



***Testimony to***  
**Senate Labor Committee**

***Examining the Economic Impact of a Proposed \$15 Statewide Minimum Wage***

***Presented by***

Kenneth J. Pokalsky  
Vice President

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I appreciate this opportunity to discuss the potential economic impacts of a proposed \$15 per hour minimum wage. It is crucial that the administration, the legislature and the general public consider the \$15 minimum wage in its full economic context.

By the administration's own projections, once fully implemented in 2021, this proposal would result in a \$15.7 billion annual, recurring increase in employer's labor costs.

Let's put that in perspective.

In recent years, with the Governor's leadership, the legislature's approval, and the Business Council's support, the state has:

- saved employers about \$200 million in reduced interest payments related to federal UI borrowings (albeit, at the same time that total UI taxes were increased by \$3 billion to repay federal borrowing.)
- reduced business taxes by \$600 million per year, once the 2014 corporate franchise tax reforms are fully implemented in the 2016 tax year.
- saved commercial and industrial business about \$1 billion in aggregate since the adoption of the real property tax cap in 2011.
- and, the Governor will be proposing \$380 million in additional small business tax reductions in his FY 2017 executive budget.

These are all positive steps in improving the state's business climate, but their aggregate value will be absolutely dwarfed by the impact of the proposed minimum wage increase to \$15 per hour.

If this were a proposal for a nearly \$16 billion increase in annual business TAXES in New York State, I doubt we would be even talking about it. The proposal would be dismissed out of hand, as would the argument that it would have no adverse impact on jobs, business or the economy.

We also need to recall that New York has just completed a three year, 25 percent increase in its minimum wage, under legislation adopted in 2013. The state's current \$9 minimum wage, effective on December 31, 2015, is higher than all but just eight states (with California and Massachusetts at \$10, Alaska at \$9.75, Vermont at \$9.60, Minnesota at \$9.50 (\$7.75 for small businesses with receipts under \$500,000), Oregon at \$9.25, and Connecticut at \$9.15. New York joins two other states – Nebraska and Rhode Island - at \$9. Three states – Connecticut, Maryland and Hawaii – have adopted laws to take their minimum wage to \$10.10 by either 2017 or 2018. In short, New York has been and remains a leader among states in setting a higher minimum wage. However, even with this recent activity among states, no other state has adopted a wage mandate anywhere close to the \$15 per hour being proposed here.

In fact, New York's minimum wage is at an all-time high, in real terms. New York State adopted its first statutory minimum wage in 1960 [Chapter 691, laws of 1960] at \$1 per hour. Adjusted by CPI increases since then, that \$1 minimum wage would be about \$7.81 today, a figure well below the \$9 minimum wage. Picking a less distant date, New York's minimum wage in 2000 was \$5.15; adjusted for inflation, that figure would be \$7.01 today.

At \$9 per hour, the increased labor cost of the state's minimum wage is \$3,912 on an FTE basis, compared to the federal minimum wage of \$7.25, counting direct labor cost, increases in mandatory federal withholdings, and an increase in workers' compensation premium. At \$15 per hour, the FTE cost increase is another \$13,413 per job beyond current levels – or a whopping \$17,325 compared to the federal wage level that was applicable in New

York in 2013. As significant as these increases are, many employers will be further impacted once the federal wage threshold for overtime pay comes into effect by the end of 2016.

<b>Hourly Wage</b>	<b>\$7.25</b>	<b>\$8.75</b>	<b>\$9.00</b>	<b>\$15.00</b>
Direct Payroll Cost	\$14,500.00	\$17,500.00	\$18,000.00	\$30,000.00
Social security 6.2%	\$899.00	\$1,085.00	\$1,116.00	\$1,860.00
Medicare 1.45%	\$210.25	\$253.75	\$261.00	\$435.00
Workers' Comp	\$598.85	\$722.75	\$743.40	\$1,239.00
<b>TOTAL (2000 HRS/YR)</b>	<b>\$16,208.10</b>	<b>\$19,561.50</b>	<b>\$20,120.40</b>	<b>\$33,534.00</b>
INCREASE FROM \$9.00				\$13,413.60
INCREASE FROM \$8.75			\$558.90	\$13,972.50
INCREASE FROM \$7.25		\$3,353.40	\$3,912.30	\$17,325.90

Relatively few New York employers and employees were directly affected by the 2013 wage increases (federal data showed only 200,000 New Yorkers earning the federal minimum wage then in effect). In contrast, the \$15 per hour proposal would affect far more employers, for more business sectors, and far more occupation categories. Based on current federal data on private sector jobs in New York State, 153 out of 785 occupation categories, with a total 3,065,200 jobs, have median wages under \$15, meaning that this proposal would directly impact almost 20 percent of all jobs in New York State. Another 145 occupations, with 1.6 million employees, have median wages between \$15 and \$20, which will also see wage pressures from a \$15 minimum wage. And while its impact will be concentrated in a small number of sectors and occupations – including the retail, food service, health and social service aid sectors – it will also directly impact as diverse as pharmacy aids, electronic equipment assemblers, and industrial truck/tractor operations.

