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Joint Committee on Labor and Workforce Hearing: Minimum Wage
June 11, 2013

S878: An Act to improve the Commonwealth's economy with a strong minimum wage
H1701: An Act to improve the Commonwealth's economy with a strong minimum wage
H1757: An Act promoting the Commonwealth's economic recovery with a strong minimum wage

Chairman Wolf, Chairman Conroy, and other members of the committee:

Thank you for the opportunity to provide written testimony on the various proposed increases in the Commonwealth's minimum wage. My name is Alicia Sasser Modestino and I am a Senior Economist at the New England Public Policy Center at the Federal Reserve Bank of Boston, where I have conducted research that examines the costs and benefits of raising the minimum wage in Massachusetts. My testimony reflects my own views and does not necessarily represent the views of the Federal Reserve Bank of Boston or the Federal Reserve System.

I would like to clarify at the outset of this testimony that I have not had sufficient time to review the details of the proposed legislation; that being said, I do believe that legislation to raise the Commonwealth's minimum wage warrants serious consideration. However, during times of economic recovery it is important to balance the benefits of raising wages for workers in minimum wage jobs with the imperative of continuing to foster job creation.

Summary

Although there is a considerable amount of debate over the current proposal to raise the minimum wage in Massachusetts, several key facts seem clear. First, the purchasing power of the minimum wage in Massachusetts has been eroded over time by rising costs of living. Second, increasing the minimum wage could benefit approximately half a million workers, of which 38 percent work full-time. Third, raising the minimum wage to the proposed level of $11.00 per hour would enable a full-time worker to receive an annual income of $22,880, rising above the federal poverty level for a family of three with one working adult and two children.

The crux of the debate centers on the tradeoff between the benefit of increasing wages for low-wage workers and the cost of potential job losses. To date, no analysis has explicitly calculated the potential job loss associated with increasing the minimum wage in Massachusetts. The evidence from the economics literature demonstrates that raising the minimum wage is often associated with some job loss or slower job creation—albeit the overall effect on employment is typically small. However, the observation that raising the minimum wage has a small effect on employment may be due to the fact that increases in the minimum wage are generally modest, affect relatively few workers, or occur during periods of economic expansion when employers and/or consumers are able to absorb the additional labor costs. Moreover, more recent evidence suggests that although raising the minimum wage may have a small negative effect in the aggregate, the impact of a large increase in the minimum wage on particular groups of workers—such as low-skilled workers—appears to be larger.

For Massachusetts, the question is whether the current proposed increase can be expected to have a small impact on employment. Our analysis of the previous proposed increase in the minimum wage in 2006 indicated that there was likely to be a small negative impact on employment. However, the current proposed increase differs from that earlier legislation in several important ways. First, the three bills currently in question seek an increase that is larger in magnitude. Second, provisions regarding the coverage of tipped workers and certain occupations that had previously been excluded suggest that the current proposed increase would likely affect a larger share of the Commonwealth's workforce. Third, the timing of the increase is such that the minimum would take effect in the midst of an economic recovery characterized by particularly slow job growth.

I would strongly urge the Commonwealth to engage in an objective, high-quality analysis of the potential economic impacts of the proposed increases. This analysis should provide a range of assumptions regarding the potential negative response of employers, explore multiple scenarios regarding the future economic outlook, and provide estimates for different subsets of low-wage workers that might be disproportionately affected. In a time when job creation is still a high priority, it is especially crucial to understand the costs and benefits associated with raising the minimum wage.

The following review of the potential costs and benefits of raising the minimum wage in Massachusetts highlights the complexities surrounding this issue. The Commonwealth will need to carefully weigh these factors in determining whether the net economic impact supports passage of the current proposal.

How does Massachusetts compare with other states?

Massachusetts is among 20 states, along with the District of Columbia, with a state minimum wage that is higher than the federal minimum wage of $7.25 per hour that went into effect as of July 2009 (see Table 1). Of note, every New England state except New Hampshire currently has a minimum wage that exceeds the federal level. Ten states, including Vermont, currently index their state minimum wages to inflation.

