

### **Testimony of Paul K. Sonn**

National Employment Law Project

# Why New York Should Raise the Minimum Wage to \$21.25 by 2026—and Why the Governor's Wage Proposal Is Inadequate

## Joint Legislative Public Hearing on the 2023 Executive Budget Proposal: Workforce Development

Before the Senate Finance Committee and Assembly Ways and Means Committee of the New York State Legislature

Legislative Office Building, Hearing Room B New York State Capitol Albany, New York

March 1, 2023

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#### Summary

Chair Krueger, Chair Weinstein, and other members of the committees. Thank you for the opportunity to testify this afternoon on the competing proposals to raise New York's minimum wage. My Name is Paul Sonn, and I am the State Policy Program Director at the National Employment Law Project (NELP). NELP is a national workers' rights policy and advocacy organization headquartered in New York. We have been delighted to work regularly with the New York State legislature on a range of employment and workforce issues, including the past several pieces of legislation raising the state's minimum wage. We have also worked with leaders in dozens of other states on minimum wage legislation, including most of the states that followed New York's lead by approving \$15 minimum wages.

In this written testimony I highlight the following key points:

- Record-high inflation is rapidly eroding New York's first-in-the-nation \$15
  minimum wage and reversing its historic achievements in reducing poverty and
  income inequality. The legislature should restore those gains by passing the Raise
  the Wage Act (S.1978A/A.2204A), which would raise the minimum wage to \$21.25
  by 2026, and then automatically adjust or "index" it each year after that so that it
  keeps up with inflation and gains in worker productivity.
- The Governor's meager minimum wage proposal—which is far less generous than New York's last minimum wage increase that the Republican-led Senate approved back in 2016—is too small to stop those losses and should be a non-starter. While there are many problems with it, its major failing is that it provides for only tiny adjustments to partially respond to future inflation, while ignoring the huge past drop in the minimum wage's value since 2019.
- Many of the thousands of workers who have come to Albany explaining that they are being crushed by the cost of living and urgently need raises—like part-time UPS workers, fast food workers, and home health aides—would receive no increase at all under the Governor's proposal. That's because her proposed increases are so tiny, and because the Governor shockingly proposes to freeze home care wages by phasing out the important \$3-above-minimum-wage home care wage supplement that the Governor agreed to just last year
- Five studies of New York's \$15 minimum wage—which represented a larger percentage increase than the current \$21.25 proposal—found that it raised pay for millions, reduced poverty, and did not hurt job growth, including upstate and on Long Island.
- At \$15 an hour downstate and \$14.20 upstate, New York's current minimum wage is far lower than minimum wages in other comparable high-cost U.S. cities, such as Seattle, San Francisco, Denver, and Washington, D.C. The \$21.25 proposal would bring it roughly in line with them by 2027.

- Other states and cities are joining New York in proposing minimum wage increases to \$20 or more, including Massachusetts, Vermont, and California.
- Upstate New York should not be left behind as it was in the 2016 wage increase.
   Upstate has high poverty rates and is facing an acute labor shortage. A \$21.25 minimum wage would help address both.
- New York voters in all regions of the state overwhelmingly support raising the
  minimum wage to more than \$20 an hour. Growing numbers of businesses also
  support raising the wage to \$21.25, which they say is manageable and will help
  boost consumer spending.

## Why New York Should Raise the Minimum Wage to \$21.25 by 2026—and Why the Governor's Wage Proposal is Inadequate

1. Record-high inflation is rapidly eroding New York's first-in-the-nation \$15 minimum wage and reversing its historic achievements in reducing poverty and income inequality. The legislature should restore those gains by passing the Raise the Wage Act and raising the minimum wage to \$21.25 by 2026.

In 2016, New York led the nation with the first \$15 minimum wage, which resulted in historic reductions in pay inequality and poverty, especially in New York City. (Those historic poverty reductions have been documented by the Center for New York City Affairs at the New School,¹ and by Columbia University's Center on Poverty and Social Policy.²) But those important gains are now being reversed because the minimum wage stopped increasing after it reached \$15 downstate—and still hasn't reached \$15 upstate.

That frozen minimum wage came at the worst possible time for New York workers, since it coincided with the highest inflation in 40 years—which caused the costs of food, gas, and housing to skyrocket, crushing working families.

