

Why New York Needs to Index Its Minimum Wage Now

Working New Yorkers need wages they can live on. With prices rising at the fastest pace in 40 years, higher wages can't wait.

The Raise Up NY coalition and underpaid workers throughout the state call on lawmakers to enact S3062C (Ramos) / A7503B (Joyner) to raise New York's minimum wage by adopting "indexing"—a proven best practice for ensuring that workers' paychecks don't fall behind. This legislation would adjust the minimum wage each year to keep up with rising prices and gains in workforce productivity. Indexing the minimum wage—which has been flat in New York City since 2018 and won't go up beyond \$15 in the rest of the state unless the legislature acts—would raise the wage to \$20.45 in New York City, \$17.95 in Long Island and Westchester, and \$15.75 upstate, all by 2025.

Indexing is a proven approach for ensuring wages keep up with rising prices and workforce productivity

- **New Yorkers' paychecks need to keep up with rising costs and productivity gains.** Workers and their families are facing record-high inflation, with the price of basic necessities rising at the fastest pace in 40 years. Even in normal times, inflation erodes workers' paychecks unless wages increase to keep up with it. Nor have workers shared in the gains as labor productivity has increased. If the minimum wage had kept pace with productivity growth since 1968, it would have been \$21.50 in 2020.¹
- **We're in the midst of record-high inflation, yet the minimum wage for many New Yorkers has not risen since 2018 and will not increase further until the legislature acts.** In New York City, the minimum wage has been frozen at \$15 since 2018. In suburban Long Island and Westchester County, it reached \$15 in late 2021 but then will not increase further. And upstate, the minimum wage will phase up to \$15 over the next year two years, but will be stuck there. Unless the legislature acts, those wages will remain at \$15 while New Yorkers continue to struggle to put food on the table and a roof over their heads.
- **New York is already using a model indexing formula for adjusting the upstate minimum wage. We should expand it to the rest of the state.** Governor Hochul's Division of the Budget and Department of Labor—which under the state's current minimum wage law must adjust upstate New York's minimum wage each year until it reaches \$15—are currently using a model indexing formula that adjusts wages to keep up with increases in both the cost of living and labor productivity. This approach to indexing

ensures not only that workers' paychecks keep up with rising prices, but also that workers share in the benefits of labor productivity gains. In past decades, the minimum wage has lagged behind both. The Division of the Budget and Department of Labor recommended this approach in a thorough report in October 2021, based on which the Hochul administration raised New York's upstate minimum wage from \$12.50 to \$13.20.²

- **But New York is not indexing its minimum wage state-wide.** The problem is that under current law, the minimum wage in the suburbs and New York City is not being adjusted each year, and the adjustment for the upstate minimum wage will stop once it reaches \$15, regardless of the increase in the cost of living.
- **Most states that have raised their minimum wages since 2012 have also indexed their wages.** Indexing is a proven tool for ensuring that the purchasing power of workers keeps up year after year. Currently, 18 states and Washington, D.C. index their minimum wages, or will index them once they reach their target rates over the next couple of years.

Indexing would restore the value of the minimum wage in New York City, and ensure that in the suburbs and upstate it keeps increasing beyond \$15

- **The minimum wage is stalled while prices are skyrocketing.** In New York City, the state minimum wage has been flat at \$15 since 2018. If New York City's minimum wage had been adjusted since then using the state's indexing formula for upstate, it would be 16% higher today. In Westchester and Long Island, the wage is now topped out at \$15. And upstate the wage will phase up to \$15 over the next two years, but it won't increase further until the legislature acts. With the highest inflation in a generation, workers across the state need swift action by the legislature to keep them above water.
- **Indexing the minimum wage would help workers across the state keep up with inflation and productivity growth.** Considering the uncertain course of inflation this year, the need for the city minimum wage to make up for lost ground, and the need for increases to be predictable, the proposed legislation would specify the increases for the next three years and then rely on annual indexing starting in 2026. Applying the Division of the Budget and Department of Labor's indexing formula to the minimum wage in New York City going back to 2018, and to the suburbs and upstate starting in 2023, the legislation would increase New York's minimum wage as follows:

	New York City	Suburbs	Upstate
2023	\$17.00	\$16.00	\$14.20
2024	\$18.80	\$17.20	\$15.10
2025	\$20.45	\$17.95	\$15.75
2026 & future years	Annual indexing based on the New York State Division of Budget / Department of Labor formula combining the previous year's change in the Consumer Price Index and workforce productivity		

The indexing-based wage rates for New York City for 2023, 2024, and 2025 include an additional 75 cent increase each year in order to “catch up” the minimum wage in the city to where it would be if it had been indexed steadily since 2018.

