Who Earns Minimum Wage in New York?

by Oren M. Levin-Waldman

On New Year's Day 2014, 13 states raised their minimum wage above the federal level. New York State pushed up its pay minimum to $8.00 an hour in January, and will increase it to $8.75 in 2015, and to $9.00 in 2016. And New Jersey increased its minimum wage to $8.25. Twenty-one states now set their pay floor above the federal $7.25/hour, and 11 also raise the state minimum automatically each year to adjust for price inflation.

These efforts are only the beginning. The national Democratic Party has announced plans to make the minimum wage a focus of the 2014 elections. At the same time, the new mayor of New York, Bill de Blasio, announced at his inaugural speech in January that he intends to give the fight against income inequality high priority in New York City. Although he hasn't specifically mentioned the minimum wage, many regard it as an effective tool for at least moderating extreme income inequality, because a reduction in inequality requires that the mean incomes of those at the bottom rise at a higher rate relative to those at the top.[1] Critics, of course, claim that these increases are harmful to businesses and only make the hiring of low-skilled workers more difficult. And yet, the segment of the labor market earning the statutory minimum only tells part of the story. The real issue is: who earns an "effective" minimum wage, which can be broadly defined as a wage around the statutory minimum wage?

Historically, the minimum wage tended to be set at about 50 percent of average annual hourly earnings. In 2012, earnings averaged $21.43 an hour. Had the federal minimum wage been maintained at 50 percent of average hourly earnings, it would be $10.72 an hour; not $7.25. In the New York City metro area the hourly earnings average was $24.94, which means that 50 percent of the average annual hourly wage should have been $12.47. While the median hourly wage in the U.S. was $14.90, in the New York City Metro area it was $16.83. Increasing New York State's minimum wage to $8.00 an hour still leaves it at 47.5 percent of the median wage and 64.2 percent of the average annual hourly wage in the New York metro area.

Critics, of course, will argue that most minimum wage workers are secondary earners — mostly teenagers — but that focus is too narrow. The issue is the "effective minimum wage population," which we can define as: those earning between the statutory minimum wage and 50 percent of average annual hourly earnings. In this paper, I use data from the 2012 March Supplement of the Current Population Survey to look at the effective minimum wage population in the New York City Metro area. Our findings certainly support much of what we already suspect: that those most likely to be among the effective minimum wage work force are primarily in food service and poorly educated. But it will also become clear that effective minimum wage earners in our metro area are not primarily teenagers. Moreover, some of the industry and occupational composition of effective minimum wage earners in the New York City metro area differs from the rest of the nation in ways that one would not necessarily expect.

Opposition to State Minimum Wage Hikes

The standard arguments against increasing the minimum wage are well known. Increasing the minimum wage, as economist George Stigler once famously observed, either leads to lower employment or increased productivity.[2] According to the Econ 101 mainstream model, in perfectly competitive markets, market-clearing wages are achieved when the demand for labor is exactly equal to the supply of labor. In a competitive market, there is no such thing as unemployment because wages either rise or fall until the demand for labor is again exactly equal to the supply. At a wage at which demand equals supply, all those willing and able to work at that wage will be employed. More people willing to work will result in the wage falling further, which in turn will induce firms to hire more workers. Conversely, firms unable to hire as many workers as they would like will be forced to raise wages to induce additional people to enter into the labor market. A wage floor, such as a mandated minimum wage, prevents the cost of labor from dropping below the minimum. When the minimum wage is higher than the equilibrium wage, fewer workers will be hired than are willing to work, the result being unemployment. Each worker in a competitive market receives the value of his or her marginal product, which is the amount of increase in, say, a unit of labor. When adding additional workers results in an increase in total revenues, the firm's output also increases. An effective minimum wage, then, either accomplishes two things: either workers whose value is less than the minimum will lose their jobs or productivity among low-efficiency workers will increase.

