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The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES
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Chair
Joint Committee on Labor and
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Statement of the
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Committee on Education and Labor

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Good Afternoon, Chairman Scott, Ranking Member Foxx and members of the Committee. My name is Paul Brodeur and I have the honor of serving the residents of Malden, Melrose, and Wakefield in the Massachusetts State Legislature as their State Representative. I appear before you today in support of the Raise the Wage Act (HR 582), and, as a fellow legislator, I wish to share my perspective on the great success we have had in the Commonwealth of Massachusetts relative to empowering our workers and equipping our businesses with the tools they need to succeed.

Two years ago, under the leadership of Speaker Robert A. DeLeo, I was given the opportunity to serve as House Chair of the Joint Committee on Labor and Workforce Development. I realized that the work of my committee would be marked by several unusual circumstances both from an economic and a policy perspective. Despite historically low unemployment rates, income inequality had grown to new heights. New jobs were being created at promising rates, while wages remained stagnant. Legislative proposals before my committee called to increase our state minimum wage to \$15 an hour. While these proposals had tremendous support from legislators, we were eager to determine what their impacts would be on small, locally-owned businesses.

Statistics painted part but not the entire picture. Behind each number was a family who called my office seeking help and resources, a worker who worried about the future of their industry, or an employer who wanted to know how proposed policies would affect them. I know that each of you receive calls like these, and as dedicated public servants, it is our duty to listen to and address our constituents' concerns.

The way forward was unclear, but the demand for action was pressing.

It was against this landscape that we convened negotiations among a broad coalition of community organizations, religious groups, labor unions, and established employer advocate organizations which hailed from across the Commonwealth and represented both large multinational corporations, as well as small, family-owned legacy businesses. Together with these stakeholders, and guided by nationally celebrated economists and scholars, we endeavored to determine if we could arrive at a compromise that ensured economic stability for working families within a robust statewide economy. We were successful in this effort and enacted into law a bipartisan bill, which, among other provisions, raises the state's minimum wage to \$15 an hour by 2023. I wish to review with you now the policy decision points that shaped our efforts.

Impacts on Massachusetts Workers and Employers

We began with the foreknowledge that previous increases to the minimum wage had produced net positive economic gains for businesses and workers in the Commonwealth. Since 2000, the state Legislature had increased the minimum wage gradually seven times. During that period, we saw median family incomes increase while employers created more jobs. We also knew that this strategic decision to invest in the working families of Massachusetts would be a positive step forward for our business community. During that same period, Massachusetts businesses demonstrated relative stability and growth following the great recession of 2009.

While pleased with our success, we soon realized that our moderate gains would not be sufficient in tackling the issue of income inequity. The Economic Policy Institute found that in 2015 the top 1% of Massachusetts families had earned 31 times as much as the average of the bottom 99%.¹ Our own concerns were mirrored in a letter signed by 90 leading Massachusetts economists hailing from both academia and the private sector urging us to approve a \$15 minimum. Furthermore, according to the Massachusetts Budget and Policy Center (MassBudget), an economic and policy research firm based in Boston, nearly a quarter of Massachusetts workers would benefit from an increase in the minimum wage to \$15 by 2023.² This would include nearly a fifth of all working parents in the Commonwealth. We knew that these working families would be spending their additional income on our main streets and in our downtowns. These observations of our past experience, coupled with projections based on sound economic practices, lead us ultimately to raising the statewide minimum wage to \$15 an hour by 2023.

Impacts on Government Services and Resources

While the economic benefits to workers and businesses in the Commonwealth were clear, articulating the consequences of raising the minimum wage for state budgeting purposes was, and has been, more difficult. In determining these impacts, we first examined our experience over the past five years and saw that the increased purchasing power, increased taxable income, reduced caseloads in social benefits programs, and growth in business confidence and success were outcomes of our incremental increases in the minimum wage. We sought to ensure that these trends would continue, and as such, structured our minimum wage increase schedule in a similar manner.

¹<https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/>

²[http://massbudget.org/report_window.php?loc=FAQ-The-Massachusetts-\\$15-Minimum-Wage-Proposal.html](http://massbudget.org/report_window.php?loc=FAQ-The-Massachusetts-$15-Minimum-Wage-Proposal.html)

The secondary, and in some cases tertiary benefits of raising the minimum wage are clear. Issues such as food insecurity, improved childhood health statistics, reduced employment turnover, and other factors have emerged as having been largely effected by these increases. For example, a 2016 report by the Century Foundation estimated that the increase to a \$15 minimum wage would decrease food insecurity in the Commonwealth by 7% as 18,000 households would no longer be food insecure.³ We expect these trends to continue.

Implementation Questions

Having identified the benefits to businesses and workers in the Commonwealth and having reviewed what impact these increases would have on government services, we then considered a variety of implementation options. We recognized that other states had implemented regional minimum increases, establishing varying minimum wages and increase schedules across geographic boundaries. At first, this proposal garnered some interest, with proponents observing that despite the relatively small size of our Commonwealth, significant economic differences persist between the rural and urban parts of our state. According to the U.S. Bureau of Labor Statistics, the average weekly wage in Suffolk County, which encompasses the city of Boston, is \$1,711. Just a few driving hours away in the western and more rural part of Massachusetts is Berkshire County, where workers are earning only \$880 a week on average, which is nearly half of what their friends in Boston take home.⁴ The cost of living, consumer goods, and housing vary not only from county to county, but also among neighborhoods, towns, and cities.

