



NELP

**National Employment
Law Project**

Raising New York's Minimum Wage: The Economic Benefits and Demographic Impact of Increasing New York's Minimum Wage to \$8.75 per Hour.

Fiscal Policy Institute and the National Employment Law Project
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Introduction

Governor Andrew Cuomo has proposed raising New York's minimum wage from its current level of \$7.25 per hour to \$8.75. This report examines the economic benefits and demographic impact of Governor Cuomo's proposal. Our analysis finds that adult workers employed in full-time jobs, often supporting families, represent the primary beneficiaries of the proposed increase in New York's minimum wage. We also find that the higher wages received by the state's lowest-paid workers would boost consumer spending and New York's economic recovery.

- Nearly 1.6 million low-paid workers in New York would receive a pay raise if the minimum wage were raised to \$8.75 per hour. For a full-time minimum wage worker, the increase would raise their wages by \$3,120 to \$18,200 per year.
- Raising New York's minimum wage to \$8.75 per hour in July 2013 would inject over \$1 billion in new consumer spending into New York's economy, and generate 7,300 new full-time jobs.
- Moreover, if, after increasing to \$8.75 in July 2013, New York's minimum wage continued to be phased up to \$10 per hour, the resulting impact for affected workers and New York's economy would be even more substantial. For a full-time worker, the combined increase would boost their wages by \$5,720 to \$20,800 per year, and the combined increase would inject \$2 billion in new consumer spending into the state's economy and create nearly 15,000 jobs. Even \$10.00 an hour would not fully restore the purchasing power of New York's minimum wage to the 1970 peak level, which in 2013 dollar terms is \$11.15.

This report provides greater detail on the economic benefits and demographic impact of Governor Cuomo’s proposed minimum wage increase. We also consider the historical trajectory of New York’s minimum wage and the national context in which this proposal arises. The evidence makes clear that raising New York’s minimum wage remains an urgent priority for the state’s lowest-paid workers and the state’s economy overall.

Highlights

Fig. 1—Nearly 1.6 million New York low-wage workers will benefit from an increase in the state’s minimum wage to \$8.75. A little less than half that number are paid less than \$8.75 an hour and will directly benefit from an increase. The other half are paid a little more than \$8.75 and will see their wages rise slightly as businesses seek to maintain customary wage differentials. In all, almost one in five New York workers will benefit from the proposed minimum wage increase. Other characteristics of minimum wage workers include the following:

- 84% of those directly affected are adults, only one in six is a teenager.
- 87% of those directly or indirectly affected work more than 20 hours per week.
- Nearly half work in retail and in the hospitality sector, which includes restaurants.
- 860,000 New York children (20% of those with a working parent) have a parent who will benefit from a wage increase.

Fig. 2—The increase in the minimum wage would add \$1.3 billion to the paychecks of low-wage New York workers and this increased spending power would lead to the creation of 7,300 full-time jobs. Raising the minimum wage would help neighborhood businesses across the state and ease the state’s unemployment situation.

Fig. 3—The National Federation of Independent Business, in polls of its members across the country, consistently finds that poor sales is one of the two or three most pressing problems facing small businesses, while the “cost of labor” ranks near the bottom of the list. An increase in New York’s minimum wage will boost consumer spending by over a \$1 billion.

Fig. 4—In counties all across the state, significant numbers of low-wage workers would benefit from a minimum wage increase. Besides a million workers in New York City and the downstate suburbs, more than 10,000 workers in each of 14 upstate counties would see a little more in their pay envelopes. In almost every single upstate county, at least 15 percent of the workforce would benefit. Two hundred thousand low-wage workers would benefit in Erie, Monroe, Onondaga, and Albany counties where central cities (Buffalo, Rochester, Syracuse, and Albany) have [poverty rates from 25-37 percent](#).

Fig. 5—Nineteen states all across the country and the District of Columbia already have raised their minimum wage above the \$7.25 an hour federal level. Workers in 9 states saw their pay go up this month because those states automatically raise their minimum wage levels along with the rate of inflation so that the purchasing power of the minimum does not fall each year.

Fig. 6—For most of the 1960s and 1970s, the earnings of someone working full-time, year-round at minimum wage were enough to lift a family of three about 10% above the federal poverty line. Without an increase in the state’s minimum wage this year, a full-time worker paid at the minimum wage would receive less than 81% of the three-person federal poverty threshold, which in 2013 is about \$18,600. An increase to \$8.75 an hour would put that worker closer to the poverty threshold but still leave them short at 97% of poverty. To put that worker 10% above the poverty line—a benchmark that prevailed for nearly two decades in New York—would require a minimum wage of \$9.86 an hour this year.