The minimum wage, then, is expected to only hurt low-wage workers because their skills levels tend to be low and their attendant economic value is less than the minimum. Moreover, few workers in the labor market actually earn the statutory minimum wage. Rather most minimum wage earners are secondary earners, primarily teenagers. As their income is deemed not to be primary income, the costs to the economy in terms of a disemployment effect exceed the benefits of a higher wage that will only accrue to a limited segment of the labor market. Economists have relied upon the traditional theoretical construct to predict the effects of minimum wage increases with regard to both employment and poverty. Moreover, considerable empirical research, mostly on the basis of time-series data, has focused specifically on the teenage labor market following recent increases. What emerged from many early studies was a general consensus, collected in a 1972 Minimum Wage Study Commission (MWSC) report, that for every 10 percent increase in the minimum wage, there will be a 1-3 percent decrease in employment, specifically among teenagers. Although other estimates have placed the disemployment effects lower for adults, this consensus view has nonetheless formed the basis of the minimum wage orthodoxy.[3]

To the extent that the model is deemed to be true, it may be even more problematic at the state level where jobs can easily travel across state boundary lines. States traditionally compete with one another for investment, and as such seek to create favorable business climates as a means to induce firms to invest.[4] Susan Hansen, for instance, notes that the federal structure of the U.S. has had the effect of driving down wages through the competition between the states for investment. Not only has this contributed to declining state labor costs, but it has also been a source of wage stagnation. One state raising its minimum wage while its neighboring states do not may put that state at a disadvantage in terms of investment.[5] According to the standard model, businesses in states where the minimum has just been increased may be inclined, especially if located near the state borders, to relocate to states where the minimum wage is lower.

Support for State Minimum Wage Hikes

There are several arguments for raising the minimum wage: first, the standard model is nothing more than a theoretical construct that is not well grounded in empirical findings. The data that is out there is ambiguous at best.[6] Those who want to argue that the minimum wage is harmful tend to focus specifically on the teenage labor market. While the Minimum Wage Study commission found that there might be disemployment effects for teenagers, others have more recently found the effects to be proportionally smaller among adults between the ages of 20 and 24, and adults on balance appear to be better off under a wage floor.[7] In their influential studies of the fast food industry, David Card and Alan Krueger found that when New Jersey increased its minimum wage during the early 1990s, there were no disemployment effects in fast-food restaurants in New Jersey relative to Pennsylvania (where there had been no increase in the minimum wage). In fact, employment actually increased.[8] More recently, Dube, Lester and Reich studied wage and job changes in all 318 pairs of counties nationwide that straddle state borders. Based on Census Bureau microdata spanning 1990 to 2006, they found "strong earnings effects and no employment effects of minimum wage increases."[9]

The second argument in favor of the minimum wage is that the standard model makes certain assumptions that really cannot be supported in the real world. The theoretical construct assumes that if workers simply lower their wage demands until the point where employers demand their labor services, there will be no unemployment. This assumption rests on the further assumption that the market will then readjust price to accommodate workers who are now earning lower wages. But it isn't wage rigidity that leads to unemployment, rather the absence of effective demand for goods and services in the aggregate. Workers can lower their wage demands to zero, but if people don't have the wherewithal to demand goods and services because their wages are inadequate, employers aren't going to hire them. This would similarly hold

	U.S.				New York State				New York City			
	90/10	90/50	50/10	Quintile Ratio	90/10	90/.50	50/10	Quintile Ratio	90/10	90/50	50/10	Quintile Ratio
1992	12.8	2.5	5.1	13.6	12.5	2.5	5.0	13.0	10.7	2.5	4.2	12.5
2002	12.7	2.6	4.8	15.5	14.2	2.9	4.9	18.4	10.7	3.0	3.8	16.2
Change	0.7	+4.0	-5.9	+14.0	+13.6	+16.0	-2.0	+41.5	0	+20.0	-9.5	+29.6
2012	12.5	2.8	4.4	16.0	11.9	2.9	4.1	14.4	10.0	2.9	3.5	15.1
Change	-1.6	+7.7	-13.7	+3.2	-16.2	0	-16.3	-21.7	-6.5	-3.3	-7.9	-6.8
1992-2012 Change	-2.3	+12.0	-13.7	+17.6	-4.8	+16.0	-18.0	+10.9	-6.5	+16.0	-16.7	20.8

Table 1
Wage Inequality by Quintile Ratios, 1992-2012

Table 1 Note: 90/10 refers to the ratio between the top 90th percentile and the bottom 10th percentile. 90/50 refers to ratio between the top 90th percentile and the 50th percentile (also the median). 50/10 refers to the ratio between the 50th percentile and the bottom 10th percentile. And the Quintile Ratio is the ratio between the average income of those in the top 20th percent of the income distribution to the average income of those on the bottom 20th percent of the income distribution.

true for the minimum wage. A worker's willingness to accept a wage beneath the legal minimum is not going to result in that person being employed if people are not able to demand goods and services in the aggregate. Moreover, even if it were conceded that prices could drop in response to lower wage rates, there is perhaps a limit to how low wage rates could fall.

