



NEWS from the Fiscal Policy Institute

For immediate release

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Increase in minimum wage doesn't affect New Yorkers *Nearly 300,000 could be helped by state legislation*

On Thursday, July 24, the federal minimum wage will increase to \$6.55 per hour. That change will have little effect in New York State, where the minimum wage is now \$7.15. A year from now, however, the final step of the federal change will boost paychecks of minimum wage earners in New York—when it increases to \$7.25 an hour in July 2009.

That increase falls far short of the minimum wage's historic purchasing power, according to a new report by the Fiscal Policy Institute. The report, *Restoring the Purchasing Power of New York State's Minimum Wage*, shows that the purchasing power of the state's minimum wage reached a peak in 1970. It has been eroded by inflation in subsequent decades and it is currently 16 percent below its 1970 level.

A bill currently before the New York State Assembly (A.9168-A) would have a greater impact than the scheduled federal increases. The Fiscal Policy Institute found that the bill would raise the wages of 283,000 low-wage New Yorkers. Nearly two-thirds of these workers are women, and 77 percent are aged 20 and older. Almost half work full-time.

“The Assembly bill would go a long way toward restoring the purchasing power of the minimum wage,” according to James Parrott, chief economist and deputy director of the Fiscal Policy Institute. If the proposed legislation becomes law, New York's minimum wage would increase in three steps: to \$7.75 in January 2009, \$8.00 in January 2010, and \$8.25 in January 2011. After that, the bill would index the minimum wage to inflation, a vital provision intended to protect the earnings of the state's low-wage workers.

The bill has not been voted on by the Assembly and has not yet been introduced in the Senate. According to Parrott, that means that many families will continue to have trouble

making ends meet. He said, “The Assembly language effectively targets the state’s low-wage workers. Potentially affected workers contribute an average of 58 percent of their family’s income, and 45 percent of these workers are the sole providers for families with children.”

The report also reviewed evidence on the employment impact of minimum wage increases. Parrott said, “Past increases in the minimum wage in New York did not impair job growth in retail trade and food service, the industries most affected by minimum wage standards.” He said that New York’s growth in jobs in these low-wage industries, relative to overall job growth, kept pace with the national average. Parrott also noted that there are several ways that employers stand to benefit from a minimum wage increase, especially in the greater retention and higher productivity of workers.

Parrott said that while the Assembly’s bill would be a good start, even larger increases are needed to raise New York’s low-wage workers out of poverty and restore the purchasing power of the state’s minimum wage. These goals could be achieved by raising the minimum wage to \$9.50 by 2011 and indexing it to inflation thereafter.

The Fiscal Policy Institute (FPI) is a nonpartisan research and education organization that focuses on the tax, budget, and economic public policy issues that affect the quality of life and the economic well being of New York State residents.

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