

## Frequently Asked Questions Related to the \$15 Minimum Wage

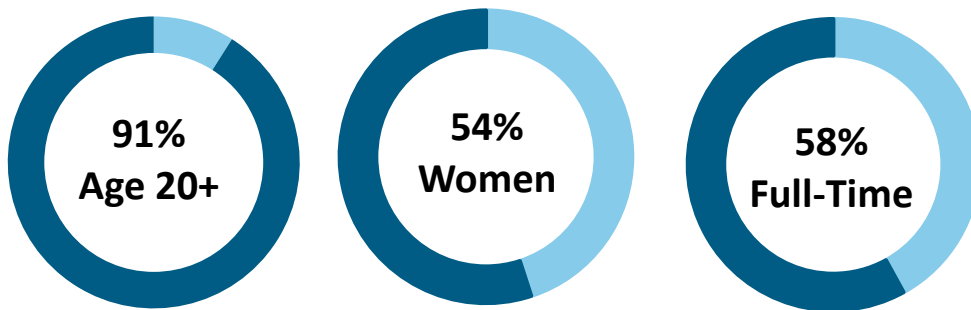
By Nicole Rodriguez

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. Unfortunately, the pattern of economic growth between the end of the Second World War and the 1970s – where wages generally grew at the same pace as economic productivity – has changed in recent decades. Since the 1970s, the value of wages for most workers has been stagnant while the benefits of economic growth have gone disproportionately to the highest income households.<sup>1</sup> In recent years, minimum wage increases have begun to restore modest wage growth for lower wage workers.<sup>2</sup> A number of states have now adopted laws to create a \$15 minimum wage to spread these gains more widely. This brief discusses commonly asked questions surrounding a \$15 minimum wage in Massachusetts.

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

Projections show that increasing the minimum wage from its current \$11 level by \$1 an hour until \$15 in 2021 would raise the wages of about 1.1 million workers or 33 percent of the workforce statewide. Of these affected workers, 91 percent are adults (20 years old and older), 55 percent are women, and 58 percent work full-time. Additionally, over one quarter of all working parents would see a raise. And over 400,000 kids statewide (or 28 percent of all Massachusetts children) have at least one working parent that would get a raise.

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



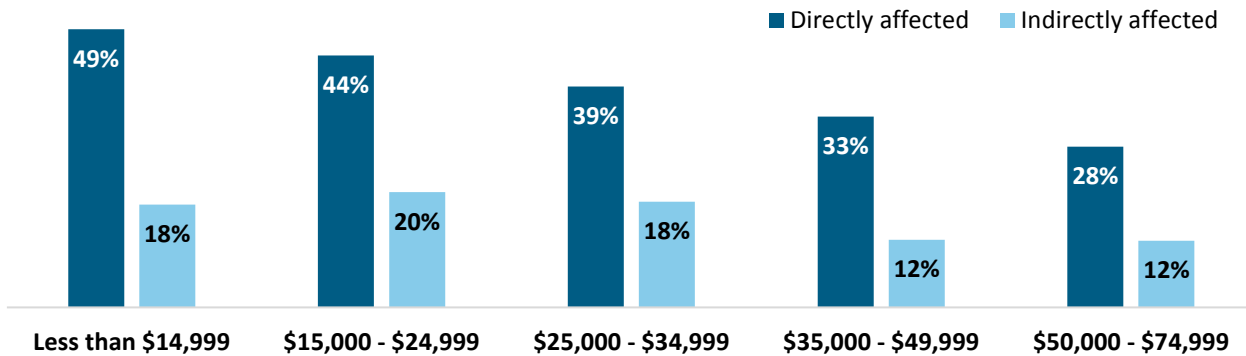
*Economic Policy Institute analysis of U.S. Census, Current Population Survey Outgoing Rotation Group microdata, 2016*

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.<sup>3</sup> Two-thirds of workers with family incomes below \$15,000 would get a raise (49 percent directly and 18 percent indirectly) as would 40 percent of workers with family incomes between \$50,000 and \$75,000 (28 percent directly and 12 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, by income group up to \$75,000



Economic Policy Institute analysis of U.S. Census, Current Population Survey Outgoing Rotation Group microdata, 2016

### How much more would workers earn?

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 2021 (which is \$28,448 in 2017 dollars). That is a raise of \$5,568 for a worker earning \$11 an hour now. The average raise for all workers who would be affected directly (everyone earning less than \$15 an hour) would be \$3,750, adjusted to inflation.

