

Myth vs. Fact on a \$15 Minimum Wage for New York

Myth: There would be few benefits to a \$15 minimum wage.

Fact: The benefits of gradually phasing in a \$15 minimum wage for New York's workers would be far-reaching, according to analysis by the Economic Policy Institute.¹

- **3.1 million workers – about 36% of all workers in the state – would receive raises.** 1.4 million would be in New York City, and 1.7 million elsewhere in the state.
- The typical worker would receive roughly a **\$4,800 per year raise** – going a long way towards rebalancing wages in the state.

Myth: The workers earning low-wages are mostly teens in entry-level jobs who don't need to earn a living wage.

Fact: The typical worker earning less than \$15 in New York is a woman over 25 with some college-level coursework who works full-time and provides on average half of her household's income, according to analysis by the Economic Policy Institute.²

- **Just 5.3 percent of affected workers are teenagers. More than three-quarters are 25 or older.**
- **52.7 percent are women.**
- Statewide, roughly **half are persons of color.** Within New York City, more than three-quarters are persons of color, and statewide, workers of color would benefit disproportionately from the increase. **More than half of all Latino workers would receive a raise, and 40% of African American workers.**

- **The workers who would benefit earn, on average, half of their family's total income.** More than a quarter (27 percent) of affected workers are the sole providers of their family's income.
- Of workers who would receive a raise, **two-thirds work full time.**
- **52.1 percent have some college experience.** 19.8% have bachelor's degrees and 9.4 have associate's degrees.
- **32.9 percent have children.**

Myth: Employers cannot adjust to a gradually phased in \$15 minimum wage.

Fact: While business lobbyists like the New York State Business Council argue that New York employers cannot adjust to a \$15 minimum wage by 2021, growing numbers of employers say that it will be manageable.

- A growing list of businesses voices are supporting Governor Cuomo's \$15 minimum wage proposal. These supporters include trade associations like the [Greater New York Chamber of Commerce](#) and the Long Island African-American Chamber of Commerce, as well as individual employers like [Amalgamated Bank](#) and [Ben and Jerry's](#).
- Moreover, the president and CEO of the [Retail Council of New York State](#) -- the trade association representing New York State's single largest low-wage industry in which 550,000 of the state's 3.1 million workers earning less than \$15 work – has [joined the Governor's \\$15 minimum wage campaign as a campaign vice-chair](#) (although the Retail Council has not yet endorsed a specific proposal). The fact that this major trade group is not opposing Governor Cuomo's proposal and its leader is serving as vice-chair of the campaign highlights the significant business support the proposal enjoys.
- A diverse range of business leaders confirm that transitioning to a \$15 minimum wage is entirely feasible. "Everybody in retail is dealing with an increase in minimum wage," said Popeyes CEO Cheryl Bachelder to CNN Money. **'We will adjust to increased costs just like we have before. Life will go on. There's been too much hubbub about it.'**³
- Marcus Samuelsson, owner of Harlem's Red Rooster restaurant, put it this way to *Crain's* last month, "You have to adjust. I have 160 employees—we adjusted to the health care law, and we will have to adjust to [a \$15 minimum wage]. As a small-business owner, I know that change is something that comes constantly."⁴

- As Rochester-based restaurant owner Dennis Kessler who teaches at the University of Rochester’s Simon School of Business told the *Washington Post* last year, **“This \$15 thing is being phased in over quite a few years, so I don’t think it’s going to have much of an impact. . . . People are going to have to pay a little more. It really isn’t too much more complicated than that.”**⁵

Myth: \$15 is an excessive minimum wage for New York, especially upstate where living costs are lower.

