

THE UNHEARD THIRD²⁰¹²

CSS POLICY UPDATE

The Case for Raising New York State's Minimum Wage

By Apurva Mehrotra
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The Community Service Society of New York (CSS) draws on a 169-year history of excellence in addressing the root causes of economic disparity through applied research, advocacy, litigation, and innovative service models that serve to strengthen and benefit all New Yorkers.

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We thank The New York Community Trust for their generous on-going support which makes The Unheard Third survey possible. Lake Research conducts the survey annually for CSS and provides valuable assistance in developing the questions and reporting the results.

The United States' slow recovery from the Great Recession has almost exclusively benefited those with the highest incomes,¹ widening what was already an expansive gap between the rich and the poor. The top 1 percent of earners captured 93 percent of income gains from 2009 to 2010,² bringing income inequality in the United States to its highest level since the Great Depression.³

In New York, those in the financial services sector, who many feel were responsible for the economic meltdown, are once again thriving while low-wage workers continue to struggle. According to the Census Bureau, New York State has the highest level of income inequality of any state in the country⁴ and Manhattan has the second highest income disparity of any county in the nation.⁵ In 2011, the median income for the top fifth of earners in New York City was \$223,285; for the bottom fifth, it was under \$9,000.⁶

One way to begin to narrow widening income inequality is to raise the floor for low-wage earners. Low-wage workers are not only falling further behind those with higher incomes, but too many are struggling to get by and support their families despite working full-time jobs. In New York City, over 110,000 full-time, year round workers are living in poverty, while another 360,000 are among the near poor with household incomes between 100 percent and 200 percent of the federal poverty level.⁷ It is not difficult to figure out how this could be the case: a full-time, year round worker making the minimum wage earns around \$15,080 per year. The federal poverty threshold for a family of three is \$17,916 (for a family of two, it is \$14,657).⁸

HARDSHIPS TRACKED IN THE UNHEARD THIRD SURVEY

Q: In the last year, have you or your family members experienced the following hardships?

Financial

- Cut back on buying back to school supplies and clothes
- Had hours, wages, or tips reduced
- Lost job
- Received assistance from charity

Food

- Received free food from family or friends
- Often skipped meals because there was not enough money to buy food
- Went hungry because there was not enough money to buy food
- Got food from food pantry, soup kitchen, or meal program

Housing

- Fell behind in rent or mortgage
- Had gas, electricity, or phone turned off because of unpaid bill
- Moved in with others because of financial problems
- Been threatened with foreclosure or eviction

Health

- Had your health care costs increase
- Been without health insurance coverage
- Had your health coverage reduced
- Had debt due to medical bills
- Not gotten or postponed getting medical care or surgery because of lack of money or insurance
- Needed to fill a prescription but couldn't because of lack of money or insurance

While the proposed increase in the minimum wage to \$8.50 an hour will not immediately lift all of the working poor out of poverty, it is the most sensible place to start. In New York, where the idea has been debated for months—and enjoys widespread public support—the time for an increase is long overdue. The last time the minimum wage was increased in New York was in 2009, when it was raised 10 cents to \$7.25 to keep up with the federal standard. Nineteen states, the District of Columbia, and several cities now have higher minimum wages than New York. Adjusted for inflation, the value of the current New York State and federal minimum wage is actually lower than the minimum wage in 1980. The minimum wage of \$3.10 in 1980 would be worth roughly \$8.70 today.

An increase would not only directly benefit those currently making the minimum wage; it would also indirectly benefit workers who make just above the minimum wage. This is known as the spillover effect, and is the result of companies wanting to maintain a certain wage structure. In the event of a minimum wage increase, workers who make slightly above the minimum wage would see increases in their wages so that relative wage levels within a company remain intact.

This policy update looks at the hardships facing the working poor, and shows the support of New York City residents across the political spectrum for an increase in the minimum wage. The findings come from *The Unheard Third* 2012 survey. The poll was conducted for the Community Service Society by Lake Research during 2012, surveying 1,468 city residents, and has a margin of error of +/- 3.7 percent.