- **Dozens of high-cost cities are already raising their minimum wages above \$15, and many are reaching or exceeding \$17 this year.** Nearly four dozen cities and counties from coast to coast are raising wages to more than \$15 in 2022. And the California cities of Berkeley, Emeryville, Mountain View, San Francisco and Sunnyvale, and the Washington cities of SeaTac and Seattle, are raising wages to approximately \$17.
- **Other states are moving towards raising wages significantly above \$15.** This November, California voters will likely approve raising the state’s minimum wage to \$18 by 2026 via a ballot initiative. And in Hawaii, legislation for \$18 by 2026 recently passed the Senate, and is one step closer to becoming law.

Indexing New York’s minimum wage would deliver raises for over 2 million workers, including 1.4 million workers of color and 1.1 million women

- Raising New York’s minimum wage via indexing would benefit **over 2 million workers across the state** (23% of the workforce), according to estimates by the Economic Policy Institute (Table 2).
- The majority of impacted workers are **women (55%) and workers of color (70%)**.
- The overwhelming majority (93%) are **adults over 20 years old**.
- **Full-time workers** also make up a majority (59%) of affected workers.
- **Parents of young children** comprise more than 1 in 4 (27%) of affected workers.
- On average, affected workers would receive **nearly \$2,200 in additional annual earnings**.

Table 2. Economic Policy Institute (EPI) Analysis: Demographic Characteristics of Workers Throughout New York Who Would Be Affected by Indexing the State Minimum Wage

Group	Total estimated workforce	Total affected (directly or indirectly)	Share of <i>group</i> affected	Total wage increase (2021\$)	Per worker wage increase (2021\$)	Share of <i>total</i> affected
All workers	8,872,900	2,033,900	22.9%	\$4,432,566,000	\$2,200	100%
Gender						
Men	4,505,800	910,600	20.2%	\$2,060,564,000	\$2,300	44.8%
Women	4,367,100	1,123,300	25.7%	\$2,372,002,000	\$2,100	55.2%
Age						
<i>Under 20</i>	<i>227,200</i>	<i>142,200</i>	<i>62.6%</i>	<i>\$229,840,000</i>	<i>\$1,600</i>	<i>7.0%</i>
<i>Age 20 or older</i>	<i>8,645,700</i>	<i>1,891,700</i>	<i>21.9%</i>	<i>\$4,202,726,000</i>	<i>\$2,200</i>	<i>93.0%</i>
Age 16 to 24	1,005,200	566,600	56.4%	\$1,156,120,000	\$2,000	27.9%
Age 25 to 39	3,127,600	711,500	22.7%	\$1,667,344,000	\$2,300	35.0%
Age 40 to 54	2,779,600	440,500	15.8%	\$984,300,000	\$2,200	21.7%
Age 55 or older	1,960,500	315,300	16.1%	\$624,801,000	\$2,000	15.5%
Race or Ethnicity						
White	4,761,800	612,700	12.9%	\$813,720,000	\$1,300	30.1%
Black or African American	1,217,500	393,200	32.3%	\$926,367,000	\$2,400	19.3%

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Latinx	1,792,100	746,300	41.6%	\$2,002,904,000	\$2,700	36.7%
Asian American or Pacific Islander	882,000	224,200	25.4%	\$578,475,000	\$2,600	11.0%
Other	219,600	57,500	26.2%	\$111,099,000	\$1,900	2.8%
<i>Persons of color</i>	<i>4,111,100</i>	<i>1,421,200</i>	<i>34.6%</i>	<i>\$3,618,846,000</i>	<i>\$2,600</i>	<i>69.9%</i>
Family status						
Married parent	2,114,400	311,600	14.7%	\$692,899,000	\$2,200	15.3%
Single parent	720,100	244,000	33.9%	\$576,680,000	\$2,400	12.0%
Married, no children	2,239,900	323,700	14.5%	\$688,075,000	\$2,100	15.9%
Unmarried, no children	3,798,400	1,154,600	30.4%	\$2,474,913,000	\$2,100	56.8%
Work hours						
Part time (<20 hours)	513,600	217,000	42.2%	\$176,436,000	\$800	10.7%
Mid time (20-34 hours)	1,214,200	621,300	51.2%	\$1,171,304,000	\$1,900	30.5%
Full time (35+ hours)	7,145,100	1,195,600	16.7%	\$3,084,826,000	\$2,600	58.8%

