

BEING FAIR: BACKGROUNDER ON MINIMUM WAGE IN NEW YORK STATE

Preface: An Interfaith Perspective on Economic Justice

In his play *A Masque of Reason* poet Robert Frost imagines a contemporary conversation between the biblical Job and God. As one point Job asks why he had to be singled out to establish the principle that there is no necessary connection between what we deserve and what we get. God responds that society can never think things out in the abstract, it has to see them “acted out by actors.”¹ Similarly, economic justice is an abstract issue in many ways. However, economic injustice affects people in very concrete ways.

In a nation and world with poverty in the midst of plenty, we, members of the Interfaith Impact of New York State, are impelled by conscience to speak out for human solidarity and social justice. Economic justice has been an imperative of religious people in every tradition and time. For religious traditions, the market is not God.

The Hindu Mahatma Gandhi said: "There is enough wealth to meet everyone's need, but not everyone's greed." Gautama Buddha forsook his princely life to preach the problems of worldly desire. "Buddhist economics," based on "right livelihood," requires moderation, "to obtain the maximum of well-being with the minimum of consumption."² Confucius said, "To centralize wealth is to disperse the people; to distribute wealth is to collect the people."³

In the Greek humanist tradition great gaps between rich and poor were felt to be unhealthy for the *polis*, the city. Plato believed the wealth ratio between the richest and the poorest person in the ideal state should be 4-1. Aristotle believed it should be 5-1. Plutarch wrote, "An imbalance between rich and poor is the oldest and most fatal ailment of republics."⁴

The Hebrew prophetic tradition is replete with condemnation of those who exploit the impoverished; Amos inveighed against "selling the poor for silver and the needy for a pair of sandals."⁵ Jesus said unequivocally, "It is easier for a camel to go through the eye of a needle than for someone who is rich to enter the Kingdom of God."⁶

The *Koran* of Islam stresses solidarity, condemning hoarders of wealth and urging *zakat*, a minimal tax: "Wealth, justly earned, is to be regarded as a bounty from God and spent to redress imbalance." In the *Book of Mormon* we read: "And now, if God, who created you, on whom you are dependent for your lives and for all that ye have and are, doth grant unto you whatsoever ye ask that is right, in faith, believing that ye shall receive, O then, how ye ought to impart of the substance that ye have to another." (Mosiah 4:21)

Unitarian Universalists are committed to a just economic community based on the “interdependent web of all existence of which we are a part.” We are informed by the 19th century Unitarian Senator Charles Sumner who described America with these words: “There

In 1986 the United States Roman Catholic bishops concluded that “Greed is the most evident form of moral underdevelopment.”⁷

Humanist and democratic voices invoke the Constitutional insistence that government should “promote the general welfare,” and urge an ethic of fairness in the distribution of economic resources.

In sum, the predominant religious voices on economic justice speak of a "preferential option for the poor," and condemn any “preference for the privileged.” Clearly this religious outlook has not yet transformed the American economy.

Economic (In)Justice in New York State

*Poverty rate 16% – 30th highest poverty rate in the United States, fourth in terms of individuals living in poverty. (the poverty line for an American family of four in 2013 was \$23,834; for an individual \$11,890).⁸

*African American poverty rate 24.3%.

*Latino poverty rate 26.0%.

*Black poverty rate 23%.

*Native American poverty rate 28.6%

*White poverty rate 10.9%.

*37.6% of female-headed households with children live in poverty.

*Child (under 18) poverty rate 22.5%; Buffalo (46.6%), Rochester (50.4 %) and Syracuse (49.0%).

*Median household income was \$57,000.

*The number of New Yorkers making more than \$1 million in taxable income jumped 16%, 35,788 to 41,414, from 2008-2012.

*New York residents whose income exceeded \$1 million rose 16% between 2008 and 2012, from 35,705 to 41,414.⁹

New York is the most unequal state in the nation. The income of the top 20% was 20.1 times that of the bottom 20 % – with a Gini Coefficient Rate (a statistical measure of inequality) of .499 (0 representing complete equality, 1 complete inequality).¹⁰ In New York there are the “haves” and the “have-nots,” but also the “have too much,” the “have enough,” the “have too little” and the “have almost nothing.”

A Brief History of the Minimum Wage in the United States

The first minimum wage was established in Massachusetts in 1912. Within 8 years 13 other states had passed minimum wage legislation. During the depths of the Depression a federal minimum wage of \$.25 was enacted in 1938 as part of Fair Labor Standards Act. Its stated purpose was to correct and eliminate “labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers - “to provide for the establishment of fair labor standards in employment in and affecting interstate commerce, and for other purposes.”

