



2019 Minimum Wage Report

Andrew M. Cuomo, Governor

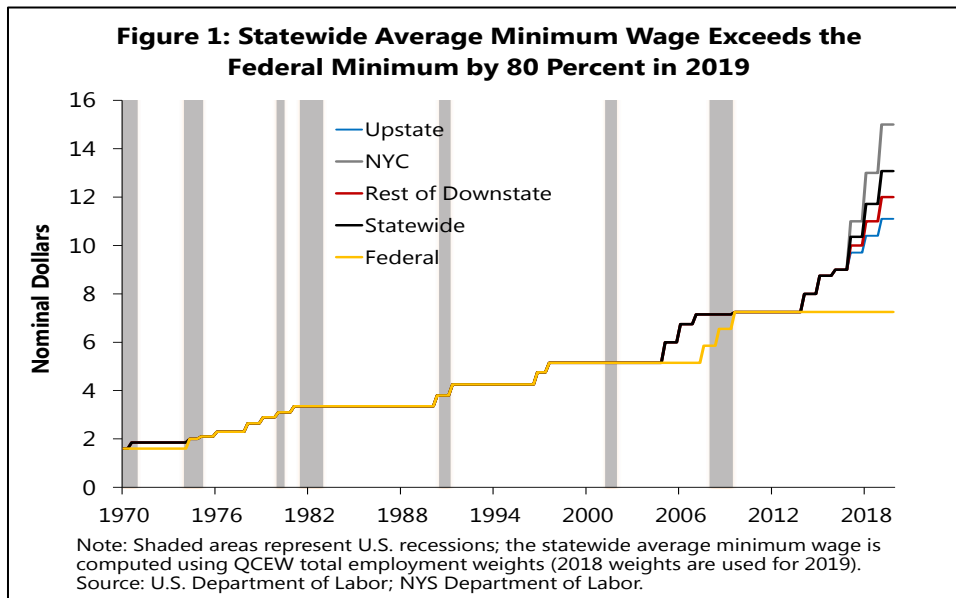
Robert F. Mujica Jr., Budget Director

Report on New York’s Minimum Wage Increases Scheduled for 2020

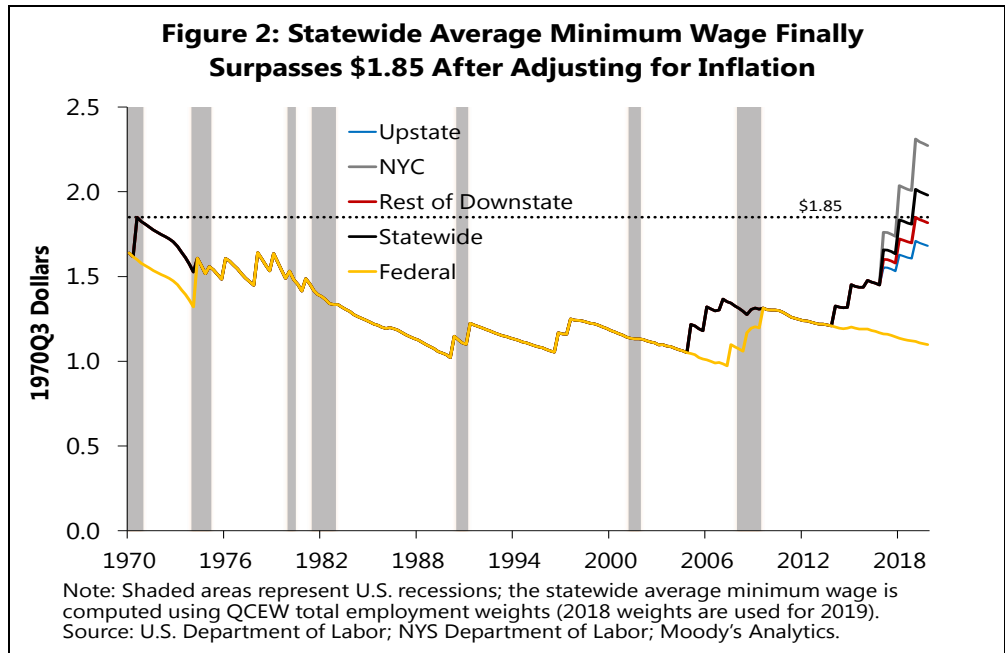
Introduction

As provided under NYS Labor Law § 652(6), this report is intended to provide insights into the impact of recent minimum wage increases on the health of the New York State economy in each of the three regions defined under the law (i.e. New York City, combined counties of Nassau, Suffolk and Westchester, and remainder of the State). Given the importance of a job to the dignity and economic well-being of families and individuals, this report focuses on the real value of the minimum wage after adjusting for inflation, the change in the composition of the minimum wage labor force, recent trends within the New York State labor market, and how the economic outlook might combine with future increases in the minimum wage to affect those trends.