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Educational attainment						
Less than high school	796,600	472,500	59.3%	\$1,367,305,000	\$2,900	23.2%
High school	1,984,800	722,700	36.4%	\$1,547,533,000	\$2,100	35.5%
Some college, no degree	1,548,100	488,100	31.5%	\$956,781,000	\$2,000	24.0%
Associates degree	828,700	154,500	18.6%	\$267,195,000	\$1,700	7.6%
Bachelor's degree or higher	3,714,700	196,100	5.3%	\$293,753,000	\$1,500	9.6%
Family income						
Less than \$25,000	791,800	495,600	62.6%	\$1,290,432,000	\$2,600	24.4%
\$25,000 - \$49,999	1,400,900	521,400	37.2%	\$1,149,767,000	\$2,200	25.6%
\$50,000 - \$74,999	1,375,500	301,400	21.9%	\$650,719,000	\$2,200	14.8%
\$75,000 - \$99,999	1,177,600	212,300	18.0%	\$434,377,000	\$2,000	10.4%
\$100,000 - \$149,999	1,735,300	246,100	14.2%	\$459,571,000	\$1,900	12.1%
\$150,000 or more	2,304,000	206,000	8.9%	\$356,595,000	\$1,700	10.1%
Income-to-poverty ratio						

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At or below poverty	538,100	360,700	67.0%	\$899,136,000	\$2,500	17.7%
100 - 199% poverty	1,005,400	557,600	55.5%	\$1,381,064,000	\$2,500	27.4%
200 - 399% poverty	2,323,900	648,700	27.9%	\$1,344,581,000	\$2,100	31.9%
400%+ poverty	5,005,400	466,900	9.3%	\$807,786,000	\$1,700	23.0%
Major industry						
Agriculture, fishing, forestry, mining	32,100	11,500	35.8%	\$22,761,000	\$2,000	0.6%
Construction	460,200	77,300	16.8%	\$148,719,000	\$1,900	3.8%
Manufacturing	548,100	76,300	13.9%	\$149,266,000	\$2,000	3.8%
Wholesale trade	207,200	37,900	18.3%	\$80,756,000	\$2,100	1.9%
Retail trade	903,000	367,100	40.7%	\$760,537,000	\$2,100	18.0%
Transportation, warehousing, utilities	484,700	94,400	19.5%	\$199,170,000	\$2,100	4.6%
Information	265,800	21,000	7.9%	\$35,845,000	\$1,700	1.0%
Finance, insurance, real	764,900	55,800	7.3%	\$110,832,000	\$2,000	2.7%

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estate						
Professional, science, management services	692,200	33,900	4.9%	\$53,047,000	\$1,600	1.7%
Administrative, support, waste services	313,300	101,600	32.4%	\$221,494,000	\$2,200	5.0%
Educational services	1,028,100	123,500	12.0%	\$170,673,000	\$1,400	6.1%
Healthcare, social assistance	1,521,700	386,100	25.4%	\$883,754,000	\$2,300	19.0%
Arts, entertainment, recreational services	190,600	61,300	32.2%	\$116,366,000	\$1,900	3.0%
Accommodation	91,800	35,300	38.5%	\$75,008,000	\$2,100	1.7%
Restaurants	557,500	388,000	69.9%	\$1,011,409,000	\$2,600	19.1%
Other services	371,600	137,500	37.0%	\$349,795,000	\$2,500	6.8%
Public administration	439,900	25,200	5.7%	\$43,134,000	\$1,700	1.2%
Sector						
For profit	6,391,200	1,727,600	27.0%	\$3,872,155,000	\$2,200	84.9%

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Nonprofit	1,014,700	165,100	16.3%	\$308,203,000	\$1,900	8.1%
Government	1,466,900	141,200	9.6%	\$252,208,000	\$1,800	6.9%

Note: Estimated effect of minimum wage increases through 2026. All wages in 2021 dollars. Totals may not sum due to rounding.

Source: Economic Policy Institute Minimum Wage Simulation Model; see Technical Methodology by Dave Cooper, Zane Mokhiber, and Ben Zipperer. <https://www.epi.org/publication/minimum-wage-simulation-model-technical-methodology/>

Endnotes

¹ Center for Economic and Policy Research, “This Is What the Minimum Wage Would Be Like If It Kept Pace with Productivity” (Jan. 21, 2020), available at <https://cepr.net/this-is-what-minimum-wage-would-be-if-it-kept-pace-with-productivity/>, cited in N.Y.S. Div. of the Budget, “Report on New York’s Minimum Wage Increases Scheduled for 2022” (Sept. 22, 2021), available at https://dol.ny.gov/system/files/documents/2021/09/minimum_wage_final_report_092221.pdf.

² N.Y.S. Div. of the Budget, “Report on New York’s Minimum Wage Increases Scheduled for 2022” (Sept. 22, 2021), *supra*.