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A \$15 Minimum Wage in New England: Who would be affected?

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- About 1 in 3 workers in New England earns less than \$15 per hour.
- More than 1 in 5 children have a parent that makes less than \$15 per hour.
- The majority of those working for less than \$15 per hour are the primary earners in their families, and most work full-time.
- About 1 in 5 workers who earn less than \$15 per hour has at least a bachelor's degree.
- Black and Latino workers make up a disproportionate share of those making less than \$15 per hour. The majority of Black and Latino workers in some states have hourly wages below \$15.

Proposals to increase the hourly minimum wage to \$15.00 have garnered significant attention in recent months. California has approved a statewide \$15.00 minimum wage, to be phased in over time with annual incremental increases. At the local level, San Francisco, Seattle, Los Angeles, and the District of Columbia are increasing their citywide minimum wages to \$15.00 with similar incremental increases over time. New York has approved a \$15.00 minimum wage that will cover certain regions and apply to specific industries within the state. Similar proposals are currently under consideration elsewhere, including several New England states. This brief presents information on who would be directly affected—workers who currently earn less than \$15.00 per hour—in each state in New England.

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The views expressed in this paper are those of the author and do not necessarily represent those of the Federal Reserve Bank of Boston or the Federal Reserve System.

The federal minimum wage was last increased to \$7.25 per hour in 2010. An employee working 40 hours per week for 52 weeks at the current federal minimum wage would have annual earnings of \$15,080. By comparison, the federal poverty level for a family of two people is currently \$16,020. A total of 29 states and the District of Columbia have since implemented higher minimum wage levels than the federal minimum wage.¹ The current state minimum wage levels in New England are shown in Table 1. The only state that has not raised its minimum wage above the federal level is New Hampshire. In the New England states that have higher minimum wage levels, the annual earnings of a full-time employee would range from \$15,600 in Maine to \$20,800 in Massachusetts.

Table 1: Minimum Wage in New England States (2016)

	Minimum Wage	Annual Earnings for Full-Time Worker at Minimum Wage
Massachusetts*	\$10.00	\$20,800
Connecticut*, Vermont*, Rhode Island	\$9.60	\$19,968
Maine	\$7.50	\$15,600
New Hampshire	\$7.25	\$15,080

* Increasing in MA to \$11.00 in 2017, in CT to \$10.10 in 2017, and in VT to \$10.50 in 2018.

Source: U.S. Department of Labor

Critics of increasing the minimum wage argue that requiring employers to pay higher wages will reduce employment and eliminate jobs for low-skilled workers that minimum wage proposals are intended to help. Empirical evidence of the impact of actual minimum wage increases on employment presents a more complicated picture.² Proponents argue that it would have a positive economic impact as low-wage workers spend their additional earnings, leading to the creation of new jobs through increased economic activity.³ Proponents also cite the reduced turnover costs from a higher minimum wage as an important benefit to employers.

¹ U.S. Department of Labor, Wage and Hour Division. 2016. *Minimum Wage Laws in the States*. <https://www.dol.gov/whd/minwage/america.htm>

² Dube, Arindrajit T. William Lester, and Michael Reich. 2010. *Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties*. IRLE Working Paper No. 157-07. <http://irle.berkeley.edu/workingpapers/157-07.pdf>

³ For estimates of the effect of minimum wage increases on economic growth, see: Aaronson, Daniel, and Eric French. 2013. *How Does a Federal Minimum Wage Hike Affect Aggregate Household Spending?* Chicago Fed Letter #313. Federal Reserve Bank of Chicago. http://www.chicagofed.org/webpages/publications/chicago_fed_letter/2013/august_313.cfm

It is beyond the scope of this brief to study the overall economic impact of raising the hourly minimum wage to \$15.00. A comprehensive impact study would quantify the effects on businesses of payroll increases and operating costs, the effects on employment from substitution away from unskilled labor, the effects of increased prices on the sales of consumer goods, and the income effects of increased incomes on consumer demand.⁴ The objective of this brief is to present information that describes who currently earns less than \$15.00 per hour in each state in New England, using data from the 2014 American Community Survey. Analysts generally expect that a minimum wage increase would also have a ripple effect on a sizable group of workers with wages just above the new minimum wage level. This brief focuses specifically on workers currently earning an hourly wage below \$15.00 and does not describe those who may be indirectly affected by an increase.

