New Study Defending NYC's Minimum Wage Law Is Fake News

Last week Business Insider published an article with the eye-opening title "NYC's $15 minimum wage hasn't brought the restaurant apocalypse – it's helped them thrive."

Given the political momentum for the "Fight for 15" movement, culminating in the House voting in favor of a $15 national minimum wage last month, the article made for perfect social media fodder. Finally, proof that a basic understanding of labor economics is simply – to borrow from the last Democratic debate – another "right wing talking point."

Unfortunately both the article and, more importantly, the study it is based on do not hold up particularly well upon any sort of serious analysis.

For one, the idea that minimum wage laws have been the key to the success of New York City's food scene is ridiculous on its face. To be fair, the underlying study makes sure to point out that it "does not suggest that New York City's sharp minimum wage increase caused restaurant employment to soar," in spite of BI's headline; the problem, however, is that in doing so it simply dismisses a major issue with the analysis – that the costs of NYC's minimum law are impossible to measure. After all, the question is what would NYC's restaurant scene look like if not for the recent minimum wage law increase, not how it looks in comparison to other major cities. It's a classic situation of the seen and the unseen.

The Data Doesn't Support the Study's Conclusions

Understandably, this line of argument is likely to be unpersuasive to someone not already convinced of the folly of minimum wage increases. The real issue with the study is that a deeper look into the numbers paint a far-less rosy picture than any of the authors would like us to believe.

For example, the study looks at the performance of restaurant labor in NYC between 2013 and 2018. The issue here is that New York City's $15 minimum wage law wasn't signed until 2016, more than halfway through the analysis.

The details of the law itself are also relevant. The legislation had two different wage increase schedules, based on the size of the business.

For businesses with at least 11 employees:

- $11.00 per hour on December 31, 2016
- $13.00 per hour on December 31, 2017
- $15.00 per hour on December 31, 2018.

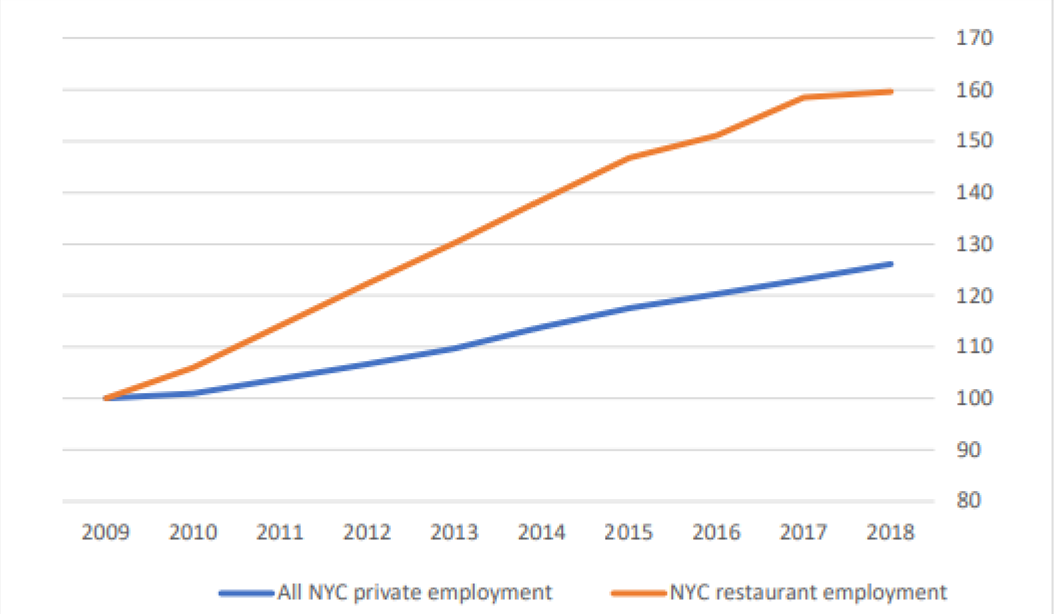
For businesses employers with 10 or fewer:

- $10.50 per hour on December 31, 2016
- $12.00 per hour on December 31, 2017
- $13.50 per hour on December 31, 2018
- $15.00 per hour on December 31, 2019

While the study claims that the data "clearly shows that the large wage floor rise did not diminish various indicators of restaurant performance, including job growth," their own data shows otherwise.

