



NYS Should Act to Raise the Statewide Minimum Wage and Allow Localities to Set a Higher Minimum Wage

Testimony Submitted to the New York State Senate
Standing Committee on Labor

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New York's pronounced income polarization is fundamentally rooted in the job market. Economic and labor market changes have severely limited the availability of good jobs that provide reasonable pay, leave policies, and health and retirement benefits. These changes undermine the living standards and well-being for hundreds of thousands of New Yorkers. These adverse developments are not dictated by technology, markets, competition or globalization. Rather, while they are shaped by those forces, fundamentally, these adverse economic and labor market changes are determined by public and private policy choices.

New York City and New York State have considerable latitude in acting to redress this situation. There is no silver bullet solution to reverse the past three decades of intensifying income and wage disparities, but raising the statewide minimum wage, allowing localities to set a higher minimum wage, or establishing a \$15 an hour "living wage" for certain large employers and chain stores around the state represent important forward steps.¹

In a report released this past February, and attached to this testimony, the Fiscal Policy Institute and the National Employment Law Project addressed many of the policy reasons to support the local authority bills under consideration in this hearing.² Our February report provided detailed demographic characteristics for the three million low-wage workers in New York State (37 percent of all wage-earners) paid below \$15 an hour, and estimated the number of such workers for each of the state's 62 counties. That report also documented the considerable variation in the cost of living for the largest counties across the state.

This testimony will review many of the arguments in support of local authority as well as provide updates on several pertinent developments and add new data on the characteristics of New York City's low-wage workers and on the wide dispersion of wage levels and locally-set wage requirements across New York State.

¹ Three of the measures considered at this hearing (S-4919, S-6516, and S-6537) permit local governments in New York to enact minimum wages above the state minimum wage. A fourth bill (S-5914) would provide such local authority only for New York City. A fifth bill (A-8767) enables local authority but limits the local minimum wage to 25 percent higher than the state minimum wage. And a sixth bill (S-6455) would establish a statewide "living wage" of \$15 an hour, indexed to inflation, for certain large employers and chain stores.

² See National Employment Law Project and Fiscal Policy Institute, *Why New York State Should Let Cities and Counties Enact Higher Local Minimum Wages*, February 2014. <http://fiscalpolicy.org/wp-content/uploads/2014/02/Why-New-York-State-Should-Let-Cities-and-Counties-Enact-Higher-Local-Minimum-Wages.pdf>

To start with, let's keep in mind the characteristics of New York City's low-wage workforce. See attached Table 1. We use \$15 an hour as a cut-off for "low-wages" in New York City. That's roughly the amount that two full-time workers need to earn to come close to affording a bare-bones family budget in moderate income neighborhoods in the five boroughs. On a full-time basis, 40 hours a week, 52 weeks a year, \$15 an hour translates into an annual income of \$31,200. For a two-earner family, that means family earnings of \$62,400. That is close to the amount it takes to afford what is known as the Self Sufficiency Standard budget for a 4-person family with two young children.³

Table 1 shows there are 1.25 million New York City residents making less than \$15 an hour. That's 37 percent of all workers residing in the city.

- In the Bronx, 52 percent of resident workers are low-wage by this standard, and 41 percent of Brooklyn residents receive low wages;
- Women are more likely than men to be paid low-wages, 39 percent of all women are low-wage compared to 36 percent of men;
- Adult workers age 20 and over are 97 percent of all low-wage workers, while teenagers account for only three percent;
- Workers of color are much more likely to be paid low wages than white, non-Hispanic workers—workers of color make up 63 percent of the resident workforce but account for 78 percent of all low-wage workers;
- Low-wage workers are largely full-time workers (77 percent of the total) or mid-time workers who working 20-34 hours per week (18 percent of the total);
- Finally, more than half of all workers in retail and leisure and hospitality are low-wage workers, but the largest sector employing low-wage workers in New York City is the non-profit sector encompassing education, health and social services—one in every four low-wage workers are employed in this sector.

