



*NYS Department of Labor Wage Board Hearing
on Increasing the Minimum Wage
in the Fast-Food Industry*

Testimony Submitted by
James A. Parrott, Ph.D., Deputy Director and Chief Economist
Fiscal Policy Institute
June 5, 2015

Mr. Chairman and Members of the Fast Food Wage Board, thank you for the opportunity to testify today. My name is James Parrott, Deputy Director and Chief Economist of the Fiscal Policy Institute (FPI), a nonpartisan nonprofit education and research organization focused on New York economic and fiscal policy issues. FPI has been analyzing labor market and economic trends in New York State for nearly 25 years. We have closely followed developments shaping wages, incomes and living standards that affect the well-being of typical New Yorkers. We have studied the importance of the social safety net, including how it has more and more been extended to cover workers whose employers pay such low wages that many qualify for public benefits even though they are steadily working.

We are well-acquainted with the economic development challenges facing regional economies across the state, and have endeavored to understand how those challenges have evolved in light of national and international economic, demographic, environmental, and technological changes.

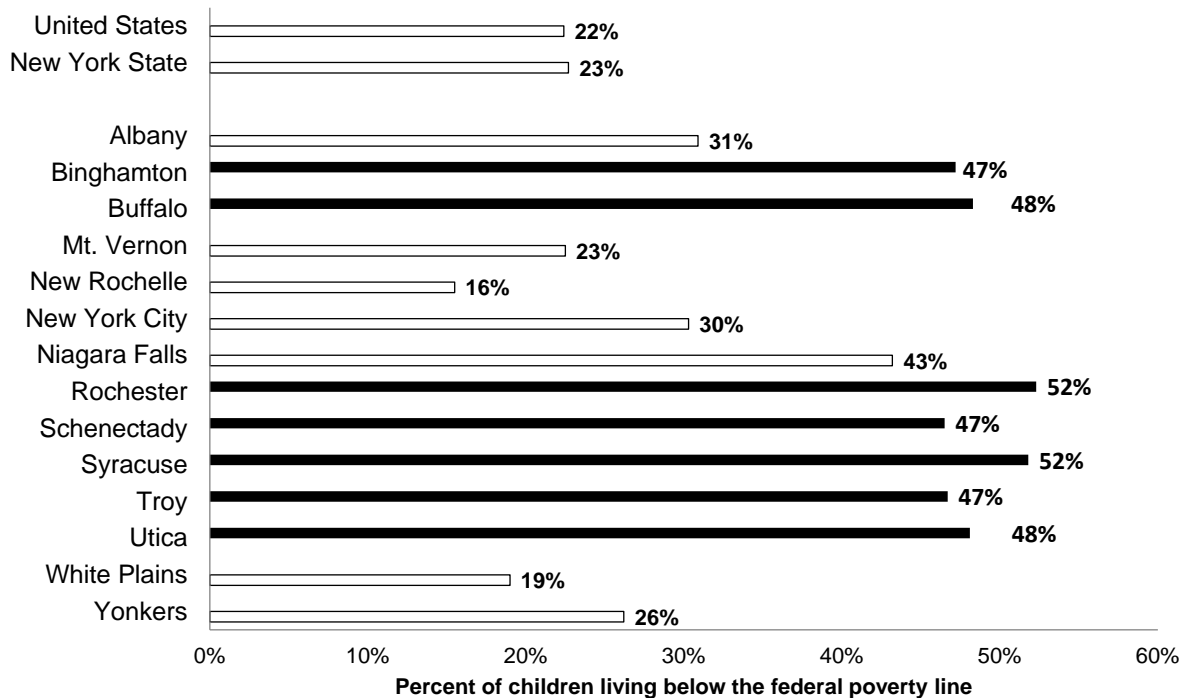
In New York, as is the case nationally, wages for most workers have stagnated or declined in inflation-adjusted terms in recent years. This has contributed to a situation where median household incomes have faltered and poverty has remained elevated. Median household incomes in New York State fell 5.5 percent on an inflation-adjusted basis from 1999 to 2013.¹

Child poverty in the major upstate cities is at crisis levels—47-48 percent in Binghamton, Troy, Utica and Buffalo and 52 percent in Syracuse and Rochester. Many of those children are in families with a working parent. See Figure 1.