Among states that set a minimum wage higher than the federal threshold, Massachusetts currently ranks 7th along with California. Both Connecticut and Vermont have minimum wages that are higher than the current rate in Massachusetts. However, if any of the current proposals were approved, the Commonwealth would have the highest state minimum wage in the country. Only in cities such as Boston and Los Angeles, which require employers under contracts or receiving grants from the city to pay a living wage, would the prevailing minimum wage be higher.

The President's call to raise the federal minimum wage to $9.00 per hour by 2015 and thereafter pegging increases to inflation has reinvigorated the debate over the minimum wage at the state level. Moreover, the defeat of the Fair Minimum Wage Act of 2013 by House Republicans in March has also served to galvanize efforts at the state level. In New England, state legislatures in Connecticut, Maine, New Hampshire, and Rhode Island debated increasing the minimum wage in 2013 with various degrees of success. In Connecticut, both the Senate and the House passed a bill that is expected to be signed by the Governor that would increase the minimum wage to $8.70 in 2014 and to $9.00 in 2015. In Maine, both the Senate and House passed a bill to increase the state minimum wage from $7.50 to $8.00 in July 2014, then to $8.50 in July 2015, then to $9.00 in July 2016 and to index the wage to inflation thereafter, although the bill is under review with the special appropriations committee before it goes to Governor. [1] In New Hampshire, three bills were considered: one setting the minimum wage at $9.25, another at $8.00 and a third that would set the minimum wage one dollar over the federal minimum. In Rhode Island, two bills were proposed that would increase the minimum wage in that state from $7.75 to $8.25 in 2014 and with annual adjustments for inflation.

What are the potential economic benefits of raising the minimum wage?

Proponents of raising the minimum wage emphasize that the purchasing power of the state minimum wage has decreased over time such that workers and their families can no longer afford the basic necessities. Supporters typically argue that increasing the minimum wage can help lift families out of poverty. Moreover, supporters of raising the minimum wage also argue that for low-wage households the aggregate benefits of higher wages outweigh the potential costs of job losses. In addition, those in favor of the bill note that raising the minimum wage may yield some benefits to employers that can potentially offset the increase in labor costs. For example, higher wages might reduce turnover, lower training costs, and increase the purchasing power of low-wage consumers. It has also been argued that indexing the minimum wage to inflation could provide more certainty for employers when setting wages.

It is true that the real (inflation-adjusted) value of the minimum wage in Massachusetts has been eroded over the past five years. Using changes in the Consumer Price Index to measure inflation, we calculate the value of the minimum wage each year to determine the inflation-adjusted wage that would have prevailed had the minimum wage been indexed to inflation after the last increase in 2008.[2] Our calculations reveal that the minimum wage in Massachusetts would currently stand at $8.46 if it had been indexed to inflation. Assuming that inflation increases at a similar rate for 2013 as for 2012 would put the minimum wage at $8.53 as of July 2013—$0.47 shy of the $9.00 initial increase that has been proposed for this year.

It is also likely that raising the minimum wage could potentially help a considerable number of low-wage workers in the Commonwealth. According to a recent report issued by the Massachusetts Budget and Policy Center, roughly 94,000 people earned at or very close to the minimum wage of $8.00 per hour in Massachusetts during the 12 month period between 2011 Q4 and 2012 Q3.[3] Another 100,000 workers earned between $8.00 and $9.00. Thus an increase in the state minimum wage to $9.00 per hour could potentially affect nearly 200,000 workers in total—or roughly 6 percent of the Commonwealth's workforce. Similar calculations by the MBPC indicate that further increases in the minimum wage to $10.00 and $11.00 could affect an additional 138,000 and 159,000 respectively for a total of nearly half a million workers—roughly 15 percent of the Commonwealth's workforce.[4]

It is also possible that the erosion of the minimum wage over time may have increased the number of families in poverty, depending on the number of minimum wage workers in a given family. For example,

[1] http://www.ncsl.org/issues-research/labor/2013-state-minimum-wage-legislation.aspx

[2] We use the change in the Consumer Price Index for All Urban Consumers for Boston-Brockton-Nashua, MA-NH-ME-CT from July of year t-1 to July of year t to determine the growth in the minimum wage for a given year t.

