

May 23, 2006

## THE REGIONAL IMPACT OF AN INCREASE IN MASSACHUSETTS' MINIMUM WAGE

### Introduction

An increase in the Massachusetts minimum wage would raise the wages and improve the standard of living of thousands of low-wage workers across the Commonwealth. Indeed, according to estimates from the Economic Policy Institute (EPI), a non-partisan research organization based in Washington, DC, increasing the minimum wage to \$8.25 per hour and then indexing it to inflation would raise the wages of 486,000 workers by a total of \$355 million by 2008.<sup>1</sup>

While the low-wage workers who would be affected by an increase in the minimum wage reside throughout Massachusetts, some regions of the Commonwealth have higher concentrations of residents employed in low-wage work than others; raising the minimum wage would therefore have a greater impact in these areas than others. In particular, a new analysis of Census 2000 data by the EPI indicates that more than one-fifth of the workers in the western and north central part of Massachusetts, as well as in the cities of Springfield, Fall River, and New Bedford and the areas that surround them, would see their wages rise if the minimum wage were increased to \$8.25 per hour and then indexed to inflation.

This report presents the results of the EPI's latest analysis in more detail, examining both the relative impact of an increase in the minimum wage in each of thirteen regions across the Commonwealth and the number of workers in each of those regions who would be affected by two different proposals to increase Massachusetts' minimum wage. (To see which region encompasses a particular city or town, please visit the Massachusetts Budget and Policy Center's web site, [www.massbudget.org](http://www.massbudget.org), and click on the link for "An Increase in Massachusetts' Minimum Wage: Regional Impact Calculator.")

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<sup>1</sup>For more on the number of workers affected by a minimum wage increase, see *Minimum Wage Increase Could Help Close to Half a Million Low-Wage Workers*, Massachusetts Budget and Policy Center, March 20, 2006. This total of 486,000 affected workers assumes that the minimum wage would be increased to \$8.25 per hour in 2007 and then rise, due to inflation indexing, to \$8.43 per hour in 2008. In addition, this total consists of two sets of workers. The first set, which is projected to number 155,000 workers, consists of workers who now earn below \$8.43 per hour and who would thus see a direct increase in their wages if the minimum wage were increased in this fashion. The second set, which is expected to total 331,000 workers, consists of workers who now earn just above \$8.43 per hour and who are expected to experience an increase in their wages as the result of a "spillover" effect from an increase in the minimum wage. That is, economic research demonstrates that, for a variety of reasons, workers earning just above any new minimum wage level tend to experience a boost in their wages (e.g. as employers attempt to maintain the wage structures that were in place prior to a minimum wage increase). Throughout this report, references to "workers affected by an increase in the minimum wage" mean both those workers directly affected by an increase (i.e. those earning below the level of a proposed increase) and those indirectly affected (i.e. those earning just above the level of a proposed increase). Finally, the EPI's estimate of the aggregate wage change resulting from an increase in the minimum wage is based on its analysis of Current Population Survey data.

## Impact by Region

The concentration of low-wage workers in Massachusetts varies considerably by region.<sup>2</sup> Because of this variation, the impact of an increase in the minimum wage would vary as well. That is, since it is low-wage workers who stand to gain from an increase in the minimum wage, those regions with a preponderance of low-wage workers will be more affected by any such increase.

In fact, as Table 1 indicates, an increase in the minimum wage would have its greatest impact in three regions of the Commonwealth: the South Coast; Western and North Central Massachusetts; and the Southern Pioneer Valley. If the minimum wage were increased to \$8.25 per hour and then indexed to inflation, more than one out of every five workers in these three areas would experience an increase in his or her wages. In the City of Boston, just under one in five workers would be affected by such an increase. In contrast, the percentage of workers who would be affected by an increase in the minimum wage is somewhat lower in the suburbs surrounding Boston. Specifically, in three regions – MetroWest; the Western and Southern Boston Suburbs; and the Northern Boston Suburbs – only slightly more than one out of every ten workers would receive higher wages if the minimum wage were increased to \$8.25 per hour and then indexed to inflation.

The number of workers in each region who would be affected by an increase in the minimum wage varies widely as well – due to differences among the regions both in total population and in the concentration of low-wage workers. For instance, if the minimum wage were increased, the largest number of workers affected would be found in the City of Boston, since, with roughly 589,000 residents, it has the largest population of the thirteen regions and has a comparatively high concentration of affected workers.