The logic of the standard model would imply that policies like the Fair Labor Standards Act of 1938 which created the federal minimum wage and the Wagner Labor Relations Act of 1935 which legitimized collective bargaining actually had the effect of prolonging the Great Depression. New Deal opponents blamed 1930s unemployment not on capitalist excesses or government inaction, but on rigid wage rates, increased labor costs, and anything else that interfered with flexible demand/supply. Traditional demand/supply theory suggests that lower wages promote prosperity by making it possible to have lower production costs and product prices, increased sales to domestic and foreign buyers, and greater satisfaction of consumer wants. Keynes, in particular, argued that a typical firm's hiring decisions were based on workers' real wages, but workers would only be able to agree to cut their money wages. A cut in money wages might precipitate a fall in prices, but it would also leave real prices the same, if not higher. On the one hand, lower wages would reduce the cost of production, thereby increasing employment. But on the other hand, it would also reduce household income and consumer spending, thereby leading to lower business sales and employment. Wage reductions during the Great Depression were only followed by another year and a half of deepening depression, which was the direct opposite predicted by the demand/supply theory. Although it is possible that New Deal policies, especially the National Labor Relations Act along with union organizing, may have retarded recovery, the collapse would have been even more catastrophic had wages in the labor market actually functioned more like prices in commodity markets.[10]

The fundamental defect of wage deflation was that it would lead to reduced production and employment. Keynesian economics is predicated on the assumption that unemployment is the result of a deficiency in aggregate demand. Therefore, a general reduction in wages and prices is not likely to lead to a readjustment, rather it will only make things worse. If deflated wages leads to a redistribution of income from wage earners to non-wage earners, it will also result in less spending. An episode of deflation could also result in a decrease of net financial wealth.[11] But there is also a limit to how much prices can be reduced following wage reductions. Employers still have fixed costs, and if they cannot reduce their prices to meet the new lower wages, the result will be a drop-off in demand because of reduced purchasing power. Given that, a minimum wage is believed to have macroeconomic benefits in that it enables more people to demand goods and services because of their increased purchasing power.

In my recent research on wage contours, my findings point to positive welfare effects from higher minimum wage rates. By constructing ten contours or intervals beginning with the statutory minimum wage and ranging to 25 percent above and so on, I found that median wages increased in each of the ten contours when there was an increase in the statutory minimum wage. But in years when there was no increase in the minimum wage, the median wage in each contour remained flat. Because of the contour effects, up to 70 percent of the labor market might see their pay rise with a minimum wage increase.[12] Therefore, a wage policy in the form of a wage floor, especially if it is pegged to either inflation or increases in productivity, might result in job creation by allowing more people to effectively demand more goods and services.[13]

A third argument for why the minimum wage should be raised is that all the claims that the minimum wage population is primarily teenagers are wrong. Although it is true that only about 4 percent of the actual labor market earns precisely the statutory minimum wage, that construction of the minimum wage population is simply too narrow and it serves to rationalize a putative policy of doing nothing because its effect is to trivialize those who actually earn the statutory minimum wage. The critical question is who earns around the statutory minimum. The effective minimum wage population could be defined as the first two contours in the wage distribution, which at the federal level would include all those earning between the statutory minimum and $11.35 an hour.[14] Another way to define the effective minimum wage population would be those earning between the statutory minimum wage and 50 percent of average annual hourly earnings, which at the federal level is between $7.25 and $10.72 an hour based on CPS data for 2012. And in the New York City metro area this includes all workers earning between $8.00 and $12.47, again based on CPS data for 2012. To conceive of the minimum wage population in these terms is to capture a more realistic picture of the low-wage labor market, which is also more sizeable than the statutory minimum wage labor market. The key point here is that the actual statutory minimum wage labor market is irrelevant. Rather it is the broader low-wage labor market that the minimum wage really represents. In the language of wage contours, the minimum wage is merely a reference point for wages around it.[15] And this distinction is important for another reason, which is that even if were true that most statutory minimum wage workers were only secondary earners rather than primary earners, it still does not follow that their income is not essential to the maintenance of their households. To suggest that it is not merely trivializes the issue.

