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## **The Public Cost of Low Wages in New York**

by Ken Jacobs, Ian Perry and Jenifer MacGillvary

The “Fight for \$15” movement began in late 2012 in New York City with the strike of 200 fast-food workers for a wage of \$15 and a union. In May 2015, Governor Andrew Cuomo appointed a Wage Board to examine the adequacy of wages in the fast-food sector; in hearings held around the state, scores of fast-food workers testified about the hardship in their lives from trying to subsist on the low wages prevalent in that sector. Governor Cuomo subsequently announced in September that a minimum wage of \$15 per hour for fast-food workers had been designated by the Acting State Labor Commissioner and would be phased in by 2018 in New York City, and by 2021 in the rest of the state. On the same day, the governor also announced his plan to push for a \$15 minimum wage for all industries throughout the state, following the same timeline as the fast-food minimum.

When jobs don’t pay enough, workers turn to public assistance programs in order to meet their basic needs. This paper considers the public cost of low-wage jobs—specifically, jobs paying less than \$15 an hour—by detailing how New York State, along with the federal government and localities, finances the public safety net that many low-wage New York families utilize.

Overall, we find that between 2011 and 2013 more than half (52 percent) of workers earning less than \$15<sup>1</sup> per hour in New York were enrolled, or had a family member enrolled, in one or more of the major public assistance programs. The total annual cost of public assistance to low-wage workers in the State of New York during this time was \$9.1 billion, with a cost to the state and local governments of \$2.9 billion.

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1 All amounts are adjusted to and reported in 2014 dollars.

## DATA AND DEFINITIONS

We examine working families' utilization of the following means-tested public assistance programs: Medicaid; Children's Health Insurance Program (CHIP); basic household income assistance under Temporary Aid for Needy Families (TANF) as well as New York's Safety Net Assistance (SNA) program, which provides cash assistance to families that have exhausted their TANF benefits; federal and state Earned Income Tax Credits (EITC);<sup>2</sup> and Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp Program). Medicaid, CHIP, and TANF operate with shared funding from the federal government and the states; in New York local governments are required to share in these costs as well. Our analysis includes only the cash assistance portion of TANF, and it does not include costs for state child care assistance or other state-funded means-tested programs not mentioned above. By doing so we provide a conservative estimate of the public cost of low-wage work in New York.

We define "low-wage families" as those in which at least one member earns less than \$15 per hour, and works at least 45 weeks per year and at least 10 hours per week. To calculate the cost to the federal and state/local governments of public support programs for low-wage families, we mainly rely on two sources of data: the March Supplement of the U.S. Bureau of Labor Statistics' Current Population Survey (CPS) from 2012–2014 (reporting on years 2011–2013), and administrative data from the Medicaid, CHIP, TANF, SNA, EITC, and SNAP programs for FY 2011–2014. All amounts are adjusted to and reported in 2014 dollars. Medicaid figures exclude aged, blind, and disabled enrollees. Our calculation method is described in the appendix.

It is important to note that there have been significant changes in Medicaid enrollment since implementation of the Affordable Care Act (ACA),

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2 New York City has its own EITC, totaling 5 percent of the federal EITC, but it is not included in our calculations.

but these changes are not reflected in this analysis because the data is not yet available. A key provision of the ACA, adopted by New York, expanded Medicaid coverage starting in 2014 to low-income adults under age 65 including those without children living at home, with the federal government paying 100 percent of the cost through 2016. In addition, enrollment in "traditional" Medicaid—that is, among those who had been previously eligible—has also been boosted due to the individual mandate to obtain health insurance, as well as increased outreach, awareness, and system improvements to Medicaid related to the ACA, particularly since the opening of the health care exchanges in October 2013. These costs will be shared by the federal government and the states as determined under traditional Medicaid formulas.