WHO MAKES LESS THAN \$15.00 PER HOUR IN NEW ENGLAND?

About a third of workers across New England—more than 1.7 million workers—currently make less than \$15.00 per hour. As shown in Table 2, the share of workers in each state with an hourly wage under \$15.00 ranges from 29.7% in Massachusetts (approximately 760,000 workers) to 43.2% in Maine (approximately 206,000 workers). These estimates represent the segment of the workforce that would be directly affected by an increase of the minimum wage to \$15.00; they do not include workers who currently make more than \$15.00 per hour but would likely be indirectly affected as a rising wage floor puts upward pressure on the wages of those just above the new minimum wage.

An even larger share of workers in large New England cities make less than \$15.00 per hour, as shown in Table 3. The majority of workers in Portland, Maine (59.5%); Providence (52.6%); and Hartford (53.1%) have hourly wages below \$15.00. The following sections discuss in more detail the characteristics of the workforce currently earning below \$15.00 per hour.

⁴ Reich, Michael, Sylvia Allegretto, Ken Jacobs, and Claire Montialoux. 2016. *The Effects of a \$15 Minimum Wage in New York State*. University of California, Berkeley, Center on Wage and Employment Dynamics. <http://www.irl.berkeley.edu/cwed/briefs/2016-01.pdf>

Table 2: Share of the Workforce that Earns Less Than \$15/Hour in New England States

	New England	CT	ME	MA	NH	RI	VT
All workers	32.3	30.6	43.2	29.7	33.3	37.6	38.6
Male	28.8	27.5	40.1	25.9	28.0	34.6	37.4
Female	35.8	33.7	46.2	33.3	38.6	40.4	39.9
White (non-Hispanic)	29.2	24.9	43.0	25.7	32.5	32.5	38.3
Black (non-Hispanic)	43.1	40.5	53.7	42.3	49.6	58.3	58.9
Latino	52.6	53.5	38.3	51.7	44.3	59.7	24.8

Table 3: Share of the Workforce that Earns Less Than \$15/Hour in Selected New England Cities

	Boston, MA	Worcester, MA	Providence, RI	Hartford, CT	Manchester, NH	Portland, ME*	Burlington, VT*
All workers	33.0	44.1	52.6	53.1	41.1	59.5	35.5
Male	29.1	37.0	48.9	50.4	37.3	51.7	34.6
Female	36.5	51.0	56.8	55.5	45.6	66.4	36.4
White (non-Hispanic)	24.1	35.3	36.5	41.7	37.9		
Black (non-Hispanic)	42.2	52.3	68.1	50.7	24.0		
Latino	46.3	58.5	64.5	60.2	54.0		

* The sample sizes for Portland and Burlington are too small for accurate estimates of racial composition.