Minimum Wage in Context

Unlike other countries where a minimum wage is pegged to inflation and will automatically increase as the rate of inflation increases, the minimum wage in the U.S. requires legislative action every time it is to be increased, unless a prior legislative action has already called for a scheme of permanent indexation. Despite calls for indexation during the Carter years, this has never occurred. Moreover, legislative action is required at the state level as well as the federal level. Calls for minimum wage increases typically occur when the purchasing power of the minimum wage has

declined substantially since the previous increase. Arguments for increases have often revolved around the need to assist the working poor. These arguments have not been the most broadly persuasive, given the ability of minimum wage critics to stigmatize the poor with claims that the value of low-wage workers does not justify an increase in the minimum wage and that an increase will only end up hurting the poor because employers will simply substitute technology for workers in order to increase productivity or they will simply reduce hours.[16] Arguments about why the minimum wage is beneficial for the middle class are really the strongest.[17]

Recent calls for increasing the minimum wage have been within the larger context of combatting our extreme income inequality. As Table 1 suggests, income inequality by most measures has increased, and the increase has been greatest on the basis of the quintile ratio in the New York City Metro area, especially when compared to the U.S. and New York State. On the basis of the 90/10 ratio, wage inequality actually decreased between 1992 and 2012, and the decrease was greatest in the New York City metro area. In both the New York City metro area and New York State, inequality on the basis of the 90/50 ratio increased more than it did nationwide. Despite the increase in income inequality between 1992 and 2012, the greatest increase in inequality (based of the quintile ratio) occurred between 1992 and 2002 in New York State, followed by the New York City metro area. By this yardstick, between 2002 and 2012 there were actually declines in income inequality in New York State and the New York City metro area. And inequality measured by the 90/10 ratio declined at all levels.

The Effective Minimum Wage Population

Just who is earning the effective minimum wage in the New York Metro area today? In the pages that follow I draw upon CPS microdata for 2012, and define the effective minimum wage population as those earning between $8.00 and $12.47 an hour. Although the low-wage labor market does not differ dramatically from the rest of the country, it does need to be understood within the context of a city where the gap in income does tend to be higher than the rest of the nation. Table 2 shows wage demographics for the New York City Metro area according to wage ranges. It is true that more 18-24 year old wage earners tend to be among the effective minimum wage earners, but it is also true that most effective minimum wage earners (71.1 percent) are between the ages of 25-54. Compared to all workers who have no more than a 12th grade education, a higher percentage appear to be among the effective minimum wage earners. When no more than 12th grade is combined with high school graduates, 54.6 percent in the NYC metro area are effective minimum wage earners compared to 40 percent of all workers. It also appears that a higher percentage of women are among the effective minimum wage earners. Whereas 48.2 percent of wage earners in the New York City metro area are women, 55.5 percent of effective minimum wage earners are women, a difference of 15.1 percent.

In terms of industry and occupational categories, there appears to be a surprisingly high percentage of effective minimum wage

earners in manufacturing. The New York City metro area economy can best be described as a service sector economy, so it is unsurprising that only 6.3 percent of all wage earners are in manufacturing. And yet, 11.5 percent of effective minimum wage earners are in manufacturing, a difference of 82.5 percent. Still, the proportion of workers in manufacturing increases as wages increase. As expected, the highest percentage of effective minimum wage earners are in wholesale and retail trade. Also as expected, a high percentage of effective minimum wage earners work in the food preparation and serving related industries, especially relative to all wage earners in the New York City metro area. The largest percentage of effective minimum wage earners, however, appear to be in Office and Administrative Support occupations. Relative to all wage earners in these occupations, a higher percentage are effective minimum wage earners, but it is still lower relative to the other wage categories. Also only 3.2 percent of wage earners in the New York City metro area are in the Production occupations, but 9.6 percent of effective minimum wage earners are in those occupations, which is a difference of 200 percent. Only a slightly smaller percentage in the production occupations are in the 50 percent of average hourly wage category. Although 64 percent of wage earners are white, 77.5 percent of effective minimum wage earners are white. And although the percentage of effective minimum wage earners who are black is lower than the percentage of all workers who are black, a higher percentage of blacks are among effective minimum wage earners than among the higher income categories.

