

A Welcome Boost for  
New York:  
The Case for Raising the  
Minimum Wage



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## **Executive Summary**

Nearly 1.6 million low-wage New Yorkers would see their paychecks rise if the state increases its minimum wage, currently at the federal minimum of \$7.25, to \$10.00 an hour in three annual increments. This estimate for a phased increase to \$10.00 an hour includes those workers now earning slightly above that level who would benefit from a spillover effect as employers seek to maintain relative wage levels among their employees.

An increased minimum wage will benefit many New York families in which one or both parents earn low wages. For example, in families with children and a low-wage parent, the low-wage parent provides 54 percent of family earnings. The benefits of a higher state wage floor will reach beyond low-wage workers and their families, as the increased purchasing power of low-wage workers will pump much-needed demand into local businesses and communities and will create roughly 25,000 new jobs in New York State over three years.

While giving the state's economy a timely boost during the tepid economic recovery, raising the minimum wage will also help to address the longer-term dramatic rise in income inequality plaguing the state and the failure of New York's minimum wage to keep up with inflation or the poverty level. At its peak purchasing power in 1970, the minimum wage was \$10.70 in today's dollars. That is 48 percent higher than the current \$7.25 minimum. If the minimum wage had maintained the relationship to New York's average weekly wage that existed in 1980, the minimum wage would be over \$12.00 an hour today.

More than one third of retail workers would directly benefit from a minimum wage increase to \$10 an hour, particularly those working for the largest retailers who pay their workers, on average, nearly 25 percent less than smaller retailers.

Most of the workers directly affected by a higher minimum wage are full-time workers and 88 percent are adults; only 12 percent are teenagers. Because women and people of color tend to be more concentrated in industries and occupations paying lower wages, they are over-represented among those who stand to benefit from a minimum wage increase. Of the workers who would directly benefit from an increase, 56 percent are women, and nearly half are Hispanic, black or Asian.

A growing body of academic research has shown that minimum wage increases have not led to job losses. In addition to boosting the purchasing power of low-wage workers, higher wages often mean higher productivity for employers and savings in recruitment and training costs.

Boosting the state's minimum wage will also put New York in league with the 18 other states and the District of Columbia that have adopted minimums above the federal level. Finally, adding a critical provision to index the minimum wage to the inflation rate will

*The Case for Raising New York's Minimum Wage*

ensure that workers' purchasing power is not eroded over time. Before indexing is applied, however, it is essential to raise the minimum wage to an appropriate standard. A three-step increase in New York's minimum wage to reach \$10.00 in 2014 would achieve a reasonable benchmark of 108 percent of the federal three-person poverty level. That is the average that prevailed in New York for nearly two decades from 1962 to 1979. Once the minimum wage reaches that level in relation to the three-person poverty line, it should be indexed so that it holds its purchasing power in future years.

Raising the minimum wage is fair to workers and constitutes good business practice. Communities are stronger when hard work is rewarded, when the least advantaged workers are better able to make their own way, and when businesses profit by concentrating more on producing quality goods and services rather than by seeing who can pay their workers the least.

## **The minimum wage is about fairness and good business practice**

Too many New York workers work hard and play by the rules but are just not paid enough for them to make ends meet. This is particularly true for the large number of low-wage workers trying to support families on wages that in too many cases force them to live in poverty. Costs for housing, food, clothing, transportation, health care and other necessities keep rising relentlessly across New York.

The minimum wage level exerts a huge influence on the wages received by the 20 percent or so of workers who have the lowest wages. Unless the minimum wage rises, many workers just don't see their wages rise very much. Yet there hasn't been a meaningful increase in the minimum wage in New York for five years. In January 2007, the state's minimum wage rose to \$7.15 an hour. It went up by a dime in July of 2009 as the result of an increase in the federal minimum to \$7.25. (See the Appendix for a chronology of changes in the federal and New York State minimum wages since 1950.)

Over the past two years, the inflation-adjusted hourly wage for the typical low-wage worker has fallen by nearly five percent. The purchasing power of the minimum wage in is nearly a third lower than it was in 1970. In that year, the value of the state's minimum wage was \$10.70 an hour in today's terms.

New York State used to be a leader in labor protections for vulnerable workers. But we have failed to maintain our progressive orientation. Eighteen states all across the country and the District of Columbia now have state minimum wage levels above the federal minimum wage. And in eight of those states, the minimum wage went up on January 1st as a result of an automatic cost of living adjustment provision.

Many businesses recognize that a \$7.25 an hour wage is not enough but fear that they will lose business to their competitors if they pay more than the business down the street. One of the great virtues of an across the board minimum wage is that it sets a wage floor that applies to all employers, thereby limiting the ability of any one employer to seek an unfair advantage by paying workers less. Better paid workers readily recycle whatever pay increment they receive in their local communities, increasing the sales and jobs at neighborhood businesses. Better paid workers tend to stay on the job longer, and do their jobs better, benefitting their employer and saving them in hiring and training costs.

