The “Fight For 15” moved from the streets to the statehouse in Albany in 2015. Since New York fast food workers and their community allies first began a series of demonstrations for higher pay and union rights in 2012, their movement has spread nationwide, pressuring governors and legislators to take action. Over two months last summer, the New York State Department of Labor’s Fast Food Wage Board conducted statewide hearings on the issue that attracted oral and written testimony from hundreds of employers, employees, economists, community, labor and religious organizations.

These hearings and related media coverage threw into sharp relief the depth of the problem of chronically low wages in the rapidly growing fast food industry and the public divisions over what if anything government and/or business can do about it. There are, it seems to me, four key factors that are central to this debate:

1. the stagnant or falling real wages of too many young Long Islanders today;
2. the wide gap between fast-food pay levels here and the minimum income needed for a basic no-frills budget;
3. the high public costs to taxpayers of a growing low-wage fast-food workforce; and
4. the feasibility of setting a $15 legal minimum in this industry.

My personal conclusion as a labor economist from considering the research evidence on all this is to support New York State setting at least a $15 minimum wage standard for our fast-food employees. Why?

Low & Paralyzed Pay of Too Many Long Islanders

Long Island has a reputation as home to many high-income households. But, in my recent research on large government data sets, I found that, for most Long Islanders, median hourly wage levels – after accounting for price inflation – are either stuck near pre-recession levels or have actually fallen.

As shown in the newest issue of our 
newest issue of our Regional Labor Review, young workers have been the hardest hit:

- Among those with jobs age 16-24, hourly pay (adjusted for inflation) has dropped nearly -7% since the mid-2000s — to a median of $10.16 in 2012-2014.
- Among 3 out of 4 fast-food workers are age 22 and up, but the trends for workers in their late 20’s & 30’s have been just as bleak: median real wages for Long Islanders in that age group ($25.34) are down -8.4%.

In the restaurant and food service subsample, my recent estimates for workers of all ages from the same person-level data suggests an even steeper pay decline. Among non-managerial food service workers on Long Island, median pay today is still below pre-recession levels: after adjustment for the rising local cost of living (up over 20% in this period), the $9.12/hour median fast-food wage in 2012-2014 is about -$1.66 (or -15.5%) lower than it was in 2005-2007 ($10.71)! Yet nearly half of New York’s fast-food employees have completed some college?

Note that wages self-reported by workers may differ from business payroll data, at least in part due to widely reported violations of minimum wage and overtime laws in this sector. In a recent interview we published with the Long Island chief of the US Labor Dept’s Wage & Hour Division, he estimated that 75% of Long Island food service establishments violate the minimum wage or other labor laws each year. Although his office is more aggressive in enforcement than most, covering 5,000 restaurants (plus thousands of other employers) with just 19 investigators is a daunting task.

Fast-Food Pays Below Sustainable Levels

Such low wages fall well below any reasonable standard of sustainable no-frills living in this high-cost region. The “Self-Sufficiency Standard” for New York State is a far more realistic measure of income adequacy than the federal poverty line. The standard measures the minimum income that households of different sizes and locations need to cover essentials (including taxes) — without public assistance or private charity.

In the latest (2010) figures for Long Island, researchers projected the annual minimum incomes that several kinds of households needed for self sufficiency in Nassau County. In the table below, I updated their 2010 estimates to 2015 prices for two household types — a single adult with no children household and one in which a single adult lived with one pre-school child.

If adjusted for New York metro area inflation between 2010 and the first quarter of 2015, the full-time worker’s minimum annual self-sufficiency earnings level would rise to $35,554. That means that, for an employee who manages to work full-time year-round (40 hours/week over 52 weeks), his/her hourly wage rate would rise, for a single childless adult, from $15.65 in 2010 up to $16.83 in 2015.

However, my estimates from the same data source indicate that the average workweek of Long Islanders in food services today is only
New York State Sets $15 Minimum

In late July 2015, after months of statewide hearings, the Fast Food Board of the New York State Department of Labor, recommended that the industry’s minimum wage be raised in phases to $15 in New York City by December 2018 and to $14.75 in the rest of the state by December 2020.11 On September 10th, the Board’s recommendations were approved by Acting Commissioner of Labor Mario Musolino. The detailed schedule of increases is as follows:

Schedule of NYS Minimum Wage Raises for Fast-Food Workers

<table>
<thead>
<tr>
<th>Period</th>
<th>New York City</th>
<th>Outside New York</th>
<th>Start Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$10.50</td>
<td>$9.75</td>
<td>12/31/2015</td>
</tr>
<tr>
<td>2017</td>
<td>$12.00</td>
<td>$10.75</td>
<td>12/31/2016</td>
</tr>
<tr>
<td>2018</td>
<td>$13.50</td>
<td>$11.75</td>
<td>12/31/2017</td>
</tr>
<tr>
<td>2019</td>
<td>$15.00</td>
<td>$12.75</td>
<td>12/31/2018</td>
</tr>
<tr>
<td>2020</td>
<td>$14.75</td>
<td>$13.75</td>
<td>12/31/2020</td>
</tr>
<tr>
<td>2021</td>
<td>$15.00</td>
<td>$14.75</td>
<td>12/31/2021</td>
</tr>
</tbody>
</table>

Notes:


When ever the legal minimum wage floor is raised for the lowest-paid workers, economic research has found that it tends to pressure employers to also raise the wage rates of other near-minimum wage employees enough to maintain previous pay differentials between them and the minimum-wage workers. Evidence of these “spillover effects” strongly suggests that other restaurant employers may follow suit, particularly in a high-cost, high-wage regions like New York City and Long Island.  

6. Conclusion

Reversing the downward slide of real wages in the fast-food industry could bring multiple benefits, not only to the employees’ standard of living, but also to employers, other local businesses, and the broader community — without necessarily affecting job growth. The associated macroeconomic expansion from rising consumer income could produce substantial direct and indirect economic benefits. With more money in their pockets, working people have that much higher spending power to buy local goods and services, thereby spurring sales of Long Island restaurants and a wide variety of other businesses. Moving tens of thousands of working people closer to a self-sufficiency earnings level could also lower their need for public assistance, thereby relieving local tax burdens.

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