Hardships of the Working Poor

Since 2002, the CSS annual survey, *The Unheard Third*, has been tracking the hardships experienced by low-income New Yorkers to measure the degree to which they are able to meet their financial, food, housing, and health needs. The hardships tracked include whether or not people were forced to skip meals, were able pay their rent on time, and were able to get needed medical care. The survey reveals that those who work full time at wages that keep their families in poverty experience serious and often multiple hardships. Many are forced to rely on public benefits to survive.

Among the working poor, 43 percent reported that they had experienced three or more hardships in the past year (see Chart 1). Close to a quarter reported experiencing five or more hardships. Nearly one in three of the working poor surveyed reported having to cut back on school supplies and clothes; nearly one in five went hungry because there wasn't enough money to buy food; and nearly three in ten fell behind in rent or mortgage payments. That these numbers reflect the struggles of those who are working full time is unconscionable.

Chart 1

Earning poverty wages—even working full time—does not protect households from experiencing multiple hardships.

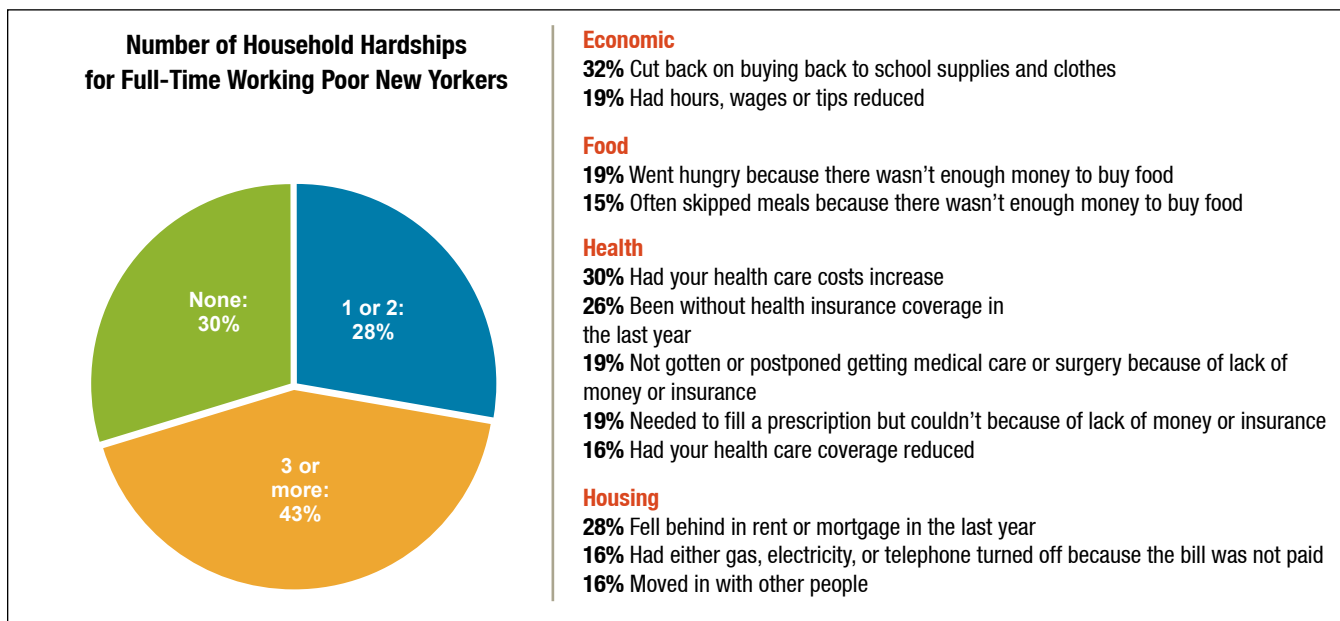
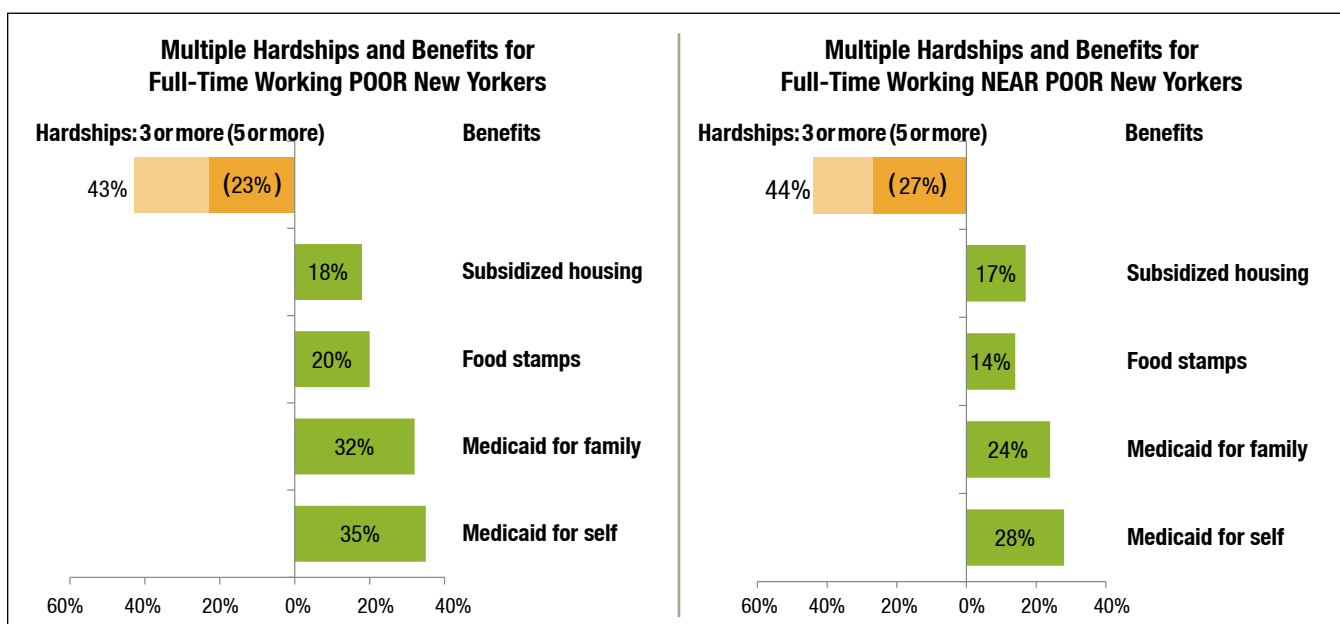