## **One in six New York workers are paid less than \$10 an hour**

One million four hundred thousand New Yorkers are paid less than \$10 an hour in 2011. That is about one out of every six New York workers, a fraction that is the same whether in New York City or elsewhere around the state. Thus, nearly 600,000 New York City workers and 830,000 workers in the New York City suburbs and upstate are paid less than less than \$10 an hour.

Most of those now earning less than \$10.00 are women. (See Figure 1.) Women represent 49 percent of all New York workers, but 56 percent of workers making less than \$10 an

FIGURE 1  
**Characteristics of New York State residents earning less than \$10 an hour in 2011**

	Number and percent of employed New York residents earning:										All	Percent of employed
	Below \$8.00		\$8.00 to \$8.99		\$9.00 to \$9.99		All below \$10.00		\$10.00 and up			
<b>ALL EMPLOYED</b>	602,200	6.9%	460,900	5.3%	364,700	4.2%	1,427,800	16.3%	7,313,000	83.7%	8,740,800	100.0%
<b>Gender</b>												
Male	262,400	43.6%	206,800	44.9%	155,200	42.6%	624,400	43.7%	3,844,100	52.6%	4,468,600	51.1%
Female	339,800	56.4%	254,100	55.1%	209,400	57.4%	803,300	56.3%	3,468,900	47.4%	4,272,200	48.9%
<b>Race/ethnicity</b>												
White non-Hispanic	322,100	53.5%	234,000	50.8%	179,400	49.2%	735,500	51.5%	4,711,800	64.4%	5,447,200	62.3%
Black non-Hispanic	90,500	15.0%	65,600	14.2%	74,700	20.5%	230,800	16.2%	996,800	13.6%	1,227,600	14.0%
Hispanic	137,000	22.7%	121,700	26.4%	75,000	20.6%	333,700	23.4%	994,800	13.6%	1,328,400	15.2%
Asian and other	52,700	8.8%	39,700	8.6%	35,600	9.8%	128,000	9.0%	609,600	8.3%	737,600	8.4%
<b>Immigrant status</b>												
Born in the U.S.	404,200	67.1%	322,000	69.9%	249,300	68.4%	975,500	68.3%	5,483,300	75.0%	6,458,800	73.9%
Immigrant	198,100	32.9%	138,900	30.1%	115,400	31.6%	452,400	31.7%	1,829,600	25.0%	2,282,000	26.1%
<b>Age</b>												
16 - 19	103,600	17.2%	48,400	10.5%	17,200	4.7%	169,200	11.9%	53,400	0.7%	222,700	2.5%
20 and older	498,600	82.8%	412,500	89.5%	347,400	95.3%	1,258,500	88.1%	7,259,500	99.3%	8,518,100	97.5%
<b>Work hours</b>												
1 to 19 hours	106,600	17.7%	62,400	13.5%	21,400	5.9%	190,400	13.3%	238,000	3.3%	428,500	4.9%
20 to 34 hours	192,000	31.9%	144,300	31.3%	95,400	26.2%	431,700	30.2%	680,100	9.3%	1,111,700	12.7%
35 hours and up	303,600	50.4%	254,200	55.2%	247,900	68.0%	805,700	56.4%	6,394,900	87.4%	7,200,600	82.4%
<b>Industry</b>												
Retail trade	119,600	19.9%	120,100	26.1%	84,000	23.0%	323,700	22.7%	628,000	8.6%	951,700	10.9%
Food services	156,900	26.1%	73,800	16.0%	39,900	10.9%	270,600	19.0%	286,300	3.9%	556,900	6.4%
Retail + food	276,500	45.9%	193,900	42.1%	123,900	34.0%	594,300	41.6%	914,300	12.5%	1,508,600	17.3%
<b>Occupation</b>												
Service	249,400	41.4%	135,000	29.3%	89,200	24.5%	473,600	33.2%	743,200	10.2%	1,216,700	13.9%
Sales	117,200	19.5%	109,800	23.8%	72,900	20.0%	299,900	21.0%	607,800	8.3%	907,700	10.4%
Service + sales	366,600	60.9%	244,800	53.1%	162,100	44.4%	773,500	54.2%	1,351,000	18.5%	2,124,400	24.3%

Note: Assumes the wage distribution among the 10 percent of employed not reporting wages is the same as for the other 90 percent.  
 Source: FPI analysis of Current Population Survey microdata for 2011 provided by the Economic Policy Institute.

hour. About half of those earning less than \$10.00 are white (not Hispanics) and half are people of color. Like women, people of color are also disproportionately low paid—they are 38 percent of all workers but 48 percent of those making less than \$10.00 an hour.

Those who oppose raising the wage floor often say that minimum wage workers are teenagers who are just earning spending money and not parents trying to support their families. The truth, however, is much different. Overwhelmingly, New York workers paid less than \$10 an hour are adults—88 percent are 20 and older, only 12 percent are teenagers. Most are full-time workers. As we will see below, the earnings of many minimum wage workers are critical in supporting their children and families.

Two thirds of workers paid less than \$10 an hour are native born workers and one third of them are immigrants. Workers in the lower-wage industries of retail and food services comprise 42 percent of those earning under \$10, and workers in sales and service occupations represent over half of all workers in this bracket.

