A LIVING WAGE FOR TOMPKINS COUNTY?

Report: Tompkins County Living Wage Working Group Feasibility Study

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Cornell University School of Industrial and Labor Relations:
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ILR Ithaca Co-Lab

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ILR Ithaca Co-Lab

The ILR Ithaca Co-Lab officially began its work in early 2020, but our work for the Living Wage Working Group started earlier, in 2018. The Co-Lab's work is carried out by researchers and students coordinated by its director, Ian Greer. We serve community partners working on a range of labor market issues, including living wage, unemployment, barriers to work, workforce development, industry restructuring and collective bargaining. For support in getting started, we thank Cornell's Office for Engaged Initiatives (Engaged Cornell) and our 'big sister' ILR Co-Lab in Buffalo.

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EXECUTIVE SUMMARY

This report presents research carried out since 2018 by the Tompkins County Living Wage Working Group. The working group considered the feasibility of a county-level minimum wage set at the level of Alternatives Federal Credit Union's living wage calculation. (The living wage thresholds were: $15.11 starting in 2017, $15.37 in 2019, $15.32 in 2021 and $16.61 in 2022). Research included (i) initial canvassing of employer and worker opinion, (ii) analysis of labor market data, (iii) two waves of in-depth interviews with employers, and (iv) computer simulations of benefits cliffs.

In 2018 the Working Group used open-ended questions to canvas opinion, and identify advantages and barriers to the adoption of living wage legislation. Employers were generally apprehensive about the living wage and overwhelmingly identified hurdles to raising the wage, including its affordability and complex problems such as wage compression and benefits cliffs, although some employers identified advantages such as improved retention and productivity. Workers were more likely to see advantages, such as improvements to their own living and working conditions.

The analysis of labor market data revealed the size and demographic composition of the workforce that earns below the living wage. Out of roughly 51,000 workers who live in Tompkins County, approximately 2/5 (39.7%) earn less than $16.61 per hour. This translates into about 20,000 workers that would be affected by proposed legislation. Workers who identify as Black or African American are more than twice as likely to earn below the living wage than their white counterparts. At the $16.61 threshold, 74% of Black workers earn less than the living wage. During the pandemic wages have been increasing in low-wage occupations, but so has the cost of living.

Interviews in 2019 included 40 employers, sampled to include the 10 largest employers in the county, as well as small and medium-sized organizations. The sample was deliberately skewed toward sectors with large numbers of low-wage workers: educational services, food & beverages, hospitality, retail, and health & social services. These include private businesses, but also nonprofit and public-sector organizations. In 2021, 31 of these were interviewed again, plus one new employer. Findings included the following.

- Out of 40 employers interviewed in 2019, the cost of the living wage was deemed high for 12, uncertain for 5, negligible for 9, and zero for 14.
- For some employers, the cost was substantial. Two restaurants said the living wage would have a serious, negative impact on their financial health; other employers would face difficult choices around staffing, investment, and service cuts.

- Wage compression was the most common cost concern for employers. This was often based on the view that compressed wage structures are unfair and lead to dissatisfaction among workers. Addressing compression by increasing the pay of workers making just above the living wage was considered a major cost by most of these employers.
- Advocates of a living wage included some employers that saw it as costly but saw ways they could adapt to make it affordable. Conversely, some employers for whom it was not costly opposed living wage legislation for philosophical reasons.
- Some employers reported that the living wage would reduce employee turnover or improve their reputation in the community, helping their business.
- Some employers changed their opinions of the living wage: 7 who were opposed in 2019 were supportive in 2021; no supporters changed their minds to become opposed. The majority of employers were in favor (25 of 40 in 2019 and 28 of 31 in 2021).
- The cost of the living wage became lower as employers changed their pay scales in response to pandemic-era labor shortages. 5 employers who said the living wage is not affordable in 2019 reported they had found a way to pay the living wage in 2021.
- Some employers had ideas to finance the living wage: flexible work design, new revenue generating activities, increasing efficiency, raising prices, cutting jobs, intensifying work, shifting benefit costs, reducing investment, and reducing charitable giving.
- But there was variation in employer ability to adapt. Some were more adaptable due to structural reasons (e.g. larger organizations), product market conditions (price-sensitivity of their market), or access to personal networks. However, some individual business owners and managers appeared to have less adaptable mindsets than others.

Our simulation of benefits cliffs found that they could affect between 2-3% of households with workers whose wages are brought up by minimum wage increases. Households can avoid benefits cliffs through small reductions in working time or substantial increases in earned income; policymakers could prevent benefits cliffs by changing the rules of benefits (especially housing and Medicaid).

The larger Working Group (including County Legislators, representatives from local business, unions, non-profit agencies, and social services, and academic researchers) tasked the researchers with assessing whether living wage legislation would be "feasible" for Tompkins County. Taking economic feasibility to refer to the net economic benefit of a policy, the research team sought to operationalize likely impacts of the legislation for employers, workers, and the County economy.

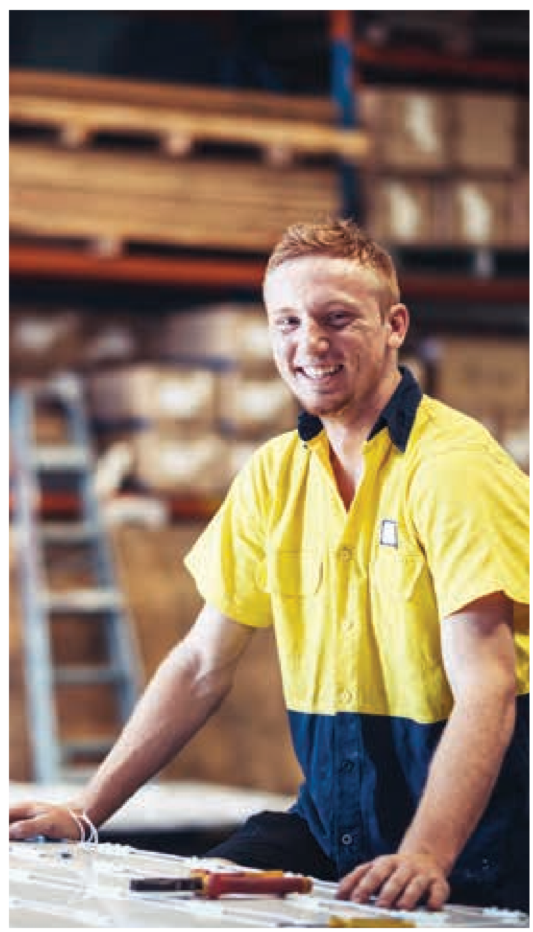
Our interpretation of the interview data from employers is as follows. A living wage law would have no impact on many employers who already pay all their workers above the living wage; many employers paying below the living wage will be able to adapt to be able to afford the living wage; some employers in low-wage sectors (most notably restaurants) may experience a serious, negative impact on their financial health. The study shows that many employers are highly adaptable and suggests it is possible for all types of organization to adapt, though doing so depends on the experience, skills, and imagination of managers; a small proportion will struggle to adapt.

