



Built to Lead

Analysis: Raising New York's Minimum Wage to \$15

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**Department
of Labor**

**Office of Research
and Statistics**

Raising the hourly minimum wage to \$15 in New York State – as Governor Andrew M. Cuomo is proposing – provides vitally important benefits to the state’s economy, ensuring opportunity for millions of New Yorkers and creating jobs.

On the facts, raising the minimum wage increases the standard of living for workers, reduces poverty, incentivizes fair and more efficient business practices, and ensures that the most vulnerable members of the workforce can contribute to the economy. Increasing the minimum wage stimulates demand for goods and services, leading employers to bring on new staff to keep up with this increased demand. As a whole, all New Yorkers benefit from a \$15 minimum wage.

Important for New York Families

Raising the minimum wage to \$15 would directly benefit 2.3 million workers in New York State, or about a quarter of the total workforce. Contrary to what many believe, raising the minimum wage affects more adults – including many who support families – than it does high-school students earning weekend pocket money. Half of all workers earning \$15 per hour or less are 35 or older. Outside of New York City, 70 percent of these workers are over the age of 25. In New York City, 80 percent of these minimum wage workers are over age 25, and more than half (over 53 percent) are 35 or older.¹

Raising the minimum wage is especially important for women. With a minimum wage of \$15, more than half of the covered workers are women; 54 percent in New York City; and 55 percent in the rest of the state. Raising the minimum wage is vital for family incomes. Research shows that more than four in ten minimum wage workers in New York are married, or parents or both, and only about one in seven works part-time. They earn, on average, about half of their family’s income, and more than a fifth of these workers in New York are the sole providers of their family’s income.²

New York has taken action to raise the minimum wage incrementally from \$7.25 in 2013, to \$9.00 as of January 1, 2016. That progress has been important, but it has also been not nearly enough – especially as the minimum wage continues to fall so far below the average hourly wage in the state, which is now over \$27. An increase to \$15 would bring the minimum hourly wage up from 32 percent to 55 percent of the state average wage, thereby reducing income inequality in New York State.³ It also restores what had been a promise of fairness: \$15 is about where New York’s minimum wage in 1970 would be, if adjusted for inflation and cost of living differences.⁴

1. New York State Department of Labor analysis of data from US Census Bureau, Current Population Survey.

2. David Cooper, Supplementary Data: State---By---State Characteristics of Workers Who Would Be Affected by Increasing the Federal Minimum Wage To \$10.10 By July 2016. Briefing Paper 371. Economic Policy Institute: Washington, DC. December, 2013. Cooper defines part-time work at fewer than 20 hours/week and full-time at 35 or more hours/week.

3. New York State Department of Labor analysis.

4. The 1970 minimum wage adjusted for the rate of inflation through 2021, and for regional cost of living differences, is estimated at \$16.05 in New York City and \$14.41 for the rest of the state, according to the NYS Division of the Budget.

Minimum Wage Proposal vs. Inflation

			Rest of State		New York City	
Date of Increase	Calendar Year in Effect	National Average*	Implied by Inflation and Regional COLA**	Proposed	Implied by Inflation and Regional COLA**	Proposed
December 31, 2014	2015	\$11.30	\$12.18	\$8.75	\$13.56	\$8.75
December 31, 2015	2016	\$11.52	\$12.43	\$9.75	\$13.84	\$10.50
December 31, 2016	2017	\$11.80	\$12.72	\$10.75	\$14.16	\$12.00
December 31, 2017	2018	\$12.09	\$13.04	\$11.75	\$14.52	\$13.50
December 31, 2018	2019	\$12.40	\$13.37	\$12.75	\$14.89	\$15.00
December 31, 2019	2020	\$12.72	\$13.72	\$13.75	\$15.27	\$15.00
December 31, 2020	2021	\$13.04	\$14.06	\$14.50	\$15.66	\$15.00
July 1, 2021	2021/ 2022	\$13.37	\$14.41	\$15.00	\$16.05	\$15.00
	2023	\$13.70	\$14.78	\$15.00	\$16.45	\$15.00
Regional cost of living adjustments (COLAs)			107.8%		120.1%	

*The national average trends forward New York State's 1970 minimum wage of \$1.85 by the national CPI; outyear inflation estimates are based on DOB First Quarterly Update forecast.