In 1933 President Franklin D. Roosevelt argued for the bill in these words: “No business which depends for existence on paying less than living wages to its workers has any right to continue in

this country.” After a number of bi-partisan increases, it was last set in 2009 at \$7.25. Its value peaked at \$10.88 in 1968 in 2014 inflation adjusted dollars. The minimum in Connecticut is now \$8.70 and will increase to \$10.10 by 2017. The cities of San Francisco and Los Angeles will gradually increase their minimum wages to \$15, the former by July 1 2018. Seattle’s minimum wage will go to \$15 in 2021. Arizona, Ohio, Oregon, Michigan, Vermont and Washington have indexed their minimum wages to the Consumer Price Index, as have Florida, San Francisco and Santa Fe.

President Obama’s recommended increase of the federal minimum wage to \$10.10 per hour over a two year period was defeated in the Congress.

Four states overwhelmingly voted to increase the minimum wage in the November 2014 election: Arkansas (66%), Alaska (69%), Nebraska (59%) and South Dakota (53%) – all so-called “red” – conservative – states. Nineteen other states and the District of Columbia have raised their minimum wage as of January 1, 2015, including several states that border New York: Massachusetts (\$9 in 2015, \$11 by 2017); Vermont (\$10.50 by 2018, indexing it to inflation and including tipped workers); Connecticut (\$10.10 by 2017); New Jersey’s remains at \$8.38 and Pennsylvania’s stays at \$7.25. Studies indicate these modest hikes won’t lead to many job cuts, because businesses will raise prices and benefit from lower turnover.¹¹

In a poll released by a small business advocacy group, Small Business Majority, in April of 2014, found that 66% of small business owners in New York State are in favor of a legislative plan to allow the minimum wage to be set by cities and counties throughout the state. Some 77% support setting the minimum wage above the current rate (then \$8) and indexing the minimum wage to rise with the cost of living.¹²

Minimum Wage: “Distributive justice also calls for the establishment of a floor of material well-being on which all can stand.” (Roman Catholic Bishops of the U.S. in *Economic Justice for All*) See William Finnegan, “Demonizing the Minimum Wage,” *The New Yorker*, September 15, 2014.

*The current federal minimum wage is \$7.25 an hour, 25% below its real value in the 1960’s. It would be over \$18 had it risen along with productivity. It did keep pace with productivity in the 30 years before 1968.¹³

*97.9% of those affected nationally by increasing the minimum wage to \$9.80 would be 20 years of age and older. More than a third (38.3%) are married, and over a quarter (28%) are parents. 49% of people making the minimum wage are adult women. About 10% are teenagers.¹⁴

*Top restaurant industry CEOs made 721 times more than minimum wage workers in 2013. That amounts to an average CEO income of \$10,872,390.¹⁵

*If the minimum wage had risen at the same pace since the mid 1970’s as that of the salaries of the top 1%, the minimum wage would now be \$26.96 per hour.

*The Economic Policy Institute estimates that if the minimum wage were raised to \$10.10 an hour by 2017, over 27 million people would get a direct or indirect benefit because when the wage goes up, the wages of those just above the minimum are also raised – the so-called “spillover effect.”¹⁶

*90% of New York workers directly affected by the minimum wage are adults age 20 and older. Three out of 5 minimum wage workers work full-time.

*1.8 million New Yorkers are earning the minimum wage or just above.

*New York's minimum wage, when it rises to \$9 an hour in 2016, will still be about 25% of its 1968 purchasing power.

New York State increased its minimum wage for most workers (excluding the "tipped workers") from \$7.25 to \$8.00 by the end of 2013, to \$8.75 by end of 2014 and to \$9 January 1, 2016. That would mean an annual income of \$18,720 for a 40-hour week. Legislation will be introduced in 2016 to increase the minimum wage gradually to \$15 (by 2018 in New York City and by 2021 in the rest of the state), and to index it to the Consumer Price Index (CPI).