## FINDINGS

### Enrollment

Exhibit 1 (page 3) shows the total enrollment as well as low-wage families' enrollment in the major public assistance programs between 2011 and 2013. Low-wage workers and their dependents made up one-third of enrollees in the health programs, with well over 1 million enrolled in Medicaid or CHIP. Almost 1 million low-wage families received EITC, which comprises half of all EITC recipients. The SNAP program had just under a half-million low-wage families receiving assistance, comprising 20 percent of the total program enrollment. TANF & SNA, the smallest programs, had 70,000 low-wage families enrolled, which was 14 percent of the total.

Overall, 32 percent of all New York workers earned less than \$15 per hour (see Exhibit 2, page 3). Eighteen percent of workers in New York earned less than \$15 an hour AND had at least one family member (including themselves) enrolled in a public support program. Among New York workers who earned less than \$15 per hour, over half had at least one family member receiving public support through one of the major programs considered here.

### Exhibit 1: Annual Enrollment in Public Assistance Programs of Low-Wage Families in New York, 2011–2013

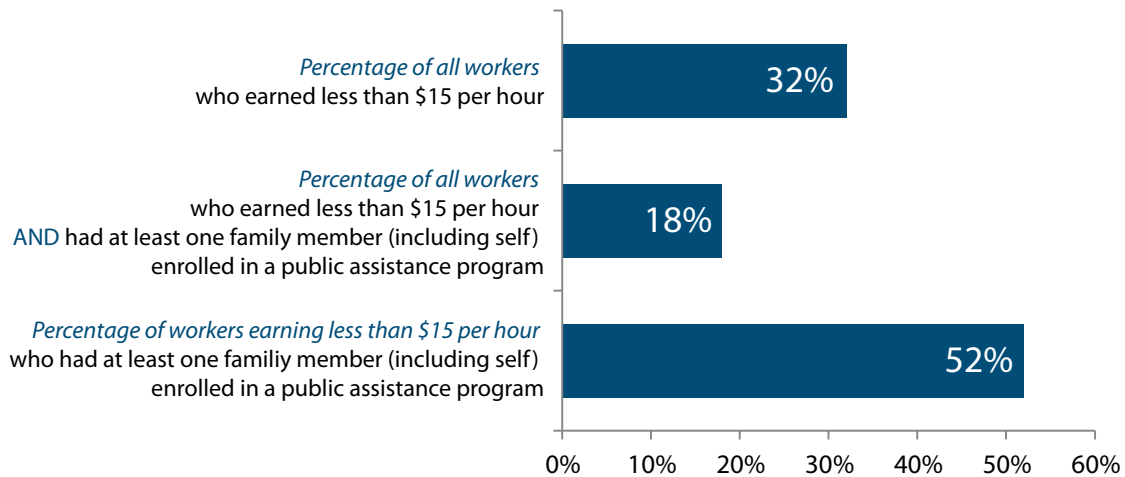
Program	Total Program Enrollment	Enrollment from Low-Wage Families	Low-Wage Families' Share of Enrollment
Medicaid & CHIP	3,837,000	1,255,000	33%
TANF & SNA	510,000	70,000	14%
EITC	1,815,000	902,000	50%
SNAP	2,474,000	485,000	20%

“Low-wage family” is defined as a family in which at least one member earns less than \$15 per hour, and works at least 45 weeks per year and at least 10 hours per week.

Source: Authors’ calculations from 2012–2014 March Current Population Survey (CPS) and administrative data from the Medicaid, CHIP, TANF, SNA, EITC, and SNAP programs.

Note: Enrollment data for Medicaid and CHIP are at the individual level. Enrollment data for TANF, SNA, EITC, and SNAP are at the family level. A family is considered enrolled if at least one family member receives benefits under the program. Medicaid figures exclude aged, blind, and disabled enrollees.

### Exhibit 2: Low-Wage Work and Enrollment in Public Assistance Programs in New York, 2011–2013



Source: Authors’ calculations from 2012–2014 March Current Population Survey (CPS) and administrative data from the Medicaid, CHIP, TANF, SNA, EITC, and SNAP programs.

