New York's 30 Years War:
The Struggle of Low-Wage Workers to Keep Above the Poverty Line

A Report on the Minimum Wage
New York State
Senate Democratic Conference

Executive Summary

For New York's minimum wage workers, the past thirty years have been a constant, losing struggle to keep pace with rising costs, as their incomes steadily diminished and they dipped below the poverty level, in one of the richest states of the wealthiest nation in the world. Even as corporate salaries have soared to obscene levels, the paycheck of today's low-wage worker will buy only 71 percent of what it did when it reached its peak purchasing power in 1970.

At today's rate of $7.25/hour, it would take a rate increase of $3.60, or 49.7 percent to restore the purchasing power of the state's minimum wage to its 1970 level. Though neither of the bills introduced in the Legislature this year come close to a full restoration of the minimum wage's peak buying power, either measure would go a long way to restoring the dignity and self-worth of our lowest-paid workers. Legislation introduced by Senator Espaillat would increase the rate to $8.50 in 2013, $9.25 in 2014, and link it annually to a regional Consumer Price Index (CPI) thereafter. Assembly Speaker Silver's bill, which is sponsored by Senator Klein in the Senate, would increase the rate to $8.50 in 2013, and link it to the CPI thereafter.

There is overwhelmingly broad support for increasing the minimum wage throughout the State. A recent poll indicated that 79 percent of New York voters support an increase; Governor Cuomo has expressed support for an increase; and the Assembly passed the Speaker's bill on May 15. Despite this support, the Senate Republicans have steadfastly refused to consider any increase, and have repeatedly called any attempt to do so a "job killer," even in the face of growing evidence that it would have no negative impact on employment.

On April 18, 2012, Senate Democrats held a Public Forum on Senator Espaillat's bill, and on the principal of raising the minimum wage in general. They brought together clergy, progressive business owners, academics and minimum wage workers themselves to demonstrate the need and the consequences of raising the rate. What emerged from the testimony was an entirely different picture than what the Senate Republicans have been painting, and demonstrates that 1) there is true need to raise the rate; 2) the "job-killer" argument is false and unsupported by the evidence; and 3) the business community is not monolithically opposed to raising the rate and, indeed, sees significant advantages to doing so.

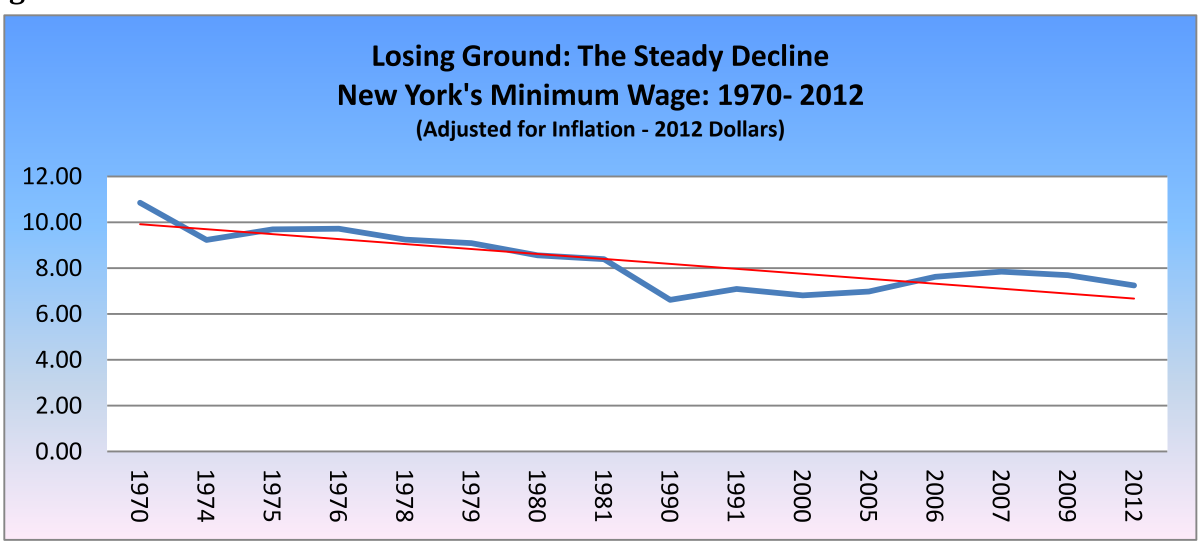
This report combines the testimony of the Forum participants with independent staff research to present and interpret those findings.

I. Historical Background

"…we have experienced a 30 year war in which the long, slow struggle throughout much of the 20th Century for greater equality of income and wealth in our nation has been reversed."[1]

For New York's minimum wage workers, the American Dream has become ever-more elusive over the past three decades, as the purchasing power of their paycheck has steadily diminished. From 1962 to 1979, the state's minimum wage was enough to keep a family of three above the federal poverty line, and actually increased from 1962 to 1970 - from $7.54/hour to $10.86/hour in 2012 dollars. This increase of 44.24 percent occurred during a time when the state's gross domestic product expanded by an average of 6.9 percent each year.[2] From that 1970 peak, the purchasing power of the minimum wage began a steady decline that bottomed out in 2000, when our lowest paid workers received a wage equivalent to $5.62/hour in today's dollars. Since then the rate has been increased four times - to $5.15 in 2000, to $7.15/hour in three increments from 2006 to 2009, and to $7.25 in 2009 to match a rise in the federal minimum. Despite its 29 percent increase since 2006, the paycheck of today's minimum wage worker buys only 71 percent of what it did in 1970. Figure 1 imposes a trend line on the post-increase rates from the 1970 peak value of $10.85 to the present day. The decline in purchasing power for minimum wage workers is clear – our state's lowest-paid workers have experienced a 33.2 percent decline in the value of their weekly paycheck in the past 42 years. It would take a rate increase of $3.60, or 49.7 percent, just to restore the purchasing power of the state's minimum wage to its 1970 level.