For example, Figure 1 of the study shows that while there was significant growth in restaurant employment between 2016 and 2017, growth from 2017 and 2018 stagnated to a slower rate than non-restaurants. This would seem to contradict the authors' findings.

Figure 1 NYC growth in restaurant employment exceeds growth in all private employment (indexed 2009=100)



Source: NYS Dept. of Labor, Quarterly Census of Employment and Wages.

Further, looking beyond the study, a [New York City report](#) found that "In 2018, employment at full-service restaurants fell by 2,700 jobs, the first decline since 2002."

The limitation of the study also means it could not take into account changes to New York City restaurant employment after the $15 per hour rate kicked in.

[As Investor Business Daily](#) noted in February:

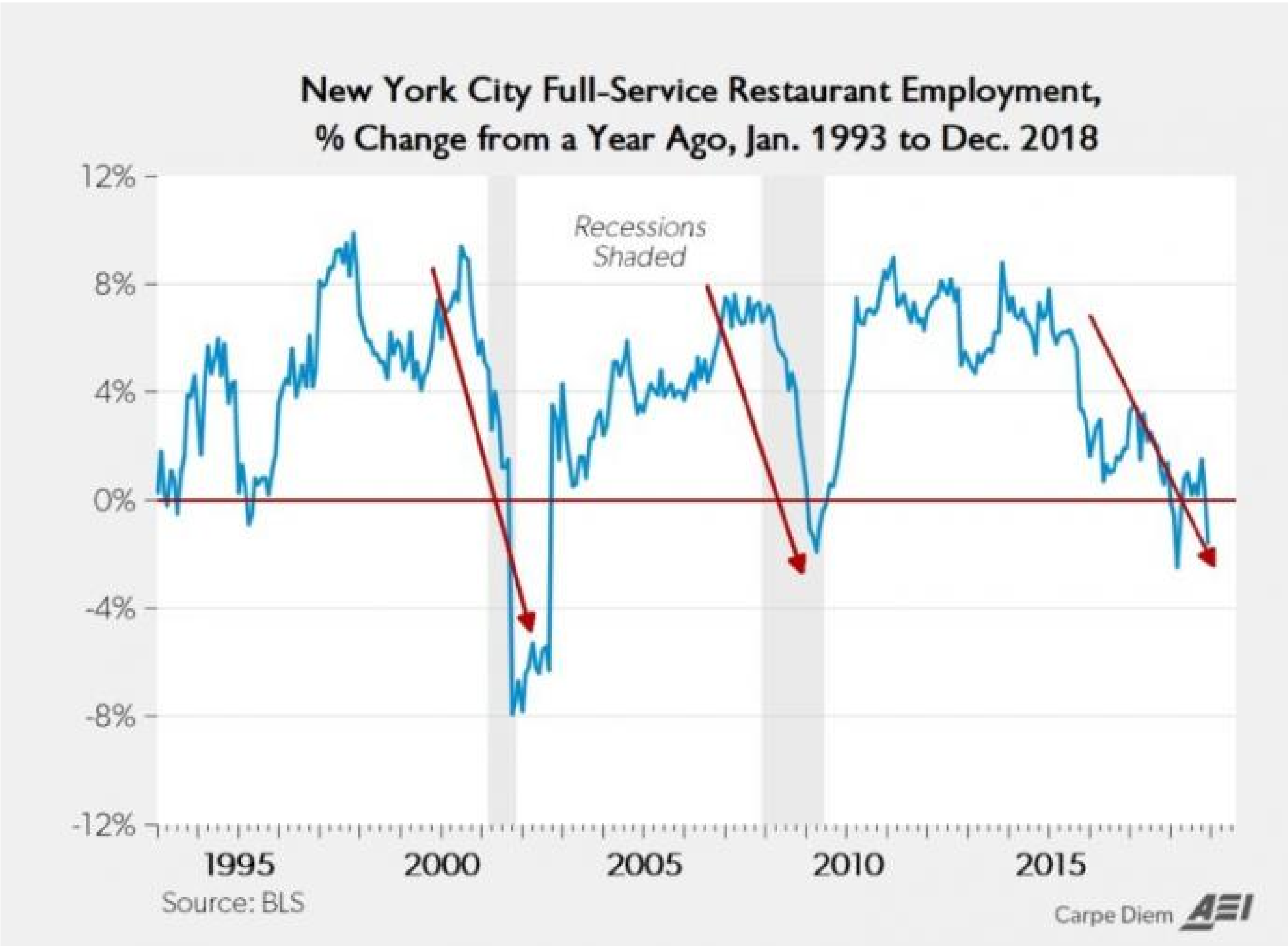
> *In just the last three months of last year, 4,000 workers lost jobs at full-service restaurants, Bureau of Labor Statistics data show.*
>
> *By the end of last year, there were fewer restaurant workers in the city than in November 2016. Even though overall employment climbed by more than 163,000.*

