

Immigrant Workers and the Minimum Wage in New York City

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for the

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Highlights

- In 2003, there were 1.4 million immigrant workers in New York City and they accounted for 47% of the city's resident workforce.
- Of the New York City workers now earning between \$5.15 an hour and \$7.10 an hour who would be directly affected by an increase in the New York state minimum wage, 62% are immigrants.
- Immigrant workers in New York City are nearly *twice* (1.8 times) as likely to earn minimum wages as native-born workers: 11.7% of immigrant workers receive minimum wage earnings vs. 6.4% of native-born workers.
- The overwhelming majority (90%) of minimum wage workers in New York City are adults, and two-thirds work full-time.
- Over four out of five NYC minimum wage workers are people of color: 41% are Hispanic, 25% are Black non-Hispanic, and 16% are Asian.
- While women represent 49% of NYC workers, they are 59% of minimum wage workers.
- Dominicans are the single largest immigrant group receiving low wages in NYC and likely to be the largest among minimum wage workers. Dominicans account for 17.9% of all low-wage immigrants in NYC. They are followed by Mexicans, who account for 13.7% of low-wage immigrant workers, a much higher ratio than their share of NYC's foreign-born population (4.3%). The next three immigrant groups among low-wage immigrant workers are Chinese, Jamaicans, and Ecuadorians.
- The restaurant industry is the largest employer of low-wage immigrant workers in NYC. Over 125,000 immigrants work in eating and drinking establishments, with a median wage of \$8.55 an hour. The next four NYC industries employing large numbers of immigrant workers at median wages under \$9 an hour are: health services n.e.c. (a category that includes nursing homes and home health care workers), apparel manufacturing, grocery stores, and private households. The immigrant share of all workers in these 5 industries ranges from 64% to 89%.
- Minimum wage earnings are vital to many low-income households in NYC. Sixty percent of increased minimum wage earnings would go to the lowest-earning 40% of NYC households. The earnings of minimum wage workers represent the *sole source of earnings* for half of all families with a minimum wage worker.
- Raising New York's minimum wage is an important first step in ensuring that NYC's growing immigrant workforce is fairly compensated. In addition, more aggressive labor standards enforcement is needed to reduce the exploitation of immigrant and other low-wage workers and to level the playing field for employers paying better wages.

Preface

This report examines the impact of the minimum wage on immigrant workers in New York City. It was prepared by James Parrott and Oliver Cooke of the Fiscal Policy Institute at the request of the New York Immigration Coalition. The city's 1.4 million immigrant workers account for nearly half of the city's resident workforce. The absolute and relative size of the city's immigrant workforce permits a more detailed analysis of immigrant workers and the minimum wage in New York City than is possible for other sub-areas within New York state. The authors would like to acknowledge Jeff Chapman of the Economic Policy Institute for his assistance in analyzing data from the Current Population Survey, and Chung-Wha Hong of the New York Immigration Coalition for her many helpful suggestions. The authors bear sole responsibility for any errors and omissions.

Background

This report builds on an earlier report by the Fiscal Policy Institute released this past January: [Raising the Minimum Wage in New York: Helping Working Families and Improving the State's Economy](http://www.fiscalpolicy.org/minmumwagereportrevised20jan2004.pdf) (available at <http://www.fiscalpolicy.org/minmumwagereportrevised20jan2004.pdf>.)

The key points¹ from that report that help establish the background for this report include:

- When Congress established the first minimum wage in 1938, it sought to stimulate demand by boosting the purchasing power of workers, and to level the playing field among businesses by creating a wage floor that would limit unfair competition.
- The federal government has not raised the minimum wage since 1997. New York last raised its minimum wage in 2000, but that action only brought it up to the \$5.15 an hour federal minimum. The inflation-adjusted value of the \$5.15 minimum wage is approaching the lowest point in a half-century and is 40% below the peak level reached in 1968.
- New York state is now considering legislation to increase the state's minimum and, if it acted, it would join twelve other states and the District of Columbia that have already increased their minimums above the \$5.15 federal standard.
- Wages for low-wage workers have not improved over the past two decades and as a consequence, New York has the greatest disparity among the 50 states between the average wage and the minimum wage.
- The share of all New York workers earning less than \$7.00 an hour (measured in 2003

¹ In some cases, data have been updated from FPI's January 2004 report to reflect the availability of full-year 2003 data from the Current Population Survey and analysis of the characteristics of minimum wage workers earning up to \$7.10 an hour, the level that would be reached in three stages under legislation passed by the Assembly in early March 2004.

dollars) has tripled from 3.6% in 1979, to 11.7% in 2000. This has contributed to a surge in the ranks of New York working families who are poor, with the poverty rate among working families with children increasing from 6.4% in the late 1970s to 11.7% by the late 1990s.