### What places have enacted a \$15 minimum wage?

A number of states and localities recently approved minimum wages up to \$15 an hour to be phased in over the next few years, including California, New York, and Washington D.C.. Also, 21 cities and counties have enacted changes to increase their minimum wages to \$15 over time.<sup>4</sup> In Massachusetts, Governor Baker negotiated a \$15 minimum wage for Medicaid-funded home care workers in 2015. Also, hospitals like Beth Israel Deaconess Medical Center, Boston Medical Center, and Tufts Medical Center have also agreed to a \$15 wage floor.

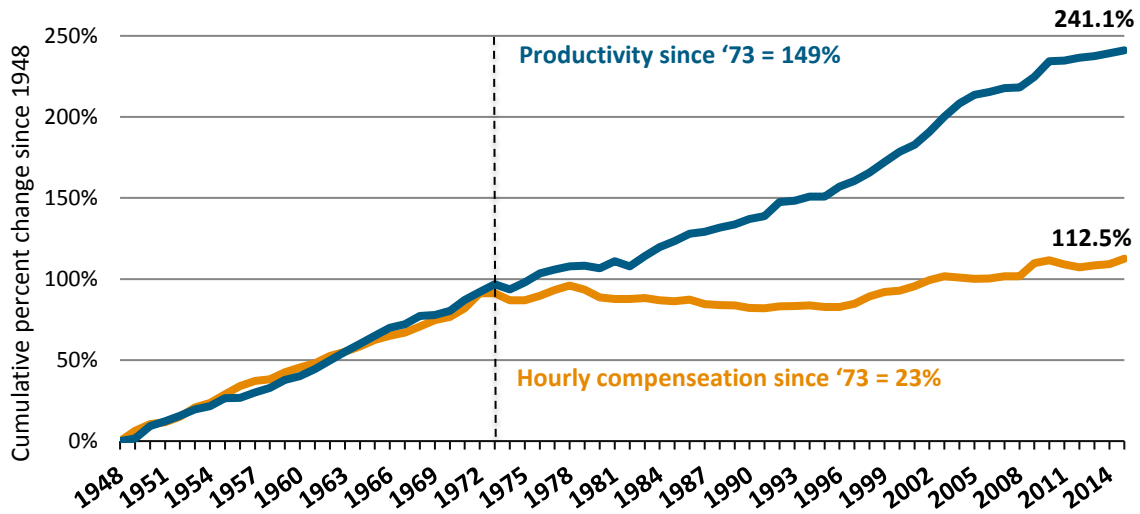
Selected \$15 Wage Policies in the U.S. under Existing Laws		
Jurisdiction	Wage & Phase-In Year	Year Passed
California	\$15.00 (2022-2023)	2016
District of Columbia	\$15.00 (2020)	2016
New York	\$15.00 (2021)	2016
Massachusetts – Home Care	\$15.00 (2018)	2015
Berkeley, CA	\$15.00 (2018)	2016
Los Angeles City & Los Angeles County, CA	\$15.00 (2020)	2015
San Francisco, CA	\$15.00 (2018)	2014
Seattle, WA	\$15.00 (2017-2021)	2014
SeaTac, WA	\$15.00 (2014)	2013
Flagstaff, AZ	\$15.00 (2021)	2016

**What is the minimum wage now and how has it grown in relation to productivity growth over time?**

Massachusetts’ minimum wage is \$11 an hour. The minimum wage increase to \$11 an hour occurred in three annual steps of one dollar each, starting in 2015 and going through 2017. The wage is not indexed to inflation and is not set to increase further at this time.