There are 230,000 tipped workers in New York State with an hourly minimum wage of \$5. Employers are legally obliged to make up the difference to the minimum wage for all workers. A U.S. Labor Department study reported there are between 339,000 and 752,000 cases a month in New York of workers not paid proper wages, totaling between \$40 million and \$80 million monthly.¹⁷ Waiters and waitresses count for about two-thirds of the state's 230,000 workers who are paid less than the minimum wage. State investigators recovered about \$16.4 million due workers, up 16% from the same period the year before, and 35% from that period in 2012.¹⁸ This is commonly called wage theft, which also includes unpaid wages for overtime and part-time work. (See Testimony by Robb Smith presented to the Hospitality Industry Minimum Wage Board December 9, 2014: www.interfaithimpactnys.org) The NYS Wage Board increased the tipped worker minimum wage to \$5.00 and approved a minimum wage of \$15 to state workers as proposed by Governor Cuomo.

There are 3 million low-wage workers in New York State (37% of all workers), paid below \$15 an hour, a so-called "living wage." On a full-time basis, 40 hours per week, 52 weeks a year, translates into an income of \$31,200. Currently, labor and religious advocacy groups in the Fight for Fifteen coalition are promoting a \$15 an hour minimum wage plus the right to form unions without fear of retaliation by the employer. Interfaith Impact supports this campaign.

It is estimated that an increase in the minimum wage to \$15 an hour in the fast food industry, for example, would result in a price increase of a hamburger from \$3.00 to \$3.50, surely not too much to ask to enable people to make a living for a family. Columnist Erica Bryant points out that in 1900 the average American family spent about 40% of its income on food; now it is below 15%. In urging an increase in the minimum wage she concludes: "Extremely cheap fast food is not a human right. Earning a livable wage for an honest day's work should be."^{19,20}

Living Wage and the Self-Sufficiency Standard

While the minimum wage as currently implemented is seldom enough to lift a person or a family out of poverty, a living wage is intended to provide the vital necessities for living a decent life. It boils down to this moral question: should a person who works full-time year-round have to live in poverty? If this is not our policy, if people who report punctually to work, perform conscientiously, can't move out of poverty, then the flaw is perhaps not in the remedy, but in the

system itself. A living wage is part of the implicit social contract we have with one another in the United States.

The living wage is not new. St. Thomas Aquinas even back in the squalor of the 12th century advocated a "just wage" which was not to be determined by the "higgling of the market," but by what served both the good of the worker and of society as a whole. In the Middle Ages it was assumed a worker's wages would be enough to support a family, an early forerunner of the Living Wage.

The Self-Sufficiency Standard is a new tool for organizing people and congregations around issues of economic justice. It builds on efforts to increase the minimum wage at the state level and on the "living wage" campaigns that have already been successful in Buffalo and Rochester. What does it take to make ends meet in New York State without private or public assistance? It is based on the costs of six basic needs of families: housing, child care, food, health care, transportation, and miscellaneous items as well as the cost of taxes and the impact of tax credits.

Breaking down New York State by counties the SSS examines what income would be required to sustain a family at more than a subsistence level, what would be required to live a decently comfortable life in the 21st century for a family. For example, the self-sufficiency standard in Monroe County would be \$20,042 for one, \$38,773 for 2, \$47,391 for 3, and \$58,284 for 4.²¹ (See www.interfaithimpactnys.org – policy/position papers - for a more comprehensive discussion of the Self-Sufficiency Standard)

Our basic moral premise for supporting an increase in the minimum wage is found in the words of St. Thomas Aquinas who wrote about a "just wage" which was not determined by the "higgling of the market," but by looking to the good of the worker (fairness) and of society as a whole (solidarity). Both needs and merits were to determine fair income. A worker's wages must be sufficient to support a family. This support of families strengthens society.

Rationale for a Minimum Wage

The Center for Economic and Policy Research (CEPR) review of multiple studies found there was "little or no employment response to modest increases in the minimum wage." 11 reasons, including "reductions in labor turnover; improvements in organizational efficiency, reductions in wages of higher earners ("wage compression") and small price increases. CEPR 2014 found job creation in US faster within states that raised their minimum wage.

The Economist in December 2013 wrote: "A minimum wage, providing it is not set too high, could thus boost pay with no ill effects on jobs....Some studies find no harm to employment from federal or state minimum wages, others see a small one, but none finds any serious damage." "marginal propensity to consume (MPC) tendency of a consumer to spend their next dollar can lead to increase in total consumption and higher demand for goods, leading to increased employment.

