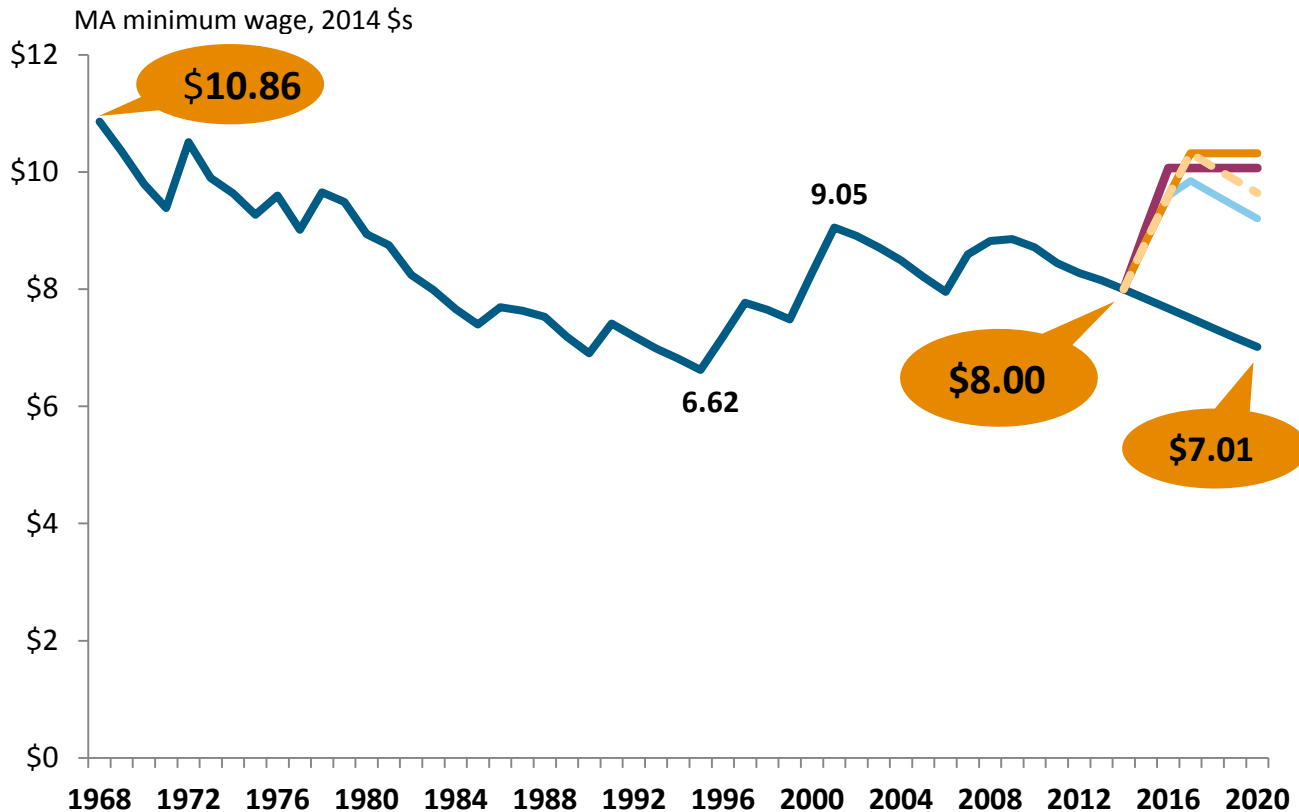


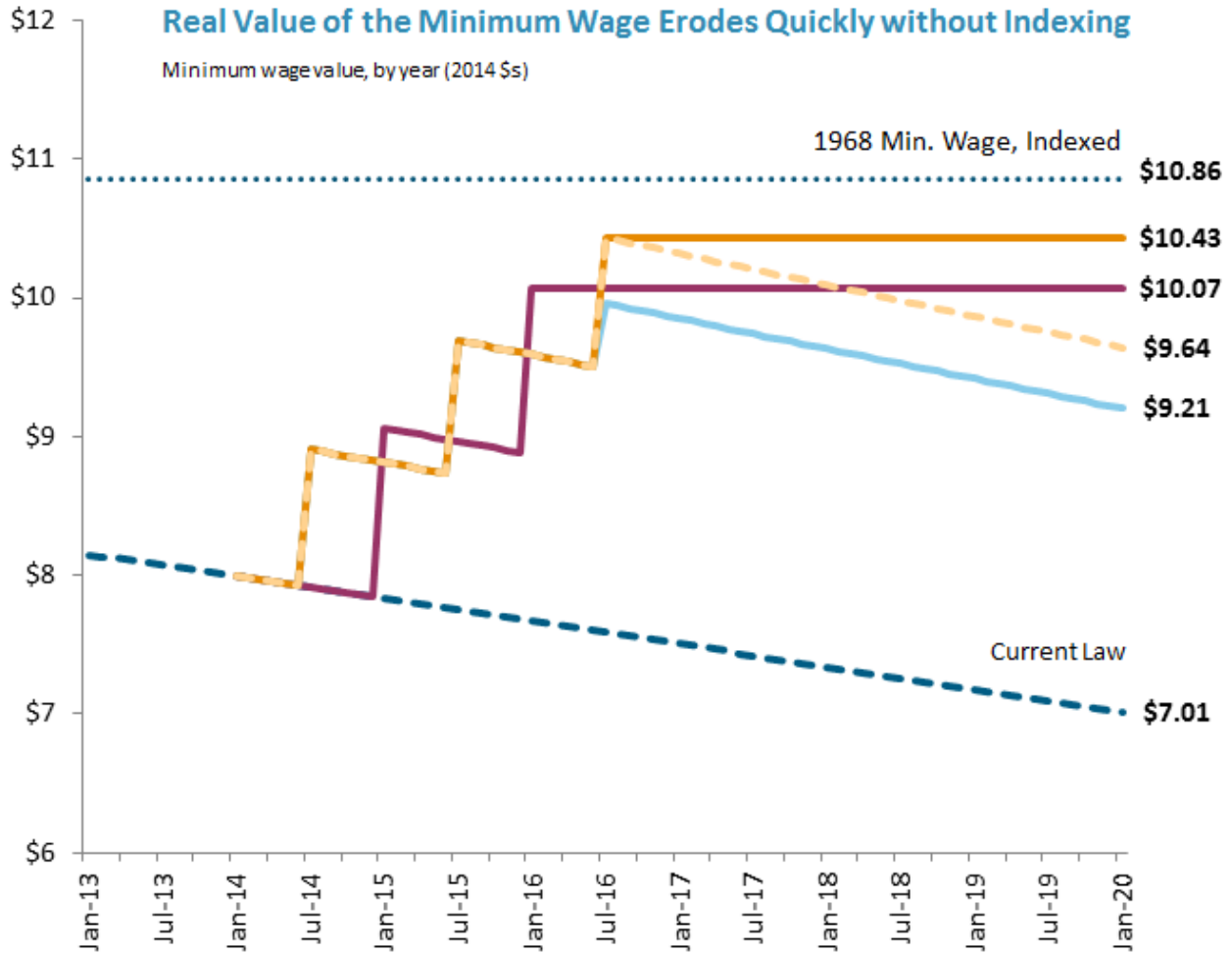
Value of Minimum Wage Is Eroded Quickly by Inflation

The real value of the minimum wage has fallen sharply since its peak, in 1968. Adjusted for inflation, the minimum wage in 1968 was \$10.86 per hour. Now at \$8.00/hr., under current law, the real value of Massachusetts’s minimum wage would drop to \$7.01/hr. by 2020 if no adjustments are made.



Currently, there are three different proposals before the Legislature to raise Massachusetts’s minimum wage. Each proposal takes a phased approach, raising the wage in steps over a number of years. When the phase-in periods are complete, two of the three proposals then begin making automatic adjustments for inflation (also called “indexing”), to keep pace with the rising cost of living. Once indexing begins, this will maintain the real value of the wage in future years for these two proposals.

Prior to the start of indexing, however (i.e., during the phase-in period), inflation will gradually reduce the real value of the stepped wage increases, even as they occur. Thus, while a minimum wage worker may eventually be paid as much as \$11/hr. in 2016 dollars, this 2016 wage would be worth the equivalent of only \$10.43 in today’s dollars. (See chart, below. Note: because several proposals share identical stepped increases, some lines overlap.) This is substantially less than the real value of the minimum wage in 1968. For any proposal that does not include eventual indexing, the real value of the wage would decline, due to inflation, with each passing year (again, see chart, below).