In fact, not only is poverty increasing again but, as the Governor's budget proposal notes, income inequality in New York reached an all-time high in 2021—with the top 1% of New York taxpayers amassing 50.6% of total wage income and 81.1% of total capital gains in the state. That's up from 46.8% of wage income in 2020.³

If New York's minimum wage had kept increasing each year—to keep up with inflation and gains in worker productivity—after it reached \$15 downstate, it would be about \$21.25 by 2026. A broad coalition of unions, community groups, and business supporters—known as Raise Up New York<sup>4</sup>—are urging the legislature and the Governor to pass the Raise the Wage Act (S.1978A/A.2204A), which would gradually raise the wage to that \$21.25 level—and adjust it automatically each year starting in 2027 so that it doesn't fall behind again.

2. The Governor's meager minimum wage proposal—which is far less generous than the raise that the Republican-led Senate approved back in 2016—is too small to stop those losses and should be a non-starter.

The key problem with the Governor's proposal is that it provides for adjusting the minimum wage to keep up with inflation **only going forward** and ignores the fact that the minimum wage has **already fallen significantly in real value**. That's because, as noted, the minimum wage has been frozen at \$15 for years downstate—and upstate it never really reached \$15.

The Governor's proposal closes the inflation barn door only after the horse has escaped. She ignores the huge erosion in New York's minimum wage since 2019 and proposes protecting the wage against erosion only in the future, when inflation is projected to be much lower.

**Even worse, the Governor's proposal would not even fully keep up with inflation going forward**—starting in its very first year. First, she would cap future inflation-based increases at just 3% per year. But New York workers have just suffered through two years when inflation averaged 7.8% and 6.3% respectively, and 2022-2023 inflation is projected at close to 6%. So a capped 3% inflation adjustment means that from the very first year, the Governor's proposal will fail to protect the already eroded minimum wage from falling even further behind inflation.

Second, the Governor's proposal would suspend annual minimum wage increases altogether if the unemployment rate increases by a mere 0.5%, or if there is any decline at all in total employment in the state. Unemployment can increase even while the economy is faring well but may be slowing, and there are often individual months where total employment declines even in the midst of an expansion period. If that happened in July (the benchmark month specified in the Governor's proposal), a minimum wage freeze would be triggered, blocking any increase that year.

The premise for such caps and suspension provisions is that having the minimum wage fully keep up with inflation is unmanageable for business, or unmanageable during times when the economy may be slowing down. But this premise is not supported by the economic evidence. Research instead shows that minimum wage increases have not hurt jobs regardless of where we are in the economic cycle.<sup>5</sup> As discussed below, this includes New York's \$15 minimum wage – which five separate studies have found raised pay broadly without hurting job growth. These unnecessary and harmful limits on minimum wage adjustments should therefore be a non-starter for New York.

The overwhelming majority of the 19 states that already adjust their minimum wages each year for inflation do NOT include any such caps or suspension provisions. As a result, those states' minimum wages generally increased by approximately 7.8% for 2022 and 6.3% for 2023—and none have found those increases to be unmanageable or too high.

Moreover, the most significant state that has very limited forms of a cap and suspension provision—California—implements them in a way that is far less restrictive than the Governor's proposal.<sup>6</sup> For starters, California allows cities to raise the minimum wage higher than the state level. More than 40 cities have done so and, as discussed below, many already

have minimum wages of \$17 or higher and are projected to reach \$20 or higher by 2027.7 The caps do not apply to these higher city wages. Moreover, the California law provides for higher increases during periods of very high inflation above 7%, as happened last year. In addition, the suspension provision was merely an option that *could* be triggered by the California Governor when certain economic conditions were met—not mandatory like Governor Hochul's proposal. As a result, it has never been used. Moreover, it was temporary and has now sunset. Governor Hochul's far more restrictive cap and suspension proposal is unnecessary, would keep New York's minimum wage too low, and should be rejected.

