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State and Local Impact of Raising the Minimum Wage to $15 in Massachusetts

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While hard work is considered the ticket to a middle-class life, many full-time workers across the Commonwealth struggle to support themselves and their families. In an attempt to increase economic security, Massachusetts phased in an increase in the state's minimum wage to $11 an hour in 2017. This is a significant increase, but a minimum wage worker who works full-time at 40 hours a week for 52 weeks a year would still only earn about $22,880 per year.

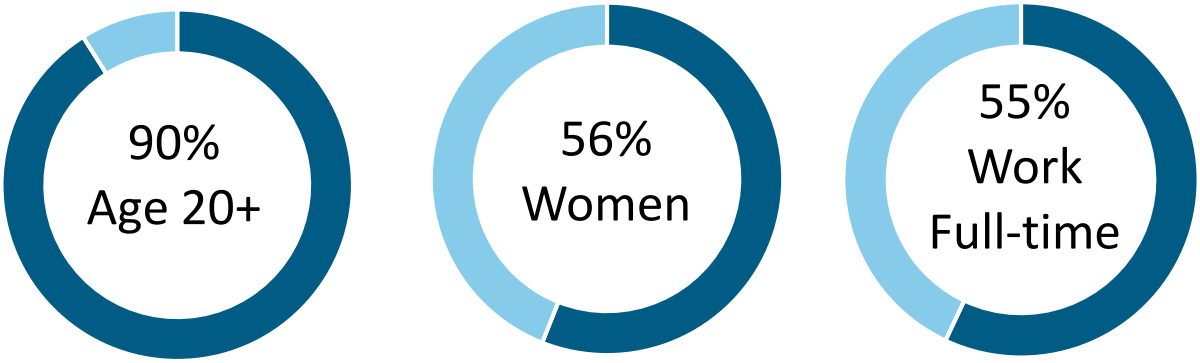
Many cities and a few states like California and New York have already passed $15 minimum wage laws to help raise the living standards of low and middle-income families.[1] In 2015, Governor Baker negotiated a $15 minimum wage for Medicaid-funded home care workers in Massachusetts.[2] Beth Israel Deaconess Medical Center, Boston Medical Center, and Tufts Medical Center have also agreed to a $15 wage floor.[3]

In light of this growing national trend and statewide attention to increasing the minimum wage to $15 an hour, this brief looks at the state and local impact of a $15 minimum wage if it were phased in at a rate of $1 per year from 2019 until 2022 - the same way that the Commonwealth increased the minimum wage from $8 to $11.

Statewide Impact of a Minimum Wage Increase

Projections show that increasing the minimum wage to $15 by 2022 would raise the wages of roughly 943,000 workers or 29 percent of our workforce statewide. Of these affected workers, 90 percent are adults (over 20 years old), 56 percent are women, and 55 percent work full-time.

Majority of Workers Affected by a $15 Minimum Wage are Adults, Women, & Full-Time Workers



Economic Policy Institute analysis of Current Population Survey Outgoing Rotation

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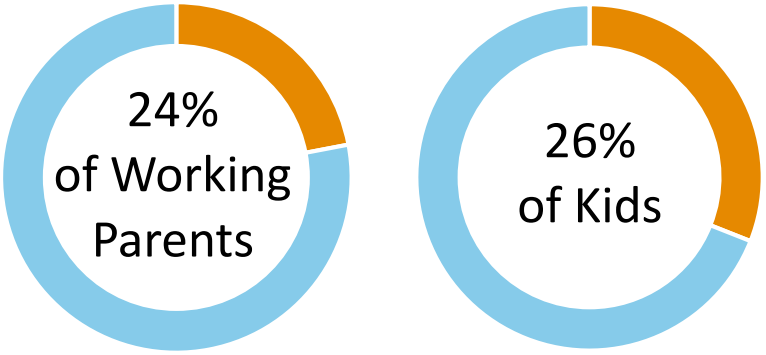
Increasing the minimum wage to $15 by 2022 is also projected to raise the wages of 24 percent of all working parents. And 26 percent of all kids in the Commonwealth live in households that would benefit from the increase.