Still the question is how does the effective minimum wage population in the New York City metro area compare to the U.S. and New York State. Comparative demographics can be seen in Table 3. There are fewer effective minimum wage earners in the 18-24 age cohort in the New York City Metro area than in the rest of the country, although there are more than in New York State. Still, the percentage of effective minimum wage earners between 25-54 is higher in the New York City Metro area than in the U.S. as a whole, although again slightly lower than in New York State. When it comes to education, the New York City metro area has fewer workers with no more than a 12th grade education and who are high school graduates than in the U.S. as a whole, although more in both of these categories than in New York State. Overall, the New York City metro area has higher levels of education among effective minimum wage earners than the U.S. as a whole, but less than the rest of the state. What appears to be most disturbing is that New York State appears to have larger relative percentages of effective minimum wage earners with BA degrees and graduate and professional degrees. This could either speak to the lack of jobs available to those with higher education and skills in the state, or a higher percentage of workers in the state who might be part-time. There are fewer women who are effective minimum wage earners in the New York City metro area than the rest of the country, but more women who are effective minimum wage earners in the New York City metro area than the rest of the state.

Table 2
Wage Averages by Demographic Group, NYC Metro Area, 2012

	All	Minimum Wage to 50% of Average Hourly Wage	50% of Average Hourly Wage	Average Hourly Wages and Above
AGE				
15-17	0.5	0.1	0.1	0
18-24	9.4	13.8	5.2	1.1
25-34	24.9	27.3	27.7	18.2
35-44	23.8	22.9	26.0	30.8
45-54	23.9	20.9	23.8	30.0
55-64	13.6	11.9	14.1	17.1
65-74	3.1	3.2	2.6	2.5
75+	.9	.7	.5	.3
EDUCATION				
Up to 12 Yrs.	12.4	15.9	7.7	2.0
HS Diploma	27.6	38.7	32.9	15.8
Some College, No Degree	13.5	20.5	19.4	12.9
Associates Degree	8.0	10.4	13.1	10.8
BA &/or Profsn. Degree	25.2 13.3	11.8 2.7	21.0 6.0	35.8 22.6
SEX				
Male	51.8	44.5	52.8	67.7
Female	48.2	55.5	47.2	32.3
INDUSTRY				
Agric, Forestry, Fishing	.1	2.1	1.1	.4
Mining		.3	.9	2.4
Construction	6.1	5.8	7.6	6.4
Manufacturing	6.3	11.5	14.8	16.8
Wholesale & Retail Trade	14.4	17.9	15.4	11.0
Transport & Utilities	4.7	4.0	5.9	6.1
Information	3.2	1.3	2.4	4.2
Finance, Insur., Real Estate, Rental & Leasing	10.8	5.5	8.6	11.2
Profesnl, Science, Mgt, Admin. & Waste Mgt.	12.7	9.2	10.0	16.0
Education, Health & Social Services	23.7	21.1	21.2	18.6
Arts, Entertainment, Recreation, Accommodation & Food Service	11.6	14.2	6.7	2.8
Other Services	6.0	6.6	4.8	3.3
Public Administration	.5	.4	.6	.7
Armed Forces		0	0	.1
OCCUPATION				
Management	8.8	3.8	7.9	22.7
Business, Finance	5.8	1.8	5.4	8.5
Computers, Math	2.7	.6	1.7	7.1
Architecture & Engineering	1.6	.4	1.5	5.8
Life, Physical, Social Science	.7	.2	.7	1.4
Community & Social Services	2.1	1.5	2.1	.9
Legal	1.5	.4	.8	2.0
Educ/Training	3.5	2.7	2.6	2.4
Arts, Design, Entertainment, Sports & Media	2.6	.9	1.5	2.2
Healthcare Practitioner & Technical	5.4	3.5	6.7	10.2
Healthcare Support	5.1	5.6	3.1	.3
Protective Service	1.8	1.2	1.0	.4
Food prep & Related	7.7	10.5	3.3	.5
Building Maintenance	4.7	7.0	2.9	.5
Personal Care Service	4.1	4.6	2.2	.5
Sales & Related	11.6	11.1	9.5	9.7
Office & Admin. Support	14.1	16.8	17.4	5.9
Farming, Fishing, & Forestry	.3	2.0	.8	.2
Construction Trades & Extraction	5.1	5.2	6.4	4.9
Installation, Maintenance, Repair	2.4			
Production Occupations	3.2	9.6	9.4	4.9
Transport & Materials	5.2	7.4	8.0	4.1
Armed Forces		0	0	.1
RACE				
White	64.0	77.5	80.3	83.3
Black	19.6	12.5	10.8	6.9
American Indian, Alaskan Native	.6	1.1	.9	.5
Asian	15.0	6.3	5.7	7.6
Hawaiian/Pacific Islander	.3	.6	.6	.3
Other	.6	2.0	1.7	1.5