Figure 1

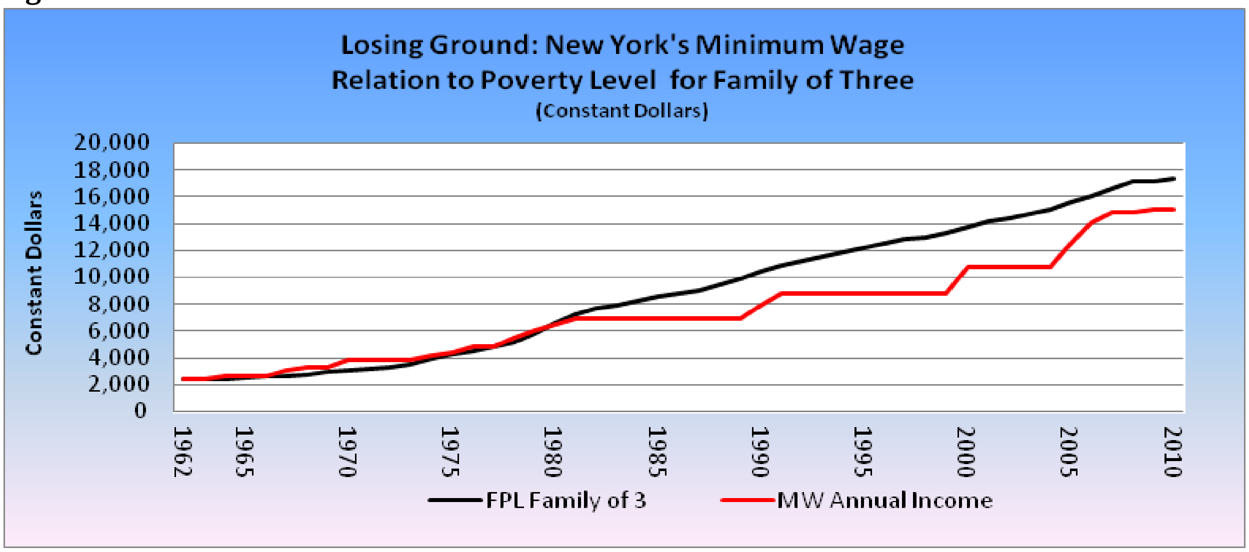


[1] Bishop Howard Hubbard, Albany Diocese. Testimony before the Senate Democratic Conference Public Forum on the Minimum Wage. April 17, 2012.

[2] Gross Domestic Product by State (millions of current dollars) – Bureau of Labor Statistics, available at http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1&isuri=1&acrdn=1; and http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1&isuri=1&acrdn=1

The current $7.25 hourly minimum translates into just 82 percent of the federal poverty level for that family of three – a level that should hardly be a source of pride for our state. Increasing the minimum wage to just $8.50 would benefit approximately one million workers – about 11 percent of the state's workforce – and lift the annual wages of full-time minimum wage worker to 95 percent for that 3-person family (Figure 2).[3]

Figure 2[4]



These are the people who perform some of the most basic and necessary tasks in our economy – a fact that is apparently not lost on New York's general public, 79 percent of which supports increasing the rate this year.[5]

The decline in their purchasing power stands in sharp contrast to the upward trend for those at the very top of the economic ladder. The average real value of total executive compensation has experienced three distinct phases in the past seventy years: a sharp decline during World War II, a modest and gradual increase from the mid-1940s to the 1970s, and a high and accelerating growth rate beginning in the 1980s, at the precise time minimum wage workers started losing ground.[6]

"The inadequacy of the current wage floor takes its greatest toll on the true backbone of our economy, namely those workers who prepare our food, mow our lawns, take care of our children, build our homes and clean them, provide necessary care when we are ill, and pick the crops that feed us."

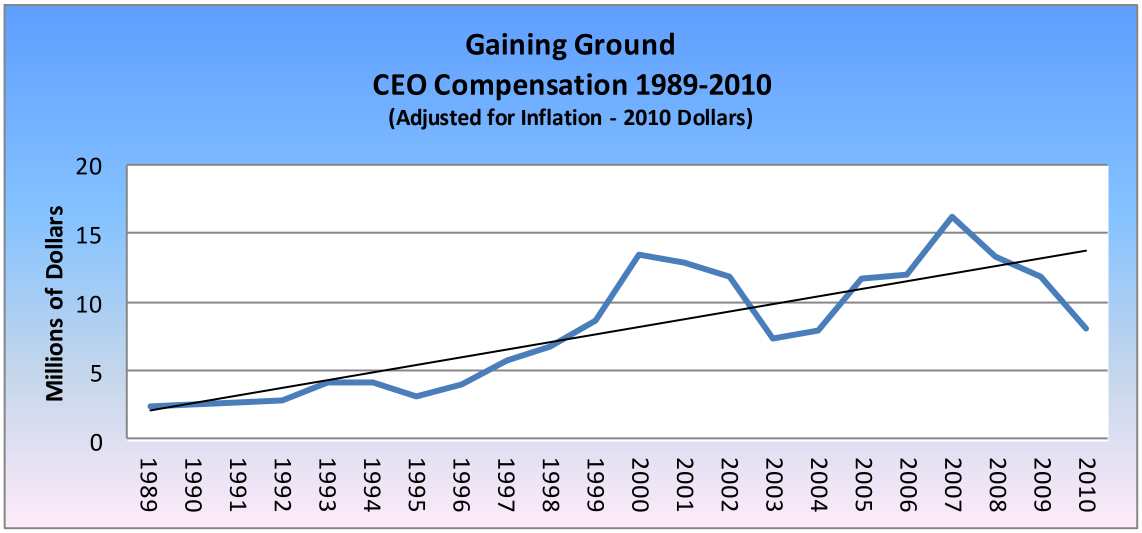
Milan Bhatt, Executive Director
Worker Justice Center

Figure 3 shows the growth in executive compensation since 1989. The nation's highest paid individuals have seen their compensation packages increase by 238 percent in that time, from an average of $2.4 million to over $8 million in 2011. Though economic conditions have at times caused relatively sharp

[3] Fiscal Policy Institute. "Which workers will benefit, if the New York minimum wage is raised to $8.50 an hour?" February 2012.
[4] Poverty data from U.S. Department of Health and Human Services. Available at http://aspe.hhs.gov/poverty/11poverty.shtml; Minimum wage data from the NYS Department of Labor.
[5] Quinnipiac University Polling Institute. Available at http://www.quinnipiac.edu/institutes-and-centers/polling-institute/new-york-state/release-detail?ReleaseID=1755.
[6] Frydman, C. and Saks, R.E. *Historical Trends in Executive Compensation 1936-2003*. November 15, 2005.

declines in those salaries - as in the wake of the bursting dot-com bubble and the financial crisis beginning in 2008 - the imposed trend line still demonstrates a consistent upward trajectory in for-profit executive salaries.

Figure 3[7]



Even executive compensation at the nation's charities has generally kept pace with inflation over the past decade. The median increase in pay for chief executive officers of not-for-profits rose by 16 percent from 1998 to 2003, after adjusting for inflation.[8] In 2002 alone, the average compensation rose 7.5 percent. In 2008, average executive compensation rose 5 percent, while for-profit executive compensation actually dropped.[9] In 2010 and 2011, they rose an average of 2 percent.[10]

These juxtapositions should tax the sensibilities of any observer. As Bishop Howard Hubbard of the Albany Diocese observed, "When workers suffer the enduring consequences of poverty such as ill health, impeded educational achievement, and housing instability - even as company executives amass extraordinary wealth, their wages are unjust."[11]

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[7] Sources: Forbes Annual Executive Compensation Reports; U.S. Bureau of Labor Statistics. The dates above represent the issue years for the Forbes Executive Compensation reports. For years 1989 through 1999, the captured universe was comprised of the 800 biggest companies in the U.S. For years 2000 through the present, that universe was the 500 biggest companies in the U.S. Sources: Forbes Annual Executive Compensation Reports; U.S. Bureau of Labor Statistics. Available at http://www.forbes.com/2010/04/26/executive-pay-ceo-leadership-compensation-best-boss-10-bosses_chart.html.