The effective New York State minimum wage is the higher of the Federal or State mandated minimum. Over the course of its history, the State’s minimum wage has largely matched the Federal minimum, deviating for only two brief episodes prior to 2014 (see Figure 1). The State’s first deviation from the federal minimum wage occurred in the middle of 1970 when New York raised its minimum wage to \$1.85, 25 cents above the then existing Federal minimum of \$1.60. The State’s next deviation from the federal minimum did not occur until 2005, but by the middle of 2009, both were at \$7.25, where the federal minimum wage remains today.



In 2014, New York raised its minimum wage for the first time in four and a half years. Figure 2 presents the value of both the State and federal minimum wages after adjusting for inflation. By the end of 2013, the \$7.25 State and Federal minimum had lost almost 35 percent of its value relative to the \$1.85 benchmark. New York raised its statewide minimum for three consecutive years, and starting in 2017, the State’s minimum wage rose on a trifurcated regional basis in compliance with the FY 2016 Enacted Budget. As illustrated in Figure 2, it was not until 2019 that the statewide average minimum wage finally reached \$1.85 in 1970 dollars (i.e., after adjusting for inflation). Since 2013, the real inflation-adjusted value of the statewide average minimum wage has increased 64.3 percent.



The Composition of New York State Low-Wage Employment

The size and composition of the minimum wage population have changed substantially over the past decade. At 279,400, the estimated average monthly number of minimum wage workers represented only 3.1 percent of the workforce in 2009.¹ The number of minimum wage workers is projected to rise to about 1.5 million in 2020, comprising 16.4 percent of the workforce, suggesting that well over one million New York State workers will have likely benefitted from the State’s rising minimum wage since 2013.²

Women continue to be overrepresented among minimum wage earners representing 57 percent of the minimum wage workforce in both 2009 and 2020, compared with about 48 percent of the general working population in both years. However, the minimum wage workforce has gotten older and is now more likely to be working full-time. In 2009, 41.4 percent of the minimum wage workforce were age 16 to 24, compared with 11.5 percent in the general State working population; but by 2020, only 31.3 percent are expected to be age 16 to 24, compared with 10.7 percent for the general working population. An estimated 52.1 percent of minimum wage workers were working part-time in 2009, compared with 16.7 percent of the general working population. By 2020, the percentage of minimum wage workers working part-time is projected at 41.2 percent, compared with a little changed 16.5 percent of the general working population.

By 2020, the leisure and hospitality sector and the retail trade sector combined are expected to comprise 40 percent of the minimum wage workforce, well below their approximately 60 percent share a decade ago. At the same time, the shares accounted for by virtually every other sector has risen.

¹ Data reported for 2009 are derived from monthly Current Population Survey (CPS) results averaged over the period from January 2008 through December 2009. New York State Department of Labor, “Minimum Wage In New York State: Statistics and Issues,” September 2010.

² Data projected for 2020 are derived from monthly (Current Population Survey) CPS survey results averaged over the period from July 2017 through June 2019.

Recent Economic Trends

Evidence suggests that New York’s minimum wage increases since 2013 have largely been absorbed without significantly adverse consequences for labor demand. By all accounts, both statistical and anecdotal, the State labor market is tight. In September 2018, the State’s unemployment rate fell to a historic low of 3.8 percent on a seasonally adjusted basis and has remained at or near this historic low since then. Through the first 10 months of 2019, the State unemployment rate has averaged 4.0 percent. If the remaining two months of the year leave the annual average unchanged, 2019 will represent a record low on an annual average basis since the start of the series in 1976.

Table 1: 2019 Year-to-date Annual Average Unemployment Rates by Region	
Region	Rate (%)
New York City	4.2
Long Island and Westchester	3.5
Remainder of State	3.9
Statewide	4.0

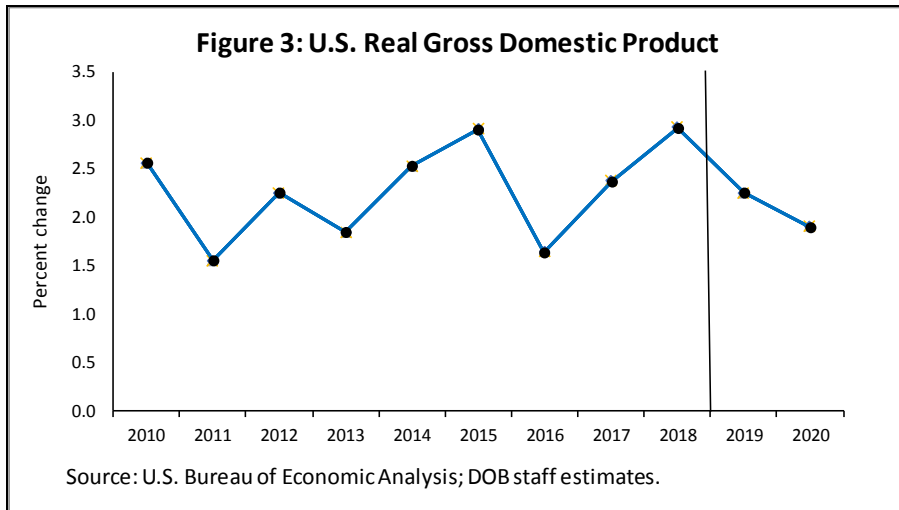
Note: Estimates are based on first 10 months of 2019.
Source: NYS Department of Labor; DOB staff estimates.

