



# *News from the* Fiscal Policy Institute

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## Federal minimum wage boost affects 123,000 New Yorkers—but only slightly

The upcoming increase in the federal minimum wage, effective Friday, July 24, will benefit an estimated 123,000 New York workers, according to the Fiscal Policy Institute (FPI). This represents the last of three increases legislated by the U.S. Congress in 2007. While the federal hourly minimum wage will rise from \$6.55 to \$7.25, New York's workers will see a much smaller increase, because the state minimum wage was raised to \$7.15 in January 2007. Thirteen states and the District of Columbia already have minimum wages above \$7.25 and will not be affected by the increase.

Earning \$7.25 an hour, a full-time worker will gross \$15,080 annually, less than 83 percent of the bare-bones federal poverty line for a family of three (\$18,310). And even with the upcoming increase, New York's minimum wage will still be more than 21 percent below its peak value in 1970, which was \$9.23 in today's dollars. The 10 cents an hour increase for New York's minimum wage workers amounts to only a 1.4 percent raise, well below the 4 percent general rate of inflation since January 2007 and even further below the nearly 7 percent inflation rise in the New York City metropolitan area.

"Research has shown that workers benefiting from minimum wage increases in New York are disproportionately women, and minimum wage earners on average contribute most of their family's earnings," said FPI Research Associate Michele Mattingly. Contrary to stereotype, large numbers of affected workers—often the majority—are adults aged 20 and older.

Citing FPI's earlier research on New York's widening income gap, persistent high poverty level, and a troubling gap between growth in wages and growth in productivity, FPI Chief Economist and Deputy Director James Parrott said, "New York needs to restore the purchasing power of its minimum wage to put today's minimum wage workers on par with their 1970 counterparts and bring them above the poverty line."

Parrott said that the state minimum wage should be increased in stages to the federal poverty level for a 3-person family, then indexed to cost-of-living increases to assure that minimum wage workers' earnings are not eroded by inflation. Ten states (Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont, and Washington) already index their minimum wage levels.

The Fiscal Policy Institute has prepared several reports in recent years on various aspects of the minimum wage issue. FPI's March 2006 report, "States with Minimum Wages above the Federal Level Have Had Faster Small Business and Retail Job Growth," was cited by House Labor Committee Chairman George Miller when he introduced House legislation to increase the federal minimum wage in January 2007.

Attachments:

