

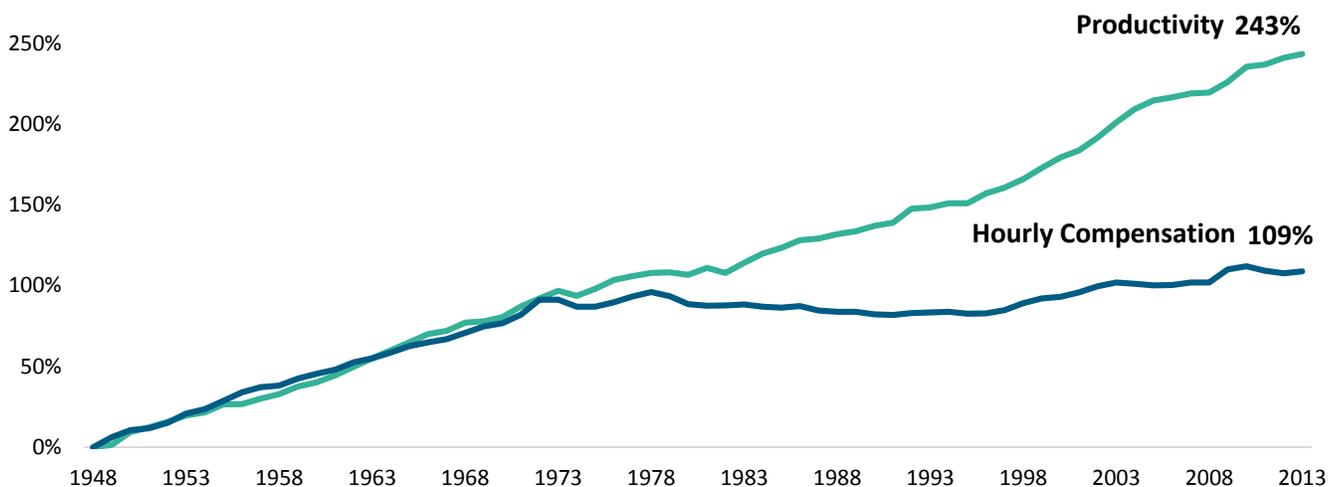
The Minimum Wage in Massachusetts: Challenges & Opportunities

By Nicole Rodriguez

Our state economy is stronger when all working families can make ends meet. Unfortunately, wages have stopped growing with the economy and many working families find it difficult to pay for basic needs. As shown in the graph below, hourly wages grew in tandem with productivity during the late 1940's to the early 1970's. During this period economic gains were broadly shared by the very workers who helped create this growth. Yet, after 1973, while productivity continued to grow, wages for most workers did not.

Compensation Has Not Kept Pace With Growing U.S. Productivity

300% Cumulative percent change since 1948

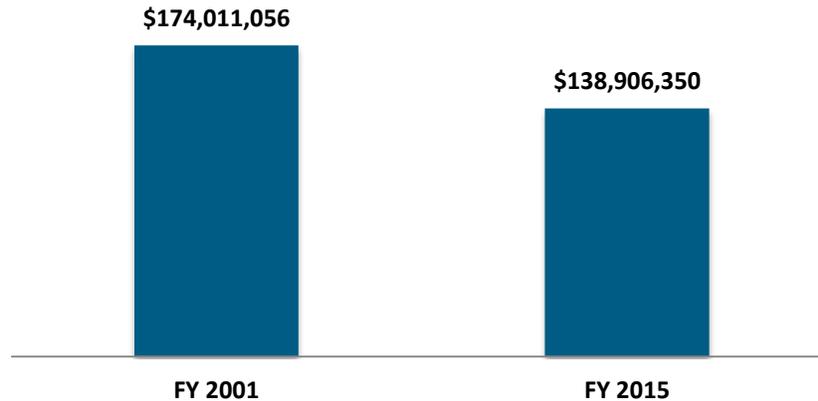


Note: Hourly compensation is of production/nonsupervisory workers in the private sector and productivity is for the total economy

Source: EPI analysis of unpublished total economic data from Bureau of Labor Statistics, Labor Productivity and Costs Program and Bureau of Economic Analysis, National Income and Product Accounts public data series

In addition to the need for sound wage policies, it is important to have strong education and training systems to support economic mobility. However, people seeking to increase their skills at public institutions of higher education have seen tuition and fees roughly doubled over the past 15 years, while state support declined.¹ Additionally, workers hoping to learn specific job skills through the state's workforce development programs often find long wait lists for enrollment. Overall, jobs and workforce programs have been cut by 20 percent since 2001 (see [MassBudget's Jobs & Workforce Budget](#)).