## **1.6 million New York workers would benefit from raising the state's minimum wage in stages to \$10 an hour**

If New York State increased its minimum wage in stages over three years to \$10.00 an hour, about 1.6 million New Yorkers would see their pay rise, according to an analysis by the Economic Policy Institute. This number represents slightly more than one out of every six working New Yorkers. The Economic Policy Institute estimate captures the share of New Yorkers who would directly receive an increase when the minimum wage rose, as well as those who would indirectly benefit from “spillover” effects. “Spillover” effects refer to the fact that some workers with wages at or slightly above a newly set wage floor receive pay increases as employers seek to maintain their firms’ relative wage levels among employees. About 70 percent of the 1.6 million affected workers directly benefit from the increased minimum wage and about 30 percent indirectly benefit through the spillover effect.

Similar to the profile of New York workers making less than \$10 an hour, the beneficiaries of an increased minimum wage would be disproportionately female, black, and Hispanic. This is not surprising since these groups are over-represented among low-wage workers as compared with their shares in the overall labor force. A slightly higher proportion (90 percent) of all those benefitting from a minimum wage rise would be adults; only ten percent would be teenagers. Sixty percent would be full-time workers.

Besides the working adults who would see their paychecks increase when the minimum wage went up, there is another large group that would also benefit—the more than 1.1 million children of affected workers. These children represent more than a quarter of all the children of working parents in New York.

## **Raising the minimum wage will have a marked impact on the incomes of families with low-wage workers**

The earnings of low-wage worker parents are important for their families. In New York families with children and with a worker with an hourly wage of \$10 or less, the earnings of those workers provide 54 percent of family earnings.<sup>1</sup> Even more dramatically, in two out of every five of these families, the worker earning the current minimum wage is the family’s sole earner. (See Figure 2.)

FIGURE 2

### **A higher minimum wage will help New York families.**

Percentage of family earnings in families with children contributed by workers currently earning less than \$10.00 an hour	54%
Share of families with children with a worker currently earning less than \$10.00 an hour, where that worker is the sole earner	40%

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Source: Fiscal Policy Institute analysis of Current Population Survey data provided by the Economic Policy Institute.

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<sup>1</sup> FPI analysis of 2010 Current Population Survey data.

## **Retail trade is the largest employer of low-wage and minimum wage workers**

One of the reasons careful research on the employment effects of state minimum wage differentials does not find compelling evidence of an adverse impact from minimum wage hikes is that most affected workers are employed by businesses that serve local markets and do not compete across regional or state boundaries. Disproportionately, minimum wage workers are employed in retail trade or in a range of services that cater exclusively to local customers.

Retail is by far the largest employer of workers making less than \$10 an hour. Nearly a quarter of those making less than \$10 an hour work in retail trade, and one third of all retail workers in New York State earn less than \$10 an hour. Almost all retail trade activity is strictly geared to local markets.

Among retail employers, it is the large national chains that pay their workers the least, and would likely have to increase their workers' wages under a minimum wage increase. Data from the U.S. Census Bureau show that New York retail employers with 500 or more workers pay their workers, on average, nearly 25 percent less than the average for all other, smaller retail employers. New York's large retail employers account for 56 percent of all retail trade employment. (See Figure 3.)

FIGURE 3

**Large retail companies pay wages that are 23 percent less on average than those paid by smaller retailers.**

	<u>Number of firms</u>	<u>Number of employees</u>	<u>Average pay per employee</u>
<b>All NYS retail trade firms with employees</b>	53,365	895,871	\$25,217
Firms with 1-499 employees	52,802	390,489	\$28,863
Large firms with 500+ employees	563	505,382	\$22,085
Large firms' share of total	1.1%	56.4%	87.6%
Large firms' average wage, relative to smaller firms			76.5%

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Source: U.S. Census Bureau, 2007 Survey of Business Owners

Workers in service occupations also represent a disproportionate share of those who would benefit from a minimum wage increase, constituting 10 percent of the state's workforce, yet 40 percent of the workers who would directly see their pay rise. As Figure 4 below shows, the list of occupations in New York for which at least a quarter of the workers earn less than \$10 an hour includes, in addition to many retail sales workers and cashiers, a large number of food service workers who work in restaurants, home health aides, childcare workers, and janitors, building service workers, and landscaping workers.

FIGURE 4

**There are 18 large occupations in New York for which at least a quarter of workers earn less than \$10 an hour.**

<b>Occupation</b>	<b>Number in occupation</b>	<b>25th percentile hourly wage</b>
Combined Food Preparation and Serving Workers, Including Fast Food Cashiers	116,100	\$7.81
Food Preparation and Serving Related Occupations	608,680	\$8.25
Waiters and Waitresses	125,820	\$8.36
Stock Clerks and Order Fillers	117,020	\$8.36
Food Preparation Workers	72,970	\$8.47
Retail Salespersons	268,830	\$8.61
Home Health Aides	137,830	\$8.78
Sales and Related Occupations	835,000	\$9.02
Maids and Housekeeping Cleaners	49,110	\$9.11
Personal Care Aides	101,530	\$9.17
Laborers and Freight, Stock, and Material Movers, Hand	83,260	\$9.20
Childcare Workers	70,290	\$9.21
Personal Care and Service Occupations	313,650	\$9.22
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	180,350	\$9.56
Building and Grounds Cleaning and Maintenance Occupations	297,470	\$9.66
Office Clerks, General	192,530	\$9.81
Landscaping and Groundskeeping Workers	42,320	\$9.83
<b>SUBTOTAL these 18 large occupations</b>	<b>3,805,500</b>	
<b>TOTAL for ALL occupations in New York State, 2010</b>	<b>8,344,000</b>	

Note: Large occupations are those in which at least 40,000 people are employed.

