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New York State Joint Legislative Budget Hearing on Labor and Workforce
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NFIB is a member-driven organization representing close to 300,000 small businesses across this country and nearly 11,000 across New York State.

NFIB members are the businesses that define our neighborhoods and strengthen our communities with character and value: local hardware stores, independent restaurants, florists, barbers, dry cleaners, convenience stores, farmers, roofers, landscapers, mechanics, and fitness and retail boutiques.

There are close to 500,000 small businesses with employees in New York. These businesses employ half the state's private-sector workforce, nearly 4 million New Yorkers, and their production accounts for nearly half of the state's GDP. A strong, vibrant small business eco-system supports local tax bases, governments, and schools. Sixty-seven cents of every dollar spent at a local small business is reinvested into the community.

It's well established that small businesses are local job creators and the bedrock of state and regional economies. These neighborhood employers still face unprecedented challenges post-COVID, including record inflation, historic supply chain disruption, and an exodus of workers from the labor force. This follows a multi-year pandemic response where state government arbitrarily separated which livelihoods were "essential" from those that were dispensable, routinely allowing faceless corporations to continue operating while shutting down their independently owned counterparts, penalizing businesses that create sustainable local wealth and opportunity. The small businesses in your districts and hometowns should be valued and celebrated as you consider the Governor's FY 2024 Executive Budget proposal and contemplate legislative one-house budgets.

For New York's struggling small businesses, the most concerning policy included in the Governor's Executive Budget proposal, related to this hearing's subject area, is yet another proposed minimum wage increase, even though the previous minimum wage increase has not yet been fully phased in. The executive chamber's proposal would create annual, unpredictable cost escalations based on regional economic performance regardless of local market conditions or the unique specifics of an individual business's present competitiveness.

NFIB does not seek to trade harmful public policies in exchange for unrelated beneficial policy reform, and we steadfastly oppose New York's decades-long, ongoing, and bipartisan economic strategy that empowers state government to pick winners-and-losers with taxpayer dollars and special interest protections. But it should be noted that nowhere in the FY2024 Executive Budget proposal is there any public policy priority that could be reasonably construed as intended to support or promote small, independently owned businesses. Instead, New York State continues to increase the cost of doing business with absolutely no financial relief, and this unending imbalance is shattering Main Street.

This includes the FY2024 Executive Budget's failure to acknowledge, let alone seek to address, New York's well-documented and intensifying Unemployment Insurance (UI) crisis. New York is the only state that borrowed significant federal resources for UI that hasn't taken any action to prevent or mitigate the well-defined financial consequences for small businesses that such inaction would inevitably lead to. This remains important context from which to view all other economic policies under present consideration.

The Governor's annual spending proposal is the initial, and typically most influential, part of the state's annual budget process, but both the State Senate and Assembly have essential roles in shaping fiscal policy and budgetary outcomes. NFIB, and the statewide small business community it represents, have real concerns about Governor Hochul's minimum wage indexing proposal, reasonably fearing it will create new burdens and financial unpredictability for small businesses operating in unprecedented economic conditions.

However, the legislation that poses the most clear and present threat to small business ownership and local entrepreneurship in the Empire State is not found within the Governor's executive budget. It comes from the legislature and seeks to establish a radical and permanent wage structure in New York that would be unprecedented among the 50 states. S.1978-A (Ramos) / A.2204-A (Joyner) seeks to increase the downstate (New York City, Nassau, Suffolk, and Westchester Counties) hourly minimum wage to \$21.25 from \$15.00 and the Upstate counties of New York State to \$20.00 from the present \$14.20. This is a 42 percent increase in the minimum wage and substantially exceeds the nation's highest future statutory minimum wage. In 2022, Hawaii, a state with limited economic similarities to New York or any Mainland jurisdiction, enacted legislation to increase its minimum wage to \$18.00 per hour by 2028. The New York

legislation in consideration seeks its radical escalation to take effect by 2026. After which, the legislation creates an indexing mechanism to increase the wage rate annually in New York in perpetuity.

With any major policy proposal, NFIB asks its members, small and independent business owners in every legislative district across the state, for their direct guidance before taking formal advocacy positions. This practice of “one member, one vote” is central to NFIB’s history and mission.