<b>Occupation</b>	<b>NYS Employment</b>	<b>Median Hourly Wage</b>	<b>Mean Hourly Wage</b>
Retail Salespersons	310,540	10.32	12.75
Office Clerks General	207,560	14.11	14.93
Janitors and Cleaners (Except Maids and Housekeeping Cleaners)	194,820	14.30	14.74
Cashiers	191,470	9.16	10.21
Combined Food Preparation and Serving Workers Including Fast Food	157,570	8.94	9.75
Waiters and Waitresses	151,270	9.28	12.16
Home Health Aides	146,550	10.37	10.75
Personal Care Aides	142,220	10.98	11.73
Stock Clerks and Order Fillers	122,360	10.51	12.11
Laborers and Freight Stock and Material Movers Hand(537062)	98,770	12.42	14.35
<b>10 Occupation Total</b>	<b>1,723,130</b>		
<b>Total NYS Employment</b>	<b>8,769,150</b>		

The impacts of a \$15 minimum wage will go well beyond those positions currently under \$15 per hour, as wage competition will drive up compensation in positions at salary levels above that level. Research done by the Empire Center shows that a \$15 minimum wage approaches (i.e., is within \$2 of) the median wage in ten of the state's seventeen largest labor markets, with the Capital Region and Ithaca as the only upstate regions with median wages noticeably above \$15.

These impacts are of particular concern in upstate regions that are still struggling with economic recovery and growth. As of the 4th quarter of 2014, twenty-six upstate counties have yet to fully recover private sector jobs lost in the 2009 recession. The last thing the state's economy needs is a significant increase in mandatory labor costs. But that is what a minimum wage hike is – an employer cost mandate, that will result in increased prices, reduced profitability, or reduced spending on labor or other business needs.

We are also hearing significant concerns from our members as to the impact that this \$15 per hour proposal will have on job opportunities for inexperienced and low-skilled workers and for youth employment - especially job opportunities for at risk youth, for whom job experience provides significant personal, economic and education benefits. For some positions, this increased wage mandate will have a double negative impact – driving up cost of social service programs that support at-risk youth, and by reducing job opportunities available to their clients by making these entry-level positions unaffordable to employers.

As this \$15 per hour proposal raises significant concern among non-profits and other entities addressing local poverty issues, it needs to be recognized that the minimum wage is not a particularly efficient poverty fighter. Even the left-leaning Economic Policy Institute found that almost half of the benefits of the minimum wage nationwide goes to households earning more than \$40,000, and 30% to households earning more than \$60,000 (based on 2013 data, when the median household income in the U.S. was \$52,000). They likewise recognized the “earned-income tax credit” as a far more efficient, focused program, with federal and state tax benefits distributed solely on family size and family income. In a December 2015 Department of Taxation and Finance report, the state also recognized that “The EITC is the most effective tool we have in helping middle- and low-income families escape poverty and achieve increased economic security,” We agree with those analysis.

The Business Council is a member of the “minimum wage reality check” coalition, accessible at <http://minimumwagerealitycheck.org>, on Facebook and on Twitter. It is a growing coalition of more than 30 local chambers and business, trade and agriculture organizations, that came together to make sure that the public and elected officials hear about the likely impact of a significant increase in the minimum wage. We are pushing back on the narrative being pitched by advocates that a) a \$15 per hour minimum wage is inherently good because it will have no adverse impact on employers, job opportunities or the overall economy, and b) that this proposal has strong support among the public.

As discussed by us and others today, the impact will be very real, and will be significant.

We strongly believe that the more economic context that is provided regarding minimum wage proposals, the less support a \$15 per hour wage is given by the public. The Business Council, the reality check coalition, and its members, are working to provide that context, to assure that the legislature and the public looks at both sides of this proposal, and understand the adverse impacts it will have.

Again, I appreciate the opportunity to provide testimony today, and welcome any questions or comments you may have.