[8] Lipman, H. "Charitable Pay: A Growing Disparity - The gap between CEOs' salaries and the wages of other employees at nonprofit organizations is increasing significantly." *The Chronicle of Philanthropy.* November 18, 2005. Available at http://www.businessweek.com/bwdaily/dnflash/nov2005/nf20051118_5196_db_085.htm

[9] Barton, N. and Gose, B. "Executive Pay Outpaces Inflation Median compensation rose 5%, a new Chronicle study finds." *The Chronicle of Philanthropy*. October 2, 2008. Available at http://philanthropy.com/article/Executive-Pay-Outpaces-Infl/60679/

[10] Barton, N. and Gose, B. "Executive Pay Increased by Median of 2% in 2010, Say Latest Chronicle Figures." *The Chronicle of Philanthropy.* September 18, 2011. Available at http://philanthropy.com/article/Pay-Grew-by-2-for-Charity/129014/; and Hrywna, M. "2010 Salaries Inched Up Past Inflation." *The Non-Profit Times.* Available at http://www.thenonprofittimes.com/print/1299873310_2-1-11_2010Salary&Be.pdf.

[11] Bishop Howard Hubbard. Testimony before the Senate Democratic Public Forum on the Minimum Wage. April 17, 2012.

II. The Obligation of Government

"Raising the minimum wage is about protecting the working people of the State of New York, not only the privileged people."[12]

If the current minimum wage, as Bishop Hubbard attests, is unjust, it is the obligation of government in modern democratic society to address that injustice. The market is without question the force that drives our economy, spurs innovation and development, and creates wealth. But as we embrace their virtues, it is the obligation of government to mitigate the sometimes vicious consequences that free markets inflict on the least fortunate. The question of how far government can and should go in fulfilling this obligation has provided the traditional underpinnings of the nation's competing economic ideologies. The decline in purchasing power of low-wage workers, however, has muddied what ideologues would like to consider the crystal clear distinction between liberal and conservative thought.

> ***"The cost of living has skyrocketed in our state, while wages have stagnated. Currently there are 19 states… [that] have a higher minimum wage than New York State – the Empire State."***
>
> ***Senator Adriano Espaillat***
> ***Opening Remarks at the***
> ***Minimum Wage Forum***

From their inception, minimum wage laws have been designed to ensure that all workers receive some minimally acceptable level of compensation, without subjecting responsible employers to unfair compensation. The purpose was to provide a floor under the low-wage job market to prevent a race to the bottom. Unfortunately, the level of the minimum wage has been allowed to decline to a level at which it is unable to serve as a meaningful floor under the low-wage job market.[13] Where at one time the minimum wage and a "living wage" may have been one and the same, the two have drifted far apart over the past thirty years.

From a pragmatic standpoint, this decline has forced government to meet its obligation in other ways, by stepping in and assuming responsibilities that major employers have abdicated, effectively shifting the burden of adequately compensating, fair and just wages from business to government. Senator Tim Kennedy put it succinctly at the Democratic Public Forum on the Minimum Wage:

> "Today, in New York State, if you are a working parent, and you go to work at a minimum wage place of employment, and you work 40 hours a week, you take home, before taxes, $290. [It] simply isn't enough in 2012 to gas up a car, to go to work, to put food on the table, to send kids to school, to do all the things that are necessary to live life. *So what happens is many of these families that are trying to work themselves out of poverty, to a better quality of life, become dependent on other government services to subsidize what they can't afford because the minimum wage is too low.*[14]

[12] Senate Minority Leader John Sampson. Opening remarks at the Senate Democratic Forum on the Minimum Wage Forum.

[13] Frank Mauro, Executive Director of the Fiscal Policy Institute. Testimony at the Senate Democratic Forum on Minimum Wage.

[14] Senator Tim Kennedy, statement at the Senate Democratic Forum on Minimum Wage.

Oddly, the shift of responsibility of adequate compensation from employer to government has challenged what is generally perceived to be the fundamentals of liberal and conservative views, whereby the former advocates the power of the private sector to create wealth and socio-economic mobility, and the latter claims it is government's role to ensure that the poor receive the necessities of life through entitlement programs. To many in the labor and progressive business community, this shift has not only occurred, but its implementation is a calculated construct of large, low-wage employers to foist their responsibilities onto the public sector – and ultimately the taxpayer. As Senator Liz Krueger noted, some businesses make a conscious calculation to set the wage level at such a low level that their workers qualify for public benefits that a progressive corporation would pay itself.[15] And Matt Funicello, owner of the Rock Hill Bake House in Glens Falls, contended this practice by large, low-wage employers to keep their employees among the "working poor" so they qualify for public benefits, makes costs higher for everyone, including small businesses such as his, which try to do the right thing by paying a living wage to their employees.

> "These entitlements may be available to the underpaid Wal-Mart employee, but my workers have to go without things like health insurance – as do I – because we really can't afford it. We're all classified as too wealthy to qualify… If we raise the minimum wage, and more of these workers become consumers who can pay for their own benefits, big business will no longer be allowed to prey on them."[16]

Like most responsible small business owners, Funicello pays his workers far more than the minimum wage.

The workers themselves are best able to illustrate the problems created by a wage floor that does not allow workers to meet the same daily obligations that all New Yorkers face. Isaias Tomaylla is a minimum wage worker from Long Island, where she earns about $240 per week. Despite her low income, her family expenses are like anyone else's: her rent is $600 per month; she has prescription drug and medical expenses; and she has to buy gas and pay car insurance. The wage she earns is simply not enough to meet the costs of day-to-day living in New York.[17]

Mirna Cipaldi, a working single mother in the Hudson Valley, who related her daily experience to the Senate Forum:

> "My wage is my handicap, when I have to sit down at the beginning of each month and write my rent check out. It is my handicap in the middle of the month when I have to pay my car insurance. It is my handicap every week when I pull up to the gas pump to fill up with gas to go to work and realize that the gas prices have gone up, but my wages have not. It is my handicap… on a daily basis when I go to the grocery store and have to wait until five o'clock when the bread items are marked down and the meat items are marked down so I can afford them to feed my daughter and I [sic]."[18]

But there is perhaps no more solid affirmation that the shift has taken place, and has muddied ideological thinking than the actions of the Senate Republicans themselves, who attempted to turn the

[15] Senator Liz Kruger, statement at the Senate Democratic Public Forum on the Minimum Wage.
[16] Matt Funicello, statement at the Senate Democratic Public Forum on the Minimum Wage.
[17] Isaias Tomaylla, minimum wage worker from Long Island. Testimony before the Senate Democratic Forum on the Minimum Wage, as told through interpreter Carlos Ramos of Make the Road New York.
[18] Mirna Cipaldi, Head Start Worker and mother of a 15-year old daughter and earns slightly above the minimum wage in the Hudson Valley. Testimony before the Senate Democratic Forum on the Minimum Wage.