¹ U.S. Census Bureau.

FIGURE 1

Child poverty rates in many upstate cities are double or more than the national average.



Source: ACS 2011-2013 3-yr estimates

Fast food—rapidly growing but paying very low wages

A real disparity has emerged in recent decades between productivity growth—the increase in the value of goods and services that workers produce for a company—and wage growth. Many businesses that are paying low wages have fairly high profits. They could well afford to pay higher wages if they were required to, but given the choice they prefer not to.²

Chronic low pay is also partly a function of the fact that much of the job growth in recent years has occurred in lower-paying industries. The rapid growth in fast-food jobs since 2000 has been an important contributing factor. Employment in fast food has grown by 4.5 percent annually since 2009, four-and-a-half times as fast as overall job growth in New York State. In 2014, fast-food employment totaled nearly 165,000 workers across the state.³ Another 45,000 workers are

² “Since the late 1970s, wages for the bottom 70 percent of earners have been essentially stagnant, and between 2009 and 2013, real wages fell for the entire bottom 90 percent of the wage distribution. Even wages for the bottom 70 percent four-year college graduates have been flat since 2000.” Larry Mishel, *Causes of Wage Stagnation*, Economic Policy Institute, January 6, 2015.

³ New York State Department of Labor, *Briefing Document on Employment and Wages in New York State’s Fast-Food Restaurants*, Prepared for the Minimum Wage Board, May 2015, p. 3.

employed in the Snack and Nonalcoholic Beverage Bars industry in New York State where wages and working conditions are fairly similar to those in fast food, and where employment is growing even faster than in fast food.⁴

In the years since 2000, while total New York payroll employment has declined in four out of the 14 years, fast-food employment grew in each of those 14 years, and rose by 40 percent overall.⁵

Median hourly pay for New York's fast-food workers was \$9.03 an hour in 2014.⁶ It is interesting to note that while job growth has varied across the upstate and downstate regions of New York, median hourly wages for the two largest occupations of fast food workers do not vary greatly around the state. In the largest occupation, Combined Food Preparation and Servicing Workers, including Fast Food, median hourly wages across 14 metro and non-metro areas in New York were within a fairly narrow range from \$8.78 to \$9.42 according to the most recent Bureau of Labor Statistics Occupational Employment Survey.⁷ According to this data set, median fast-food wages in the non-metropolitan areas of the state are indistinguishable from the state's metropolitan areas, including New York City and the downstate suburbs. See Figure 2.

⁴ U.S. Bureau of Labor Statistics, *Quarterly Census of Employment and Wages*. This industry increased jobs at a 7.4 percent pace from 2009-13. See Figure 3 below.

⁵ U.S. Bureau of Labor Statistics, *Quarterly Census of Employment and Wages*.

⁶ NYSDOL, *Briefing Document on Employment and Quarterly Census of Employment and Wages in New York State's Fast-Food Restaurants*, p. 4.

⁷ Bureau of Labor Statistics, *Occupational Employment and Wage Estimates*, May 2014.

FIGURE 2

Occupational Wage Estimates, Fast-Food Occupations
New York, May 2014

Area	Median Hourly Wages	
	Combined food preparation and serving workers, fast food	Cooks, fast food
NEW YORK STATE	\$8.94	\$9.13
Albany MSA	\$8.93	\$9.25
Binghamton MSA	\$8.82	\$9.17
Buffalo MSA	\$8.90	\$9.39
Elmira MSA	\$8.78	\$9.27
Glens Falls MSA	\$8.89	\$8.99
Ithaca MSA	\$8.97	\$8.82
Kingston MSA	\$9.42	\$8.89
Nassau-Suffolk (Long Island)	\$9.14	\$9.51
New York-White Plains-Wayne NJ Metro Div.	\$9.00	\$9.13
Poughkeepsie-Middletown-Newburgh MSA	\$8.91	\$8.89
Rochester MSA	\$8.84	\$9.02
Syracuse MSA	\$8.88	\$8.98
Utica-Rome MSA	\$8.87	\$9.02
Capital/No. New York nonmetropolitan area	\$8.96	\$9.91
East Central New York nonmetropolitan area	\$8.86	n.a.
Central New York nonmetropolitan area	\$8.96	\$8.80
Southwest New York nonmetropolitan area	\$8.86	\$8.79