### Exhibit 3: Annual Expenditures on Public Assistance Programs for Low-Wage Families in New York, 2011–2013 (\$ millions, 2014 dollars)

Program	Expenditures		Expenditures for Low-Wage Families		Low-Wage Families' Share of Expenditures	
	Total	State and Local only	Total	State and Local only	Total	State and Local only
Medicaid & CHIP	\$16,985	\$8,229	\$4,168	\$1,978	25%	24%
TANF & SNA	\$2,243	\$1,570	\$322	\$195	14%	12%
EITC	\$5,416	\$1,250	\$3,263	\$753	60%	60%
SNAP	\$5,581	–	\$1,379	–	25%	–
Total	\$30,226	\$11,049	\$9,131	\$2,926	30%	26%

“Low-wage family” is defined as a family in which at least one member earns less than \$15 per hour, and works at least 45 weeks per year and at least 10 hours per week.

Source: Authors’ calculations from 2012–2014 March Current Population Survey (CPS); administrative data from the Medicaid, CHIP, TANF, SNA, EITC, and SNAP programs; and Kaiser Family Foundation Data.

Note: Medicaid expenditures exclude aged, blind, and disabled enrollees.

## Expenditures

Exhibit 3 details annual expenditures for the major public assistance programs. Both total expenditures and state/local expenditures are reported, in addition to the percentage going to low-wage families. Overall, between 2011 and 2013, \$30 billion was spent on public support programs in New York, with 30 percent—\$9.1 billion—going to low-wage families. Looking only at expenditures by the state and localities, \$11 billion was spent on public support programs, with 26 percent—almost \$3 billion—going to families in which at least one worker earned less than \$15 per hour.

## Industry Comparison

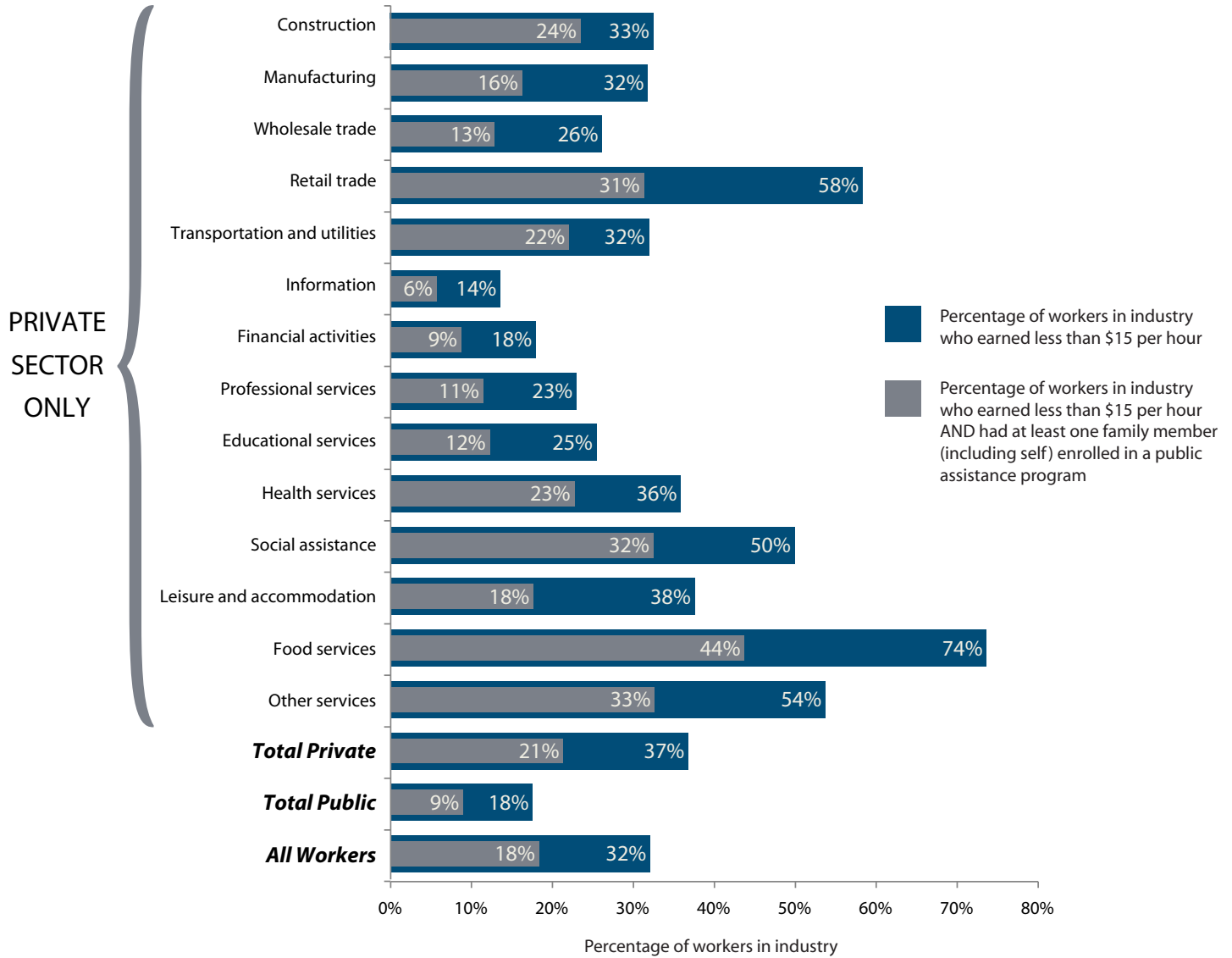
As previously noted (see Exhibit 2), during the years 2011–2013, 32 percent of all workers in New York earned less than \$15 per hour (in 2014 dollars), and 18 percent earned less than \$15 per hour AND had a family member enrolled in a public assistance program. Exhibit 4 (page 5) breaks down these data by specific industries, as well as by pub-