Fig. 7— The NYS minimum wage reached its all-time high in purchasing power in July 1970. The \$1.85 level from that time is equivalent to \$11.15 an hour in today’s dollars. Today’s \$7.25 federal and NYS minimum wage is 65% of the \$11.15 peak purchasing level. Raising New York’s minimum to \$8.75 an hour effective next January would put it at only 78% of the peak level, \$2.40 below the 1970 peak level. Increasing New York’s minimum wage to \$8.75 is a very positive step forward, but we need to keep in mind that would still leave New York workers well below a living standard reached 43 years ago in the Empire State.

A meaningful way to reverse some of the [income polarization that has plagued New York over the past three decades](#) would be to set \$11.15 an hour as the goal—the 1970 purchasing power peak level—and adjust that level each year for inflation, and then start raising the state’s minimum wage in reasonable steps each year until it reaches that inflation-updated peak minimum wage purchasing level. We wouldn’t reach the goal in 2 or 3 years, but we would put ourselves on a path to get there within a few years with predictable, moderate annual increases that would gradually lift New York’s wage floor.

Fig. 8—Lifting New York’s wage floor is particularly important considering that all of the net job growth in New York since the recession began has been in industries where the average annual pay is less than \$45,000, putting it in the low-wage category. Since mid-2008, New York has seen a net gain of 164,000 jobs in low-wage industries, but a net decline of 140,000 jobs in middle-wage industries and a net decline of nearly 21,000 high-wage jobs.

A large body of research shows that raising the minimum wage is an effective way to boost the incomes of low-paid workers without reducing employment. A groundbreaking 1994 [study](#) by David Card and Alan Krueger, current chair of the White House Council of Economic Advisers, found that an increase in New Jersey’s minimum wage did not reduce employment among fast-food restaurants. These findings have been confirmed by 15 years of economic research, including a 2010 [study](#) published in the *Review of Economics and Statistics* that analyzed data from more than 500 counties along state boundaries and found that minimum wage increases did not cost jobs in areas where wages rose. Another recent [study](#) published in April 2011 in the journal *Industrial Relations* found that even during times of high unemployment, minimum wage increases did not lead to job loss.

Figure 1—Nearly 1.6 million New York workers would directly or indirectly benefit from an increase in the minimum wage to \$8.75 an hour.