Many employers can adapt via increasing productivity and reducing costs, rather than raising prices. The living wage itself is likely to increase retention and productivity; a minimal impact on inflation is anticipated. The positive impact on living standards for workers – increasing spending power, hence local demand, and in particular reducing race and gender inequality – makes a powerful case for adopting the living wage, although some employers will struggle.

INTRODUCTION

Wages for the lowest earners are inadequate to afford the high cost of living in Tompkins County. In upstate New York as a whole, minimum wages rose between 2015 and 2023 from $8.75 to $14.20. Alternatives Federal Credit Union produces a living wage calculation based on data on the cost of living in Tompkins County, normally every two years. The calculation includes the cost of rent, food, transportation, communication, recreation, savings and miscellaneous houseware/clothing items for a one-person household working full time. Between 2015 and 2022, AFCU's headline figure rose from $13.77 to $16.61 (lower for workers whose employers provide health insurance). As of January 2023, this Living Wage calculation is $2.41 more than the minimum wage.

In 2018, then Tompkins County Legislators Leslyn McBean-Clairborne and Anna Kelles, in collaboration with the Tompkins County Workers' Center Director Pete Myers, convened the Tompkins County Livable Wage Working Group (TCLWWG). The group included representatives from local business, unions, non-profit agencies, and social services. There were also researchers from Cornell University's School of Industrial and Labor Relations and Ithaca College's Economics Department. The group's goal was to find out whether living wage legislation was "feasible," which was initially conceived as uncovering the challenges and opportunities that would come from county-level legislation and would require the minimum wage to be equal to the livable wage. The research team operationalized feasibility as likely effects of legislation on employers, workers, and the County economy.



This work took place against the background of jarring changes in the local economy. When the work began, Tompkins County had experienced an extended period of economic growth, which in terms of percentage growth in employment was much greater than any other upstate New York metropolitan area. Then, in spring 2020, in response to the COVID-19 pandemic, Governor Cuomo ordered businesses to close and thousands of university students left the county as instruction was moved online. This led to mass layoffs in restaurants, bars, cafes, hotels, the arts, and other service industries. As businesses began to reopen, and college students returned, employers struggled to recruit and retain workers (see Greer et al 2021). By mid-2021, employment and unemployment levels were both slightly below their pre-pandemic levels; the county's workforce had shrunk. Employers responded by raising wages, but the value of these raises was eroded by inflation, especially rising food and energy costs. Given the slowness of gathering our own data, and the lag in the release of high-quality data for small areas like Tompkins County, these rapid changes have posed challenges for the research team.

The working group began with an open-ended canvassing of worker and employer opinion. Members organized structured information gathering sessions to find out the views of businesses and workers, including both advantages and barriers. The research sub-group carried out research projects to learn more about current conditions for workers and businesses in the county. This included analyzing labor market data; simulating the impact that raising wages would have on eligibility for public benefits; and conducting two waves of employer interviews (2019 and 2021) as well as a smaller number of worker and union interviews in 2021. This report presents these research findings.

The next section of this report describes our research methods. We then discuss the demographics of the low-wage workforce, including race, ethnicity, occupation, industry, and changes in wages, employment, and the cost of living during the pandemic. Next is a description of our canvassing of worker and employer opinions using open-ended questions, in which we identified the key areas of concern to examine with more systematic research. Following this are findings from structured, repeat interviews with employers, including their assessments of the cost of Living Wage legislation, changes in their opinions and business practices during the pandemic, and views about wage compression (employers' most widespread concern). Next, we discuss interviews with workers and unions in which we asked about the compression issue. Finally, we present findings from our benefits cliffs simulations and conclude with a summary of findings.

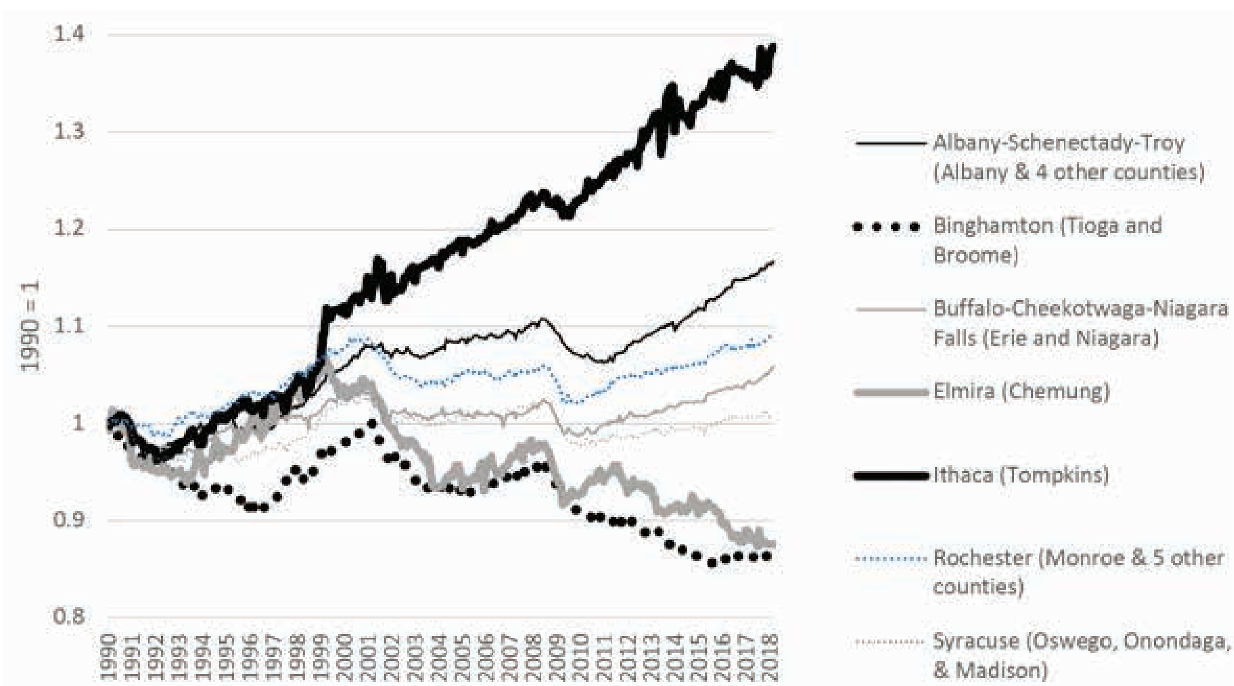
THE ECONOMIC CONTEXT

When the working group was established in 2018, the regional and national economy was experiencing the tail end of a long and slow recovery from the Great Recession. The minimum wage upstate had risen each year starting in 2013 from $7.25 to its current level of $14.20. Unemployment was low, and in our first wave of employer interviews, in fall 2019, we heard much about difficulties recruiting and retaining workers.