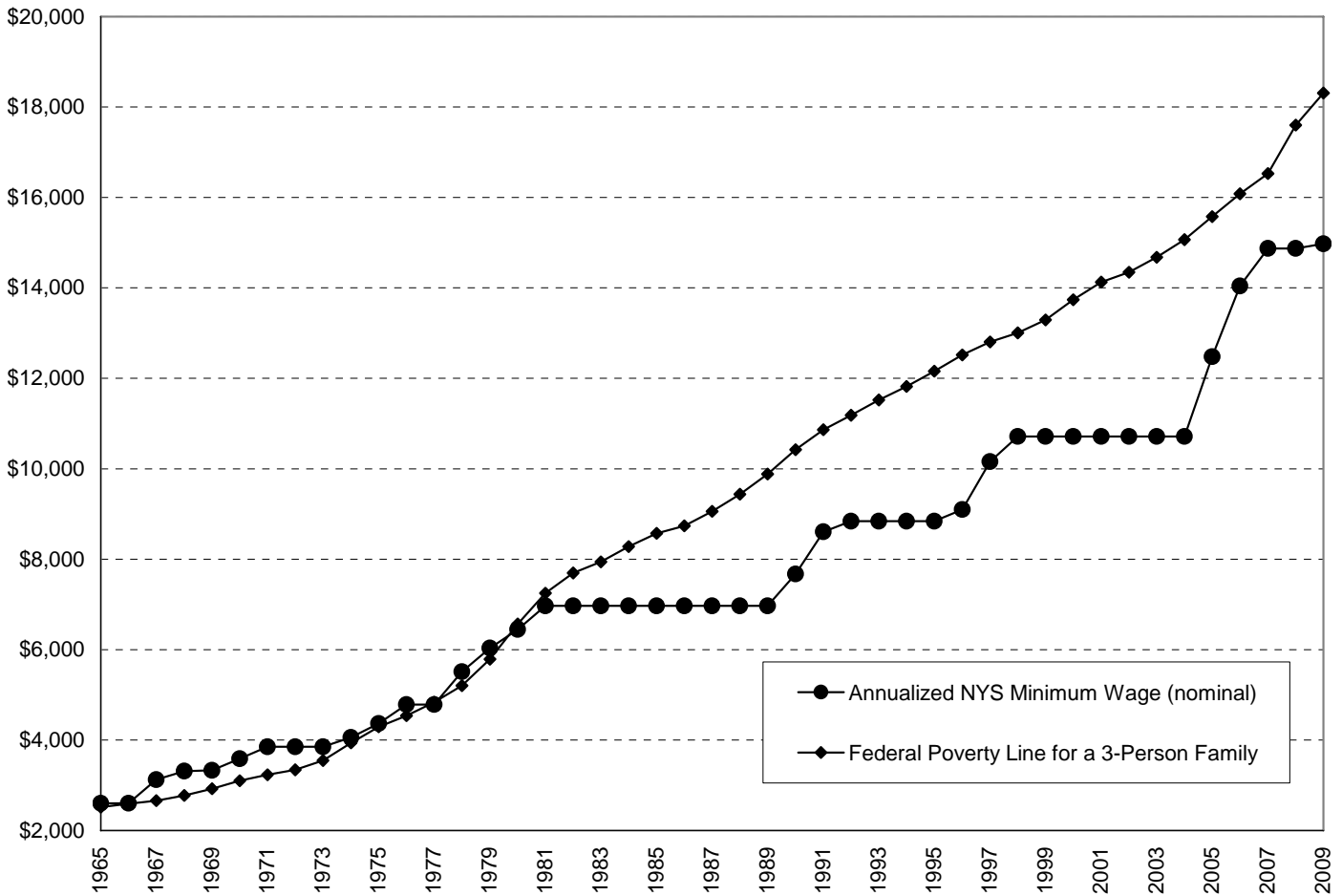
- Figure 1: New York's minimum wage is insufficient to bring a full-time worker to the federal poverty level for a family of three
- Figure 2: As of July 24, 2009, New York's minimum wage will be lower than in 13 other states and the District of Columbia
- Figure 3: Table of federal and New York minimum wage, 1950 - present

Note: The estimates of affected workers are drawn from Economic Policy Institute analysis of Current Population Survey data. The estimates include neither the significant number of New York workers who report earning less than \$7.15 an hour, nor tipped employees, who are subject to a lower statutory minimum. The estimate of workers projected to receive a raise under the upcoming increase comprises 63,000 workers currently earning between \$7.15 and \$7.24, and 60,000 workers who will also likely see their wages rise slightly, since it is known that employers typically adjust their pay scales when the minimum wage rises in order to maintain relative pay hierarchies within their businesses.

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

**FIGURE 1**

While New York’s minimum wage was roughly equal to the federal poverty line for a family of three in the 1960s and 1970s, the latest increase leaves a single parent of two working full time unable to make ends meet.



Sources: Minimum wage data from New York State Department of Labor, annualized by the Fiscal Policy Institute. Weighted average poverty thresholds for nonfarm families of three from U.S. Social Security Administration Office of Retirement and Disability Policy, Annual Statistical Supplement, 2008.

**FIGURE 2**

As of July 24, 2009, New York's minimum wage will be lower than in 13 other states and the District of Columbia.

