

NELP

**National Employment
Law Project**

TESTIMONY
OF
JACK TEMPLE
NATIONAL EMPLOYMENT LAW PROJECT

ON
PROPOSED RESOLUTION NO. 1319-A: IN SUPPORT OF A.9148/S.6413, WHICH RAISE
THE MINIMUM WAGE TO \$8.50, THEN MAKE ANNUAL ADJUSTMENTS BASED ON
CPI INCREASES

BEFORE THE
NEW YORK CITY COUNCIL

MAY 10, 2012

NEW YORK, NEW YORK

National Office
National Employment Law Project
75 Maiden Lane, Suite 601
New York, NY 10038
212.285.3025

Washington, D.C. Office
National Employment Law Project
1620 Eye Street, N.W., Suite 210
Washington, DC 20006
212.533.2585

Introduction

Good morning Chairman Sanders and members of the Civil Service and Labor Committee. Thank you for the opportunity to testify today on Proposed Resolution No. 1319-A, in support of A.9148/S.6413, which would raise the state minimum wage to \$8.50 per hour and index it to inflation so that it annually rises with the cost of living.

My name is Jack Temple, and I am a policy analyst at the National Employment Law Project. The National Employment Law Project is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country, and we partner with federal, state, and local lawmakers on a wide range of workforce issues.

Raising New York's minimum wage to \$8.50 and indexing it to inflation will help New York's frontline workers who are being squeezed by flat wages and rising prices. In my testimony I will address some of the key economic and policy questions raised by this proposal, and respond to some of the arguments that opponents of the proposal are likely to make. In an effort to make it as accessible and useful as possible, my written testimony is presented in bullet point format.

I would also like to mention as a resource for the legislature our website on the minimum wage, www.raisetheminimumwage.org, which is a central location on the web for the latest research news and policy developments related to the minimum wage.

New York's Minimum Wage Is Out of Date, and Lags Behind 18 Other States

- At \$7.25 per hour, New York's minimum wage matches the federal minimum wage and is just \$15,080 a year for a full-time, year round worker.¹ If the federal minimum wage had kept up with inflation since the late 1960s, it would be \$10.55 today, and if New York's minimum wage had kept pace with inflation over the last 40 years, it would be \$10.70 today.² Instead, Congress has acted just 3 times in the last thirty years to raise the minimum wage. And New York's minimum wage has increased just 10 cents since 2007.³
- By contrast, 18 states plus Washington D.C. have higher minimum wages than New York, including many low-wage sunbelt states such as Florida, Arizona, and Nevada, and Midwestern states like Illinois and Ohio where the cost of living is much lower than in New York.
- Additionally, 10 states index their minimum wage to inflation so that the real value of the minimum wage does not fall every year. These states include Washington, where the minimum wage is already \$9.04 per hour, and Oregon, where the minimum wage is \$8.80 per hour.
- Raising New York's minimum wage to \$8.50 and indexing it to inflation would provide a modest increase that will help restore the value of the minimum wage to its historic buying power.

- And just to reiterate: Indexing does not alter the “real value” of the minimum wage; it simply ensures that its purchasing power remains steady over time. Because New York does not index its minimum wage, there have been *two* 9-year spells just since 1980 where the minimum wage remained completely flat as low-paid workers in the state waited for the Legislature to act.

More Workers Nationally and in New York Are Spending Their Careers in Low-Wage Jobs, Making the Minimum Wage More Important Than Ever to the State’s Economy

- For decades, the economies of New York and the nation have been reorienting towards low-wage jobs. Current data from the Bureau of Labor Statistics detail this transformation, and show that seven of the top ten growth occupations for the next decade are low-wage occupations.⁴
- The recession and tepid recovery have only accelerated this shift toward low wage jobs. A NELP analysis shows that while the majority of jobs lost during and after the recession were in mid-wage occupations such as manufacturing and construction, roughly three quarters of the jobs added since job growth resumed are in low-wage occupations like cashiers and food preparation.⁵
- To make matters worse: Even as the total share of low-paid jobs continues to rise, the wages for workers in the U.S. are actually declining. Over the past year, real average hourly earnings *fell* 0.6 percent for all private sector workers and declined by an even greater degree – a full 1.0 percent – for nonsupervisory and production workers.⁶
- The overwhelming majority of low-wage workers are adults, not teens, and they contribute a substantial portion of their households’ incomes. Only 15.6% of workers in New York State earning \$8.50 or less are teenagers. The overwhelming majority – 84.4% -- are adults twenty or over.⁷ Indeed, for some of the state’s top growth low-wage occupations like home health aides, the average worker age is close to 40 years old.⁸

The National Chains That Employ Most Low-Wage Workers Are Enjoying High Profits and Can Afford to Pay Higher Wages

