

An Open Letter from Professional Economists In Support of a \$15 per Hour Minimum Wage in Massachusetts, Phased In Over Four Years

This year, lawmakers in the Commonwealth of Massachusetts are considering bills to raise the minimum wage. Today, Massachusetts has a minimum wage of \$11 per hour. On January 1st in each of the last three years, the state minimum has increased by one dollar. **We, the undersigned professional economists, support four additional one dollar increases to bring the state minimum wage to \$15 per hour by January 1st, 2021.**

In 2017, over a full 52-week year, a minimum wage worker in Massachusetts who works 40 hours a week makes \$22,880. Even with the increases of the minimum wage of the last three years, the worker could provide a family of three with an income just 12 percent above the federal poverty line. The federal poverty line, however, is an inadequate measure of hardship because the cost of living in Massachusetts is substantially higher than the national average.

Over the past several decades, the productivity of labor -- defined as the average output per worker per hour worked -- has risen sharply. Compared to the rising prosperity they help create with their labor, workers in Massachusetts who earn the minimum wage today are far behind where minimum wage workers were in past decades. If the state minimum had kept up with inflation and productivity growth since 1979, minimum wage workers today would make more than \$18 per hour.

Most workers who work at or near the minimum wage are full-time workers with families. A projection from the Economic Policy Institute shows that raising the minimum wage in Massachusetts by one dollar an hour until it reaches \$15 per hour in 2021 would lift the wages of about 1.1 million workers, approximately one-third of the Bay State workforce. Fully 91 percent of affected workers are age 20 or older. Over half are women. Fifty-eight percent, or nearly three out of five, work full-time. Some 400,000 children (28 percent of all Massachusetts children) have at least one working parent who would get a raise.

On the whole, raising the minimum wage by one dollar per year for the next four years will benefit Massachusetts. Critics of minimum wage increases argue that such measures will hurt those they were meant to help by reducing employment. Higher labor costs, they claim, will lead employers to cut jobs or reduce the hours of low-wage workers. Careful studies have found that when the minimum wage is increased in reasonable increments, businesses appear able to adjust with only small -- or no -- effects on employment opportunities.

There appear to be several reasons why employment is not severely affected by moderate minimum wage increases, including:

- Higher minimum wages tend to reduce turnover, which is often especially high among low-wage workers. Reduced turnover, in turn, reduces hiring and training costs, which can be substantial for employers.
- Higher minimum wages tend to increase the productivity of low-wage workers.
- Employers have several alternatives to reducing the number of people they employ or the number of hours they offer workers, and they may prefer to use these options rather than forgo production. In particular, higher costs that result from minimum wage increases can be passed through as small increases in prices. For example, even ignoring cost savings from lower turnover and higher productivity, research indicates that McDonald's (which employs many low-

wage workers) could fully cover the costs of raising the minimum wage from \$11 to \$15 by raising prices by 1.3% per year for four years.

Increasing the Massachusetts minimum wage by one dollar per year for the next four years and establishing a new minimum at \$15 in 2021 will involve a change in the Commonwealth's economy. In net terms, the change will be positive, and in distributional terms, the change will benefit many of the workers, families, and children who need help the most. In relative terms, however, the change is modest, altering the flow of a few billion dollars per year in a state economy that totals over \$500 billion annually.

In summary, raising the Massachusetts minimum wage to \$15 an hour by 2021 will be an effective means of improving overall living standards for low-wage workers and their families and is likely to contribute to a general improvement in economic conditions.

Sincerely,

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