Tompkins County has experienced robust employment growth over the past few decades. Since 1990, the number of workers has increased by about 40%, the strongest growth of any upstate New York metro area (see Figure 1). Our region has experienced remarkable and persistent growth. Elmira and Binghamton, by contrast, have experienced declining employment, and other metro areas like Syracuse, Rochester, and Buffalo have grown more slowly and unevenly. In Ithaca, growth has been driven by the expansion of higher education, which together with healthcare accounts for about half of local workers. Cornell University alone reports employing just over 10,000 workers, a number that excludes thousands of contractors, temporary workers, postdocs, contingent faculty, and student employees.

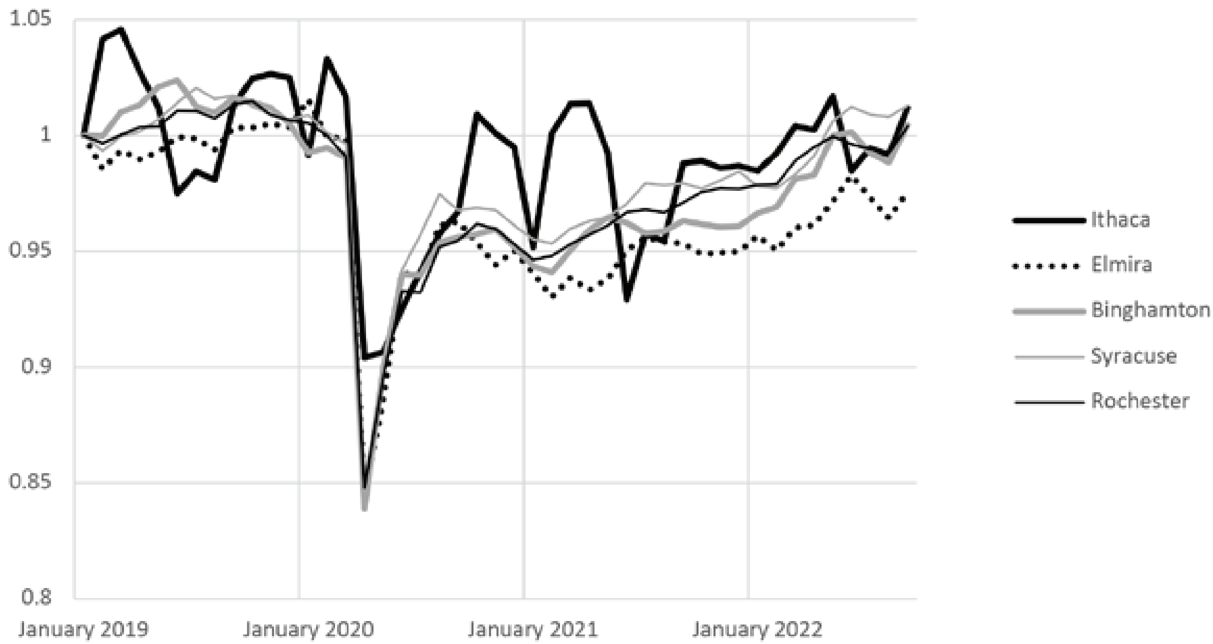
During the pandemic, the County experienced a sudden drop in employment, like the rest of the country. However, taking January 2019 as a benchmark (index=1 for 2019), Tompkins County has recovered in terms of the number of employed people (Figure 2). As a college town, employment fluctuates due to the universities' academic calendars, but employment levels remain more resilient than Elmira and Binghamton.

Figure 1. Change in total nonfarm employees 1990-2018, MSAs in Upstate NY (seasonally adjusted; Index: 1990 = 1)



Source: U.S. Bureau of Labor Statistics

Figure 2. Change in nonfarm employment levels in select Metropolitan Statistical Areas, January 2019-September 2022 (Index: Jan 2019 = 1)



Source: Local Area Unemployment Statistics, U.S. Bureau of Labor Statistics

Our second wave of interviews took place in fall 2021, after the initial shock of the COVID pandemic, when businesses were in an extended period of reopening. During this turbulent period of low unemployment, employment levels came close to recovering to pre-pandemic levels. Businesses had to raise wages to entice workers to come back to work in a context of high inflation.

Whether wage increases keep pace with inflation remains to be seen. We will show below that the wages of many of the lowest-paid workers increased faster than inflation over the period that we investigated. However, at the end of this period inflation accelerated. According to the Consumer Price Index for the Northeast, published by the Bureau of Labor Statistics (Dec 2022), overall consumer prices rose 6.3%, with food and energy going up 9.5% and 21.8% respectively, between December 2021 and 2022. Moreover, the median wage increased more slowly than entry-level wages as employers struggled to recruit workers and wage structures became more compressed. It may well be that wages overall are falling behind price increases.

Public opinion generally supports the living wage idea. We included a question in the statewide Empire State Poll administered by the ILR School. This is a random sample survey reflecting the opinion of the population living in New York state. Of the 2142 valid responses to the survey in July and August 2022, fully 70.6% of agreed or strongly agreed with the statement:

> ***"The minimum wage for adults should be sufficient to enable a full-time worker to afford essential needs for the worker and one child. Essential needs include food, water, housing, education, health care, transportation, clothing, child care, and related needs including provision for unexpected event."***

By political affiliation, 80.8% of Democrats and 59.0% of Republicans agreed or strongly agreed with the principle of the living wage.

Despite the limitations in data, we can say that there remain many thousands of jobs in Tompkins County that pay less than the living wage. In this context there is generally strong public support in New York State for a minimum wage high enough to be a living wage. Whether the most vulnerable workers in our region are being paid enough to cover basic living costs is as pressing a question how as it has ever been.

METHODOLOGY

The Tompkins County Living Wage Working Group collectively came up with the research questions and methods of the study presented in this report, Inspired by the tradition of Participatory Action Research, we aimed to create “new knowledge by initiating actions aimed at solving recognized problems for and with the stakeholders who have a legitimate interest in those problems” (Levin and Greenwood 2016).

