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**National Employment
Law Project**

Raising New York's Minimum Wage: The Economic Benefits and Demographic Impact of Increasing New York's Minimum Wage to \$9.00 per Hour With Indexing

Fiscal Policy Institute and the National Employment Law Project
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Introduction

Echoing President Obama's recent call for raising the federal minimum wage, on March 5, 2013, the New York State Assembly voted to raise New York's minimum wage to \$9.00 per hour and then index the minimum wage in future years to keep pace with the rising cost of living (Assembly Bill A. 38). This report examines the economic benefits and demographic impact of raising New York's minimum wage to \$9.00 per hour with indexing. Our analysis finds that the benefits for New York's low-wage workers would be significantly greater under the Assembly bill than under other Albany proposals. We also find that adult workers employed in full-time jobs, often supporting families, are the primary beneficiaries of the proposed increase in New York's minimum wage. And that the higher wages received by the state's lowest-paid workers would boost consumer spending and New York's economic recovery. Finally, we note that while the effective date for the increase to \$9.00 would be January 1, 2014, under the Assembly bill, it would be preferable for the effective date to be advanced to July 1, 2013, as Governor Cuomo had previously proposed, in light of how far the purchasing power of New York's minimum wage has fallen over the years.

- A full-time low-wage worker would earn \$520 more in 2014, \$936 more in 2015, \$1,352 more in 2016, and approximately an additional \$400 each successive year under a \$9.00 minimum wage plus indexing, as compared with the alternative Albany proposal of \$8.75 without indexing.
- Raising New York's minimum wage to \$9.00 per hour would generate new consumer spending, boosting the state's economy by \$1.2 billion and supporting the creation of 10,200 full-time jobs as businesses expand to meet increased demand. An \$8.75 minimum wage without indexing would expand the state's economy by \$840 million through more consumer spending and create 7,300 jobs, by contrast.
- An estimated 1.7 million low-paid workers – more than one out of every five New York workers – would receive a pay raise if the minimum wage were raised to \$9.00 per hour.

- Adults 20 years of age or older comprise 90 percent of the workers who would benefit from raising the minimum wage to \$9.00 per hour, 87 percent of affected workers are employed 20 or more hours per week, and 45 percent have at least some college education.
- Unless the minimum wage is indexed for inflation, its purchasing power will fall each year as the cost of living rises.
- An increase to \$9.00 an hour will lift the annual earnings for a minimum wage worker from 79% to 98% of the 3-person federal poverty threshold. That's very positive, but still short of the level that prevailed for most of the 1960s and 1970s when the annualized minimum wage averaged about 110% of poverty.
- An increase to \$9.00 plus indexing would raise New York's wage by 24%. That's a much smaller increase than the last time New York voted to raise its minimum wage in 2004 when a 39% increase from \$5.15 to \$7.15 was phased in over more than two years. (Still, even the level resulting from that phased 39% increase was exceeded a few years later when the federal minimum wage increase to \$7.25 took effect in July 2009.) A comparable 39% increase today would entail raising New York's minimum wage to \$10.10 per hour in three steps over two years.
- An increase in New York's minimum wage to \$9.00 per hour plus indexing would be quite modest, when compared with proposals now in other comparable high cost-of-living states, such as Maryland (\$10.00, with indexing), Connecticut (\$9.75, with indexing), Illinois (\$10, with indexing), and Massachusetts (\$11, with indexing).