Source: U.S. Bureau of Labor Statistics, Occupational Employment and Wage Estimates, May 2014.
<http://www.bls.gov/oes/current/oesrcma.htm>

Within the broader food services sector that employs nearly 600,000 workers in New York State, limited-service fast-food establishments pay the lowest average annual wages. Many of the workers in other branches of the food services sector perform work very similar to that of fast-food workers, yet workers in industries such as Full-Service Restaurants or Food Service Contractors make, on average, 52-69 percent more than New York’s fast-food workers. See Figure 3.

FIGURE 3

Within New York's food services sector, most industries have much higher annual pay than in limited-service restaurants that includes fast-food restaurants

Detailed industries within New York State Food Services and Drinking Establishment Sector

	Annual average employment	Total annual wages	Average annual estab.	Average annual wage	Ratio of average annual wage for other food service industries compared to Limited-Service Restaurants
722513 Limited-Service Restaurants	159,492	2,458,615,808	15,217	15,415	1.00
722310 Food Service Contractors	36,407	945,878,891	1,651	25,980	1.69
722320 Caterers	17,472	409,105,114	995	23,415	1.52
722330 Mobile Food Services	951	18,769,622	208	19,742	1.28
722410 Drinking Places (Alcoholic Beverages)	22,670	459,541,824	3,334	20,271	1.32
722511 Full-Service Restaurants	307,122	7,192,101,302	18,535	23,418	1.52
722514 Cafeterias and Buffets	2,829	51,820,760	260	18,315	1.19
722515 Snack and Nonalcoholic Beverage Bars	45,326	769,178,386	4,380	16,970	1.10

Source: BLS, Quarterly Census of Employment and Wages.

Many of New York’s fast-food workers are trying to support families on their wages

The best available data on the characteristics of New York’s fast-food workers indicate that nearly three-quarters (72 percent) are adults age 22 or older. Fast-food workers are not primarily teenagers and nearly two out of every five are 35 and older.⁸ It is noteworthy that nearly half of New York’s fast food workers have attended college and that 20 percent have a 4-year college degree or better. This reflects the difficulty in finding better-paying employment in today’s job market. Nationally, only 13 percent of frontline fast-food workers receive employer-provided health insurance; for the workforce as a whole, 59 percent do.⁹

The 2013 UC-Berkeley Labor Center/University of Illinois study of fast food workers cited in the governor’s press release announcing the establishment of this wage board found that 20 percent of fast food workers had family incomes below the federal poverty line, a rate four times that of workers overall. Another 23 percent of fast food workers had family incomes that placed them in what is often referred to as “near-poverty,” with incomes between 100 and 200 percent of the federal poverty line.¹⁰

More than a quarter (26 percent) of fast food workers have one or more children, and overall, more than two-thirds (68 percent) are not in school and are single or married adults with or

⁸ NYSDOL, *Briefing Document on Employment and Wages in New York State’s Fast-Food Restaurants*, p. 5.

⁹ Sylvia Allegretto, Marc Doussard, Dave Graham-Squire, Ken Jacobs, Dan Thompson and Jeremy Thompson, *Fast Food, Poverty Wages. The Public Cost of Low-Wage Jobs in the Fast-Food Industry*, University of California Berkeley Labor Center and University of Illinois at Urban-Champaign, October 15, 2013, page 8.

