

Monitoring THE Minimum Wage

SEPT 2019



BRIEF 5: 2019 Minimum Wage Update

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Since the release of the last *Monitoring the Minimum Wage* brief (April 2018), New York City's minimum wage increased to \$15 per hour for many businesses.¹ At the state level, the minimum wage increased incrementally toward its target of \$15, rising to \$11.10. Nationally, many jurisdictions passed legislation increasing the minimum wage at the local or state level, while at the same time, conservative lawmakers introduced bills to weaken or preempt local minimum wage laws. Businesses impacted by increasing wages continue to adapt their practices and business models—including through automation and increased efficiency—and some jurisdictions have tried to lessen the burden on small businesses through tax credits, carve-outs, and other programs.

This brief provides an update on developments related to minimum wage laws both locally and nationally, as well as reactions from businesses interviewed throughout 2018, and resources available for businesses and other stakeholders as they navigate these new laws.

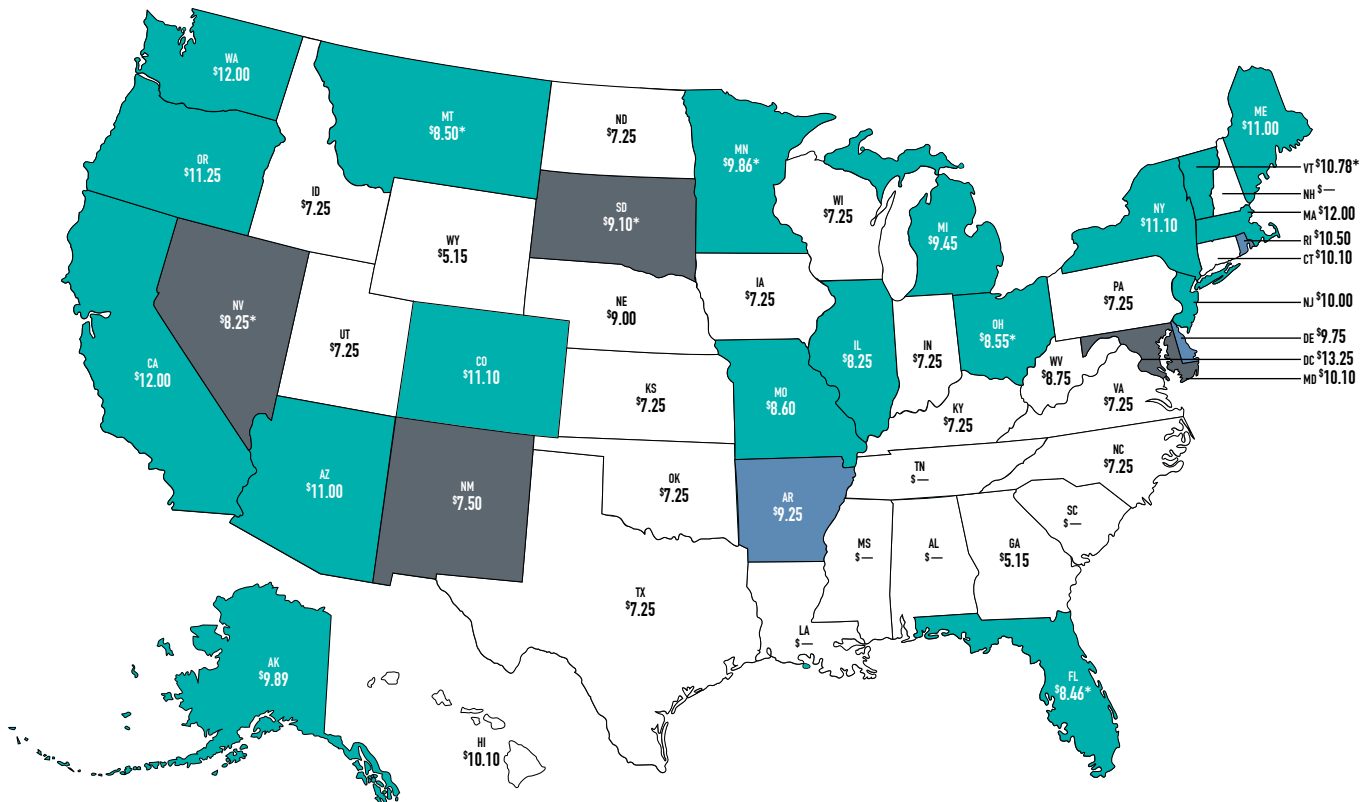
Changes Around the Country

Eighteen states began 2019 with higher minimum wages, with eight states automatically increasing theirs based on the cost of living (in accordance with existing state laws) and ten others increasing their rates in accordance with previously approved legislation or ballot initiatives. Three

The *Monitoring the Minimum Wage* brief series is produced by The New York City Workforce Field Building Hub (The Hub) at Workforce Professionals Training Institute. This project provides resources gleaned from economic research and insights from local businesses and community based organizations designed to help workforce practitioners and their public and philanthropic funders respond to the opportunities and challenges posed by the increasing minimum wage.