[3] Massachusetts Budget and Policy Center. 2013. "Who is Affected by the Minimum Wage?" *Facts at a Glance*, January 18.

[4] As of April 2013 there were approximately 3,250,000 workers in Massachusetts. http://www.bls.gov/eag/eag.ma.htm

a full-time full-year worker earning the current minimum wage in Massachusetts receives a salary of $16,640 per year, just below the federal poverty threshold for household with one adult and two children of $18,498 as of 2012 (see Table 2). For a family with two adults and two children, the federal poverty threshold was $23,283—attainable if more than one of the adults is working full-time full-year in a minimum wage job or if one of the adults earns more than the minimum wage.[5]

However, it should be noted that the federal poverty threshold does not estimate actual costs for items such as housing, child care, or out-of-pocket medical expenses and does not account for regional variation in costs.[6] To address these shortcomings, the Economic Policy Institute (EPI) developed a series of basic family budgets by family type, individualized for communities nationwide.[7] For the year 2007, the EPI basic family budget for a family of four with two children and two adults ranged from $58,745 in Pittsfield to $68,909 in the Boston area—more than one-and-a-half to two times the combined full-time full-year salaries of two minimum wage workers would currently earn.[8]

Although these examples show that families relying on minimum wage workers may fall below some poverty or cost-of-living threshold, critics argue that individuals who work for the lowest wages are not necessarily members of the poorest families. For example, minimum wage workers may include teens or secondary earners living in higher-income households. Indeed, studies in the economics literature find that increasing the minimum wage has a relatively small impact on reducing the proportion of families below the federal poverty level—on the order of 5 percent.[9] This is because despite employment growth among single mothers, most workers who benefitted from the increase in the minimum wage lived in nonpoor families and most working poor already had wages above the proposed minimums.[10]

In response to this criticism, supporters of raising the minimum wage in Massachusetts point out that doing so would not simply benefit teens or part-time workers. Using Current Population Survey data, a recent report issued by the Massachusetts Budget and Policy Center shows that 73 percent of minimum

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[5] Data on the 2012 federal poverty thresholds by size of family and number of related children under 18 years come from the U.S. Census Bureau http://www.census.gov/hhes/www/poverty/data/threshld/index.html .

[6] The poverty threshold was developed by multiplying the typical food budget by a factor of three since a 1955 USDA survey showed that families of three or more persons typically spent one-third of their after-tax budget on food. The threshold is adjusted for families of various sizes and is updated for inflation each year. See U.S. Department of Health and Human Services. "Frequently Asked Questions Related to the Poverty Guidelines and Poverty." http://aspe.hhs.gov/poverty/faq.cfm#developed .

[7] The EPI basic family budget separately estimates the costs of housing, food, child care, transportation, health care, other necessities, and taxes based on a combination of U.S. Census data and national and/or state-level surveys. Allegretto, Sylvia and Yulia Fungard. 2005. "Family Budget Technical Documentation." Economic Policy Institute. See http://www.epi.org/resources/budget/

[8] Note that the EPI basic family budget is calculated for 12 regions within the state. However, within some of the regions (such as the Lawrence area), there may be considerable variation in costs, particularly housing, so that the standard may overstate the minimum income needed depending on which town the family actually resides (e.g., Andover versus Lawrence).

[9] See for example Brown, Charles. 1999. "Minimum Wages, Employment, and the Distribution of Income." In Ashenfelter, O. and D. Card, eds. Handbook of Labor Economics, Volume 3.