- An increase in the minimum wage to \$7.10 an hour would directly benefit an estimated 738,000 workers in New York state now making between \$5.15 and \$7.10 an hour, and likely would boost the wages of many of the nearly 500,000 workers making from \$7.10 to \$8.10 an hour.
- Increasing the minimum wage is not likely to reduce employment opportunities for the working poor. A growing body of both empirical and theoretical work has called into question this long-held prediction and the simplistic supply and demand theoretical model from which it is generated.
- Assessments of the 1996 and 1997 federal minimum wage increases, using various analytical methods, found that the employment effects were statistically insignificant.

Immigrants and the NYC Economy

Immigrants have long been a vital component of New York City's population and its economic dynamism. During the 1990s, new immigrants to NYC offset the out-migration of several hundred thousand New Yorkers and made possible a significant increase in the city's population, pushing the total population count over 8 million for the first time.

According to the 2000 Census, there were nearly 2.9 million immigrants in NYC. This number exceeded the total population of every other U.S. city except for Los Angeles and equaled the population of Chicago. New York City's 2.9 million immigrants represented 35.9 percent of the city's total population, up from 28.4 percent in 1990. But because a greater share of the immigrant population is in the working age range and immigrants tend to have a high labor force participation rate, immigrants account for a much larger share of New York City's resident workforce. In 2003, immigrants accounted for 47 percent of the city's resident workforce. (See Table 1.)

| | <u>All New York City</u> | <u>New York City Immigrants</u> | <u>Immigrant Share</u> |
|--|--------------------------|-------------------------------------|----------------------------|
| Population | 8,008,278 | 2,871,032 | 36% |
| Workforce | 3,006,000 | 1,412,820 | 47% |
| Workers affected directly by minimum wage increase* | 267,000 | 165,540 | 62% |
| * Workers earning between \$5.15 and \$7.10 an hour. | | | |
| Sources: 2000 Census, 2003 Current Population Survey. | | | |

Relative to native-born workers, a disproportionate share of New York's immigrant workers earn low wages. In 2000, 19 percent of native-born workers earned less than \$10 an hour (in 2003 dollars). On the other hand, almost 35 percent of foreign-born workers had an hourly wage under \$10. Thus, immigrants were 1.8 times as likely to be low-wage workers as their native-born counterparts in New York City.

Minimum wage workers are largely adult, full-time and immigrant

Contrary to the claims of many opponents of raising the minimum wage, minimum wage workers, by large margins, are not teenagers or other workers with a casual attachment to the labor force. In fact, according to the Current Population Survey conducted by the federal government, 90 percent of minimum wage workers in New York City are 20 years and older and two-thirds work full-time schedules. (See Table 2.) ("Minimum wage workers" are defined here as all workers currently earning between \$5.15 an hour, the current federal and New York State minimum wage, and \$7.10 an hour, the level under consideration for raising New York's minimum wage to in three stages.)

| TABLE 2 | | | | |
|--|----------------------|--------------------------|----------------------------|------------------|
| Characteristics of New York City workers affected by a minimum wage increase to \$7.10 | | | | |
| | | <u>Affected directly</u> | <u>Indirectly affected</u> | |
| | | \$5.15-\$7.10 | \$7.10-\$8.09 | Total workforce* |
| Number of workers | | 267,000 | 221,000 | 3,006,000 |
| Percent of workforce | | 8.9% | 7.4% | 100.0% |
| <i>Gender</i> | Male | 41% | 47% | 51% |
| | Female | 59% | 53% | 49% |
| <i>Race/ethnicity</i> | | | | |
| | White Non-Hispanic | 17% | 20% | 36% |
| | Black Non-Hispanic | 25% | 28% | 24% |
| | Hispanic | 41% | 39% | 26% |
| | Asian | 16% | 12% | 12% |
| | Other Non-Hispanic | 1% | 1% | 1% |
| Immigrant Status | | | | |
| | Native | 38% | 34% | 53% |
| | Immigrant | 62% | 66% | 47% |
| <i>Age</i> | 20 and older | 90% | 97% | 98% |
| <i>Work hours</i> | Full-time (35+ hrs.) | 67% | 79% | 87% |
| * Includes workers not covered by minimum wage. | | | | |
| Source: FPI and Economic Policy Institute (EPI) analysis of 2003 Current Population Survey data. | | | | |

As shown in Table 2, immigrants represent 62 percent of those workers currently making between \$5.15 and \$7.10 an hour who would directly benefit from an increase in New York's minimum wage. Again, this compares to immigrants' 47 percent share of the total New York City workforce.