- Despite misconceptions, the majority of low-wage workers are, in fact, employed by large chains, not small mom-and-pop businesses. Two-thirds of all employees work in firms of at least 100 workers (and half of all employees work in firms with more than 500 workers).⁹
- Moreover, wage data shows that in retail – New York’s largest low-wage sector – large chains with 500 workers or more pay a stunning 23% less on average than do smaller retailers, according to analysis by the Fiscal Policy Institute.¹⁰
- Corporate profits are now the largest share of GDP since 1950, while wages and salaries are now the lowest share of GDP since 1955.¹¹

- For example, in July 2011, J.P Morgan chase reported to its banking clients that profit margins of the S&P 500 companies are at their highest levels in almost 50 years – due to cuts in pay and benefits. “Reductions in wages and benefits explain the majority of the net improvement in margins,” wrote the J.P. Morgan CIO. “US labor compensation is now at a 50-year low relative to both company sales and US GDP.”¹²
- At the five largest low-wage employers in the nation – Wal-Mart, McDonald’s, Sodexo, Target and Yum Brands (the operator of fast food chains like Pizza Hut, KFC and Taco Bell) – profits, cash holdings and dividends have not only rebounded but are now substantially higher than before the 2007 recession.
- The largest corporations are sitting on \$1.9 trillion in cash, refusing to expand and rehire, because demand for goods and services remains weak.
- Worker productivity has increased since the recession as companies squeeze more work out of a thinned workforce, but companies are not rewarding workers with higher pay.
- What this means is that the major low-wage companies that employ most workers in New York earning less than \$8.50 per hour can afford to pay a modestly higher minimum wage.

There Is Strong, Bi-Partisan Public Support for Raising the Minimum Wage to \$8.50 or Higher

- New York State voters by a 78 - 20% margin support raising the minimum wage, with no specific target offered in the question. Support is 53 - 43% among Republicans, 91 - 7% among Democrats and 76 – 21% among independent voters, according to a poll conducted last month by Quinnipiac University.¹³
- Among those who support raising the minimum wage, 37% of voters support raising it to \$8.50 per hour, and 52% support raising it higher than \$8.50 per hour. Just 8 percent support a raise somewhere between \$7.25 and \$8.50 per hour.
- Polling also shows that voters correctly understand that rather than hurting businesses, boosting the minimum wage will help the recovery. By a 56% to 21% margin, they believe a minimum wage increase will help the economy (another 16% say it would have no impact), according to a national poll conducted in February 2012 by Lake Research Partners.

Growing Numbers of Business and Conservative Voices Are Recognizing the Need to Raise the Minimum Wage

- There have always been business leaders that have recognized the importance of the minimum wage. For example, in 2006, nearly 1,000 business leaders nationally,

including the CEO's of major companies like Costco, supported raising the federal minimum wage.¹⁴

- But the minimum wage is now so out of date that in recent months, we have been seeing new and diverse business and conservative leaders endorse raising the minimum wage in New York and nationally. These include:
 - Scores of businesses and trade associations across New York State, which have endorsed Speaker Sheldon Silver's proposal to raise New York's minimum wage to \$8.50 and index it for inflation.¹⁵ These include:
 - Buffalo First!
 - Syracuse First
 - Business and Labor Coalition of New York - BALCONY
 - American Sustainable Business Council
 - Green America
 - National Latino Farmers & Ranchers Trade Association
 - Business for Shared Prosperity
 - Responsible Wealth
 - Mayor Michael Bloomberg has similarly endorsed Speaker Silver's proposal to raise New York's minimum wage to \$8.50 and index it for inflation.¹⁶
 - Crain's New York Business has done the same.¹⁷
 - Bloomberg News has called for raising and indexing the minimum nationally.¹⁸
 - Even Mitt Romney has reaffirmed his position in favor of indexing the minimum wage to inflation.¹⁹

Research Shows That Raising the Minimum Wage Does Not Slow Job Growth, or Push Businesses Across State Lines to Lower Wage States

- The [most rigorous research](#) over the past 15 years, examining dozens of minimum wage increases over the past two decades, find that these increases have raised workers' income without reducing employment of low-wage workers. These studies, which compare job growth trends in neighboring counties across state lines with different minimum wages, find that higher minimum wages do not result in job losses. Significantly these trends are the same for minimum wage increases implemented [even during weak economic periods](#).
- This important body of research was pioneered more than 15 years ago by economists Alan Krueger, now the Chair of President Obama's Council of Economic Advisors, and David Card at Princeton University, when they found increases in New Jersey's minimum wage, when neighboring Pennsylvania did not raise its minimum wage, did not reduce employment among low-wage workers in New Jersey.²⁰