Fact:

- **Cost of living data shows that even in the least expensive regions of upstate New York, a single worker will need \$15 or more by 2021 just to cover the basics – and workers downstate and workers supporting children will need even more.**
- For example, in Buffalo, Rochester and Syracuse – which are among the least expensive places to live in New York State – a single worker will by 2021 need \$32,689 in Buffalo, \$33,535 in Rochester, and \$33,791 in Syracuse just to cover basic living costs at a modest level. These living costs mean that a single, full-time worker will need to earn at least \$15.72 per hour in Buffalo, \$16.12 in Rochester and \$16.25 in Syracuse by 2021 just to cover the basics.⁶

Myth: Economists believe that a \$15 minimum wage is too high for New York.

Fact:

- In reality, **more than 200 economists** have endorsed a \$15 federal minimum wage by 2020, finding that raising the minimum to \$15 an hour “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.”⁷
- As **Nobel prize-winning economist Paul Krugman** explained in a recent address at the City University of New York that **“there’s absolutely no reason to think that a fifteen dollar minimum wage will be a problem for New York.”**⁸
- **Two careful studies – one by researchers at the University of Massachusetts⁹ and a second by researchers at the Purdue School of Hospitality and Tourism Management¹⁰ – both show that fast food restaurants will be able to accommodate a \$15 minimum wage** through significant savings from reduced staff turnover and small price increases not much greater than recent experience.

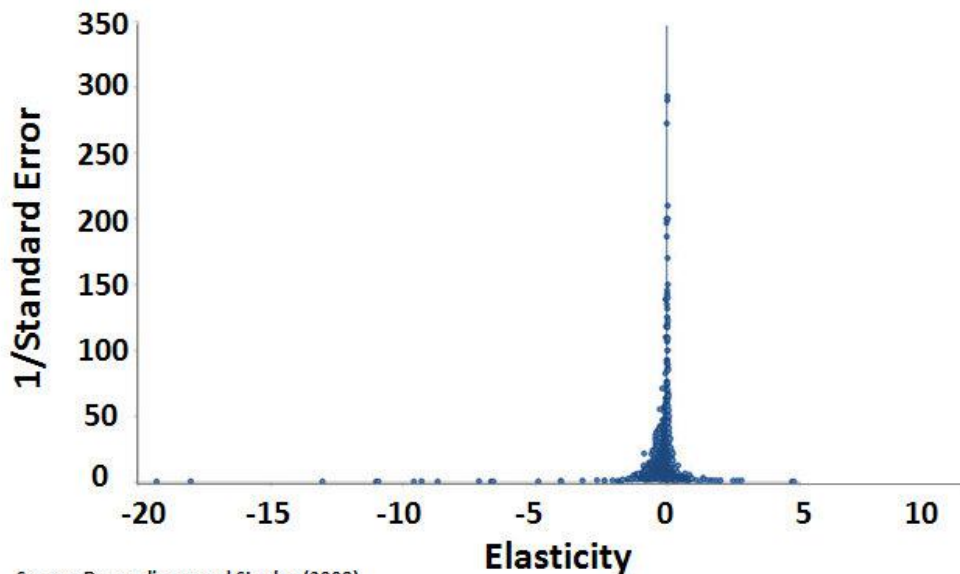
- Other New York economists such as **Tom Michl of Colgate University and Christopher Gunn of Hobart and William Smith Colleges** have similarly endorsed a \$15 minimum wage as manageable and good for the state’s economy.¹¹

Myth: Research shows that increasing the minimum wage will lead to significant job losses, and so will hurt rather than help New York’s workforce.

Fact: The bulk of rigorous minimum wage studies show that raising the minimum wage boosts incomes for low-wage workers with only very small adverse impacts on employment.