While the recent minimum wage increases have restored modest wage growth for lower-wage workers, over the past few decades wage growth has been stagnant for most low- and middle-income workers.<sup>5</sup> But there have been times when economic growth led to strong wage growth for most workers. From the end of World War II through the 1970s, increasing productivity – a measure of how much economic output is produced on average in each hour of work - led to rising compensation for most workers, as shown below. This served to raise the living standards for millions of working households, building the middle class. Since the mid-1970s, however, while productivity continued to grow, wage growth for most workers slowed considerably, creating an economy that has not been working as well for many working families. In fact, between 1973 and 2015, productivity grew 149 percent, more than six times faster than hourly compensation at 23 percent.

## Large Gap Between Wage and Productivity Growth Since 1973



Economic Policy Institute analysis of data from the Bureau of Economic Analysis' National Income and Produce Accounts and the Bureau of Labor Statistics' Consumer Price Indexes and Labor Productivity and Costs programs  
 Note: Data are for average hourly compensation of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services minus depreciation per hour worked.

If the minimum wage had grown with productivity since 1979, it would be \$18.30 today. Providing an even more striking contrast is growth in average CEO compensation, which has skyrocketed over recent decades. The state minimum wage would be \$119.81 an hour, if it had grown at the same rate as CEO pay since 1979. While that comparison highlights how unbalanced income growth has been in recent decades, it does not provide a useful benchmark for the minimum wage. Productivity growth, however, does: over the long term, it is reasonable for wages to grow with productivity because as the economy becomes more efficient, wages can grow too, reflecting overall economic growth.

### Minimum Wage Today if It Had Grown As Much As . . .

2016 value of the minimum wage under different scenarios



Notes: CEO compensation is for CEOs in top 350 U.S. firms ranked by sales.  
 "Productivity Since 1979" uses productivity net of depreciation, i.e., output going purely to prevent the "wear and tear" of capital stock, which is unlikely to transfer into wage increases or higher profits. Also, because there are no data on the ratio of gross to net output at the state level, we apply the national ratio to state output data before calculating productivity. This measure also includes an inflation adjustment using the CPI-U-RS (research series) from the Bureau of Labor Statistics. All other inflation adjustments use CPI-U.

## How has the recent minimum wage increase from \$8 an hour to \$11 an hour affected low-wage workers wages so far?

Massachusetts took a modest but important step toward restoring wage growth for low wage workers by increasing the minimum wage from \$8 an hour in 2014 to \$11 an hour in 2017. Based on most recent estimates, when the minimum wage rose in the state from \$8 to \$10 an hour between 2014 and 2016, wages grew significantly for workers in the bottom 10th percentile, an 8.4 percent increase.<sup>6</sup>

## How does the minimum wage apply to tipped workers, and how have their wages changed over time?

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. 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 changed in the 1990s.<sup>7</sup> Policies decoupled Massachusetts' tipped minimum wages from regular minimum wages, no longer requiring it to remain a specific percent of the regular minimum wage.

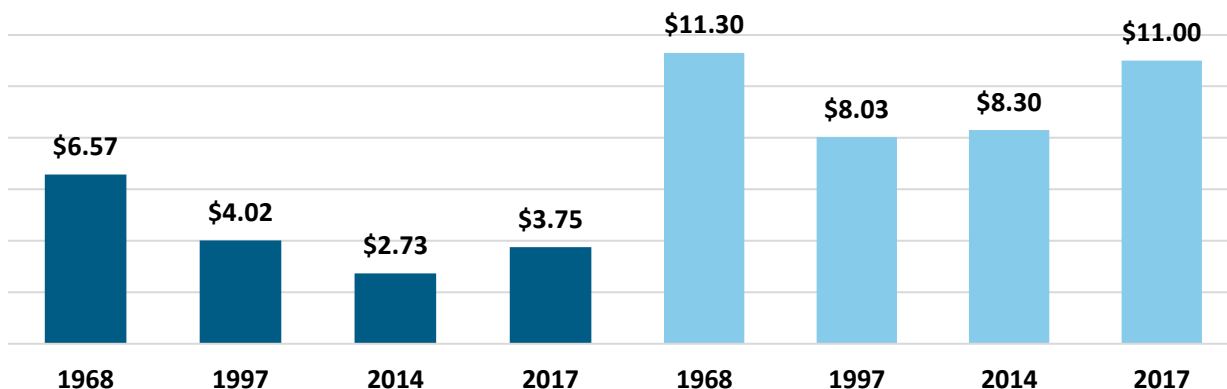
Overall, since 1968, the real value of the tipped minimum wage has declined by 43 percent. From 1968 through 2017, the tipped minimum wage reached its lowest value in 2014 at \$2.73, adjusted for inflation (see below). In 2014, the Massachusetts Legislature voted to incrementally increase the tipped wage to \$3.75 by 2017.