- A 2010 study in the prestigious Review of Economics and Statistics carefully analyzed minimum wage impacts across state borders. It compared employment patterns in more than 250 pairs of neighboring counties that straddled a state border and had different minimum wage rates between 1990 and 2006, and found no difference in job growth rates in the neighboring counties despite the different minimum wages, and no evidence that states with higher minimum wages had pushed businesses across the state line.²¹
- And a 2011 study published in the journal Industrial Relations examined every minimum wage increase over the past two decades—including increases that took place during protracted periods of high unemployment, such as the Great Recession of 2007 to 2009—and found that higher minimum wages boost incomes without reducing employment or slowing job creation, even for teen workers.²²
- Indeed, as Crain’s New York Business recently explained, a higher minimum wage does not put one state at a competitive disadvantage compared with neighboring states, noting that “Businesses employing many minimum-wage workers tend to be in the service sector and must set up shop near their customers.”²³
- Another important contribution of these two recent studies is that they also demonstrate how previous research relied on by corporate interests failed to control for key variables, resulting in faulty conclusions. That erroneous research failed to control for basic differences in population and job growth trends across regions of the country, such as population shifts from the Rust Belt to the Sun Belt. The new research shows that when those trends are controlled for – for example, by focusing on neighboring counties (which by their nature have similar economies) with different minimum wage rates – any correlation between higher minimum wages and slower job growth vanishes. Detailed summaries of this and other new research can be found on our website, www.RaisetheMinimumWage.org.

Thank you so much for the opportunity to testify today in support of raising the minimum wage to help working families and promote economic recovery. I’d be happy to answer any questions that you may have.

¹ See <http://www.raisetheminimumwage.com/facts/entry/amount-with-inflation/> for calculation.

² Fiscal Policy Institute, “A Welcome Boost for New York: The Case for Raising the Minimum Wage,” FPI Report, January 2012, available at:

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

³ “History of the Hourly Minimum Wage,” New York State Department of Labor, available at:

http://www.labor.ny.gov/stats/minimum_wage.asp

⁴ U.S. Department of Labor, Bureau of Labor Statistics, “Occupational Employment Projections to 2018,” published in the November 2009 Monthly Labor Review, available at http://www.bls.gov/emp/ep_table_104.htm

-
- ⁵ National Employment Law Project, “The Good Jobs Deficit: A Closer Look at Recent Job Loss and Job Growth Trends Using Occupational Data”, Data Brief, July 2011, available at <http://www.nelp.org/page/-/Final%20occupations%20report%207-25-11.pdf?nocdn=1>
- ⁶ National Employment Law Project, “Economy in Focus: Slower Wage Growth, Declining Real Wages Undermine Recovery,” Issue Brief, April 2012, available at: http://www.nelp.org/page/-/Job_Creation/NELP.DecliningWageGrowth.pdf?nocdn=1
- ⁷ Analysis of Current Population Survey data by the Fiscal Policy Institute.
- ⁸ Bureau of Labor Statistics, available at <http://www.bls.gov/cps/minwage2010tbls.htm#1>
- ⁹ <http://jaredbernsteinblog.com/what-may-be-the-most-commonly-misunderstood-fact-about-the-job-market>
- ¹⁰ http://www.fiscalpolicy.org/FPI_BoostTheEconomyBoostTheMinimumWage_20120130.pdf.
- ¹¹ MarketWatch, July 29, 2011, available at: <http://www.marketwatch.com/story/corporate-profits-share-of-pie-most-in-60-years-2011-07-29>
- ¹² Michael Cembalest, “Eye on the Market” July 11, 2011, available at http://www.investorvillage.com/uploads/44821/files/07-11-11_-_EOTM_-_Twilight_of_the_Gods_PWM_.pdf
- ¹³ <http://www.quinnipiac.edu/institutes-and-centers/polling-institute/new-york-state/release-detail?ReleaseID=1732>
- ¹⁴ <http://www.businessforafairminimumwage.org/signatories>
- ¹⁵ <http://www.businessforafairminimumwage.org/New-York/Signatories>
- ¹⁶ http://articles.nydailynews.com/2012-02-02/news/31019164_1_minimum-wage-free-market-child-care
- ¹⁷ <http://www.crainsnewyork.com/article/20120205/SUB/302059999#ixzz1nf6bGs5b>
- ¹⁸ <http://www.bloomberg.com/news/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise.html>.
- ¹⁹ <http://management.fortune.cnn.com/2012/01/24/a-new-day-for-the-minimum-wage/>
- ²⁰ David Card and Alan B. Krueger, “Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania,” NBER Working Paper, October 1993, Available at <http://www.nber.org/papers/w4509>
- ²¹ Arindrajit Dube, T. William Lester, and Michael Reich, “Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties,” The Review of Economics and Statistics, 92(4): 945–964 (November 2010), available at <http://www.irle.berkeley.edu/workingpapers/157-07.pdf>
- ²² Sylvia A. Allegretto, Arindrajit Dube, and Michael Reich, “Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data,” Industrial Relations (April 2011), available at <http://www.irle.berkeley.edu/workingpapers/166-08.pdf>.
- ²³ <http://www.crainsnewyork.com/article/20120205/SUB/302059999#ixzz1nf6bGs5b>