It went on to project further job losses based on industry survey data:

> *A [New York City Hospitality Alliance](#) survey found that 47% of*

full-service restaurants expect to cut jobs this year to cope with the latest wage hike. Last year, 36% said they'd eliminated jobs. The picture is worse at limited-service restaurants. The survey found half reported cutting jobs last year. And 53% say they'll do so this year.

As AEI's Mark Perry noted, "it usually takes an economic recession to cause year-over-year job losses at NYC's full-service restaurants."



In related news, we've seen significant growth in automation in cities like New York, in part due to the increasing cost of labor. Once again we see policies passed in the name of helping workers end up just benefiting businesses that can afford the upfront cost of automation, explaining decisions like Amazon's recent expansion of their cashier-less grocery stores.

The Purchasing Power of the Minimum Wage

While the study's claims about the impact of job numbers don't stand up to scrutiny, that does not mean it's not true that some workers benefited from the wage increase.

According to the study's findings, NYC restaurant wages outpaced 12 other large markets.

Figure 9 New York City restaurant average weekly wage growth, 2013-18, compared to 12 large cities with no minimum wage increase

	% 2013-18 annual weekly wage change	
	Full-service restaurants	Limited-service restaurants
New York City	**27.1%**	**37.0%**
Nashville, TN	22.7%	30.4%
Louisville, KY	21.9%	30.2%
Milwaukee, WI	20.8%	20.7%
Indianapolis, IN	19.7%	19.4%
Memphis, TN	19.1%	13.0%
Houston, TX	17.8%	14.6%
Atlanta, GA *	17.8%	n.a.
San Antonio, TX	16.8%	13.5%
Philadelphia, PA	16.0%	17.3%
Charlotte, NC	15.2%	15.2%
Oklahoma City, OK	12.5%	9.8%
Dallas, TX	11.4%	13.0%
12 large cities* with no minimum wage increase, 2013-18	17.5%	17.6%