¹⁰ *Ibid*, Table 4.

without children. For these workers, fast-food wages are an essential component of family income.¹¹

Fast-food wages fall far short of meeting family budget needs

Because fast-food pay is low and hours of work are limited, it is extremely difficult for New York workers in this industry to make ends meet. Average annual pay for fast-food workers across the state was less than \$16,000 in 2014 according to the State Labor Department. In six of the upstate regions annual pay ranged from \$11,874 in the Mohawk Valley to \$14,352 in the Capital Region. Annual pay was highest in New York City at \$17,667, and around the state average of \$16,000 in Western New York, the Hudson Valley and Long Island.¹²

Two independent analyses of the incomes needed to meet minimally acceptable family budgets show just how inadequate fast-food wages are. The Washington, D.C.-based Economic Policy Institute (EPI) has constructed a Basic Family Budget Calculator to determine the income required to afford an adequate standard of living for 10 family types living in over 600 communities around the country. Geographical cost-of-living differences are built into the budget calculations by incorporating regional, state or local variations in costs for housing, food, transportation, child care, health care and other necessities and taxes.

To gauge the hourly wage needed a few years down the road to support a family at the EPI family budget levels, EPI projected current basic family budget levels forward to 2018, and assumed a working adult works year-round for 27.9 hours per week, the current average work week for New York State workers employed in the leisure and hospitality sector that includes fast food.¹³

To illustrate the findings, we show the results for a single adult with no children and two family types in Figure 4—a single parent with one child, and a couple with two children where both adults work. EPI estimated basic family budgets for 14 metropolitan areas in New York and a composite estimate for the state's non-metropolitan areas.

¹¹ Ibid, Table 6.

¹² NYS DOL, *Briefing Document on Employment and Wages in New York State's Fast-Food Restaurants*, p. 3.

¹³ Economic Policy Institute, Family Budget Calculator, see <http://www.epi.org/resources/budget/>. The budget calculator allows one to see the detailed family budget items for different family configurations and geographic areas (either metropolitan areas or a composite for rural areas in each state.) EPI economist David Cooper used Congressional Budget Office consumer price index forecasts to project forward family budget levels to 2018 as an illustrative year to consider in connection with the possible phase-in of a higher NYS fast-food minimum wage. Cooper derived the 27.9 weekly hours figure from the February 2015 Current Population Survey. Communication from David Cooper, EPI, May 26, 2015. Cooper notes that the corresponding national average weekly hours for February 2015 was 25.2. Fewer weekly hours would translate into a higher hourly wage needed to meet a given family budget standard.

FIGURE 4

Hourly wage required for all adults in a family to afford 2018 EPI Basic Family Budgets in New York State

Area	2018 EPI Basic Family Budget *			Hourly wage needed for all adults in family to meet 2018 Basic Family Budget **		
	1 adult	1 adult, 1 child	2 adults, 2 children	1 adult	1 adult, 1 child	2 adults, 2 children
Albany-Schenectady-Troy MSA	\$34,124	\$63,280	\$91,296	\$23.52	\$43.61	\$31.46
Binghamton MSA	\$31,409	\$59,014	\$88,487	\$21.65	\$40.67	\$30.49
Buffalo-Niagara Falls MSA	\$30,339	\$55,913	\$84,202	\$20.91	\$38.53	\$29.02
Elmira MSA	\$31,382	\$62,414	\$92,615	\$21.63	\$43.01	\$31.91
Glens Falls MSA	\$33,281	\$64,993	\$92,674	\$22.94	\$44.79	\$31.93
Ithaca MSA	\$37,771	\$71,338	\$100,167	\$26.03	\$49.16	\$34.52
Kingston MSA	\$33,937	\$67,199	\$95,265	\$23.39	\$46.31	\$32.83
Nassau-Suffolk (Long Island)	\$43,887	\$84,899	\$112,069	\$30.25	\$58.51	\$38.62
New York, NY HUD Metro FMR Area	\$47,074	\$79,597	\$106,786	\$32.44	\$54.86	\$36.80
Poughkeepsie-Newburgh-Middletown MSA	\$39,970	\$73,183	\$100,420	\$27.55	\$50.44	\$34.60
Rochester MSA	\$31,124	\$60,066	\$87,731	\$21.45	\$41.40	\$30.23
Rural areas within NYS	\$33,190	\$56,731	\$84,045	\$22.87	\$39.10	\$28.96
Syracuse MSA	\$31,362	\$59,588	\$87,576	\$21.61	\$41.07	\$30.18
Utica-Rome MSA	\$33,434	\$60,883	\$89,897	\$23.04	\$41.96	\$30.98
Westchester County	\$42,743	\$80,463	\$107,727	\$29.46	\$55.45	\$37.12

* Adjusted to 2018 dollars based on Congressional Budget Office CPI forecasts.

