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Hearing Before the New York State Senate Standing Committee on Labor on Governor Cuomo’s Proposal to Raise New York’s Minimum Wage to $15 by 2021

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Thank you for the opportunity to testify today on Governor Cuomo’s proposal to gradually phase New York’s minimum wage up to $15 by late 2021 – and in New York City by late 2018. My name is Paul Sonn and I am General Counsel and Program Director at the National Employment Law Project.

The National Employment Law Project (NELP) is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices in Washington, and California. We partner with federal, state, and local lawmakers on a wide range of workforce issues ranging from unemployment insurance, to the on-demand economy, to raising the minimum wage.

NELP testifies today in support of the Governor's proposed $15 minimum wage. Such an increase would raise pay for more than 1 in 3 New Yorkers – 3.2 million in total. 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. And the typical raise these workers would receive, once the wage was phased in by 2021, would be approximately $4,800 per year – enough to make a very real difference in their standard of living.

As for the impact on jobs and businesses, the best economic evidence shows that gradually phasing in such an increase by 2021 statewide – and faster in New York City – would be manageable for the state’s businesses. This is illustrated both by the research and equally by the growing numbers of employers and employer organizations that are weighing in in support of the Governor’s proposal. In this testimony I’ll summarize the evidence on these and other key points.

1. Nationally There Is Growing Momentum for a $15 Minimum Wage

New York’s proposal is part of a wave of national action for significantly higher minimum wages. Over the past two years, a half dozen cities including Los Angeles, San Francisco and Seattle have approved $15 minimum wages; and more than a dozen cities including Rochester, Buffalo and – just yesterday New York City – have approved raising pay for city workers and/or city contractors to $15.

Now states are beginning to act. Together with New York, California and the District of Columbia are pushing state-wide $15 minimum wages. Those measures are likely to appear on the November 2016 ballot and, with polls showing high levels of public support, they are likely to become law. (More background on $15 minimum wages is available on the National Employment Law Project’s Raise the Minimum Wage website at http://raisetheminimumwage.org/pages/movement-for-15.)

2. Growing Numbers of Employers Are Supporting Governor Cuomo’s Proposal and Say That It Will Be Feasible to Adjust to a $15 Minimum Wage by 2021

Some business lobbying groups like the Business Council of New York State and the New York State Restaurant Association can be counted on to oppose any minimum wage increase, whether large or small. But what is striking today is the fact that there is a growing list of businesses supporting Governor Cuomo’s $15 minimum wage proposal. These supporters include trade associations like
the Retail Council of New York State, 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.

The Retail Council, whose members operate more than 5,000 stores across New York, represents the state’s single largest low-wage industry in which 550,000 of the state’s 3.1 million workers earning less than $15 work. Its endorsement highlights the significant level of business support that the governor’s proposal enjoys.

Although this hearing was scheduled with relatively little advance notice, today written testimony or statements are being submitted by at least eight businesses from across the state:

- Rochester: Amy Collins, owner, New Shelves Publishing
- Ithaca: Jeff Furman, board of directors chair, Ben & Jerry’s
- Ithaca: Jan Rhodes Norman, owner, Silk Oak retail
- Long Island: Jon Cooper, president, Spectronics Corporation, Westbury
- Long Island: Phil Andrew, president, Long Island African American Chamber of Commerce
- Long Island: Ursula Lulewicz, owner, TerraNut, West Babylon
- Hudson Valley: Ajax Greene, founder and CEO, On Belay Business Advisors Inc., Gardiner
- New York City: Cynthia DiBartolo, chair, Greater New York Chamber of Commerce

These employers are representative of the many across the state that recognize that gradually phasing wages up to $15 by 2021 is manageable – and that it will generate real benefits, not just for workers, but for employers and the economy as workers spend their higher wages, boosting sales.

There’s no question that you’re going to hear testimony from business owners who will predict that they’ll have to lay off staff or even close if the minimum wage is raised to $15 – even if gradually phased in over five years as the Governor proposes. You heard similar predictions from employers in 2004 when you raised the minimum wage to $7.15, and in 2013 when you raised it to $9.00. What happened? As Crain’s put it “If the change had a cataclysmic effect on businesses that depend heavily on minimum-wage workers, we certainly missed it.”

Why is that? First, more than half of low-wage workers work for big companies – like the big retail and restaurant chains, whom most people recognize can absorb an increase, even a big one. And second, among small businesses, most 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. Moreover, that cost is partially offset both by the increased consumer spending generated by a $15 minimum wage, and the staff recruitment and training savings generated by better paid staff who stay on the job longer.
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.’”

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.”

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.”

3. **New York Workers Need at Least $15 to Pay the Bills – Both Upstate and Down**

Some have suggested that $15 is an excessive minimum wage for New York, especially upstate where living costs are lower. However, cost of living data show 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, according to the Economic Policy Institute’s Family Budget Calculator.

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. The Governor’s proposed $15 wage by 2021 therefore is not excessive for upstate, and in fact approximates what single workers upstate really need to rent an apartment and pay the bills.