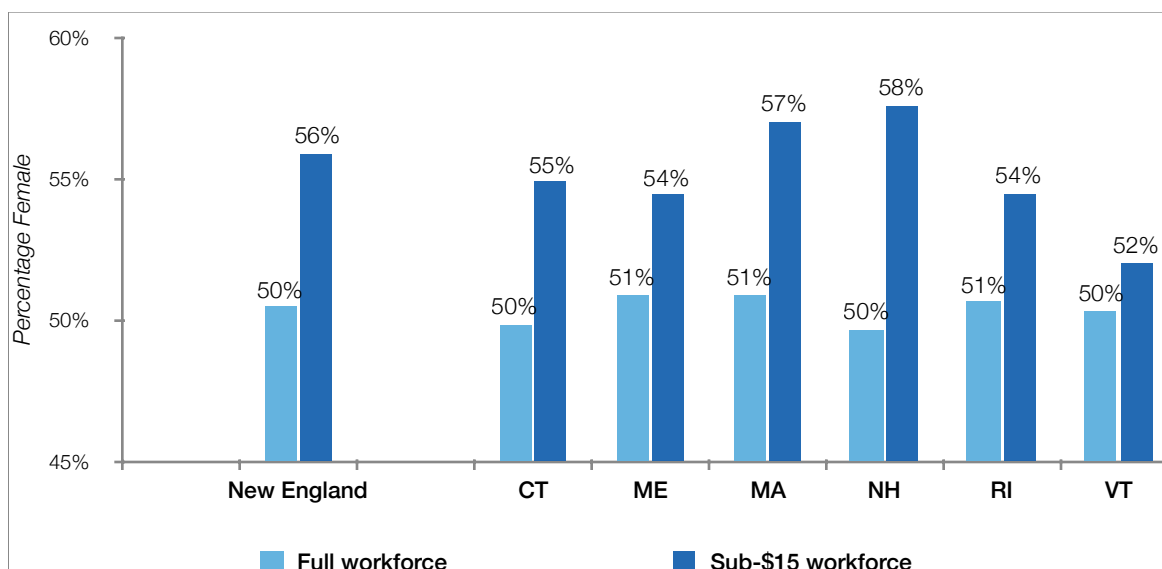
Gender

A greater share of women than men make less than \$15.00 per hour in every New England state (see Table 2). For example, in New Hampshire 38.6% of women in the workforce have wages under \$15.00, compared to 28.0% of men. This pattern holds in large New England cities as well (see Table 3). In Worcester, MA, 51.0% of women and

37.0% of men earn less than \$15.00 per hour. In Portland, ME, about two-thirds (66.4%) of women in the workforce have wages below \$15.00.

Figure 1 compares the gender composition of the total workforce to the sub-\$15.00 workforce in each state. While women make up almost exactly half of all workers in each state, they make up the majority of workers who earn less than \$15.00 per hour—ranging from 52.0% of the sub-\$15.00 workforce in Vermont to 57.6% in New Hampshire.

Figure 1: Gender Composition of the Sub-\$15 Workforce



Race/Ethnicity

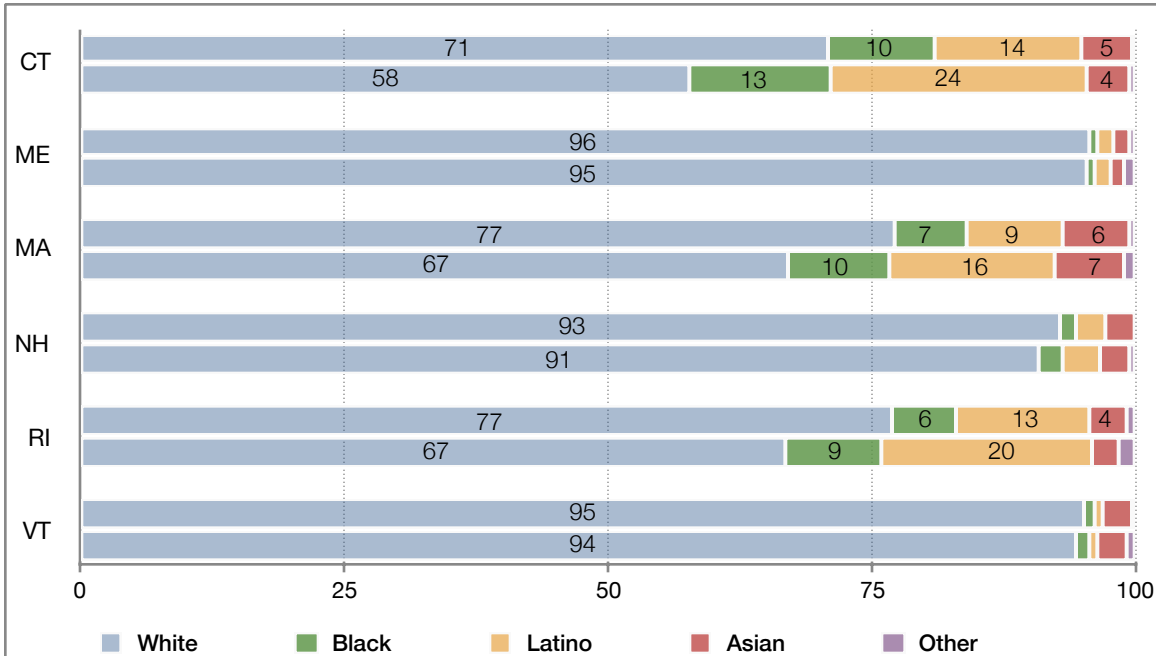
There are significant racial disparities in who makes less than \$15.00 per hour in New England. In many states, the majority of Black and Latino workers have hourly wages below \$15.00, as shown in Table 2. In Rhode Island, for example, 58.3% of all Black workers and 59.7% of all Latino workers earn less than \$15.00 per hour, compared to 32.5% of white workers in the state. In fact, the majority of Latino workers across the New England region (52.6%) make less than \$15.00 per hour. These racial differences are also stark in large New England cities (see Table 3).