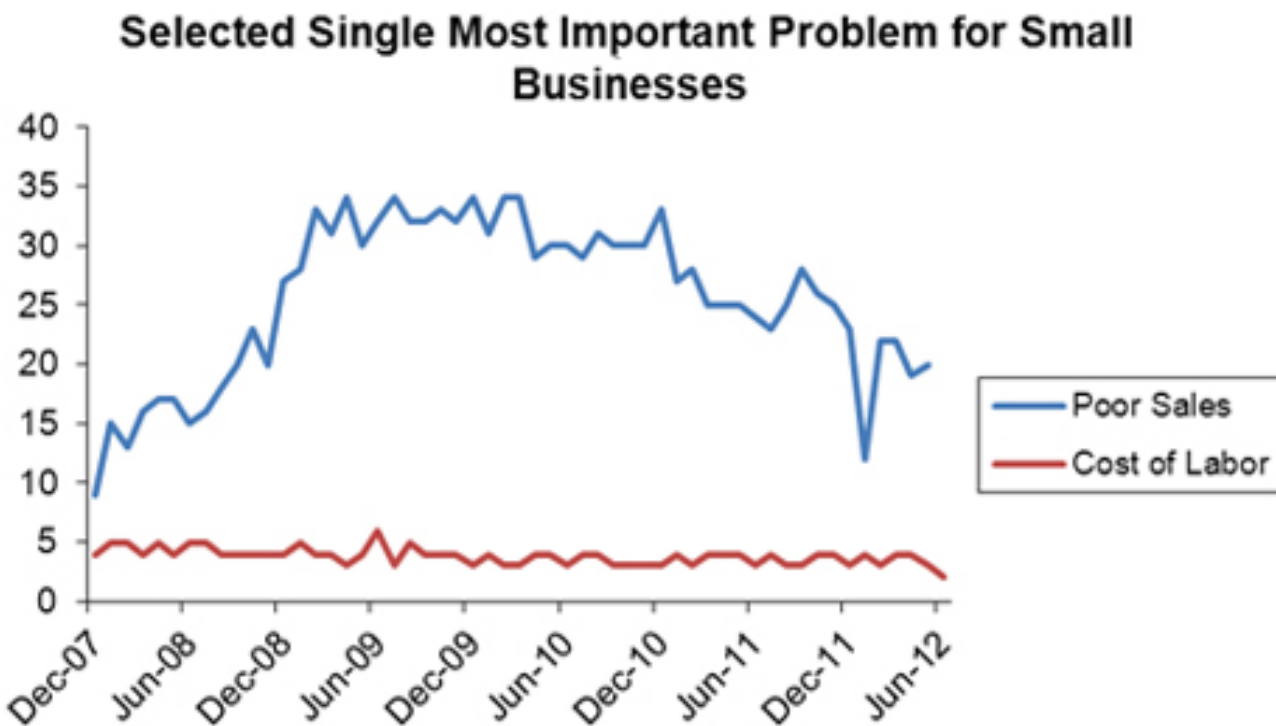
Category	Employed ¹	Directly Affected ²	Percentage of directly affected	Indirectly Affected ³	Total Affected
All employed	7,925,900	747,000	100%	812,900	1,560,000
Sex					
Female	3,848,700	415,900	56%	429,800	845,700
Male	4,077,200	331,100	44%	383,100	714,200
Age					
20 +	7,716,800	627,700	84%	774,000	1,401,700
Under 20	209,100	119,400	16%	38,900	158,200
Race/Ethnicity					
White non-Hispanic	4,853,100	364,100	49%	401,900	766,000
Black non-Hispanic	1,029,400	105,300	14%	120,400	225,600
Hispanic	1,283,600	190,300	25%	202,700	393,000
Asian & others	759,700	87,400	12%	87,900	175,300
Work hours					
19 hours a week or less	422,900	131,000	18%	72,700	203,700
20-34 hours a week	1,006,400	256,100	34%	222,500	478,600
35 or more hours a week	6,496,600	359,900	48%	517,800	877,700
Education					
Less than high school	684,900	198,600	27%	150,000	348,700
High School completion	2,062,600	236,900	32%	299,300	536,200
Some college	1,262,500	177,100	24%	176,000	353,100
AA degree or equivalent	843,300	59,600	8%	66,400	126,100
Bachelor's degree or higher	3,072,600	74,700	10%	121,200	195,900
Industry					
Retail	867,100	202,800	27%	175,300	378,100
Leisure & hospitality	733,200	152,400	20%	122,800	275,200
Retail + Leisure and hospitality	1,600,300	355,100	48%	298,100	653,200
Occupation					
Service	1,663,000	314,700	42%	291,300	605,900
Sales	835,800	175,600	24%	129,600	305,200
Service + Sales	2,498,800	490,200	66%	420,900	911,100
Children with at least one affected parent	4,333,400	385,100		476,500	861,600
¹ Total employed is estimated from the CPS respondents who were 16 years old or older, employed, and for whom either a valid hourly wage is reported or one can be imputed from weekly earnings and average weekly hours. Consequently, this estimate represents the identifiable wage-earning workforce and tends to understate the size of the full employed workforce.					
² Directly Affected workers are those currently earning less than the new minimum.					
³ Indirectly affected workers have a wage rate just above the new minimum wage (between the new minimum wage and the new minimum wage plus \$1.50, the amount of the increase in the minimum wage). They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage.					
Source: EPI Analysis of 2011/2012 Current Population Survey, Outgoing Rotation Group					

Figure 2—Increasing the minimum wage to \$8.75 an hour will be a major boost to the New York economy.

- Wages paid to low-wage workers would go up by \$1.3 billion.
- An increase in the minimum wage to \$8.75 would add 7,300 full-time jobs to New York’s economy.
- The state GDP (gross domestic product, the sum of all goods and services produced in NYS) would go up by \$840 million.

Source: Economic Policy Institute analysis, January 2013.

Figure 3—The National Federation of Independent Businesses consistently finds that poor sales is one of the two or three most pressing problems facing small businesses, ranking it far higher than concern for “the cost of labor”.



Source: Author's analysis of National Federation of Independent Business (NFIB) data

<http://www.cepr.net>

Figure 4—Workers all across New York State would benefit from an increase in the minimum wage to \$8.75 an hour.