Of the 1.4 million immigrant workers in New York City, 165,500, or 11.7% would directly

benefit from an increase in the minimum wage. For native born workers, 6.4% would be directly affected by a higher minimum wage. Just as in the case of workers earning under \$10 an hour cited earlier, immigrants are 1.8 times as likely to be minimum wage workers as their native-born counterparts in New York City.

Overall, more than 4 out of every 5 minimum wage workers are people of color: 25 percent are black non-Hispanic, 41 percent Hispanic, and 16 percent Asian. Women, who account for 49 percent of all resident workers, constitute 59 percent of those who stand to benefit from an increased minimum wage.

Immigrant groups most heavily affected by the minimum wage

The top five immigrant groups that are most likely to be affected by an increase in the minimum wage are Dominicans, Mexicans, Chinese, Jamaicans, and Ecuadorians.² Table 3 on the next page lists the top 15 countries of birth for New York's low-wage immigrants and reflects a broad representation of countries from the Caribbean and Latin America, to Europe and Asia. An estimated 90,000 Dominicans are low-wage workers earning less than \$10 an hour. The number of Mexicans earning low-wages is an estimated 68,500. (For comparison purposes, Table 3 also shows each country's share of the city's foreign-born population from the 2000 Census.)

Industries employing large numbers of low-wage immigrants

On an industry basis, by far the largest employer of low-wage immigrants is the restaurant industry (eating and drinking places). An estimated 125,000 immigrants work in New York City's restaurants. Their median wage³ is \$8.55 an hour. Immigrants account for nearly three-fourths of all restaurant workers.

² To derive statistically reliable estimates, four years of data (2000 to 2003) were pooled from the Current Population Survey for immigrant low-wage (under \$10 an hour in constant 2003 dollars) workers.

³ The median represents the wage received by the worker in the exact middle of the earnings distribution. Half of workers earn less than the median, and half earn more.

TABLE 3
New York City's Low-wage* Immigrant Workforce by Place of Birth

| Country of Birth | Share of low-wage immigrants | Approximate number of low-wage immigrants | Share of foreign-born population, Census 2000 |
|----------------------------|------------------------------|---|---|
| Dominican Republic | 17.9% | 90,000 | 12.9% |
| Mexico | 13.7% | 68,500 | 4.3% |
| China | 6.0% | 30,000 | 7.2% |
| Jamaica | 5.7% | 28,600 | 6.2% |
| Ecuador | 5.4% | 26,900 | 4.0% |
| Guyana | 4.7% | 23,700 | 4.6% |
| Haiti | 3.5% | 17,400 | 3.3% |
| Trinidad and Tobago | 3.0% | 15,000 | 3.1% |
| Russia | 3.0% | 15,000 | 2.8% |
| Colombia | 2.5% | 12,500 | 2.9% |
| Korea/ South Korea | 2.2% | 11,000 | 2.5% |
| India | 2.0% | 10,200 | 2.4% |
| El Salvador | 2.0% | 9,900 | 0.9% |
| Bangladesh | 1.9% | 9,600 | 1.5% |
| Poland | 1.8% | 8,900 | 2.3% |
| <i>Total, 15 countries</i> | <i>75.2%</i> | <i>377,200</i> | <i>60.9%</i> |

* Low-wage workforce defined as those earning below \$10/hour in inflation-adjusted 2003 dollars. The immigrant low-wage workforce numbered approximately 500,000 for the four year period, 2000 to 2003.

Sources: FPI analysis of CPS ORG files provided by EPI. Census 2000.

Other industries employing large numbers of immigrants at relatively low wages include: health services, n.e.c. (72,000)⁴, apparel manufacturing (54,000), grocery stores (39,000), and private households (38,000). Median wages for immigrant workers in these five industries are in the \$8 to \$9 an hour range. All of these industries have very high immigrant densities (or shares) -- ranging from 64 to 89 percent. Table 4 provides a listing of the 10 industries employing the greatest number of immigrants in New York City. Five of these industries have median hourly wages for immigrant workers ranging from \$13.30 to \$16.36, making them moderate-paying industries for immigrants. The immigrant densities for these industries are lower in every case than the five industries paying immigrant workers median hourly wages in the \$8 to \$9 range.

⁴ Health services, n.e.c. includes nursing homes and home health care companies.

