



BRIEF 1

Monitoring THE Minimum Wage

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BRIEF 1:

Setting the Context for the Minimum Wage Increase in New York State and New York City

by James Parrott

The *Monitoring the Minimum Wage* brief series is produced by The Workforce Field Building Hub (The Hub), a signature initiative of New York City-based Workforce Professionals Training Institute. This project provides resources gleaned from economic research and insights from local businesses and community-based organizations designed to help workforce practitioners and their public and philanthropic funders respond to the opportunities and challenges posed by the increasing minimum wage. This brief was prepared by Hub Senior Fellow Dr. James Parrott, a long-time NYC labor market analyst and policy expert who also serves as Director of Economic and Fiscal Policy at the Center for New York City Affairs at The New School.

New York City is in the midst of an historic minimum wage increase. Today, the minimum wage is \$11 an hour for employers with 11 or more workers (\$10.50 for smaller employers, \$12 for fast-food workers). At \$11, the minimum wage is about 50 percent greater than the \$7.25 it was four years ago. Just 18 months from now on the last day of 2018, the wage floor will rise to \$15 for larger employers. That will make a total increase of a little over 100 percent in just five years—a substantial increase, particularly in light of very modest 1.5 to 2 percent annual inflation, and the largest ever since a national minimum wage was first instituted almost 80 years ago.

The wage increase is certainly welcome news for the [1.4 million New York City workers](#) (one out of every three) who will on average experience a [23 percent wage boost](#) after years of stagnating pay and struggling to make ends meet and provide for their families. The Mayor's Office for Economic Opportunity (NYC Opportunity) estimates that, as of 2017, the minimum wage increases since 2013 have [lifted 281,000 New Yorkers out of poverty](#). The Economic Policy Institute estimates that [one out of every three children](#) in the City—700,000—will see their family's income rise; 43 percent of single parents will benefit from the increasing minimum wage.

Besides the very positive story for lower-paid workers (and their children), however, we also need to be mindful

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of the likely overall impact on businesses and employment levels. We need to understand how individual businesses perceive the impact on them; how they are responding to the increased minimum wage; and how they likely will respond by the time the \$15 minimum wage is fully implemented.

Over the course of the coming months, WPTI's *Monitoring the Minimum Wage* series will provide state and local context on the scheduled wage increases, track employment and wage data and the broader economic impact, and share stories and case studies of how businesses are adapting. Since the wage increase affects business sectors differently, we will look at the effects across different sectors and at the special challenges posed for nonprofit organizations. We will also examine how similar wage increases are playing out in other jurisdictions, like Seattle and San Francisco. We will examine, too, the implications for workers paid slightly above \$15.

In this inaugural edition, we will explain the various minimum wage schedules in New York State and New York City, and discuss the state of the New York City economy and job market in which the increases in the wage floor are occurring.

Going from \$7.25 an hour to \$15.00

In late 2004, New York State adopted an increase in the state minimum wage to raise it in three steps, from \$5.15 to \$7.15 an hour by January 2007. A federal wage hike lifted the minimum in New York to \$7.25 in July 2009, where it stayed until Albany bumped it up to \$8.00 at the end of 2013, and to \$9.00 at the end of 2015.

In a dramatic race to be “first to \$15,” New York and California both adopted a phased-in \$15 minimum wage increase on the same day in early April 2016. Thus, on that day, state actions boosting the wage floor to \$15 covered nearly one out of every five U.S. workers. Pointing to Downstate’s higher cost of living, New York State set different phase-in schedules for New York City, the largest downstate counties (Nassau, Suffolk and Westchester), and for the rest of the state, as shown in the table on page 3. In New York City, the state also set a slightly faster phase-in for larger employers (with 11 or more employees) than for businesses with 10 or fewer employees.

In response to concerted organizing by fast-food workers, in 2015 New York Governor Andrew Cuomo appointed a Wage Board to investigate pay and working conditions in the state’s rapidly growing fast-food sector. Following four heavily-attended hearings around the state, the Wage Board recommended, and the state labor commissioner approved, a [\\$15 minimum wage for employees of national fast-food restaurants](#), with the wage floor reaching \$15 at the end of 2018 for New York City, and in July 2021 throughout the rest of the state.

Excluded from the table on page 3 are the minimum wage levels that apply to tipped workers. New York allows employers a “tip