- As Bloomberg News summarized it, “[a] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.”¹²
- This is best illustrated by “meta-studies” that survey and aggregate the findings of scores of minimum wage studies. The two leading meta-studies—by economists Hristos Doucouliagos and T.D. Stanley (2009)¹³ and Dale Belman and Paul Wolfson (2014)¹⁴ — show that the vast majority of recent studies find minimum wage increases have little to no effect on employment levels or job growth.¹⁵ The following funnel graph from the first of these meta-studies illustrates how the job loss findings from most minimum wage research are clustered very close to zero (“elasticity” in the graph refers to a measure of the change in employment resulting from an increase in the minimum wage). It also shows that the most rigorous studies (those higher up on the vertical axis) found zero effect on jobs:

Funnel Graph of Estimated Minimum Wage Effects (n=1,492)



Source: Doucouliagos and Stanley (2009)

- **Analyses by opponents such as the Empire Center and American Action Forum projecting significant job losses from a \$15 minimum wage are not reliable because they use outdated research methods that produce inaccurate results.**¹⁶
- The studies they rely on claim that small minimum wage increases, like the ones NY approved in 2006 and 2013, have killed lots of jobs. **But the overwhelming majority of credible studies have concluded that any adverse impacts have been very, very small. As Crain’s New York Business has reported, “The most credible recent research shows very little loss of jobs. Nor does it show worrisome price hikes.”**¹⁷

Myth: Even if more moderate minimum wage increases do not lead to significant job losses, a \$15 minimum wage would be too much and would hurt workers and the state economy.

Fact: Some of the most respected economists in the country disagree.

- State-of-the-art modeling of the impact of a \$15 minimum wage conducted by University of California economists under contract with the City of Los Angeles found that, if phased in gradually over five years, **a \$15 wage would be manageable for employers and would raise business operating costs just 0.9 percent by 2019.**¹⁸
- The University of California analysis found that a phased-in \$15 minimum wage would increase business operating costs and prices -- but that that negative impact on business

would be offset by increased spending by workers receiving higher wages. **Any net negative impact on jobs would be very small.**

- For workers, the analysis found that the benefits would be far reaching, raising pay for approximately 41 percent of the city’s workforce and **delivering an average raise of nearly \$5,000 per worker per year (in 2014 dollars).**

Myth: In places like Seattle, which have passed \$15 minimum wage increases, businesses have started to close.

Fact: The experiences of the first jurisdictions phasing their minimum wages up to \$15 have been positive. In Seattle, the first major city to adopt a \$15 wage, [the region’s unemployment rate hit an eight-year low](#) of 3.6 % in August 2015, significantly lower than the state unemployment rate of 5.3 percent, following the initial wage increase in April.¹⁹ In a front-page story titled “Apocalypse Not: \$15 and the Cuts that Never Came,” [the Puget Sound Business Journal reported on “The minimum wage meltdown that never happened,” explaining that Seattle’s restaurant industry has continued to expand and thrive as the \\$15 wage phases in.](#)²⁰ King County, where Seattle is located, is on track to break last year’s record for the number of business permits issued to food service establishments. And business owners who had publicly opposed the \$15 minimum wage are in the process of expanding operations.

Myth: A \$15 minimum wage for New York would far higher than past minimum wages in New York or other U.S. states by any standard of comparison.

Fact: In reality, a \$15 minimum wage is not that high for New York, given the state’s high cost of living, higher-than-national wages, and decades of productivity growth.

- For example, if New York’s 1970 minimum wage is updated to reflect ***both*** national price changes and the higher-than-national cost of living growth in New York, it would translate to **\$15.01 by 2018.**²¹
- Or updating New York’s 1970 minimum wage to reflect average worker productivity growth since then, it would translate to **\$21.40 today.**²² Raising the minimum wage to \$15 would ensure that workers share more of the benefits of that growth.
- Using another benchmark that is sometimes used to compare minimum wages – the minimum wage as a percentage of the median wage for a full-time worker, known as the “Kaitz Index” – a \$15 wage in 2021 would translate to **58% of New York’s median wage.** That’s just **slightly higher than the U.S. minimum wage was in 1968, when it**

was 55% of the median wage – a period when the nation enjoyed low unemployment and strong growth.²³

- In fact, **more than half a dozen U.S. states have had minimum wages at higher levels**, as compared to their median wages: 62% in Florida and Vermont; 63% in Maine and South Dakota; 66% in Mississippi and 67% in Arkansas.²⁴ **There is no evidence that these minimum wage levels were excessive or cost significant numbers of jobs.**
- Note that economists use full time, full year worker median wages as the benchmark for comparing minimum wage levels historically among the U.S. states and internationally. Opponents of Governor Cuomo’s \$15 wage proposal like the Empire Center have instead been using non-full-time median wage statistics, which are not those commonly used by economists, and which do not allow for historic comparisons with minimum wage levels in the U.S. in the past.