Source: U.S. Bureau of Labor Statistics, May 2010 Occupational Employment Statistics.

Low-wage jobs represent a significant and growing share of the state's jobs. In fact, of the ten occupations expected to gain the most jobs in New York over the 2008-to-2018 period, half are low-wage. These low-wage occupations are projected by the State Labor Department to add two thirds of all the job growth by the 10 largest growth occupations. These occupations include personal and home care aides, home health aides, food preparation and serving workers (including fast food workers), child care workers, and waiters/waitresses. Together, these five low-wage occupations employed nearly 600,000 people in New York in 2008, and were forecast to increase by 23 percent from 2008 to 2018. (See Figure 5.)



FIGURE 5  
**Of the new jobs projected to be added through 2018 (within the ten occupations projected to add the most jobs) two thirds will be in low-wage occupations.**

Rank	Occupation (low-wage occupations in bold)	Employment				Wages	
		2008	2018	Change	Percent change	Median hourly wage	25th percentile wage
1	<b>Personal and Home Care Aides</b>	117,540	169,890	52,350	45%	\$10.43	<b>\$9.17</b>
2	<b>Home Health Aides</b>	129,870	178,190	48,320	37%	\$10.50	<b>\$8.78</b>
3	Registered Nurses	162,860	184,120	21,260	13%	\$35.64	
4	Nursing Aides, Orderlies, and Attendants	100,580	114,270	13,690	14%	\$15.59	
5	<b>Combined Food Preparation and Serving Workers, Including Fast Food</b>	94,580	108,050	13,470	14%	\$8.65	<b>\$7.81</b>
6	<b>Child Care Workers</b>	125,010	136,370	11,360	9%	\$11.72	<b>\$9.21</b>
7	Accountants and Auditors	111,260	122,470	11,210	10%	\$36.59	
8	Elementary School Teachers, Except Special Education	101,720	111,910	10,190	10%	\$31.61	
9	Network Systems and Data Communications Analysts	24,230	33,910	9,680	40%	\$24.65 to \$46.65	
10	<b>Waiters and Waitresses</b>	122,460	130,490	8,030	7%	\$11.63	<b>\$8.36</b>
<b>Total</b>	<b>Ten occupations projected to add the most jobs in NYS 2008-2018</b>	1,090,110	1,289,670	<b>199,560</b>	18%		
	<b>Five low-wage occupations</b>	589,460	722,990	<b>133,530</b>	23%		

Source: FPI analysis of NYS DOL data. Occupational growth at <http://labor.ny.gov/stats/lsproj.shtm>. Occupational wages at <http://www.labor.ny.gov/stats/lsWage2.asp>.

### A weak minimum wage widens the income inequality gap

Declining earnings for low-wage workers have contributed to the state's drastic income inequality. New York has the dubious distinction of having the most extreme income inequality in the United States, with the wealthiest one percent receiving 35 percent of the state's income in 2007.<sup>2</sup> In New York City, the top one percent received an astounding 44 percent of city income that same year. The income of the wealthy includes non-wage sources such as realized capital gains. However, wages represent the majority of New Yorkers' income, and research has identified the declining real value of the minimum wage as one of the most important factors driving wage inequality.<sup>3</sup>

<sup>2</sup> Fiscal Policy Institute, *Grow Together or Pull Further Apart? Income Concentration Trends in New York*. December 13, 2010. [http://www.fiscalpolicy.org/FPI\\_GrowTogetherOrPullFurtherApart\\_20101213.pdf](http://www.fiscalpolicy.org/FPI_GrowTogetherOrPullFurtherApart_20101213.pdf)

<sup>3</sup> Fortin, Nicole M., and Thomas Lemieux. "Institutional Changes and Rising Wage Inequality: Is There a Linkage?" *Journal of Economic Perspectives* 11 (1997): 75-96.

An increase in the minimum wage is badly needed at a time when New York low-wage workers' earnings are declining. Between 2009 and 2011, workers at the 20<sup>th</sup> percentile of the wage distribution saw their real hourly earnings decline by 4.6 percent.<sup>4</sup>

Poverty has risen sharply since the beginning of the Great Recession of 2008-2009, and nearly one-third (32 percent) of all New Yorkers live in families either below the poverty line or in near-poverty with incomes from 100 to 200 percent of the poverty level. Most of these families have at least one worker; low wages are a big reason why so many of these families live in or near poverty. An increase in the minimum wage would provide a more adequate wage floor and would help pull up wages for hundreds of thousands of New York workers.