** Assumes fast food worker average hours per week of 27.9 times 52 weeks/yr (1,451 hours/yr)

Source: Economic Policy Institute, *Family Budget Calculator*, see <http://www.epi.org/resources/budget/>. Cooper derived the 27.9 weekly hours figure from the February 2015 Current Population Survey. Communication from David Cooper, EPI, May 26, 2015.

For a single adult without children, the hourly wage needed by 2018 to meet basic budget needs ranged from \$20.91 in the Buffalo metropolitan area to \$32.44 in the New York metro area. Workers trying to support families with children would require considerably higher hourly wages, ranging from \$38.53 an hour in the Buffalo metro area to \$58.51 on Long Island. A family with two earners instead of one would find it less of a stretch to meet basic family budget needs, but even with two working parents, the four-person family would need each parent to make at least \$28.96 in the state’s non-metropolitan areas to \$38.62 on Long Island.

At \$15 an hour, a fast-food worker putting in the state average workweek year-round would have gross earnings of \$21,765. This amount is more than a third greater than the current average annual earnings of around \$16,000. Fifteen dollars would get a fast-food worker a lot closer to meeting basic budget adequacy, but it would still leave the overwhelming majority of fast-food workers well short of the earnings needed to provide for their families.

If a single adult fast-food worker were employed for 40 hours a week (instead of the New York industry average 27.9) on a year-round basis, they could come very close to meeting their basic budget needs at \$15 an hour by 2018 in the Buffalo, Rochester, Syracuse, Binghamton, and

Elmira metro areas. For the other areas in the state, a single worker putting in 2,080 hour a year would require \$16 to \$22.80 an hour to make ends meet.¹⁴

A similar conclusion about the inadequacy of fast-food wages results from looking at the Self Sufficiency Family Budgets compiled by University of Washington researchers.¹⁵ Both the EPI basic family budgets and the Self Sufficiency Standard family budgets represent estimates of the amount of income needed to afford a basic household budget without reliance on any form of public assistance other than the Earned Income Tax Credit (EITC). Both budgets are strictly “bare bones,” and do not allow for any college or retirement savings (other than Social Security) and do not assume discretionary spending many people take for granted such as eating out occasionally or vacation travel.

The Self Sufficiency budgets are calculated at a county level in New York State, and are estimated for a large number of family types based on number and age of children and number of parents. The most recent county-level estimates date from 2010, but a set of family budgets for New York City were compiled for 2014. Updating these budget levels to 2018 dollars and assuming the average weekly hours worked in New York fast food generates the results shown in Figure 5 for the 22 largest counties and New York City. In the least expensive large county in the state for a single adult without children (Niagara County), an hourly wage of nearly \$15 an hour (\$14.83) would be required in 2018 to meet basic budget needs. Niagara is the only large county where an hourly wage under \$15 would be sufficient. In most large upstate counties, a single adult would need an hourly wage of \$16-\$18. In most downstate counties, a single adult would need over \$20 an hour; in New York City, nearly \$25 an hour would be needed, and in Suffolk, almost \$30.

A parent with one preschool child would require an hourly wage of at least \$26.14 in Niagara County and a two working parent family with a preschooler and a school-age child would require an hourly wage of \$19.64. At the other extreme in terms of the highest self-sufficiency budget level in the state, a Suffolk County single parent would need an hourly wage of over \$53, and two working parents with two children would each need to earn \$35 an hour to achieve self-sufficiency.¹⁶

¹⁴ Calculations provided by EPI economist David Cooper, personal communication, May 26, 2015.

