



**FPI-NELP Response to NYS Business Council Statement on
Gov. Cuomo's \$15 Minimum Wage Proposal**

October 8, 2015

The [New York State Business Council's statement](#) on the Governor's proposal to raise New York's minimum wage to \$15 by 2021 leaves out several "inconvenient" truths:

1. A phased-in minimum wage increase will boost the purchasing power of roughly 3 million low-wage New York workers, pumping that increased consumer spending into local businesses and jobs all across the state. Above all else, small businesses need customers; a minimum wage increase will provide them.
2. A higher wage floor benefits businesses because workers will stay of the job longer and be more productive; turnover costs will go down and customer service will improve.
 - There is a growing recognition on the part of businesses and institutional investors that higher wages are key to reducing turnover, improving customer service, and enhancing profitability.¹ Several large employers including Walmart, Target, Aetna, IKEA and the Gap are starting to raise wages as a result.
 - A recent study from the Purdue's tourism management school concluded that the fast-food industry could accommodate a \$15 an hour minimum wage through savings related to reduced turnover and small price increases not much greater than recent experience.²
3. The Business Council ignores the fact that a high proportion of low-wage workers are paid so little that they qualify for one or more forms of public assistance. In effect, taxpayers end up subsidizing low-wage employment practices, and in New York this amounts to \$13 billion annually in public assistance costs that goes to working families whose wages are too low.³
 - The minimum wage increase would save New York taxpayers and the state budget hundreds of millions of dollars in reduced public assistance spending.

4. Over 800,000 New Yorkers work but are officially below the federal poverty line, and a much larger number do not have wages sufficient to meet basic family budget needs.
 - Higher wages would lift thousands out of poverty and improve life opportunities for thousands of children in low-income families across the state.
5. Even in lower-cost regions of like Buffalo and Rochester, a single worker will need over \$15 an hour by 2021 to meet basic living costs, according to the Economic Policy Institute's Family Budget Calculator, adjusted based on projected inflation through 2021. In higher cost regions like Long Island, a single worker will need over \$22 an hour by 2021 -- and workers supporting children need even more.
6. The Governor's proposal calls for a gradual phase-in of the minimum wage increase. Employers will have ample time to adapt to the increase and, since it would be across-the-board, no individual business would be at a competitive disadvantage.

The average New Yorker knows a minimum wage increase would be beneficial to the state's economy; that's why two recent public opinion polls showed sizable majorities of New Yorkers – [62%](#) (Quinnipiac) and [59%](#) (Siena) – support Governor Cuomo's proposal for a \$15 minimum wage.

Speaking recently in New York City, Nobel laureate economist Paul Krugman said the increase in New York's minimum wage to \$15 an hour would be good for the state's economy, and that a growing body of management literature has documented the business success of companies that choose to pay higher wages rather than pursue a low-wage business model.

In a similar vein, more than 200 leading economists have endorsed a \$15 minimum wage, finding that raising the minimum wage "to \$15 an hour by 2020 will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy. The costs to other groups in society will be modest and readily absorbed."⁴

For more background on Governor Cuomo's \$15 minimum wage proposal, see [Fact Sheet | Governor Cuomo's Call for Raising New York's Minimum Wage to \\$15 Statewide](#)

¹ Lauren Weber, "Why Fund Managers Want Better HR," [The Wall Street Journal](http://www.wsj.com/articles/why-top-fund-managers-want-better-hr-1441749764), September 8, 2015. <http://www.wsj.com/articles/why-top-fund-managers-want-better-hr-1441749764>

² Christopher Gunn and Thomas Michl, “Higher Wages Serve Up Better Economics for Workers and NY,” *Oneida Dispatch*, August 18, 2015. <http://www.oneidadispatch.com/opinion/20150818/guest-column-higher-wages-serve-up-better-economics-for-workers-and-ny>

³ Ken Jacobs, Ian Perry, and Jenifer MacGilvary, *The High Public Cost of Low Wages, Poverty-Level Wages Cost U.S. Taxpayers \$152.8 Billion Each Year in Public Support for Working Families*, University of California Berkeley Center for Labor Research and Education, April 2015. Not included in the Berkeley report but incorporated in the \$26 billion cited in the text above is the \$1 billion annual cost of New York State’s Earned Income Tax Credit.

⁴ <http://www.sanders.senate.gov/newsroom/press-releases/sanders-introduces-bill-for-15-an-hour-minimum-wage>