

Economists' Statement Supporting an Increase in the Massachusetts Minimum Wage

As economists concerned about the difficulties facing low-wage workers across the Commonwealth, we support increasing the Massachusetts minimum wage and indexing it to inflation.

The minimum wage has been an important part of the Commonwealth's economy since it was first enacted in 1912 "to supply the necessary cost of living and to maintain the worker in health." Despite that historic charge, the real, inflation-adjusted value of the minimum wage is now well below that of prior decades. For instance, the purchasing power of the current minimum wage has fallen by 14 percent since 1978. An increase is needed to reverse this decline and to address the basic economic needs of working families in Massachusetts.

A bill introduced at the start of the 2005-2006 legislative session proposes to raise the Massachusetts minimum wage from its current level of \$6.75 per hour to \$8.25 per hour by 2007 and to increase it annually in line with changes in the Consumer Price Index thereafter. This increase would restore much of the value that the minimum wage has lost to inflation and would ensure that the minimum wage would retain its purchasing power over time. This legislation would raise the wages of over a quarter of a million workers throughout the Commonwealth, most of whom are adults, primarily women. Moreover, it would help to narrow the growing gap between rich and poor in Massachusetts.

We anticipate that the claim will be made that an increase in the minimum wage will reduce employment. As economists, however, we believe that recent studies of minimum wage effects in other states like Massachusetts support the conclusion of the U.S. Council of Economic Advisors that "the weight of the evidence suggests that modest increases in the minimum wage have had very little or no effect on employment." In short, raising the minimum wage in stages to \$8.25 per hour is unlikely to affect jobs. To the contrary, an increase in the minimum wage will raise purchasing power and could yield other distinct benefits for Massachusetts businesses, such as reduced turnover and lower training costs.

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