Table 1 illustrates these variations and compares the number of workers who would be affected by two different minimum wage proposals. The first of the two proposals is H. 3782, which was originally introduced at the start of the 2005-2006 legislative session and which would raise the Massachusetts minimum wage to \$8.25 per hour in 2007 and index it to inflation thereafter. Using the Congressional Budget Office’s January 2006 projections for inflation (as measured by the Consumer Price Index for All Urban Consumers or CPI-U), under the provisions of H. 3782,

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<sup>2</sup> The thirteen regions listed in Table 1 and presented in Figure 1 are U.S. Census geographies known as “Super PUMAs,” which, in turn, are aggregations of smaller Census geographies known as “public use microdata areas” or “PUMAs” for short. Each SuperPUMA has a population of at least 400,000 people. While a particular Massachusetts county may be divided among multiple SuperPUMAs, cities and towns are not – that is, each city or town in Massachusetts lies solely within the boundaries of a single SuperPUMA. The names for each of the regions in Table 1 were assigned by the MBPC, not the Census Bureau. The names assigned by the MBPC are ones commonly used to describe various parts of the Commonwealth, but, because of the limitations of the Census geographies, a given region in this report may include cities or towns that might otherwise be excluded from the common conception of that region. It may also exclude cities or towns that might otherwise be included. For more on PUMA and SuperPUMA geographies, see: [http://www.census.gov/geo/www/geo\\_defn.html#PUMA](http://www.census.gov/geo/www/geo_defn.html#PUMA). Finally, as noted above, the EPI’s analysis of the regional impact of an increase in the minimum wage is based on data from the 2000 Census. Consequently, the estimates presented in Table 1 and Figure 1 and discussed throughout this report assume that the distribution of low-wage workers throughout Massachusetts has not changed since that time.

the Massachusetts minimum wage would be \$8.43 per hour in 2008.<sup>3</sup> The second of the two proposals is H. 4781, which was favorably reported by the Committee on Labor and Workforce Development in March; it would raise the Massachusetts minimum wage to \$7.75 per hour in 2008 but would not index it to inflation.

As noted earlier, the EPI estimates raising the minimum wage to \$8.25 per hour and then indexing it to inflation would increase the wages of a total of 486,000 Massachusetts workers in 2008. In addition, the EPI calculates that, if H. 4781 were enacted instead of H. 3782, a total of 195,000 workers would see a pay increase. Thus, approximately 291,000 fewer workers would be affected by H. 4781 than by H. 3782. Table 1 shows how these totals are distributed across the Commonwealth. For example, it shows that about 51,500 workers in the City of Boston would see an increase in their wages by 2008 if H. 3782 were enacted, while only about 20,700 workers would receive raises from H. 4781, a difference of more than 30,000 workers. Similarly, in Western and North Central Massachusetts, the region with the next largest number of workers affected, approximately 49,600 workers would receive a pay raise under H. 3782, while only about 19,900 would enjoy one under H. 4781. In terms of sheer numbers, both H. 3782 and H. 4781 would have their smallest impacts in the suburbs north of Boston – in places like Woburn and Winchester – where a total of 23,000 and 9,200 workers would be affected respectively.

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<sup>3</sup> *The Budget and Economic Outlook: Fiscal Years 2007 to 2016*, U.S. Congressional Budget Office, January 2006. The Congressional Budget Office projects that rate of inflation – that is, the change in the CPI-U – will be 2.2 percent in 2008. Thus, a minimum wage of \$8.25 per hour increased by 2.2 percent yield a minimum wage of \$8.43 per hour.



**Table 1.**

<b>REGIONAL IMPACT OF PROPOSALS TO INCREASE THE MASSACHUSETTS MINIMUM WAGE</b>					
<b>Region</b>	<b>Largest Cities/Towns in Region</b>	<b>Percent of Region Affected in 2008</b>	<b>Number in Region Affected in 2008</b>		
		H. 3782 (\$8.43/hr)	H. 3782 (\$8.43/hr)	H. 4781 (\$7.75/hr)	Difference
Western and North Central Massachusetts	Pittsfield, Leominster, Fitchburg	22%	49,600	19,900	(29,700)
MetroWest	Framingham, Natick, Marlborough	12%	29,400	11,800	(17,600)
Merrimack Valley	Lowell, Lawrence, Haverhill	16%	40,500	16,300	(24,200)
North Shore	Lynn, Peabody, Salem	15%	31,600	12,700	(18,900)
Northern Boston Suburbs	Waltham, Arlington, Woburn	11%	23,000	9,200	(13,800)
Central Massachusetts	Worcester, Shrewsbury, Westborough	16%	38,400	15,400	(23,000)
Southern Pioneer Valley	Springfield, Chicopee, Westfield	21%	46,000	18,500	(27,500)
North of Boston	Cambridge, Somerville, Malden	17%	35,200	14,100	(21,100)
City of Boston	Boston	19%	51,500	20,700	(30,800)
Western and Southern Boston Suburbs	Quincy, Newton, Brookline	12%	25,000	10,000	(15,000)
Southeastern Massachusetts	Brockton, Taunton, Braintree	16%	38,100	15,300	(22,800)
South Shore, Cape Cod, and the Islands	Weymouth, Plymouth, Barnstable	16%	36,800	14,800	(22,000)
South Coast	New Bedford, Fall River, Attleboro	22%	40,900	16,400	(24,500)
<b>TOTAL</b>		<b>17%</b>	<b>486,000</b>	<b>195,000</b>	<b>(291,000)</b>

