

N.Y. minimum wage doesn't stretch as far as it used to

From their inception, minimum wage laws have been designed to ensure that all workers receive some minimally acceptable level of compensation without subjecting responsible employers to unfair competition. Unfortunately, the level of the minimum wage in the U.S. and particularly in New York state has been allowed to decline to a level at which it is unable to serve as a meaningful floor under the low wage job market. On economic, social and moral grounds, it is essential that the purchasing power of the minimum wage be restored and then indexed to changes in an objective measure such as the Consumer Price Index or average hourly earnings.

The New York state minimum wage reached its all-time high in purchasing power on July 1, 1970, when it was increased to \$1.85 per hour. This is the equivalent of \$10.70 an hour in today's dollars. A job at that wage level made it possible for a worker to get his or her feet on the ground, to support a family and to lay the foundation for a better future. In fact, during most of the 1960s and 1970s, the earnings of someone working full-time, year-round at the minimum wage were enough to lift a family of three above the poverty line. That is no longer true. Someone working full-time, year-round at the current minimum wage level of \$7.25 now earns less than 82 percent of the poverty line for a family of three, and has only two-thirds of the purchasing power of a similar worker in 1970.

This situation is even more revealing when one compares New York to the other states. And, this comparison helps to explain why New York has the most unequal income distribution of the 50 states. In New York, someone working 40 hours per week at the minimum wage of \$7.25 earns a little less than 27 percent of the state average weekly wage. In no other state is this percentage as low;

and, in more than half the states the full-time minimum-wage worker earns more than 37 percent of the state average weekly wage. And, at the opposite end of the continuum from New York is Montana where someone working full-time at that state's minimum wage of \$7.65 an hour earns 45 percent of that state's average weekly wage.

The first myth is that most minimum wage workers are teenagers and not parents trying to support their families. The second myth is that a minimum wage increase automatically results in job losses. Based on the many studies that have examined the issue, the "weight of the evidence suggests that modest increases in the minimum wage have had very little or no effect on employment."

Restoring the purchasing power of the minimum wage to its 1970 level would require a higher minimum wage than the Congress or the state Legislature is going to implement overnight. But even if the minimum wage legislation were increased to that level in several "reasonable" steps, its value would be eroded by inflation by the time that phase-in was completed.

An alternative would be

- » to establish a target minimum wage of \$10.70 an hour;
- » to adjust that target annually for inflation;
- » to increase the actual minimum wage by a fixed amount, say \$.85 per year, until it reaches that moving target, and
- » thereafter to have the actual minimum wage equal the target.

Indexing the target minimum wage to changes in average hourly earnings, rather than to a measure of inflation such as the Consumer Price Index, would have the advantage of ensuring that low-wage workers share in the overall income growth generated by productivity improvements.

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