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December 30, 2020

The Honorable Roberta Reardon  
Commissioner, New York State Department of Labor  
NYS Department of Labor  
Building 12  
W.A. Harriman Campus  
Albany, NY 12240

Dear Commissioner Reardon:

We, the undersigned organizations, urge you to reevaluate and forestall the planned minimum wage hike, scheduled for December 31. A minimum wage hike would increase the operating costs for all businesses in New York, furthering the damage that the coronavirus pandemic has already wrought in New York. This will especially harm the small businesses that have struggled to survive due to Gov. Cuomo's prolonged and arbitrary shutdowns and substantial restrictions. Such a hike is poorly timed, irresponsible, and would set a dangerous precedent for states across the nation, with little to no evidence of its efficacy to mitigate challenges faced by low-income workers in the Empire State.

Minimum wage hikes rarely meet the expectations of the policymakers who advocate for them. For example, they do not raise the living standards in any appreciable way for individuals and families, yet arbitrary wage increases have the propensity to shutter small businesses for good. [A recent study by the Congressional Budget Office](#), titled "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage," examines how increasing the federal minimum wage to \$10, \$12, or \$15 per hour by 2025 would adversely affect employment and family outcomes.

According to the study, a \$15 per hour minimum wage would boost the wages of 17 million workers. However, it would also push 1.3 million workers out of a job. In almost every scenario, minimum wage hikes result in some workers seeing their wages rise, while many more lose gainful employment.

Minimum wage hikes have a myriad of harmful unintended consequences to all businesses, especially small businesses, the backbone of the American economy. Minimum wage increases in New York would force businesses to reallocate their costs to cover the increase in employees' wages, ultimately forcing them to alter spending elsewhere to offset their newly increased labor costs. More times than not, this results in reduced hiring, a reduction in work hours, and increasing prices for consumers. This is often the small margin between staying open and bankruptcy for small businesses that already operate on slim profits.

Indeed, failed businesses don't pay property taxes, income taxes, sales and use taxes, and the dozens of other licensing and regulatory fees. While seemingly politically popular, the downstream effects of a minimum wage increase will certainly create challenges for municipal and state budgets.

[A 2007 study from economists at the University of California-Irvine and the Federal Reserve Board](#) comprehensively examined the body of work on the subject and found 85 percent of the studies they considered credible demonstrate minimum wage hikes cause job losses for

less-skilled employees.

[Furthermore, a 2010 study by economists at Cornell University and American University](#) found no reduction in poverty in the 28 states that raised their minimum wage laws from 2003 to 2007.

Based on all of this data, the decision to enact a statewide \$15 minimum wage plan in the 2016-17 State Budget was ill-advised at that time. However, the coronavirus pandemic has exponentially exacerbated the serious damage that exists in these minimum wage hikes.

Nobel prize-winning economist, Dr. Paul Krugman, has [noted previously that](#):

“What is remarkable, however, is how this rather iffy result has been seized upon by some liberals as a rationale for making large minimum wage increases a core component of the liberal agenda—for arguing that living wages “can play an important role in reversing the 25-year decline in wages experienced by most working people in America”. Clearly these advocates very much want to believe that the price of labor—unlike that of gasoline, or Manhattan apartments—can be set based on considerations of justice, not supply and demand, without unpleasant side effects.”

[In an analysis based on self-recorded closures in their database](#), Yelp estimates that 60 percent of U.S. businesses that have closed since the start of the COVID-19 pandemic have shut down permanently. This trend permeates all states and localities, but is additionally relevant in coronavirus “hot-spots” such as New York City. With over 40 percent of the state’s residents living in the metropolitan New York City area, these figures cannot and should not be ignored.

[The Partnership for New York City released a report](#) stating that when the pandemic eventually subsides, approximately one-third of the city’s 240,000 small businesses will be too economically crippled to consider reopening. Although NYC is home to countless corporate headquarters, small businesses represent roughly 98 percent of the overall employers in the city and provide jobs to more than three million people.

It is disingenuous for New York lawmakers to push minimum wage hikes, which as a function of themselves result in businesses closing and increased unemployment, when [New York’s unemployment rate](#) has hovered around 10 percent since the beginning of the coronavirus pandemic.

According to the Minimum Wage Act, the division of budget will reference well-established economic indexes and accepted economic factors to justify and explain its decision. The aforementioned factors associated with the coronavirus-related downturn are far too paramount to be overlooked. The division maintains the authority to determine whether scheduled increases in the minimum wage shall continue up to and including 15 dollars. It is evident that the scheduled increases should not continue at this time and in the current economic conditions.

Furthermore, according to [New York State Labor Law](#), Article 19, § 659, reconsideration of wage orders and regulations, any time after a minimum wage order has been in effect for six months or more, the commissioner, on his own motion or on a petition of fifty or more residents of the state engaged in or affected by the occupation or occupations to which an order is applicable, may reconvene the same wage board or appoint a new wage board to recommend whether or not the minimum wage and regulations prescribed by such order should be modified.

Additionally, the commissioner, without referral to the wage board, may, at any time after public hearing, by order propose such modification of or additions to any regulations that may deem appropriate to effectuate the purposes of this article.

While attempts to bolster a minimum standard of living and protecting New York's workers in a pandemic-world are laudable, the overall economic effects of this minimum wage hike will do more harm than good in a time when the Empire State does not need any additional economic hardship. As New York State Department of Labor Commissioner, you maintain the authority to take the action to forestall this minimum wage hike, thus saving countless jobs in a year unlike any other, and all of the undersigned organizations implore you to do so.

Sincerely,

James Taylor  
President  
The Heartland Institute

Ryan Ellis  
President  
Center for a Free Economy

Andrew F. Quinlan  
President  
Center for Freedom and Prosperity

Matthew Kandrach  
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