A comparison of the racial composition of the overall workforce and the sub-\$15.00 workforce in Figure 2 shows that Black and Latino workers would benefit the most from an increase in the minimum wage. While Latinos account for 13.9% of the total

workforce in Connecticut, they comprise nearly a quarter (24.3%) of workers making less than \$15.00 per hour in that state.

Figure 2: Racial Composition of the Sub-\$15 Workforce

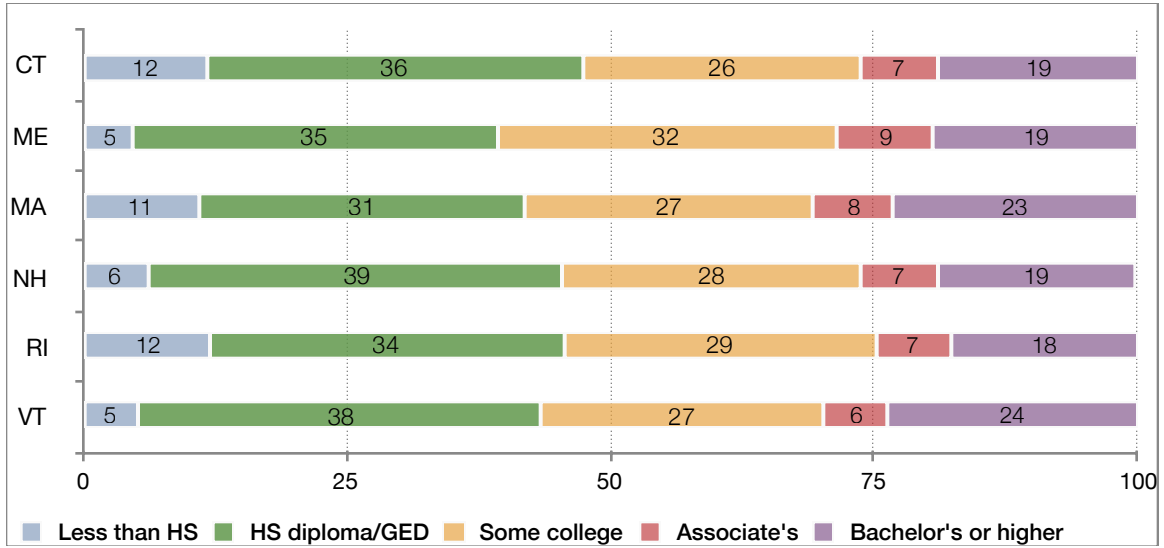
Note: For each state, the top and bottom bars represent the racial composition of the full workforce and of the sub-\$15 workforce, respectively.



Education

Workers earning less than \$15.00 per hour generally have lower levels of education than the rest of the workforce. However, a significant share—about one in five workers in New England with hourly wages below \$15.00—has at least a bachelor’s degree. As shown in Figure 3, the percentage of workers earning less than \$15.00 per hour that have at least a bachelor’s degree ranges from 17.7% in Rhode Island to 23.7% in Vermont.

