 43 percent of Hispanic/Latinx workers, as well as 22 percent of White workers would benefit from a minimum wage increase to \$15 an hour.

A \$15 Minimum Wage Would Raise the Wages of a Large Share of Workers of Different Races and Ethnicities

Workers in Massachusetts that would benefit from a minimum wage increase by 2023, by race and ethnicity

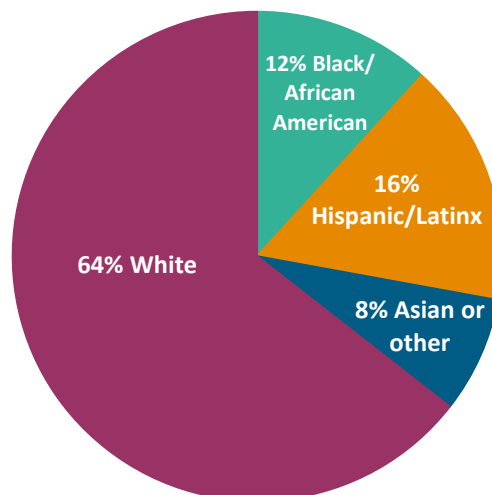


Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata, 2017

Among all workers would who benefit (directly and indirectly) from a minimum wage increase to \$15 by 2023, 16 percent are Hispanic/Latinx, 12 percent are Black/African American, and 64 percent are White.

A Minimum Wage Increase to \$15 Would Raise the Wages of Workers of All Races and Ethnicities

Workers directly and indirectly affected by a \$15 minimum wage increase by 2023, by race and ethnicity



Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata, 2017

How much more would workers earn annually from a minimum wage increase to \$15 by 2023?

At \$15 an hour, a full-time worker earning the minimum wage at 40 hours a week with no vacation would earn \$31,200 annually in 2023 (which is \$27,800 in 2018 dollars). That is a raise of \$4,900 – 21 percent – for a worker earning \$11 an hour now.

How would Massachusetts compare with other places that have enacted a \$15 minimum wage?

Massachusetts would join California and New York as the only states to have approved statewide minimum wages of \$15 an hour. (Washington D.C. has also approved a \$15 minimum wage.) In all these states, \$15 will be phased in over a number of years.

When would the statewide minimum wage reach \$15?

The Massachusetts minimum wage would reach \$15 in 2023. In California, the minimum wage will reach \$15 for the vast majority of businesses in 2023, as well. For some workers in New York State, the minimum wage will reach \$15 as soon as 2019. But in most New York State counties, the minimum wage might not reach \$15 until 2029, assuming annual inflation of 2 percent.

Would the minimum wage be indexed to inflation after it reaches \$15?

Not in Massachusetts or New York. In California, the minimum wage will increase with inflation after it reaches \$15. But in Massachusetts, both the legislated increase in 2014 and the current proposal far outpace the rate of inflation.

Do all workers reach a \$15 minimum wage equally?

There are no exceptions in the Massachusetts minimum wage proposal for small businesses, or for teen workers or trainees, or for employers in different regions of the state. In California, on the other hand, the \$15 minimum wage is phased in more slowly for small businesses, and employers can pay so-called “learners” just 85 percent of the full minimum wage during a 160-hour training period. In New York City and the rest of Downstate, the \$15 minimum wage is phased-in more slowly for small businesses. In the rest of New York State, the phase-in to \$15 might not happen until 2029.

In Massachusetts, state and local government employees would not see minimum wage increases under the legislature’s bill. In California, state and local government employees *are* covered by the increase to \$15. In New York they are not.

See table below for a comparison of the increases to \$15 in Massachusetts, California, and New York.

What about tipped workers?