Third, the Governor's proposal abandons the model approach to minimum wage adjustments that the Division of the Budget (DOB) and the Department of Labor (DOL) used successfully in 2021 and 2022. Under the current minimum wage law, DOB and DOL must adjust the upstate minimum wage each year until it reaches \$15. In 2021, the agencies published a thorough report recommending that the minimum wage be adjusted each year to keep up with increases in *both* the cost of living and labor productivity.<sup>8</sup> In recent decades, workers have not shared in the gains as labor productivity has increased. In fact, if the minimum wage had kept pace with productivity growth since 1968, it would have been \$21.50 in 2020.<sup>9</sup> The DOB/DOL formula is a best practice that ensures not only that underpaid workers' paychecks not only keep up with inflation—but also that when workers help produce gains in productivity, they too share in those benefits. The Governor's abandonment of the DOB/DOL formula results in even smaller raises under her proposal. Rather than abandoning it, the DOB/DOL formula should be made permanent and expanded statewide—which the Raise the Wage Act would do.

But that said, the much bigger, more fundamental problem with the Governor's proposal is that it would lock in low wages by indexing the minimum wage only going forward and so fails to do anything to first restore the eroded minimum wage.

It is worth remembering that New York's 2016 \$15 minimum wage package was bipartisan legislation that New York's then Republican-controlled State Senate passed—together with the Assembly and Governor Cuomo.

The Governor's proposal is *far* less generous than that Republican-backed legislation. And the fact that corporate lobbyists like the Business Council of New York State—which vehemently fought the \$15 minimum wage—are endorsing the Governor's proposal out of the gate should tell you all you need to know about how limited it is.

3. The Governor's proposal would result in tiny raises for a small group of workers and would be a return to the very small minimum wage increases New York used to do before the Fight for \$15. The Raise the Wage Act would deliver significant raises to \$21.25 for one in three New Yorkers and restore the poverty reduction gains of the \$15 minimum wage.

Comparison of the projected average raises under the Governor's proposal versus the Raise the Wage Act underscores how inadequate the Governor's proposal is. (For a more detailed comparison of the two proposals, see National Employment Law Project, "Comparison: Gov. Hochul's Minimum Wage Proposal vs. the Raise the Wage Act," Jan. 2023. 10)

The Governor's proposal would deliver only tiny raises of about 40 cents an hour each year, which translates to about \$670 a year, or just \$13 a week, for the average affected worker. See **Table 1** and **Figure 1** below. That barely buys you a sandwich in New York and doesn't make a dent in the spiraling costs families are facing. And only a small sliver of the state's workforce—just one in eight workers—would be affected, about 900,000 by the Governor's estimates.

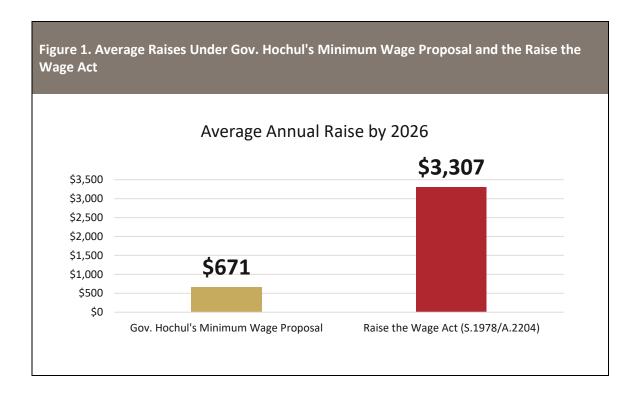
Table 1. Comparison of Projected Minimum Wage Rates Under	Gov. Hochul's Minimum
Wage Proposal and the Raise the Wage Act	

	Gov. Hochul's Minimum Wage Proposal		Raise the Wage Act		Difference	
	NYC, Long Island &	Harteta	NYC, Long Island &	Hartste	NYC, Long Island &	H. and an a
	Westch.	Upstate	Westch.	Upstate	Westch.	Upstate
2023	\$15.00	\$14.20	\$15.00	\$14.20		
2024	\$15.45	\$15.00	\$17.25	\$16.00	\$1.80	\$1.00
2025	\$15.90	\$15.45	\$19.25	\$18.00	\$3.35	\$2.55
2026	\$16.30	\$15.85	\$21.25	\$20.00	\$4.95	\$4.15

By contrast, the Raise the Wage Act would deliver raises of about \$2 an hour each year, which would translate to an extra \$3,300 a year, or \$63 a week, for the average worker. That's five times larger than the Governor's increase and enough to actually begin to cover the higher cost of groceries and gas. And a much larger group of workers would see raises—one in three, or about 2.9 million workers statewide.