The regular minimum wage also lost value over time. From 1968 to 2014, the value of the regular minimum wage declined by 27 percent. However, since 2014, the regular minimum wage regained value and now it is almost at its 1968 level (see below).

### The MA Tipped Minimum has Declined Over the Past 50 Years While the Regular Minimum Wage has Slowly Risen Since the 1990s

MA tipped minimum wage, 1968, 1997, 2014, & 2017, adj. to 2017\$

MA regular minimum wage, 1968, 1997, 2014, & 2017, adj. to 2017\$



U.S. Department of Labor. Real value calculated using the Consumer Price Index for All Urban Consumers (CPI-U)

## How would tipped workers be affected by the \$15 minimum wage proposal?

If employers were required to pay tipped workers the full minimum wage, several issues that sometimes confront tipped workers could be ameliorated.

### *Tipped Wage Violations*

As mentioned in the previous section, Massachusetts employers are only required to pay workers who regularly earn tips \$3.75 an hour as long as their tips fill the gap between that and the minimum wage. However, there is evidence that they do not always do this. For instance, in 2015 and 2016, the Massachusetts Attorney General ordered that nearly 400 workers, mostly in restaurants, be paid nearly \$600,000 in restitution by employers responsible for tipped wage violations.<sup>8</sup> Wage violations are typically underreported.<sup>9</sup>

### *Sexual Harassment*

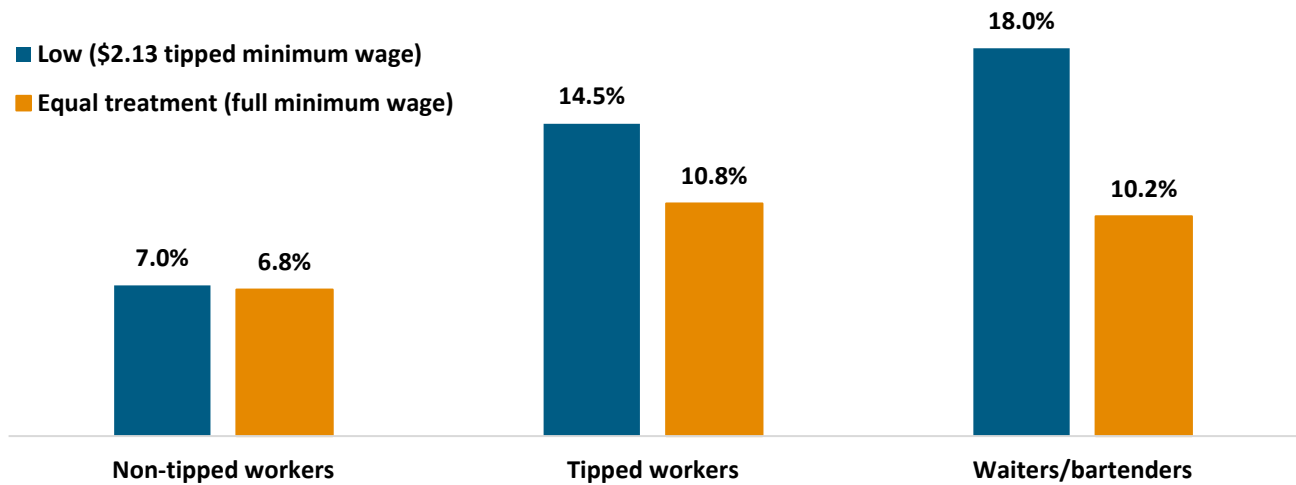
Eliminating the gap between tipped wages and the minimum wage over time may also reduce the high rates of sexual harassment among low-wage tipped workers. Low wages and dependence on tips as the majority of take-home income can create a culture where tipped workers must tolerate inappropriate behavior at work. In fact, almost 37 percent of all sexual harassment claims by women to the Equal Employment Opportunity Commission (EEOC) come from the restaurant industry.<sup>10</sup> Further, in a recent survey of over 500 Boston area tipped workers, 35 percent reported that they have been sexually harassed by customers, more than twice the rate of non-tipped workers in that survey.<sup>11</sup>