¹⁵ Center for Women’s Welfare, University of Washington, <http://www.selfsufficiencystandard.org/pubs.html>.

¹⁶ The State Labor Department’s briefing document for this Minimum Wage Board included a table based on the 2010 Self-Sufficiency Standard. However, the hourly wages shown in that table were based on the 2010 family budget levels and assumed 2080 work hours per year. If the family budgets shown in that table are adjusted for the 2010-18 consumer price change as projected by the New York State Division of the Budget in their calendar year composite NYS CPI series, and calculated based on 1,451 work hours per year instead of 2,080, the hourly wages required to meet self-sufficiency would range from \$20.02 to \$64.18. New York State Department of Labor, Division of Research and Statistics, *Briefing Document on Employment and Wages in New York State’s Fast-Food Restaurants*, Prepared for the Minimum Wage Board, May 2015, Table 7, page 8.

FIGURE 5

Hourly wage required for all adults in a family to afford 2018 Self-Sufficiency Standard Family Budgets in New York State

Counties *	2018 Self-Sufficiency Family Budget **			Hourly wage needed for all adults in family to meet 2018 Self-Sufficiency Family Budget ***		
	1 adult	1 adult, 1C (presch)	2 adults, 2C (presch, sch-age)	1 adult	1 adult, 1C (presch)	2 adults, 2C (presch, sch-age)
<u>Upstate counties</u>						
Albany	\$25,574	\$49,409	\$69,652	\$17.63	\$34.05	\$24.00
Broome	\$22,850	\$41,645	\$78,196	\$15.75	\$28.70	\$26.95
Chautauqua	\$22,232	\$39,239	\$57,752	\$15.32	\$27.04	\$19.90
Dutchess	\$31,364	\$57,315	\$79,136	\$21.62	\$39.50	\$27.27
Erie	\$23,727	\$45,334	\$65,335	\$16.35	\$31.24	\$22.51
Monroe	\$23,650	\$45,752	\$63,935	\$16.30	\$31.53	\$22.03
Niagara	\$21,526	\$37,926	\$56,996	\$14.83	\$26.14	\$19.64
Oneida	\$23,530	\$42,374	\$60,224	\$16.22	\$29.20	\$20.75
Onondaga	\$23,503	\$46,284	\$64,832	\$16.20	\$31.90	\$22.34
Ontario	\$22,348	\$43,970	\$61,958	\$15.40	\$30.30	\$21.35
Oswego	\$22,435	\$41,116	\$58,490	\$15.46	\$28.34	\$20.16
Rensselaer	\$24,249	\$46,846	\$65,886	\$16.71	\$32.29	\$22.70
Saratoga	\$26,227	\$49,338	\$68,472	\$18.07	\$34.00	\$23.59
Schenectady	\$24,190	\$46,782	\$65,772	\$16.67	\$32.24	\$22.66
Tompkins	\$22,628	\$44,951	\$58,871	\$15.59	\$30.98	\$20.29
Ulster	\$28,052	\$52,640	\$73,135	\$19.33	\$36.28	\$25.20
<u>New York City #</u>	\$36,163	\$54,436	\$78,426	\$24.92	\$37.52	\$27.02
<u>Downstate suburban counties</u>						
Nassau	\$39,001	\$72,480	\$94,227	\$26.88	\$49.95	\$32.47
Orange	\$31,200	\$57,051	\$79,073	\$21.50	\$39.32	\$27.25
Putnam	\$40,819	\$71,929	\$94,127	\$28.13	\$49.57	\$32.44
Rockland	\$24,002	\$66,619	\$83,559	\$16.54	\$45.91	\$28.79
Suffolk	\$43,096	\$77,756	\$101,769	\$29.70	\$53.59	\$35.07
Westchester (excl. Yonkers)	\$37,322	\$70,005	\$88,219	\$25.72	\$48.25	\$30.40
Yonkers	\$34,070	\$66,295	\$84,779	\$23.48	\$45.69	\$29.21

* Counties with wage-earning workforce > 45,000.