**Regional COLAs are derived from U.S. Census Bureau Supplemental Poverty Measure for 2013.

Important for New York Communities

At its foundation, the minimum wage declares that we agree as a state that if you work full time, you should be able to stay out of poverty and live with dignity and respect and take care of your family. But a full time job at the current minimum wage pays only \$18,720 per year. For a single mother with two children, that's below the official poverty line. Raising the minimum wage to \$15 increases that worker's income by nearly \$13,000 per year – enough for a single earner to support a family of five above poverty.

This is not a theoretical proposition. Raising the minimum wage to \$15 would directly affect more than 250,000 New Yorkers in poverty – a total of approximately 110,000 families.⁵

An estimated 1,435,500 workers living outside of New York City will experience increased wages by increasing the minimum wage to \$15, as will an additional 927,400 workers in New

5. New York State Division of the Budget analysis.

York City. These workers actively live and work in nearly every community across New York State, and are vital participants in their local economy.

Projected Impact from \$15 Minimum Wage in New York State

Region	Total Earning Current Minimum Wage of \$9.00	Total Earning Minimum Wage of \$15.00	Dollars Reinvested in Regional Economy
Capital Region	47,092	144,415	925.4 million
Central NY	32,181	98,689	632.5 million
Finger Lakes	54,260	166,398	1.0664 billion
Hudson Valley	91,665	281,104	1.8016 billion
Long Island	124,643	382,236	2.4497 billion
Mohawk Valley	17,856	54,757	350.9 million
North Country	14,160	43,423	278.3 million
Southern Tier	25,204	77,291	495.3 million
Western NY	61,040	187,187	1.199 billion
New York City	261,900	927,400	6.5 billion
Total	730,000	2,362,900	\$15.7 billion

Source: New York State Department of Labor analysis of data from US Census Bureau Current Population Survey and US Bureau of Labor Statistics Quarterly Census of Employment and Wages

Important for New York's Economic Growth

Much misinformation has been spread that suggests increasing the minimum wage cripples job growth. The fact is that a substantial body of academic research has concluded that increases in the minimum wage do not result in job loss. A review of 70 studies on minimum wage increases found no discernable negative effect on employment.⁶ Studies of surrounding states that have increased the minimum wage have seen no indication of a downturn connected to that increase.⁷

6. Dale Belman and Paul J. Wolfson. "The New Minimum Wage Research." *Employment Research*. 21(2): 4-5. 2014. http://research.upjohn.org/cgi/viewcontent.cgi?article=1220&context=empl_research An earlier, much cited meta-analysis of 64 studies on effects of the minimum wage reached this conclusion. See Hristos Doucouliagos and T. D. Stanley. "Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis." *British Journal of Industrial Relations*, 2009. vol. 47, no. 2, pp. 406-428.

7. One such study by economists at the University of Massachusetts, University of North Carolina, and University of California, compared employment data among every pair of neighboring U.S. counties that straddle a state border and had differing minimum wage levels at any time between 1990 and 2006, looking especially at the effects of minimum wages on earnings and employment in restaurants and other low-wage sectors. The authors found no adverse employment effects of minimum wage increases: "These estimates suggest no detectable employment losses from the kind of minimum wage increases we have seen in the United States." Arindrajit Dube, T. William Lester, and Michael Reich. (2010). "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties." IRL Working Paper No. 157-07. <http://irle.berkeley.edu/workingpapers/157-07.pdf>. In sum, looking across the established academic analyses and especially those in recent years with more sophisticated methodologies: "The weight of that evidence points to little or no employment response to modest increases in the minimum wage." 2013 Center for Economic and Policy Research <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

In place of job loss, researchers have found evidence of increased employment from increasing the minimum wage.⁸ Comparing performance of every state that enacted a minimum wage increase from 1990 through 2011 at a time of high unemployment rate, researchers found their average rate of job growth mirrored the national average, with most states that increased their minimum wage doing slightly better on job growth than the national average.⁹ A recent analysis by economists at Goldman Sachs and CEPR found that the thirteen states—including New York—that increased their state minimum wage in 2014 had higher rates of employment growth than the national average.¹⁰