¹On December 31, 2018, the minimum wage in New York City increased from \$13 per hour to \$15 per hour for all employers with 11 or more employees and from \$12 to \$13.50 for businesses with 10 or fewer employees. The minimum wage for these smaller employers will increase to \$15 on December 31, 2019.

FIGURE 1: Minimum Wage By State (with Scheduled Increases) - August 2019



State not scheduled for Increase in Minimum Wage
 State scheduled for minimum wage increase in 2019, but no future increase
 State not scheduled for minimum wage increase in 2019, but scheduled for increase post-2019
 State scheduled for minimum wage increase in 2019, as well as future increase
 * = Post-2019 minimum wage increase is indexed to cost of living, but not set at a specific dollar amount (as of August 2019)

more jurisdictions (including Washington, D.C.) increased their minimum wage, and one more is scheduled to do so on October 1.²

In February 2019, New Jersey passed a law increasing the state’s minimum wage for most employers to \$15 by 2024,³ joining New York and a small but growing cadre of states

with \$15 minimum wage targets, including California, Illinois, Maryland, Massachusetts, and the District of Columbia. New York’s other neighbors, however, have yet to make the move to a \$15 minimum wage. Connecticut’s minimum wage is currently \$10.10 per hour; pending legislation would increase the statewide

² National Conference of State Legislatures, [State Minimum Wages - 2019 Minimum Wage By State](#).

³ The minimum wage increased to \$10 per hour on July 1, 2019, and will increase by one dollar on January 1 of each year through 2024. New Jersey Department of Labor, [N.J.S.A. 34:11-56a et seq. WAGE AND HOUR LAW](#).

minimum wage, although multiple bills on the issue failed earlier this year.⁴ Pennsylvania's statewide minimum wage remains at the federal minimum of \$7.25 per hour, and while residents of Philadelphia recently approved an increase of the city's minimum wage to \$15 per hour via a ballot initiative, this will likely not take effect, due to a Pennsylvania law prohibiting localities from implementing their own minimum wage.⁵

Since 2012, 45 cities, towns, or counties have passed local ordinances increasing minimum wages within their jurisdictions.⁶ Twenty-eight of these jurisdictions are in California, where

the statewide minimum wage is currently \$12 per hour and scheduled to increase gradually to \$15 per hour by 2022. In all of these California jurisdictions, the minimum wage is already higher than the statewide rate, and is scheduled to increase to \$15 at least a year in advance of the statewide minimum wage. Particularly notable among these local initiatives is that of Seattle, which has increased its minimum wage for employers with more than 500 employees to \$16 per hour, as of 2019.⁷ The minimum wage for all other employers remains \$15 per hour.⁸

Pending Legislation Nationally

In 2019, more than 200 bills proposing new minimum wage laws were introduced or carried over from 2018 in 43 states, the District of Columbia and Puerto Rico. Of these, 13 passed and have been enacted; 83 failed; and the remainder are pending at some stage in the legislative process, as of August 31, 2019.⁹ Democratic legislators have introduced the vast majority of these bills, proposing to:

- Increase the state's minimum wage
- Allow municipalities or counties to establish a minimum wage higher than the state level
- Restrict or eliminate subminimum wages (i.e. for young adult employees, trainees, or individuals with disabilities)
- Raise the minimum wage for tipped workers
- Index states' minimum wage to the cost of living for future increases
- Launch studies to examine the impact of any changes in minimum wage laws on workers, businesses, and the broader state economy

⁴ National Conference of State Legislatures, [Minimum Wage Legislation Database](#).

⁵ Juliana Feliciano Reyes, "[Philly voters supported a \\$15 minimum wage in Tuesday's election. Now what?](#)" The Philadelphia Inquirer. May 22, 2019.

⁶ UC Berkeley Labor Center, [Inventory of US City and County Minimum Wage Ordinances](#).

⁷ City of Seattle, Office of Labor Standards. [Minimum Wage Ordinance](#).

⁸ For more information, please see [Monitoring the Minimum Wage, Brief 3](#), which offers examples of jurisdictions that have passed local minimum wage increases.

⁹ National Conference of State Legislatures, [Minimum Wage Legislation Database](#).

Meanwhile, opponents of minimum wage increases (primarily Republican legislators) have introduced far fewer bills, focusing on preempting local minimum wage laws, creating exemptions from the minimum wage, and preserving lower minimum wages for tipped workers.¹⁰ In a few states, bipartisan bills have been introduced; most notably, several bipartisan Hawaii bills focus on increasing the minimum wage and ensuring it applies to all workers. One area in which both parties have

proposed legislation is tax breaks for small businesses in order to enable them to better accommodate increased wage requirements.