### **High unemployment hurts low-wage workers**

While wage inequality and the growth of low-wage jobs are long-term and growing problems, the recent Great Recession and its continued impact have intensified the hardships facing many New Yorkers. Prolonged high unemployment has pushed down the incomes of thousands of New York families such that they have become eligible for means-tested food stamps. The number of New Yorkers receiving food stamps has grown by two thirds since the onset of the recession to three million.<sup>5</sup> Two years after the recession officially ended, unemployment in New York remains high at 8 percent, a figure that would reach 9.6 percent were one to take into account the individuals who have dropped out of the labor force.<sup>6</sup>

High unemployment, however, does not only hurt the unemployed. Even those with jobs can feel its effects, as it depresses their ability to secure the wage gains needed to maintain the purchasing power of their wages. In an environment of job insecurity, when there are several unemployed workers for every job opening, those who still have jobs are less likely to rock the boat and press for improved wages or even resist rollbacks in their compensation and working conditions. With economists projecting that the national unemployment rate will remain high for several more years as the tepid economic recovery continues, we face the prospect of a sluggish labor market in which low-wage and middle-wage workers see their earnings and standard of living further eroded. A legislated minimum wage increase helps serve as a needed corrective to this bleak outlook for improvement on the wage front.

### **New York's minimum wage has not kept up with inflation—or with the poverty level**

The purchasing power of the New York minimum wage reached its peak over 40 years ago. In today's dollars, the minimum wage was \$10.70 in 1970. That is, purchasing power of the 1970 minimum wage is 48 percent greater than the current \$7.25 an hour.

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<sup>4</sup> Fiscal Policy Institute analysis of Current Population Survey data.

<sup>5</sup> Fiscal Policy Institute, *The State of Working New York 2011: Smaller Incomes, Fewer Opportunities, More Hardship*, November 29, 2011.

<sup>6</sup> Fiscal Policy Institute, *The State of Working New York 2011: The Unemployment Crisis Two Years Into Recovery*, August 31, 2011.

FIGURE 6

The purchasing power of New York's minimum wage was its highest in 1970 and has eroded considerably since then, as periodic increases have not kept up with inflation.

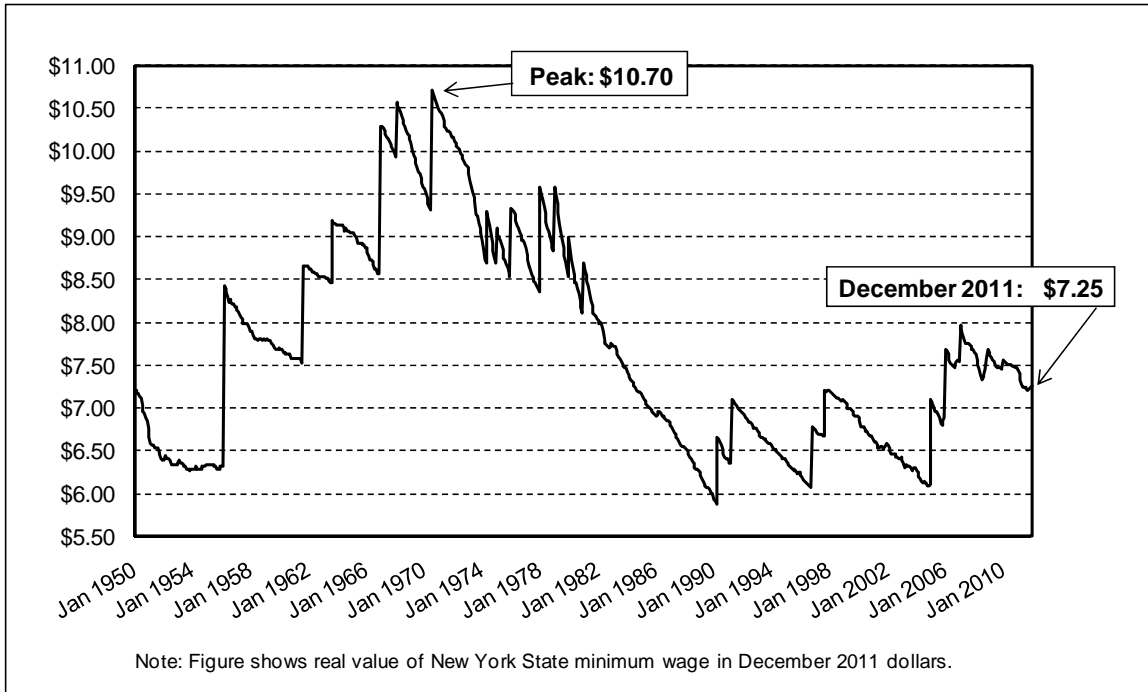
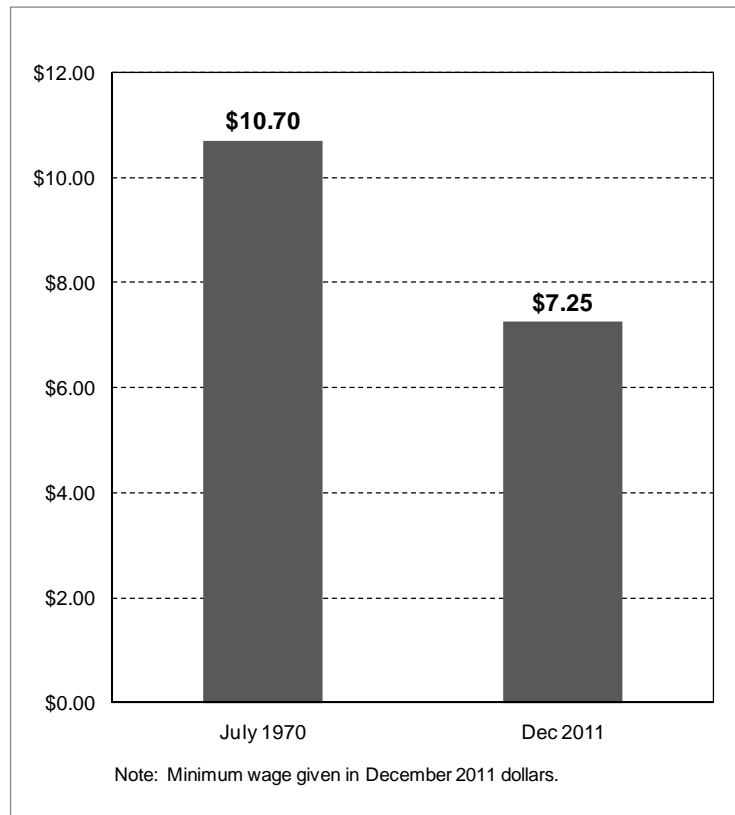