facts on their head by expressing concern for those who receive public benefits. In a press conference following Assembly passage of Speaker Silver's minimum wage legislation, Senate Majority Leader Dean Skelos argued that, if the Speaker's bill became law, minimum wage workers would be harmed because they would pay more in taxes and some might lose eligibility for Family Health Plus.[19] To counter those claims, the Fiscal Policy Institute (FPI) and the National Employment Law Project (NELP) reviewed the facts and showed that, on an after-tax basis, all minimum wage workers would be considerably better off following a minimum wage increase, and their eligibility for public benefits would remain largely unaffected. In particular, Family Health Plus eligibility would not be affected for the overwhelming majority of low-wage New Yorkers.[20]

It is an odd spectacle to see those lawmakers who have so vehemently opposed efforts to ensure that our lowest-paid workers actually receive a fair private sector wage, expressing such concern that those same people remain eligible for public benefits. It is, perhaps, no coincidence that the expansion of public assistance programs in New York and throughout the nation has coincided with the decline in purchasing power for low-wage workers. It is also testament to fact that the wage floor has dropped to such depths that even the 17.2 percent raise included in the Speaker's bill will not make much of a difference with regard to public assistance eligibility for most workers, because it would only restore purchasing power to 77.3 percent of its 1970 level.

It is also why indexing the wage floor, while theoretically appealing, is not wise before steps are taken to more fully restore its buying power. Indexing to the inflation rate will effectively freeze the floor in perpetuity; doing it at a rate far below the poverty level could make it all the more difficult for workers to lift themselves up. That is why restoring purchasing power of the wage floor before instituting indexing is so important. "We might not be able to do that overnight, or even in a couple of years," Frank Mauro of the Fiscal Policy Institute pointed out, "but the important thing is that the state should make a commitment to restoring that purchasing power over a reasonable amount of time."[21]

If we start indexing at a wage level that is not adequate, I think it's going to make it harder to have legislated jumps later on if you have in place a law that has it going up automatically each year.

Frank Mauro, Executive Director
Fiscal Policy Institute

III. The "Job Killer" Myth

"The fact is that the right and conservatives have done a very good job at communicating effectively something that is not true… that this is an effort that is going to destroy the economy - that is going to kill jobs. That's the message that's been put out there.[22]

[19] http://www.lohud.com/VideoNetwork/1640934414001/Skelos-onminimum-Wage.

[20] Fact vs. Fiction on Raising New York's Minimum Wage. Available at http://www.fiscalpolicy.org/minimumwage_01.html.

[21] Frank Mauro of the Fiscal Policy Institute. Testimony before the Senate Democratic Public Forum on the Minimum Wage. April 17, 2012.

[22] Senator Gustavo Rivera, Opening remarks at the Senate Democratic Public Forum on the Minimum Wage.

If the past three decades can be characterized as a war against low-wage workers, what forces are aligned against them? The current debate has made that alliance painfully clear. No sooner had Senator Espaillat introduced his legislation (S.6335) on January 27, followed by Speaker Silver's introduction of minimum wage legislation (A.9148 Wright) three days later and Senator Klein's introduction of a Senate companion to the Speaker's bill (S.6413) on February 7, than opposition weighed in with predictable vehemence and consistency.[23]

The National Federation of Independent Business (NFIB) in New York argued that it would drive jobs out of the state and make it more difficult for entry-level workers to find employment. "Small employers that can't afford the increase will simply find ways to avoid creating new jobs," Mike Durant, the organization's New York director said, "And the jobs that are available will be more attractive to people who have more experience. People with the lowest skills and the least experience will be crowded out of the market."[24]

Brian Sampson, Executive Director of Unshackle Upstate, a coalition of upstate business interests, stated "…[t]he minimum wage proposal put forth by Assembly Speaker Sheldon Silver is ill-timed and shows a complete disregard for the private sector and the challenges Upstate New York faces in promoting private-sector job creation."[25]

Dean Norton, President of the NY Farm Bureau, responded "…[w]hen the government imposes costs on a business that the market does not dictate, we typically call this a tax."

> ***"My position is the minimum wage (increase) is not the right thing to do."***
>
> ***NYS Senate Majority Leader Dean Skelos***

Heather Briccetti, President and CEO of the Business Council of New York State, followed suit, saying, "…The Business Council believes that the way to improve our state's economy and the lives of all New Yorkers is to create more private-sector jobs. Raising the minimum wage would only hurt New York's small businesses, farms and not-for-profits that are struggling to make their current payrolls, and reduce job opportunities, in this difficult economy."[26]

What is puzzling about these protestations is that the majority of low-wage workers are, in fact, employed by large chains, not small mom-and-pop businesses that opponents are claiming. Two-thirds of all low-wage employees work in firms of at least 100 workers, and half of all such employees work in firms that employ more than 500 workers. In retail, New York's largest low-wage sector

[23] S.6335-B would increase the minimum rate to $8.50 in 2013, $9.25 in 2014, and annually link it to a regional Consumer Price Index (CPI) thereafter. A.9418/S.6413 would increase the rate to $8.50 in 2013 and annually link it to the CPI thereafter.

[24] Matthews, C. "Assembly to introduce minimum wage-hike bill Monday." January 29, 2012. Politics on the Hudson, available at http://polhudson.lohudblogs.com/2012/01/29/assembly-to-introduce-minimum-wage-hike-bill-monday/?utm_source=twitterfeed&utm_medium=twitter&utm_campaign=Feed%3A+lohudblogs%2Fpolhudson+%28Politics+on+the+Hudson%29.

[25] Adams, T. "Business groups oppose plan to hike minimum wage." *The Rochester Business Journal*. January 30, 2012. Available at http://www.rbj.net/article.asp?aID=190215.

[26] Harding, R. "Business groups, New York Farm Bureau oppose minimum wage hike legislation." *AuburnPub.com.* January 30, 2012. Available at http://auburnpub.com/blogs/eye_on_ny/business-groups-new-york-farm-bureau-oppose-minimum-wage-hike/article_f0c72dea-4b83-11e1-8061-0019bb2963f4.html.

with nearly 270,000 employees, large chains are paying an estimated 23 percent less to their employees than smaller retailers.[27] Equally puzzling is the "crowding out" logic that there is apparently a pool of unemployed, high-skilled workers just waiting for the wage floor to increase from $15,080 to $17,680 per year ($1.25/hour) so they can jump into some of the least desirable jobs our economy has to offer.