Chart 2

The working poor are more likely to rely on public benefits than those who are near poor.



**STATES WITH MINIMUM WAGES HIGHER
THAN THE FEDERAL MINIMUM WAGE OF
\$7.25/HOUR**

(effective January 1, 2013)¹¹

\$9.19 – Washington*

\$8.95 – Oregon*

\$8.60 – Vermont*

\$8.50 – Proposed New York State Min. Wage

**\$8.25 – Connecticut, District of Columbia,
Illinois, and Nevada***

\$8.00 – California and Massachusetts

\$7.85 – Ohio*

\$7.80 – Arizona* and Montana*

\$7.79 – Florida*

\$7.78 – Colorado*

\$7.75 – Alaska and Rhode Island

\$7.50 – Maine and New Mexico

\$7.40 – Michigan

\$7.35 – Missouri*

\$7.25 – Current New York State Min. Wage

*These 10 states have minimum wages that are linked to a consumer price index, and are normally increased every year.

Many of those working full time but at poverty wages had to seek public benefits. One in five of the working poor reported using food stamps; more than one third are on Medicaid; and nearly one in five lives in subsidized housing (see Chart 2). Many of these workers are employed at some of the country's largest—and highly profitable—enterprises, from fast food restaurants to national retail chains. These large firms are failing to pay their employees enough to live on and are profiting by shifting their costs to the taxpayers who end up footing the bill for food stamps and Medicaid.