Action to establish a minimum wage in New York City above the current state \$8 an hour minimum will affect workers with demographic characteristics similar to those summarized above.

Because the minimum wage has not kept pace with inflation or with the growth in the productivity of the overall economy, its purchasing power has been greatly diminished. Even at \$8.00 an hour in New York, 75 cents higher than the current federal minimum wage, the purchasing power of the minimum wage in New York is 30 percent less than what it was at its peak in 1968 when the minimum wage was \$1.60. In today's dollars \$1.60 in 1968 is worth \$11.50 an hour. That's where we should be, at the least, given our history.

This situation will not improve very much even when New York State's minimum rises to \$9.00 an hour as it is scheduled to do by the beginning of 2016—in the interim, it will rise to \$8.75 by the start of 2015. When it rises to \$9.00 an hour, its purchasing power will still be about 25

³ Diana M. Pearce, *The Self-Sufficiency Standard for New York City 2010*, Prepared for the Women's Center for Education and Career Advancement, June 2010. Family budgets are being updated for 2014 costs and will be released in June 2014. http://www.wceca.org/publications/NYC_SSS_2010_WEB_062310_v2.pdf

percent below its 1968 peak level.

And of course, the city's economy is much larger in real terms than it was 36 years ago so it should be much higher than that. Estimates are that if the minimum wage had kept pace with the growth in productivity in the economy, it would be approximately \$18 today, not \$8.

Beyond the bills considered at this hearing, there is a compelling need for New York to accelerate increases in the statewide minimum wage, and once it gets to a level close to the purchasing power that the minimum wage had through much of the 1960s and 1970s, then it should be indexed so that it rises each year along with inflation to prevent renewed erosion in what its purchasing value. Eleven states now apply some form of indexation to regularly adjust their minimum wage levels.

Many states and localities are pushing quickly past New York's current slow path to a \$9.00 an hour minimum wage. New York should also start treating tipped workers fairly by doing away with the "tipped credit" that lets their employers off the hook for a sizable portion of the state minimum wage. California, Nevada, Oregon and Washington State require minimum wage parity for tipped workers.

There has been a flurry of activity in recent months around the country to raise minimum wage levels. Just since the first of the year, at least seven states (CT, MD, MN, DE, WV, HI, and VT) have raised their minimums, bringing to 26 the number of states with a higher minimum wage than the federal level. Vermont acted recently to increase its minimum wage to \$10.50 an hour by 2018—this is the highest level authorized for a state minimum wage (as of today.)

Four other states (CA, MD, HI and CT) and the District of Columbia are on the verge of having a minimum wage of \$10 an hour or greater. As a result of the fact that they index their minimums to inflation, both Washington State and Oregon will pass \$10 an hour within a few years. Both houses in the Massachusetts legislature have passed bills to raise the minimum wage to at least \$10.50; they're in the process of reconciling the separate bills. The Massachusetts state senate voted to increase the minimum wage to \$11.00 an hour.

The District of Columbia, a city a fraction the size of New York City, will raise its minimum wage to \$11.50 an hour in mid-2016, a little more than two years from now. Two Maryland counties bordering the District of Columbia, Montgomery and Prince William Counties, are following the District's lead and raising their wage floor in stages to \$11.50.

San Francisco (\$10.74) and San Diego (\$10.15) already have minimum wages above \$10.00 an hour. Action is picking up in many cities around the country to establish minimum wage levels well over ten dollars. Voters in Sea-Tac, Washington, home to the Seattle Airport, approved a \$15 an hour minimum wage last fall. The cities of San Francisco and Chicago are considering \$15 an hour, the City Council in San Diego is debating a minimum of over \$13, Oakland is considering \$12.25 an hour, and the mayor of Portland, Maine is talking about a minimum wage greater than the state's current wage. The Seattle City Council is voting today (June 2) on legislation to require a \$15 an hour minimum wage from all employers by 2021.