[10] Burkhauser, Richard V. and Joseph Sabia. 2007. "The Effectiveness of Minimum Wage Increases in Reducing Poverty: Past, Present, and Future." *Contemporary Economic Policy*, Vol. 25, No. 2, April. Sabia, Joseph and Richard V. Burkhauser. 2010. "Mínimum Wages and Poverty: Will a $9.50 Federal Minimum Wage Really Help the Working Poor?" Southern Economic Journal, 76(3), 592-623.

wage workers are aged 20 years or older. Of the roughly half-million low-wage workers who could benefit from the proposed increase to $11.00 per hour, approximately 38 percent work full-time.[11]

What are the potential costs of raising the minimum wage?

Opponents emphasize that an increase in the minimum wage would raise labor costs for employers, particularly small businesses and retailers. In particular, they argue that these additional costs may be absorbed by employers, passed on to consumers in the form of higher prices, or reduce employment among minimum-wage workers.

Opponents are concerned that if employers absorb most of the additional labor costs, then Massachusetts firms may find themselves at a competitive disadvantage relative to firms in neighboring states, particularly New Hampshire – the only New England state that has not increased its minimum wage beyond the federal level. However, there are likely to be factors other than the minimum wage that might affect the competitiveness of the two states, such as the cost of living, overall tax structure, or the education level of the workforce. As such, it is largely an open empirical question as to whether Massachusetts would be placed at a competitive disadvantage relative to other states.

Rather than absorbing these additional labor costs, employers may be able to pass on some part of the minimum wage increase to consumers in the form of higher prices. A recent study using store-level and aggregated Consumer Price Index data, found that restaurant prices rise in response to minimum wage increases. Moreover, they find that prices rise *more* in states where the change in the minimum wage is greater, for restaurants that typically pay at or near the minimum wage, and in cities where a greater fraction of workers paid at or near the minimum wage.[12] Yet a review of 30 recent studies found that the price effect, like the employment effect, is small. Despite the different methodologies, data periods and data sources, most studies found that a 10 percent increase in the minimum wage raises food prices by at most 4 percent and raises prices for all goods and services by at most 0.4 percent.[13]

Aside from the impact on employers and consumers, the main focus of arguments against raising the minimum wage is the potential negative impact on the labor market for low-wage employees. The primary concern is that raising the minimum wage might decrease employment for affected workers. Opponents of the bill also point out that, rather than laying off workers, employers might reduce the hours of current employees, resulting in underemployment rather than unemployment. Alternatively, firms might reduce employee benefits, such as health insurance contributions, in response to an increase in labor costs associated with the minimum wage. Finally, opponents also warn that indexing the minimum wage to inflation can add rigidity to the labor market such that real wages cannot adjust downward during periods of recession, possibly resulting in greater unemployment during future downturns.

What is the typical impact of raising the minimum wage on employment?

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[11] Massachusetts Budget and Policy Center. 2013. "Who is Affected by the Minimum Wage?" *Facts at a Glance*, January 18.

[12] Aaronson, Daniel, Eric French and James MacDonald. 2008. "The Minimum Wage, Restaurant Prices, and Labor Market Structure." *The Journal of Human Resources*, vol. XLIII, No. 3.

[13] Lemos, Sara. 2008. "A Survey of the Effects of the Minimum Wage on Prices." *Journal of Economic Surveys*, Vol. 22, No. 1, pp. 187–212.

Most economists agree that, in theory, increasing the minimum wage can lead to a decrease in employment.[14] However, if most workers already earn more than the minimum wage, then one might expect only a small decrease in aggregate employment. During a period of economic expansion, employment might actually rise along with an increase in the minimum wage, just not as rapidly as it would have otherwise.

Numerous studies have sought to quantify the effects of raising the minimum wage on employment. The debate centers around how sensitive (or "elastic") the demand for labor is in response to changes in the wage rate. The more sensitive the demand for labor to changes in the wage rate (the greater the elasticity of demand), the greater the reduction in employment. Typically, the minimum wage increase examined in these studies ranges between 16 and 27 percent and generally occurs in two steps over a two-year period.