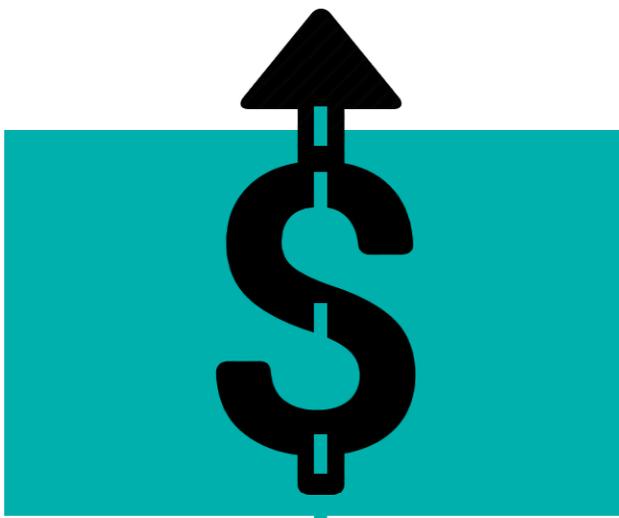


TABLE 1: NEW YORK STATE MINIMUM WAGE INCREASE SCHEDULES

	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/17</u>	<u>12/31/18</u>	<u>12/31/19</u>	<u>12/31/20</u>	<u>12/31/21</u>
NYC Big Employers (11 or more employees)	\$ 9.00	\$ 11.00	\$ 13.00	\$ 15.00			
NYC Small Employers (10 or fewer employees)	\$ 9.00	\$ 10.50	\$ 12.00	\$ 13.50	\$ 15.00		
NYC Fast-Food Employers (a)	\$ 10.50	\$ 12.00	\$ 13.50	\$ 15.00			
Long Island and Westchester Employers	\$ 9.00	\$ 10.00	\$ 11.00	\$ 12.00	\$ 13.00	\$ 14.00	\$ 15.00
Upstate Employers (54 counties)	\$ 9.00	\$ 9.70	\$ 10.40	\$ 11.10	\$ 11.80	\$ 12.50	(b)
Upstate Fast-Food Employers	\$ 9.75	\$ 10.75	\$ 11.75	\$ 12.75	\$ 13.75	\$ 14.75	\$ 15.00 (c)

(a) NYC budget provides for nonprofit human service employees working under City-funded contracts to receive minimum wage increases on the same schedule as NYC fast-food employees.

(b) Adjustment on 12/31/21 and the last date of each following year by yet-to-be determined indices, raising the minimum to a maximum of \$15.

(c) Wage increase will occur on 7/1/21.
[For tipped workers, see New York State Department of Labor: Minimum Wage for Tipped Workers, December 31, 2016 through December 31, 2017.](#)

credit” to be counted toward payment of the required minimum wage floor. Tipped workers receive a reduced cash minimum wage from their employer on the notion that tips paid by customers will make up the shortfall, and that together, the cash minimum and tips will cover the statewide minimum wage level. Seven states, including California, Minnesota and Washington, do not allow a tip credit for restaurants and other employers of workers receiving tips.

An additional category of New York City workers is experiencing an accelerated minimum wage increase schedule. The City of New York contracts with multiple nonprofit human service agencies to provide services ranging from child and elder care to workforce preparation. These organizations are dependent on the government to increase contract funding in order to meet the rising wage floor. The FY 2017 New York City budget and Four Year Financial Plan included additional funding in human service contracts to pay upwards of 30,000 nonprofit workers minimum wages on the same schedule as New York City fast-food

employers. Thus, these workers currently earn at least \$12 an hour.

Wages rising across the board in the context of solid job growth and low unemployment

The rising minimum wage is occurring at a time of historically strong New York City job growth, when a low unemployment economy is also putting upward pressure on wages. Payroll employment has grown by 420,000 to record levels over the past four years, and the unemployment rate averaged 4.2 percent for the first five months of 2017, the lowest level since the late 1960s. From 2013 to 2016, inflation-adjusted hourly wages rose across the entire wage spectrum, with the median wage in New York City increasing by 8.4 percent, three times the 2.8 percent median increase for

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The Workforce Field Building Hub (The Hub) is a New York City-wide resource designed to unite and strengthen key stakeholders in the diverse and wide-reaching workforce development field. The Hub brings together key leaders from across the interdisciplinary and diverse New York City and national workforce community to identify common issues and solutions to build the field of workforce development. For more information, visit <http://thehub.workforceprofessionals.org>

Workforce Professionals Training Institute (WPTI) increases the effectiveness of people, programs, and organizations that are committed to generating pathways out of poverty through employment. Our three-tiered approach—professional training, organizational consulting, and systems building—strengthens capacity at all levels of the workforce development system. For more information, visit <http://workforceprofessionals.org>.

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the U.S. as a whole. In such a tightening job market, employers would need to raise wage offers for the lowest-paid workers even if the required minimum wage was not rising.

As a result of the state Fast Food Wage Board action, the city's fast-food sector has been the leading edge for increases in the minimum wage. Over the past four years, the wage floor facing the city's fast-food employers has increased by nearly two-thirds (from \$7.25 to \$12.00), yet employment continues to rise and was 23 percent higher during the first five months of this year than during the same months of 2013.

Future issues of *Monitoring the Minimum Wage* will examine:

- How will a higher minimum wage affect businesses and the economy?
- What have been the experiences of other cities following an increase in the minimum wage at a level similar to New York's?
- How have local businesses been affected by the recent minimum wage increases, and how are they preparing for subsequent increases?
- What has been the impact of the increasing minimum wage on job quality, as well as on workers earning just above the minimum?
- How are workforce organizations responding to the increasing minimum wage, and what are the implications for workforce training?