FIGURE 7

New York State's minimum wage had purchasing power 48 percent higher at its 1970 peak than it has today.



Failure to maintain the value of the minimum wage makes it harder for those employed at the minimum to stay out of poverty. For most of the 1960s and 1970s, a full-time worker earning the minimum wage could support a three-person family above the federal poverty line. For nearly two decades from 1962 to 1979, the New York minimum wage averaged 108 percent of the three-person federal poverty level. However, in 2012, with a \$7.25 minimum wage, that worker's counterpart earns less than 82 percent of the three-person federal poverty level. (See Figure 8.)

**FIGURE 8**  
**The full-time, full-year income of the New York State minimum wage falls far short of the federal poverty threshold, and is even farther below its peak 40 years ago.**



## New York is falling behind many other states

At present, 18 states and the District of Columbia have state minimums that exceed the federally-mandated level of \$7.25. These states are spread across the country, from Florida to Washington State, from California to Maine, and in several unlikely states where higher minimum wages were established through popular referendum, including in Nevada, Arizona, and Montana.

In eight of the 18 states, the minimum wage is automatically adjusted to reflect changes in the rate of inflation so that minimum wage workers' purchasing power is protected. In the District of Columbia, the minimum is required to be increased to \$1.00 above the federal level when the federal minimum exceeds that of the District. New York should consider the example of these other jurisdictions and ensure that it maintains an adequate minimum wage that is automatically indexed for inflation once the level is raised to a meaningful standard. (See Figure 9.)

FIGURE 9  
New York's minimum wage is \$7.25 an hour (the federal minimum wage); 18 states and the District of Columbia have higher minimums.

State	Minimum wage
Washington*	\$9.04
Oregon*	\$8.80
Vermont*	\$8.46
Nevada*	\$8.25
Illinois	\$8.25
Connecticut**	\$8.25
District of Columbia**	\$8.25
California	\$8.00
Massachusetts**	\$8.00
Alaska	\$7.75
Ohio	\$7.70
Florida*	\$7.67
Arizona*	\$7.65
Montana*	\$7.65
Colorado*	\$7.64
Maine	\$7.50
New Mexico	\$7.50
Michigan	\$7.40
Rhode Island	\$7.40

Notes: As of January 2012. The minimum wage in states marked (\*) automatically adjusts annually according to the change in the Consumer Price Index. The minimum wage in states marked (\*\*) automatically adjusts upward to stay above the federal minimum wage if that increases.

Source: U.S. Department of Labor.

## Increasing the minimum wage to \$10 in three stages would dovetail with several benchmarks

Figure 10 allows comparison between a three-step increase in New York's minimum wage that would lift it to \$10.00 an hour in 2014, and other pertinent benchmarks. The figure shows how the minimums would rise further in three of the states (Washington, Oregon and Vermont) with a higher minimum wage than the federal level where cost of living provisions trigger an annual increase in line with the rise in consumer prices. It also shows how the hourly minimum needed to equal the 1970 peak level for the state's minimum wage, and the hourly minimum needed to equal 108 percent of the three-person federal poverty threshold would rise along with projected inflation factors. The latter benchmark, which prevailed in New York for nearly two decades, would put the minimum wage at \$9.99 in 2014, basically the same as the proposed \$10 target level.

