



# NYC ECONOMIC BRIEF

Office of the New York City Comptroller

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## A \$15 Minimum Wage for New York City Food Service Workers

As Americans have grown increasingly concerned about economic inequality and stagnant wages, a national consensus has formed that the minimum wage must be raised. However, with partisan divisions in Washington immobilizing the federal minimum wage at \$7.25/hour since 2009, the focus has shifted to what states and municipalities can do to address the minimum wage.

In recent years, many states have raised their minimum wages above the federal minimum and a number of cities and counties have raised their legal minimum wages above their respective state minimums. Seattle, San Francisco, and Los Angeles have all voted to increase their minimum wage to \$15/hour or more, and Kansas City and St. Louis, among others, are considering similar proposals.

In April, the Comptroller's Office released an economic brief: "Income Analysis of a \$15.00 Minimum Wage in New York City" on the income effects of phasing in a \$15 minimum wage for low-wage workers in New York City between 2017 and 2019. The report estimated some of the effects of the higher wage on spending, income distribution and housing expenditures and pointed out how it could mitigate student debt.

The Comptroller's Office brief showed how a \$15.00 minimum wage, would raise NYC workers' wages by \$10.2 billion in 2019 when fully phased in--benefiting 1.46 million people that year.

This brief provides a similar analysis for those in one of the largest sector of low-wage employment -- food service workers.

Food service workers are in the forefront of the

discussion about the inadequacy of minimum wage laws. Over 11 million Americans work in the food service sector and employment in the sector has grown by 2 percent annually over the past 15 years. Yet, they are among the lowest-paid workers in the economy; the average weekly wages of food service workers are only 35 percent of the overall private sector average. Moreover, food service employees often work irregular hours that are highly disruptive to family life.

Employment in New York City's food service sector has grown even more rapidly; in fact, its growth in recent years has been remarkable. Over the past 15 years, food service employment in the City has grown at a 3.9 percent annual rate, but over the past five years the rate of growth has accelerated to nearly 7 percent annually. In April 2015, there were over 280,000 people employed in the City's food service sector.

Since the turn of the century, employment in the City's limited-service food establishments—generally those that are regarded as fast-food restaurants—has grown most rapidly. Employment in limited-service establishments increased by over 40,000 between 2000 and 2014, and as of 2013 (the last year for which data is available), there were over 7,600 fast food restaurants in the five boroughs. Employment in full-service restaurants, in which the majority of food service jobs are still located, also expanded rapidly, by over 64,000. Table 1 shows the growth in the City's food service employment through 2014, by type of food service establishment.

**Table 1. Employment in New York City's Food Service Sector, 2000-2014**

In thousands

Year	Full Service	Limited Service	Drinking & Other	Total Food Service
2000	89.1	46.0	25.1	160.2
2001	89.6	46.5	27.7	163.8
2002	85.9	48.2	27.1	161.2
2003	87.6	50.1	26.7	164.4
2004	91.3	51.7	26.8	169.8
2005	95.0	54.2	26.7	175.9
2006	99.6	55.0	27.6	182.2
2007	106.6	56.7	28.1	191.4
2008	111.9	59.3	28.1	199.3
2009	112.0	61.0	27.4	200.4
2010	119.3	64.8	27.9	212.0
2011	128.1	70.8	29.3	228.2
2012	137.4	75.8	31.9	245.1
2013	145.5	80.7	33.5	259.7
2014	153.9	86.1	34.7	274.7

Source: NYS Department of Labor

In 2014, Governor Andrew Cuomo directed the New York State Department of Labor to convene a Wage Board to recommend changes to regulations for food service and service employees, and in February 2015, the Department accepted the Board's recommendations to raise the required base rate for tipped workers in food service to \$7.50/hour. Tipped workers are required to be paid a base wage, and the total of their base rate and tips must equal or exceed the regular minimum wage.

On May 7, 2015, Governor Cuomo instructed the Acting State Labor Commissioner to impanel a Fast Food Wage Board which, under State law, can suggest changes to the minimum wage law for a specific industry, that do not require legislative approval, if workers in that industry are paid an inadequate wage.

The economic rationale for increasing the minimum wage for New York City food service workers, and for all New York City workers, is strong. The cost of living in New York City is higher than anywhere else in the country, and roughly twice as high as in Buffalo.<sup>1</sup> When adjusted for the cost of living, the City's minimum wage is the lowest of any major city in the nation.