Workforce Development Programs Cut by 20% Since 2001



Source: MassBudget's Jobs & Workforce Budget

Recently, Massachusetts made significant progress towards combating these trends by increasing the minimum wage to \$11 per hour by 2017. Even with these increases, however, many low-wage workers will still struggle to make ends meet. These increases will not be automatically changed to preserve their real value, and [inflation will gradually erode the real value](#) of this wage increase, if no actions are made to raise it further. This year, a full-time, year round minimum wage worker will only earn \$18,720, pre-tax. And by 2017, this worker will only earn \$21,882, pre-tax (adjusted for inflation).

If, by contrast, the minimum wage in 1968 had grown in line with productivity, our lowest wage workers would be earning \$18.67 an hour, or nearly \$39,000 per year.²

A targeted approach to raising wages, stemming from a growing national movement of fast food workers, is to increase the minimum wage to \$15 an hour over several years for workers employed at large fast food and big box retailers. A growing body of research shows that increased labor costs associated with higher minimum wages can be offset in a variety of ways, including:

- **Reduced turnover and training costs.** Employers of low-wage workers often face significant costs connected to high turnover, such as for recruitment and training.³ For instance, the costs of replacing a worker earning \$30,000 or less (more than half the U.S. workforce) are on average 16 percent of their salary.⁴ High turnover is common for our lowest paid workers because of wage constraints that limit the options of workers and their families, such as affording child care and owning a car.⁵
- **Higher productivity and morale.** When workers earn more they are more likely to remain in a job and develop stronger skills over time, both of which translate to better bottom lines for companies.⁶ Workers feel supported by their companies, they are happier with their jobs, more loyal to their employers, and have a bigger commitment to their company's success.⁷
- **Modest price increases, on average.** Businesses may pass some costs onto consumers by increasing the prices of their goods and services, particularly in restaurants.⁸ However, studies have shown that a 28 percent minimum wage increase raises prices in restaurants between 1 to 4 percent and at most other businesses by no more than 0.4 percent.⁹

When workers earn enough to pay for the basics, it is not only good for families but it also strengthens our overall economy. A higher minimum wage increases families' take-home pay, helping workers with both financial security and their ability to purchase goods and services in the local economy.

¹ MassBudget (2013) Higher Learning, Lower Funding: The Decline in Support for Higher Education in Massachusetts
http://massbudget.org/report_window.php?loc=higher_ed.html

² Economic Policy Institute (2013) Lagging Minimum Wage Is One Reason Why Most Americans' Wages Have Fallen Behind Productivity
<http://www.epi.org/publication/lagging-minimum-wage-reason-americans-wages/>

³ Political Economy Research Center, University of Massachusetts, Amherst (2015) A \$15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs: 2-3
http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_351-400/WP373.pdf;

Institute for Research on Labor and Employment, University of California, Berkeley (2014) Local Minimum Wage Laws: Impacts on Workers, Families and Businesses. IRLE Working Paper No. 104-14: 3
<http://irle.berkeley.edu/workingpapers/104-14.pdf>

⁴ Center for American Progress (2012) There Are Significant Business Costs to Replacing Employees: 2
<http://cdn.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>

⁵ Center for Economic and Policy Research (2013) Why Does the Minimum Wage Have No Discernible Effect on Employment?: 21
<http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

⁶ Institute for Research on Labor and Employment, University of California, Berkeley (2014) Local Minimum Wage Laws: Impacts on Workers, Families and Businesses. IRLE Working Paper No. 104-14: 3
<http://irle.berkeley.edu/workingpapers/104-14.pdf>

⁷ Ibid; 3

⁸ Institute for Research on Labor and Employment, University of California, Berkeley (2014) Local Minimum Wage Laws: Impacts on Workers, Families and Businesses. IRLE Working Paper No. 104-14: 23
<http://irle.berkeley.edu/workingpapers/104-14.pdf>

⁹ Center for Economic and Policy Research (2013) Why Does the Minimum Wage Have No Discernible Effect on Employment?: 18
<http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

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