There are several reasons why New York State should allow cities and counties to determine whether or not they should establish a minimum wage above the statewide level. Among these are:

- 1—wide disparities exist across counties within New York in terms of the local cost of living;
- 2—there is a similar wide disparity in median wage levels; and
- 3—many local governments in New York have established local living wage laws, usually applied to companies and organizations providing services under local government contract, and there is considerable variation in these existing living wage levels.

On the first point: as FPI and NELP showed in our February report, using the Self Sufficiency Standard for a 4-person family with two earners, one preschooler and one school-age child, the cost of living ranges from \$48,000 to \$55,000 in many large upstate counties, but \$64,000 to \$86,000 in New York City and the downstate suburban counties. That’s a difference of from one-third to more than one-half greater downstate than upstate.⁴

On the second point: median annual wage earnings for full-time, year-round workers also vary widely across the state. As the data in Table 2 indicates, in New York City and the downstate suburban counties, median earnings range from \$40,000 to \$50,000. In the larger upstate counties—Erie, Monroe and Onondaga—median earnings are in the low-\$30,000 range. In 30 smaller upstate counties, median earnings are between \$21,100 and \$30,000. This considerable earnings variation suggests that it may not make sense to have a “one-size-fits-all” state minimum wage.

Finally, local governments in New York currently have the authority to establish their own living wage ordinances, with the flexibility to determine the coverage and the wage levels. In the handful of major localities that have established living wage ordinances (see the table below), there is considerable variation, ranging from \$10.00 (New York City’s living wage level that has existed since 2000) to \$13.35 an hour in Nassau County. That makes Nassau County’s level a little more than a third greater than New York City’s. The five jurisdictions included in the table below all specify a higher living wage level if health benefits are not provided.

I might add another reason why New York City, in particular, should have the authority to set a higher minimum wage—the size of the city’s economy is greater than that of 45 states.

Selected Local Living Wage Ordinances, New York State, 2014

	<u>Hourly living wage, with health benefits</u>	<u>Hourly living wage, without health benefits</u>
Nassau County	\$13.35	\$15.21
Suffolk County	\$11.74	\$13.37
City of Syracuse	\$12.43	\$14.68
City of Rochester	\$11.30	\$12.62
City of New York	\$10.00	\$11.50

⁴ See Table 3, “Self-Sufficiency Family budgets for the Largest New York Counties,” in National Employment Law Project and Fiscal Policy Institute, *Why New York State Should Let Cities and Counties Enact Higher Local Minimum Wages*, February 2014. This comparison excludes lower Manhattan where self-sufficiency budget for this family type would be \$93,000.

As noted in our February joint report with NELP, on balance, the considerable research regarding the economic effects of minimum wage standards finds that minimum wage laws generally do not have adverse effects, and that they have positive effects in raising living standards for low-wage workers and benefits to employers in reducing turnover and improving overall productivity.

Management experts who study wages and productivity in low-wage sectors like retail find that higher pay is directly associated with higher productivity, and that businesses that pay higher wages than their competitors often pursue other practices that result in better performance by workers and better bottom-line results for businesses.

M.I.T. management professor Zeynep Ton analyzed employment practices at several retail chains and found that the stores that perform the best, pay higher wages, provide better benefits, invest more in training their workers, have more advancement opportunities, and allow their employees more convenient schedules. Ton concluded that the most successful retailers tend to “view labor not as a cost to be minimized but as a driver of sales and profits.”⁵

A study by the Center for Economic Policy Research analyzed the effects of city minimum wage laws in San Francisco, Santa Fe and Washington, D.C. and found that such laws raised the earnings of low-wage workers and did not have a discernible adverse impact on low-wage businesses.⁶

I would like to close by noting that a recent poll of small business owners found that 74 percent of small business owners in New York State support raising the minimum wage and indexing it to rise with the cost of living. The poll, conducted by the Small Business Majority, also found that two-thirds of small business owners believe local economies should be allowed to set and increase their own minimum wage “to supplement an increase in the state’s minimum wage in order to ensure it makes sense for local economies.”⁷

Thank you for the opportunity to submit this testimony.

⁵ Zeynep Ton, “Why ‘Good Jobs’ Are Good for Retailers,” *Harvard Business Review*, January-February, 2012, pp. 6-7.