FIGURE 10  
**How would a three-step increase in New York State measure up?**

<b>Benchmark</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Projected annual change in consumer price index (a)	2.0%	2.2%	2.3%	2.4%
New York State minimum wage with no change	\$7.25	\$7.25	\$7.25	\$7.25
<b>New York State with a three-stage increase to \$10.00, and annual CPI adjustment thereafter</b>	<b>\$8.20</b>	<b>\$9.10</b>	<b>\$10.00</b>	<b>\$10.23</b>
Hourly minimum needed to equal 1970 peak level for NYS minimum wage	\$10.70	\$10.91	\$11.15	\$11.41
Hourly minimum needed to equal three-person federal poverty line (b)	\$8.88	\$9.05	\$9.25	\$9.46
Hourly minimum needed to equal 108 percent of three-person federal poverty line (c)	\$9.59	\$9.78	\$9.99	\$10.22
<b>Selected states with higher minimum wage and with annual cost of living adjustments based on CPI</b>				
Washington State	\$9.04	\$9.22	\$9.42	\$9.64
Oregon	\$8.80	\$8.98	\$9.17	\$9.38
Vermont	\$8.46	\$8.63	\$8.82	\$9.02

Notes: (a) Forecast for annual change in composite CPI of New York, developed by the NYS Division of the Budget, 2012-13 Executive Budget, Economic and Revenue Outlook, Jan. 2012, p. 160. (b) Adjusting the three-person federal poverty level for the CPI change for the prior year results in the following poverty levels: 2012, \$18,461; 2013, \$18,830; 2014, \$19,244; 2015, \$19,687. (c) For nearly 20 years, from 1962 to 1979, New York State's minimum wage averaged 108 percent of the 3-person federal poverty threshold. Source: Fiscal Policy Institute analysis.

Another relevant benchmark is the relation of the minimum wage to the average weekly wage in New York State. In 1980, the \$3.10 minimum hourly wage in New York was 41 percent of the average weekly wage. If that 41 percent relationship existed today, the minimum wage would be over \$12.00 an hour, rather than \$7.25.

### **Raising the minimum wage is good for the whole economy**

Increasing the minimum wage helps the workers who see their paychecks go up. But what is the impact on the rest of the economy? It's well known that one of the best ways to generate more economic activity is to increase the incomes of those at the lower end of the income scale. This is because low-income people spend a larger share of any new increment of income than do those at higher income levels. And that is why programs such as Food Stamps and the Earned Income Tax Credit (EITC) are not just viewed as policies that improve the well-being of low-income people and their families—they are also known to be smart policy tools that quickly generate new spending and boost demand and jobs. Similarly, an increase in the minimum wage puts money into the pockets of low-wage workers and increases demand for the goods and services they and their families purchase.

With high unemployment and a weak economy, there could not be a better time to raise the incomes of low-wage workers and thereby pump some much-needed demand into the state's economy. For three years running, when the National Federation of Independent Business has polled its members on a monthly basis about the most important problem faced in running their small businesses, respondents have ranked poor sales as their top problem.<sup>7</sup> Raising the incomes of low-wage workers will help businesses with their own sales and in turn boost their demand for the products of their suppliers, creating a multiplier effect as the impact of the new increment of income works its way through the economy.

As the increased demand ripples through the state's economy, it will stimulate job creation. A three-step increase to \$10.00 will generate an estimated 25,000 jobs, the mid-range between 17,200 jobs and 37,500 jobs.<sup>8</sup> (See Figure 11.)

**FIGURE 11**  
**Increasing the minimum wage in New York State would create an estimated 27,000 new jobs.**

<b>Assuming that in:</b>	<b>The minimum wage increases to:</b>	<b>Then the aggregate wage bill will increase by:</b>	<b>Jobs created due to increased minimum wage:</b>
<b>2012</b>	\$8.20	\$738.6	3,236 to 7,062
<b>2013</b>	\$9.10	\$1,375.3	6,025 to 13,150
<b>2014</b>	\$10.00	\$1,808.7	7,924 to 17,295
<b>TOTAL JOBS CREATED over 3 years</b>			17,184 to 37,507
<b>Midpoint of range</b>			27,346

Note: Aggregate wage bill change in millions of current dollars.

Source: Fiscal Policy Institute.

<sup>7</sup> FPI analysis of National Federation of Independent Business data.  
<http://www.nfib.com/research-foundation/surveys/small-business-economic-trends>

<sup>8</sup> FPI estimate. The ranges reflect different shares of wage increases passed through to prices, and the impact of price increases on businesses and other consumers.

## **Raising the minimum wage has not hurt employment**

A growing body of academic research has shown that minimum wage increases have not led to job losses. Seminal work by Princeton researchers in 1995 overturned the conventional wisdom that raising the minimum wage would hurt employment.<sup>9</sup> More recently, scholars have demonstrated the importance of accounting for regional and state-level economic trends when trying to detect the impact of raising the minimum wage.<sup>10</sup> They have shown that, when one takes these broader economic forces into account, minimum wage increases have no impact on the number of jobs held or hours worked. In so doing, they have discredited studies that purported to find negative impacts from raising the state minimum wage yet neglected to control for differences between different regional and state economies.