Many Working Parents and Kids Stand to Benefit from a $15 Minimum Wage

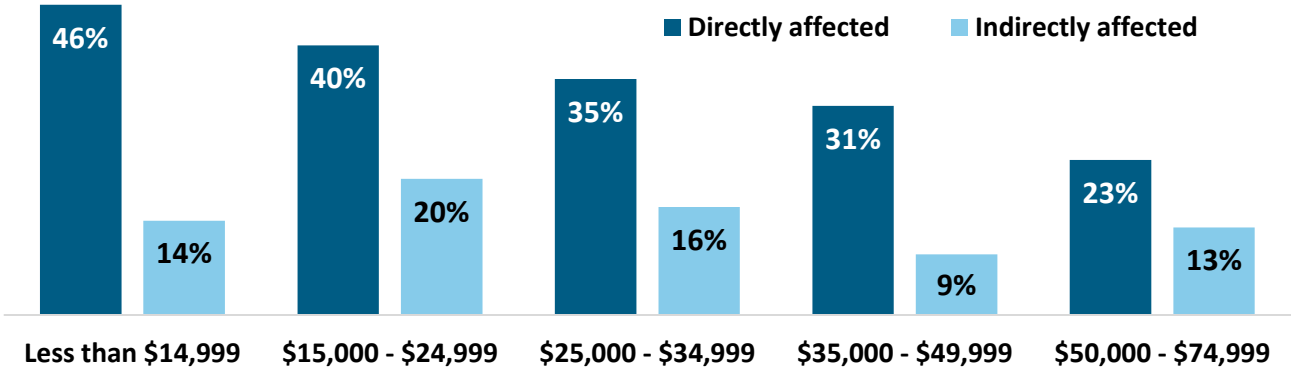


Economic Policy Institute analysis of 3-year pooled American Community Survey microdata, 2012–2014

Increasing the minimum wage to $15 an hour would raise the earnings of significant shares of workers from both low- and middle-income families. Minimum wage increases affect workers both directly, when the new minimum is higher than workers' current wage, and indirectly, when workers' wages at the time of the increase are a little above the new minimum and are pushed up by spillover or "ripple" effects as a result of employers maintaining some progression in their internal pay scales.[4] For instance, 60 percent of workers with family incomes below $15,000 would get a raise (46 percent directly and 14 percent indirectly) as would over one-third of workers with family incomes between $50,000 and $75,000 (23 percent directly and 13 percent indirectly). While it may be surprising that so many middle-income families would benefit from a $15 minimum wage, there are many two-parent families with incomes between $50,000 and $75,000, where one parent is making at or about the minimum wage and the other is making a little bit more. Raising the minimum wage to $15 would raise the incomes of these families as well as significant numbers of low-income households.

Middle Income Families Would Also Benefit from a $15 Minimum Wage

Share of workers directly and indirectly affected by a $15 minimum wage, by income group up to $75,000



Economic Policy Institute analysis of U.S. Census, Current Population Survey Outgoing Rotation Group microdata, 2016

Local Impact of a Minimum Wage Increase

The table below shows the portion of wage earners and the total number of workers by region who would be affected directly or indirectly by an increase by 2022 in the minimum wage to $15 per hour. Directly affected workers are those with wages below $15 who would receive a pay increase. Indirectly affected workers are those who earn slightly above $15 whose wages would increase somewhat as pay scales rise in response to the minimum wage increase.

Specifically, the table shows that workers in every region of the state would be affected by an increase in the minimum wage. For example, in Gateway Cities like Lawrence, Haverhill, Methuen, and Worcester, about 40 percent of workers are estimated to see their wages rise if the minimum wage is increased to $15 per hour. Overall, projections show that at least 15 percent of workers in every region of Massachusetts would see their wages rise from a minimum wage increase.