> ***"If it is indeed an issue that gets the economy moving, it didn't work the last time we did it because we are now in the worst economy since the Great Depression for the last several years."***
>
> ***Deputy Senate Majority Leader Tom Libous***

Yet Senate Majority Leader Dean Skelos parroted the opposition line, saying that the Senate GOP majority would be willing to take a look at a minimum-wage hike but would not want to hurt businesses in the state. Skelos spokesman Scott Reif followed by saying "…Senate Republicans will continue to promote policies that encourage job growth and make New York a more business-friendly state..."[28] In the days leading up to final passage of the state budget, Skelos said the minimum wage increase sought by Silver certainly wouldn't be in the budget or, if he has his druthers, anywhere else this session. "My position is the minimum wage (increase) is not the right thing to do".[29]

He reiterated that contention in particularly polemic response to a letter from Senate Minority Leader John Sampson urging the Senate Majority to consider legislation raising the minimum wage in the weeks immediately following the legislative April recess. Senator Skelos alluded to, but did not identify, studies that support the business mantra that raising the wage levels for our state's working poor kills jobs.[30]

To push the company line further, Deputy Majority Leader Tom Libous implied that the last raises – which lifted purchasing power for our state's lowest paid workers to just a little over 70 percent of what they had enjoyed 42 years ago – were at least partially responsible for the worst financial crisis the state has seen since the Great Depression. Libous stated that the state phased in an increase from $5.15 an hour to $7.15 over the course of three years beginning in 2005, and the economy didn't improve. "The proponents have said that if you increase the minimum wage, the economy will improve. If it is indeed an issue that gets the economy moving, it didn't work the last time we did it because we are now in the worst economy since the Great Depression for the last several years."[31]

Libous tried once again to make that spurious causal correlation on the Senate floor, when the Senate Democrats tried to amend a Republican tax credit package with language that would increase the state's minimum wage, stating that the jobless rate has increased since the last time the minimum wage was increased in 2009. Actually, job losses had already slowed by July 24, 2009, when the federal government increased the rate from $7.15 to $7.25, bottomed out in January of 2010, and

[27] Tsedeye Gebreselassie of the National Employment Law Project (NELP). Testimony before the Senate Democratic Public Forum on the Minimum Wage.
[28] Lovett, K. "NY Dems will propose bump in minimum wage." *New York Daily News*. January 30, 2012. Available at http://articles.nydailynews.com/2012-01-29/news/30677022_1_wage-federal-rate-increases.
[29] Seiler, C. Capitol Confidential. March 21, 2012. Available at http://blog.timesunion.com/capitol/archives/121700/skelos-were-getting-close-on-budget-talks/
[30] Letter from Majority Leader Skelos to Minority Leader Sampson, April 9, 2012. See Appendix A.
[31] Campbell, J. "Silver: Minimum wage hike spurs economy; Libous: No it doesn't." *Democrat and Chronicle.*

have been climbing ever since (Figure 5). As Senator Gustavo Rivera (D-Bronx) pointed out, it is the public sector that has been contracting since the rise in the minimum wage. After reaching a peak of nearly 23 million workers in May of 2010, non-education public sector jobs have declined steadily as federal, state and local governments have contracted (Figure 5).

Figure 5[32]

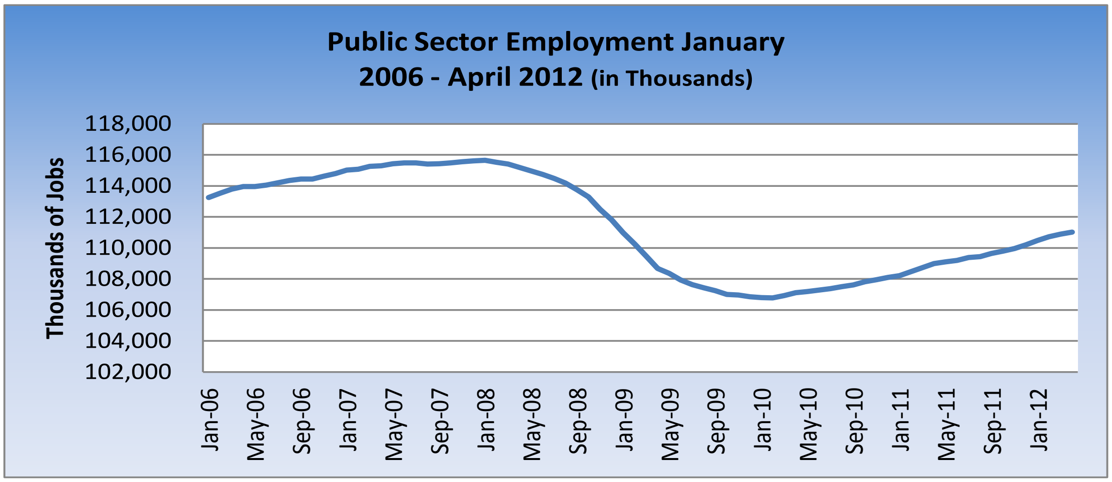

Figure 6

When the Majority was confronted with these facts, it defended Senator Libous' contention by alluding to a study conducted by the Center for Business and Economic Research at Ball State University, examining the effect of the last minimum wage increases on part-time workers, two-thirds of whom it claimed were teenagers.[33] It is odd that members of the New York State Senate would support their position with a study that pertains largely to Indiana, where the demographics are apparently much different. In New York, teenagers actually comprise a very small portion of those earning low wages. Eighty-four percent of workers earning less than $8.50 an hour are adults 20

[32] Data for Figures 5 and 6 from the Bureau of Labor Statistics.
[33] Hicks, M. "Who Lost Jobs When the Minimum Wage Rose?" Policy Brief by the Ball State University Center for Business and Economic Research. February 2010. Available at http://www.scribd.com/doc/95468434/Min-Wage.

years of age and older; more than a quarter of all low-wage workers are raising children, and an estimated 375,000 New York children have a parent making low wages. In such families, the low-wage earning parent is responsible for 51 percent of family income, underscoring the importance of raising wages for these families. In New York City, more than nine out of every ten workers earning less than $8.50 an hour are adults, and over two thirds are full-time workers.[34]

To be sure, the academic debate over the effect that raising the minimum wage has on jobs has been going on for decades, but it has heated up over the past twenty years as the "job killer" contention has come under increasing scrutiny. Some of the more oft-cited anti-minimum wage literature has been produced by researchers with connections to the Employment Policies Institute (EPI),[35] a Washington, D.C. based organization owned by Richard (Rick) Berman, a former registered Washington lobbyist whose clients included the beverage industry.[36] In 2002, Berman founded the Center for Consumer Freedom (CCF), an advocacy organization that "does research and education on consumer choices, especially related to food and beverage policy…"[37] Like CCF, EPI is an advocacy organization with what is clearly an industry-focused agenda, operating the websites *www.defeatthedebt.org* that "educates" the public on the federal debt, and *www.rethinkreform.com*, similarly "educating" the public on federal healthcare policy. EPI has jumped into the fray on living wage and minimum wage policy, doing television and radio advertising, placing outdoor billboards and "cul-

A 2009 meta-analysis of 64 separate empirical studies published from 1970 to 2007 examines more than 1,400 estimates of the relationship between minimum wages and employment.