	Annual average resident employment in 2011	Workers benefitting from an increase to \$8.75 an hour*	Percent of workers in each county benefitting*
New York State total	8,729,600	1,560,000	17.9%
New York City	3,592,200	685,800	19.1%
Bronx	478,400	124,600	26.0%
Kings	1,011,300	206,500	20.4%
Manhattan	853,300	124,700	14.6%
Queens	1,028,000	197,200	19.2%
Richmond	221,300	32,900	14.9%
Rest of State	5,137,300	874,200	17.0%
Albany	143,000	23,800	16.6%
Allegany	21,700	3,700	17.1%
Broome	85,900	17,900	20.8%
Cattaraugus	36,800	7,000	19.0%
Cayuga	37,400	6,300	16.8%
Chautauqua	58,000	11,900	20.5%
Chemung	36,900	7,600	20.6%
Chenango	22,600	4,400	19.5%
Clinton	34,300	6,800	19.8%
Columbia	28,100	5,100	18.1%
Cortland	22,000	3,700	16.8%
Delaware	19,600	4,000	20.4%
Dutchess	134,400	20,500	15.3%
Erie	424,100	79,500	18.7%
Essex	16,000	3,200	20.0%
Franklin	20,300	3,900	19.2%
Fulton	24,100	4,600	19.1%
Genesee	29,600	5,300	17.9%
Greene	21,600	4,100	19.0%
Hamilton	2,800	500	17.9%
Herkimer	28,300	5,300	18.7%
Jefferson	44,200	8,200	18.6%
Lewis	11,300	1,900	16.8%
Livingston	29,600	5,000	16.9%
Madison	33,000	5,300	16.1%
Monroe	339,000	62,300	18.4%
Montgomery	21,400	4,700	22.0%

Figure 4—continued

	Annual average resident employment in 2011	Workers benefitting from an increase to \$8.75 an hour*	Percent of workers in each county benefitting*
New York State total	8,729,600	1,560,000	17.9%
Nassau	635,900	100,900	15.9%
Niagara	100,900	19,900	19.7%
Oneida	99,000	19,900	20.1%
Onondaga	209,800	37,400	17.8%
Ontario	52,100	9,000	17.3%
Orange	160,300	25,300	15.8%
Orleans	17,300	3,500	20.2%
Oswego	51,600	9,800	19.0%
Otsego	28,900	5,200	18.0%
Putnam	50,500	6,600	13.1%
Rensselaer	75,400	12,400	16.4%
Rockland	145,700	21,600	14.8%
Saratoga	108,000	16,400	15.2%
Schenectady	68,500	12,800	18.7%
Schoharie	14,000	2,400	17.1%
Schuyler	9,200	1,700	18.5%
Seneca	15,500	2,900	18.7%
St. Lawrence	43,400	8,400	19.4%
Steuben	40,200	8,400	20.9%
Suffolk	721,300	110,200	15.3%
Sullivan	31,200	6,200	19.9%
Tioga	22,900	4,200	18.3%
Tompkins	52,100	6,400	12.3%
Ulster	80,500	14,700	18.3%
Warren	32,700	6,300	19.3%
Washington	29,700	5,000	16.8%
Wayne	43,400	7,900	18.2%
Westchester	440,600	67,000	15.2%
Wyoming	18,500	3,300	17.8%
Yates	12,200	2,300	18.9%

* This includes both those who currently earn less than \$8.75 an hour, and those indirectly affected workers who have a wage rate just above the new minimum wage (between the new minimum wage and the new minimum wage plus \$1.50, the amount of the increase in the minimum wage). They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage.

Source: Estimates by Economic Policy Institute and Fiscal Policy Institute.

Figure 5—New York lags behind the 19 States and the District of Columbia that already have raised their minimum wage above the \$7.25 an hour federal level.

State	Minimum wage, January 2013
Washington*	\$9.19
Oregon*	\$8.95
Vermont*	\$8.60
Connecticut**	\$8.25
District of Columbia**	\$8.25
Illinois	\$8.25
Nevada*	\$8.25
California	\$8.00
Massachusetts**	\$8.00
Ohio*	\$7.85
Arizona*	\$7.80
Montana*	\$7.80
Florida*	\$7.79
Colorado*	\$7.78
Alaska	\$7.75
Rhode Island	\$7.75
Maine	\$7.50
New Mexico	\$7.50
Michigan	\$7.40
Missouri*	\$7.35

Note: * Automatically adjusts annually according to the change in the Consumer Price Index; Missouri and Nevada have modified indexation provisions.

