

New York City: The Front Line of Minimum Wage Misery

Surprise, surprise: minimum wage hikes are bringing unintended consequences to the Big Apple. They're especially pronounced on the Upper West Side, where a neighborhood staple recently shuttered its doors due to the city's \$15-an-hour minimum wage.

At the end of September, Gabriela's Restaurant and Tequila Bar [officially closed after 25 years in business](#), citing sky-high labor costs. Since the \$15 hourly minimum wage hit New York City last year, Gabriela's owners were forced to cut their full- and part-time staff from 60 to 45 people. This led to a decline in quality that slowed foot traffic to the establishment – ultimately to a point beyond repair.

In the words of owner Nat Milner: “We started by having to let go of the ladies who hand-made our tortillas. It's certainly better when you can make your tortillas fresh for every taco. It made sense at \$8 an hour but not at \$15.” He continued, “I'm not against people making more money. These people have worked for me for 20 years. But taxes, groceries, everything is going up and people have a little less money to spend on guacamole and tequila.”

Milner is not alone. Philippe Massoud, CEO and executive chef of the Manhattan-based Lebanese eateries Ilili and Ilili Box, recently claimed that minimum wage hikes have forced him to slash hours for his 180 employees. His restaurants also scaled back their offerings, taking the more labor-intensive dishes off the menu and cutting back on staff education events, such as wine seminars. As Massoud put it, “It has decimated our financial performance. We are a high-risk business with low returns and we are no longer attractive to investors.”

Across the five boroughs, restaurants are feeling the pain from burdensome government mandates. [Surveying more than 320 full-service restaurants](#), the New York City Hospitality Alliance found that nearly 77 percent cut staff hours and over 36 percent eliminated jobs, in response to mandated wage increases.

That's not what the "living wage" was supposed to be about. But its consequences are not particularly surprising to those who understand labor economics. When the minimum wage increases, that added labor cost is borne by employers. That money comes out of the bottom line – it doesn't just fall from the sky.

When labor costs rise enough, job creators are forced to make undesirable decisions – from reducing hours to cutting staff or shutting down altogether. No business owner wants to make those decisions, but the bottom line is blind to feelings and emotions. If labor costs outweigh earnings, business closure becomes inevitable.

Therefore, it becomes imperative for elected officials to consider the business community in their decision-making process. [In the words of late Democratic presidential candidate Paul Tsongas](#): "You cannot be pro-jobs and anti-business at the same time. You cannot love employment and hate employers."

This is especially true in cities like New York, where the local economy is inextricably linked to the success of small business – small businesses with only a fraction of the resources available to large corporations. Of the [more than 200,000 businesses](#) located in New York City, 98 percent are "small" (fewer than 100 employees) and 89 percent are "very small" (fewer than 20 employees). Yet they employ over half of the city's private-sector workforce.

Moreover, those job creators often lift America's youngest

employees onto that first rung of the career ladder – the first step to the middle class and beyond. When that first rung is chopped off by minimum wage hikes and other government mandates, those workers are denied any opportunity for upward mobility. They are denied the American Dream.

Of course, this is not to say that the current federal minimum wage of \$7.25 an hour is intended to be a “living” wage, or even an optimal one for all kinds of workers. But the option to work a “low-paid” job is still better than no job at all.

New Yorkers are learning that the hard way – and their lesson is a lesson for us all.

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