In its early stages, the research was carried out and designed by the working group as a whole, including employers, activists, elected people, and university-based researchers. The initial canvassing of opinion to identify potential barriers to living wage legislation involved considerable work on the part of employer representatives and labor activists. Later stages of the research were carried out by university-based researchers and students. This included (i) initial canvassing of worker and employer opinion, (ii) analysis of labor market data, (iii) two waves of in-depth interviews with employers, and (iv) computer simulations of benefits cliffs. The analysis was conducted by a smaller group of professional researchers from Cornell University and Ithaca College, supported by students and academic partners in Canada, Chile, and the UK.

We adopted a case study research design (Ragin and Becker 2000; Yin 2018). This is the most appropriate research design for understanding the complex and multifaceted question of the feasibility of the living wage. Neither the anticipated cost of a living wage nor other likely effects on employers were straightforward. This case study approach, using in-depth interviews with employers, allowed us to probe deeply into the various issues in a way that a survey could not.

While a survey presents employers with fixed questions and a fixed set of answers from which they must choose, interviews allow the researcher to have extended discussions on a topic and learn about issues they did not originally consider to be important, thus producing more accurate, precise, and fuller findings than possible with a survey (Becker 2001). Most studies on minimum wage increases are focused mainly on effects on employment and hours worked (Belman and Woolfson 2014), but ours opened up the conversation to include other outcomes of interest and concern locally. One example is the issue of wage compression, which often goes unmentioned in academic literature, but was important for most employers we interviewed. In extended discussions we could tease out complexities and nuances that would have been missed with a survey. Finally, because many of the issues we wanted to discuss were sensitive it was important to meet in person, establish rapport, and have repeated discussions.

The first stage of data collection consisted of Information Gathering Sessions, conducted in fall 2018. The working group agreed on five open-ended questions to measure the hopes and concerns of workers and employers surrounding minimum wage increases. The format varied. Initially a “Future Search” format was selected, in which participants would interview one another and the results would be written down on large sheets of paper. In order to include more voices, closed-door sessions for business owners took place, and door-to-door canvassing of workers was carried out. Researchers compiled the answers, which in conversation with the working group, were used to devise an interview instrument for employer interviews.

Drawing on what we learned from the open-ending canvassing, we carried out in-depth interviews with employers in fall 2019. The working group agreed on the number of employers to be interviewed (40 in the first round), the kind of employers to approach (a purposive sample skewed towards the main sectors that employ low-wage workers), a protocol to protect the identities and data of participants (approved by Cornell’s

Institutional Review Board), and the interview instrument (a list of detailed and specific questions to ask all employers). Questions included basic demographic information, the effects of past minimum wage increases on the organization, expected costs of the living wage for the organization, how the organization might adapt, and their overall opinion.

We followed up in spring 2021 and succeeded in talking with 31 of these employers plus 1 new employer. 2021 interviewees included the owner of the single business in our sample that had gone out of business since 2019. In the second wave we added questions about wage compression, wage-setting, problems in the pandemic, and ability to adapt to these problems. Table 1 provides an overview of our sample.

Table 1. The sample of employer interviews

		Top 10 (greater than 400 workers)	20 with 11-400 workers plus 10 with less than or equal to 10 workers		Total
			Not Living Wage certified	Living Wage certified	
Major sectors	Higher education, schools, food and beverage, hospitality, retail	3 (-2)	10 (-2, +1)	8 (-1)	21
Health and social services	Healthcare, childcare, nonprofit education, workforce development, mental health	3 (-1)	8 (-3)	3	14
Other	Government, manufacturing, various services	3 (2 LW certified)	2	0	5
Total		**9**	**20**	**11**	**40 (-9, +1)**

Note: Number in parentheses represent changes in the 2021 sample. The Top 10 are the 10 largest employers in Tompkins County. Interviewees from all organizations included owners (for 14 companies), general managers, executive directors, COOs, CFOs, HR managers, superintendents, or administrators.

Though the sample is not statistically representative of the larger population of employers, it was "purposive," meaning we targeted specific types of employers to ensure we included selected kinds of organizations. This ensured a degree of representativeness of the population of Tompkins County employers, but with a deliberate skew toward sectors that employ many low-wage workers. As shown in Table 1, we included employers from major low-wage sectors (higher education, school districts, food & beverages, hospitality, retail), health and social services, which also have a high proportion of low-wage workers (healthcare, childcare, nonprofit education, workforce development, mental health), along with manufacturing, and government. We included 9 of the top 10 largest employers in the county, 11 employers with 10 employees or fewer, and 20 medium-sized employers ranging in size from 11 to 400 workers.

The issue of sample size is widely misunderstood. Sample size matters when the purpose is to generalize to a defined population, such as all employers in Tompkins County or in New York State. In fact, however, even for random (probability) samples, a large sample size does not increase "representativeness"; rather, its role is to increase the "efficiency" of the parameter estimates (i.e. the likelihood of detecting statistically significant relationships between variables).

Sample size is not normally the main criterion used to assess the validity and reliability of case study research. Rather, the appropriate sample size for case studies is determined by reaching the "saturation point," that is, the point at which the researchers are no longer hearing new information from their interviewees. Given limited time and resources, and extensive experience with conducting case studies, we hoped that our purposive sample of 40 employers in the first round would be sufficient to reach the saturation point.

We believe that our purposive sample of 41 organizations allowed us to reach the saturation point with regard to the likely effects of living wage among the various categories of employers (particular sectors and particular organization sizes), and that it is reasonably representative of the population of Tompkins County employers. We indeed began hearing many of the same things being repeated and not hearing any new major issues. That said, we do think there is more to learn about experiences of smaller employers, those in more rural parts of the county, and those in smaller sectors like agriculture and the arts with a high concentration of low-wage workers.

Throughout this period, we examined publicly available labor market data to find out how many workers would be affected by living wage legislation, disparities by race and gender, and the main occupations and industries that would be affected. The challenge was that government surveys often lack the large number of observations needed to produce reliable estimates in small areas like Tompkins County. Our main source of data was the Census Bureau's American Community Survey (ACS). Using data from five years' worth of household survey data we produced the workforce breakdowns requested by the broader working group. One shortcoming of ACS is that the most recent five-year data were collected in 2016-2020; however, wages are converted to 2020 dollars, and there is little reason to think that race- and gender-based differences would have changed much since then.