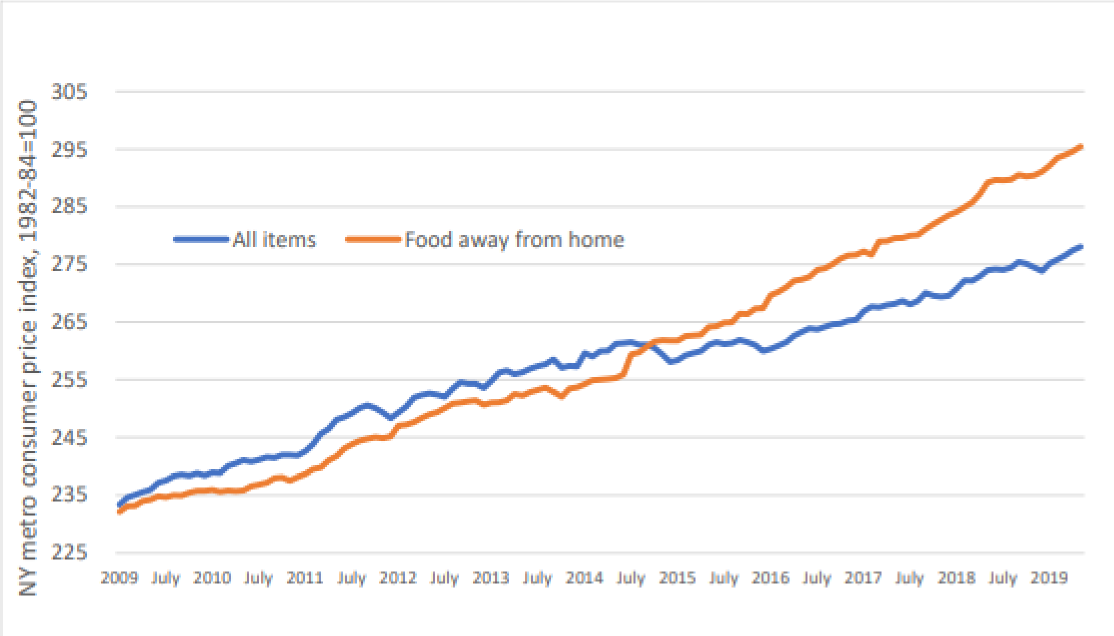
* Atlanta weekly wage series for limited-service restaurants shows inexplicably large dropoff in 2015; it is excluded from the 12 city average shown in the last row

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Of course, the study does not factor in the cost of living differences between these cities. For example, according to the Bureau of Labor Statistics, Nashville's average wage for "Food preparation and serving related" was just higher than $11 an hour. While an increase from $11 to $15 would represent a 36% increase in wages, the current cost of living increase from Nashville to New York City ranges between 121% (Queens) and 389% (Manhattan) according to NerdWallet.

In fact, the study itself finds a correlation between 2016 minimum wage law and an increase in the cost of dining out.

Figure 11 New York consumer prices for all items and for food away from home (i.e., meals purchased in restaurants), 2014-2019



Source: Bureau of Labor Statistics, NY-Newark-Jersey City, NY-NJ-PA consumer price index.

Minimum Wage and Youth Unemployment

Lastly, left entirely unaddressed in the study is any attempt to measure the costs of minimum wage increases on those most vulnerable to its effects, such as young workers without resumes, and those who are re-entering the workforce. As politicians arbitrarily increase the minimum wage, these are the workers at greatest risk of being priced out of the market. As such, we'd expect to see higher unemployment rates for these workers.

The data suggests that this is precisely what we see.

In July, national youth unemployment (16-24 year olds) was at 8.5%.

The most recent data I can find for New York City youth unemployment is from 2017, showing the city unemployment rate for 20-24 year-olds was at almost 16%. To try to get a better comparison, national youth unemployment in 2017 averaged at

9.3%. Still, the NYC data's focus on 20-24 year-olds means that a true apples-for-apples comparison of 16-24 year-olds would likely result in a much higher unemployment rate given that, nationally, the unemployment rate for 16-19 year-olds is substantially higher than their (relative) elders.

While the disproportionally high NYC youth unemployment rates may not be entirely driven by minimum wage laws, basic economic analysis would suggest it plays a significant role in what the Brookings Institute has described as a looming "urban youth unemployment crisis." Naturally, cities are responding not by ending their intervention in labor markets, but by creating new government programs.

With that, a new opportunity for a bad economic study has been created.

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