TABLE 4

New York City Industries Employing the Greatest Number of Immigrant Workers

| Industry | Approximate number of immigrant workers | Immigrant Share of industry's employment | Median hourly wage of industry's immigrant workforce (\$2003) |
|--|---|--|---|
| Eating and drinking places | 125,470 | 73% | \$8.55 |
| Construction | 100,270 | 62% | \$13.30 |
| Hospitals | 79,900 | 45% | \$16.36 |
| Health services, n.e.c. | 71,670 | 64% | \$8.69 |
| Apparel and accessories manufacturing | 54,160 | 89% | \$8.39 |
| Elementary and secondary schools | 45,840 | 26% | \$15.34 |
| Real estate, incl. real estate-insurance offices | 39,670 | 47% | \$14.15 |
| Grocery stores | 38,670 | 64% | \$8.01 |
| Private households | 38,360 | 85% | \$7.96 |
| Bus service and urban transit | 33,680 | 46% | \$14.69 |

Source: Fiscal Policy Institute analysis of CPS ORG files provided by EPI. Pooled data, 2000-2002.

Minimum wage earnings vital to low-income NYC households

Data from the Current Population Survey -- the government's most authoritative, regular source of information on socio-economic trends -- indicate that minimum wage earnings represent a vital source of income to many New York City low-income households. And since immigrant workers constitute 62 percent of all minimum wage workers in the city, low-income immigrant families will be among the primary beneficiaries of an increase in the state minimum wage.

Almost half (49.4%) of New York City families with a minimum wage earner *rely solely* on the earnings from that minimum wage worker as the source of family earnings. Earnings from minimum wage workers account for 65 percent of total family earnings for families with a minimum wage worker. (See Table 5 on the next page.)

In New York City, the lowest-earning 40 percent of households receive 15 percent of all household earnings. Yet, these low-income households will receive 60 percent of the gains from an increase in the minimum wage. To claim, as some opponents of increasing New York's minimum wage have said, that most minimum wage workers belong to well-to-do households is a gross distortion of today's economic realities, particularly in New York City. *The lowest-earning 40 percent of households will benefit to an extent four times greater than their share of all household earnings.* The households of immigrant workers, who are much more likely to earn low wages than their native-born workers, will be among the main beneficiaries of a higher minimum wage.

TABLE 5

Minimum Wage Earnings are Vital to Low-Income NYC Households

| | |
|---|-------|
| Share of families with a minimum wage worker that rely solely on earnings from minimum wage worker | 49.4% |
| Average share of family earnings from a minimum wage worker for families with a minimum wage worker | 64.9% |
| Share of all earnings for lowest-earning 40% of households | 15.1% |
| Share of increased minimum wage earnings received by lowest-earning 40% of households | 59.8% |

Source: Economic Policy Institute analysis of 2003 CPS-ORG data.

Raising New York's minimum wage is an important first step in ensuring that our growing immigrant workforce is fairly compensated

New York is a high wage state with a high cost of living. For the New York minimum wage to serve its intended dual purpose as a support for workers' purchasing power and a mechanism to level the playing field among businesses, it should be raised. Raising the minimum wage will directly benefit an estimated 165,500 immigrant workers in New York City, including many whose minimum wage earnings constitute most of their family's income.

For a full-time worker, the current \$5.15 minimum wage is 27 percent below the amount needed to keep a 3-person family out of poverty. Less than \$200 a week in take-home pay does not go very far in high-cost New York City. A higher minimum wage provides a more adequate reward for work and will boost the purchasing power in low-income communities throughout New York City. This will improve living standards at the same time it provides a stimulus to small retail and service businesses serving these neighborhoods. Thirteen other states, including several neighboring states, and the District of Columbia, have already acted to lift their minimum wage standard above the \$5.15 federal minimum.

There is no evidence that a higher minimum wage will reduce net employment in the New York City economy. The context of a recovering economy and growing sales volume will further act to minimize potential displacement. A state minimum wage that serves as a more effective floor under the labor market should encourage more efficient business practices and level the competitive playing field for businesses already paying wages above \$7.10. Indeed, there are many reasons (e.g., savings to employers from reduced turnover costs, higher productivity from more motivated workers, increased purchasing power by low-income workers) to believe that an increase in New York's minimum wage will have a modestly positive effect on the city and state economies.

A higher statutory minimum is an important first step in ensuring that New York's growing immigrant workforce is fairly compensated. In addition, improved labor standards enforcement is needed to reduce the exploitation of immigrant and other low-wage workers and the potentially ruinous competition such exploitation poses to businesses paying better wages and complying with fair labor standards.