Hundreds of thousands of low-income families would benefit from a New York minimum wage increase

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David Neumark's piece in the July 6 *Wall Street Journal* ("Who Really Gets the Minimum Wage?") argues that because some low-wage earners are in high-income families, increasing the minimum wage isn't a very effective way to reduce poverty. In particular, he cites research to the effect that "if we were to raise the minimum wage to $10.10 nationally, 18% of the benefits of the higher wages (holding employment fixed) would go to poor families [but] 29% would go to families with incomes three times the poverty level or higher."

But what is more relevant, *more than half (52%) of those who would get a raise if $10.10 became the new minimum are in families whose incomes are below twice the federal poverty level (FPL)—i.e., those who are poor or near-poor*. And in the New York State or City context, that would affect a huge number of low-income families.

In New York State, the numbers are similar: 52% of those earning less than $10.10 per hour are in families below twice the FPL (with 23% in families below the FPL.) Even among all those earning less than $14 an hour, 43% are in families whose income is below twice the FPL (Figure 1). Of the 1.3 million wage-earning New Yorkers in poor or near-poor families, 735,000 (57%) would get a raise if the minimum were increased to $10.10.

Wages & poverty, New York State, 2012

FIGURE 1

		Family poverty status				
		Under federal poverty level	Under 2 x FPL	Under 3 x FPL	3 x FPL or more	Total
Hourly wage	Under $10.10	23%	52%	70%	30%	100%
	Under $12	19%	49%	69%	31%	100%
	Under $14	16%	43%	66%	34%	100%
All		5%	17%	33%	67%	100%

The federal poverty standard was originally established in the 1960s when food was a much larger share of family expenses. It has only been adjusted for over-all consumer prices since, and because it is not adjusted for regional cost of living differences, it is a terribly inadequate indicator of whether a family is "poor." While the FPL in 2010 for a 4-person family with two children was $22,000, such a family would have needed to earn $55,400 in Erie County, NY; $49,900 in Tompkins County; or $79,900 in Nassau County, in order to meet basic family budget needs to pay for housing, food, child care, clothing, transportation and other necessities. Even families at twice the FPL must count every penny.

In New York City, there is an even closer relationship between low wages and family poverty. In the city, 29% of those earning less than $10.10 an hour are in families below the FPL, and 66% of their families have income below twice the poverty level. Among all those earning less than $14 an hour in the city, 55% are in families with incomes below twice the FPL (Figure 2). Of the 694,000 wage-earners in poor or near-poor families, 435,000 (63%) would get a raise with a $10.10 minimum.

Wages & poverty, New York City, 2012

FIGURE 2

		Family poverty status				
		Under federal poverty level	Under 2 x FPL	Under 3 x FPL	3 x FPL or more	Total
Hourly wage	Under $10.10	29%	66%	84%	16%	100%
	Under $12	25%	63%	82%	18%	100%
	Under $14	21%	55%	78%	22%	100%
All		7%	23%	40%	60%	100%

Neumark argues that increasing the Earned-income Tax Credit (EITC) would be a better way to aid working people. The EITC is indeed a program that should be enhanced, at the federal, New York State, and New York City levels. But the EITC cannot handle the job alone (remember that the tax benefit shows up only once a year, while low wages show up every week); increasing low-wage workers' net income through a combination of a higher minimum and a richer tax rebate via the EITC would be the best approach.

Given that the purchasing power of the minimum has fallen so far, raising it will help raise many families of low-wage workers out of poverty. To suggest that it will not help the poor enough is the height of disingenuousness.

We should also remember that since the original minimum wage was part of the Fair Labor Standards Act, it was always intended to be a floor under wages, a way to limit the race to the bottom that happens whenever the labor market is weak. If the floor sinks in real terms—as it has been for decades—financial security for *all* wage-earners is in jeopardy.

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