

A \$15 Minimum Wage for New York's Fast-Food Workers

New York Would Raise Pay to \$15 for Fast-Food Workers at Multi-Store Chains

- The wage increase announced by the New York State Department of Labor wage board will raise the minimum wage to \$15 by 2018 for fast-food workers employed at chains in New York City that operate 30 or more stores, and to \$15 by July 1, 2021 for chains in the rest of the state.
- Approximately 136,000 fast-food workers statewide would receive raises.¹ Fast-food restaurant workers' median wage was \$9.03 per hour in 2014.²
- Those affected work for franchised chains like McDonald's and Burger King, and non-franchised chains like Chipotle. In addition to limited-service fast-food restaurants, snack and beverage establishments like Starbucks and Dunkin' Donuts are covered.
- Contrary to popular perceptions, New York's fast-food workers are not primarily teenagers. Seventy-two percent are adults age 22 or older. Nearly two out of every five are 35 and older. Moreover, almost half (47 percent) have attended college and 20 percent have a bachelor's degree or higher.³
- While the minimum wage will apply statewide, most of New York's fast-food businesses are downstate. More than 60 percent are located in New York City or Long Island.⁴
- In New York, 62 percent of fast-food restaurant workers are employed at restaurants that are part of franchise networks that will be covered by the new minimum wage.⁵
- Workers at franchised fast-food restaurants in New York earn 8 percent less a year, on average, than workers in the industry as a whole—a surprising statistic that indicates that the larger operators have not been doing their part and should appropriately be asked to pay a higher minimum wage.⁶

- The industry’s low wages in New York have resulted in the state ranking first in public assistance spending per fast-food worker nationally, at \$6,800, at a cost to taxpayers of \$700 million annually in 2011 dollars.⁷

The Announcement Marks the Expansion of the \$15 Wage Movement to the State Level

- 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.⁸
- Over the past 18 months, five U.S. cities, including Seattle, San Francisco, and Los Angeles, have approved minimum wages of \$15 per hour. This week, with the New York fast-food announcement and a similar wage increase for home care workers announced in Massachusetts,⁹ \$15 wages are jumping to the state level for the first time. See Table 1.
- Over the next 18 months, several states and more than a dozen cities will consider similar proposals—including states such as California, where voters may be asked whether to adopt the first statewide \$15 minimum wage, if a recently filed ballot initiative qualifies for the November 2016 election.¹⁰

City or State	Wage & Phase-In Year	Year Approved	Impact: Workers / Workforce %
New York State - Fast Food	\$15.00 (2018 in NYC, July 1, 2021 in rest of NY)	2015	136,000
Massachusetts - Home Care	\$15.00 (2018)	2015	35,000
Los Angeles (CA)	\$15.00 (2020)	2015	609,000 / 41%
San Francisco (CA)	\$15.00 (2018)	2014	142,000 / 23%
Seattle (WA)	\$15.00 (2017-2021)	2014	102,000 / 23%
SeaTac (WA)	\$15.00 (2014)	2013	
Emeryville (CA)	\$16.00 (2019)	2015	

New York's Fast-Food Industry Is Enjoying Strong Growth and Profits and Can Manageably Transition to a \$15 Wage

- Fast-food jobs and sales have been growing rapidly nationally—and even faster in New York. From 2007 through 2014, fast-food jobs in New York grew 3.9 percent each year, compared to 1.8 percent nationally, according to the Fiscal Policy Institute (FPI). And per-employee fast-food sales in New York are 15 percent higher than nationally, according to FPI.¹¹
- New York's biggest fast-food chains have seen a 14.5 percent increase in real profits since 2010, while real wages for their workers have declined 3.6 percent over the same period.¹²
- Economic modeling by FPI, based on research by University of Massachusetts economists, provides a road map for how New York's fast-food industry can transition to a \$15 minimum wage. The FPI/UMass modeling indicates that raising wages to \$15 for a typical New York fast-food firm would, over several years, result in increased costs totaling less than 12 percent of current sales. That relatively modest figure could readily be covered through a combination of small price increases, cost savings from the significantly reduced staff turnover that higher wages generate, modest productivity growth, and a portion of the sales growth projected for coming years.¹³
- Analysis by University of California economist Michael Reich, one of the nation's leading authorities on the economics of the minimum wage, reaches a similar conclusion. Drawing on analysis he conducted under contract with the City of Los Angeles, which evaluated and then adopted a \$15 minimum wage, he finds that a combination of reduced employee turnover costs and minimal price increases for consumers could feasibly cover the higher costs of a \$15 fast food wage in New York.
- Further evidence comes from the more than half-dozen places in the United States that have already raised the minimum wage to approximately \$15 or more for workers in key low-wage industries. These range from Washington, D.C.'s \$16.73 minimum wage for security guards in large office buildings, to Los Angeles's \$15.37 minimum wage for hotel workers, to Syracuse's \$15.78 minimum wage for restaurant, retail, and service workers at the Syracuse airport. See Table 2.
- All of these policies are currently in effect for these targeted industries, and every indication is that the industries have manageably transitioned to the higher wages. The most recent example is Los Angeles's hotel industry, where the \$15.37 minimum wage was phased in last year with no evidence of any negative impact on the city's strong hotel development market.¹⁴

