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BEING FAIR: BACKGROUNDER ON MINIMUM WAGE IN NEW YORK STATE

Preface: An Interfaith Perspective on Economic Justice

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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.

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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.

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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

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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

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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

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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)

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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

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

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

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

55 56 **Economic (In)Justice in New York State**

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

61 *African American poverty rate 24.3%.

62 *Latino poverty rate 26.0%.

63 *Black poverty rate 23%.

64 *Native American poverty rate 28.6%

65 *White poverty rate 10.9%.

66 *37.6% of female-headed households with children live in poverty.

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

69 *Median household income was \$57,000.

70 *The number of New Yorkers making more than \$1 million in taxable income jumped
71 16%, 35,788 to 41,414, from 2008-2012.

72 *New York residents whose income exceeded \$1 million rose 16% between 2008 and
73 2012, from 35,705 to 41,414.⁹

74
75 ***New York is the most unequal state in the nation.*** The income of the top 20% was 20.1 times
76 that of the bottom 20 % – with a Gini Coefficient Rate (a statistical measure of inequality) of
77 .499 (0 representing complete equality, 1 complete inequality).¹⁰ In New York there are the
78 “haves” and the “have-nots,” but also the “have too much,” the “have enough,” the “have too
79 little” and the “have almost nothing.”

80 81 **A Brief History of the Minimum Wage in the United States**

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

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

93 this country.” After a number of bi-partisan increases, it was last set in 2009 at \$7.25. Its value
94 peaked at \$10.88 in 1968 in 2014 inflation adjusted dollars. The minimum in Connecticut is now
95 \$8.70 and will increase to \$10.10 by 2017. The cities of San Francisco and Los Angeles will
96 gradually increased their minimum wages to \$15, the former by July 1 2018. Seattle’s minimum
97 wage will go to \$15 in 2021. Arizona, Ohio, Oregon, Michigan, Vermont and Washington have
98 indexed their minimum wages to the Consumer Price Index, as have Florida, San Francisco and
99 Santa Fe.

100
101 President Obama’s recommended increase of the federal minimum wage to \$10.10 per hour over
102 a two year period was defeated in the Congress.

103
104 Four states overwhelmingly voted to increase the minimum wage in the November 2014
105 election: Arkansas (66%), Alaska (69%), Nebraska (59%) and South Dakota (53%) – all so-
106 called “red” – conservative – states. Nineteen other states and the District of Columbia have
107 raised their minimum wage as of January 1, 2015, including several states that border New York:
108 Massachusetts (\$9 in 2015, \$11 by 2017); Vermont (\$10.50 by 2018, indexing it to inflation and
109 including tipped workers); Connecticut (\$10.10 by 2017); New Jersey’s remains at \$8.38 and
110 Pennsylvania’s stays at \$7.25. Studies indicate these modest hikes won’t lead to many job cuts,
111 because businesses will raise prices and benefit from lower turnover.¹¹

112
113 In a poll released by a small business advocacy group, Small Business Majority, in April of
114 2014, found that 66% of small business owners in New York State are in favor of a legislative
115 plan to allow the minimum wage to be set by cities and counties throughout the state. Some 77%
116 support setting the minimum wage above the current rate (then \$8) and indexing the minimum
117 wage to rise with the cost of living.¹²

118
119 **Minimum Wage:** “Distributive justice also calls for the establishment of a floor of material
120 well-being on which all can stand.” (Roman Catholic Bishops of the U.S. in *Economic Justice*
121 *for All*) See William Finnegan, “Demonizing the Minimum Wage,” *The New Yorker*, September
122 15, 2014.