For more up-to-date but less detailed data on wages and employment in the County we consulted three sources. The Quarterly Census of Employment and Wages (QCEW), an employer survey carried out by the Census Bureau, provides breakdowns of employment and weekly wages by industry. The Local Area Unemployment Statistics (LAUS), provides household survey data from the Bureau of Labor Statistics to produce headline employment and unemployment statistics. The Occupational Employment and Wage Statistics (OEWS) provides occupational breakdowns of employment numbers and hourly wages based on unemployment insurance records.

Finally, benefits cliffs were simulated. This was in response to the concern that many workers affected by a minimum wage increase would in fact experience a decline in the resources available because they would lose means-tested benefits. For these workers, the decline in the value of SNAP, Medicaid, TANF, Section 8, HEAP, SSI and tax credits would be greater than their increased wages. To find out how many workers would be affected by benefits cliffs, we estimated how many workers affected by minimum wage increases were receiving these benefits, and how the increase in their earned income would affect their eligibility. We used ACS data (again) and caseload data provided by the agencies that administer the benefits. After discussions with DSS staff in Tompkins and Erie Counties, and other experts on New York's public benefits systems, and with support from Partnership for the Public Good in Buffalo, we simulated benefits cliffs across upstate New York at six different levels of minimum wage increase. A more detailed discussion of the methods and results can be found in our technical report available on request from the authors (Rodriguez and Greer 2021).

A Statistical Portrait of the Low-wage Labor Market

The research team was asked to provide a statistical overview of the low-wage workforce. According to data released by the U.S. Census Bureau in March 2022 and gathered between 2016 and 2020, more than one-thirds of workers who live in Tompkins County earned effective hourly wages below the living wage threshold.[1]

Out of roughly 51,000 workers, 35.2% effectively earned less than $15.32 per hour during the year they were interviewed by the Census Bureau. Wages are adjusted for 2020 dollars. Using the more recent Tompkins County living wage estimate of $16.61 per hour, approximately two out of every five workers who live in the County (39.7%) could be classified as earning below a living wage. This would be roughly 20,000 workers.

The share of workers earning below $15.32 varies by industry. Table 2 contains information on the five industries with the highest share of workers earning below the living wage. At 82.8%, Agriculture, Forestry, Fishing, and Hunting had the highest share of low-wage workers in the county. Four service industries also made this list: Arts, Entertainment, and Recreation (66.3%), Accommodation and Food Services (60.6%), the Retail Trade (50.2%), and Transportation and Warehousing (44.6%) had the next highest shares of workers earning less than the living wage. These rates are far above the average of 24.7% for the other industries combined, and 30.8% for all industries.

Table 3 shows the top five industries that employ the greatest number of low-wage workers (as opposed to highest percentage of low-wage workers in table 2). Both tables underestimate the number of low-wage workers, because they only include non-seasonal workers. The dataset does not permit calculating wages for those who work fewer than 48 weeks per year. Educational Services employed the greatest number of workers earning less than the living wage in the county. This industry employed 3,721 workers below the threshold, even though the share of sub-living wage workers was slightly below average. Retail Trade (1,517 workers) and Accommodation and Food Services (1,221 workers) are in both tables. Health Care and Social Assistance (1,064 workers) and Manufacturing (580 workers) are also major employers of sub-living wage workers.

Table 2. Top 5 Low-Wage Industries, by % of Year-Round Workers Who Earned <$15.32/hour in Tompkins County, 2016-2020

Rank	Industry	Number of Year-Round Workers in Industry	Industry's Share of Year-Round Workers in Tompkins County	Number of Year-Round Workers in Industry who Earn less than $15.32	Percent of Year-Round Workers in Industry who Earn less than $15.32
1	Agriculture, Forestry, Fishing, and Hunting	569	1.5%	471	82.8%
2	Arts, Entertainment, and Recreation	795	2.1%	527	66.3%
3	Accommodation and Food Services	2,016	5.2%	1,221	60.6%
4	Retail Trade	3,022	7.9%	1,517	50.2%
5	Transportation and Warehousing	845	2.2%	377	44.6%
N/A	All Other Industries, Combined	31,174	81.1%	7,706	24.7%
	Total	**38,421**	**100.0%**	**11,819**	**30.8%**

Note: Year-round is defined as workers who work 48 weeks or more per year.

Source: U.S. Census American Community Survey (ACS) Public Use Microdata Samples (PUMS); Industry groupings follow the 2022 North American Industry Classification System (NAICS) two-digit, major industries framework found at: https://www.census.gov/naics/?58967?yearbck=2022

Tables 2 and 3 show the sectors that rely most heavily on low-wage workers and are therefore most vulnerable to cost shocks associated with the introduction of living wage legislation. Based on these figures, the working group decided to focus the employer interviews on the major employers employing low-wage workers: the largest organizations by employment, but also hotels, restaurants, bars, cafes, retail shops, schools, healthcare providers, and social services agencies.

In addition to variations across industries, the likelihood of earning below a living wage in Tompkins County is strongly associated with race/ethnicity. As shown in figure 3 below, workers who identify as Black or African American are more than twice as likely to earn below the living wage than their white counterparts. Depending on which living wage threshold is used ($15.32 or $16.61), between 68% and 74% of Black workers earn less than a living wage in Tompkins County, compared to 32%-36% of white workers. Workers who identify as Asian, Hispanic/Latinx, or with some other racial-ethnic group(s) earn below a living wage at rates that are at least ten percentage points higher than white workers.

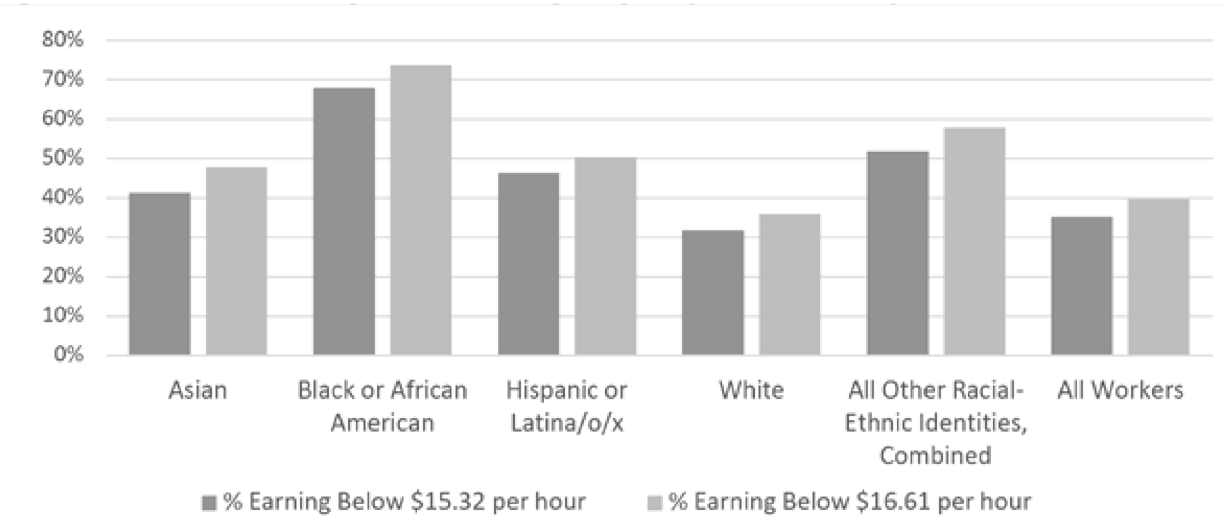
Table 3. Top 5 Low-Wage Industries, by Number of Year-Round Workers who Earned <$15.32/hour, 2016-2020.