Those working full time who are between 100 and 200 percent of the federal poverty level do not fare much better than the working poor and, in certain ways, are in an even more precarious position. The near poor have higher incomes, but are often not eligible for the same public benefits as the poor. Perhaps because the near poor are less likely to receive public benefits than the working poor, they are as or more likely to experience serious hardships.

Forty-four percent of those working full time and between 100 and 200 percent of the federal poverty level reported experiencing three or more hardships, with 27 percent reporting five or more. Twenty-eight percent reported being on Medicaid (compared to 35 percent for the working poor) and 14 percent reported using food stamps (compared to 20 percent for the working poor).

The Debate in Albany: Raising the Minimum Wage

The proposal currently under consideration in Albany would raise the minimum wage to \$8.50 with annual adjustments to keep pace with inflation. It is estimated that this would benefit over one million workers in the state, including over 350,000 in New York City who currently make less than the proposed new minimum wage.⁹ Opponents are sounding the usual alarm bells about how the increased cost for employers would harm the economy and small businesses. However, there is a solid body of evidence, collected over the course of many years, that this won't be the case. A recent study by economists Dube, Lester, and Reich examined the effect of the minimum wage using contiguous counties that were across state borders in which there were different minimum wage policies. The study found that states that increased their minimum wage saw increases in earnings and no negative impact on employment compared to bordering states in which there was no minimum wage increase.¹⁰

New Yorkers voice strong and wide support for raising the state minimum wage. According to *The Unheard Third*, 88 percent of New Yorkers favor an increase to \$8.50 an hour, with adjustments each year for inflation, with 78 percent supporting it strongly (see Chart 3). Support is high across income levels and party affiliations (see Chart 4).

Chart 3

By wide majorities, New Yorkers of all incomes strongly favor raising the minimum wage from \$7.25 to \$8.50 an hour.

Q: The New York State legislature is considering raising the state minimum wage from \$7.25 an hour to \$8.50 an hour and then adjusting the minimum wage each year to keep pace with the cost of living. Do you favor or oppose raising the state minimum wage to \$8.50 an hour?