123 *The current federal minimum wage is \$7.25 an hour, 25% below its real value in the
124 1960’s. It would be over \$18 had it risen along with productivity. It did keep pace with
125 productivity in the 30 years before 1968.¹³

126 *97.9% of those affected nationally by increasing the minimum wage to \$9.80 would be
127 20 years of age and older. More than a third (38.3%) are married, and over a quarter
128 (28%) are parents. 49% of people making the minimum wage are adult women. About
129 10% are teenagers.¹⁴

130 *Top restaurant industry CEOs made 721 times more than minimum wage workers in
131 2013. That amounts to an average CEO income of \$10,872,390.¹⁵

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

134 *The Economic Policy Institute estimates that if the minimum wage were raised to
135 \$10.10 an hour by 2017, over 27 million people would get a direct or indirect benefit
136 because when the wage goes up, the wages of those just above the minimum are also
137 raised – the so-called “spillover effect.”¹⁶

138 *90% of New York workers directly affected by the minimum wage are adults age 20
139 and older. Three out of 5 minimum wage workers work-full-time.
140 *1.8 million New Yorkers are earning the minimum wage or just above.
141 *New York’s minimum wage, when it rises to \$9 an hour in 2016, will still be about 25%
142 of its 1968 purchasing power.
143

144 New York State increased its minimum wage for most workers (excluding the “tipped workers”)
145 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
146 would mean an annual income of \$18,720 for a 40-hour week. Legislation will be introduced in
147 2016 to increase the minimum wage gradually to \$15 (by 2018 in New York City and by 2021 in
148 the rest of the state), and to index it to the Consumer Price Index (CPI).
149

150 There are 230,000 tipped workers in New York State with an hourly minimum wage of \$5.
151 Employers are legally obliged to make up the difference to the minimum wage for all workers. A
152 U.S. Labor Department study reported there are between 339,000 and 752,000 cases a month in
153 New York of workers not paid proper wages, totaling between \$40 million and \$80 million
154 monthly.¹⁷ Waiters and waitresses count for about two-thirds of the state’s 230,000 workers who
155 are paid less than the minimum wage. State investigators recovered about \$16.4 million due
156 workers, up 16% from the same period the year before, and 35% from that period in 2012.¹⁸ This
157 is commonly called wage theft, which also includes unpaid wages for overtime and part-time
158 work. (See Testimony by Robb Smith presented to the Hospitality Industry Minimum Wage
159 Board December 9, 2014: www.interfaithimpactnys.org) The NYS Wage Board increased the
160 tipped worker minimum wage to \$15. And approved a minimum wage of \$15 to state workers
161 as proposed by Governor Cuomo.
162

163 There are 3 million low-wage workers in New York State (37% of all workers), paid below \$15
164 an hour, a co-called “living wage.” On a full-time basis, 40 hours per week, 52 weeks a year,
165 translates into an income of \$31,200. Currently, labor and religious advocacy groups in the Fight
166 for Fifteen coalition are promoting a \$15 an hour minimum wage plus the right to form unions
167 without fear of retaliation by the employer. Interfaith Impact supports this campaign.
168

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

177

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

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

185
186 The living wage is not new. St. Thomas Aquinas even back in the squalor of the 12th century
187 advocated a "just wage" which was not to be determined by the "higgling of the market," but by
188 what served both the good of the worker and of society as a whole. In the Middle Ages it was
189 assumed a worker's wages would be enough to support a family, an early forerunner of the
190 Living Wage.

191
192 The Self-Sufficiency Standard is a new tool for organizing people and congregations around
193 issues of economic justice. It builds on efforts to increase the minimum wage at the state level
194 and on the "living wage" campaigns that have already been successful in Buffalo and Rochester.
195 What does it take to make ends meet in New York State without private or public assistance? It
196 is based on the costs of six basic needs of families: housing, child care, food, health care,
197 transportation, and miscellaneous items as well as the cost of taxes and the impact of tax credits.