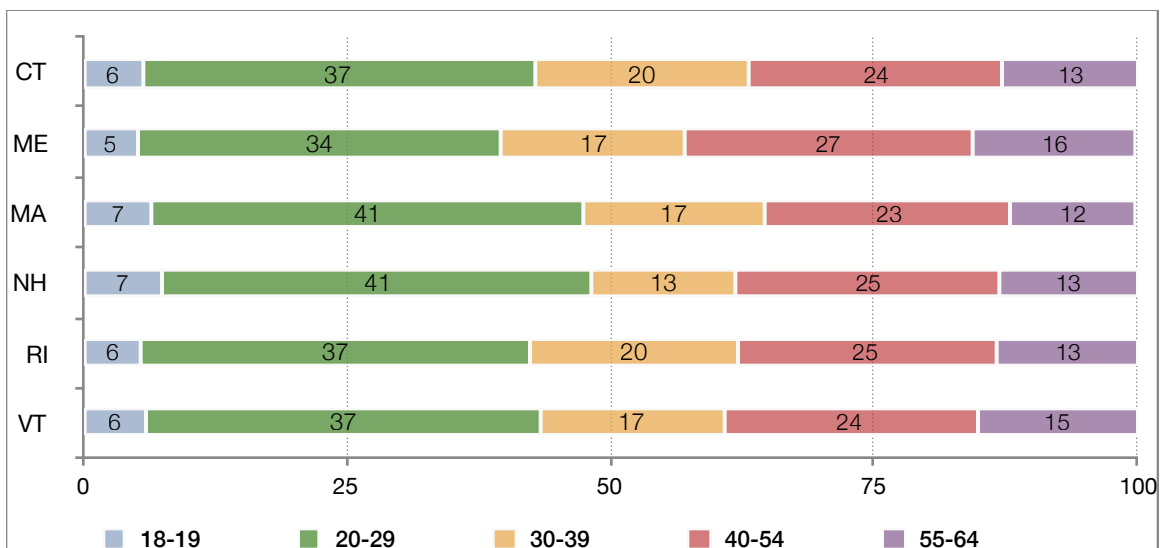
Figure 3: Educational Attainment of the Sub-\$15 Workforce



Age

The typical worker making less than \$15.00 per hour is in her mid-30s. Since the sample analyzed here is restricted to workers between 18 and 64 years old, it does undercount teenage workers. Nevertheless, it is notable that a significantly larger share of the sub-\$15.00 workforce is at least 55 years old than the share that is age 18 or 19 (see Figure 4). In every state, the majority of workers making less than \$15.00 per hour are at least 30 years old; more than a third of the sub-\$15.00 workforce is at least 40 years old.

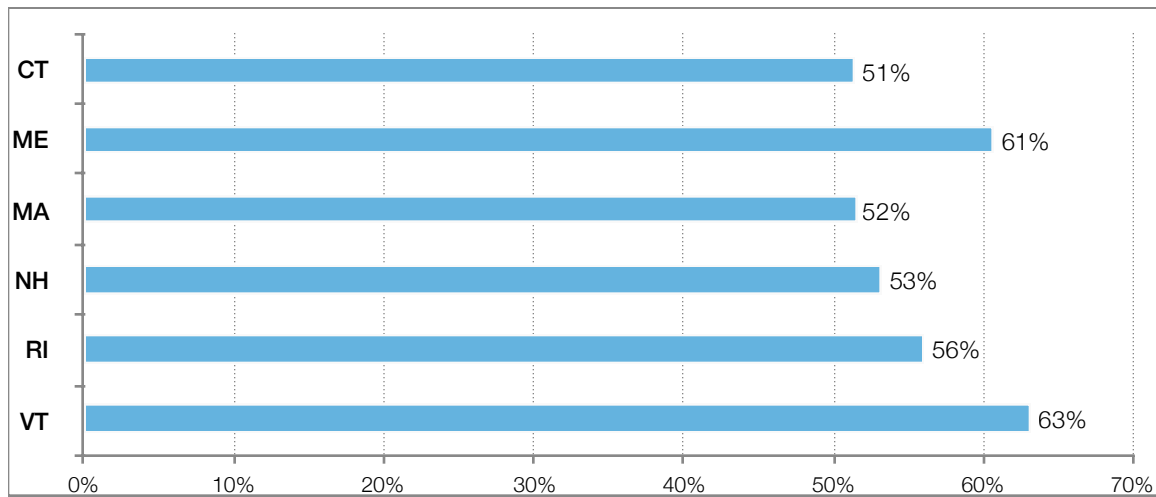
Figure 4: Age Composition of the Sub-\$15 Workforce



Families

The majority of those working for less than \$15.00 per hour are the primary earners in their families—their income accounts for more than half of their total family income, as shown in Figure 5. For these workers, their average contribution to the family income ranges from 51.5% in Connecticut to 63.2% in Vermont.