I. Benefits for Workers of Raising New York's Minimum Wage to \$9.00 With Indexing Compared to \$8.75 Without Indexing

| Comparison of \$9.00 Plus Indexing with Previous Albany Minimum Wage Proposals | | | | | | |
|---|---|----------|----------|----------|----------|----------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 |
| NY State Assembly Proposal: \$9.00 per hour, with Indexing | | | | | | |
| | <i>Minimum Wage</i> | \$9.00 | \$9.20 | \$9.40 | \$9.60 | \$9.80 |
| | <i>Annual Income of Full-Time Minimum Wage Worker</i> | \$18,720 | \$19,136 | \$19,552 | \$19,968 | \$20,384 |
| Previous Proposal: \$8.75 per hour, without Indexing | | | | | | |
| | <i>Minimum Wage</i> | \$8.75 | \$8.75 | \$8.75 | \$8.75 | \$8.75 |
| | <i>Annual Income of Full-Time Minimum Wage Worker</i> | \$18,200 | \$18,200 | \$18,200 | \$18,200 | \$18,200 |
| How Much Less New York's Minimum Wage Workers Would Earn Each Year Under \$8.75 without Indexing | | \$520 | \$936 | \$1,352 | \$1,768 | \$2,184 |

Source: NELP analysis of Congressional Budget Office projections of Consumer Price Index for all Urban Consumers (CPI-U) for 2014- 2018

II. Economic Impact of Raising New York’s Minimum Wage to \$9.00 Plus Indexing

| How Raising the Minimum Wage to \$9.00 per hour Would Benefit New York's Economy | |
|---|-----------------|
| <i>1-Step increase from \$7.25 to \$9.00 per hour, effective January 1, 2014</i> | |
| Total Increased Wages for All Affected Workers | \$1,858,770,000 |
| Average Annual Wage Increase for Directly Affected Workers | \$1,760 |
| GDP Impact (Net New Consumer Spending) | \$1,176,601,000 |
| Jobs Impact (New Full-Time Jobs) | 10,200 |

Source: Economic Policy Institute analysis of 2012 Current Population Survey

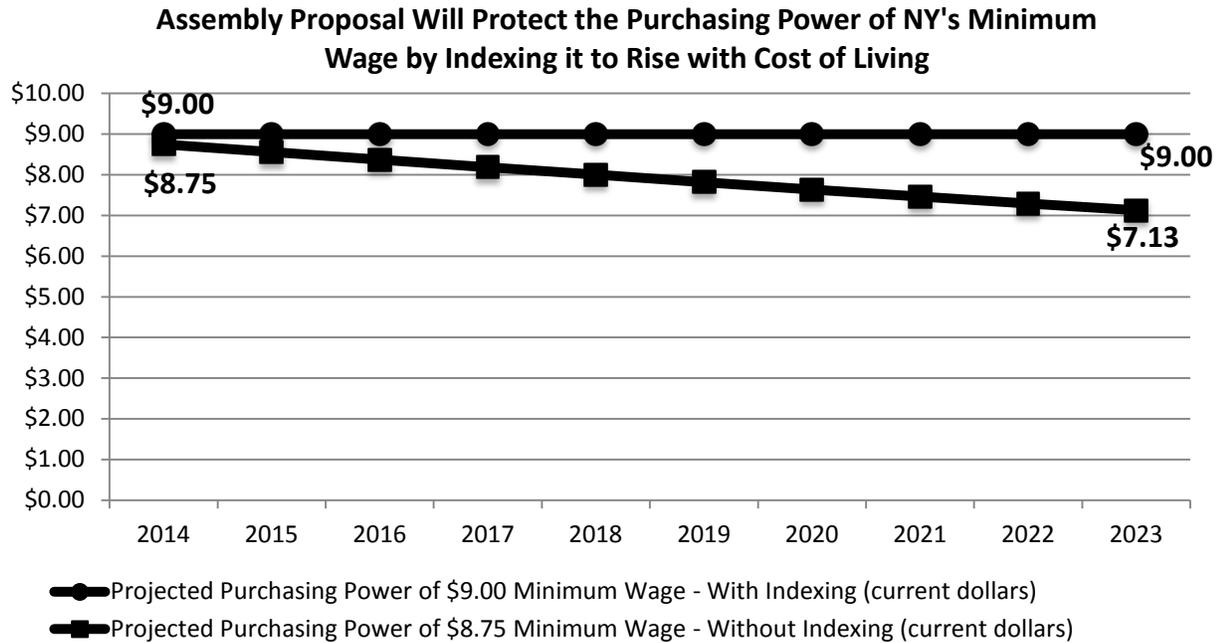
III. Demographic Profile of Workers Affected by a \$9.00 Plus Indexing Minimum Wage in New York