City	Year Adopted	Current Minimum Wage (2015)	Industry Covered
Washington (DC)	2007	\$16.73 (\$12.71 + \$4.02 in benefits or add'l wages)	Security guards in large buildings
Los Angeles (CA)	2014	\$15.37	Hotel workers ¹⁵
St. Louis (MO)	2002	\$16.58 (\$12.56 + \$4.02 in benefits or add'l wages)	Restaurant, retail & service workers at St. Louis airport ¹⁶
San Jose (CA)	2008	\$15.78 (\$14.53 + \$1.25 in benefits or add'l wages)	Restaurant, retail & service workers at San Jose airport ¹⁷
SeaTac (WA)	2013	\$15	Hotel & parking lot workers ¹⁸
Syracuse (NY)	2012	\$15.08 (\$12.77 + \$2.31 in benefits or add'l wages)	Restaurant, retail & service workers at Syracuse airport ¹⁹

The Restaurant Industry Has Thrived in Regions of the Country That Have Raised Minimum Wages Significantly

- Further evidence that it is feasible for New York’s restaurant industry to adjust to significantly higher minimum wages comes from the results on the ground—as documented by the business press and rigorous academic studies—in cities that have already raised wages substantially.
- In San Jose, *The Wall Street Journal* reported, “Fast-food hiring in the region accelerated once the higher wage was in place. By early this year, the pace of employment gains in the San Jose area beat the improvement in the entire state of California.”²⁰
- In San Francisco, a University of California study found, as reported by *Bloomberg Business*, that after the city phased in what was at the time the highest minimum wage in the nation, “[a]mong food-service workers, who are more likely to be affected by minimum-wage laws, employment grew 17.7 percent in San Francisco, faster than either of the other [neighboring] Bay Area counties.”²¹
- In SeaTac, Washington, *The Puget Sound Business Journal* reported that “none of these dire warnings [of business closures or job cuts] have come to pass.” *The Washington Post* reported that a major hotel that predicted it would have to lay workers off instead decided to expand.²²
- In Seattle, the number of food service businesses increased in the first month after the higher minimum wage took effect, continuing its growth trend of recent years.²³

Endnotes

¹ NELP calculations based on QCEW data on employment levels in limited-service restaurants (NAICS 722513) and snack bars and non-alcoholic beverage bars (NAICS 722515) and 2007 Economic Census data on franchise status. This figure does not include covered non-franchised businesses as this data is currently unavailable.

² NYS Dep't of Labor, *Briefing Document on Employment and Wages in New York State's Fast-Food Restaurants*, May 2015, p.4, Table 3, <http://labor.ny.gov/workerprotection/laborstandards/pdfs/5-20-statistics.pdf>.

³ *Id.* at Table 4.

⁴ *Id.* at Table 1.

⁵ 2007 Economic Census, *supra* note 1.

⁶ *Id.*

⁷ Sylvia Allegretto et al., UC Berkeley Center for Labor Research and Education, *Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry*, Oct. 2013, p.21, Table C2, http://laborcenter.berkeley.edu/pdf/2013/fast_food_poverty_wages.pdf.