City or Region	Directly Affected	Indirectly Affected	Total	% of Wage Earners Affected
Massachusetts	**763,854**	**210,284**	**974,138**	**29%**
North				
Billerica, Andover, Tewksbury & Wilmington	12,687	2,043	14,730	22%
Essex County (Central)--inc. Amesbury & Haverhill	6,488	1,744	8,232	19%
Essex County (East)--inc. Salem, Beverly, Gloucester & Newburyport	23,086	4,468	27,554	29%
Essex County (Northwest)--inc. Lawrence, Haverhill & Methuen	28,246	5,604	33,850	40%
Essex County (South)--inc. Lynn, Swampscott & Nahant	17,045	4,487	21,533	40%
Middlesex County (Far Northeast)--City of Lowell	15,801	2,935	18,737	40%
Middlesex County (Outside Lowell)--inc. Dracut, Tyngsboro, Westford & Chelmsford	9,261	2,931	12,192	23%
Middlesex County--inc. Waltham, Lexington, Burlington, Bedford & Lincoln	12,697	3,492	16,189	24%
Peabody, Danvers, Reading, North Reading & Lynnfield	10,516	2,203	12,719	22%
Woburn, Melrose Cities, Saugus, Wakefield & Stoneham	12,814	5,867	18,681	25%
Greater Boston				
Boston--Allston, Brighton & Fenway	20,417	5,672	26,089	40%
Boston--Back Bay, Beacon Hill, Charlestown, E. Boston, Central & S. End	19,014	5,333	24,347	27%
Boston--Dorchester & South Boston	13,006	3,263	16,270	25%
Boston--Hyde Park, Jamaica Plain, Roslindale & West Roxbury	12,770	4,171	16,941	26%
Boston--Mattapan & Roxbury	22,873	3,927	26,801	44%
Cambridge	11,104	5,032	16,135	26%
Malden & Medford	9,191	4,002	13,193	23%
Newton & Brookline	8,681	2,112	10,793	17%
Norfolk (N.E) & Middlesex (S.E.) Counties (inc. Wellesley & Needham)	4,563	1,973	6,536	15%
Revere, Chelsea & Winthrop	15,469	4,038	19,507	37%
Somerville & Everett	20,239	4,702	24,941	33%

Watertown, Arlington, Belmont & Winchester	8,684	2,757	11,441	18%
South/Cape				
Attleboro City, North Attleboro, Swansea, Seekonk, Rehoboth & Plainville	11,757	3,162	14,920	32%
Barnstable (East), Dukes & Nantucket Counties--Outer Cape Cod	11,625	3,049	14,674	36%
Barnstable County (West)--Inner Cape Cod & Barnstable	12,046	4,330	16,376	30%
Bristol (Outside New Bedford) & Plymouth (South) Counties--inc. Westport, Acushnet & Wareham	11,191	2,298	13,489	30%
Fall River & Somerset	11,529	5,053	16,582	42%
New Bedford & Fairhaven	16,918	5,936	22,855	46%
Norfolk County (Southwest)--Greater Franklin--inc. Norfolk & Wrentham	9,711	2,326	12,037	20%
Plymouth & Bristol Counties (Outside Brockton)	15,403	4,289	19,693	33%
Plymouth & Norfolk Counties--Greater Brockton--inc. Brockton, Stoughton & Avon	21,747	4,361	26,108	42%
Plymouth County (Central)--inc. Middleborough & Pembroke	8,392	2,793	11,185	21%
Plymouth, Marshfield, Scituate, Duxbury & Kingston	13,654	1,882	15,536	27%
Quincy & Milton	12,554	4,137	16,690	26%
Randolph, Norwood, Dedham, Canton & Holbrook	11,684	3,146	14,830	25%
Taunton, Mansfield, Norton, Rayhnam, Dighton & Berkley	12,362	2,820	15,181	26%
Weymouth, Braintree, Hingham, Hull & Cohasset	8,837	5,088	13,924	22%
Central				
City of Worcester	23,374	7,475	30,849	41%
Framingham, Marlborough & Natick	18,392	3,482	21,874	28%
Middlesex (Far SW), Norfolk (NW) & Worcester (Far East) Counties--inc. Hopkinton, Ashland & Millis	9,801	2,481	12,282	20%
Middlesex (W.Central) & Worcester (East) Counties--inc. Acton, Concord & Sudbury	8,170	2,032	10,202	18%
Worcester & Middlesex Counties (Outside Leominster, Fitchburg & Gardner)--inc. Athol & Sterling	9,550	1,959	11,509	26%
Worcester County (East Central)--inc. Westborough & Northborough	11,038	3,608	14,645	26%
Worcester County (Northeast)--inc. Leominster, Fitchburg & Gardner	13,680	5,077	18,757	35%
Worcester County (South)--inc. Sturbridge, Douglas & Uxbridge	16,194	6,492	22,687	32%
Worcester County (West Central)--inc. Hardwick, Spencer & Brookfield	13,777	4,069	17,845	30%
West				
Franklin & Hampshire (North) Counties--inc. Greenfield & Montague	18,112	4,189	22,301	41%
Hampden (West & East) & Hampshire (South) Counties--inc. Northampton, Belchertown & Chester	16,380	3,137	19,517	30%
Hampden County--inc. Chicopee, Longmeadow & Ludlow	13,151	3,031	16,182	29%
Pittsfield	18,455	4,078	22,533	43%
Springfield	21,216	4,546	25,762	50%
Westfield & Holyoke	15,884	5,232	21,116	35%

