



Comparing the Minimum Wage Proposals

Two proposals to raise the minimum wage are currently pending before the Massachusetts House of Representatives. One proposal, H. 3782, would increase the Massachusetts minimum wage to \$8.25 per hour by 2007 and index the wage to inflation in future years; the other proposal, H. 4781, reported by the Joint Committee on Labor and Workforce Development in March, would increase the minimum wage to \$7.75 per hour by 2008 but would not adjust the wage for inflation thereafter.

At first glance, the differences between these two minimum wage proposals may appear relatively modest, but they would produce substantially different results, with dramatically different impacts on low-wage workers in Massachusetts. In fact, as Figure 1 illustrates, the differences between the two proposals can be expressed in hundreds of thousands of workers and hundreds of millions of dollars in wages.

Under the provisions of H. 3782, the Massachusetts minimum wage would stand at \$8.43 per hour in 2008; it would rise to \$8.25 by 2007 and then, in 2008, grow by roughly 18 cents to account for inflation. As a result, according to estimates from the Economic Policy Institute (EPI), a non-partisan research organization based in Washington, DC, a total of 486,000 Massachusetts workers would see their wages climb. In contrast, EPI estimates that H. 4781 – with its increase to \$7.75 in 2008 – would benefit a total of 195,000 workers. In other words, H. 4781 would benefit fewer than half as many low-wage workers as H. 3782.

EPI further estimates that raising the minimum wage to \$8.25 per hour and indexing it to inflation would increase the aggregate wages paid to Massachusetts workers by \$355 million in 2008. By comparison, raising the minimum wage to \$7.75 in 2008 would yield a total change in wages of \$77 million. Thus, the increase in total wages resulting from raising the minimum wage to \$8.25 per hour and indexing it to inflation would be more than four times as great as the increase resulting from raising the minimum wage to \$7.75 per hour.

Finally, Massachusetts last raised its minimum wage in 2001, when it reached its present level of \$6.75 per hour. Due to inflation, the real purchasing power of the minimum wage has declined by roughly 12 percent since then – or nearly \$1,900 per year for someone working full-time at the minimum wage. Raising the minimum wage to \$8.25 per hour and indexing it to inflation would restore all of that lost purchasing power; in fact, as Figure 1 shows, it would increase low-wage workers real purchasing power relative to 2001. Raising the minimum wage to \$7.75 per hour would fall short of returning that lost purchasing power to Massachusetts low-wage workers. (This assumes that the current Congressional Budget Office inflation projection of 2.2 percent per year holds; if inflation were to grow above this level, then the gap between a minimum wage of \$7.75 per hour and the purchasing power of the 2001 minimum wage would be still greater.)

Figure 1.

	<u>House 3782</u>	<u>House 4781</u>	<u>Diff.</u>
Amount of increase	\$1.50 per hour plus indexing	\$1.00 per hour	\$0.50 per hour plus indexing
Number of workers affected	486,000	195,000	291,000
Total increase in wages	\$355 million	\$77 million	\$278 million
Percent above (below) 2001 real purchasing power	5.5%	-3.0%	

*All figures are projected for 2008 and are based on
Economic Policy Institute analyses of Current Population Survey data*