### *Poverty*

Tipped workers, like waiters and bartenders, are more likely to be in poverty than non-tipped workers. The chart below compares poverty rates in states with the lowest tipped minimum wage (the federal minimum of \$2.13) to those seven states where tipped workers are required to be paid the full minimum wage by their employer. The poverty rates for tipped workers in states where they are paid the same minimum wage as everyone else is four percentage points lower than in states that have a tipped minimum wage equal to the federal minimum tipped wage.<sup>12</sup> Looking only at waiters and bartenders, who make up over half the tipped workforce,<sup>13</sup> their poverty rates are about 8 percentage points higher in states where tipped workers get paid a separate tipped minimum wage than in states where there is only one minimum wage. Furthermore, the analysis shows that it is not the case that the states with low tipped minimum wages are high poverty states generally, but that tipped workers specifically are more likely to live in poverty in states with low tipped minimum wages.

## Higher Poverty Rates Among Tipped Workers than Non-Tipped Workers

Poverty rates of non-tipped workers, tipped workers, and waiters and bartenders, by state tipped minimum wage level.



Economic Policy Institute analysis of U.S. Census, Current Population Survey Annual Social & Economic Supplement microdata, 2010–2012

<sup>1</sup> Economic Policy Institute. (2012). [The Wedges Between Productivity and Median Compensation Growth](#).

<sup>2</sup> MassBudget. (2016). [State of Working Massachusetts](#). Wages & Income.

<sup>3</sup> 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.](#)"

<sup>4</sup> Economic Policy Institute. (2017). [Minimum Wage Tracker](#).

<sup>5</sup> MassBudget. (2016). [State of Working Massachusetts](#). Wages & Income.

<sup>6</sup> Economic Policy Institute's analysis of Current Population Survey data, 2016. Low-wage worker is defined as the 10th percentile of workers in MA.

<sup>7</sup> MassBudget. (2014). [The Steep Decline in the Employer Share of Tipped Workers' Wages](#).

<sup>8</sup> Massachusetts Attorney General. (2017). Open Data Sets, [Fair Labor Division Complaints](#), Tips Violations.

<sup>9</sup> National Employment Law Center. (2015). [Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities](#). Pg. 24.

<sup>10</sup> Restaurant Opportunities Center. (2012). [Tipped Over the Edge: Gender Inequality in the Restaurant Industry](#). Pg. 3.

<sup>11</sup> Restaurant Opportunities Center. (2016). [Behind the Kitchen Door](#). Pg. 18, Table 6.

<sup>12</sup> MassBudget. (2013). [The Minimum Wage for Tipped Workers](#); Economic Policy Institute. (2014). [Tipped Workers Are Significantly Better off in States Where They Are Paid the Regular Minimum Wage](#).

<sup>13</sup> Economic Policy Institute. (2012). Sylvia Allegretto and Kai Filion, "[Waiting for Change: The \\$2.13 Federal Subminimum Wage](#)." Pgs. 6-7. This analysis is based on data from the 2007-09 Current Population Survey (CPS).