Table 3
Characteristics of those Earning Effective Minimum Wage

	U.S.	NY State	NYC Metro Area	NYC/U.S. Diff (%)	NYC/NYS Diff (%)
AGE					
15-17	.2	.8	.1	50.0<	87.5<
18-24	17.1	10.4	13.8	19.3<	32.7>
25-34	26.7	24.0	27.3	2.2>	13.8>
35-44	21.2	23.2	22.9	8.0>	1.3<
45-54	19.7	24.3	20.9	6.1>	14.0<
55-64	11.3	13.9	11.9	5.3.	14.4<
65-74	2.9	2.8	3.2	10.2>	14.3>
75+	.8	.7	.7	12.5<	0
EDUCATION					
Up to 12 Yrs.	17.9	10.9	15.9	11.2<	45.9>
HS Diploma	39.0	29.5	38.7	.8<	31.2>
Some College, No Degree	20.3	14.3	20.5	1.0>	43.4.
Assoc Degree	9.4	10.0	10.4	10.6>	4.0>
BA Degree	10.9	23.0	11.8	8.3>	43.7<
Grad and/or Professional Degree	2.6	12.3	2.7	3.8>	78.0<
SEX					
Male	43.5	51.6	44.5	2.3<	13.8>
Female	56.5	48.4	55.5	1.8<	14.7>
INDUSTRY					
Agric, Forestry, Fishing	2.2	.3	2.1	4.5<	600.0>
Mining	.2	.1	.3	50.0<	200.0>
Construction	5.7	6.2	5.8	1.8>	11.3<
Manufacturing	10.7	8.9	11.5	7.5>	40.4>
Wholesale & Retail	18.6	15.6	17.9	16.1<	14.7>
Transport & Utilities	3.7	4.2	4.0	13.5>	4.8<
Information	1.2	2.8	1.3	8.3.	53.6<
Finance, Insur, Real Est.	4.8	9.6	5.5	14.6>	46.9<
Professnl, Scientific, Mgt, Admin., Waste Mgt.	9.2	11.5	9.2	0	20.0<
Educ, Health, Social Service	19.6	23.1	21.1	7.7>	8.7<
Arts, Entertainment, Recreation, Accommodatn & Food Srvc.	16.8	11.5	14.2	15.5<	23.5>

	U.S.	NY State	NYC Metro Area	NYC/U.S. Diff (%)	NYC/NYS Diff (%)
Other Services	7.0	5.8	6.6	5.7<	13.8>
Public Admin.	.3	.6	.4	33.3>	33.3<
Armed Forces	0		0		
OCCUPATION					
Management	3.2	8.8	3.8	18.8>	56.8<
Business & Finance	1.4	5.1	1.8	28.6>	64.7<
Computers & Math	.5	2.3	.6	20.0>	73.9<
Architecture & Engineering	.4	1.9	.4	0	78.9<
Life, Physical & Social Science	.2	.7	.2	0	71.4<
Community, Social Service	1.3	2.2	1.5	38.5>	31.8<
Legal	.4	1.3	.4	0	69.2<
Education & Training	2.9	3.7	2.7	34.5<	27.0<
Arts, Design, Entertainment, Sport & Media	.8	2.2	.9	12.5>	54.4<
Healthcare Practitioner & Technical	2.9	5.7	3.5	20.7>	38.6,
Healthcare Support	5.1	4.4	5.6	9.8>	34.1.
Protective Service	1.3	1.4	1.2	30.8<	14.3<
Food prep & Related	12.5	7.6	10.5	16.0<	38.2>
Building Maintenance	7.9	4.2	7.0	12.8<	66.7.
Personal Care & Service	5.3	3.9	4.6	13.2<	17.9>
Sales & Related	12.2	12.2	11.1	9.0<	9.0<
Office & Admin	15.3	14.0	16.8	9.8>	20.0>
Farm, Fishing & Forestry	2.0	.3	2.0	0	566.>
Construction/Extraction	5.3	5.0	5.2	1.9<	4.0>
Installation, Maintenance, Repair	2.5	2.9	3.0	20.0>	3.4>
Production	9.2	5.1	9.6	4.3.	88.2>
Transport & Materials Moving	7.5	5.2	7.4	1,3<	42.3>
Armed Forces	0		0		
RACE					
White	77.5	72.4	77.5	0	2.9>
Black	12.6	15.6	12.5	.8<	19.9<
American Indian, Alaskan Native	1.1	.5	1.1	0	120.0>
Asian	6.3	10.7	6.3	0	41.1<
Hawaiian/ Pacific Island	.6	.2	.6	0	300.0>
Other	1.9	.6	2.0	5.3>	233.3>

