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# Massachusetts Legislature Considers Unemployment Insurance Reform and Minimum Wage Increase

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Increasing the minimum wage and reforming the unemployment insurance ("UI") system in Massachusetts are the two major employment issues facing the 2013–2014 Legislature, which comes to a close on July 31, 2014. The Senate and House have separately passed legislation to address these issues, but they have not yet reached a compromise solution. The Senate approved two separate bills to address UI reform and raise the minimum wage. The House voted for a bill to freeze the UI rates at current levels, but has not acted on the minimum wage. House Speaker Robert DeLeo would like to address the issues in one legislative vehicle and recently outlined his preferences for a minimum wage hike and UI reform. Any such combined bill has yet to emerge.

Business leaders have clamored for an overhaul of Massachusetts's antiquated UI for some time. Last month, the Senate responded by passing a bill that would reform the current UI system by adjusting the rate table of employer payments. Essentially, so-called "stable" employers, those who do not have high employee turnover, would pay lower rates, and the worst-rated companies would pay higher rates. Starting in 2015, annual payments would range between $153 and $2,337 for the most and least stable employers, respectively.

Additionally, the bill would immediately freeze UI rates for 2014. It would calculate UI payments on a wage base of $21,000 instead of $14,000 starting in 2015. For companies, UI taxes would be based on the average of three years of payroll rather than on one. Finally, the definition of seasonal employment would be expanded to 20 weeks of work, which would close a loophole that allowed some people to work seasonally and then collect UI benefits for the rest of the year while living out of state.

Although both the Senate and House separately passed bills that would freeze the UI rate, the freeze has not become law. The House froze the UI rate in the supplementary budget that it passed on February 13, 2014. In response, the Senate passed a spending bill that left out any reference to the UI rate freeze, which prevented the freeze from becoming law. Senate President Therese Murray and Speaker DeLeo have different approaches to the UI and minimum wage issues. Whereas DeLeo would like to attend to them in one bill, Murray prefers a stand-alone minimum wage increase. Governor Patrick has openly supported both a minimum wage hike and comprehensive reform of the UI system, but he has not outlined how he would like them to be completed.

Speaker DeLeo announced a plan to increase the minimum wage to $10.50 per hour over three years. It would increase from $8 per hour to $9 per hour on July 1, 2014, $10 per hour on July 1, 2015, and to $10.50 per hour on July 1, 2016. DeLeo's version would not link the minimum wage to inflation starting in 2016. The Speaker's proposal would also increase the minimum wage for tipped employees, but only to $3 in 2014, $3.35 in 2015, and $3.75 in 2016. DeLeo linked this minimum wage increase with reform to the UI system that would adjust the ratings table to lessen the tax burden for most employers and would use a three-year average rather than a one-year average to determine an employer's expected contribution. He would also close some loopholes for public and seasonal employees to prevent them from receiving both pensions and UI benefits.

In a bill that passed on November 19, 2013, the Senate would raise the state's minimum wage to $11 per hour by 2016, following the same timetable that DeLeo proposed. From 2016 onward, unlike the Speaker's plan, the wage would be indexed to inflation. The Massachusetts bill would also increase the minimum wage for tipped employees to half of the state's minimum wage from the current $2.63 per hour.

Massachusetts appears to be joining a growing trend by states to revisit their minimum wage rates. For example, Connecticut and New York are raising their wages to $9 in 2015. Vermont's minimum wage is at $8.60. States cannot approve minimum wages that are below the federal rate of $7.25. Some states technically have lower minimum wages than that because they have not updated their minimum wage since the federal one was last increased in 2009.

Nationally, Democrats have taken up the mantle of increasing the minimum wage, an idea supported by a majority of the population according to many polls. President Obama recently traveled to Connecticut and then Boston to advance the idea. Many believe that there is little hope, however, of doing so against Republican opposition in Congress. With national action unlikely, many governors of “blue states,” including Deval Patrick of Massachusetts, publicly favor increasing their states’ minimum wages. California will have a $10 per hour minimum wage in effect by 2016. Connecticut, Vermont, Illinois, New Jersey, Oregon, Washington, and Washington, D.C. have a higher minimum wage than Massachusetts.

Four of the five Democratic candidates for Massachusetts governor want the minimum wage to be $11 per hour and the fifth, candidate Juliette Kayyem, says it should be above $10.20 per hour. Charlie Baker, the Republican frontrunner, has backed some form of minimum wage increase so long as reforms are attached. Jeff McCormick, an Independent candidate, opposes annually indexing the minimum wage to inflation. If legislators in Massachusetts fail to pass a minimum wage hike by the end of this legislative session, advocates are preparing to put the issue on the November ballot. The Raise-Up Massachusetts campaign has collected more than 285,000 signatures statewide in support of a ballot measure increasing the minimum wage to at least $10.50 per hour.

Business leaders such as the Associated Industries of Massachusetts (AIM) are concerned about the prospect of a minimum wage hike. As AIM Executive Vice President for Government Affairs John Regan wrote in a January 6, 2014 blog post, “wage compression from minimum wage increases causes multiple problems for employers,” even for those who do not employ minimum wage workers. An increase would cost Massachusetts employers $1.5 billion, according to a study by the Economic Policy Institute. Some fear that having the highest minimum wage in the country, as some legislators espouse, would hinder the state’s competitiveness and our ability to keep and create jobs. Opponents of a minimum wage increase believe that providing enhanced job training for state workers would be a more effective way of helping low-wage workers out of poverty. They argue that the higher minimum wage could push jobs out of the market, limiting opportunities for lower-skilled and young workers. They cite U.S. Census Bureau statistics that 90% of Commonwealth employees earning the minimum wage live with either their parents or another relative, live alone, or have a working spouse. Many believe that the higher minimum wage will reduce employment and have the perverse effect of hurting opportunity for low-wage workers.

Speaker DeLeo, as well as Senate President Therese Murray, who will not seek re-election this year, appear confident that some form of minimum wage increase will happen by the end of the year, whether through the Legislature or the ballot. Additionally, it seems likely that at least a UI freeze will occur as both House and Senate leadership support the move.

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