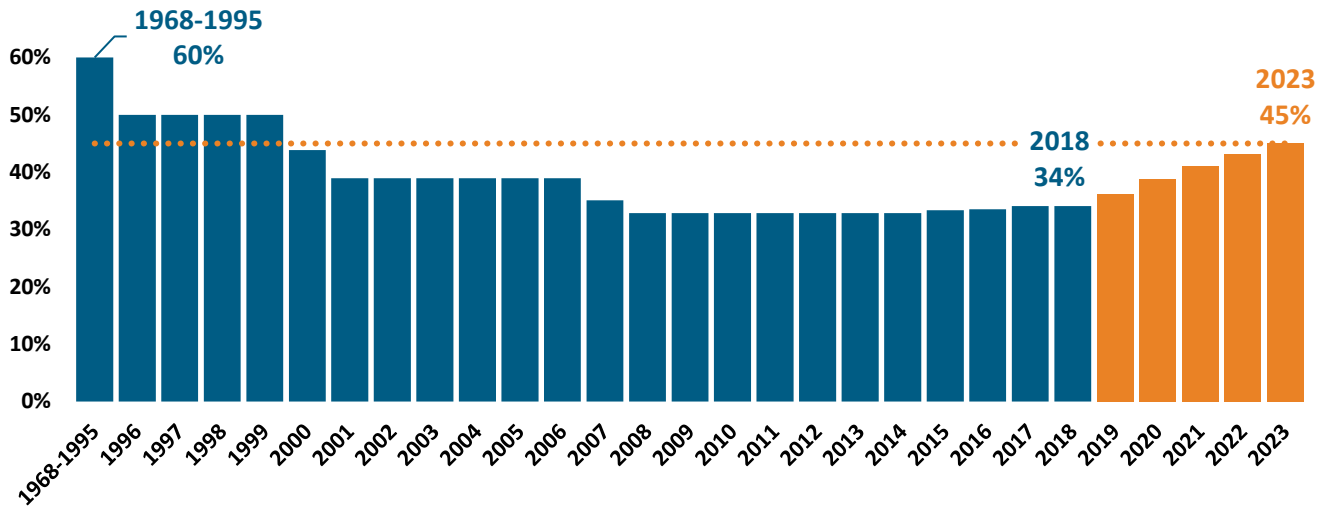
Today, employers in Massachusetts are only required to pay workers who regularly earn tips, like servers and bartenders, \$3.75 an hour as long as their tips fill the gap between that and the minimum wage. That’s 34 percent of the full \$11 minimum wage. The most recent proposal would lift the tipped

minimum wage to \$6.75 by 2023 – 45 percent of the full \$15 minimum wage. This would be the highest the tipped minimum wage has been, relative to the full minimum wage, since 1999.

From the 1960s through the 1990s, the tipped minimum wage was generally set at a specific percent of the regular minimum wage. This linking of the tipped and regular minimum wage helped ensure that the wage base for tipped workers kept pace with wages of regular minimum wage workers. However, the roughly proportional relationship between the tipped minimum and the regular minimum wage (60 percent in most years from 1968 through 1995) changed in the 1990s.² Policies decoupled Massachusetts’ tipped minimum wages from regular minimum wages, no longer requiring it to remain a specific percent of the regular minimum wage.

A \$6.75 tipped wage in 2023 would be 45 percent of the full \$15 minimum wage -- the highest since 1999, but still well below historic levels.

Massachusetts tipped minimum wage as percentage of full minimum wage



Sources: U.S. Department of Labor, Massachusetts Legislature

How would Massachusetts compare with other states that have enacted \$15?

State	\$15 Phase-In Year	Indexed to Inflation	Government Employees	Tipped Workers	Training Subminimum Wage
Massachusetts	2023	No	No	45% of full minimum wage	No training subminimum
California*	<ul style="list-style-type: none"> • 2022 for large employers • 2023 for small employers 	Yes, after \$15	Yes	Full minimum wage	85% of full minimum wage for first 160 hrs
New York State**	New York City	<ul style="list-style-type: none"> • 2019 for large employers and fast-food businesses of any size • 2020 for small employers 	No	83% of full minimum wage	No training subminimum
	Rest of Downstate	<ul style="list-style-type: none"> • Fast-food minimum wage will reach \$15 in July 2021 • For other workers, 2022 	No		
	Rest of NY State	<ul style="list-style-type: none"> • Fast-food minimum wage will reach \$15 in July 2021 • For other workers, after reaching \$12.50 in 2021, minimum wage will increase with inflation until it reaches \$15 (8 years at 2.4% annual inflation) 	From \$12.50 to \$15		

*In California, large employers are those with over 25 employees

**In New York State, large employers are those with over 10 employees

¹ In this FAQ, estimates of workers affected by a minimum wage increase to \$15 in Massachusetts include both directly and indirectly affected workers, unless otherwise noted. Labor economists have examined the issue of indirect wage effects of raising the minimum wage. For instance, [Wicks-Lim](#) finds that indirect effects typically result in wage increases for workers further up the wage ladder because employers want to maintain some progression in their internal pay scales. Also, [Dube, Giuliano, and Leonard](#) similarly find positive indirect wage effects for workers earning 15 percent above newly implemented minimum wages. The data on affected workers in this report comes from the Economic Policy Institute, and reflects the research of Wicks-Lim, Dube, et al. For further detail, see the methodological appendix in the Economic Policy Institute 2017 report "[Raising the minimum wage to \\$15 by 2024 would lift wages for 41 million American workers.](#)"

² MassBudget. (2014). [The Steep Decline in the Employer Share of Tipped Workers' Wages.](#)