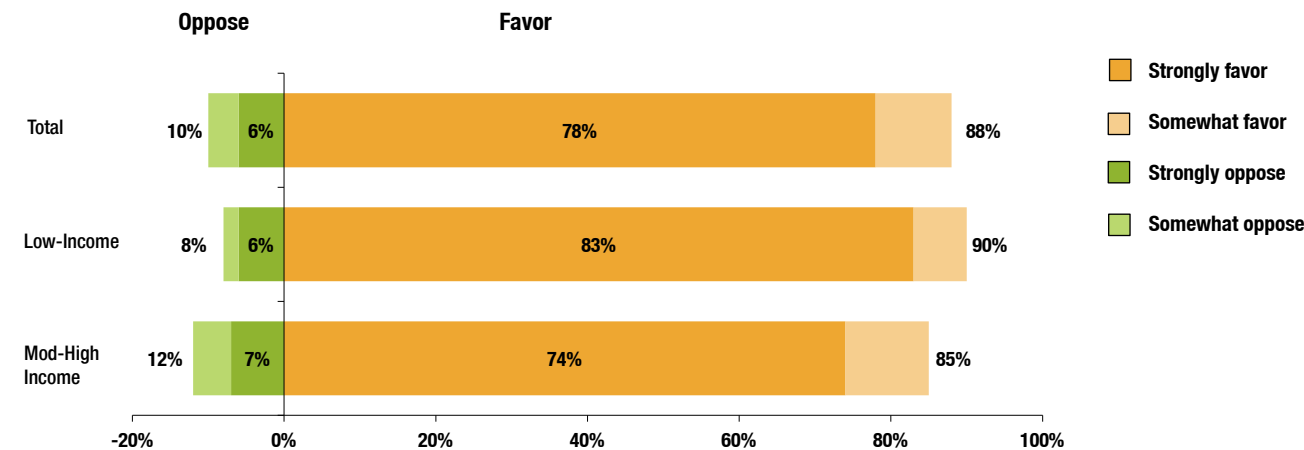
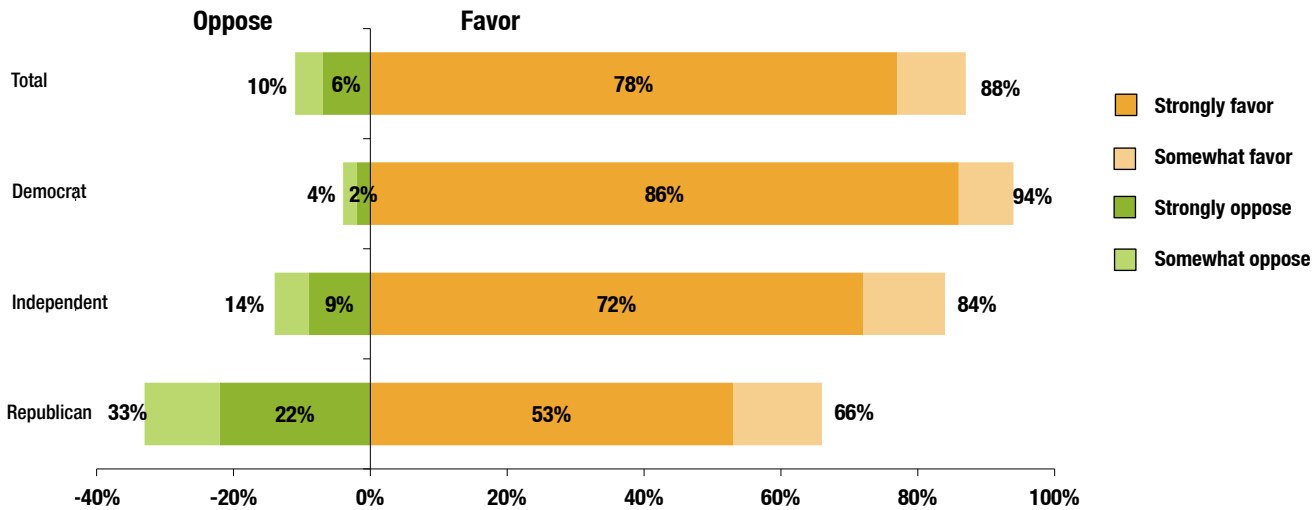


Chart 4

Support for a minimum wage increase is especially strong among Democrats, but two-thirds of Republicans also favor the policy.

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MORE CITIES ARE NOW SETTING THEIR OWN HIGHER MINIMUM WAGES

The minimum wage is a federal standard that states can supersede with a higher wage if they choose to do so. However, cities and counties can also set their own minimum wages if they feel the federal and state standards are too low.

In November 2012, voters in three cities raised the minimum wage. In Albuquerque, New Mexico, the minimum wage went up from \$7.50/hour to \$8.50/hour on January 1, 2013, with automatic cost of living increases built in. In San Jose, California, the minimum wage increased from \$8.00/hour to \$10.00/hour with automatic cost of living increases. In Long Beach, California, a new minimum wage of \$13.00/hour will apply only to hotel workers, who will also receive five paid sick days per year.

Earlier in 2012, Santa Fe, New Mexico, increased its minimum wage to \$10.29/hour, the highest minimum wage of any locality in the nation at the time. On January 1, 2013, San Francisco's minimum wage increased to \$10.55/hour, reclaiming the title of highest minimum wage in the country. San Francisco first raised its minimum wage above California's standard in 2004 after passing a proposition that requires the city to raise the minimum wage every year using a formula tied to inflation and the cost of living.

Nine out of ten low-income New Yorkers favor raising the minimum wage, with 83 percent favoring it strongly. Moderate- and higher-income New Yorkers also favor the proposal, with 85 percent supporting the proposal, 74 percent favoring it strongly. As one might expect, Democratic support for a minimum wage increase is high, with 94 percent of Democrats favoring the increase, and 86 percent favoring it strongly. Two-thirds of Republicans favor a minimum wage increase, with over half doing so strongly.