** Automatically adjusts upward to stay above the federal minimum wage if that increases.

Figure 6—For 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 about 10% above the federal poverty line. At \$7.25 an hour, a full-time minimum wage worker receives only 81% of the 3-person poverty threshold; an increase to \$8.75 an hour would put that worker at 97% of poverty, still short of the level from the 1960s and 1970s.

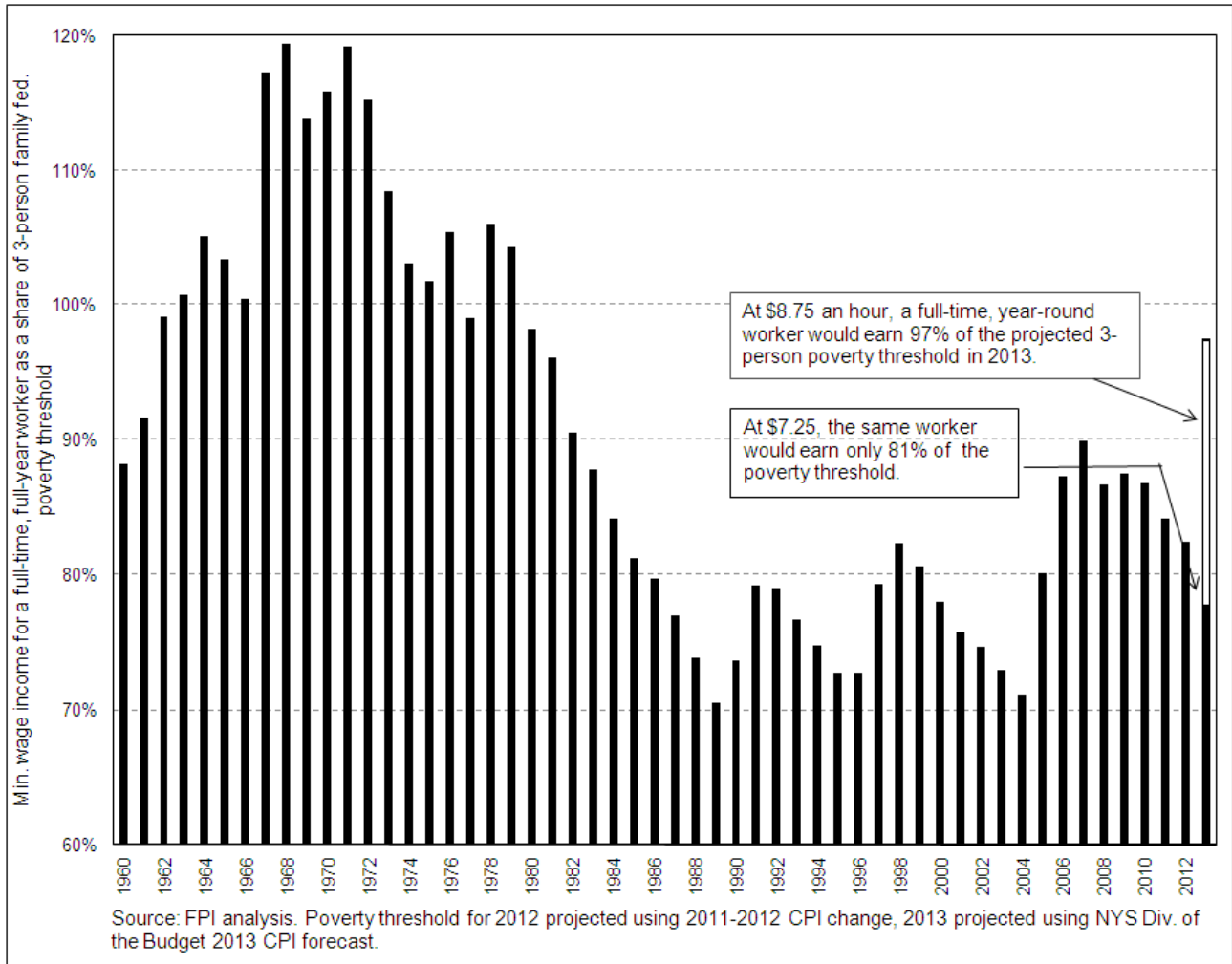


Figure 7—The NYS minimum wage reached its all-time high in purchasing power in 1970, with the \$1.85 level from that time equivalent to \$11.15 in 2013 dollars. Increasing the minimum wage from \$7.25 to \$8.75 would raise it from 65% to 78% of its 1970 peak level.

