



AN ACT TO IMPROVE THE COMMONWEALTH'S ECONOMY WITH A STRONG MINIMUM WAGE AND A STRONG TIPPED MINIMUM WAGE

[H.2365](#) (filed by Rep. Dan Donahue) and [S.1004](#) (filed by Sen. Ken Donnelly)

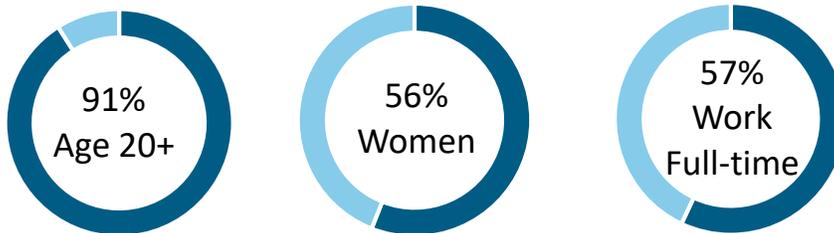
When workers earn enough to pay for the basics, it is good for families and strengthens our overall economy. A higher minimum wage increases workers' take-home pay, in turn increasing their ability to purchase goods and services in the local economy. Changes in our economy over the past three decades have made it difficult for working people to make ends meet. Since the 1970s, wage growth has stagnated, even though the economy and worker productivity has continued growing. Today a minimum wage worker in Massachusetts, working full-time without vacation, will earn only \$22,880 in wages.

Bill Basics:

- Gradually increases the minimum wage by \$1 a year until it reaches \$15 an hour in 2021.
- Gradually increases the wage that employers pay tipped workers to the same amount as other workers by 2026.

MA Workers Affected:¹

- Raises the wages of an estimated 947,000 workers, or 29 percent of our workforce in Massachusetts.
- The majority of workers affected by a \$15 minimum wage are adults, women, & full-time workers.



Economic Policy Institute analysis of 3-year pooled American Community Survey microdata, 2012–2014

Fair Wages are Good for Families and the Economy:

Increasing the minimum wage is an effective policy tool that can help directly raise the living standards of low-wage families. An inadequate minimum wage means that many people can't make ends meet despite working full time. Increasing the minimum wage can help the economy by boosting consumer demand. Low-wage families spend their additional dollars to buy necessities at local businesses, re-circulating them back through the economy and strengthening communities.²

For Businesses, Improved Productivity & Other Benefits of Higher Wages Can Help Offset Increased Labor Costs:³

A growing body of research shows that businesses – including small businesses – can offset increased labor costs from higher minimum wages in a variety of ways, including:

- **Reduced turnover and training costs.** Minimum wage increases can reduce turnover, leading to savings like recruitment and training costs.⁴ This is particularly relevant to employers of low-wage workers, who often face high turnover. The costs of replacing a worker who earns \$30,000 or less are on average 16 percent of their salary.⁵

- **Higher productivity and morale.** When workers earn more they are more likely to remain in a job and develop better morale and stronger skills over time – which translates to better bottom lines for companies.⁶
- **Increased spending.** When workers earn more they are more likely to spend more.⁷ This not only boosts local businesses, but also strengthens the overall economy.

Businesses may pass some costs onto consumers by increasing the prices of their goods and services, particularly in restaurants.⁸ However, studies show that these price increases are modest on average.⁹ For instance, a study at the University of Massachusetts, Amherst estimates that a 28 percent minimum wage increase could raise prices in restaurants between 1 to 4 percent.¹⁰ The small price increase that might be paid by consumers to reflect a more adequate minimum wage is much less than the price paid by workers when their wages are not enough to cover basic necessities.