198
199 Breaking down New York State by counties the SSS examines what income would be required
200 to sustain a family at more than a subsistence level, what would be required to live a decently
201 comfortable life in the 21st century for a family. For example, the self-sufficiency standard in
202 Monroe County would be \$20,042 for one, \$38,773 for 2, \$47,391 for 3, and \$58,284 for 4.²¹
203 (See www.interfaithimpactnys.org – policy/position papers - for a more comprehensive
204 discussion of the Self-Sufficiency Standard)

205
206 Our basic moral premise for supporting an increase in the minimum wage is found in the words
207 of St. Thomas Aquinas who wrote about a "just wage" which was not determined by the
208 "higgling of the market," but by looking to the good of the worker (fairness) and of society as a
209 whole (solidarity). Both needs and merits were to determine fair income. A workers wages must
210 be sufficient to support a family. This support of families strengthens society.

211 212 **Rationale for a Minimum Wage**

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

219
220 *The Economist* in December 2013 wrote: “A minimum wage, providing it is not set too high,
221 could thus boost pay with no ill effects on jobs....Some studies find no harm to employment
222 from federal or state minimum wages, others see a small one, but none finds any serious
223 damage.” “marginal propensity to consume (MPC) tendency of a consumer to spend their next
224 dollar can lead to increase in total consumption and higher demand for goods, leading to
225 increased employment.

226
227 The minimum wage is well below its 1960’s purchasing power despite a near doubling of
228 productivity from then until now. Workers have, by and large, not shared in that gain. Doomsday

229 predictions every time a minimum wage hike has been proposed have not materialized. A
230 gradual increase in the minimum wage to \$15 is one tool in redressing the escalating inequality
231 which infests our nation. The “trickle-down” remedy of those who oppose it just does not work.
232 Income continues to aggregate at the top of the income ladder at the expense of the rest. Most
233 studies indicate little effect on employment, modest (if any) price increases, and more economic
234 growth as those who benefit spend income immediately. For example, in a study by David Card
235 and Alan Kruger of 410 restaurants in New Jersey and Eastern Pennsylvania where the minimum
236 wage went from \$4.25 to \$5.05 in 1992 concluded, “No indication that an increase in the
237 minimum wage reduced employment.
238

239 Bill Clinton recommend raise in 2014: “I think we ought to raise the minimum wage because it
240 doesn’t just raise wages for the three or four million people who are directly affected by it, it
241 bumps the wage structure everywhere... The estimates are that 35 million Americans would get
242 a pay raise if the federal MW was raised.... If you (raise the MW) in a phased way, it always
243 creates jobs. Why? Because people who make the MW or near it are struggling to get by, they
244 spend every penny they make, they turn it over in the economy, they create jobs, they create
245 opportunity, and they take better care of their children. It’s just the right thing to do, but it’s also
246 very good economics.”
247

248 In 1914 Henry Ford instituted his famous \$5 a day minimum wage. He said it was “the greatest
249 cost-cutting move I ever made.” It resulted in reduced absenteeism and more efficiency; most
250 important, it enabled workers to buy the cars they made and thus both stimulate the economy and
251 share the prosperity.
252

253 In sum we believe the minimum wage should be increased in steps over the next few years
254 because:
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- 256 1. It will raise thousands of the working poor out of poverty.
- 257 2. It will place upward pressure on wages in general.
- 258 3. It will not have a deleterious impact on unemployment because workers will be more
259 reliable, therefore less turnover and training expenses and because the increased income
260 will promote more economic activity creating more jobs.
- 261 4. It is morally fair.
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263 **Living Wage and the Self-Sufficiency Standard** 264

265 "To centralize wealth is to disperse the people; to distribute wealth is to collect the people."
266 Confucius²²
267

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295

OUR MORAL IMPERATIVE

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297
298 We believe these extremes of affluence and poverty are inherently unjust. Just as power tends to
299 corrupt and absolute power corrupts absolutely, so, too, with wealth. The injustice of poverty in
300 the midst of plenty is no accident of history, nor is it an inevitable condition of humankind. It is
301 the result of deliberate social, political and economic policies, policies which should and can be
302 changed.

303

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

307

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

311

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.