4. **$15 Is Not That High a Minimum Wage for New York Given the State’s Higher Than Average Cost of Living and Wages**

Some have suggested that even if a minimum wage increase is warranted, $15 – even phased in over five years – is too much. But 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 were updated to reflect both national inflation since 1970 and the fact that living costs (especially housing costs) have grown faster in New York than nationally since then, it would translate to $15.01 by 2018, according to analysis by the Economic Policy Institute.

Or updating New York’s 1970 minimum wage to reflect average worker productivity growth since then, it would translate to $21.40 today. Raising the minimum wage to $15 would therefore be a way of beginning to share the benefits of that growth with workers.
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, also known as the “Kaitz Index” – a $15 wage will translate to 58% of New York State’s median wage by 2021. 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.\textsuperscript{12}

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.\textsuperscript{13} There is no evidence that these minimum wage levels were excessive or cost significant numbers of jobs.

Note that economists generally 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.

Moreover, other developed countries have minimum wages comparable to or higher than the proposed $15 New York minimum wage – which again will be 58% of the median wage by 2021. Those include France (61%), New Zealand (60%) and Germany (58%).\textsuperscript{14} Moreover, the Conservative government in the U.K. is in the process of phasing its minimum wage up even higher to 65% of the median wage by 2020 under Britain’s new National Living Wage.\textsuperscript{15} The Governor’s proposal is in line with this trend.

5. Growing Numbers of Economists Endorse a $15 Minimum Wage

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.”\textsuperscript{16}

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.”\textsuperscript{17}

Two careful studies – one by researchers at the University of Massachusetts\textsuperscript{18} and a second by researchers at the Purdue School of Hospitality and Tourism Management – both show that 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.\textsuperscript{19}

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.\textsuperscript{20}
6. **The Most Rigorous Research Shows That Raising the Minimum Wage Boosts Incomes for Low-Wage Workers with Only Very Small Adverse Impacts on Jobs**

Over the past twenty years, the bulk of credible minimum wage research in the U.S. has found that minimum wage increases boost worker pay with only very small adverse impacts on jobs. 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."21

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)22 and Dale Belman and Paul Wolfson (2014)23—show that the vast majority of recent studies find minimum wage increases have little to no effect on employment levels or job growth.24 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 close to zero effect on jobs:

![Funnel Graph of Estimated Minimum Wage Effects](image)

In contrast to this body of research, opponents such as the Empire Center project that a $15 minimum wage will lead to significant job losses across the state. However, as NELP and the Fiscal Policy Institute detailed in a policy brief fact-checking the Empire Center analysis, the Empire Center estimates are flawed and not reliable because they are based on a minority body of research that uses outdated research methods.25
Specifically, two of the three sets of estimates in the Empire Center report are based on individual studies that are extreme outliers in the literature that have been critiqued and rejected as unreliable by more careful economists. And the third set of numbers uses assumptions from a 2014 Congressional Budget Office estimate that many economists, including analysts at Goldman Sachs, have critiqued as significantly overstating any job losses resulting from a higher minimum wage. For a detailed explanation of the deficiencies of the Empire Center methodology, see the NELP-FPI fact checking brief.

A new study released just weeks ago by economists at the Cornell Center for Hospitality Research further illustrates that the bulk of credible research points to very small effects on jobs and business growth, but significant effects on wages. The new Cornell study looks at the impact on restaurant employment and business growth levels over 20 years across the United States. It finds no evidence that states with higher minimum wages, including higher minimum wages for tipped workers, have lower employment or business growth rates.\(^{26}\)

7. **State-of-the-Art Analysis of a Phased In $15 Minimum Wage Shows Far-Reaching Benefits and a Modest Impact on Jobs**

The best analysis to date of the impact of a $15 minimum wage was conducted by University of California economists under contract with the City of Los Angeles. That analysis 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.\(^ {27}\)

The University of California analysis measured two significant – and largely offsetting – impacts on employers of a large minimum wage increase. The first impact is, of course, the increase in business operating costs, which is a negative for businesses. The second impact, however, is a corresponding large increase in consumer spending generated by workers receiving higher wages, which is a positive for businesses, increasing sales. The University of California analysis finds that the two impacts are of similar orders of magnitude and largely offset each other. The net result is that any negative impact on jobs is very small. But for workers it found that the benefits would be far reaching, raising pay for approximately 41 percent of the city's workforce by an average of nearly $5,000 per year (in 2014 dollars).

8. **Job Growth Has Thrived in Areas with Significantly Higher Minimum Wages; Predictions That Businesses Would Close or Lay-Off Workers Have Not Materialized**

Finally, predictions of store closures by business owners and certain trade associations are common when cities or states propose raising the minimum wage. However, real world experiences in places that have actually raised wages substantially have proven these predictions unfounded, as documented both by reports in the business press and by rigorous academic studies.