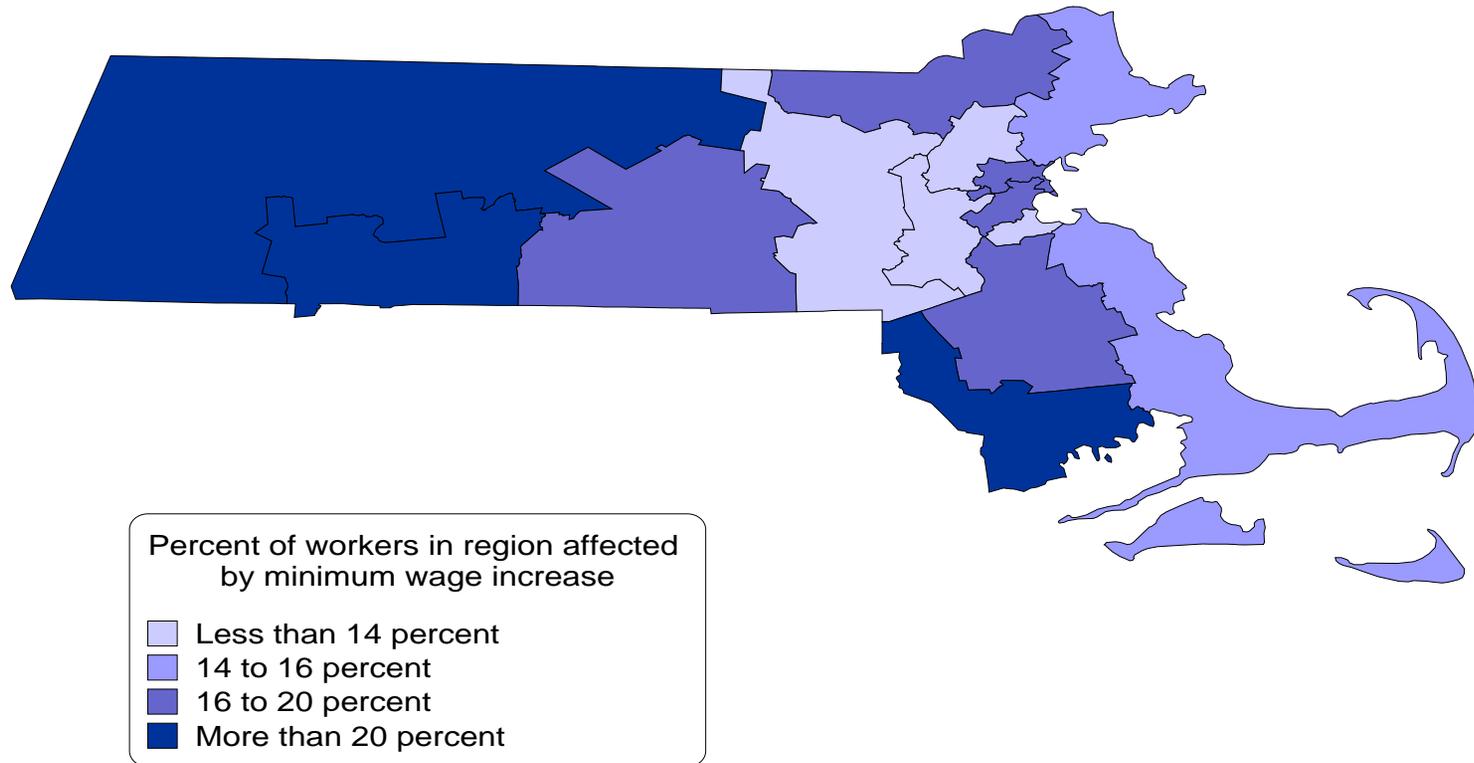
Figures may not sum to totals due to rounding.

Source: Economic Policy Institute analysis of Census 2000 and Current Population Survey data



Figure 1.

## Regional Impact of an Increase in the Massachusetts Minimum Wage



Source: Economic Policy Institute analysis of Census 2000 and Current Population Survey data