** Adjusted to 2018 dollars based on NYS Div. of the Budget composite NY CPI estimate, February 2015.

*** Assumes fast food worker average hours per week of 27.9 times 52 weeks/yr (1,451 hours/yr)

Self-sufficiency family budgets for New York City were recently published for 2014. Principal author Diana Pearce provided composite budget figures for the average single parent and two parent family with two children for the seven borough and sub-borough levels for which

Source: Diana M. Pearce, *The Self-Sufficiency Standard for New York State 2010*, June 2010, New York State Community Action Association and Wider Opportunities for Women. Family budgets for New York City are from Diana Pearce, *Overlooked and Undercounted: the Struggle to Make Ends Meet in New York City*, December 2014. Prepared for the Women's Center for Education and Career Advancement with support from The United Way of New York City, The New York Community Trust, and City Harvest.

In New York's fast-food industry, fifteen dollars an hour enables a single adult without children to come close to self-sufficiency in some areas of the state, but not in all areas. But even that

standard would fall short of meeting self-sufficiency for parents with children, including for families with two working parents. Realistically, for parents living in the downstate area, an hourly wage twice \$15 would be needed to put them closer to self-sufficiency.

The Public Cost of Low-Wage Fast-Food Jobs

The problem of low wages goes beyond workers and inadequate living standards. Chronic low wages limit overall consumer demand so important to broad-based economic growth. When many companies within an industry pay unusually low wages, it is also a problem for competing businesses inclined to pay decent wages. And low wages are a problem for taxpayers who end up subsidizing a low-wage business model.

Some businesses may offer cheap fast-food meals, but taxpayers pay a steep price for low-wage fast-food work. When wages paid by employers are so low that workers qualify for means-tested public assistance benefits such as Medicaid and food stamps, the public ends up subsidizing the low-wage practices of fast-food employers. When this happens, it is really a matter of business costs being shifted to taxpayers. Given the scale of low-wage fast-food employment in New York, the total public costs borne by taxpayers are substantial.

These public assistance benefits are important programs designed to help alleviate poverty. They should not be abused by companies that pay so little that their workers have to turn to the safety net for help.

The 2013 UC-Berkeley Labor Center/University of Illinois study of fast-food workers provided careful estimates of the public costs of low-wage fast-food employment in New York and other states. The 2013 study focused on the costs of public assistance programs including Medicaid, food stamps, and Temporary Assistance to Needy Families (TANF) along with the value of federal Earned Income Tax Credits received by low-wage workers. Among large low-wage sectors, fast food has the highest proportion of its workforce relying on a public assistance program.¹⁷ The 2013 study showed that 60 percent of New York's fast-food workers received one or more forms of public benefits. The study estimated that, based on average fast-food employment levels for the 2007-2011 period, taxpayers shouldered \$708 million in various public assistance costs associated with 104,000 low-wage, frontline workers in the fast-food industry in New York.¹⁸

¹⁷ Ken Jacobs, Ian Perry, and Jenifer MacGillvary, *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*, UC Berkeley Center for Labor Research and Education, April 2015, p. 3.

¹⁸ Sylvia Allegretto, Marc Doussard, Dave Graham-Squire, Ken Jacobs, Dan Thompson and Jeremy Thompson, *Fast Food, Poverty Wages. The Public Cost of Low-Wage Jobs in the Fast-Food Industry*, University of California Berkeley Labor Center and University of Illinois at Urban-Champaign, October 15, 2013, Tables C-1 and C-2.

Since New York’s fast-food employment level in 2014 was nearly 22 percent greater than the average for the 2007-2011 period¹⁹, one would expect, everything else being equal, that the public costs would be proportionately greater today than as reported in the 2013 study. That would put the total costs borne by taxpayers at approximately \$862 million. Since New York has a state EITC that is equal to 30 percent of the federal EITC, adding those costs brings the updated total public cost to \$903 million. See Figure 6.