Myth: A \$15 minimum wage would give New York a higher minimum wage than other comparable developed countries.

Fact: Other developed countries like Germany, France and New Zealand already have minimum wages comparable to or higher than the proposed \$15 New York minimum wage, and the U.K. is now phasing its minimum wage up to an even higher level.

- A \$15 minimum wage for New York, translating to 58% of the median full time wage, would be comparable to the minimum wages today in other OECD countries like France (61%), New Zealand (60%) and Germany (58%).²⁵
- Moreover, the U.K. is in the process of phasing its minimum wage up to the 65% level by 2020 under the Conservative Government’s new National Living Wage (which applies to workers ages 25 and older).²⁶
- Comparing international minimum wages using current exchange rates, Australia’s minimum wage will be at least \$15 U.S. by 2017 – and the country hasn’t had a recession in twenty years.²⁷

Myth: A \$15 minimum wage would be unsustainable for New York’s small businesses.

Fact: New York’s and other localities’ past experience with minimum wage increases do not show a disadvantage to small businesses, and in fact, the increases level the playing field for small businesses, who have to compete with large businesses for the most talented employees.

- In reality it is large companies, not mom-and-pop businesses, which employ most workers in New York earning less than \$15.
- Most small businesses are service industry firms like dry cleaners, bodegas and diners that serve local customers. When the minimum wage goes up, they and their competitors are all on the same playing field and can gradually adjust their prices to cover the cost without being put at a disadvantage.
- New York's experiences with past minimum wage increases, and the recent experiences in cities like San Francisco, San Jose and Seattle with significant minimum wage increases, bear this out. There is no evidence that transitioning to higher wages have hurt small businesses or changed the mix of large and small businesses.
- That's why growing numbers of individual small business owners and trade groups representing small businesses like the Greater New York Chamber of Commerce and the Long Island African American Chamber of Commerce are endorsing the \$15 minimum wage.

Myth: A \$15 minimum wage will cost the state and taxpayers a lot.

Fact: In reality it is low wages that are generating significant public costs for the New York taxpayers.

- The state's current low minimum wage means that hundreds of thousands of the 3.2 million New Yorkers whose employers pay them less than \$15 per hour must rely on state safety net programs to get by. The resulting cost to taxpayers is \$9.1 billion per year – with state and local government in New York paying \$2.9 billion of that cost, according to a University of California analysis.²⁸
- As a result, raising the minimum wage will save the state budget significant amounts in safety net expenditures. The largest savings come from the Medicaid program, where raising the minimum wage shifts many workers from 50% state-funded regular Medicaid health insurance onto Affordable Care Act (ACA) expansion Medicaid and the ACA exchanges, which are largely federally funded. In California, it is projected that a \$13 minimum wage would save the state budget over \$2 billion.²⁹
- A recent Urban Institute report analyzed several policy options for reducing poverty in New York City and estimated the net fiscal savings (resulting from decreased need for public assistance and increased income and payroll tax payments) to all levels of government from an increase in the minimum wage to \$15. The authors concluded that

the dollar amount of the net fiscal savings was equal to 43 percent of the rise in workers' aggregate earnings as a result of the minimum wage increase.³⁰

- Such savings should, as discussed below, be used to help state-contracted human services programs cover the cost of transitioning to higher wages.

Myth: Human services agencies operating under grants from state government will have to lay workers off because they cannot afford to pay \$15 per hour.