lic sector and private sector overall. The percentage of private sector workers who earned low wages is fully twice the size of the percentage of such workers in the public sector. The percentage of low-wage workers who also have a family member receiving public assistance is more than twice as high in the private as compared to the public sector.

Looking at specific industries, the Food Services industry had by far the highest percentage of both low-wage workers (almost three-quarters), and low-wage workers with a family member receiving assistance (44 percent). Three other industries—Retail Trade, Social Assistance, and Other Services<sup>3</sup>—have 50 percent or more of their workers earning less than \$15 per hour, with correspondingly higher-than-average rates of public assistance utilization (each in the one-third range).

<sup>3</sup> “Social Assistance” includes occupations such as child care and services for the elderly and people with disabilities; “Other Services” includes occupations such as hairdresser, laundry worker, and automotive service technician.

### Exhibit 4. Low-Wage Work and Enrollment in Public Assistance Programs in New York, by industry, 2011–2013



Source: Authors' calculations from 2012–2014 March Current Population Survey (CPS), and administrative data from the Medicaid, CHIP, TANE, SNA, EITC, and SNAP programs.

## CONCLUSION

When jobs don't pay enough, workers turn to public assistance in order to meet their own and their families' basic needs. In New York these programs provide vital support to hundreds of thousands of working families whose employers pay less than a liveable wage.

Low wages exact a high public cost. Between 2011 and 2013 in New York, \$9 billion was spent each year on public support programs for working families. Higher wages would result in significant savings in Medicaid and CHIP—savings that would accrue to New York State and its localities, as well as to the federal government.<sup>4</sup> In the case of TANF—a block grant that includes maintenance of effort (MOE) provisions that require specified state spending—higher wages would allow for a reallocation of funds away from cash assistance and into services such as child care, job training, and transportation support for low-income families. While we would expect EITC utilization to decline with a higher minimum wage, depending on hours worked, filing status, and number of children, some workers may actually see an increase in EITC benefits as the result of an increase in the minimum wage. This is less likely to be the case with those who work at or near full time. Federal costs for SNAP would be reduced with a higher minimum wage.<sup>5</sup>

With little action on the minimum wage expected at the federal level, it has fallen to states and localities to act. A \$15 minimum wage in New York would help more than just those receiving pay increases. The cost of low-wage work is widely borne; the benefits of wage increases would be as well.