As 2019 continues, it remains to be seen how many of these bills will actually pass, given the political makeup of state legislatures. But it is clear that across the country, Democrats in many state legislatures are committed to ensuring that minimum wages increase in the coming years and apply to more workers.

Impact on NYC Businesses

Multiple studies have analyzed the impact of the increase in New York's minimum wage, at both the state and local level. As summarized in the September 2017 *Monitoring the Minimum Wage* brief, the Institute for Research on Labor and Employment (IRLE) at the University of California, Berkeley¹² and the Economic Policy Institute (EPI)¹³ each conducted in-depth examinations of New York State's wage increase in 2016. Both studies predicted that an increase in the minimum wage to \$15 per hour would have a net positive impact on workers and the economy, with any increased business costs offset by the increased purchasing power of

low-wage workers and the resulting increase in sales. Furthermore, it would drastically improve the standard of living for low-wage workers without generating a net reduction in employment.

More recent studies echo these findings. The National Employment Law Project's (NELP) late 2018 report analyzed the impact of minimum wage increases across the country between 2012 and 2018, estimating that the increase in the minimum wage across New York State impacted more than three million workers and led to more than \$16 billion in wage increases.¹⁴ The increase to \$15 per hour from the original rate of \$7.25 is estimated to generate approximately \$5,200 in new income for each affected worker, a figure similar to that estimated by the Institute for Research on

¹⁰ Ibid.

¹¹ James Parrott, [Monitoring the Minimum Wage, Brief 2: How will a higher minimum wage affect business and the economy?](#) Workforce Professionals Training Institute, September 2017.

¹² Michael Reich, Sylvia Allegretto, Ken Jacobs and Claire Montialoux, [The Effects of a \\$15 Minimum Wage in New York State](#). The Center on Wage and Employment Dynamics, Institute for Research on Labor and Employment, University of California, Berkeley, March 2016.

¹³ David Cooper, [Raising the New York state minimum wage to \\$15 by July 2021 would lift wages for 3.2 million workers](#). Economic Policy Institute, January 2016.

¹⁴ [Impact of the Fight for \\$15: \\$68 Billion in Raises, 22 Million Workers](#). National Employment Law Project, November 2018.

Labor and Employment (IRLE) at the University of California, Berkeley.¹⁵

In Fall 2018, The Hub revisited some of the employers interviewed in 2017 to assess how they were responding to the increase in the minimum wage from \$11 to \$13 per hour (between 2017 and 2018).¹⁶ Questions focused on how the increased New York City minimum wage has affected entry- and mid-level staffing decisions, wage compression,¹⁷ worker morale, and the use of

automation. Generally, employers identified wage compression as an issue, with workers earning slightly above minimum wage expecting a pay raise in tandem with increases issued to co-workers directly impacted by the rising minimum wage. These employers reported some resentment on the part of workers not receiving a wage bump. Companies reported difficulty or at least tradeoffs necessary to increase wages for these slightly higher-wage workers. Generally, employers have already begun to automate wherever possible, and while most had not laid off workers, they have cut hours and chosen not to fill some vacant positions.

Business owners interviewed by and large indicated little opposition to a minimum wage

increase, given the high cost of living in or near New York City. However, they reported tradeoffs involved in adapting to a minimum wage

schedule that, in their view, has increased too rapidly. As labor costs represent a significant part of these businesses' expenses, tight margins mean that any increase in overall costs can have a major impact on their ability to survive and remain competitive. Most respondents indicated they had already or will likely increase prices to cover costs.

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Recent studies of minimum wage increases explore factors underlying business decisions and outcomes beyond those cited by the businesses interviewed. A 2017 Harvard Business School study of the restaurant industry concluded that an increase in the minimum wage is far more likely to impact restaurants that are already failing.¹⁸ A recent study from the Center for New York Affairs at the New School, in partnership with the National Employment Law Project, found that New York City restaurants are "thriving," despite initial fears about the city's wage increase.¹⁹ Restaurant sales in the city increased significantly, in spite of challenges facing the sector at a national level over the past several years. Meanwhile, low wage workers benefited significantly from the wage increase.

¹⁵ Michael Reich, Sylvia Allegretto, Ken Jacobs and Claire Montialoux, [The Effects of a \\$15 Minimum Wage in New York State](#). The Center on Wage and Employment Dynamics, Institute for Research on Labor and Employment, University of California, Berkeley, March 2016.