New York State knows this to be true from its own direct experience: New York increased its minimum wage eight times from 1991 through 2015 and six of those times, the data show an employment uptick following an increase in the state’s minimum wage.¹¹

Higher wages for low-income workers lead to more economic activity and employment in low-income communities. Raising the minimum wage puts more money in the pockets of working families when they need it most, giving them more spending power.¹² Studies have shown that every dollar increase for a minimum-wage worker results in \$2,800 in new consumer spending by household.¹³ Those earning close to, but above, new minimum wage levels would likely receive a boost in earnings.

This projected rise in consumer spending is critical to continued economic growth, especially when weak consumer demand is one of the factors holding back new hiring. The NYS Department of Labor projects that the proposed increase in the minimum wage outside New York City will generate \$9.2 billion annually in increased wages, with \$6.5 billion annually in increased wages in New York City—tallying to a significant boost of over \$15.7 billion for the state economy.

Businesses benefit from more than the boost in consumer spending. When the minimum wage rises, productivity tends to increase, and increased worker retention saves employers recruitment and training costs. “Minimum wage increases can reduce the churning that characterizes the low-wage segment of the labor market. As a consequence, a properly

8. John T. Addison, McKinley L. Blackburn and Chad D. Cotti (2009). Do Minimum Wages Raise Employment? Evidence from the U.S. Retail-Trade Sector. Institute for the Study of Labor (IZA), Bonn, Germany. Available online at http://www.iza.org/conference_files/EMW2009/addison_j44.pdf

9. T. William Lester, David Madland, and Nick Bunker. The Facts on Raising the Minimum Wage When Unemployment Is High: Increasing the Minimum Wage During Rough Economic Times Does Not Kill Jobs. Center for American Progress, Washington, DC. June 2012. <http://www.americanprogressaction.org/issues/labor/news/2012/06/20/11749/the-facts-on-raising-the-minimum-wage-when-unemployment-is-high-2/>

10. Ben Wolcott. 2014 Job Creation Faster in States that Raised the Minimum Wage. Center for Economic and Policy Research, Washington, DC. June 2014. <http://www.cepr.net/index.php/blogs/cepr-blog/2014-job-creation-in-states-that-raised-the-minimum-wage>

11. New York State Department of Labor analysis.

12. Michael Reich, Ken Jacobs, and Annette Bernhardt. (2014). “Local Minimum Wage Laws: Impacts on Workers, Families and Businesses”. IRLE Working Paper No. 104-14. <http://irle.berkeley.edu/workingpapers/104-14.pdf>

13. Daniel Aaronson, Sumit Argawal, and Eric French. The Spending and Debt Responses to Minimum Wage Increases. Federal Reserve Bank of Chicago, 2011. <https://www.chicagofed.org/publications/working-papers/2007/wp-23>

designed minimum wage policy has the possibility of improving the structure and functioning of the low wage labor market without substantially affecting employment.”¹⁴

More than 600 economists – including seven Nobel Prize winners in economics – have signed a letter urging the President and Congressional leaders to raise the nation’s minimum wage, noting “the weight of evidence now show[s] that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labor market.”¹⁵

Important for New York Taxpayers

Minimum wage levels do not occur in a vacuum, and the influence they exert is much affected by interaction with the Earned Income Tax Credit, or EITC. New York is one of 25 states that augment the federal EITC, which provides a refundable tax credit to low-wage working families based on income, age, and family size. Some opponents of higher minimum wages in New York argue that EITC increases are a better alternative. However, the fact is that increased minimum wages and the EITC are complementary rather than competing strategies. Together, they encourage more work from more low-wage workers than either can separately. Even more, the EITC must work in tandem with strong wage standards to avoid acting as a wage substitute; otherwise, the EITC would allow certain companies to pay poverty wages, and have those low pay levels subsidized by other employers and taxpayers, in much the way that the fast food sector has socialized part of its payroll by having employees rely on public assistance. A study for the National Bureau of Economic Research found that about 27 cents of every dollar spent on the EITC is captured by companies who are able to thereby lower the wages offered to workers.¹⁶ The proposed increase in the minimum wage is calibrated to interact with design of New York’s EITC, and avoid hidden costs borne by New York taxpayers in the absence of strong wage standards.