The preponderance of empirical evidence in the economic literature suggests that increases in the minimum wage do result in decreases in employment, but that this effect is likely to be small. For example, a 1998 survey of 63 labor economists who were asked to provide their "quantitative best estimates" of the effect of increasing the minimum wage by 10 percent reported an average employment effect of -2 percent.[15] In addition, a careful evaluation of the economic literature over the past three decades by Charles Brown, Professor of Economics at the University of Michigan and a leading economist in this area, concludes that "the minimum-wage effect is small (and zero is often hard to reject)" and is "centered on an elasticity of -0.10."[16] This means that a 10 percent increase in the minimum wage would be expected to yield on average a 1 percent decrease in employment.

Brown also notes that the degree to which researchers are able to capture the impact on workers directly affected by the minimum wage varies across studies. Some studies use data on workers currently earning the minimum wage, while others focus on particular industries (e.g., retail trade) or demographic groups (e.g., teens) that are most likely to be affected by changes in minimum wage laws. Taking into account this variation across studies, Brown suggests that the elasticity of demand for workers directly affected by minimum wage increases could be as high as -0.5, so that a 10 percent increase in the minimum wage would be expected to yield on average a 5 percent decrease in employment.

Since Brown's seminal review, more recent studies in the economics literature continue to confirm his earlier conclusion of a small negative impact on employment that is often indistinguishable from zero. A 2007 survey of the literature finds that a sizable majority of the studies give a relatively consistent (although not always statistically significant) indication of negative employment effects of minimum

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[14] Case, Karl and Ray Fair. Principles of Economics. 2005. (New Jersey: Pearson/Prentice Hall), p. 277

[15] Fuchs, Victor, Alan Krueger, and James Poterba. 1998. "Economists' Views About Parameters and Policies: Survey Results in Labor and Public Economics." Journal of Economic Literature, vol. 36 (September), pp. 1387-1425.

[16] Across the more than 50 studies reviewed by Brown, the estimated wage elasticity ranges from -0.87 to +.37 depending on the sample, methodology, and data used. He finds that more recent papers replicating earlier studies with additional years of data generally find less negative effects. In addition, newer studies that use comparisons across states report elasticities that cannot be distinguished from zero, suggesting no effect. Finally, several studies using surveys of fast-food restaurants before and after a minimum wage change actually find a positive impact on employment. Brown, Charles (1999), p. 2154.

wages.[17] Other more recent papers using county-level data on policy discontinuities at state borders to identify the effects of minimum wages on earnings and employment in restaurants and other low-wage sectors since 1990, find no adverse employment effects. Moreover, these studies show that traditional approaches that do not account for local economic conditions tend to produce spurious negative effects due to spatial heterogeneities in employment trends that are unrelated to minimum wage policies.[18]

Moreover, recent evidence suggests that large minimum wage increases during an environment of deep recession can have negative employment effects, but the effect is still small. One study looked at the impact of the increase in the federal minimum wage during the Great Recession on two high-risk groups – restaurant-and-bar employees and teenagers.[19] The authors find limited overall evidence of reduced employment within restaurants and among teenagers, but stronger evidence of a disemployment effect for both groups in states with particularly high unemployment rates. They conclude that even when implemented during a significant economic downturn, minimum-wage increases do not appear to have particularly strong effects in reducing employment within the sector of the economy most likely to be affected by the minimum wage.

However, it has also been suggested that although raising the minimum wage may have a small negative effect in the aggregate, that the impact on particular groups of workers—such as teens or low-skilled workers—may be quite large. Here the evidence is somewhat mixed. On the one hand, a recent study finds that that teen employment was unusually low and falling substantially *prior* to the actual increase in the minimum wage. Once these state-specific trends are accounted for, the employment impact on teens is virtually zero.[20] On the other hand, a recent examination of a particularly larger increase in the minimum wage in New York State on 16-29 year olds who did not have a high school diploma found relatively large negative employment effects on the order of -0.7.[21] An older study of tipped restaurant workers found that employment rises for small increases in the minimum wage but falls for larger increases.[22]

What does this mean for Massachusetts?

