



News from the Fiscal Policy Institute

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NEW REPORT:

http://www.fiscalpolicy.org/FPI_BoostTheEconomyBoostTheMinimumWage_20120130.pdf.

Raising New York's Minimum Wage Will Boost the State Economy

1.6 million low-wage workers would benefit; 25,000 jobs created

Raising New York's minimum wage will boost the economy, helping 1.6 million low-wage workers and creating 25,000 jobs, according to a new report from the Fiscal Policy Institute (FPI). Currently, New York's minimum wage is the same as the federal \$7.25 an hour. There hasn't been a substantial increase in New York's minimum in five years, although it rose by 10 cents in July 2009, when the last step of an increase in the federal minimum took effect.

"This is the right time to begin a phased increase in New York's minimum wage," said James Parrott, FPI Deputy Director and Chief Economist and one of the authors of the new report. "Too many New York workers work hard and play by the rules but are just not paid enough to make ends meet. The recession has made it much harder for many low- and middle-wage workers to get a pay hike. Given that much of the projected job growth will be in low-wage jobs, it is essential that New York update its wage floor."

"Our lowest-paid workers need a pay raise, and a boost will not only promote economic recovery but will help ensure that the benefits of the recovery are more broadly shared," Parrott added. Earlier FPI reports show that New York's economic growth over the past twenty years has been extremely polarized and that the average worker has not been sharing in the productivity growth their labors have achieved. New York State's income distribution is the most polarized of all the states, and the disparities in living standards have grown even sharper due to the recession.

Eighteen states, from Florida to Washington, Maine to Arizona, and the District of Columbia already have minimum wage levels above \$7.25. The state of Washington leads the nation with a \$9.04 an hour minimum, followed by Oregon at \$8.80 and Vermont at \$8.46. These three states and five others also have built an automatic annual increase into their minimum wage systems so that the wage floor regularly adjusts to consumer price increases.

The FPI report makes the case that New York's minimum wage should be raised to a level that is slightly above the three-person federal poverty threshold, arguing that for nearly two decades (1962-1979) New York's annualized minimum wage value averaged 108 percent of the three-person poverty level. This would mean an increase in three annual steps to reach \$10.00 an hour in 2014. Once that standard is achieved, the FPI report urges that New York's minimum wage be indexed to consumer prices so that its purchasing power keeps up with rising costs in the future.

The report notes that almost all low-wage workers who stand to benefit from an increase in the minimum wage work in retail trade, food services and other local service businesses that do not compete with businesses in other states. Raising the wage floor across the board will not put any individual business at a competitive disadvantage. The retail sector will be affected the most. More than one third of retail workers would benefit, and one in every four workers affected will come from retail. Large retailers with 500 employees or more will be affected the most since they pay wages that average nearly 25 percent less than smaller retailers.

In its detailed analysis of the characteristics of workers who stand to benefit from a minimum wage increase, FPI finds that women and black and Hispanic workers will disproportionately benefit since they are more likely to be low-wage workers. About one in every six workers in New York City and in other parts of the state will benefit from a minimum wage hike.

Ninety percent of those benefiting will be adults, with teenagers accounting for only 10 percent. Low-income families with children stand to benefit significantly since 54 percent of family earnings in families with a low-wage worker and children are earned by the low-wage worker. In all, 1.1 million children in New York live in families where a worker will see higher wages due to a minimum wage hike.

The report estimates that 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.

The new report is available at http://www.fiscalpolicy.org/FPI_BoostTheEconomyBoostTheMinimumWage_20120130.pdf.

The Fiscal Policy Institute (www.fiscalpolicy.org) is a nonpartisan research and education organization committed to improving policies and practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.