State	Minimum wage	Indexed to inflation	State	Minimum wage	Indexed to inflation
Alabama	\$7.25		Montana	\$7.25	yes
Alaska	\$7.25		Nebraska	\$7.25	
Arizona	\$7.25	yes	Nevada	\$7.85	yes
Arkansas	\$7.25		New Hampshire	\$7.25	
California	\$8.00		New Jersey	\$7.25	
Colorado	\$7.28	yes	New Mexico	\$7.50	
Connecticut	\$8.00		New York	\$7.25	
Delaware	\$7.25		North Carolina	\$7.25	
District of Columbia	\$8.25	*	North Dakota	\$7.25	
Florida	\$7.25	yes	Ohio	\$7.30	yes
Georgia	\$7.25		Oklahoma	\$7.25	
Hawaii	\$7.25		Oregon	\$8.40	yes
Idaho	\$7.25		Pennsylvania	\$7.25	
Illinois	\$8.00		Rhode Island	\$7.40	
Indiana	\$7.25		South Carolina	\$7.25	
Iowa	\$7.25		South Dakota	\$7.25	
Kansas	\$7.25		Tennessee	\$7.25	
Kentucky	\$7.25		Texas	\$7.25	
Louisiana	\$7.25		Utah	\$7.25	
Maine	\$7.25		Vermont	\$8.06	yes
Maryland	\$7.25		Virginia	\$7.25	
Massachusetts	\$8.00		Washington	\$8.55	yes
Michigan	\$7.40		West Virginia	\$7.25	
Minnesota	\$7.25		Wisconsin	\$7.25	
Mississippi	\$7.25		Wyoming	\$7.25	
Missouri	\$7.25	yes			

Note: The minimum wage in the District of Columbia is automatically set at \$1 above the federal minimum.  
Source: Economic Policy Institute.

**FIGURE 3**

History of the New York State and U.S. minimum wage levels since 1950.

<u>Federal minimum wage</u>		<u>New York minimum wage</u>		<u>Federal minimum wage</u>		<u>New York minimum wage</u>		
1950	Increased from \$0.40 to \$0.75 on Jan. 1, 1950			1979	Increased to \$2.90 on Jan. 1, 1979	Increased to \$2.90 on Jan. 1, 1979		
1951		1980		Increased to \$3.10 on Jan. 1, 1980				Increased to \$3.10 on Jan. 1, 1980
1952		1981		Increased to \$3.35 on Jan. 1, 1981				Increased to \$3.35 on Jan. 1, 1981
1953		1982						
1954		1983						
1955		1984		1985				
1956	Increased to \$1.00 on Mar. 1, 1956			1986				
1957		1987						
1958		1988						
1959								
1960		Prior to Oct. 1, 1960, NYS minimum wage rates varied from industry to industry.		1989				
1961	Increased to \$1.15 on Sep. 3, 1961		Increased to \$1.15 on Oct. 15, 1962	1990	Increased to \$3.80 on Apr. 1, 1990	Increased to \$3.80 on Apr. 1, 1990		
1962		1991		Increased to \$4.25 on Apr. 1, 1991				Increased to \$4.25 on Apr. 1, 1991
1963	Increased to \$1.25 on Sep. 3, 1963		Increased to \$1.25 on Oct. 15, 1964	1992				
1964		1993						
1965		1994						
1966		1995						
1967	Increased to \$1.40 on Feb. 1, 1967		Increased to \$1.50 on Jan. 1, 1967	1996	Increased to \$4.75 on Oct. 1, 1996			
1968		1997		Increased to \$5.15 on Sep. 1, 1997				
1969				1998				
1970			Increased to \$1.85 on Jul. 1, 1970	1999				
1971				2000			Increased to \$5.15 on Mar. 31, 2000	
1972				2001				
1973				2002				
1974	Increased to \$2.00 on May 1, 1974		Increased to \$2.00 on May 1, 1974	2003				
1975		2004						
1976	Increased to \$2.30 on Jan. 1, 1976		Increased to \$2.30 on Jan. 1, 1976	2005			Increased to \$6.00 on Jan. 1, 2005	
1977		2006			Increased to \$6.75 on Jan. 1, 2006			
1978	Increased to \$2.65 on Jan. 1, 1978		Increased to \$2.65 on Oct. 6, 1978	2007	Increased to \$5.85 on Jul. 24, 2007	Increased to \$7.15 on Jan. 1, 2007		
		2008		Increased to \$6.55 on Jul. 24, 2008				
		2009		Increased to \$7.25 on Jul. 24, 2009				

Sources: U.S. Department of Labor, New York State Department of Labor.

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