FIGURE 6

Public Costs for Low-wage Jobs in the Fast-Food Industry in New York State

	# of fast-food workers	EITC*	Medicaid (adults)	Medicaid (children)	Food Stamps	TANF	Total, these 5 programs
Program costs for families of fast-food workers (\$ millions)							
Estimates from October 2013 UC-Berkeley/Univ. of Illinois report (based on avg. # of workers 2007-11) New York State	104,000	\$113	\$376	\$145	\$60	\$14	\$708
Program costs for families of fast-food workers (\$ millions)							
Updated for 21.7% NYS fast-food employment increase from average for 2007-11 to 2014 New York State	126,600	\$138	\$458	\$177	\$73	\$17	\$862
Program costs for families of fast-food workers (\$ millions)							
Adding NYS EITC to program costs		\$179	\$458	\$177	\$73	\$17	\$903
NYS share of program costs for families of fast-food workers (\$ millions)							
NYS share of program costs		\$41	\$229	\$62	\$0	\$9	\$332

* Excludes NYS and NYC EITC, except where noted.

Sources: Sylvia Allegretto, Marc Doussard, Dave Graham-Squire, Ken Jacobs, Dan Thompson and Jeremy Thompson, *Fast Food, Poverty Wages. The Public Cost of Low-Wage Jobs in the Fast-Food Industry*, University of California Berkeley Labor Center and University of Illinois at Urban-Champaign, October 15, 2013; updated for 2014 NYS fast-food employment and NYS program costs estimated by Fiscal Policy Institute, June 2015.

A substantial portion of those costs are directly borne by New York State taxpayers since New York’s state and local governments pay a portion of Medicaid and TANF costs, as well as the State EITC portion. Altogether, the New York government share of the \$903 million total public cost comes to \$332 million.

An increase in the minimum wage would reduce companies’ ability to shift costs to government programs, and would result in considerable savings at all levels of government in spending on various forms of public assistance as well as generate increased payroll and individual income taxes paid by workers. A recent report from the Urban Institute simulates the impact of several policy options on reducing poverty in New York City. Among the policy options they studied

¹⁹ Based on NYSDOL, CES employment series for limited-service eating places.

were an increase in the minimum wage to \$13 an hour, and an increase to \$15 an hour.²⁰ The net fiscal savings to all levels of government from an increase in the minimum wage to \$15 an hour represented roughly 43 percent of the rise in aggregate earnings as a result of the minimum wage increase.²¹ While the Urban Institute research focused on New York City, the results are conceptually similar in the case of workers across New York State for an increase in a minimum wage for fast-food workers. Raising the minimum wage is an effective way to reduce the extent of taxpayer subsidy to low-wage employers.

Conclusion

Fast-food is a highly profitable and fast-growing industry. Fast-food employment has risen across New York, adding significantly to the growing problem of low-wages that are far from adequate in allowing a worker to meet basic family budget needs. A significant portion of fast-food workers are trying to raise families, but more than two out of every five workers in this industry live in or near poverty. Not surprisingly, 60 percent of New York's fast-food workers rely on one or more forms of public benefits to supplement their meager fast-food earnings. As a result of this cost-shifting, taxpayers shoulder over \$900 million in public costs that essentially amounts to a subsidy to fast-food's low-wage business model.

In light of these facts, it would be sound public policy for New York State to phase in a \$15 an hour minimum wage for the fast-food industry. Considerable economically sound research supports the conclusion that the industry can accommodate such an increase. A higher wage floor would generate significant cost savings due to reduced turnover and there is room for modest price increases to ease the adjustment without jeopardizing overall employment levels or profitability.²² Moreover, a \$15 fast-food wage floor would boost consumer spending and reduce poverty, and would have positive overall economic consequences throughout New York State.

²⁰ Linda Giannarelli, Laura Wheaton and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, February, 2015. Prepared for the Federation of Protestant Welfare Agencies, Catholic Charities, and UJA Federation.

²¹ *Ibid*, Appendix Tables D-5 and D-6.

²² See, e.g., Robert Pollin and Jeannette Wicks-Lim, *A \$15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs*, University of Massachusetts Political Economy Research Institute, January 2015.