That much larger increase proposed in the Raise the Wage Act is similar in scale—although smaller as a percentage increase—to the raises that New York successfully implemented from 2016 to 2019 with our \$15 minimum wage. The Governor's proposal, by contrast, is just a drop in the bucket.

Only an increase on the scale of the Raise the Wage Act will restore and preserve the historic reductions in poverty and income inequality in the state, and especially in New York City, that were achieved by the \$15 minimum wage.



4. Many of the thousands of workers who have come to Albany explaining that they are being crushed by the cost of living and urgently need raises—like part-time UPS workers, fast food workers, and home health aides—would receive no increase at all under the Governor's proposal.

The Governor's proposal is so small that many of the workers who have been coming to Albany explaining that they are being crushed by inflation and urgently need a significant raise would see virtually no raise at all. For example, the thousands of part-time UPS workers, represented by the Teamsters, who deliver the packages on which all of us rely in our online economy currently earn about \$16 an hour. Similarly, the fast food workers at companies like Chipotle whom 32BJ has been organizing and who launched the Fight for \$15 10 years ago, as well as Starbucks workers who are organizing across the state, generally make at least \$17 an hour downstate. Under the Governor's proposal, the minimum wage would slowly creep up to just \$16.70—and not until 2026—meaning that most UPS part-timers, Chipotle workers, and Starbucks workers would not be helped at all.

Even more shocking, the Governor proposes to freeze and phase-out a \$3-above-minimum-wage supplement for home care workers—many of them represented by SEIU 1199—that she agreed to in the FY2023 state budget just 10 months ago. That \$3-above-minimum-wage supplement is crucial for addressing the urgent home care worker

shortage as the state's population ages. Yet the Governor proposes to freeze home care wages at the current level and phase out the supplement, meaning that home care workers would receive no further raises until the minimum wage reaches \$18 an hour (the current \$15 minimum wage plus \$3). And under the Governor's meager proposal, that likely would not happen for seven years.

5. Five studies of New York's \$15 minimum wage—which represented a larger percentage increase than the current \$21.25 proposal—found that it raised pay for millions, reduced poverty, and did not hurt job growth, including upstate.

There have been a total of five independent studies of the impact of New York's \$15 minimum wage—by researchers at the Federal Reserve Bank of New York,<sup>11</sup> the University of California at Berkeley,<sup>12</sup> Columbia University,<sup>13</sup> the New York City Comptroller,<sup>14</sup> and the Center for New York City Affairs at the New School together with the National Employment Law Project.<sup>15</sup> All found that it raised pay broadly without hurting job growth.

Two studies in particular focused on the impact of the wage increases upstate. The 2019 Federal Reserve study examined job growth in neighboring counties along the New York-Pennsylvania border. At the time of the study, the upstate minimum wage was \$11.10 generally and \$12.75 for fast food workers—roughly \$4 to \$5 higher than the \$7.25 Pennsylvania minimum wage. It found that worker earnings increased significantly in New York, while job growth trends in restaurants and retail—two heavily affected low-wage industries—remained similar in the two states.

Echoing these findings is a just-released 2023 University of California study examining the impact on the fast food industry upstate and on Long Island after the upstate fast food minimum wage reached \$15 in 2021. Fast food is one of the lowest paid industries where the minimum wage often sets pay scales, and where any adverse effects of a higher minimum wage would likely appear first. The study shows that in both urban and rural counties across upstate and Long Island, New York's fast food industry grew at least as fast as in similar counties in other states that did not raise the minimum wage to \$15—and in some cases grew faster. <sup>16</sup>

It is important to note that the minimum wage increases examined in these studies generally raised New York's wage by 66%—from \$9 in 2016 to \$15 by 2021. That increase was a good deal larger than the 43% increase being proposed today in the Raise the Wage Act.

The economic evidence from New York's past experience with the \$15 minimum wage therefore shows that the state can safely implement large minimum wage increases that raise pay broadly and that doing so is manageable for businesses, both upstate and down.

The opposition's talking points that the proposed restoration of New York's minimum wage to \$21.25 is unmanageable for business are the same talking points they used in opposing the \$15 minimum wage—and ignore the years of successful experience and economic evidence disproving their predictions.

