

Fair Pay for Women and People of Color in New York Requires Increasing the Minimum Wage and the Tipped Minimum Wage

January 2013

*Hundreds of thousands of workers in New York – mostly women and people of color – struggle to make ends meet on minimum wage earnings. A measure proposed in Governor Cuomo's budget would raise the minimum wage from \$7.25 to \$8.75 per hour and increase the tipped minimum cash wage for food service workers (the largest group of tipped workers nationally¹) from \$5.00 per hour to \$6.03 per hour in 2013, but would not index these wages for inflation.² **Increasing the minimum wage and tipped minimum wage are key steps toward fair pay for women and people of color in New York.***

Women and people of color are more likely to be paid the minimum wage.

- Women made up about two-thirds of all New York workers who were paid minimum wage or less in 2011.³ They provided care for children and elders, cleaned homes and offices, and waited tables.
- Women of color are disproportionately represented among female minimum wage workers. Nationally, black and Hispanic women were each just over 12 percent of all employed women in 2011;⁴ among women who made minimum wage, nearly 15 percent were black and more than 16 percent were Hispanic.⁵
- Overall, people of color are disproportionately represented among minimum wage workers. Nationally, black and Hispanic workers were about 11 percent and 14 percent of all workers in 2011, respectively;⁶ among minimum wage earners, just over 15 percent were black and nearly 19 percent were Hispanic.⁷

It's time to give low-wage workers in New York a raise.

- A woman working full time, year round in New York at the current minimum wage of \$7.25 will earn just \$14,500 annually.⁸ That's more than \$3,600 below the federal poverty line for a mother with two children.⁹

If New York's minimum wage had kept pace with inflation since it reached its peak purchasing power in 1970, it would now be \$11.15 per hour.¹⁰

- The minimum cash wage for tipped employees in New York varies by occupation; for food service workers, including restaurant servers, it is \$5.00 per hour – just \$10,000 a year.¹¹ While employers are responsible for ensuring that their tipped employees are paid the minimum wage, many workers are paid less due to wage theft and other illegal practices.¹² Nationally, about 70 percent of restaurant servers are women.¹³
- New York families are struggling in this tough economy. In 2011, 28 percent of black families with children were in poverty,¹⁴ 32 percent of Hispanic families with children were in poverty,¹⁵ and 39 percent of single-mother families were in poverty.¹⁶

Raising the minimum wage and the tipped minimum wage would boost wages for working women and people of color in New York and help close the gender wage gap.

- Increasing the minimum wage to \$8.75 per hour would raise annual earnings to \$17,500, an increase of \$3,000 per year – a significant boost, though still about \$600 short of lifting a family of three out of



poverty. Raising the tipped minimum cash wage to \$6.03 per hour would increase earnings for many restaurant servers and other food service workers by \$2,060 per year.¹⁷ These higher wages would make a real difference for many New Yorkers and their families, but because Governor Cuomo's proposal does not index the minimum wage or the tipped minimum wage for inflation, the wages' value would erode over time relative to the cost of living.

- The Fiscal Policy Institute (FPI) and the National Employment Law Project (NELP) estimate that if New York's minimum wage were increased to \$8.75 per hour, more than 1.5 million workers would get a raise, over 54 percent of them women.¹⁸ Over 860,000 children in New York have a parent who would benefit from a minimum wage increase.¹⁹
- Increasing the minimum wage would mean higher pay for thousands of New York women and help close the wage gap.²⁰ In 2011, New York women working full time, year round were paid only 84 cents for every dollar paid to their male counterparts.²¹ Black women

working full time, year round made only 67 cents, and Hispanic women only 54 cents, for every dollar paid to their white, non-Hispanic male counterparts.²²

Raising the minimum wage would strengthen New York's economy.

- Increasing the wages paid to low-wage workers results in lower turnover, boosts worker efforts, and encourages employers to invest in their workers.²³
- Raising the minimum wage does not cause job loss, even during periods of recession.²⁴
- Most minimum wage workers need this income to make ends meet and spend it quickly, boosting the economy. Research indicates that for every \$1 added to the minimum wage, low-wage worker households spent an additional \$2,800 the following year.²⁵
- FPI and NELP estimate that raising New York's minimum hourly wage to \$8.75 would generate about \$840 million in additional economic activity and 7,300 jobs.²⁶

1 ROC-United, Tipped Over the Edge, at 1 (Feb. 2012), available at <http://rocunited.org/tipped-over-the-edge-gender-inequity-in-the-restaurant-industry/>.

2 2013-14 New York State Executive Budget, Education, Labor and Family Assistance: Article VII Legislation, Part P, at 177-78 (Jan. 2013), available at http://publications.budget.ny.gov/eBudget1314/fy1314artVIIbills/ELFA_ArticleVII.pdf.