¹⁶ See Stacy Woodruff and James Parrott, [Monitoring the Minimum Wage, Brief 4: How Are Businesses Adapting to the Increasing Minimum Wage?](#), Workforce Professionals Training Institute, 2018.

¹⁷ Id. (pp. 5-6)

¹⁸ The study found that a \$1 increase in minimum wage leads to a 14 point increase in likelihood of closure for a restaurant rated 3.5 stars on review site Yelp, but no increase for restaurants with a 5 star rating. Researchers also found that lower-rated restaurants were more likely to increase prices in response to increased minimum wage. Luca, Dara Lee and Michael Luca. [Survival of the Fittest: The Impact of Minimum Wage on Firm Exit](#).

¹⁹ Lina Moe, James Parrott, and Yannet Lathrop, [New York City's \\$15 Minimum Wage and Restaurant Employment and Earnings](#), The New School Center for New York Affairs.

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A common reflection by businesses interviewed was that with increasing minimum wages in other states and municipalities—particularly adjacent jurisdictions—New York will regain its competitive edge, as competing businesses in other jurisdictions will see their operational costs increase, forcing them to raise prices. Furthermore, as costs increase in other states, New York City businesses will be less likely to move to a new jurisdiction, incurring the costs related to either purchasing or building a new facility, installing equipment, hiring and training a new workforce, and accounting for increased transport costs associated with maintaining a New York City customer base.

Tools for Businesses

While it may be challenging for small businesses to adjust to New York City's new minimum wage paradigm, a growing set of business-focused tools aim to make the adjustment easier. The New York State Department of Labor offers a series of webinars, in multiple languages, that explain the new laws and how to remain in compliance.²⁰ While New York State has not yet passed tax breaks or credits explicitly aimed at offsetting the cost of complying with the increasing minimum wage, employers can take advantage of state and city tax credits for training, in order to increase their employees' efficiency and productivity. State tax credits also exist for hiring veterans or disadvantaged youth, operating an apprenticeship program, or expanding within the State of New York.²¹ In New York City, the Department of Small Business Services offers employers assistance with a variety of tax credits and other cost-

savings programs through its Business Solutions Centers and industrial providers, including competitive grants for customized training.²²

Outside of New York, state legislatures have developed innovative responses to make minimum wage increases easier on businesses. Hawaii Democrats have introduced bills to provide tax breaks specifically to small businesses, which are likely to face more challenges adjusting to increased wage requirements.²³ Meanwhile, Illinois's \$15 minimum wage legislation includes a carve-out for employees under the age of 18, for whom the minimum wage will increase to (and max out at) \$13 per hour. Illinois's new wage measures are also coupled with tax credits to offset labor cost increases on small businesses.²⁴ New York has legislation pending in the State Senate to broaden the state's existing minimum wage reimbursement tax credit, but this would primarily expand the credit's application to employers of seasonal workers, rather than taking into account increases in the minimum wage and disproportionate impact on small businesses.²⁵

²⁰ New York Department of Labor - [Minimum Wage Webinars](#).

²¹ New York Department of Taxation and Finance - [Business Incentives](#).

²² New York City Department of Small Business Services - [Business Services](#).

²³ National Conference of State Legislatures, [Minimum Wage Legislation Database](#).

²⁴ National Conference of State Legislatures, [State Minimum Wages - 2019 Minimum Wage By State](#).

²⁵ National Conference of State Legislatures, [Minimum Wage Legislation Database](#).

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The Workforce Field Building Hub (The Hub) is a New York City-wide resource that brings together key leaders from across the interdisciplinary and diverse New York City and national workforce community to identify common issues and solutions to build the field of workforce development. For more information, visit <http://thehub.workforceprofessionals.org>

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The *Monitoring the Minimum Wage* brief series is made possible through support from the New York City Workforce Funders; The New York Community Trust; The Fund for the City of New York; The Pinkerton Foundation; Altman Foundation; Ira W. DeCamp Foundation; and The Clark Foundation.

Conclusion

New York, like many other jurisdictions around the country, has seen a rapid increase in the cost of living. The State has passed laws increasing the minimum wage as one strategy for addressing the challenges low-wage workers face in making ends meet. While studies have shown that this increase has benefited low-wage workers overall, it has posed some challenges for businesses, particularly smaller employers. However, the City and the State offer numerous programs and tax credits designed to help these businesses cut costs, make investments, and train their workforce, even if these programs and credits are not directly tied to the wage increase. As the minimum wage reaches \$15 per hour for all New York City businesses and continues to climb across the state, we will come to better understand its impact on both workers and businesses, and it will be incumbent on policymakers to identify or develop the tools and resources needed to ensure employers are able to adapt effectively, for the benefit of workers and businesses alike.

The Workforce Field Building Hub would like to acknowledge Sandy DeShong, who conducted most of the business interviews and focus groups that informed this brief.