



Unshackle Upstate

Assembly Hearing on Increasing the Minimum Wage

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**Written testimony of Brian Sampson, Executive Director
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Chairman Wright and members of the panel, thank you for the opportunity to speak today. My name is Brian Sampson, I am the Executive Director of Unshackle Upstate, a non-partisan, pro-taxpayer, pro-economic growth, education and advocacy coalition of business and trade organizations from all parts of Upstate New York.

As an organization, we advocate for Upstate businesses and taxpayers and push for reforms in Albany that will make Upstate New York a better place to do business and grow jobs.

I am here today to express our opposition to increasing New York's minimum wage. We strongly believe that increasing the base pay rate will have a negative impact on Upstate businesses, the people they employ, and the products we purchase from them.

Increasing the minimum wage will do nothing to alleviate what the Tax Foundation identifies as the 49th worst business tax climate in the country. We believe that it will make the Upstate business climate even worse.

Indeed, raising the minimum wage is an increased expense on New York businesses. A minimum wage of \$8.50 an hour will give New York a rate higher than all but two other states, Washington and Oregon, who rank #7 and #13 respectively on the Tax Foundation list. Further, raising the minimum wage to \$8.50 an hour will put us at a competitive disadvantage with neighboring states such as Pennsylvania. When considering the cost of doing business, employers will look to create jobs there instead of New York.

Increasing New York's minimum wage will result in direct and indirect costs on employers. The legislation to increase the state's minimum wage to \$8.50 next January 1 will have a \$2,908 direct

impact per employee. That includes \$2,600 in wages plus \$308 in payroll taxes which include the employer share of Social Security, Medicare and Workers Compensation costs.

I urge you to consider this impact from the perspective of a small employer. For a small daycare center or a farm market that employs 10 people, that is a nearly \$30,000 annual increase in costs. Where will they find that additional money? It's actually pretty simple to figure out. They will increase the cost of their services or products, reduce other employee benefits, or simply lower their employment levels. But it is the employment loss that will be most damaging to our communities.

Making this job loss situation even worse will be the impact of wage compression. Simply put, wage compression leads to pay inequities that arise when new employees demand and get wages higher than those being paid to the current employees. This will force an increase in wages across the board that impact employers and thus their employees and the cost of goods and services.

New York has not recovered from the effects of the most recent recession. We have lost hundreds of thousands of private sector jobs. If New York moves ahead with a minimum wage increase, you can expect more job loss. And history has shown that job loss will be felt most by our low-skilled workers and our youth.

Many low-skilled jobs that used to be the first rung on the employment ladder have been priced out of the market. Can you remember the last time an usher showed you to your seat in a dark movie theater? When was the last time someone other than the cashier not only bagged your groceries, but also loaded them into your car? And let's keep in mind that some stores are already moving away from cashiers to automated scanners that not only eliminate that job but also force you to bag our own groceries.

The disappearance of these jobs has broader economic and societal consequences. Many of these jobs are held by people who simply do not or cannot obtain the skills needed for higher paying careers. These minimum wage jobs provide their only likely source of income other than public assistance. These are often also thought of as first jobs, a means to improve skills needed for future opportunities. As their skills grow, so does their ability to earn higher wages. However, remove the bottom rung from the employment ladder and many never have a chance to climb it.

So the next time you are pumping your own gas in the rain, do not just think about the teenager who could have been pumping it for you, think about the auto mechanic that she could have become – had the minimum wage that is too high not curtailed such an opportunity for her. Many auto mechanics used to learn their trade while working as pump jockeys. Between fill-ups, checking tire pressure, and washing windows, they would spend a lot of time helping – and learning from – the mechanics.

Research has proven that such scenarios are likely to occur. A study conducted by Cornell/American University in 2008 showed that by raising the minimum wage from \$5.15 to \$6.75 (this occurred from 1/1/05 to 12/31/06), employment of the less skilled 16 to 29 year olds fell by 12.2%. Further, the study projected that raising the minimum wage from \$7.15 to \$8.25 would result in the loss of 28,990 jobs

including 7,031 for low income workers. Yet here you are considering a bill that will raise the wage to \$8.50 an hour and index it to CPI. The job loss will likely be staggering.

Research conducted by two economists (including one from Cornell University) on minimum wage increases between 2003 and 2007 found that, on the whole, a minimum wage increase does not help the working poor.

Their research found no decline in state poverty rates as a result of a minimum wage increase, citing three likely reasons:

1. A majority of working-age individuals who live in poverty don't work, and thus cannot benefit from the raise.
2. A clear majority of people who do earn the minimum wage live in households that are not in poverty.
3. Less skilled, less experienced employees lose employment opportunities when the cost of hiring and training them rises as a result of a minimum-wage increase.

Much of the arguments of those in support of increasing the minimum wage say that it is morally the right thing to do. We can argue morality all day and whether or not it fits within this conversation. But let me point to a few other cases of New York laws not under discussion that in our mind raise issues of morality:

- Is it right that an employer is absolutely responsible for any gravity related incident at a construction site even though they have followed the law and provided safety equipment and training for their employees?
- Is it right that an employer that follows the law and terminates an employee for cause is now responsible for unemployment insurance if that same employee is terminated from another job?
- Is it right that we have not implemented approved treatment guidelines in the Workers Compensation programs that will help injured workers get back to work sooner and help employers reduce their costs?

If people really want to push for an increase in the minimum wage, then they should also be willing to reduce the burden our employers face on a day-to-day basis.

At this point in time, increasing the minimum wage in New York is a noble, but flawed idea. It will have the opposite effect of what you are trying to achieve as businesses will not be able to tolerate an increase in costs. It will do nothing but reinforce the reputation we have of being a state that is hostile to business.

Thank you for your time. I would happy to take questions that you may have.