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RAISING THE MINIMUM WAGE IS GOOD ECONOMICS

HON. BARNEY FRANK

of massachusetts

in the house of representatives

Tuesday, February 14, 2006

Mr. FRANK of Massachusetts. Mr. Speaker, a study completed last month by Alicia Sasser, of the Federal Reserve Bank of Boston's New England Public Policy Center, contains good news for those of us who have been pushing for an increase in the minimum wage. Ms. Sasser's very careful and well-documented conclusion is that an increase in the minimum wage in the State of Massachusetts would have significant overall benefits for the people of the State. To summarize her conclusion, "increasing the minimum wage by \$1.50 in Massachusetts is likely to have a small impact on employment--roughly on the order of 1 to 4 percent of affected workers. In addition, according to the analysis presented in this report, the combined impact of the two wage increases (contemplated and pending legislation in Massachusetts) would result in an estimated net wage gain of approximately \$255 million. It should be noted, however, that the benefits of this increased wage gain may be diminished if employers respond by cutting hours or reducing their contributions to health insurance."

It should be noted, Mr. Speaker, that this is an analysis of what will happen in one State if that State alone raises the minimum wage. One of the potential negative effects is the loss of jobs for competitive reasons to the nearby State of New Hampshire, which does not have a minimum wage. What this means is that if we were to adopt a minimum wage increase on the national level, we would get, I believe, the advantages that Ms. Sasser's analysis, shows without that particular competitive disadvantage that comes from two States of virtually identical social composition right next to each other, having significant minimum wage differentials. While obviously there is international economic competition, it is not nearly as direct, especially in the industries that are affected by minimum wage increase.

Mr. Speaker, I recommend that Members read this report. It is too long for inclusion here in the Record, but it is New England Public Policy Center Research Report Series, No. 06-1, issued in January. This analysis in my view--I do not impute it to either the Federal Reserve or Ms. Sasser--strongly argues in favor of Federal legislation to raise the minimum wage.