The study found that those estimates with the least statistical ambiguity show little or no impact on employment.

It also found that those less precise estimates showing a negative impact have dominated the economic journals, thereby giving the misleading impression that the body of economic research is amassing evidence that raising the minimum wage reduces employment.

[34] James A. Parrott, Deputy Director and Chief Economist at the Fiscal Policy Institute. Testimony before the NYS Assembly Labor Committee. April 23, 2012. Available at

[35] The Employment Policies Institute (EPI) should not be confused with the Economic Policy Institute (the original EPI), though it appears that such confusion is precisely what the former's founder, Richard Berman, intended. The latter was founded in 1986; Berman's entity was founded in 1996. A brief comparison of 2010 IRS Form 990s shows compelling differences between the two entities. In 2010, Berman's EPI paid $4.06 million of its $5.9 million total income to media- and advertising-related consultants; add to this the $1.63 million it paid the Richard Berman & Company for management services, and this "research institute" spent 96 percent of its income on advertising/promotion and Mr. Berman's own company. By contrast, the real EPI, whose mission is "educating the public and policy makers about new ideas concerned with promoting public discussion of economic policies which can achieve economic opportunity for the lower class, minorities, and the poor…" took in $6.6 million in 2010, and spent on 7.3 percent of that income on outside consultants, paid internal research staff $3.84 million in salaries and benefits, and spent a mere $18,774 on advertising and promotion.

[36] Berman's clientele can be found at http://www.opensecrets.org/lobby/lobbyist.php?id=Y0000031311L&year=2005. Other authors who have produced work under the auspices of Berman's EPI are

[37] 2010 IRS Form 990 for The Center for Consumer Freedom. Part I, Question 1. Available at http://www.guidestar.org/FinDocuments/2010/260/006/2010-260006579-07d98db1-9.pdf.

tivating a social media following via Facebook…"[38]

EPI therefore has clear ties to the business community. While this in itself should not disqualify the findings of research conducted under its auspices, its engagement in advertising on billboards should lead any observer of the debate to seriously question the institution's motives and, by extension, the objectivity of any research published in its name. In addition, EPI has rejected out-of-hand research that may run counter to its pro-business mantra, even from economists who have historical ties to the institution and whose findings have generally supported its agenda. Even University of California-Irvine economist David Neumark, who has conducted several studies under the auspices of the EPI that find minimum wage increases have historically had a negative impact on employment, stated that EPI "spiked" one of his studies on minimum wage because it did not like the conclusions.[39] This is hardly behavior indicative of an institution committed to objective research.

In addition, the traditional, "job-killer" mantra has undergone renewed scrutiny recently by new, more rigorous research methodologies. In 1992, Nobel Laureate Robert Solow noted that the "…main thing about this research is that evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small."[40] In 1994, a comparative case study of 410 fast-food restaurants in New Jersey (which raised its minimum wage from $4.25 to $5.05 in 1992) and eastern Pennsylvania (which did not), found no indication that the rate increase reduced employment.[41] A 2009 study (revised in 2011) by economists at the Federal Reserve Bank of Chicago, cited by Senator Sampson in his initial letter to Skelos, estimated that a one-dollar hike in the minimum wage results in between $2,800 and $3,200 in additional spending by each recipient family. This spending far exceeds the amount of the wage increase, in large part because it spurs the recipient wage earner to increase collateralized debt to purchase durable goods.[42]

Perhaps most interestingly, a 2009 meta-analysis of the findings of 64 separate empirical studies published between 1970 and 2007 examines more than 1,400 estimates of the relationship between minimum wages and employment. It finds that the most precise estimates—i.e., estimates with the least statistical ambiguity—cluster around the result that minimum wage increases have no impact on employment. Estimates indicating any impact—positive or negative--on employment, in contrast, tend to be less precise. What's more, this analysis finds the less precise, negative, estimated effects dominate in economic journals, thereby creating the misleading impression that the body of economic research is amassing evidence in favor of the view that minimum wages reduce employment.[43]

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[38] 2010 IRS Form 990 for the Employment Policies Institute Foundation, Part III. Available at http://www.guidestar.org/FinDocuments/2010/521/902/2010-521902264-07d65672-9.pdf.

[39] Bragg, C. "Waging War - The maze of counterstudies and conflicts of interest on living-wage fight arrives in New York." *City Hall.* December 17, 2010.

[40] Quoted by Uchitell, L. "A Pay Raise's Impact: A Higher Minimum Wage Does Not Lead to Big Losses in Jobs, Research Indicates." *New York Times*. 1/12/92. D1.

[41] Card, D. and Krueger, A. "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania." *The American Economic Review*. 84:4, pp. 772-93. September, 1994.

[42] Aaronson, D., Agrawal, S. and French, E. "The Spending and Debt Responses to Minimum Wage Hikes." March 17, 2009, revised February 8, 2011. The $3,200 is taken from the original publication, which finds that a one dollar hike in the minimum wage generates $800 per quarter in spending by a minimum wage family (p.2). That figure was revised in the 2011 study, which found that a one dollar hike results in an increase in such spending of $700 per quarter (p.2). Aronson, et al. cite voluminous recent work that corroborates their findings. See note 1, p.2.

[43] Referred through conversation with Professor Jeannette Wicks-Lim of the Political Economy Research Institute of the University of Massachusetts-Amherst.

In effect, there has been a historical bias in the academic literature in favor of the argument that raising the minimum wage kills jobs. Senator Skelos and Senate Republicans have apparently chosen to embrace that bias, and in doing so, have chosen to ignore the significant body of work from objective sources that finds such increases do not lead to job loss. This deliberate dismissal of crucial evidence was once again displayed in the wake of a Public Forum sponsored by the Senate Democratic Conference that, among other things, drew attention to the weaknesses of the "job-killer" argument. In response to a media inquiry about the Forum, Senator Skelos said: "My position hasn't changed — I believe it's a job killer…We are still in very difficult economic times. When you raise the minimum wage it has a bumping effect, because the person just above who's just above minimum wage says if he's getting a buck and a half, I want a buck and a half."