| Which Workers Benefit from Raising New York's Minimum Wage to \$9.00 per Hour? | |
|---|-----------|
| Total Affected Workers | 1,729,100 |
| Directly Affected | 830,900 |
| Indirectly Affected | 898,200 |
| Age | |
| Over 20 years old | 89.8% |
| Under 20 years old | 10.2% |
| Gender | |
| Female | 53.7% |
| Male | 46.3% |
| Work Hours | |
| 20+ Hours Per Week | 86.8% |
| Less Than 20 Hours Per Week | 13.2% |
| Education | |
| Less Than High School | 19.9% |
| High School | 34.9% |
| Some College | 23.8% |
| AA Degree | 8.2% |
| Bachelor's or Higher | 13.3% |

Source: Economic Policy Institute analysis of 2012 Current Population Survey

IV. Without Indexing, the Purchasing Power of New York’s Minimum Wage will Fall Each Year as the Cost of Living Rises

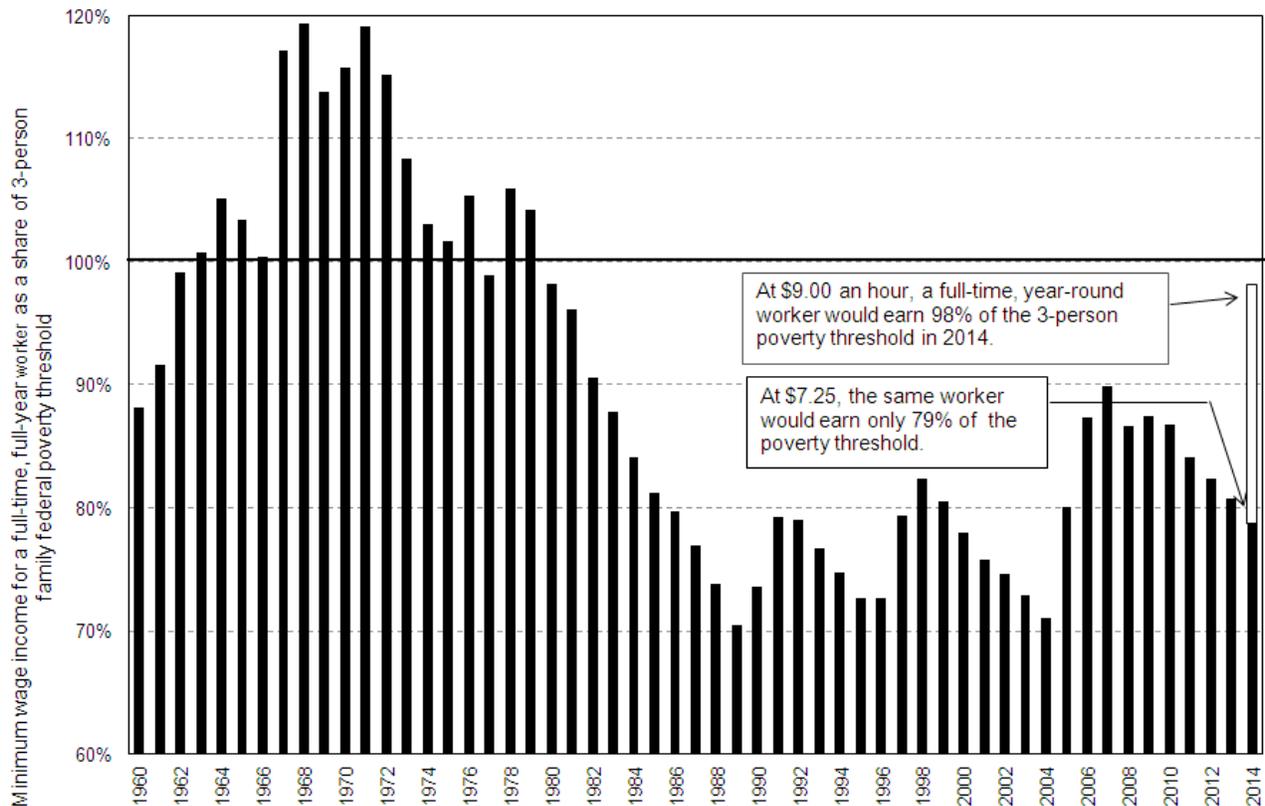
The purchasing power of New York’s minimum wage will erode each year as the cost of basic expenses like food, utilities, and gasoline continues to rise. To protect the value of their minimum wage rates over time, ten states have begun “indexing” their minimum wage to rise automatically each year with the cost of living.



