



Increasing New York State's Minimum Wage

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By Frank J. Mauro

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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 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% 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. 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. It is also important to note that 18 states and the D.C. have minimum wages that are higher than the national and New York State levels of \$7.25 per hour.

Contrary to the myths that sometimes replace facts in debates about the minimum wage, (1) most minimum wage workers are adults working full-time, and (2) increasing the minimum wage by reasonable amounts has neither reduced employment nor fueled inflation.

The first myth is that most minimum wage and low wage workers are teenagers and not parents trying to support their families. The reality is quite different: 84 percent of New York workers earning less than \$8.50 an hour are 20 or older as are 88 percent of those New Yorkers earning less than \$10 per hour. In fact many are trying to raise families. In New York families with children and with at least one worker with an hourly wage of \$10 or less, the earnings of those low-wage workers provide 54 percent of total family earnings. And in two out of five of these

families, workers earning the current minimum wage are the sole source of support.

The second myth is that a minimum wage increase automatically results in job losses. But 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.” The studies by economists David Card and Alan Krueger (who is now the chair of the President’s Council of Economic Advisors) are particularly important in that they directly refute the claim that state level minimum wage increases above the federal standard reduce employment.

New York last acted to raise its minimum wage in 2004 with the first of three increases occurring in 2005. In the three years following the first stage of that increase, low-wage industries did not suffer employment losses. In fact, employment in low-wage industries like retail and restaurants in NYS grew just as fast relative to total job growth as at the national level.

From a macroeconomic perspective, there is even a case to be made for an increase in employment from a minimum wage increase since the increased purchasing power of low-wage workers and their families will pump additional demand into local businesses and communities. The Fiscal Policy Institute, for example, has estimated that an increase in the minimum wage to \$10 an hour in three annual increments would create roughly 25,000 new jobs in New York State.

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 or for changes in the average hourly wage,
- to increase the actual minimum wage by a reasonable, fixed amount each 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 growth in the economy generated by productivity improvements.

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.

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Comparing the minimum wage and the average wage in the 50 states

State	Average weekly wage, second quarter 2011	Current minimum wage (per hour)	Weekly wage, working full time at minimum wage	Full time at minimum wage, as a percent of average wage
Montana	681	\$7.65	306	44.9%
South Dakota	656	\$7.25	290	44.2%
Vermont	773	\$8.46	338	43.8%
Mississippi	664	\$7.25	290	43.7%
Idaho	667	\$7.25	290	43.5%
Oregon	819	\$8.80	352	43.0%
Maine	712	\$7.50	300	42.1%
Arkansas	703	\$7.25	290	41.3%
Nebraska	714	\$7.25	290	40.6%
Nevada	816	\$8.25	330	40.4%
Iowa	726	\$7.25	290	39.9%
South Carolina	726	\$7.25	290	39.9%
New Mexico	763	\$7.50	300	39.3%
Washington	928	\$9.04	362	39.0%
Ohio	795	\$7.70	308	38.7%
Indiana	749	\$7.25	290	38.7%
Oklahoma	749	\$7.25	290	38.7%
Kansas	754	\$7.25	290	38.5%
Utah	756	\$7.25	290	38.4%
Florida	802	\$7.67	307	38.3%
Kentucky	760	\$7.25	290	38.2%
West Virginia	765	\$7.25	290	37.9%
Alabama	767	\$7.25	290	37.8%
Wisconsin	767	\$7.25	290	37.8%
North Dakota	769	\$7.25	290	37.7%
Missouri	774	\$7.25	290	37.5%
North Carolina	783	\$7.25	290	37.0%
Louisiana	794	\$7.25	290	36.5%
Tennessee	794	\$7.25	290	36.5%
Arizona	842	\$7.65	306	36.3%
Hawaii	799	\$7.25	290	36.3%
Wyoming	819	\$7.25	290	35.4%
Illinois	939	\$8.25	330	35.1%
Michigan	845	\$7.40	296	35.0%
Georgia	832	\$7.25	290	34.9%
Rhode Island	862	\$7.40	296	34.3%
Colorado	900	\$7.64	306	34.0%
Pennsylvania	875	\$7.25	290	33.1%
Alaska	941	\$7.75	310	32.9%
New Hampshire	888	\$7.25	290	32.7%
Minnesota	898	\$7.25	290	32.3%
Texas	900	\$7.25	290	32.2%
California	1,019	\$8.00	320	31.4%
Delaware	926	\$7.25	290	31.3%
Virginia	949	\$7.25	290	30.6%
Connecticut	1,116	\$8.25	330	29.6%
Maryland	987	\$7.25	290	29.4%
Massachusetts	1,120	\$8.00	320	28.6%
New Jersey	1,056	\$7.25	290	27.5%
New York	1,092	\$7.25	290	26.6%