Rank	Industry	Number of Year-Round Workers in Industry	Industry's Share of Year-Round Workers in Tompkins County	Number of Year-Round Workers in Industry who Earn less than $15.32	Percent of Year-Round Workers in Industry who Earn less than $15.32
1	Educational Services	13,663	35.6%	3,721	27.2%
2	Retail Trade	3,022	7.9%	1,517	50.2%
3	Accommodation and Food Services	2,016	5.2%	1,221	60.6%
4	Health Care and Social Assistance	3,754	9.8%	1,064	28.3%
5	Manufacturing	2,767	7.2%	580	21.0%
N/A	All Other Industries, Combined	13,199	34.4%	3,716	28.2%
	Total	38,421	100.0%	11,819	30.8%

Note: Year-round is defined as workers who work 48 weeks or more per year.

Source: U.S. Census American Community Survey (ACS) Public Use Microdata Samples (PUMS); Industry groupings follow the 2022 North American Industry Classification System (NAICS) two-digit, major industries framework found at: https://www.census.gov/naics/?58967?yearbck=2022

Figure 3. Workers Making Below a Living Wage, by Race-Ethnicity, 2016-2020



Source: U.S. Census American Community Survey (ACS) Public Use Microdata Samples (PUMS); Industry groupings follow the 2022 North American Industry Classification System (NAICS) two-digit, major industries framework found at: https://www.census.gov/naics/?58967?yearbck=2022

Reflecting intersectionalities associated with sub-living wage work, in addition to advancing racial equity, living wage legislation would also promote greater gender pay equity in Tompkins County. According to our estimates from the ACS data, 39% of workers who identify as women earn below $15.32 per hour, compared to just 32% of workers who identify as men. An analogous seven percentage point gap exists at the $16.61 per hour living wage threshold: compared to only 36% of men, 43% of women earn below this level.

Given that these breakdowns are based on data collected in 2016-20, it is worth looking at wage developments since then. Unfortunately, the more up-to-date datasets do not provide very detailed breakdowns. They do, however, show changes in hourly wages by occupation in 2019 and 2021 (Table 4) and changes in weekly wages by industry from 2018 to 2022 (Table 5).

These data show, first, that many thousands of mainly service-sector workers continue to earn below a living wage. In May 2021 (Table 4), the Occupational Employment and Wage Statistics (OEWS) data show that median hourly wages in several major food service, retail, and healthcare occupations remained near or below the living wage threshold. Workers in these occupations, however, had experienced substantial wage increases in 2019-21, with hourly wages for workers in the 25th percentile of earnings increased in all occupations more rapidly than the median, with increases ranging from 10% to 20%. Healthcare support occupations were a partial exception – the median wage barely increased, although the 25th percentile wage increased by 10%. Overall employment dropped in this period by 7.0%. These data confirm employer perceptions of pay increases at the bottom and increasingly compressed pay structures. In 2019-21 the median wage of all workers (7.7%) outstripped the increase in the consumer price index (4.3%).

Table 4. Wages and Employment in Selected Occupations, 2019-21

	Total Employment		Hourly Wages, 2021		Change in Hourly Wages, 2019-21	
	May 2021	Change May 2019-2021	25th Percentile	Median	25th Percentile	Median
All Occupations	46,450	-7.0%	17.82	24.00	20.0%	7.7%
Food Preparation and Serving Related Occupations	3,680	-24.1%	14.26	16.11	19.6%	16.9%
Sales and Related Occupations	3,150	-16.7%	14.10	14.51	19.8%	8.7%
Transportation and Material Moving Occupations	1,940	3.7%	14.48	17.68	18.9%	22.7%
Building and Grounds Cleaning and Maintenance Occupations	1,760	-12.0%	14.74	18.32	20.3%	13.7%
Healthcare Support Occupations	1,460	-12.6%	14.40	15.28	10.6%	0.9%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	1,140	-8.1%	15.08	18.32	14.0%	10.0%
Cashiers	1,050	1.0%	13.85	14.14	20.7%	19.3%
Retail Salespersons	1,020	-34.2%	13.91	14.35	18.9%	11.7%

Source: Occupational Employment and Wage Statistics (OEWS), Bureau of Labor Statistics

Table 5. Average Weekly Earnings in Selected Industries in Tompkins County, 2018-2022, AFCU Living Wage Calculation, and Consumer Price Index

Year	Education and Medicine	Manufacturing	Retail	Leisure and Hospitality	Living wage	40 hours at Living Wage	CPI (June)
2018	1339.67	1280.00	541.33	418.33	15.37	614.80	265.95
2019	1298.00	1367.75	557.75	423.50	15.37	614.80	270.133
2021	1336.50	1345.5	598.50	454.75	15.32	612.80	284.741
2022	1449.75	1382.75	645.75	492.25	16.61	664.40	306.453
Change	**8.2%**	**8.0%**	**19.3%**	**17.6%**	**8.1%**	**8.1%**	**15.2%**

Sources: Quarterly Census of Employment and Wages and Consumer Price Index, both from the Bureau of Labor Statistics

These findings are confirmed by the Quarterly Census of Employment and Wages data (Table 5). Between 2018 and 2022, average weekly retail and leisure & hospitality wages increased by 19.3% and 17.6% respectively. This increase was more rapid than that of the living wage calculation (8.1%), and the Consumer Price Index (15.2%). However, in both industries this average was still lower than the living wage for a 40-hour workweek. Moreover, not all industries kept pace with CPI – average weekly wages in manufacturing and education & medicine rose 8.0% and 8.2% respectively, in line with the increase in the living wage, but not with the increase in the CPI.