For example, 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 that the state unemployment rate of 5.3 percent, following the initial wage increase in April 2015.\(^ {28}\) 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.\(^ {29}\) 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.

Other regions of the country implementing significant minimum wage increases have had similar experiences. 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.”

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.”

And in SeaTac, Washington – where the minimum wage today is already $15 – The Puget Sound Business Journal reported that “none of these dire warnings [of business closures or job cuts] have come to pass,” and the Washington Post reported that a major hotel that predicted it would have to lay workers off instead decided to expand.

9. Tipped Workers

Finally, one issue that has not received significant attention to date around the proposal to raise New York’s minimum wage to $15 is the question of tipped workers. After years of having a relatively low sub-minimum wage for tipped workers, in 2015 New York, under Governor Cuomo’s leadership raised its tipped wage to $7.50 per hour – 83% of the current minimum wage. The New York State Department of Labor has now been tasked with studying the feasibility of eliminating the lower tipped wage altogether, as eight states have done.

The Governor and the legislature should use the occasion of raising New York’s minimum wage to $15 to also finish the job on the tipped minimum wage by eliminating it altogether. There are many well-established reasons why having a lower minimum wage for tipped workers just doesn’t make sense.

First, many of the sectors where workers are paid in part with tips are notorious sweatshop industries such as nail salons, car washes, pizza delivery and airport personal services for seniors and persons with disabilities. Workers in these sectors barely escape by and should be paid the full minimum wage with any tips on top of that.

Second, the lower tipped minimum wage – under which employers are supposed to monitor weekly total compensation and make up the difference if tips fall short of bringing workers up to the full minimum wage – is widely recognized by enforcement authorities to be difficult to enforce. As explained in a 2014 report by the White House National Economic Council and the U.S. Department of Labor, “The rules for tipped workers are complicated and can be confusing for employers and employees alike. One of the most prevalent violations is the failure to keep track of employee tips and therefore the failure to ‘top up’ employees if their tips fall short of the full minimum wage.”

Third, tipped workers are overwhelmingly low-income women, many of them supporting children, and the lower tipped wage is a significant reason that tipped workers like waitresses have more than twice the poverty rate of the workforce as a whole.
Fourth, the evidence is indisputable that the tipped wage can be phased out without harming the restaurant industry, which employs the greatest number of tipped workers. This is very clear from the fact that eight U.S. states have done eliminated the tipped wage – or never had one – and their restaurant business and job growth patterns are indistinguishable from the rest of the nation. In fact, the first three major cities to raise the minimum wage to $15 – Los Angeles, San Francisco and Seattle – are all places with no lower tipped minimum wage.

Fifth, these findings are confirmed by the new report published last month by researchers at Cornell’s Hospitality Research Center titled “Have Minimum Wage Increases Hurt the Restaurant Industry? The Evidence Says No.” It shows that higher tipped wages have not harmed restaurant business or job growth.35

The main argument raised by the restaurant industry for not raising the tipped minimum wage is the contention that many tipped workers are employed at high end restaurants in markets like Manhattan where they receive significant amounts in tips and so do not need an increase in their base wage. First, while in Manhattan there certainly are such workers, they represent a very small segment of tipped workers and are not representative. Instead, the typical tipped worker in the state is a waitress at a diner or at a chain restaurant like Applebee’s. Across the state their median wage, including tips, was just $9.14 (as of 2013) – a little higher than the minimum wage, but still very low.36

Second, the argument that a higher tipped minimum is unnecessary for the small group of wait staff at high-end Manhattan restaurants is being mooted by the growing trend among high restaurants of eliminating tipping. This movement began with leading restauranteurs such as Danny Meyer, and has not spread to include chains such as Joe’s Crab Shack. While previously restaurants feared that customers would not tolerate eliminating tipping, the new trend and growing acceptance gives the small group of high end restaurants that argue that a tipped wage boost is unnecessary an alternative.

Moreover, the growing movement to eliminate tipping makes Governor Cuomo’s proposal to raise the minimum wage to $15 all the more timely and important: without tips, restaurant workers will depend entirely on their base wage to make ends meet. They and the rest of the more than 3 million low-wage New Yorkers need a boost to $15 to begin to cover basic living costs – whether they live in Buffalo or Brooklyn.

Thank you so much for the opportunity to testify today. I’d be happy to answer any questions that you may have.

For more information, please contact Paul Sonn at psonn@nelp.org. For more about NELP, visit www.nelp.org or www.raisetheminimumwage.org.

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3 “California’s $15 Minimum Wage Initiative Is Likely Headed to Voters,” RH Reality Check, January 5, 2016.
15. Conor D’Arcy, Adam Corlett, 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.
17. City University of New York, Institute for State and Local Governance, Equality Indicators, A Conversation between Paul Krugman and Janet Gornick, October 1, 2015.


Michael Lynn & Christopher Boone, Have Minimum Wage Increases Hurt the Restaurant Industry? The Evidence Says No!, Cornell University School of Hotel Administration, Center for Hospitality Research, December 16, 2015.