Fact: It is true that the state's human services programs – many of which are operated by non-profit organizations with contract or Medicaid funding from state government to provide early childhood education, and to care for vulnerable children, the elderly, and the developmentally disabled – will need additional funding from the state to transition to a \$15 minimum wage.

- Unlike for-profit businesses, the non-profit organizations operating these programs cannot raise prices to help cover the cost of raising wages since they don't charge for these essential public services. While these services are funded by government, for many years state support has not kept up with rising costs.
- Women make up 82 percent of this workforce, which generally is highly educated and half persons of color. More than half are paid less than \$15 an hour in jobs long undervalued despite the fact that many of these services allow clients to function better on their own, saving taxpayers millions of dollars each year.³¹
- The state will need to increase funding for contracts to non-profits or raise Medicaid reimbursement rates to help non-profit providers transition their wages up to \$15.
- **Fortunately, the \$15 minimum wage will generate significant budgetary savings, which the legislature should use, together with new appropriated funds, to finance this important investment.** Such an investment will also improve the quality of human services provided in the state, as higher wages reduce the high employee turnover, which currently plagues these programs.

Myth: Raising the minimum wage to \$15 will not help workers, since they will lose significant amounts of government benefits leaving them little better off than they were before.

Fact: The major safety net benefits that most of New York's low-wage workers receive incorporate gradual phase-outs. This means that **workers are always net significantly better off for each additional dollar that they earn.**

- **Moreover, because most full-time low-wage workers earn too much to qualify for Medicaid, receiving a raise to \$15 will help many more workers be able to afford to access health coverage, either through their employer or through the state’s Affordable Care Act health insurance exchange.** It is estimated that raising the minimum wage from \$10 to \$15 would increase from 58% to 77% the portion of low-wage workers who can afford to access health coverage.³²

¹ David Cooper, [“Raising the New York state minimum wage to \\$15 by July 2021 would lift wages for 3.1 million workers,”](#) EPI Briefing Paper No. 416, January 4, 2016.

² David Cooper, [“Raising the New York state minimum wage to \\$15 by July 2021 would lift wages for 3.1 million workers,”](#) EPI Briefing Paper No. 416, January 4, 2016.

³ [“The CEO of Popeyes Has a Surprising Stance on the \\$15 Wage,”](#) Fortune, November 13, 2015.

⁴ [“Eateries will adjust to wage changes, says acclaimed Harlem restaurateur,”](#) Crain’s New York Business, December 18, 2015.

⁵ [“Businesses are getting steamrolled on the minimum wage. Here’s why,”](#) Washington Post, July 24, 2015.

⁶ [“How Much Do New York’s Workers Need? At Least \\$15 per hour – Both Upstate and Down,”](#) National Employment Law Project, December 2015.

⁷ Office of Senator Bernie Sanders, [Economists In Support of a \\$15 U.S. Minimum Wage as of 2020](#), July 2015.

⁸ City University of New York, Institute for State and Local Governance, Equality Indicators, [A Conversation between Paul Krugman and Janet Gornick](#), October 1, 2015.

⁹ Dr. Jeannette Wicks-Lim, “Testimony on A New York Fast Food Minimum Wage for the New York Fast Food Wage Board,” University of Massachusetts, Amherst, June 26, 2015.

¹⁰ Richard Ghiselli and Jing Ma, [“The Minimum Wage, A Competitive Wage and the Price of a Burger: Can Competitive Wages be Offered in Limited-Service Restaurants,”](#) Purdue University School of Hospitality and Tourism Management, 2015.

¹¹ Christopher Gunn and Thomas Michl, [“Higher Wages Serve Up Better Economics for Workers and NY,”](#) *Oneida Dispatch*, August 18, 2015.

¹² Bloomberg News Editorial Board, [“Raise the Minimum Wage,”](#) *Bloomberg News*, April 16, 2013.

¹³ John Schmitt, [Why Does the Minimum Wage Have No Discernible Effect on Employment?,”](#) Center for Economic and Policy Research (2013).