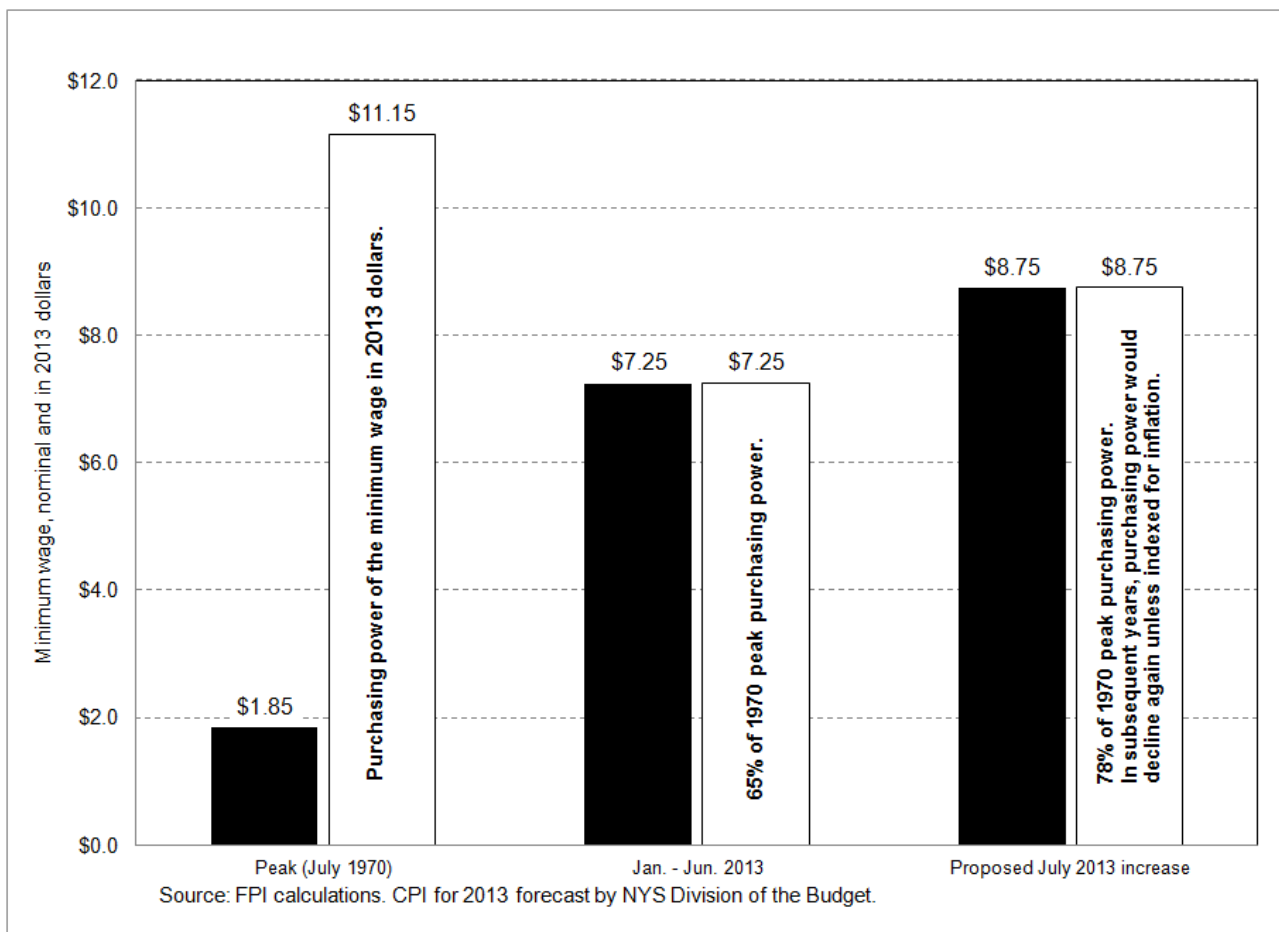


Figure 8—Lifting New York’s wage floor is particularly important considering that all of New York’s net job growth since the 2008-09 recession began has been in low-wage industries.