In 2022, NFIB asked the following question to its entire New York State membership: *Should New York increase the hourly minimum wage to \$21.25 per hour, and index minimum wage to inflation?* The question was accompanied by generally accepted and publicly available arguments of equal length from the issue’s proponents and opponents. **95.7% of small business owners indicated opposition; 2.3% were undecided; and 2% supported.**

Small business owners understand the real-world impacts of such misguided policy. Drastic and mandated wage increases (as pursued in S.1978-A / A.2204-A) ultimately lead to job loss, automation, price increases, cyclical inflation, low skilled and unexperienced workers being pushed out of the labor market, and the elimination of entry-level employment opportunities, among others.

These common sense, experience-based concerns about the efficacy of minimum wage increases have long been labeled as exaggerative fearmongering by supporters of aggressive wage mandates.

Our experience in New York since the last wage increase schedule was enacted in 2016 clearly demonstrates that forcing labor costs to rise too quickly too soon will result in lost jobs and employment opportunities for certain segments of the workforce, often the same workers highlighted as beneficiaries of minimum wage increases. The Federal Reserve Bank of New York’s recent *Feb. 2023 Supplemental Survey Report (Empire State Manufacturing Survey)* found that nearly 40 percent of manufacturers have increased “automation” at factories since 2016. A companion survey, *Feb. 2023 Supplemental Survey Report (Business Leaders Survey)* found that automation has increased in about 20% of service firms¹. Both surveys found that the total number of workers employed, total number of entry-level workers employed, and weekly hours worked had all decreased in both industries. These trends were attributed to New York’s 2016 minimum wage statute by the survey’s respondents.

¹ 2023 Supplemental Survey Report (Empire State Manufacturing Survey/Business Leaders Survey). Federal Reserve Bank of New York. February 2023.

https://www.newyorkfed.org/medialibrary/media/Survey/business_leaders/2023/2023_02supplemental.

Admittedly, such surveys, while useful, are inherently anecdotal and backwards looking. For that reason, NFIB contracted with Regional Economic Models, Inc. (REMI) in 2022 to examine future impacts of S.1978-A / A.2204-A on New York's workforce and economic production, with some specific focus on small businesses. REMI is an independent company with offices in Amherst, MA and Washington, D.C. that provides non-partisan economic analysis and modeling software to its clients, including federal, state, and local government agencies, non-profit organizations, universities, and private companies. With over 40 years of experience, REMI is a worldwide leader in providing dynamic regional U.S. macroeconomic and demographic models used to evaluate labor policy as well as many other policy issues such as economic development, taxes, health care, transportation, energy and the environment, and trade.

In February 2023, NFIB released its study commissioned from REMI, *Economic Impacts of a Proposed Minimum Wage Increase in New York State*². For this project, REMI utilizes its Business Size Impact Module (BSIM), a structural economic and demographic forecasting and policy analysis model that allows inputs and provides results by business size. REMI applies its economic forecasting tools to create a "business-as-usual" contrast, examining two hypothetical future New York State economies: one where the status quo is maintained, and one where S.1978-A / A.2204-A, its mandated wage increases, and subsequent indexing have been implemented. It should be noted that *Economic Impacts of a Proposed Minimum Wage Increase in New York State* was originally commissioned in 2022, as such, it refers to prior versions of S.1978-A and A.2204-A (S.3062-D and A.7503-C of 2021-22, respectively). The 2021-22 and 2023-24 versions carry the same primary Senate and Assembly sponsors and are largely identical pieces of legislation.

As raise the wage advocates often note – and the Study acknowledges – higher wages, including a higher minimum wage, does have some positive forces on the economy, such as increased consumer spending and demand for many in-state businesses' products and services.

However, the Study finds that any economic benefits would be outweighed by the negative implications. If enacted S.1978-A / A.2204-A would:

"... raise labor costs for many businesses, negatively impacting the state's economic competitiveness and increasing consumer prices. REMI's analysis found that the latter effect would outweigh the former, leading to relatively lower levels of employment and economic output."

² *Economic Impacts of a Proposed Minimum Wage Increase in New York State*. Regional Economic Models, Inc. (REMI). February 2023. <https://assets.nfib.com/nfibcom/Economic-Impacts-of-a-Proposed-Minimum-Wage-Increase-in-New-York-State-2023.pdf>.