Note: Totals in city/regions do not include out-of-state-workers.
Source: Economic Policy Institute analysis of 3-year pooled American Community Survey microdata, 2013-2015

Notes on Methodology

The local projections contained in this fact sheet come from a model developed by the Economic Policy Institute, a national, non-partisan research organization. The model uses data from 3-year pooled American Community Survey (ACS) microdata from the U.S. Census Bureau, 2013–2015, and looks at specific geographic areas called Public Use Microdata Areas (PUMAs)—areas that are large enough so that the sample size used in the survey is sufficient to produce reliable estimates. The total estimated workers figure is estimated from ACS respondents who were 16 years old or older, employed, but not self-employed, and for whom a valid hourly wage can be imputed from annual wage earnings, usual hours worked per week, and weeks worked in the previous year. All government workers are excluded except those that work for "local government." Projections assume annual population growth and wage growth. Identification of workers is based on place of work and not residence.

The analysis also assumes that an increase in the minimum wage to $15 per hour will have two types of effects. First, workers who earn less than $15 per hour would be *directly* affected by the change because they would receive an automatic pay increase when the new minimum wage goes into effect. Second, although harder to discern, other workers earning slightly above $15 per hour would tend to benefit *indirectly* because their wages can be expected to increase somewhat as overall pay scales rise in response to the minimum wage increase. Specifically, indirectly affected workers are those with reported wages just above the new estimated minimum wage (between the new minimum wage and 115 percent of the new minimum).

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[1] Economic Policy Institute. (2017). Minimum Wage Tracker.

[2] Commonwealth of Massachusetts, Personal Care Attendant Workforce Council. (2017). Wage Increases.

[3] The Boston Globe. (2017). Which hospitals pay the highest starting wages?

[4] Estimates of workers affected by a minimum wage increase to $15 in Massachusetts include both directly and indirectly affected workers, unless otherwise noted. Labor economists have examined the issue of indirect wage effects of raising the minimum wage. For instance, Wicks-Lim finds that indirect effects typically result in wage increases for workers further up the wage ladder because employers want to maintain some progression in their internal pay scales. Also, Dube, Giuliano, and Leonard similarly find positive indirect wage effects for workers earning 15 percent above newly implemented minimum wages. The data on affected workers in this report comes from the Economic Policy Institute, and reflects the research of Wicks-Lim, Dube, et al. For further detail, see the methodological appendix in the Economic Policy Institute 2017 report "Raising the minimum wage to $15 by 2024 would lift wages for 41 million American workers."