When it comes to industry, there appears to be a higher percentage of effective minimum wage earners in manufacturing in the New York City metro area than in the U.S. as a whole and New York State. There are more effective minimum wage earners in the New York City metro area in Wholesale and Retail Trade than in New York State, but less than in the U.S. as a whole. When it comes to occupations, there are fewer effective minimum wage earners in Food Preparation and Serving Related occupations in the New York City Metro area than the U.S. as a whole, but more than in New York State. And there are fewer effective minimum wage earners in Sales and Related occupations in the New York City metro area than in both the U.S. and New York State. And when it comes to Production occupations there are more effective minimum wage earners in the New York Metro area than in both the U.S. and New York State. Although there are more blacks who are effective minimum wage earners than in higher wage categories in the New York City metro area, the percentage of blacks who are effective minimum wage earners is lower in our area than in the U.S. or in New York State as a whole.

The real question, however, is whether there are certain demographic characteristics that are more likely than others to predispose one to being an effective minimum wage earner, and whether those demographic characteristics differ in the New York City metro area than the U.S. as a whole or New York State. This can in part be answered through a logistical regression analysis. Since effective minimum wage earners appear to be represented more in Manufacturing, Wholesale and Retail Trade, Sales and Related Occupations, Office and Administrative Support Occupations, Food Preparation and Serving Related Occupations, Production, and Transportation and Materials Moving Occupations, it makes sense to test for the effects of these industry and occupational categories on being an effective minimum wage earner as the dependent variable. I also test for the demographics of being in the 18-24 age cohort — the so-called youth workers — the 25-54 age cohort — those in their prime working years — those with less than a 12th grade education, being female, and being black. Regression coefficients for the U.S., New York State, and the New York City Metro area, and their statistical significance, can be seen in Table 4. All variables are set to 1.

The two strongest factors that are likely to predispose one to being an effective minimum wage earner in the U.S.. New York State, and the New York City metro area are having less than a 12TH grade education and working in food preparation and serving related occupations. Still, the effects of these variables appear to be strongest in NYC metro than in both New York State and the U.S. Even though Tables 2 and 3 showed a higher percentage of effective minimum wage earners in manufacturing in the New York City metro area relative to all workers in the area and relative to New York State and the U.S., manufacturing was negative for the U.S. and not statistically significant for either New York State or the NYC Metro area. Wholesale and Retail Trade has a small effect for being an effective minimum wage earner in the U.S. but again is not statistically significant in New York State or in NYC

Metro. Working in Production occupations has a strong effect in the U.S., but its effects are smaller and not statistically significant in either New York State or the New York City metro area. The effect of working in Transportation and Materials Moving is weaker in the U.S., but is again not statistically significant. Being in the 18-24 age cohort has a small effect for being a minimum wage earner in the U.S., but is not statistically significant in either New York State or in NYC metro. Also being black has an effect for being a minimum wage earner in the U.S. but again is not statistically significant in either New York State or the New York City metro area. Being female, however, has larger effects for being a minimum wage earner in the U.S. and New York State, but its effect is smaller and not statistically significant in the New York City metro area. One reason for the absence of statistical significance in NYC metro may be an artifact of the data. By selecting out of the larger national sample, sub-samples for both New York State and our metro area, we are in effect reducing sample size relative to the larger universe.