Economic Effects:¹¹

A 2017 study by the Institute for Research on Labor and Employment at the University of California projects that a minimum wage increase to \$15 in California, a comparable state economy to Massachusetts, will have positive effects on the overall economy. It examines a number of different issues, as well as how they all interact. It finds that wage increases will directly and substantially increase the incomes of low-wage workers. It also finds that, as described above, the costs of the higher wages will be offset partly by improved productivity and cost savings associated with lower employee turnover. It also looks at the factors affecting the overall economy:

- **Consumer Demand.** Consumer demand is increased when low-paid workers' incomes are increased. It is projected that California will experience a \$19.2 billion net income increase by 2023, when the \$15 minimum wage is fully implemented. This means that for a small business in a community with a lot of low-wage workers, its customers will have extra money to spend.
- **Costs.** Prices for goods and services increase modestly when wages increase. The potential negative employment effects of these increases can be offset, however, when the increase in employee earnings increases consumer demand.
- **Employment.** The study finds that while there will be both positive and negative employment effects, they ultimately offset each other and cause a small positive increase in employment in California by nearly 14,000 jobs (0.1 percent of total employment).

Other studies have found small negative employment effects. In evaluating minimum wage increases it is important to look at the overall effects on working people and the economy. If wages go up substantially and there are modest reductions in total work hours, workers are likely still much better off. If, for example, a worker's hourly wages go up by 30 percent and her hours worked go down by 10 percent, her income is higher – and she has more time to spend with her family.

Effects of the Minimum Wage on Teens:

- Teens only make up a small proportion (about 9 percent) of workers that would be affected by a minimum wage increase to \$15 an hour by 2021 in Massachusetts.¹²
- Teen employment rates are more likely driven by larger labor market employment trends than by effects of minimum wage changes.¹³
- Exempting teens from the full value of the minimum wage would hurt teen workers and their families. Employers would be able to pay them at a lower wage, which can especially hurt low-income teens. The income teen workers earn can play an important role in helping their families pay for basic necessities and meet other important challenges, like saving for college.
- Exempting teens from the \$15 minimum wage can also harm adults if it leads employers to hire only teens instead of adults.
- Today, 38 percent of recent high school graduates enrolled in college are in the labor force.¹⁴ Exempting them from the \$15 minimum wage will force them to work more hours, take longer to graduate, and take on more debt – hurting their economic futures.
- The solution for low teen employment levels is not to exempt teens from the minimum wage, which will hurt working teens, but instead to expand support for targeted and subsidized hiring programs, such as

publicly supported summer jobs programs. These are among the most effective programs for boosting teen employment, but funding for them has eroded significantly and is far below the level needed.¹⁵

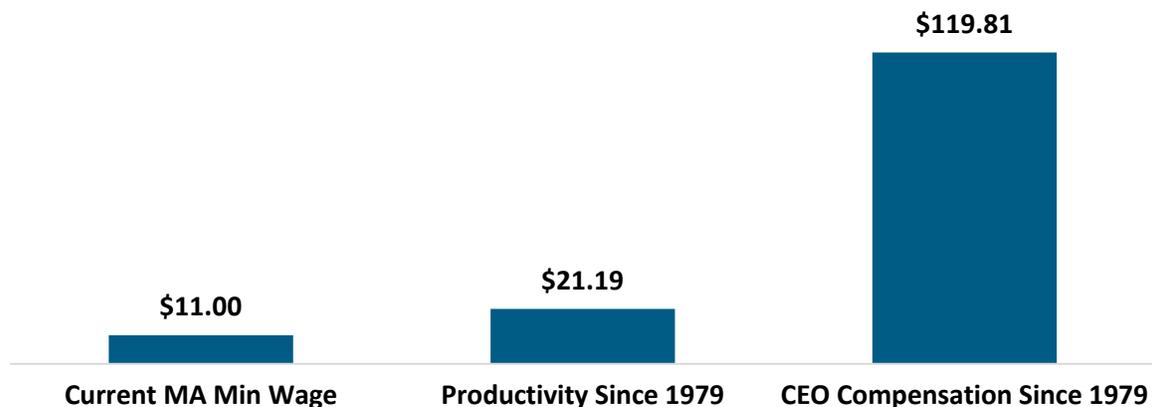
Effects of the Minimum Wage on Tipped Workers:

