

Existing New York City Wage Standards

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Minimum wage

The minimum wage applies across the board to all workers, although for problematic historical reasons, the federal minimum wage law excludes agricultural, domestic, and home health and home personal care workers. In establishing the Federal minimum wage in 1938, Congress sought to level the playing field among business by creating a wage floor that would limit unfair competition based on wage-cutting, and stimulate consumer spending by boosting the purchasing power of workers.

The federal minimum wage of \$7.25 an hour was last raised in 2009, but 27 states and the District of Columbia will have higher minimum wages by Jan. 1, 2015 (this includes 3 states where ballot initiatives to set a higher wage appear very likely to have passed on Nov. 4.) The purchasing power of the federal minimum wage has fallen 25 percent since the late 1960s. If the minimum wage had kept pace with productivity growth since the late 1960s, it would be \$19.00.

NYS's minimum wage is now \$8.00 an hour, increasing to \$8.75 on 12-31-14 and \$9.00 on 12-31-15. It is not indexed to inflation. There is Albany legislation pending to increase the state minimum to \$10.10, and a separate measure to give localities the authority to set a local minimum wage up to 30% above the state minimum. If both passed, NYC could set a \$13.13 minimum wage. Mayor de Blasio has expressed interest in doing that if state legislation passes.

A growing number of large cities, and a few suburban counties, are establishing higher minimum wage levels. Seattle, San Diego, San Jose, San Francisco, and Washington, D.C. already have established higher minimums, and Chicago, Los Angeles, and Oakland are among the cities considering substantially higher minimum wages in the \$12-\$15 an hour range.

Living Wage

A living wage is a standard higher than the minimum wage that is applied to certain categories of workers, for example those working under state or local government contract. It is generally established on a local level. While there is no universally accepted definition of a living wage, it is often considered to be the wage necessary to afford a full-time worker and their family a minimally acceptable living standard, but in practice it often falls short. Interest in local living wage requirements has been fueled by the erosion in the purchasing power of the minimum wage, by the privatization of public services under low-bidder rules, and by the low wages paid on projects benefiting from tax breaks or other local public subsidies. There are local living wage laws in over 120 cities and other local governments around the country.

New York City has two living wage laws. The first, enacted in 1996, covers a limited number of workers providing day care, head start, building services, food services, and temporary services under NYC contract. In 2002, coverage was extended to homecare workers and workers

providing services to persons with cerebral palsy. Under this living wage law, the living wage has been \$10 an hour since 2006, with another \$1.50 an hour required if health insurance is not provided.

The second local living wage law was first enacted in 2012 by the Council over a mayoral veto and applies to employees of companies receiving financial assistance from the City. It was this living wage law that was expanded by Mayor de Blasio's Executive Order on September 30, 2014. Coverage was extended to employees of tenants, subtenants and contractors of companies receiving City financial assistance. The Executive Order also raised the living wage to \$11.50 for employees who receive health benefits and to \$13.13 for those who do not. Further, this living wage will be adjusted in January of each year to reflect changes in the Consumer Price Index. It is estimated that this indexing provision could raise the level to \$15.22 by 2019.

Prevailing Wage

The prevailing wage concept relates to the goods and services usually provided in the private sector that government purchases. In implementing "prevailing wages," enabling laws usually empower labor departments (in NYC the City Comptroller is given such authority under state law) to look to the wage patterns that predominate in the private sector in establishing appropriate wage levels for work performed under government contract. The Davis-Bacon Act, requiring payment of locally established prevailing wages for federally funded construction projects, was enacted under President Herbert Hoover in 1931 to curb wage-cutting on federally funded construction projects that was widely seen as harmful to local workers and contractors. The Walsh-Healy Act of 1936 extended the prevailing wage concept to the federal government's purchase of all goods, and the McNamara-O'Hara Service Contract Act of 1965 established a prevailing wage requirement for contractors and subcontractors providing services to the federal government.

New York State has long had prevailing wage standards for state and local government-funded construction contracts and extended coverage to building service workers in 1971. Rates are set on a county level. In New York City, prevailing wage rates for construction trades range from \$25-\$50 (and higher) per hour, depending on the trade, and \$23-\$26 per hour for building services. Additional amounts are required to cover health, pension, training, and other benefits.

For additional information, including on the impact on employment and businesses, see:

Fiscal Policy Institute, *Testimony to Raise the Statewide Minimum Wage and Allow Localities to Set a Higher Minimum Wage*, NYS Senate Labor Committee, June 2, 2014. <http://fiscalspolicy.org/testimony-to-raise-the-statewide-minimum-wage-and-allow-localities-to-set-a-higher-minimum-wage>.

National Employment Law Project, *City Minimum Wage Laws: Recent Trends and Economic Evidence on Local Minimum Wages*, October, 2014. <http://www.nelp.org/page/-/rtmw/City-Minimum-Wage-Laws-Recent-Trends-Economic-Evidence.pdf?nocdn=1>