## **Conclusion**

It is time to raise New York's minimum wage. There has not been a significant increase in five years. We should strive to restore the minimum wage's purchasing power to where it was for nearly two decades, i.e., at about 108 percent of the federal poverty level. And we need to then add a provision to index the state minimum to make sure inflation does not erode workers' purchasing power once the base level is re-established in terms of its former purchasing power. Without a minimum wage increase, low-wage workers and their families face continued bleak prospects for the foreseeable future as the sluggish recovery drags the economy down. Doing what is in their best interest will benefit the rest of the economy, too, since bigger paychecks for low-wage workers will stimulate demand at a time when it is badly needed and create thousands of new jobs.

While the Great Recession and weak recovery have hurt New York, its economy was already marked by real wage stagnation and declines for average workers and dramatically rising income inequality. Raising the minimum wage is one way to correct the direction in which New York has been heading, ensuring that the tremendous wealth of the state's economy and the productivity generated by its workers are broadly shared, rather than being monopolized by a tiny elite.

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<sup>9</sup> Card, David, and Alan Krueger. 1995. *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton: Princeton University Press. Alan Krueger was appointed in August 2011 by President Obama to be the Chairman of the White House Council of Economic Advisers.

<sup>10</sup> Allegretto, Sylvia A., Arindrajit Dube, and Michael Reich. 2011. "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data." *Industrial Relations*, 50(2): 205-40. Arindrajit Dube, William Lester, and Michael Reich. 2010. "Minimum Wage Effects Across State Borders: Estimating Using Contiguous Counties." *Review of Economics and Statistics* 92(4): 945-64.



*The Case for Raising New York's Minimum Wage*

APPENDIX

**Changes in the federal and New York State minimum wage since 1950**

Year	Changes in federal minimum wage	Changes in state minimum wage
1950	Increased from \$0.40 to \$0.75 On January 1, 1950	
1951		
1952		
1953		
1954		
1955		
1956	Increased from \$0.75 to \$1.00 on March 1, 1956	
1957		
1958		<i>Prior to October 1, 1960, NYS minimum wage rates varied from industry to industry.</i>
1959		
1960		
1961	Increased from \$1.00 to \$1.15 on September 3, 1961	
1962		Increased from \$1.00 to \$1.15 on October 15, 1962
1963	Increased from \$1.15 to \$1.25 on September 3, 1963	
1964		Increased from \$1.15 to \$1.25 on October 15, 1964
1965		
1966		
1967	Increased from \$1.25 to \$1.40 on February 1, 1967	Increased from \$1.25 to \$1.50 on January 1, 1967
1968	Increased from \$1.40 to \$1.60 on February 1, 1968	Increased from \$1.50 to \$1.60 on February 1, 1968
1969		
1970		Increased from \$1.60 to \$1.85 on July 1, 1970
1971		
1972		
1973		
1974	Increased from \$1.60 to \$2.00 on May 1, 1974	Increased from \$1.85 to \$2.00 on May 1, 1974
1975	Increased from \$2.00 to \$2.10 on January 1, 1975	Increased from \$2.00 to \$2.10 on January 1, 1975
1976	Increased from \$2.10 to \$2.30 on January 1, 1976	Increased from \$2.10 to \$2.30 on January 1, 1976
1977		
1978	Increased from \$2.30 to \$2.65 on January 1, 1978	Increased from \$2.30 to \$2.65 on October 6, 1978
1979	Increased from \$2.65 to \$2.90 on January 1, 1979	Increased from \$2.65 to \$2.90 on January 1, 1979
1980	Increased from \$2.90 to \$3.10 on January 1, 1980	Increased from \$2.90 to \$3.10 on January 1, 1980
1981	Increased from \$3.10 to \$3.35 on January 1, 1981	Increased from \$3.10 to \$3.35 on January 1, 1981
1982		
1983		
1984		
1985		
1986		
1987		
1988		
1989		
1990	Increased from \$3.35 to \$3.80 on April 1, 1990	Increased from \$3.35 to \$3.80 on April 1, 1990
1991	Increased from \$3.80 to \$4.25 on April 1, 1991	Increased from \$3.80 to \$4.25 on April 1, 1991
1992		
1993		
1994		
1995		
1996	Increased from \$4.25 to \$ 4.75 on October 1, 1996	
1997	Increased from \$4.75 to \$5.15 on September 1, 1997	
1998		
1999		
2000		Increased from \$4.25 to \$5.15 on March 31, 2000
2001		
2002		
2003		
2004		
2005		Increased from \$5.15 to \$6.00 on January 1, 2005
2006		Increased from \$6.00 to \$6.75 on January 1, 2006
2007	Increased from \$5.15 to \$5.85 on July 24, 2007	Increased from \$6.75 to \$7.15 on January 1, 2007
2008	Increased from \$5.85 to \$6.55 on July 24, 2008	
2009	Increased from \$6.55 to \$7.25 on July 24, 2009	Increased from \$7.15 to \$7.25 on July 24, 2009
2010		
2011		



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