⁶ John Schmitt, *Why Does the Minimum Wage Have No Discernible Impact on Employment?* (February 2013), Center for Economic and Policy Research, available at <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>.

⁷ Small Business Majority, “Opinion Poll, New York Small Businesses Support Higher Minimum Wages for Cities and Counties,” April 21, 2014. The poll was conducted from Feb. 18-25, 2014, by Greenberg Quinlan Rosner Research for Small Business Majority. <http://www.smallbusinessmajority.org/news-and-events/press-room-view.php?id=364>

Table 1

Workers paid under \$15 an hour in 2013, New York City

Category	Estimated Wage-earning Workforce *	Workers paid less than \$15 an hour	% of those paid < \$15 an hour	% in category directly affected
Total	3,348,900	1,250,200	100%	37%
Bronx	444,300	229,700	18%	52%
Kings	945,100	384,300	31%	41%
Manhattan	796,600	219,800	18%	28%
Queens	957,300	357,700	29%	37%
Richmond	205,300	58,600	5%	29%
Gender				
Female	1,624,900	638,100	51%	39%
Male	1,724,000	612,100	49%	36%
Age				
Less than 20 years of age	45,500	39,300	3%	86%
20 years and over	3,303,400	1,210,900	97%	37%
Race				
White non-Hispanic	1,217,200	273,300	22%	22%
Black	730,700	352,200	28%	48%
Hispanic	893,900	454,100	36%	51%
Asian	507,100	170,600	14%	34%
Industry				
Retail	336,200	194,100	16%	58%
Leisure and Hospitality	344,300	176,900	14%	51%
Education, Health and Social Services	880,000	317,500	25%	36%
All other industries	1,788,400	561,700	45%	31%
Work hours				
Less than 20 hours	112,600	71,200	6%	63%
20-34 hours	354,900	221,000	18%	62%
35 hours or more per week	2,881,500	958,000	77%	33%
Education				
High school or less	1,163,300	674,000	54%	58%
Some college or more	2,185,600	576,200	46%	26%

Source: EPI analysis of Current Population Survey, 2013; borough estimates by Fiscal Policy Institute.

* The number of workers in the wage-earning workforce, by residence, is estimated from the CPS respondents who were 16 years old or older, employed, but not self-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 understates the size of the full workforce.

Table 2

Median Earnings, New York Counties, 2008 - 2012

county	Median earnings (2012 dollars)		Median earnings (2012 dollars)
New York	49,689	Wyoming	29,024
Putnam	45,880	Niagara	28,927
Nassau	44,228	Montgomery	28,689
Westchester	43,172	Sullivan	28,593
Richmond	42,813	Madison	28,414
Suffolk	40,877	Seneca	28,277
Rockland	40,035	Chemung	28,054
Saratoga	37,664	Clinton	27,879
Orange	35,420	Fulton	27,773
Dutchess	34,562	Herkimer	27,599
Albany	33,828	Jefferson	27,461
Rensselaer	32,495	Essex	27,459
Queens	32,330	Lewis	27,310
Kings	31,962	Schoharie	27,199
Schenectady	31,945	Washington	27,039
Onondaga	31,808	Orleans	26,960
Columbia	31,275	Franklin	26,830
Ulster	31,120	Chenango	26,779
Monroe	30,813	Livingston	26,603
Ontario	30,745	Oswego	25,895
Erie	30,486	Bronx	25,797
Warren	30,223	Broome	25,705
Cayuga	29,996	Yates	25,659
Wayne	29,860	Cortland	25,321
Schuyler	29,780	Cattaraugus	24,616
Hamilton	29,675	Chautauqua	24,558
Steuben	29,666	Delaware	23,566
Tioga	29,637	Tompkins	23,318
Oneida	29,417	St. Lawrence	21,735
Greene	29,204	Otsego	21,219
Genesee	29,070	Allegany	21,141

Source: Am. Fact Finder (5 year sample), table S2001: EARNINGS IN THE PAST 12 MONTHS