REMI applies a “look-forward” period through 2033, accounting for statutory wage increase schedules through 2026 that are specifically identified in the legislation and conservatively forecasts how future inflation-based indexes would further adjust New York’s minimum wage upward.

Economic Impacts of a Proposed Minimum Wage Increase in New York State’s central conclusion finds:

*“As the size of the proposed minimum wage increase grows over the 2024-2033 period, the estimated impacts grow in magnitude. **By 2033, there is a negative employment impact of almost 128,000 jobs**, representing over 1% of the state’s employment base. **Furthermore, almost 83,000, or 65%, of those jobs are in small businesses, which are considered to be firms with less than 500 employees.** Also, by 2033, there is a negative economic output impact of over \$19 billion...almost \$12 billion, or 60%, of that economic output is produced by small businesses.”*

While the federal Small Business Administration defines employers with less than 500 employees as a “small business”, NFIB’s typical member is significantly smaller. REMI’s analysis indicates that almost 30% of job losses would be suffered by our communities’ smallest employers, those with less than 20 employees.

Table 2: Employment Impacts

Firm Size	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Percent of Total (2033)
1-4 Employees	-391	-1,652	-3,821	-4,815	-5,957	-7,039	-8,128	-9,254	-10,369	-11,480	9.0%
5-9 Employees	-472	-1,896	-4,226	-5,223	-6,349	-7,414	-8,482	-9,594	-10,697	-11,794	9.2%
10-19 Employees	-617	-2,445	-5,261	-6,470	-7,825	-9,102	-10,378	-11,702	-13,014	-14,313	11.2%
20-99 Employees	-783	-3,308	-7,810	-10,212	-12,929	-15,494	-18,063	-20,678	-23,268	-25,855	20.3%
100-499 Employees	-559	-2,252	-5,705	-7,511	-9,540	-11,428	-13,342	-15,297	-17,233	-19,172	15.0%
500 + Employees	-809	-3,730	-10,821	-15,916	-21,323	-26,142	-30,896	-35,590	-40,255	-44,958	35.2%
< 20 Employees	-1,480	-5,993	-13,307	-16,508	-20,130	-23,555	-26,987	-30,550	-34,079	-37,586	29.5%
< 100 Employees	-2,263	-9,302	-21,118	-26,720	-33,059	-39,049	-45,051	-51,228	-57,347	-63,440	49.7%
< 500 Employees	-2,822	-11,554	-26,823	-34,231	-42,600	-50,477	-58,392	-66,524	-74,581	-82,613	64.8%
All Firms	-3,631	-15,283	-37,643	-50,147	-63,923	-76,619	-89,288	-102,115	-114,836	-127,570	100.0%

**Units: Jobs. Impacts reported for private non-farm industries only. Totals and percentages may not correspond to impacts due to rounding.*

While the Federal Reserve Bank of New York’s “Feb. 2023 Supplemental Survey Report (Empire State Manufacturing Survey / Business Leader Survey)” and REMI’s “Economic Impacts of a Proposed Minimum Wage Increase in New York State, Feb. 2023”, commissioned by NFIB, look at the impacts of dramatic wage increases in different directions using different tools to gather useful information, they suggest the same unfortunate outcomes should legislation like S.1978-A / A.2204-A become law: job losses and economic decline negatively affecting the state’s small businesses and low-skill, low-experience workers to a significant degree, all while New York’s post-pandemic economic recovery lags the rest of the nation.

It is the responsibility of the legislature and the Governor to consider relevant, reliable, and timely information when devising and implementing any policy affecting 18 million New Yorkers, particularly economic policy. The information presented above clearly suggests that the objective to improve the lives and livelihoods of impoverished, underemployed New Yorkers will not be served by drastic and accelerated increases to New York's minimum wage.

There are other important labor and workforce proposals contained within the Governor's spending plan and those of particular interest to members of the Senate and Assembly. NFIB and the state's small business community will be communicating our thoughts and perspective throughout the state's budget process and legislative session.

We look forward to working together with any willing party to achieve an economy in the Empire State that is prosperous, fair, and accessible for all New Yorkers. That goal starts with supporting policy to advance the interests of small businesses, the jobs they create, and the communities they sustain.