

THE MINIMUM WAGE: FREQUENTLY ASKED QUESTIONS

How much is the minimum wage in Massachusetts?

The Massachusetts minimum wage is \$8.00 per hour. Six states and the District of Columbia currently have minimum wages higher than Massachusetts, and 11 states have minimum wages that are higher than the federal requirement but lower than Massachusetts. However, five states that rank directly behind Massachusetts adjust their minimum wages annually to reflect inflation and will likely reach or surpass the \$8.00 mark by 2015.

What does indexing mean?

When the cost of living goes up but the minimum wage does not rise it loses value and minimum wage workers have less purchasing power. To keep this from happening, ten states index their minimum wages to inflation, meaning that they change it each year to reflect changes in the cost of living. If Massachusetts had indexed the minimum wage of \$1.60 in 1968 it would be worth about \$10.70 today and a full time minimum wage worker would earn \$5,400 more than he or she does today. If the minimum wage had been indexed to inflation starting in 2009, the year after it increased to \$8.00, it would be about \$8.70 today.

How many people will be affected by a minimum wage increase?

If the minimum wage goes up, any worker who currently earns less than the new minimum wage will receive an immediate pay increase. Thus raising the minimum wage affects both people who currently earn the minimum wage *and* people who earn slightly above that level. Minimum wage increases also tend to have a slight ripple effect, pushing up wages at the lower end of the pay scale generally, and some workers who earn slightly above the new minimum wage will also receive a pay increase. The number of workers affected depends on the size and timing of an increase – the table below shows how a one-step increase from \$8.00 to \$10.00 would affect Massachusetts workers. An increase to \$11.00 phased in over three years would affect a similar number of people, although some would not receive a raise until the final year of the phase-in.

One-step Minimum Wage Increase from \$8.00 to \$10.00		
Directly Affected	Earn at or near minimum wage	93,900
	Earn between \$8.25 and \$10.00 per hour	238,600
Indirectly Affected	Earn between \$10.00 and \$12.00 per hour	248,400
Total Affected		580,900

How much more will workers earn if the minimum wage increases?

The amount of increase a minimum or low wage worker will receive depends on his or her current wage and number of hours worked. If the minimum wage is increased to \$10.00, the average increase for all directly affected workers will be about \$1,760 per year. The average increase for indirectly affected workers will be about \$528 per year. The average increase for

minimum wage earners who are parents will be somewhat higher – about \$2,100 for directly affected workers and \$555 for indirectly affected workers.

How old are minimum wage workers?

About 73 percent of workers right at the minimum wage are 20 years or older. Of the 581,000 minimum and low-wage workers who would be affected by an increase in the minimum wage, 86 percent are 20 years or older. Many of those who are under 20 are working to help pay for college or other necessities.

Don't minimum wage earners come from families with other income?

Half of the new wages from an increase in the minimum wage would go to workers with family incomes below \$50,000, and more than one-third would go to workers with family incomes below \$35,000. Many of the families with incomes over \$50,000 a year who would be helped by a minimum wage increase are also struggling to make ends meet.

What is the tipped minimum wage?

The tipped minimum wage is a lower minimum wage that employers may pay workers who receive tips, as long as the total of the tipped wage and tips equals the regular minimum wage each week. The Massachusetts tipped minimum wage is \$2.63 per hour. Originally, the tipped minimum wage was set to be 60 percent of the regular minimum wage to ensure a stable wage base for tipped workers. In 1999 the tipped minimum was decoupled and now represents 33 percent of the regular minimum wage. Massachusetts ranks in the bottom half of states when it comes to tipped minimum wage value.

How do minimum wage increases affect small business?

The majority of low and minimum wage workers are employed by large businesses. Nationally, about two-thirds of workers who earn less than \$10.00 per hour are employed in businesses with more than 100 workers, such as fast food chains and retail outlets. An analysis of national data that focused on smaller employers found that states with higher minimum wages had faster rates of small business growth compared to states with minimum wages equal to the federal minimum.¹

How will a minimum wage increase affect jobs and the state economy?

Recent economic studies looking at the impact of minimum wage increases on job numbers over a broad geographic range and time span find no significant evidence that the increases led to job loss. One explanation for this finding is that raising wages may reduce employee turnover and boost morale, leading to higher rates of productivity. A separate study by the non-partisan Economic Policy Institute suggests that increasing the minimum wage can help stimulate the economy – the boost to low-wage workers' paychecks results in new economic growth that benefits the labor market as a whole and that can ultimately lead to new hiring.

¹ For the proportion of low-wage workers employed by large firms see "Big Business, Corporate Profits, and the Minimum Wage," National Employment Law Project Data Brief (July, 2012). For small business growth see "States with Minimum Wages above the Federal Level have had Faster Small Business and Retail Job Growth," Fiscal Policy Institute (March 30, 2006).