

News from the FISCAL POLICY INSTITUTE



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New York Business and Workers Thriving with Higher Minimum Wage

When New York started to lift its minimum wage above the federal level in 2005, naysayers predicted that businesses would downsize and workers would suffer. But results released today by the Fiscal Policy Institute indicate just the opposite. “Our minimum wage is now up to \$7.15. As a state, we’re better off than we were a year ago and better off than we were two years ago,” said Frank Mauro, the institute’s director. “Employers were able to pay higher wages without cutting back on jobs.”

James Parrott, the institute’s chief economist, described the increase in the minimum wage as a real-world experiment. FPI analyzed job growth in industries that employ low-wage workers and found that New York kept pace with the nation and actually exceeded that of surrounding states. “What New York shows the rest of the country is that you can raise wages and help low-income workers without hurting the economy,” he said.

In Washington this week, the U.S. Senate plans to debate increasing the federal minimum wage. Mauro said, “The New York numbers tell an important story for our elected officials. Raising the minimum wage can benefit low-income workers and it doesn’t adversely affect businesses, including small businesses.”

Many people assume that most minimum wage workers are teenagers or part time workers. Not true, says Parrott. “In families with minimum wage earners and children, those minimum wage earnings are the bulk of what the family relies on.”

Raising the minimum wage helps more than just people making the minimum. When minimum wages go up, so do wages set just above the minimum, as many businesses “bump up” the pay for workers with a little more seniority or responsibility than the minimum. According to Parrott, the increased spending due to higher wages stimulates the local economy and further multiplies the benefit beyond those directly affected. He said, “A million or more workers could have directly or indirectly benefited from the increases in New York’s minimum.”

Bolstered by the evidence that raising the minimum to \$7.15 an hour has helped workers without hurting the economy, Fiscal Policy Institute is proposing that New York's minimum be raised again, and then indexed to the cost of living. Mauro said, "In the 1970s, a parent of two children working full time at the minimum wage job was able to earn enough to keep the family at, not below, the poverty level. We should restore that standard today, and then index it for inflation, so that legislators don't have to revisit the issue every few years."

Parrott noted that four annual increases of 55 cents each would take New York's minimum wage to \$9.35 an hour in 2011. At that point, the state minimum wage would roughly equal the 3-person federal poverty threshold and match the maximum purchasing power of New York's minimum wage, a level reached in 1970.

The full report is available at www.fiscalpolicy.org.

The Fiscal Policy Institute (FPI) is a nonpartisan research and education organization that analyzes tax, budget, and economic issues and works toward a strong economy and shared prosperity for all New Yorkers.

Each year FPI publishes a report on the state's executive budget and The State of Working New York, a compendium of analysis of the city and state economies.

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