

Governor Cuomo's Call for Raising New York's Minimum Wage to \$15 Statewide

- This week, Governor Andrew Cuomo's Labor Commissioner approved a state wage board's recommendation to raise New York's minimum wage to \$15 for fast-food workers – by 2018 in New York City and by 2021 statewide – an action that will improve the lives of at least 136,000 workers from Long Island to Buffalo.
- At the same time, Governor Cuomo, joined by Vice President Joe Biden, announced that he is launching the nation's first campaign to extend a \$15 minimum wage statewide. This far-reaching action could help up to 3 million more New York workers and set the standard for how leaders across America respond to the ongoing wage crisis that is leaving millions of working families behind, even as the economy continues to recover and corporate profits and CEO compensation soar.
- The Governor's campaign will be directed at the state legislature. In the event that the Republican-controlled state senate blocks action on the minimum wage, as it did earlier this year, the Governor could direct his Labor Commissioner to convene another wage board to implement the raise using his executive authority.

The Governor's New Proposal Marks the Continued Rapid Growth of the \$15 Minimum Wage Movement

- More than two years ago, fast-food workers launched a movement demanding a national living wage of \$15 per hour. In the months since, workers from industries across the economy have joined their demands, calling for a raise to \$15 for the 42 percent of the U.S. workforce that earns less.¹ The movement has gained increasing support from policymakers, frustrated with continued wage stagnation despite six years of economic recovery.
- Over the past 18 months, six U.S. cities and counties, including Seattle, San Francisco, and Los Angeles, have approved \$15 minimum wages and more, such as Washington, D.C., are likely to follow in the coming year.²
- Governor Cuomo's proposal for New York will be the nation's first push for a statewide \$15 minimum wage.

- A similar campaign may follow in California, where signatures are being gathered to place a \$15 minimum wage ballot initiative before voters in November 2016.³ Recent polling shows voters support the proposal by a 68%-30% margin.⁴

A \$15 Minimum Wage Would Raise Pay Broadly for Working New Yorkers Across the State

- As we documented just last week in our report on [occupational wage declines](#), real wage rates have fallen across all jobs over the past five years, with the largest declines hitting the bottom 40 percent of the workforce.⁵
- Governor Cuomo's proposed statewide \$15 minimum wage would reverse this trend and raise pay broadly for up to 3 million working New Yorkers, or 37 percent of the state's non-self employed workforce. That figure represents the number of workers currently paid less than \$15 an hour, excluding the fast-food workers whose wages are already on track to rise as a result of the recent wage board order.⁶
- Outside of New York City, over 1.7 million workers are currently paid less than \$15 an hour, and in New York City, the corresponding number is 1.25 million. In both cases, the figures represent 37 percent of the workforce.⁷
- Overall for the state, 54 percent of low-paid workers are women; women are more likely to be low-paid (43 percent) than are men (35 percent).
- Roughly half of black and Hispanic workers in New York State currently make less than \$15 an hour, as do 39 percent of Asian workers vs. one-third of white, non-Hispanic workers. Overall, 52 percent of all New York workers paid less than \$15 an hour are white, non-Hispanic, and 48 percent are either black, Hispanic or Asian.
- Half of all New York State workers earning less than \$15 an hour are 35 or older; only one-quarter are young adults 16–25. Many are trying to raise families or want to start a family.
- A high proportion of low-wage workers are paid so little that they qualify for one or more forms of public assistance. In effect, taxpayers end up subsidizing low-wage employment practices. Half of the \$26 billion annual cost of public assistance in New York State goes to working families whose wages are too low.⁸
- Workers benefitting would span the state's economy from home health aides and child care workers, to retail clerks and security guards, to warehouse workers and bank workers.⁹
- Six out of the ten largest occupations with median wages less than \$15 per hour also rank among the occupations projected to add the most jobs in coming years.¹⁰
- The overall impact of Governor Cuomo's proposed \$15 wage would be historic and would begin to reverse for the bottom third of New Yorkers the significant drop in wages and living standards that they have seen in recent decades.¹¹ Higher wages would lift thousands out of

poverty and improve life opportunities for thousands of children in low-income families across the state.