The observation that raising the minimum wage has a small effect on employment may be due to the fact that increases in the minimum wage are generally modest, affect relatively few workers, or occur during

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[17] Neumark, David and William L. Wascher. 2007. "Minimum Wages and Employment." Foundations and Trends in Microeconomics, Vol. 3, No 1–2, pp. 1–182.
[18] Dube, Arindrajit, T. William Lester, and Michael Reich. 2010. "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties. *The Review of Economics and Statistics*, November, 92(4): 945–964. Dube, Arindrajit, Suresh Naidu, and Michael Reich. 2007. "The Economic Effects of a Citywide Minimum Wage." *Industrial and Labor Relations Review*, Vol. 60, No. 4, July.
[19] Addison, John T., McKinley L. Blackburn and Chad D. Cotti. 2013. "Minimum Wage Increases in a Recessionary Environment." *Labour Economics*, vol. 23, pp. 30-39.
[20] Allegretto, Sylvia A., Arindrajit Dube, and Michael Reich. 2011. "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data." *Industrial Relations*, Vol. 50, No. 2, April.
[21] Sabia, Joseph, Richard V. Burkhauser and Benjamin Hansen. 2012. "Are the Effects of Minimum Wage Increases Always Small? New Evidence from a Case Study of New York State. *Industrial Labor Relations Review*, 65(2), April.
[22] Wessels, John Walter. 1997. "Minimum Wages and Tipped Servers." *Economic Inquiry, Vol.* XXXV, April, 334-349.

periods of economic expansion when employers and/or consumers are able to absorb the additional labor costs. For Massachusetts, the question is whether the current proposed increase can be expected to have a small impact on employment.

The current proposed increase in Massachusetts differs from earlier increases in the state's minimum wage in several ways. First, the proposed increase to $11.00 by 2015 would raise the minimum wage by 38 percent to a level beyond what the minimum wage would have been had the previous 2008 increase been inflation-adjusted over time.[23] As a result, roughly 15 percent of the Commonwealth's workforce is likely to be affected by the increase—a greater share of workers than that of earlier legislated increases.[24] Second, the proposed bills would also increase the wages of tipped workers to 70 percent of the prevailing minimum wage or $7.70 by 2015. This would boost the number of affected workers who had previously been paid a minimum cash wage of $2.63. Third, the timing of the increase is such that the minimum would take effect in the midst of an economic recovery characterized by particularly slow job growth.

Thus, the impact on employment of raising the minimum wage in Massachusetts as outlined in the current proposals is an open empirical question. Such an impact is typically calculated as the number of affected workers times the "effective" increase in the minimum wage times the elasticity of demand for labor. One recent study by the Economic Policy Institute purports that increasing the minimum wage to $11.00 per hour would generate jobs.[25] However, that study considers only the potential multiplier effects of the increased spending associated with higher wages earned by low-wage workers and the decreased spending by employers. It does not explicitly take into account the potential negative impact on the employment of low-wage workers due to their higher labor costs.

Our analysis of the previous minimum wage increase in Massachusetts that passed in 2006 examined the potential impact on both aggregate employment and wages using a range of estimated response gleaned from the economics literature. We found that increasing the minimum wage from $7.50 to $8.25 would have a negative impact on employment ranging from 2,100 to 10,500 jobs, or 1 to 4 percent of workers whose wages would be affected by the bill. On net, the combined impact of the two wage increases was projected to raise aggregate wages by approximately $255 million. Overall, our projections indicated a small negative effect on employment that would be outweighed by the net gain in wages. However, the job loss associated with the Great Recession makes it is difficult to assess the accuracy of our projections.