## 6. At \$15 an hour, New York's current downstate minimum wage is far lower than minimum wages in other comparable high-cost U.S. cities.

Because it has been frozen at \$15 since 2019 downstate, New York's minimum wage has fallen substantially behind the minimum wage in a number of the nation's comparable high-cost cities, as detailed in **Table 2** below. For example, Washington, D.C.'s minimum wage will reach \$17.00 in July, Denver's is \$17.29, and Seattle's is \$18.69. They are projected to reach \$19.57, \$19.91, and \$21.52 respectively by 2027. The Port Authority of New York and New Jersey has also raised its minimum wage for airport service workers to a similar range. It is already \$19.00 today and is projected to reach \$21.90 by 2026.

Table 2: Projected Minimum Wage Rates Highest Cost U.S. Cities v. NY							
<u>Proposals</u>					-		
	2023	2024	2025	2026	2027		
Seattle	\$18.69	\$19.87	\$20.44	\$20.98	\$21.52		
San Francisco	\$18.07	\$19.21	\$19.77	\$20.28	\$20.81		
West Hollywood	\$18.86	\$20.05	\$20.63	\$21.17	\$21.72		
San Jose	\$17.00	\$18.07	\$18.60	\$19.08	\$19.57		
Denver	\$17.29	\$18.38	\$18.91	\$19.40	\$19.91		
Washington, D.C.	\$17.00	\$18.07	\$18.60	\$19.08	\$19.57		
NY-NJ Port Authority Airport Workers	\$19.00	\$20.20	\$20.80	\$21.35	\$21.90		
Gov. Hochul proposal - downstate	\$15.00	\$15.45	\$15.90	\$16.30	\$16.70		
Gov. Hochul proposal - upstate	\$14.20	\$15.00	\$15.45	\$15.85	\$16.25		
Raise the Wage Act - downstate	\$15.00	\$17.25	\$19.25	\$21.25	\$22.05		
Raise the Wage Act - upstate	\$14.20	\$16.00	\$18.00	\$20.00	\$22.05		
Projected inflation rates:	6.3%	2.9%	2.6%	2.6%			
Projected labor productivity rates:	1.1%	1.1%	1.1%	1.1%			
			= projected rates				

Governor Hochul's proposal would leave both the downstate and upstate minimum wages \$4.00 to \$5.00 dollars lower than these high-cost cities. By contrast, the Raise the Wage Act's \$21.25 proposal would bring New York's wage roughly in line with them—and in line with the Port Authority's minimum wage.

## 7. Other states and cities are joining New York in proposing minimum wage increases to \$20 or more.

Responding to the past years' record-high inflation, other states and cities are now joining New York in proposing to raise their minimum wages to \$20 or more. **Table 3** notes some of these efforts, although new ones are emerging regularly. For example, in February, the lawmakers and labor coalition that passed Massachusetts' \$15 minimum wage several years

ago launched a new campaign to increase it further to \$20 by 2027.<sup>17</sup> A similar campaign for a \$20 minimum wage is launching in neighboring Vermont.

Last year, the California legislature passed a \$22 minimum wage for fast food workers—some of the nation's lowest paid workers. The fast food industry has forced a voter referendum on the \$22 increase, however, so it will go before California voters next year. <sup>18</sup> Los Angeles similarly passed a \$25 minimum wage for hospital workers last year, which the industry has sent to another referendum vote in 2024. <sup>19</sup> And the California legislature has now proposed a statewide \$25 health care worker minimum wage. <sup>20</sup>

## Table 3: Other States and Cities Proposing Minimum Wages of \$20+ in Response to High Inflation

Massachusetts – all workers	\$20 by 2027
Vermont – all workers	\$20 by TBD
California – fast food workers	\$22 by 2023
Los Angeles & California – health care workers	\$25 by 2023

8. Upstate New York should not be left behind as it was in the 2016 wage increase. Upstate has high poverty rates and is facing an acute labor shortage. A \$21.25 minimum wage would help solve both.

When New York increased the minimum wage in 2016, the then Republican-controlled Senate demanded a significantly lower wage for upstate. As a result, the upstate wage increased to just \$12.50 by 2021—and still hasn't reached \$15.