Academic research on raising minimum wages shows that job losses have been negligible or non-existent,

although the wage increases evaluated have generally been more modest. There are, however, public costs borne by *not* providing a livable wage. Without one, food service workers and other low-wage New York City workers must often depend on public programs for food, housing and healthcare.

The Comptroller's Office estimates that increasing the minimum wage for food service workers to \$15/hour by 2019 would increase 180,000 food service workers' earnings by approximately \$1.3 billion – almost 13 percent of the total \$10.2 billion impact on all low-wage workers.

The estimated number of workers affected, and their average weekly increased earnings and annual earnings are shown in Table 2, broken down by borough in which the workers reside. It is estimated that approximately half of the additional income would accrue to workers employed in the limited-service segment of the restaurant industry – fast food establishments.

**Table 2. Increased Income of Food Service Workers from a \$15/hour NYC Minimum Wage by 2019**

	# Workers	Avg. Increase in Weekly Pay	Gross Annual Impact (\$ million)
<b>Citywide</b>	179,000	\$139	\$1,295
<b>Bronx</b>	22,000	\$139	\$161
<b>Brooklyn</b>	54,000	\$128	\$361
<b>Manhattan</b>	34,000	\$124	\$217
<b>Queens</b>	66,000	\$159	\$550
<b>Staten Island</b>	<i>Staten Island sample size too small for reliable estimates</i>		

Note: Numbers may not add due to rounding

Source: NYC Comptroller estimates imputed from 2014 Current Population Survey

Roughly 70 percent of the New York City food service workers who would benefit are Hispanic or Black. Contrary to a common misrepresentation, only 9 percent of those affected would be students. The estimated average age of food service workers that would benefit is actually about 33 years old.

### Impact of Spending

The brief from April cited a spending impact analysis of minimum wage increases by economists Daniel Aaronson, Sumit Agarwal and Eric French that found

<sup>1</sup>Cost of Living Index, Comparative Data for 281 Urban Areas, 2014 Annual Average Data, Council for Community and Economic Research

that for households with minimum wage income, a one dollar increase in the minimum wage is associated with additional spending of \$700 each quarter.

Spending was found to increase by \$815 per quarter for households that received over 20 percent of their income from minimum wage jobs. A large portion of those spending increases were driven by increases in durable goods purchases.

Data from the Consumer Expenditures Survey show families with \$10,000 more wage income in a year spend \$1,100 to \$1,800 more annually on housing, \$300 to \$600 more on groceries, \$200 to \$400 more on entertainment, \$200 to \$300 more on healthcare, and \$200 to \$300 more on food consumed outside the home. A \$10,000 increase in earnings is also associated with additional payments of \$900 in Social Security and other social insurance contributions. In addition, the public expense of supporting low-wage earners would decrease as these households would receive \$200 to \$500 less in public assistance receipts like social security and food stamps.

### **Impact on Income Distribution**

When the Comptroller's Office conducted the broader study of the income impact of raising the wage in April, the findings showed that a higher minimum wage would significantly decrease the number of households earning \$10,000 to \$29,999, while increasing the number earning \$30,000 to \$39,999 by almost 67,000.

The findings also revealed that the higher minimum wage would boost the number of New York City households earning above \$60,000 and even the number earning above \$100,000. Those households are presumed to have a second or third earner earning at or near the \$9 minimum wage, in addition to a "breadwinner" whose income is well above the minimum. We estimated that 68 percent of the beneficiaries of a \$15 minimum wage living in households earning under \$60,000 would be the householder or the householder's spouse, compared to only 40 percent of those in households with incomes of \$60,000 or more. In households earning \$60,000 or more, we estimated that about one-quarter of the beneficiaries of the higher minimum would be a child of the householder. Often, that child is a student.

### **Effects on Rent Burdened Households**

The April report projected that, under a current-law scenario, the percentage of New York City renter households paying 50 percent or more of their income in rent will grow from 28 percent in 2013 to 38 percent in 2019. The percentage paying at least 40 percent of their income in rent will grow from 35 percent to 44 percent.

If the minimum wage is raised to \$15/hour by 2019, the number of renter households paying at least 50 percent of their incomes in rent will grow from 28 percent to only 34 percent, while the percentage devoting more than 40 percent of their incomes to rent will grow from 35 percent to 39 percent.

With fewer households severely rent-burdened, landlords are likely to suffer lower collection losses due to non-payment and lower legal expenses related to collection proceedings and evictions. The additional incomes of households benefitting from the higher minimum wages might also be expected to support higher rental rates for apartments, especially in areas of the city in which many low-wage workers reside.