⁸ Irene Tung et al., National Employment Law Project, *The Growing Movement for \$15*, Apr. 2015, p.4, <http://www.nelp.org/publication/growing-movement-15>.

⁹ Katie Johnston, "Mass. home health workers win wage hike to \$15 an hour," *Boston Globe*, June 26, 2015, <https://www.bostonglobe.com/business/2015/06/26/home-health-workers-win-wage-hike-hour/KrsUcC8dPIDdwpnYjNzRI/story.html>.

¹⁰ *Fair Wage Act of 2016* (proposed Cal. initiative),

<https://oag.ca.gov/system/files/initiatives/pdfs/15-0032%20%28Minimum%20Wage%29.pdf>

¹¹ James Parrott, Fiscal Policy Institute, *Letter Supplementing June 22, 2015 Oral Testimony to NYS Fast Food Wage Board*, June 26, 2015, p.2 (on file with NELP).

¹² Irene Tung, National Employment Law Project, *Testimony to NYS Fast Food Wage Board*, June 5, 2015, p.3, <http://www.nelp.org/content/uploads/Testimony-Fast-Food-Wage-Board-Buffalo-New-York-June-2015.pdf>.

¹³ Parrott, *supra* note 11.

¹⁴ *See, e.g.*, Susan Piperato, "Investors Favor U.S. Hotels Development in Los Angeles and New York," *National Real Estate Investor*, Apr. 23, 2015, <http://nreionline.com/hotel/investors-favor-us-hotels-development-los-angeles-and-new-york>.

¹⁵ Los Angeles Municipal Code, ch. 18, art. 6 (2015).

¹⁶ St. Louis City Revised Code, ch. 3.99 (Supp. No. 26, 2-15); City of St. Louis, *Living Wage Adjustment Bulletin*, March 4, 2015.

¹⁷ San Jose Code of Ordinances, ch. 25.11 (Supp. No. 26, Update 3, 2015); Kim Becker Aguirre, Director of Aviation, Memorandum re: Airport Living Wage Rate Increase, Mar. 2, 2015.

¹⁸ The SeaTac minimum wage law is not yet in effect for employers operating on the grounds of the SeaTac International Airport, because of a lawsuit brought by opponents.

¹⁹ Revised General Ordinances of the City of Syracuse, ch. 50 (Supp. No. 35, 2013),

²⁰ Eric Morath, "What Happened to Fast-Food Workers When San Jose Raised the Minimum Wage? Hold the Layoffs," *Wall Street Journal*, Apr. 9, 2014 (blog post),

<http://blogs.wsj.com/economics/2014/04/09/what-happened-to-fast-food-workers-when-san-jose-raised-the-minimum-wage/>.

²¹ Susan Berfield, "San Francisco's Higher Minimum Wage Hasn't Hurt the Economy," *Bloomberg Business*, Jan. 22, 2014, <http://www.bloomberg.com/bw/articles/2014-01-22/san-franciscos-higher-minimum-wage-hasnt-hurt-the-economy>; Michael Reich, Ken Jacobs & Miranda Dietz (eds.), *When Mandates Work: Raising Labor Standards at the Local Level*, (U.C. Press, 2014); Carolyn Lochhead, "S.F. praised as model for U.S. on increasing minimum wage," *SF Gate*, Jan. 28, 2014, <http://www.sfgate.com/politics/article/S-F-praised-as-model-for-U-S-on-increasing-5183378.php>.

²² Marc Stiles, "Once controversial \$15-an-hour minimum wage now a shoulder shrug in SeaTac," *Puget Sound Business Journal*, Dec. 22, 2014, <http://www.bizjournals.com/seattle/blog/2014/12/once-controversial-15-an-hour-minimum-wage-now-a.html>; Dana Milbank, "Raising the minimum wage without raising havoc," *Washington Post*, op-ed, Sept. 5, 2014,

http://www.washingtonpost.com/opinions/dana-milbank-no-calamity-yet-as-seatac-wash-adjusts-to-15-minimum-wage/2014/09/05/d12ba922-3503-11e4-9e92-0899b306bbea_story.html.

²³ Anonymous Author, "A Pizza Place Closes in Seattle," *The Big Picture*, Apr. 30, 2015,

<http://www.ritholtz.com/blog/2015/04/a-pizza-place-closes-in-seattle/>.