Source: NELP analysis of Congressional Budget Office projections of Consumer Price Index for all Urban Consumers (CPI-U) for 2013- 2023.

Even if New York’s minimum wage is increased to \$8.75 this year, as previously proposed, its purchasing power will fall below the current \$7.25 level, to just \$7.13 per hour, by 2023 if it is not indexed to rise with the cost of living. The Assembly’s proposal to raise the minimum wage to \$9.00 per hour with indexing will protect the purchasing power of the state’s minimum wage over the next 10 years and prevent the 20 percent decline in purchasing power that would take effect under the Governor’s proposal. Given that there have been two nine-year periods since 1980 (from 1981-1990, and from 1991-2000) where the New York state legislature allowed the minimum wage to remain unchanged as the cost of living continued to rise, it is crucially important to index the minimum wage to rise automatically with the cost of living in order to preserve its purchasing power over time.

V. An Increase to \$9.00 Plus Indexing Would Put A Full-Time Minimum Wage Worker at 98% of the Federal Poverty Threshold for a 3-Person Family



Source: FPI analysis. Poverty threshold for 2013-2014 projected using NYS Div. of the Budget CPI forecast.

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 10-20% above the federal poverty threshold. At \$7.25 an hour, a full-time minimum wage worker would receive only 79% of the 3-person poverty threshold as of next January. However, an increase to \$9.00 an hour would put that worker at 98% of poverty, much closer to but still short of the level that existed for most of the 1960s and 1970s. The poverty threshold is adjusted each year according to the change in the consumer price index. Unless the minimum wage is indexed for inflation, it will decline in relation to the poverty level in subsequent years.

VI. Comparison of Current New York Minimum Wage Proposals to New York's Last Minimum Wage Increase and to Recent Federal and State Proposals

An increase in New York's minimum wage to \$9.00 per hour plus indexing would be quite modest, when compared with proposals now in other comparable high cost-of-living states, such as Maryland (\$10.00, with indexing), Connecticut (\$9.75, with indexing), Illinois (\$10, with indexing), and Massachusetts (\$11, with indexing).

| Comparison of Current New York Minimum Wage Proposals to New York's Last Minimum Wage Increase, and Federal and State Proposals | | | | | |
|---|---|--------|---|----------|----------|
| | Bill | 2013 | 2014 | 2015 | 2016 |
| NY – Assembly | A. 38 | | \$9.00 | \$9.20 | \$9.40 |
| NY – Alternative Proposal | | \$8.75 | Minimum wage remains stagnant as cost of living continues to rise | | |
| NY – Increase Comparable to Last Time NY Raised Its Wage | If New York increased its minimum wage by 39% (the size of New York's last increase approved in 2004) | | \$8.40 | \$9.50 | \$10.10 |
| President Obama | Announced in State of the Union | | | \$9.00 | Indexing |
| U.S. Senate and House Democrats | Fair Minimum Wage Act of 2013 | \$8.20 | \$9.15 | \$10.10 | Indexing |
| MD | Bill number pending | \$8.25 | \$9.00 | \$10.00 | Indexing |
| CT | S.B. 387 | \$9.00 | \$9.75 | Indexing | |
| MA | SD.752 / HD.1891 | \$9.00 | \$10.00 | \$11.00 | Indexing |
| IL | Announced in Gov. Pat Quinn's State of the State Address on Feb. 6, 2013 | | | \$10.00 | Indexing |