New Yorkers strongly agree that it's time to give the working poor a raise.

This widespread support for a minimum wage increase recognizes the reality that, far from hurting small businesses, an infusion of cash into the pockets of those who will spend it will actually boost the economy. These findings are in line with survey results that show New Yorkers generally favor policies that help working New Yorkers, over lowering regulations and providing tax breaks for businesses. When the economy collapsed, the government stepped in to bail out the financial institutions that were largely responsible for the crisis. However, those among the hardest hit by the recession, low-wage workers with reduced hours and job insecurity, are still waiting for a little help. New Yorkers strongly agree that it's time to give the working poor a raise.

HOW THE SURVEY WAS CONDUCTED

The Community Service Society designed this survey in collaboration with Lake Research Partners, who administered the survey by phone using professional interviewers. The survey was conducted from July 8th to July 25th, 2012. The survey reached a total of 1,468 New York City residents, ages 18 or older, divided into two samples:

- 935 low-income residents (up to 200% of federal poverty standards, or FPL) comprise the first sample:
 - 499 poor respondents, from households earning at or below 100% FPL
 - 436 near-poor respondents, from households earning 101%–200% FPL
- 533 moderate- and higher-income residents (above 200% FPL) comprise the second sample:
 - 328 moderate-income respondents, from households earning 201%–400% FPL
 - 205 higher-income respondents, from households earning above 400% FPL.

This year's survey also included an oversample of 250 cell phone interviews among adult residents at up to 400% FPL.

Telephone numbers for the low-income sample were drawn using random digit dial (RDD) among exchanges in census tracts with an average annual income of no more than \$40,000. Telephone numbers for the higher-income sample were drawn using RDD in exchanges in the remaining census tracts. The data were weighted slightly by gender, age, region, immigration status, education, and race in order to ensure that it accurately reflects the demographic configuration of these populations. In the combined totals respondents in the low income sample were weighted down to reflect their actual proportion among all residents. Also, in the combined totals, the sample is weighted by telephone status. Interviews were conducted in English, Spanish, and Chinese.

In interpreting survey results, all sample surveys are subject to possible sampling error; that is, the results of a survey may differ from those which would be obtained if the entire population were interviewed. The size of the sampling error depends upon both the total number of respondents in the survey and the percentage distribution of responses to a particular question. The margin of error for the low income component is +/- 3.2%. The margin of error for the higher income component is +/-4.2%. The margin of error for the entire survey is +/- 3.7%.

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Notes

¹ Emmanuel Saez and Thomas Piketty. "Income Inequality in the United States, 1913-1998." *Quarterly Journal of Economics*, 118(1), 2003, 1-39. (Tables and figures updated to 2010 in Excel format, March 2012. Available at <http://elsa.berkeley.edu/~saez/>)

² Ibid.

³ Ibid.

⁴ Amanda Noss. "Household Income for States: 2010 and 2011." p.5. American Community Survey Briefs. September 2012.

⁵ Sam Roberts. "Income Data Shows Widening Gap Between New York City's Richest and Poorest." *The New York Times*. September 20, 2012.

⁶ Ibid.

⁷ Analysis of 2011 American Community Survey.

⁸ Poverty thresholds are from the US Census Bureau for 2011 (the most recent year for which they are available). The Department of Health and Human Services provides an alternative poverty measure, called poverty guidelines. For 2012, the HHS poverty guideline is \$19,090 for a family of three and \$15,130 for a family of two.

⁹ Fiscal Policy Institute. "What is the County-by-County Impact of Raising New York's Minimum Wage to \$8.50 an hour?" p. 1. May 2012.

¹⁰ Arindrajit Dube, T. William Lester, and Michael Reich. "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties." *Review of Economics and Statistics*, pp. 945-964. November 2010.

¹¹ "Minimum Wage Laws in the State – January 1, 2013." United States Department of Labor. Available at <http://www.dol.gov/whd/minwage/america.htm#.UOXpw6xh4hA>



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