- In Massachusetts, employers may pay a lower wage (\$3.75 an hour) to certain workers who regularly earn tips. Tipped workers' wages plus tips must equal at least the regular minimum wage. If they do not earn that threshold, employers are required to make up the difference. However, it is difficult for employers to monitor worker wages and tips – as tips may vary depending on shift assignments, season of the year, and the economy – making it difficult to enforce and resulting in high rates of noncompliance by employers.¹⁶ The bill's long incremental timetable for closing the gap between the tipped wage and regular minimum wage gives affected employers reasonable time to adjust.
- In the states where employers pay the full minimum wage to workers who regularly earn tips, research shows that their restaurant industries are strong. Research also shows that on average, sales in these states are projected to grow at an even faster rate than in many of the states that have retained the tipped minimum wage.¹⁷
- In states where employers are required to pay tipped workers the same minimum wage as everyone else, poverty is substantially lower among tipped workers.¹⁸

Wages Have Stagnated Over the Past 30 Years:

Even as Massachusetts recently increased the minimum wage to \$11 an hour in 2017, the minimum wage is still \$10 an hour less than what the minimum wage would be today if it had grown in step with overall economic productivity. 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.

Wage Today If It Had Grown As Much As . . .



Economic Policy Institute analysis of Current Population Survey and Bureau of Labor Statistics data

Growing National Movement for a \$15 Minimum Wage:¹⁹

There is a growing national movement to raise minimum wages to \$15 an hour. In 2016, a number of states and 16 localities approved minimum wages up to \$15 an hour to be phased in over the next few years, including states like California, New York, and Washington D.C. (and Oregon to \$14.75 an hour). A growing number of states and localities around the country are also considering \$15 minimum wage proposals.

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
Emeryville, CA	\$15.00 (2018)	2015
Greensboro, NC – City Employees	\$15.00 (2020)	2015

¹ MassBudget. (2016). [State and Local Impact of Raising the Minimum Wage to \\$15 in Massachusetts](#)

² National Employment Law Project. (2011). [A Strong Minimum Wage Can Help Working Families, Businesses and Our Economy Recover](#): 3

³ MassBudget. (2015). [The Minimum Wage in Massachusetts: Challenges & Opportunities](#)

⁴ 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

⁵ Center for American Progress. (2012). [There Are Significant Business Costs to Replacing Employees](#): 2

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

⁷ 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: 16

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: 3

⁹ Center for Economic and Policy Research. (2013). [Why Does the Minimum Wage Have No Discernible Effect on Employment?](#): 18

¹⁰ Political Economy Research Institute, University of Massachusetts, Amherst. (2010). [Combining Minimum Wage And Earned Income Tax Credit Policies To Guarantee A Decent Living Standard To All U.S. Workers](#): 23-24

¹¹ Institute for Research on Labor and Employment, University of California, Berkeley. (2017). [Effects of a \\$15 Minimum Wage in California and Fresno](#). IRLE Policy Brief: 22, 31, 32 and 37

¹² MassBudget. (2016). [State and Local Impact of Raising the Minimum Wage to \\$15 in Massachusetts](#)

¹³ Economic Policy Institute. (2009). [Teenage Jobs and Minimum Wage](#)

¹⁴ Bureau of Labor Statistics. (2017). [College Enrollment and Work Activity of 2016 High School Graduates](#). Economic News Release.

¹⁵ MassBudget. (2017). [Jobs & Workforce Budget](#)

¹⁶ National Economic Council et al. (2014). [The Impact of Raising the Minimum Wage on Women and the Importance of Ensuring a Robust Tipped Minimum Wage](#). 6-8

¹⁷ National Employment Law Project. (2016). [The Case For Eliminating The Tipped Minimum Wage In Washington, D.C.](#) 14

¹⁸ MassBudget. (2013) [The Minimum Wage for Tipped Workers](#).

¹⁹ National Employment Law Project. (2016). [\\$15 Laws & Current Campaigns](#); Economic Policy Institute (2016) [Minimum Wage Tracker](#)