> ***"… in New York and in Washington, we witness the obscenity of lawyers collecting $1,000 an hour to lobby against giving the poorest workers another $1.25 an hour."***
>
> ***Katrina vanden Heuval***
> ***Washington Post***

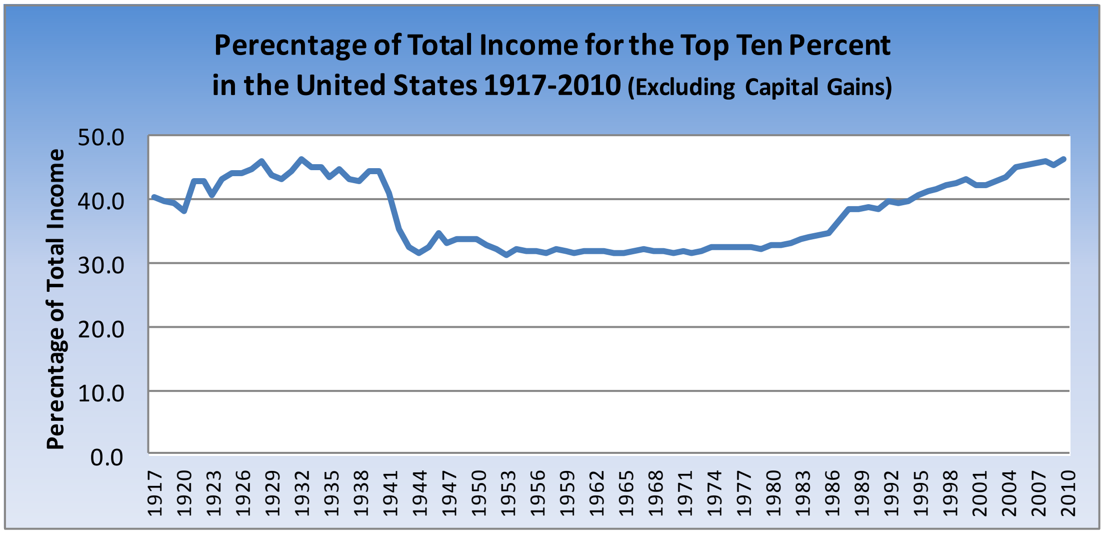
This somewhat vulgar assertion that the acceptable, and indeed lauded, impulse that drives excessive executive salaries to obscene levels is somehow bad when a struggling low-wage worker is trying to feed his or her children appears to be the entire underpinning of the Senate Republican philosophy. Its pathetic irony has not gone unnoticed at the national level, as observers note the money being spent on lobbying to prevent the Legislature from passing an increase.[44] It would be pragmatically understandable, to a degree, if this trickle-up version of the traditional "rising tide lifts all boats" metaphor, like its classic trickle-down companion, was actually borne out by the evidence. But neither versions of the "trickle theory" are. Income distribution in the United States has not been as skewed toward the top ten percent in the United States since the Great Depression, with equity retreating steadily since 1970. It may not be a coincidence that the same year the minimum wage reached its highest purchasing power, income distribution toward the top ten percent of the population reached its lowest point (Figure 6).[45] The "rising tide" of the past thirty years left people at the bottom in historic numbers as workers, and particularly our lowest-wage workers, saw the purchasing power of their paychecks trickle away.

> ***"When you raise the minimum wage it has a bumping effect, because the person just above who's just above minimum wage says if he's getting a buck and a half, I want a buck and a half."***
>
> ***NYS Senate Majority***
> ***Leader Dean Skelos***

[44] Vanden Heuvel, K. "Time to fight for a minimum wage increase." *Washington Post.* 5/29/2012. Available at http://www.washingtonpost.com/opinions/time-to-fight-for-a-minimum-wage-increase/2012/05/29/gJQATfngyU_story.html. Senate Republicans have also received the 69 percent of campaign contributions from the NYS Business Council and members of its Board of Directors, totaling $1.313 million, from January 2010 to January 2012. See Albanetti, C. "Business Council Leaders Contribute $1.9 Million to Senate Campaigns." Available at http://www.fairelectionsny.org/posts/business-council-leaders-contribute-1-9-million-to-senate-campaigns/1202

[45] Data Source: Paris School of Economics. Available at http://g-mond.parisschoolofeconomics.eu/topincomes/#Database:

Figure 6



As far as Senator Skelos' knee-jerk contention of a "trickle-up" effect is concerned, while there is an upward push in wages for those at the lowest end of the spectrum, that ripple effect diminishes as one progresses up the wage scale. Dr. Jeannette Wicks-Lim of the Political Economy Research Institute (PERI) of the University of Massachusetts responded to Senator Skelos' unsubstantiated comment with the following statement:

> "Based on my analysis of wages from the years of 1982 to 2002, it is clear that minimum wage ripple effects do not extend the same size raises from a minimum wage hike up the wage hierarchy. Instead, workers earning just above the minimum wage receive raises, what I call ripple effect raises, that are much smaller than what workers earning the minimum wage receive. For example, if the minimum wage rises by say, 20 percent—a slightly bigger increase than what NY is considering–you can expect that workers earning just above the new minimum of $8.50 would experience a raise of less than five percent. That would be a raise of about 30 to 40 cents, not the $1.25 that a minimum wage worker would receive. In other words, ripple effect raises dissipate quickly as you move up the wage hierarchy. As a result, minimum wage hikes compress the wage distribution at the bottom end, but the average worker does not, in fact, experience any raise at all.
>
> Ripple effect raises do increase meaningfully the number of workers who benefit from minimum wage hikes since many more workers earn wages $1 to $2 above the minimum. The fact is, however, that even when you combine the costs to businesses of both mandated and ripple effect raises, they are modest. For example, for an average restaurant, a 20 percent minimum hike typically increases costs by between 1 and 2 percent of the restaurant's sales revenue. Again, this figure includes both mandated and ripple effect raises. This restaurant, in other words, could cover the entire cost of a 20 percent minimum wage increase by raising their prices by between 1 and 2 percent, assuming that their level of business activity remains the same. This would be equal to raising the price of a $20.00 meal to say, $20.40."

More specific to New York, several studies have shown that raising the minimum wage would actually *create* jobs, rather than kill them. The Fiscal Policy Institute conducted exhaustive research on its impact throughout the state, and found that, with an increase from $7.25/hour to $8.50/hour for minimum wage workers, as Speaker Silver's bill would do, the resulting increase in purchasing power will pump much-needed spending into local businesses and communities and will create roughly 7,500 new jobs in New York State.[46] The impact on low-wage workers already in the workforce is tremendous, affecting 880,000 workers across the state, 60 percent of whom are outside of New York City.[47]

Similarly, the Economic Policy Institute (not to be confused with the Employment Policies Institute)[48] at the request of Senator Jeffrey Klein, found that an increase of that same $1.25 would have a $602 million impact on state GDP and create 4,740 new jobs.[49]

IV. Business and the Minimum Wage

"We must finally put aside the cries of 'wolf' from Republicans and anti-labor interests and pass a minimum wage that will allow working men and women to better support their families and to enjoy the economic benefits that will come from putting more money into the hands of consumers."[50]

With more rigorous analyses mounting serious challenges to the "job killer" argument, the academic community is hardly as monolithic with regard to the effects of raising the minimum wage as the Republican Senate Majority would have its audience believe. What's more, the arguments against the "job killer" position go much further than the academic realm. Regardless of the vehemence of Senate Republicans and minimum wage opponents in their attempts to portray a united front, the business community is hardly monolithic either. The Business and Labor Coalition of New York (BALCONY), which represents more than 1,000 businesses, trade associations, labor unions and non-profits across New York State, calls for a substantial increase in the minimum wage, stating with confidence that doing so will actually *create* jobs.