Table 1 indicates variation in the 2019 unemployment rate across regions, with Long Island and Westchester exhibiting the lowest rate at 3.5 percent and New York City exhibiting the highest rate at 4.2 percent. Nevertheless, every region is exhibiting historically low rates, which is consistent with a tight labor market and worker shortages across many areas and industries. Among respondents to both the November 2019 Federal Reserve Bank of New York *Empire State Manufacturing Survey* and *Business Leaders Survey*, the factor most frequently cited as the most important for restraining their hiring plans was “cannot find workers with required skills.”³ Consequently, it is likely that at least some portion of the increase in wages resulting from statutory minimum wage hikes would have occurred in any case due to increased competition for workers.

The Economic Outlook

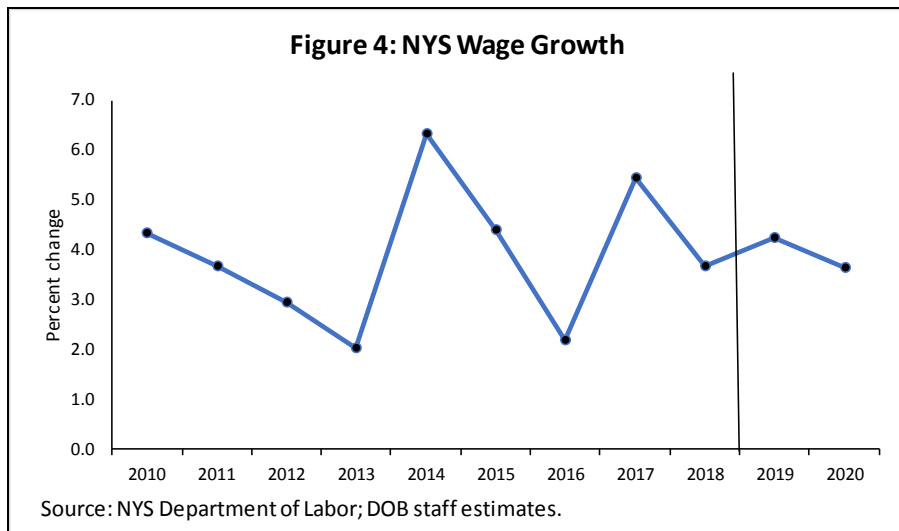
Although the Budget Division outlook calls for national economic growth to moderate in 2020, there is no evidence, yet, that the longest economic expansion in U.S. history is going to come to an end at any point over the near-term forecast horizon. Waning fiscal stimulus and slowing global growth have caused the U.S. economy to weaken over the course of 2019. Economic and geopolitical uncertainties, along with some additional one-off factors, have in turn restrained both business investment and employment growth. These dynamics are expected to continue to adversely affect growth as we enter 2020. However, with monetary stimulus working its way through both the national and global economies, and the trade war not expected to escalate further, the national economy is expected to grow 1.9 percent in 2020. (Figure 3 below provides an overview of the Budget Division’s current U.S. real Gross Domestic Product growth outlook, consistent with ongoing economic growth.)

³ Federal Reserve Bank of New York, *Empire State Manufacturing Survey/Business Leaders Survey Supplemental Survey Report*, November 2019.
https://www.newyorkfed.org/medialibrary/media/survey/business_leaders/2019/2019_11supplemental.pdf?la=en



Consistent with the national economic outlook, the New York State economy’s pace of growth is also expected to modestly decelerate in 2020, but private sector jobs are expected to grow at a still healthy pace of 1.2 percent, following 1.4 percent growth in 2019.

Health care, transportation and warehousing, construction, and professional and business services are expected to remain the State’s leading industrial sectors. This backdrop of continued economic expansion, albeit at a slower pace than in 2019, should ensure that the demand for minimum wage workers remains robust. Indeed, the shortage of workers being experienced in many areas of the State may represent one of those factors restraining employment growth both this year and next. Consistent with continuing gains in employment, New York State wages are also expected to continue to grow. (See Figure 4 below.)



Conclusion

The decline in New York’s unemployment rate to some of the lowest levels on record imply that the recent minimum wage increases have been absorbed with negligible, if any, impacts on labor demand across all of New York State’s labor market regions. Moreover, the inflation adjusted value of the State’s minimum wage has only

now in 2019 reached the level attained in 1970. New York State wages are rising, supported by the rising minimum wage among other factors. Indeed, the U.S. Census Bureau recently reported that State household income rose 2.5 percent in 2018, after adjusting for inflation, to \$67,844. This compares to a nationwide increase of only 0.8 percent.

In conclusion, there is no definitive evidence to-date that the positive impact the State's rising minimum wage has had on the incomes of low-wage workers has been associated with any significant loss of jobs. Although the economic forecast is not without risks, the current outlook for continued growth in employment and wages at a moderate pace should allow the State labor market to absorb the minimum wage increases scheduled for 2020. Pursuant to Budget Division's mandate under NYS Labor Law § 652(6), the Division will continue to closely monitor New York employment and wage trends in each region with the goal of sustaining the economic well-being of the State workforce.