To date, no analysis has explicitly calculated the potential job loss associated with the current proposal to increase the minimum wage in Massachusetts. I would strongly urge the Commonwealth to engage in an objective, high-quality analysis of the potential economic impacts of the proposed increases. This analysis should provide a range of assumptions regarding the potential negative response of employers, explore multiple scenarios regarding the future economic outlook, and provide estimates for different subsets of low-wage workers that might be disproportionately affected. In a time when job creation is still a high priority, it is especially crucial to understand the costs and benefits associated with raising the minimum wage.

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[23] House bill 1757 raises the minimum wage in Massachusetts to $12.00 by 2015, an increase of 50 percent.

[24] The previous proposed increase in 2006 to raise the minimum wage to $7.50 per hour in 2006 and then to $8.25 per hour by 2007. The combined increase was expected to affect roughly 9 percent of the state's workforce.

[25] Economic Policy Institute. 2012. "A Massachusetts Minimum-Wage Increase Would Help Working Families and Generate Jobs." Issue Brief #340, August 21.

Table 1
State Minimum Wages as of January 2013

State	State Minimum Wage*	Increases Tied to Federal Minimum Wage**	Indexed Automatic Adjustments	Rank (if above federal minimum)
Washington	$9.19		Beginning January 1, 2001, and annually thereafter, the rate will be adjusted for inflation by a calculation using the consumer price index for urban wage earners and clerical workers for the prior year.	1
Oregon	$8.95		Beginning January 1, 2004, and annually thereafter, the rate will be adjusted for inflation by a calculation using the U.S. City Average Consumer Price Index for All Urban Consumers for All Items. The wage amount established will be rounded to the nearest five cents.	2
Vermont	$8.60	yes	Beginning January 1, 2007, and on each subsequent January 1, the minimum wage rate shall be increased by five percent or the percentage increase of the Consumer Price Index, or city average, not seasonally adjusted.	3
Connecticut	$8.25	yes [1]		4
Washington, DC	$8.25	yes [2]		4
Illinois	$8.25			4
California	$8.00			7
San Francisco	$10.55		yes	
Los Angeles	$11.95/$10.70 [3]		yes	
Massachusetts	$8.00	yes [4]		7
Boston	$13.49		yes	
Arizona	$7.80		Rate is increased annually based upon a cost of living formula.	9
Florida	$7.79		Rate is increased annually based upon a cost of living formula.	10
Colorado	$7.78		Rate is increased annually based upon a cost of living formula.	11
Alaska	$7.75			12
Rhode Island	$7.75			12
Maine	$7.50	yes [5]		14
New Mexico	$7.50			14
Michigan	$7.40			16
Missouri	$7.35 [6]		Minimum wage is to be increased or decreased by a cost of living factor starting January 1, 2008 and every January 1 thereafter.	17
Nevada	$8.25/$7.25 [7]		Future adjustments subject to increases in the federal minimum wage and consumer price index.	18
Ohio	$7.85/$7.25 [8]		The minimum wage will be automatically adjusted each September and increases implemented each January, based on inflation as determined by the Consumer Price Index.	19
Montana	$7.80/$4.00 [9]		Minimum wage is subject to a cost of living adjustment tied to the Consumer Price Index, done by September 30 of each year and effective on January 1 of the following year.	20
Delaware	$7.25	yes		
Hawaii	$7.25			
Idaho	$7.25			
Indiana	$7.25	yes		
Iowa	$7.25	yes		
Kansas	$7.25			
Kentucky	$7.25	yes		
Maryland	$7.25	yes		
Nebraska	$7.25			
New Jersey	$7.25			
New York	$7.25	yes		
North Carolina	$7.25			
North Dakota	$7.25			
Pennsylvania	$7.25			
South Dakota	$7.25			
Texas	$7.25			
Utah	$7.25			
Virginia	$7.25			
West Virginia	$7.25	yes		
Wisconsin	$7.25			