A \$15 Minimum Wage Is Good for New York's Workers, Communities, and Businesses

- A \$15 minimum wage will realign earnings in New York with local living costs. Even in lower-cost regions of like Buffalo and Rochester, a single worker will need over \$15 an hour by 2021 to meet basic living costs, according to the Economic Policy Institute's Family Budget Calculator, adjusted based on projected inflation through 2021.¹²
- In higher cost regions like Long Island, a single worker will need over \$22 an hour by 2021, according to the EPI Calculator.¹³ And workers supporting children need even more.
- Job growth in most upstate metro areas has improved over the past year and a higher minimum wage will help sustain job growth since higher wages means more purchasing power, particularly for low-wage workers likely to spend any additional wage earnings. Raising the wage floor in several steps to \$15 an hour helps the upstate economy in light of the fact that much of the net job growth in recent years has been among low-wage jobs.¹⁴
- Small businesses, on net, will benefit from a higher minimum wage since, in addition to boosting consumer buying power in low-income communities, data from New York State retail and fast-food sectors show that smaller businesses already pay better than most large companies. Since a statewide minimum wage increase would apply to all businesses across the board, no individual small business would be put at a competitive disadvantage.
- There is a growing recognition on the part of businesses and institutional investors that higher wages are key to reducing turnover, improving customer service, and enhancing profitability.¹⁵ Several large employers, including Walmart, Target, Aetna, IKEA and the Gap, are starting to raise wages as a result. A recent study from Purdue's tourism management school concluded that the fast-food industry could accommodate a \$15 an hour minimum wage through savings related to reduced turnover and small price increases not much greater than recent experience.¹⁶
- An increase in the minimum wage would reduce companies' ability to shift costs to government programs, and would result in considerable savings at all levels of government in spending on various forms of public assistance as well as generate increased payroll and individual income taxes paid by workers. A recent Urban Institute report analyzed several policy options for reducing poverty in New York City and concluded that the net fiscal savings to all levels of government from an increase in the minimum wage to \$15 an hour represented roughly 43 percent of the rise in aggregate earnings as a result of the minimum wage increase.¹⁷
- A \$15 minimum wage statewide by 2021 would raise New York's minimum wage to about 61 percent of the state's median wage for a full-time, full-year worker – a level that is sometimes looked to as a benchmark for a strong minimum wage.¹⁸

- Moreover, \$15 is well below where New York's minimum wage would be if it had kept pace with rising productivity and economic growth in the state over the past 30 years. Had wages across-the-board kept pace with New York's rising productivity, the state's median wage would also be much higher than it is now.
- More than 200 economists have endorsed a \$15 minimum wage, finding that "raising the federal minimum to \$15 an hour by 2020 will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy. The costs to other groups in society will be modest and readily absorbed."¹⁹
- Similarly, economic modeling by University of California economists in places like Los Angeles shows that the benefits of such an increase would substantially outweigh the likely modest costs.²⁰
- The 13 states and the District of Columbia that have enacted minimum wage increases since 2012 have increased total jobs faster than the 37 states that have not acted to raise their minimum wages (5.3 percent vs. 4.9 percent).
- It makes good fiscal sense for the state to increase human services contract funding to help cover the cost of raising the pay of low-paid nonprofit workers. Analysis such as the recent Urban Institute report show that a large minimum wage increase will generate significant savings for the state budget from Medicaid savings and increased tax revenues – a portion of which could be used to pay for such human services contract increases. Raising human services worker wages will also cause high employee turnover to decline, yielding savings in hiring costs and improved service quality. Moreover, many of these government-funded services are intended to help low-income families get back on their feet and to better care for their children and other family members. Improved delivery of these essential services will save taxpayers in the long run, as will the reduced use of public assistance by nonprofit workers. Since nonprofits provide such services under government contracts, New York State should increase contract funding to enable nonprofit employers to meet a higher wage floor and to invest in worker skills.²¹

