



NYC Economic Brief

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Income Analysis of a \$13.13 Minimum Wage in New York City

New York State's minimum wage is currently \$8.00/hour, but will rise to \$8.75/hour in 2015 and to \$9.00/hour in 2016. The State Legislature is currently considering proposals to increase New York's minimum wage to \$10.10/hour by July 2015, and to also allow cities and towns in the state to adopt municipal minimum wages 30 percent higher than the State minimum, or up to \$13.13/hour.

We estimate that increasing New York City's minimum wage to \$13.13/hour would increase the pay of roughly 1.2 million New York City residents¹ by about \$100/week, for a total of about \$6 billion annually. As the federal minimum wage, fixed at \$7.25/hour since 2009, has failed to keep up with inflation, many cities and states have enacted higher minimum wages. In June, Seattle enacted the nation's highest minimum of \$15.00/hour, and Vermont \$10.50/hour; and in March, Connecticut enacted an increase up to \$10.10/hour.

In addition, like the New York proposal, certain cities, including Seattle and San Francisco have increased the minimum wage above the State minimum, recognizing the higher cost of living in those cities compared to the statewide average.

Many employers, in particular fast food restaurants and retailers, do not pay their workers enough for them to afford the basic necessities of living, especially in places like New York City where the cost of living is the highest in the country (living in Manhattan costs 2.4 times as much as Buffalo). These employers therefore implicitly rely on public services and income transfers to provide for their workers. The nationwide momentum to reestablish a livable minimum wage reflects the principle that public services should not indirectly subsidize inadequate wage levels.

Adjusted for the cost of living, the minimum wage in New York City is currently the lowest of any major city in the United States. To keep up with cost, our workers need a boost in wages.

A minimum wage of \$13.13 is likely to benefit New York City's working poor substantially. The Comptroller's Office estimates that the nearly 1.2 million New York City workers who would benefit from the increase, would experience a weekly impact on average earnings large enough to improve their housing stability and health security.

Impact of a \$13.13 Minimum Wage on Working Poor NYC Residents²

	Workers Benefitting from an increase to \$13.13	Average Impact on Hourly Wage	Average Impact on Weekly Earnings	Aggregate Weekly Impact
Bronx	220,000	\$2.84	\$99.15	\$22,000,000
Brooklyn	376,000	\$2.79	\$103.65	\$39,000,000
Manhattan	194,000	\$2.78	\$98.75	\$19,000,000
Queens	348,000	\$2.71	\$95.43	\$33,000,000
Staten Island	31,000	\$2.33	\$73.36	\$2,000,000
NYC Overall	1,169,000	\$2.76	\$98.71	\$115,000,000

While empirical studies of minimum wage increases have not generally shown a measurable impact on employment,³ no one has yet studied a minimum wage as high as \$15/hour.

Recent research suggests that most businesses will adapt their business models to better accommodate higher wages. Such businesses adjust costs through some combination of

higher prices, lower profits and increased efficiency. Research also shows that wage increases lead to even larger increases in spending by low-wage households, thereby benefitting local businesses. This suggests minimum wage increases ease credit constraints on low-wage workers, allowing them to make large durable goods purchases.⁴

¹ These estimated impacts are calculated from a base minimum wage of \$8.75/hour, which will take effect on January 1, 2015.

² The impact on the hourly wage is equal to the difference between current average wages and \$13.13. The impact on weekly earnings is equal to the average hourly impact multiplied by average hours worked per week.

³ Dube, Arindrajit; T. William Lester and Michael Reich, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," *The Review of Economics and Statistics*, November 2010, 92(4): 945–964

⁴ Daniel Aaronson, Eric French, and Isaac Sorkin, "Firm Dynamics and the Minimum Wage: A Putty-Clay Approach," *Federal Reserve Bank of Chicago Working Paper 12-26*, December 14, 2013