The low upstate minimum wage has meant that upstate did not share fully in the historically large reductions in poverty that downstate saw under the \$15 minimum wage. Analysis by the Economic Policy Institute shows that 42% of all upstate workers who would get a raise under the Raise the Wage Act live in poverty or near-poverty. That's a much higher proportion than downstate and shows how badly upstate needs a large wage increase too.

Moreover, the New York State Division of the Budget's September 2022 report on the upstate minimum wage highlights the urgent upstate New York labor shortage, particularly in service industries that were hard-hit by the pandemic.<sup>23</sup>

The \$21.25 minimum wage proposed in the Raise the Wage Act would help attract more upstate workers into the labor force to meet that need, as well as attract more workers from other states. By contrast, the tiny raises proposed by the Governor would do little to address upstate's labor shortage and high poverty rate. For more background on those dynamics, see James Parrott's November 2022 testimony before the Assembly Labor Committee.<sup>24</sup>

9. New York voters in all regions of the state overwhelmingly support raising the minimum wage to \$21.25 an hour. Growing numbers of businesses also support raising the wage to \$21.25, which they say is manageable and will help boost consumer spending.

Voters across the state overwhelmingly support raising New York's minimum wage to more than \$20 an hour. A December 2022 poll of New York voters by Data for Progress shows that 80% of voters statewide support such an increase, including 65% of Republicans. Support is strong in all regions of the state, including 87% in New York City, 89% in the Hudson Valley, 74% in Long Island, 74% in the Finger Lakes, and 67% in Western New York. This support is even stronger than the 59% of New York voters who in 2015 backed the \$15 minimum wage that the legislature enacted the following year.

Growing numbers of businesses also support raising the wage to \$21.25, which they say is manageable and will help boost consumer spending.<sup>27</sup>

#### Conclusion

For the foregoing reasons, we respectfully urge the legislature to restore the historic gains of New York's \$15 minimum wage by passing the Raise the Wage Act to increase the state's minimum wage to at least \$21.25 by 2026—and to reject the Governor's inadequate proposal.

#### **Endnotes**

<sup>1</sup> National Employment Law Project, "New York State Should Gradually Raise the Minimum Wage to More Than \$21 an Hour by 2026," Jan. 2023. <a href="https://www.nelp.org/publication/why-new-york-needs-to-index-its-minimum-wage-now/">https://www.nelp.org/publication/why-new-york-needs-to-index-its-minimum-wage-now/</a> (summarizing James Parrott, Center for New York City Affairs at the New School, "Full Employment and Raising Wages: New York City's Twin Economic Challenges in Emerging from the Pandemic," Mar. 2022.

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- <sup>2</sup> Columbia University, Center on Poverty and Social Policy, "The Effects of the New York City Minimum Wage Increases on Earnings, Poverty, and Material Hardship: Evidence from the Poverty Tracker," Jan. 2023. <a href="https://www.povertycenter.columbia.edu/publication/2023/nyc-poverty-tracker-minimum-wage-increases">https://www.povertycenter.columbia.edu/publication/2023/nyc-poverty-tracker-minimum-wage-increases</a>
- <sup>3</sup> N.Y.S. Div. of Budget, FY 2024 Executive Budget Economic and Revenue Outlook, Jan. 2023, pp.109-110. https://www.budget.nv.gov/pubs/archive/fy24/ex/ero/index.html.
- <sup>4</sup> Raise Up New York website. www.raiseupny.com
- <sup>5</sup> Holly Sklar, Business for a Fair Minimum Wage, "Research Shows Minimum Wage Increases Do Not Cause Job Loss," updated Sept. 2022.

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<sup>6</sup> Cal. Labor Code § 1182.12.

- <sup>7</sup> U.C. Berkeley Labor Center, California City and County Current Minimum Wages (1/1/2023). <a href="https://laborcenter.berkeley.edu/inventory-of-us-city-and-county-minimum-wage-ordinances/#s-2">https://laborcenter.berkeley.edu/inventory-of-us-city-and-county-minimum-wage-ordinances/#s-2</a>
  <sup>8</sup> N.Y.S. Div. of Budget, "Report on New York's Minimum Wage Increases Scheduled for 2022," Sept. 22, 2021. <a href="https://dol.ny.gov/system/files/documents/2021/09/minimum-wage-final report-092221.pdf">https://dol.ny.gov/system/files/documents/2021/09/minimum-wage final report-092221.pdf</a>
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