Governor Andrew Cuomo has fought to set the right climate for business and economic growth in New York. Today every New Yorker pays a lower income tax rate than they did in 2011; the middle class tax rate is the lowest it has been in 60 years; the corporate tax dropped from 7.1 percent to 6.5 percent, its lowest since 1968; the manufacturing tax rate dropped to zero; and in 2016, the Governor is proposing a reduction in the small business tax from 6.5 percent to 2.5 percent. Governor Cuomo is committed to giving businesses the tools and freedom they need to grow, and ensuring opportunity for all. Proposing to raise New York’s hourly minimum wage to \$15 is no exception.

14. Arindrajit Dube, T. William Lester, Michael Reich. (2011). Do Frictions Matter in the Labor Market? Accessions, Separations and Minimum Wage Effects. Institute for the Study of Labor (IZA). Bonn, Germany. Available online at <http://ftp.iza.org/dp5811.pdf>

15. Economist Statement on the Federal Minimum Wage. Open Letter to President Obama and Congressional Leaders, January 14, 2014, available online from Economic Policy Institute at <http://www.epi.org/minimum-wage-statement>

16. Jesse Rothstein. (2009). Is the EITC Equivalent to an NIT? Conditional Cash Transfers and Tax Incidence. Working Paper 14966. National Bureau of Economic Research, Cambridge, MA. Available online at <http://www.nber.org/papers/w14966.pdf>

The current minimum wage contributes to having workers in New York below the poverty level – thus, qualifying for welfare and food stamps. By failing to raise the minimum wage, New York State subsidizes the cost of providing a livable wage to employees. For example, the cost for welfare and food stamps for workers employed in the fast food industry in New York has been estimated at approximately \$700 million, or \$6,800 per worker, per year.¹⁷

Enabling Employers to Plan

The economists, industry experts and business owners who testified to the NYS Wage Board and Department of Labor made a compelling and persuasive case that the economic benefits of the significant, proposed increase in the minimum wage outweighed the costs. However in order to provide businesses with the opportunity to plan, and to be sensitive to the relative abilities of different regional economies in New York State to absorb the change, Governor Cuomo’s proposal phases-in the increase in New York’s minimum wage, reaching \$15 in New York City December 31, 2018, and increasing more gradually in the rest of the state, reaching \$15 July 1, 2021.

Proposed Phase-In Schedule

New York City		Statewide (excluding NYC)	
Min. Wage	Effective Date	Min. Wage	Effective Date
\$10.50	7/1/2016	\$9.75	7/1/2016
\$12.00	12/31/2016	\$10.75	12/31/2016
\$13.50	12/31/2017	\$11.75	12/31/2017
\$15.00	12/31/2018	\$12.75	12/31/2018
		\$13.75	12/31/2019
		\$14.50	12/31/2020
		\$15.00	7/1/2021

17. Sylvia Allegretto, Marc Doussard, Dave Graham-Squire, Ken Jacobs, Dan Thompson, Jeremy Thompson (2013). Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry. UC Berkeley Labor Center and University of Illinois –Urbana-Champaign available online at http://laborcenter.berkeley.edu/pdf/2013/fast_food_poverty_wages.pdf

Leading by Example

In December 2015, Governor Cuomo announced that New York State would lead by example by raising the minimum wage for state workers to \$15 an hour. To date, no other state has enacted a \$15 public sector minimum wage. Approximately 10,000 State employees will benefit across all branches, and the increase will phase-in on the same schedule above. Several cities have announced they are joining the Governor in enacting the \$15 public sector minimum wage, including the City of Buffalo and the City of Rochester.

The State University of New York has also raised the minimum wage for more than 28,000 hourly paid staff, student workers and work study participants. These employees will see their wages increase to \$9.75 an hour beginning in February of this year, and ultimately reach \$15 an hour on December 31, 2018 in New York City, and July 1, 2021 statewide, mirroring the increased schedule of fast food workers and state employees.

With a \$15 minimum wage, New York State can again lead the way.