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4 Under the ACA, the federal government pays a 50 percent match for workers who would have been eligible for Medicaid under the previous rules, and 100 percent through 2016, phasing down to 90 percent in 2020 and after, for those newly eligible under the ACA. With a \$15 minimum wage, some workers would shift from previously to newly eligible, with a greater share of the cost covered by the federal government, while others will shift to subsidized coverage through NY State of Health. Premiums and cost sharing for coverage in NY State of Health are paid by the federal government and enrollees. See: Sylvia Allegretto, Michael Reich and Rachel West (2014). *Ten Dollars or Thirteen Dollars? Comparing the Effects of State Minimum Wage Increases in California*. Center on Wage and Employment Dynamics, University of California Berkeley Institute for Research on Labor and Employment. <http://www.irl.berkeley.edu/cwed/briefs/2014-02.pdf>

5 Rachel West and Michael Reich (2014). *The Effects of Minimum Wage on SNAP Enrollments and Expenditures*. Center for American Progress. <https://www.americanprogress.org/issues/economy/report/2014/03/05/85158/the-effects-of-minimum-wages-on-snap-enrollments-and-expenditures/>

## APPENDIX: METHODS

We define “low-wage families” as those in which at least one member earns less than \$15 per hour, and works at least 45 weeks per year and at least 10 hours per week. To calculate the cost to the federal and state/local governments of public support programs for low-wage families in New York, we mainly rely on two sources of data: the March Supplement of the U.S. Bureau of Labor Statistics’ Current Population Survey (CPS) from 2012–2014 (reporting on years 2011–2013) and administrative data from Medicaid, the Children’s Health Insurance Program (CHIP), Temporary Assistance to Needy Families (TANF), New York’s Safety Net Assistance (SNA) program, the Earned Income Tax Credit (EITC), and Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) for FY 2011–2014. Medicaid figures exclude aged, blind, and disabled enrollees. The March Supplement, also known as the Annual Demographic Supplement, asks respondents about receipts of cash and non-cash transfer payments during the past year and includes questions about the programs we examined in this analysis. All amounts are adjusted to and reported in 2014 dollars.

To create the cost and enrollment estimates for Medicaid, CHIP, TANF, SNA, EITC, and SNAP, we reweight the CPS so that its cost and enrollment totals match the administrative data. We then sum the number of enrolled families (defined as having at least one family member participating in a program) and the cost of their benefits to obtain the total program enrollment and cost. We then repeat this process using only low-wage working families to obtain our total enrollment and cost for low-wage working families. For further detail, see the earlier report *Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry*.<sup>6</sup> For Medicaid and CHIP, we calculate the New York state government’s share of expenditures by applying the state’s Federal Medical Assistance Percentage (FMAP). The TANF and SNA administrative data break out the state’s TANF and SNA expenditures. We calculate the state EITC expenditures as 30 percent of the federal EITC expenditures.

To calculate first the share of workers earning low wages, and second the share of workers who earn low-wages *and* have a family member enrolled in a public assistance program, we use the reweighted CPS file. We divide the number of workers (defined as those who work at least 45 weeks per year and at least 10 hours a week) with at least one family member enrolled in a public assistance program by the total number of low-wage workers.

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6 Sylvia A. Allegretto, Marc Doussard, Dave Graham-Squire, Ken Jacobs, Dan Thompson and Jeremy Thompson (2013). *Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry*. University of California, Berkeley, Center for Labor Research and Education and the University of Illinois at Urbana-Champaign Department of Urban & Regional Planning. <http://laborcenter.berkeley.edu/fast-food-poverty-wages-the-public-cost-of-low-wage-jobs-in-the-fast-food-industry/>



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## UC Berkeley Center for Labor Research and Education

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### ABOUT THE AUTHORS

Ken Jacobs is chair of the UC Berkeley Center for Labor Research and Education (Labor Center). Ian Perry is a graduate student at the UC Berkeley Goldman School of Public Policy. Jenifer MacGillvary is publications coordinator at the Labor Center.

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