3 NWLC calculations based on unpublished U.S. Dep't of Labor, Bureau of Labor Statistics (BLS) data. Figures are annual averages for 2011. The term "minimum wage workers" refers to workers making the minimum wage or less. Women are 65 percent of minimum wage workers in New York.

4 NWLC calculations from U.S. Dep't of Labor, BLS, Current Population Survey, Figure for black women from Table 3, <http://www.bls.gov/cps/cpsaat03.htm> (last visited Apr. 6, 2012). Figure for Hispanic women from Table 4, <http://www.bls.gov/cps/cpsaat04.htm> (last visited Apr. 6, 2012).

5 NWLC calculations based on U.S. Dep't of Labor, BLS, Characteristics of Minimum Wage Workers, 2011, <http://www.bls.gov/cps/minwage2011tbls.htm> (Table 1).

6 NWLC calculations, *supra* note 4.

7 NWLC calculations, *supra* note 5.

8 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$7.25 per hour.

9 NWLC calculations from U.S. Census Bureau, Current Population Survey, 2012 Annual Social and Economic Supplement, Table POV35, <http://www.census.gov/hhes/www/cpstables/032012/pov/toc.htm> (last visited Nov. 27, 2012).

10 Fiscal Policy Inst. (FPI) & Nat'l Employment Law Project (NELP), Raising New York's Minimum Wage, at 3, 11 (Jan. 2013), available at <http://fiscalfpolicy.org/wp-content/uploads/2013/01/Raising-New-York-Min-Wage-FPI-NELP.pdf>.

11 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$5.00 per hour. Minimum cash wages for most tipped workers in New York currently range from \$4.90 per hour (for service employees in resort hotels making at least \$4.10 per hour in tips) to \$5.65 per hour (for service employees in all establishments, not including food service workers). See N.Y. Comp. Codes R. & Regs. Tit. 12, § 146 (hospitality industry minimum wage order), available at http://www.labor.state.ny.us/workerprotection/laborstandards/PDFs/Hospitality%20Wage%20Order/hospitality_wage_order.pdf.

12 Sylvia A. Allegretto & Kai Filion, EPI, Waiting for Change, at 3-4 (Feb. 2011), available at <http://www.epi.org/page/-/BriefingPaper297.pdf>.

13 ROC-United, *supra* note 1.

14 NWLC calculations from U.S. Census Bureau, 2011 American Community Survey (ACS), <http://www.census.gov/acs/www/> (Table B17010B). Figures are for households where the householder's race is black alone.

15 *Ibid.*, Table B17010I. Figures are for households where the householder's ethnicity is Hispanic or Latino.

16 *Ibid.*, Table S1702.

17 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$8.75 per hour for the minimum wage and \$6.03 per hour for the tipped minimum wage.

18 FPI & NELP, *supra* note 10, at 4. FPI and NELP estimate that 747,000 workers with wages below the new minimum wage of \$8.75 would directly benefit, and pay would rise for another 812,900 due to the higher floor set by the new minimum wage.

19 *Ibid.*

20 Under most circumstances a higher minimum wage would narrow the wage distribution, effectively narrowing the gender wage gap. Nicole M. Fortin & Thomas Lemieux, Institutional Changes and Rising Inequality, *Journal of Economic Perspectives*, Spring 1997, 75-96, at 78, available at <http://www.econ.ucdavis.edu/faculty/mepage/econ151b/Fortin%20and%20Lemieux.pdf>. See also Francine D. Blau & Lawrence M. Kahn, Swimming Upstream,

Journal of Labor Economics, Jan 1997, 1-42, at 28, available at http://aysps.gsu.edu/isp/files/ISP_SUMMER_SCHOOL_2008_CURRIE_Swimming_Upstream.pdf.

21 NWLC calculations from U.S. Census Bureau, 2011 ACS, <http://www.census.gov/acs/www/> (Tables R2001 and R2002).

22 NWLC calculations from U.S. Census Bureau, 2009-2011 ACS Three-Year Estimates, <http://www.census.gov/acs/www/> (Tables B20017B, B20017H, B20017I).

23 T. William Lester, David Madland & Nick Bunker, Ctr. for Amer. Progress, An Increased Minimum Wage is Good Policy Even During Hard Times (June 2011), available at http://www.americanprogressaction.org/issues/2011/06/higher_minimum_wage.html.

24 Mary Gable & Douglas Hall, EPI, The Benefits of Raising Illinois' Minimum Wage, at 2-3 (Jan. 2012), available at <http://www.epi.org/files/2012/ib321.pdf>.

25 Daniel Aaronson, Sumit Agarwal & Eric French, Fed. Reserve Bank of Chicago, The Spending and Debt Responses to Minimum Wage Increases, at 10 (Rev. Feb. 2011), available at http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf.

26 FPI & NELP, *supra* note 10, at 5.