"\$11" by 2016, Indexed (\$10.43/hr by 2020)	"\$10.50" by 2016, Indexed (\$10.07/hr by 2020)	"\$11" by 2016, Unindexed (\$9.64/hr by 2020)	"\$10.50" by 2016, Unindexed (\$9.21/hr by 2020)
\$9/hr July 1st, 2014 \$10/hr July 1st, 2015 \$11/hr July 1st, 2016	\$9.25/hr Jan. 1st, 2015 10.50/hr Jan. 1st, 2016	\$9/hr July 1st, 2014 \$10/hr July 1st, 2015 \$11/hr July 1st, 2016	\$9/hr July 1st, 2014 \$10/hr July 1st, 2015 \$10.50/hr July 1st, 2016

Sources: Value for inflation-adjusted 1968 wage from BLS CPI Inflation Calculator.
 Current (2014) and future year values are calculated using Congressional Budget Office CPI-U projections.

Indexing the new minimum wage to the Consumer Price Index (CPI) - as has been proposed - thus would help maintain its value over time (use [MassBudget's online tool](#) to see what the minimum wage would be today if it had kept pace with other economic indicators). Indexing to the CPI, however, would not ensure that the minimum wage would grow - rather than just maintain its value - when productivity improves and the overall economy grows. To achieve that goal, the minimum wage would need to be indexed to a different measure, such as growth in productivity or economic output.