The question that might be asked is why the effects of having less than a 12th grade education and working in food preparation and serving related occupations are stronger in the New York Metro area than in New York State or the U.S. And this might have something to do with the unique nature of the NYC Metro area economy. It is primarily a service sector economy, in which finance is a big industry. Indeed, one is more likely to be earning more than average hourly earnings in the financial sector, and the financial sector is more likely to require higher levels of education. As a service economy, it well reflects the typical urban dual economy with highly skilled and highly paid workers at the top and poorly skilled and poorly paid workers at the bottom. Given that it would appear to be a foregone conclusion that those with less than a 12th grade education are more likely to end up as effective minimum wage earners, regardless of age or gender. A disproportionate number of effective minimum wage workers are also more likely to end up in food preparation and serving related occupations because: first, the area, especially Manhattan, is a big tourist center with many restaurants, and also is home to the nation's theater district, and second, these jobs are all that workers with no more than a 12th grade education are qualified to be hired for.

Implications for Policy

Critics of the minimum wage will no doubt claim that its recent increases only prop up the pay of those who clearly lack the skills to command higher wages. They might even go so far as to say that raising the minimum wage, as striking fast-food workers have recently called for, only encourages more low-wage investment. Politically, however, the minimum wage is on the political agenda, and the increases by New York and New Jersey are only first steps. President Obama has also renewed his call for an increase in the minimum wage to $10.10 as a step to addressing the widening wage gap. Although Mayor de Blasio has made it clear that fighting inequality will be a major part of his legislative agenda, his focus so far has been on taxing the wealthy to pay for citywide pre-K schooling, rather than the city's minimum wage. There is no

Table 4: Regression Coefficients
(dependent variable: likelihood of being an effective minimum wage earner; logit model; significance levels in parens.)

Control Variables:	U. S.	New York State	New York City
18-24 years old	.128	.284	.393
	(.004)	(.201)	(.167)
25-54 years old	.064	.169	.184
	(.059)	(.309)	(.374)
Less than 12 Grade Education	.504	.889	.985
	(.000)	(.000)	(.000)
Female	.410	.408	.251
	(.000)	(.001)	(.096)
Manf industry	-.302	.026	-.118
	(.000)	(.916)	(.738)
Wholesale & Retail	.136	.030	-.019
	(.000)	(.878)	(.938)
Sales & Related Occs	.092	.160	.305
	(.045)	(.475)	(.267)
Office, Admin Support Occs	.302	.294	.102
	(.000)	(.099)	(.663)
Black	.188	.110	.295
	(.000)	(.485)	(.094)
Food Prep & Related	.676	1.014	1.257
	(.000)	(.000)	(.000)
Production Occs	.646	.448	.375
	(.000)	(.141)	(.409)
Transport & Materials Moving	.364	.401	.261
	(.000)	(.127)	(.431)
Constant	2.590	2.743	2.784
	(.000)	(.000)	(.000)

strengthen the case for improving inner city schools and widening access to GED and other types of training programs. There is clearly an argument to be made in favor of raising the minimum wage so as to bring these workers into the middle class. For some, the argument has less to do with issues of morality and fairness and more to do with the efficiency of paying workers a wage that enables them to demand goods and services in the aggregate. It is aggregate demand for goods and services that creates jobs; not lowering interest rates and wage rates so employers will have incentive to create jobs. The creation of more low-wage jobs will only exacerbate income and wealth inequality. And yet, for the minimum wage to be an effective tool, it really has to be applied at the federal level. It is on this point that states and localities are particularly at a disadvantage because businesses looking to pay lower wages can always cross local and state boundary lines.

Still, the demographics of the effective minimum wage population make it clear that this segment of the labor market is more substantial than minimum wage critics would like us to believe. The reality is that the widening gap between the rich and poor is really symptomatic of the growing dual economy that has left us with such a substantial effective minimum wage population. Until Congress sees fit to address the issue at the national level, the best that a city like New York can do is offer more programs that enable low-skilled workers to upgrade their skills so that they too can command higher wages.

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NOTES:

[1] Peter Gottschalk, "Inequality, Income Growth, and Mobility: The Basic Facts," *Journal of Economic Perspectives* 11, 2 (Spring 1997): 21-40.
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question that wage inequality has increased sharply. But the solution to wage inequality is not necessarily taxing the wealthy in order to pay for universal pre-K, as the Mayor advocates, but in strengthening institutions that will bolster the wages of those at the bottom.

Our finding that those with less than a 12th grade education and working in food preparation and serving related occupations are most likely to be effective minimum wage earners may help

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