Ultimately, we determined that a regional approach would be deleterious to the economic wellbeing of our state. Already, much of our fiscal and economic development policy must grapple with our proximity to other states which have differing minimum wages. Our targeted investments in public transportation intended to improve worker mobility would be stymied by artificial boundaries either drawn along existing county and municipal lines, many of which pre-date the American Revolution, or through more data-driven approaches like census tracts or distance from major urban centers.

Our Commonwealth has endeavored diligently and for decades to invest in our historically industrial but chronically under resourced cities. As many of these cities are turning a new corner in their histories, and are transforming into the vibrant, thriving communities they were designed to be, we would be hampering their progress by imposing certain wages in some parts of the Commonwealth while ensuring higher rates in others.

Good public policy in Massachusetts hinges on our recognition that the continued concentration of resources in our capital city will result ultimately in the weakening and fraying of our state as a whole. A regionally based minimum wage would result in an asymmetric allocation of resources which many of my colleagues, hailing from Provincetown out in the Atlantic to Pittsfield on the New York border and all in between soundly rejected. It is for these reasons that I urge you to reject a regional approach to increasing the minimum wage at the national level and instead embrace the establishment of one fair wage floor for the whole country.

³<https://tcf.org/content/report/the-impact-of-a-15-minimum-wage-on-hunger-in-america/?agreed=1&agreed=1>

⁴https://www.bls.gov/regions/new-england/news-release/countyemploymentandwages_machusetts.htm#tab1.xlsx

Subminimum Wages

In the same manner that we determined that a regional wage approach was the wrong choice for our state, we also recognized the importance of avoiding the establishment of new subminimum wage categories, especially a so-called “teen minimum wage”. Initially, I was intrigued by the concept, and from my efforts on workforce development issues as well as my own experience, I understood the lifelong benefits of learning the value and dignity of work at a young age. However, as I continued to meet with my constituents and review expert testimony submitted to my committee, I again determined that this policy would adversely impact the very population it was designed to help. Among families in Massachusetts whose earnings are at the bottom 20th percentile, teen workers bring home nearly 18% of the family income.⁵ These teens are not merely working a summer job for extra spending money, but are instead functioning as breadwinners for their families. To tell these hardworking young people that their work product or services, which might be rendered alongside and identical to those of an older worker, are somehow less valuable because of their age was unacceptable to me.

I applaud Chairman Scott and the co-sponsors of this legislation for targeting the payment of subminimum wages to individuals with disabilities. According to the Wage and Hour Division of the U.S. Department of Labor, as of July 2018, there were 1,337 people with disabilities working in Massachusetts for a sub-minimum wage. That represents a 63% drop from just two years prior.⁶ Massachusetts is gradually moving away from the model of paying subminimum wages to residents with disabilities, and I believe it makes sense for the nation to do so as well.

Federal Action Needed

In Massachusetts we increased the minimum wage to ensure that even our low paid workers earn enough to put roofs over their heads and food on the table, while we also addressed the serious problem of income inequality. Multiple studies have shown that the minimum wage does not have the buying power that it once had. It has not kept up with inflation, and it does not reflect the increased productivity levels of our workers. Massachusetts ranks as the sixth most income unequal state in the union, and we have mitigated this disparity by gradually raising our minimum wage. That being said, income inequality is rising in 50% of other states across the country at rates higher than the Commonwealth's.⁷ This is an unacceptable and unsustainable trend, which demands a national intervention.

Conclusion

In the chamber of the House of Representatives in the Massachusetts State House, where we voted to raise the minimum wage to \$15, there is inscribed a quote from President John F. Kennedy: “For what Pericles said of the Athenians has long been true of this Commonwealth: ‘We do not imitate, for we are a model to others.’”

⁵ http://massbudget.org/report_window.php?loc=Teens,-Employment,-and-the-Minimum-Wage.html

⁶ <https://www.dol.gov/whd/specialemloyment/CRPlist.htm>

⁷ <https://www.wbur.org/bostonmix/2018/07/19/income-inequality-massachusetts-epi>

I am aware of the inaccurate perception of my home state as being populated entirely by highly educated, wealthy, and perhaps, uncharitably, elitist urbanites. This is not the model state that Pericles thought the Athenians to be, and it is not the model Kennedy thought our Commonwealth to be. Today, we are a state of financiers and family farmers, lawyers and laborers, blue bloods and blue collars. The conflicts among these diverse and often conflicting interests were at the forefront of the work we accomplished. We brought each stakeholder to the negotiating table, asked tough questions, and found a solution. I hope this achievement will serve as a model for you as you contemplate the bill before you today.

I urge each of you to consider carefully the fact that the forces and efforts which lead to a gradual increase in our minimum wage are the same forces and efforts that each of you must contend with in your own home states and districts. It is my sincere hope that you will take note of the careful, balanced, and deliberative process that we employed and apply it to your own work here. My constituents, the Commonwealth of Massachusetts, and our country depend on it.