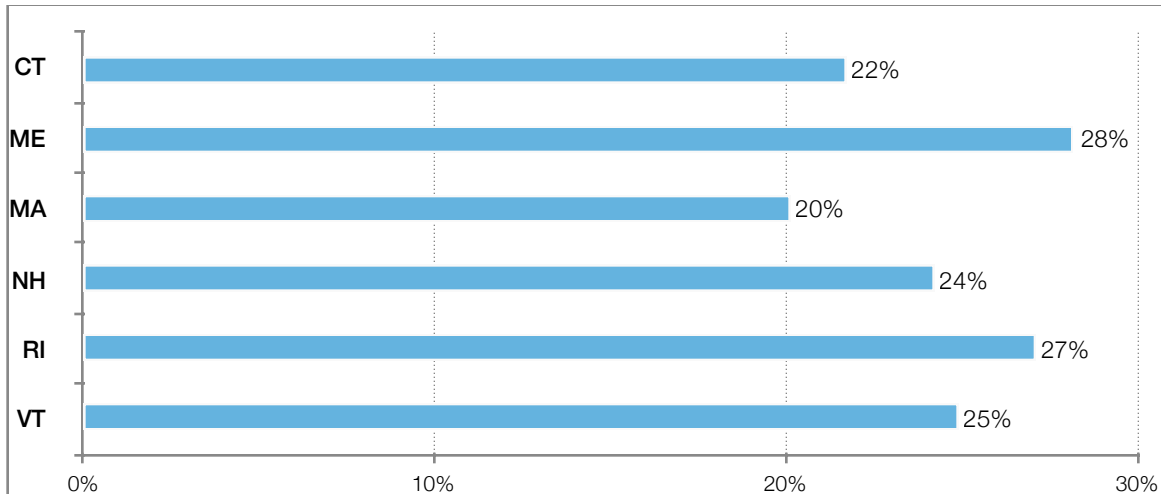
Figure 5: Average Share of Total Family Income Provided by Worker Making Under \$15/Hour



Across all of New England, nearly a third of workers making less than \$15.00 are parents with children. This figure ranges from 26.8% of the sub-\$15.00 workforce in Vermont to 32.7% in Connecticut. A substantial number of children, therefore, have at least one parent who is working with an hourly wage below \$15.00. In each state, more than one in five children have a parent who earns less than \$15.00 per hour, as shown in Figure 6. This figure ranges from 20.1% of children in Massachusetts to 28.2% of children in Maine. The percentage of children with a parent who makes under \$15.00 per hour is closely correlated with the state child poverty rate and other measures of disadvantage.⁵

⁵ Cooper, David. 2013. *Raising the Federal Minimum Wage to \$10.10 Would Lift Wages For Millions and Provide a Modest Economic Boost*. Economic Policy Institute, Briefing Paper #371. <http://www.epi.org/files/2014/EPI-1010-minimum-wage.pdf>

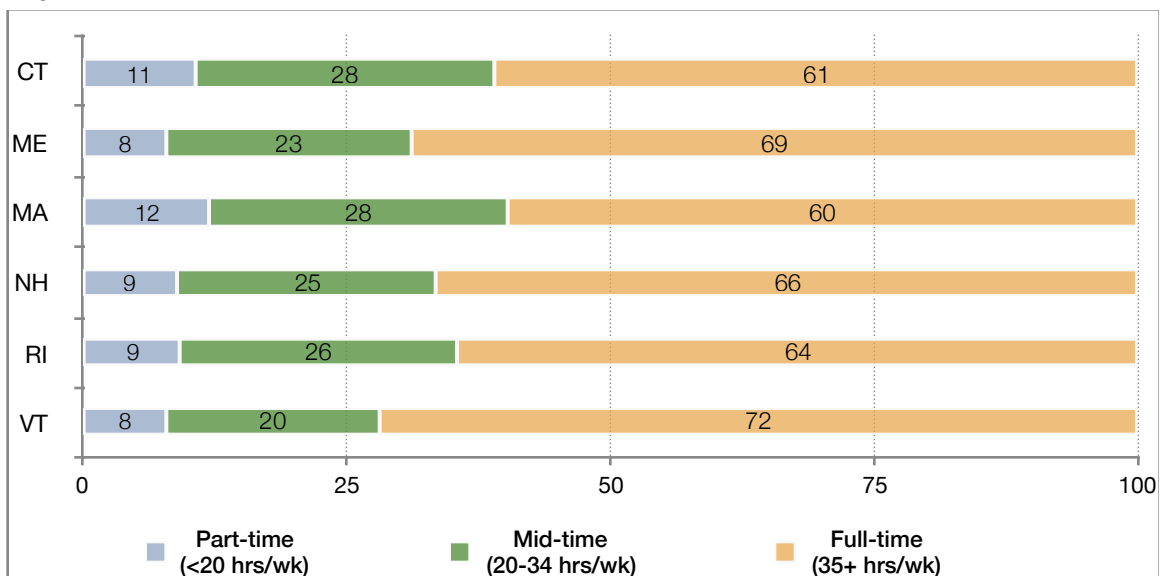
Figure 6: Children with at Least One Parent Earning Less Than \$15/Hour