Endnotes

- ¹ Irene Tung and Paul K. Sonn, “The Growing Movement for \$15,” National Employment Law Project, April 2015. <http://www.nelp.org/publication/growing-movement-15/>
- ² <http://raisetheminimumwage.org/pages/15-Laws-Current-Campaigns>
- ³ [http://ballotpedia.org/California_\\$15_Minimum_Wage_Initiative_%282016%29](http://ballotpedia.org/California_$15_Minimum_Wage_Initiative_%282016%29)
- ⁴ <http://www.sacbee.com/news/politics-government/capitol-alert/article32448057.html>
- ⁵ Claire McKenna and Irene Tung, “Occupational Wage Declines Since the Great Recession: Low-Wage Occupations See Largest Real Wage Declines,” National Employment Law Project, September 2015. <http://www.nelp.org/publication/occupational-wage-declines-since-the-great-recession/>
- ⁶ Fiscal Policy Institute analysis of 2012–14 Current Population Survey data.
- ⁷ Ibid.
- ⁸ Ken Jacobs, Ian Perry, and Jenifer MacGilvary, “The High Public Cost of Low Wages, Poverty-Level Wages Cost U.S. Taxpayers \$152.8 Billion Each Year in Public Support for Working Families,” University of California, Berkeley, Center for Labor Research and Education, April 2015. Not included in the Berkeley report but incorporated in the \$26 billion cited in the text above is the \$1 billion annual cost of New York State’s Earned Income Tax Credit.
- ⁹ Tung & Sonn, “The Growing Movement for \$15”.
- ¹⁰ Tung & Sonn, “The Growing Movement for \$15”.
- ¹¹ McKenna & Tung, “Occupational Wage Declines Since the Great Recession: Low-Wage Occupations See Largest Real Wage Declines.”
- ¹² Economic Policy Institute, Family Budget Calculator, <http://www.epi.org/resources/budget/>. The calculator’s single worker annual budget for Rochester is \$28,774 for 2014, and is projected to \$33,052 by 2021, or \$15.89 per hour. For Buffalo, it’s \$28,048 for 2014, and is projected to \$32,218 by 2021, or \$15.49 per hour.
- ¹³ The calculator’s single worker annual budget for Nassau-Suffolk is \$40,573 for 2014, and is projected to \$46,606 by 2021, or \$22.41 per hour.
- ¹⁴ Fiscal Policy Institute analysis of NYS Department of Labor Quarterly Census of Employment and Wage data.
- ¹⁵ Lauren Weber, “Why Fund Managers Want Better HR,” *The Wall Street Journal*, September 8, 2015. <http://www.wsj.com/articles/why-top-fund-managers-want-better-hr-1441749764>
- ¹⁶ Christopher Gunn and Thomas Michl, “Higher Wages Serve Up Better Economics for Workers and NY,” *Oneida Dispatch*, August 18, 2015. <http://www.oneidadispatch.com/opinion/20150818/guest-column-higher-wages-serve-up-better-economics-for-workers-and-ny>
- ¹⁷ Linda Giannarelli, Laura Wheaton, and Joyce Morton, “How Much Could Policy Changes Reduce Poverty in New York City?” Urban Institute, February 2015. Prepared for the Federation of Protestant Welfare Agencies, Catholic Charities, and UJA Federation, Appendix Tables D-5 and D-6.
- ¹⁸ According to the Washington Center for Equitable Growth, New York’s median full-time, full-year worker wage was \$20.88 in 2013 – see excel spreadsheet linked here: <http://equitablegrowth.org/research/minimum-versus-median-wage-by-state/>. Projecting 2% annual inflation, that figure translates to \$24.46 in 2021, of which \$15 is 61%.
- ¹⁹ Economists in Support of a \$15 U.S. Minimum Wage by 2020. <http://www.sanders.senate.gov/newsroom/press-releases/sanders-introduces-bill-for-15-an-hour-minimum-wage>
- ²⁰ Michael Reich, Ken Jacobs, Annette Bernhardt, and Ian Perry, “The Proposed Minimum Wage Law for Los Angeles: Economic Impacts and Policy Options,” University of California, Berkeley, Institute for Research on Labor and Employment, March 2015. <http://irle.berkeley.edu/cwed/briefs/2015-01.pdf>
- ²¹ James Parrott and Jennifer Jones-Austin, “The Importance of a \$15 Wage Floor for New York’s Nonprofits,” *City & State*, August 17, 2015. [http://www.cityandstateny.com/articles/policy/labor/the-importance-of-a-\\$15-wage-floor-for-new-york%E2%80%99s-nonprofits.html#.VfD5UdViko](http://www.cityandstateny.com/articles/policy/labor/the-importance-of-a-$15-wage-floor-for-new-york%E2%80%99s-nonprofits.html#.VfD5UdViko)