¹⁴ Dale Belman and Paul Wolfson, [“The New Minimum Wage Research,”](#) *Employment Research Newsletter*, Vol. 21, No. 2 (2014).

¹⁵ National Employment Law Project, [Minimum Wage Basics: Employment and Business Effects of Minimum Wage Increases](#), September 2015.

¹⁶ [“Fact-Checking The Empire Center/Amer. Action Forum Analysis of NY’s Proposed \\$15 Minimum Wage: Flawed Methods, Erroneous Results,”](#) National Employment Law Project & Fiscal Policy Institute, November 21, 2015.

¹⁷ Greg David, [“Biz at crossroads on minimum-wage hike,”](#) *Crain’s New York Business*, September 13, 2015.

¹⁸ Michael Reich, Ken Jacobs, Annette Bernhardt and Ian Perry, [The Proposed Minimum Wage Law for Los Angeles: Economic Impacts and Policy Options](#), Institute for Research on Labor and Employment, University of California-Berkeley, March 2015.

¹⁹ Coral Garnick, [“Seattle Jobless Rate Hits 8-Year Low in August,”](#) *The Seattle Times*, September 16, 2015.

²⁰ Paul Constant, [“You Should Read This Story About Seattle’s ‘Minimum Wage Meltdown That Never Happened,’ ”](#) *Civic Skunk Works*, October 23, 2015.

²¹ David Cooper, [“Raising the New York state minimum wage to \\$15 by July 2021 would lift wages for 3.1 million workers,”](#) EPI Briefing Paper No. 416, January 4, 2016.

²² David Cooper, [“Raising the New York state minimum wage to \\$15 by July 2021 would lift wages for 3.1 million workers,”](#) EPI Briefing Paper No. 416, January 4, 2016.

²³ David Cooper, [“Raising the New York state minimum wage to \\$15 by July 2021 would lift wages for 3.1 million workers,”](#) EPI Briefing Paper No. 416, January 4, 2016.

²⁴ Washington Center for Equitable Growth, Spreadsheet of Median Wages by State, 1979-2013, linked here: <http://equitablegrowth.org/research/minimum-versus-median-wage-by-state/>

²⁵ Organisation for Economic Co-Operation and Development, "[Minimum Relative to Average Wages of Full-Time Workers](#)," accessed December 16, 2015. "[German Minimum Wage Plan Gains Backing From Businesses](#)," Wall St. Journal, Mar. 28, 2014.

²⁶ Conor D'Arcy, Adam Corlett and Laura Gardiner, "[Higher Ground: Who Gains from the National Living Wage](#)," Resolution Foundation, September 2015, p.12, Figure 1. The U.K.'s £9.00 National Living Wage is projected to be 60% of the median wage for workers 25 or over (to whom it applies); that translates to 65% of the median wage for all U.K. workers.

²⁷ "[The Magical World Where McDonald's Pays \\$15 an Hour? It's Australia](#)," *The Atlantic*, Aug. 5, 2013.

²⁸ Ken Jacobs, Ian Perry, and Jenifer MacGilvary, "[The Public Cost of Low Wages in New York](#)," University of California, Berkeley, Center for Labor Research and Education, January 2016.

²⁹ Sylvia A. Allegretto, Michael Reich and Rachel West, "[Ten Dollars or Thirteen Dollars? Comparing the Effects of State Minimum Wage Increases in California](#)," Center on Wage and Employment Dynamics, Institute for Research on Labor and Employment University of California, Berkeley, June 2014, p.22, Table 2.

³⁰ 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.

³¹ FPWA, Fiscal Policy Institute, and the Human Services Council, "[A Fair Wage for Human Services Workers: Ensuring a government funded \\$15 per hour minimum wage for human services workers throughout New York State](#)," December 2015.

³² Andrew B. Bindman, "[A Healthy Living Wage](#)," Journal of the American Medical Ass'n Forum, Oct. 29, 2015.