Arkansas	$6.25			
Georgia	$5.15			
Wyoming	$5.15			
Oklahoma	$7.25/$2.00 [10]			
Minnesota	$6.15/$5.25 [11]			
New Hampshire	repealed by HB 133 in 2011	yes		
Alabama	none			
Louisiana	none			
Mississippi	none			
South Carolina	none			
Tennessee	none			

Sources:
National Conference of State Legislatures State Minimum Wage Chart, http://www.ncsl.org/issues-research/labor/state-minimum-wage-chart.aspx
City & County of San Francisco Labor Standard Enforcement, http://sfgsa.org/index.aspx?page=411
City of Boston Jobs & Community Services: http://www.cityofboston.gov/jcs/Liv_wage_ord.asp
City of Los Angeles, http://bca.lacity.org/site/pdf/lwo/living%20wage%20poster.pdf

Notes:

* In states where the minimum wage is below that of the federal minimum or where no state minimum is specified, the current federal wage or $7.25 prevails. Boston and Los Angeles are living wages required of employers under contracts or receiving grants from the city.

** Federal By Reference - State does not establish a dollar amount for its own minimum wage but adopts federal minimum wage by reference. When the federal minimum wage is raised, therefore the state minimum wage is raised as well.

[1] Connecticut: The Connecticut minimum wage rate automatically increases to 1/2 of 1 percent above the rate set in the Fair Labor Standards Act if the Federal minimum wage rate equals or becomes higher than the State minimum.

[2] District of Columbia: In the District of Columbia, the rate is automatically set at $1 above the Federal minimum wage rate if the District of Columbia rate is lower.

[3] Los Angeles: the higher minimum wage prevails if the employer does not offer health insurance benefits.

[4] The Massachusetts minimum wage rate automatically increases to 10 cents above the rate set in the Fair Labor Standards Act if the Federal minimum wage equals or becomes higher than the State minimum.

[5] The Maine minimum wage is automatically replaced with the Federal minimum wage rate if it is higher than the State minimum with the exception that any such increase is limited to no more than $1.00 per hour above the current legislated State rate.

[6] Missouri - In addition to the exemption for federally covered employment, the law exempts, among others, employees of a retail or service business with gross annual sales or business done of less than $500,000.

[7] Nevada: $8.25 without health benefits; $7.25 with health benefits.

[8] Ohio: $7:25 for employers grossing $283,000 or less

[9] Montana State rate applies to all businesses with gross annual sales of $110,000 or less.

[10] Oklahoma: Employers of ten or more full time employees at any one location and employers with annual gross sales over $100,000 irrespective of number of full time employees are subject to federal minimum wage; all others are subject to state minimum wage of $2.00.

[11] Minnesota: $6.15 applies to employers with an annual sales volume of more than $625,000. $5.25 applies to employers with annual sales of $625,000 or less.

Table 2

Federal Poverty Thresholds for 2012 by Size of Family and Number of Related Children Under 18 Years

Size of family unit	Related children under 18 years								
	None	One	Two	Three	Four	Five	Six	Seven	Eight or more
One person (unrelated individual)......									
Under 65 years............................	11,945								
65 years and over.........................	11,011								
Two people..									
Householder under 65 years...........	15,374	15,825							
Householder 65 years and over.......	13,878	15,765							
Three people.......................................	17,959	18,480	18,498						
Four people...	23,681	24,069	23,283	23,364					
Five people..	28,558	28,974	28,087	27,400	26,981				
Six people..	32,847	32,978	32,298	31,647	30,678	30,104			
Seven people.......................................	37,795	38,031	37,217	36,651	35,594	34,362	33,009		
Eight people..	42,271	42,644	41,876	41,204	40,249	39,038	37,777	37,457	
Nine people or more...........................	50,849	51,095	50,416	49,845	48,908	47,620	46,454	46,165	44,387

Source: U.S. Census Bureau.

http://www.census.gov/hhes/www/poverty/data/threshld/index.html