Full-time and part-time workers

A significant majority of those with hourly wages below \$15.00 are full-time workers (at least 35 hours per week), as seen in Figure 7. Across the New England region, nine in 10 workers making less than \$15.00 per hour are either mid-time (20-34 hours per week) or full-time employees. Of the sub-\$15.00 workforce, the share working fewer than 20 hours per week ranges from just 7.9% in Maine to 12.0% in Massachusetts.

Figure 7: Full-Time and Part-Time Workers in the Sub-\$15 Workforce



Industries

Workers who earn less than \$15.00 per hour are employed throughout the economy, though they tend to be concentrated in similar industries across New England. The retail industry accounts for the largest share of the sub-\$15.00 workforce in each state, except Vermont (where retail ranks third behind health care and education). In Maine and New Hampshire, more than 20% of those with hourly wages below \$15.00 are employed in retail, as shown in Table 4. In nearly every state, retail, restaurants, health care, and social assistance (including child care) together account for about half or more of all workers who earn less than \$15.00 per hour. The only exception is Vermont, where these industries employ 40% of workers making less than \$15.00 per hour.

Table 4: Industries with the Largest Shares of the Sub-\$15 Workforce

	CT	ME	MA	NH	RI	VT
Retail trade	19.2	22.2	17.5	20.1	18.6	12.9
Health care & social assistance	16.5	18.0	17.3	15.7	17.2	15.6
Restaurants, food services & accommodation	13.4	14.5	16.1	13.9	16.2	11.4
Educational services	8.7	10.2	10.8	10.6	6.7	14.2
Durable manufacturing	5.7	2.8	3.7	5.9	7.6	8.6

METHODS

This analysis uses the 2014 IPUMS American Community Survey (ACS) data and follows an established methodology used in studies of minimum wage increases.⁶ The sample is comprised of noninstitutionalized civilians between age 18 and 64 who reported having some income in the previous 12 months, worked in the previous week, and were not self-employed or unpaid family workers.

To construct a sample of workers actively connected to the labor market, the analysis includes only respondents who worked more than 13 weeks last year and reported that they usually work more than three hours per week. These selection criteria have a small impact. For workers in New England, these restrictions drop 2.9% of the observations.

Since the ACS does not specifically provide a measure of hourly wages, the hourly wage variable in this analysis is constructed based on annual earnings, number of weeks worked last year, and reported usual hours worked per week. The number of weeks worked last year is recorded in the ACS as a categorical variable (e.g., 14-26 weeks). For the analysis, the number of weeks worked last year is imputed as the midpoint of each interval. The annual earnings variable in the ACS includes total pretax wage and salary income. The hourly wage variable is computed as: annual earnings / (weeks worked last year * usual hours worked per week).

⁶ These methods are detailed in: Welsh-Loveman, Jeremy, Ian Perry and Annette Bernhardt. 2014. *Data and Methods for Estimating the Impact of Proposed Local Minimum Wage Laws*. University of California, Berkeley, Center on Wage and Employment Dynamics. <http://www.irlle.berkeley.edu/cwed/briefs/2014-01-data-and-methods.pdf>