The minimum wage is well below its 1960's purchasing power despite a near doubling of productivity from then until now. Workers have, by and large, not shared in that gain. Doomsday

predictions every time a minimum wage hike has been proposed have not materialized. A gradual increase in the minimum wage to \$15 is one tool in redressing the escalating inequality which infests our nation. The “trickle-down” remedy of those who oppose it just does not work. Income continues to aggregate at the top of the income ladder at the expense of the rest. Most studies indicate little effect on employment, modest (if any) price increases, and more economic growth as those who benefit spend income immediately. For example, in a study by David Card and Alan Kruger of 410 restaurants in New Jersey and Eastern Pennsylvania where the minimum wage went from \$4.25 to \$5.05 in 1992 concluded, “No indication that an increase in the minimum wage reduced employment.

Bill Clinton recommend raise in 2014: “I think we ought to raise the minimum wage because it doesn’t just raise wages for the three or four million people who are directly affected by it, it bumps the wage structure everywhere... The estimates are that 35 million Americans would get a pay raise if the federal MW was raised.... If you (raise the MW) in a phased way, it always creates jobs. Why? Because people who make the MW or near it are struggling to get by, they spend every penny they make, they turn it over in the economy, they create jobs, they create opportunity, and they take better care of their children. It’s just the right thing to do, but it’s also very good economics.”

In 1914 Henry Ford instituted his famous \$5 a day minimum wage. He said it was “the greatest cost-cutting move I ever made.” It resulted in reduced absenteeism and more efficiency; most important, it enabled workers to buy the cars they made and thus both stimulate the economy and share the prosperity.

In sum we believe the minimum wage should be increased in steps over the next few years because:

1. It will raise thousands of the working poor out of poverty.
2. It will place upward pressure on wages in general.
3. It will not have a deleterious impact on unemployment because workers will be more reliable, therefore less turnover and training expenses and because the increased income will promote more economic activity creating more jobs.
4. It is morally fair.

Living Wage and the Self-Sufficiency Standard

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Confucius ²²

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OUR MORAL IMPERATIVE

We believe these extremes of affluence and poverty are inherently unjust. Just as power tends to corrupt and absolute power corrupts absolutely, so, too, with wealth. The injustice of poverty in the midst of plenty is no accident of history, nor is it an inevitable condition of humankind. It is the result of deliberate social, political and economic policies, policies which should and can be changed.

We have the appropriate means to create that just economic community envisioned by all the great prophets of the human spirit over the ages. Building that just society is more a matter of will than resources.

We pledge ourselves to work toward that beloved community which is the goal of our various religious faiths. We commit ourselves to policies that will create the fundamental fairness in human relations which we all seek. We invite the wider community to work with us.

¹ Robert Frost. *Masque of Reason*.

² E. F. Schumacher, "Buddhist Economics," *Small Is Beautiful*.

³ Confucius. *Analects*.

⁴ Plutarch. Accessed from www.quotationreference.com.

⁵ *Amos* 4-6.

⁶ *Matthew* 19:23-24.

⁷ *Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy*. 1986.

⁸ American Community Survey, 2014

⁹ New York State Department of Taxation and Finance. *Rochester Democrat and Chronicle*. December 14, 2014.

¹⁰ *State of the States Report*. Center for American Progress Program Action Fund. 2014, p. 97..

¹¹ Matthew Daneman. "Standard Raised," *Rochester Democrat and Chronicle*, January 1, 2015.

¹² Tiffany Brooks. "NY small business OK with locally set minimum wages." *The Legislative Gazette*, April 21, 2014.

¹³ ITEP, December 18, 2014.

¹⁴ *Daily Kos*. "Busting the seven great myths of poverty." August 3, 2014.

¹⁵ Economic Policy Institute. *Economic Snapshot*. Lawrence Mishel, Ross Eisenbrey and Alyssa Davis. July 2, 2014.

¹⁶ David Cooper. "Raising the Federal Minimum Wage to \$10.10 Would Save Safety Net Programs Billions and Help Ensure Businesses Are doing Their Fair Share." Economic Policy Institute Report, October 16, 2014.

¹⁷ *New York Times*. Steven Greenhosue. "Study Finds Violations of Wage Law in New York and California. December 3, 2014.

¹⁸ *Albany Timesunion.com*. "To raise, or not to raise," December 9, 2014.

²⁰ Erica Bryant. *Rochester Democrat and Chronicle*, December 6, 2014. "What is wrong with a \$3.50 hamburger?"

²¹ *Rochester Democrat and Chronicle*. October 13-16, 2014 and October 29, 2014. Reporting on a study by the Rochester Area Community Foundation and ACT Rochester.

²² Confucius. *Analects*.

²³ *Rochester Democrat and Chronicle*. October 13-16, 2014 and October 29, 2014. Reporting on a study by the Rochester Area Community Foundation and ACT Rochester.