To summarize, pay in low-wage occupations is increasing, but is still below the living wage threshold for thousands of workers. It will be some time before we know whether the number of workers earning less than the living wage threshold remains around the 20,000 figure observed in the 2016-20 ACS estimates, and this depends on whether wages continue to rise faster than inflation. It is very unlikely that the extreme disparities by race are affected much by the overall tightening of the labor market. Living wage legislation would bring up the wages of women workers, and workers of color at proportionally high rates, making advancements toward greater gender and racial equity in Tompkins County.

Open-ended Canvassing

The first stage of the research was to find out what ideas existed about living wage legislation. The aim was to have an open-ended and inclusive process. Working group members proposed a long list of questions, which combined into five separate questions for workers and four for employers (Table 6).

Table 6. Themes from Information Gathering Sessions

Questions for Workers	Questions for Employers
QUESTION 1: What would the negative effects on you and your household likely be from earning a living wage?	**QUESTION 1:** If Tompkins County raised the minimum wage to the living wage, what do you see as the biggest hurdles you would have to overcome to pay all of your employees the living wage?
QUESTION 2: What would the positive effects on you and your household likely be from earning the living wage?	**QUESTION 2:** If Tompkins County raised the minimum wage to the living wage, what do you see as the biggest advantages in paying all of your workers the living wage?
QUESTION 3: How would earning the living wage change the way you and your household would plan your future?	**QUESTION 3:** How would you plan your business differently in order to pay a living wage?
QUESTION 4: How would earning the living wage change the quality of your work and the services or goods that you provide?	**QUESTION 4:** Can you identify other roadblocks (consequences) you feel might be encountered if Tompkins County were to require a local minimum wage, rather than the NYS minimum wage?
QUESTION 5: Can you identify other impacts, either positive or negative, that you feel might be encountered if Tompkins County were to require a local minimum wage rather than the NYS minimum wage?	

The original Search Process format was used in two sessions involving workers and at least one involving employers. This provided a robust way for participants to have one-on-one conversations about each of the questions, report on the results. Because of the difficulty of attracting workers to these sessions, a group of students and working group members canvassed door-to-door and wrote worker responses on paper forms. We received 132 worker responses and 55 employer responses, with a total of 906 different answers to the questions, which the research team categorized and tabulated.

The 55 employers who responded in this phase included 14 CEOs, 12 government agencies, 9 educational organizations, 5 small business owners, 4 employers in lodging, 4 restaurants, and 2 nonprofits. As show in Table 5, there were generally apprehensive about the idea and overwhelmingly identified hurdles to raising the wage rather than advantages (104 responses for issues categorized as advantages to 342 responses concerning hurdles); even when discussing the advantages of the living wage, the employers focused on the advantages to their employees and only a fraction indicated any reason that their business would improve with the living wage.

The main concerns of employers were that they might have to cut hours and services, experience labor market problems, and/or face an increased cost of doing business. Fewer jobs, hours, and services could result in less hiring, layoffs, cuts to programs and services, going out of business, reduced competitiveness, loss of contracts, more outsourcing outside of Tompkins County, businesses leaving Tompkins county, and automation. Workplace and labor market problems included wage compression, difficult union negotiations, more competition for jobs, more commuting from outside the county, complex questions concerning tipping, more employee stress, more seasonal staff, and more required work hours. A third major cluster of answers concerned the cost of living and doing business, including higher prices and taxes. The most commonly cited advantages for employers were that workers will work better and be more satisfied.

On the worker side, 132 responded, 19 from information sessions and 113 from door-knocking. As shown in Table 7, workers overwhelmingly identified the positive effects of the living wage; the most common response to the question asking about the negative effects on one's household from earning a living wage was "no negative effects." Accordingly, only 12.7% of responses were issues categorized as negative and 77.3% positive (72 negative responses to 388 positives). (Note that in table 7 there are more responses than respondents, because participants often provided multiple responses.)

Table 7. Themes from Information Gathering Sessions

Possible Advantages. Workers will:	Workers (132)	Employers (50)	Total (182)
Be happier, more empowered and satisfied at work. . .	132	32	165
Work better: they will be more efficient, punctual and focused. . .	76	65	141
Afford more: necessities, savings, and charitable giving . . .	111	5	116
Get more control over their time, with fewer hours of work. . .	68	2	70
Possible Disadvantages:	**Workers (132)**	**Employers (50)**	**Total (182)**
Other workplace and labor market problems, wage compression. .	12	91	103
Prices and taxes will increase.	27	62	89
Benefits problems: public benefits cliffs, less employer provision.	21	33	54
Employers will struggle to pay for wage increases.	0	37	37

The two main advantages workers identified concerned increases in their standard of living and in their well-being. Workers said that with living wage they could afford savings, necessities, and giving to charity, they could adapt to the rising cost of living, and they would have more disposable income, which could stimulate the economy. They could pay more taxes, buy lunch at work, and receive bigger social security checks at retirement, and they would require fewer government benefits. Workers also predicted more empowerment and satisfaction at work, less stress and vulnerability to emergencies, more housing stability, moving into better housing, greater ability to focus on things other than immediate needs, less strain on the mental health system, less dependence on public benefits, more training, and less hiring of unskilled workers. The two most common concerns among workers were benefits cliffs and increases in the cost of living.

Employer Interviews

As discussed above, our purposive sample included 40 organizations in 2019, 31 of which were re-interviewed in 2021 along with one new company in 2021. In our interviews, we made it clear that we were examining the feasibility of legislation, which was the main focus of the 2019 interviews, and in the 2021 interviews was also a primary focus alongside the pandemic. We concluded each interview in both years with the question: “What is your opinion of the Living Wage proposal?”

This was an important question to ask, but several caveats are necessary when interpreting these findings. First, because our sample was not a random (probability) sample, these findings should not be interpreted as reflecting the distribution of views among the full population of Tompkins County employers.

Second, of the 41 organizations interviewed in the two waves, 14 interviews were with owners (nearly all of whom participated in both waves). Others were with COOs or CFOs, but the majority were with general managers or HR managers. Many of the organizations we visited were not private businesses with local owners, but rather nonprofit or public-sector entities, or corporations whose owners were not local. This means that what we refer to as “employer views” are more often than not the personal opinions of managers rather than business owners.

Most broadly, the findings show: (i) substantial variation among employers on both support/opposition, which is independent of their ability to pay for it and (ii) change in employer support/opposition or cost assessments over time.

Table 8 presents the four different views of the employers in 2019, with illustrative quotes. The opinion of interviewees sometimes contrasted with their assessment of the affordability of the living wage for the organization and other businesses in the community. Some employers felt that they could afford the living wage but were morally opposed to it. Contrarily, others felt that they could not afford the living wage but were morally in favor. Others expressed either that the living wage was both affordable and morally important, or bad for business and not morally justifiable.