David Levine is CEO and co-founder of the American Sustainable Business Council (ASBC), a council of business organizations and businesses that represents more than 110,000 businesses across the country, with many members in New York State. The ASBC recognizes that the current minimum wage keeps low-wage working families in poverty, which weakens consumer demand and the ability for workers to buy the products that businesses produce.[51]

> ***Today's minimum wage means poverty for working families. It weakens consumer demand – the ability to actually buy the products from our businesses… and therefore weakens our economy as a whole.***
>
> ***David Levine, Founder and CEO, Sustainable Business Council***

[46] Fiscal Policy Institute. "Which workers will benefit, if the New York minimum wage is raised to $8.50 an hour?" Available at www.fiscalpolicy.org/minimumwage_01.html.
[47] Fiscal Policy Institute. "What is the county by county Impact of raising New York's minimum wage to $8.50 an hour?" Available at www.fiscalpolicy.org/minimumwage_01.html.
[48] *Supra*, Note 35.
[49] Cooper, D. "One million workers stand to benefit from NY's proposed minimum wage hike." Available at http://www.epi.org/blog/million-workers-benefit-new-york-proposed-minimum-wage-hike/
[50] Lou Gordon, Executive Director of the Business and Labor Coalition of New York (BALCONY), submitted testimony to the Senate Democratic Forum on the Minimum Wage.
[51] David Levine, CEO of the American Sustainable Business Council. Testimony before the Senate Democratic Public Forum on the Minimum Wage.

In 1994, the Alternatives Federal Credit Union (AFCU), a Community Development Financial Institution dedicated to building wealth and creating economic opportunity for underserved people and communities in Tompkins County, did its first Living Wage Study. While the mission of the organization was in serving and empowering low-income people in the community, it found that its full-time employees were unable to live independently on their entry-level take home pay. Rather than looking at what competitors paid, or what the statutory minimum wage was, therefore, the AFCU looked at what it actually took to support a person above the poverty level, and set its minimum wages accordingly. When the Living Wage proposal was presented to the Credit Union Board, they decided to take the next step. Instead of quietly raising wages internally, they publically announced the Study and their commitment to paying a living wage to all employees, and urged all employers in Tompkins County to join them in the commitment.[52] The AFCU has done its Living Wage Study every two years ever since.

In his testimony before the Senate Public Forum, Pete Meyers of the Tompkins County Workers Center related that six years ago, his Ithica-based organization started the "Living Wage Employers Certification Program," by which the Workers Center certifies employers that pay the wage determined by the AFCU Living Wage Study. The program now has 79 employers, employing 1,700 workers in Tompkins County at wages that match or exceed the county's living wage of $11.67.[53] In 2011, the program convinced Sodexho to pay a living wage.[54]

Michael Guidice, a small business entrepreneur in the Albany area who has started several community-rooted businesses, sees the positive impact that raising the minimum wage has on working class neighborhoods like the one he lives and works in. He is the personification of the argument that minimum wage earners put their increase directly back into the communities in which they live. Guidice urged the Senate Democratic Public Forum to put faces to small business:

> "…Jerry, my deli guy, who has been there for thirty years, the barber shop on the corner, the first-generation Islamic people who are running a small deli… these are the faces I see, these are the people who are running and working businesses in my community. By raising the minimum wage, you lift up my whole neighborhood, and give them more buying power that they will, in turn, put back into those small businesses."[55]

> ***"When I think about raising the minimum wage, I see an opportunity to increase the entire buying power of my neighborhood. That means that extra cup of coffee… that extra pound of ham… that extra haircut… and that's going to be direct dollars for my neighborhood. That means someone coming to me and saying "I can cover that security" when they want to rent an apartment."***
>
> ***Michael Guidice***
> ***Small Business Entrepreneur***

And shortly after the Assembly passed Speaker Silver's minimum wage legislation in late May, a coalition of businesses which included Costco, the Greater New York Chamber of Commerce and more than 200 small business owners from across the state, voiced its support, recognizing that rais-

[52] Leni Hochman, Chief Operations Officer at Alternatives Federal Credit Union, in submitted testimony to the Senate Democratic Public Forum on the Minimum Wage.

[53] Alternatives Federal Credit Union bi-annual Living Wage Study for 2011. it was $24,271.50 or $11.67/hour for full-time worker in 2011.

[54] Pete Meyers, Coordinator, Tompkins County Workers Center. Testimony before the Senate Democratic Public Forum

[55] Michael Guidice. Testimony before the Senate Democratic Forum on the Minimum Wage.

ing the rate would benefit businesses because it would mean less reliance on public assistance by those working minimum wage jobs.[56]

"The proposal to raise the minimum wage to $8.50 next year and adjust it after that is by any measure very modest, especially in a high-cost state like New York," said Mark Jaffe, President and CEO of the Greater New York Chamber of Commerce. "Rather than hurting employers, we believe it will help boost the consumer sales that businesses need to keep the recovery going."

Thousands of businesses across New York State truly do understand that paying a just wage for an honest day's work just makes good economic sense.

V. Conclusion

This report examined the need and gauged the support for increasing the minimum wage in New York State, using a variety of sources ranging from primary raw data to factual and anecdotal evidence presented by participants in the Senate Democratic Public Forum on the Minimum Wage. Specifically, it assessed the current situation facing low-wage workers in New York, the need for raising the wage floor, and the potential economic consequences of doing so. Among its findings:

- New York's low-wage workers have been fighting a losing war to maintain their dignity and their piece of the American Dream for the past thirty years.

- There is an immediate need to raise the minimum wage, to correct the injustice that our low-wage workers have endured for the past three decades.

- Senate Republicans have used every possible argument and twisted their own professed ideology to accommodate the powerful interests allied against the working poor.

- There is no concrete validity to the argument that raising the minimum wage is, as Senate Republicans contend, a "job killer." The most reliable empirical evidence suggests that, if there is any impact on employment at all, it would be positive.

- The academic community is beginning to correct a long-held bias in favor of the "job killer" argument, as older studies are re-examined and more recent ones are drawing on more precise data.

- The business community is not, as Senate Republicans like to profess in public, monolithically opposed to raising the minimum wage. Thousands of businesses across the state support raising the rate, and view it as a job creator, rather than a "job killer."

- Senate Republicans are the sole obstacle to doing what the public wants, what low-wage workers need, and what thousands in the business community view as sound economic poli-

[56] Callegari, J. "Costco, small biz owners push minimum wage hike." Long Island Business News. 5/24/2012. Available at http://libn.com/2012/05/24/costco-small-biz-owners-push-minimum-wage-hike/.

cy. They do this in the face of overwhelming evidence that the backbone of their argument – that raising the rate is a “job killer” – is false.