Table 8. Employer Views of the Living Wage in 2019

	High Cost to Implement or Unsure of Cost	Low Cost to Implement
Support Living Wage	8 Employers	17 Employers
	Costs for are high but a living wage is a moral imperative "The cost is high, but just having a job isn't enough...The living wage is wrapped up in that conversation about workforce development, because I have people who need to work other jobs. It's long overdue. As directors, we have to find out how to do it."	**Costs are low and benefits are high (for workers and businesses)** "I think it's great. I think the evidence suggests that raising wages for people at the lowest level does much more positive things for the overall economy." "In principle, I think it's the right thing to do. Makes it easier to hire. Makes it somewhat easier to hold on to staff. Downside is figuring out if you are already paying this much. Makes it hard to figure out how to promote, reward, etc."
Opposed to Living Wage or Ambivalent	9 Employers	6 Employers
	Costs are high and a legislated minimum wage is morally objectionable (bad for business) "What have you actually done by raising the wage? You've destroyed the economics of the community" "I don't think the proposal is good for New York. New York is 49th in "business-friendly climate". I think many businesses will leave."	**Costs are high and a legislated minimum wage is morally objectionable (bad for business)** "I would rather see a structural change in the way we educate people to empower themselves, and I don't think raising the minimum wage is necessarily going to help them." "We would like to think other employers would do that on their own without there being a legal framework... The people at the bottom could reduce spending if other companies raise prices and it might not net out"

Overall, the majority of employers were in favor in both waves (25 of 40 in 2019 and 28 of 31 in 2021). In 2021 only one employer was opposed to the living wage, and two remained ambivalent. Of the 10 interviewed in 2019 that were not interviewed in 2021, five were in favor, three opposed, and two ambivalent. Advocates of a living wage included some employers that saw it as costly, but were attempting to adapt, and at least three of them became living wage employers in this period.

Finally – and this is one of our most important findings overall – opinions about the living wage changed, all in the direction of former opponents of the living wage becoming supporters and/or those originally deeming the cost high/uncertain and subsequently finding ways to make it affordable.

The direction of the changes we observed is illustrated in Table 9. Specifically, 9 employers that opposed it in the first round but supported it in the second round. None of them had "ambivalent" views about legislation – they were all opposed in 2019 and in favor in 2021. There are 5 employers who said the living wage was costly but subsequently found a way to pay for it (3 of these had supported it in 2019, 1 was ambivalent, and 1 opposed).

Table 9. Employer Views of the Living Wage

		Cost to implement, 2019		
		High or unsure	Low	Total
Overall opinion of legislation	Support	8	17	25
	Opposed or ambivalent	9	6	15
	Total	17	23	40

		Change from 2019 – 2021: Of 9 originally “*Opposed/High cost,*” 4 changed	
		High or unsure	Low
Overall opinion of legislation	Support	2	2
	Opposed or ambivalent	5	

		Change from 2019 – 2021: Of 8 originally “Support/high cost,” 3 changed	
		High or unsure	Low
Overall opinion of legislation	Support	5 →	3
	Opposed or ambivalent		

		Change from 2019 – 2021: Of 6 originally “Opposed/Low cost”, *2 changed*		
		High or unsure	Low	Total
Overall opinion of legislation	Support		2	
	Opposed or ambivalent		4	

Note: Arrows indicate the number of employers from a given position (cell) in 2019 that changed position (moved cells) by 2021. The difference – after subtracting those who changed position – is listed in the original cell.

Of those in the Opposed/High cost group, we observed two reasons for change. First, two organizations underwent leadership changes. The financial situation had not changed much (for one it would be costly, for the other the cost was very hard to calculate), but the new managers said they were committed to paying a living wage and believed it was the future.

For one public school district (we interviewed representatives of two out of six of the county's school districts), where the cost was high, the main difference seemed to be that the new management team has a more adaptive mindset. The former superintendent said the cost would be sufficiently high that "it would devastate School Districts." They did could not envision any way to adapt and make it affordable. By contrast, the new superintendent thought it was important to provide a living wage and said they could manage it with sufficient notice:

If it's tomorrow, and it's unexpected, and people can't anticipate and plan for it. I would worry that it would cause some short term … could be layoffs, could be savings use, I don't know, but it would do something to us. And I imagine the system at large.

But with proper planning, communication, predictability around it, we're already starting to work on, yeah, we know it's coming. And we want to be healthy when we get there. So we have enough time to plan for it. I got no problem with that."

In the second round of interviews, administrators were confident that with sufficient time, they could find ways to make it work. This may be, in part, because they believed that a living wage had important benefits, both for recruitment, retention, and morale, but also for being a good employer within their community:

> *So I do think the advantages, we'd be able to entice people to apply. And we have an open position right now we can't fill we really because the wages (are) too low, when it comes right down to it. Um, so these are difficult jobs, but our whole system requires these jobs to be filled. You know, our teachers can't teach if we don't bus drivers, our teachers can't teach if we can't feed the kids and have our lunch program employed fully, you know, these are the jobs that build our whole system.*
>
> *We would be able to run our program efficiently. … And so, you know, the other part is taking care of our own community. So having minimum wage and having jobs opening, and being able to employ our own people here for us, is really important in my eyes, too.*

Second, in two other organizations, there was no leadership change, but they came to support the living wage legislation. For one relatively large private employer, the change of view was dramatic. In 2019, the business owner vehemently opposed living wage legislation, but was quite supportive in 2021. It is not entirely clear what caused this change of heart, but their answers seem to suggest in 2019 they were only considering the view of employers, whereas in 2021 they were considering the experience of workers. In 2019, they said:

> *I think that across the board, it's not a fair thing for all business and it's not right. … It's a hard environment and in at the end of the day, you're really I think that, you know, health care costs, insurance costs, tax costs, things that are somewhat out of our control …. And so looking at government and looking at the whole picture, really is important in order to understand you know, what the ramifications are, the effect on business."*

However, by 2021, they had come to support it: "In today's market, I think it probably has to happen. And I think it's probably a good thing … it's absolutely necessary. I mean, the cost of the cost of living for … think food … everything else. [For business] we'll figure it out and the people that can't, they're, they're gonna have to do something else."

In 2019, they said if the minimum wage increased by $4 per hour, they would raise the wages for all their employees by $4 per hour. It is important to note this employer operated with slim profit margins, around 2-3%, and that each minimum wage increase effectively wiped out their margin, which forced them to adjust and come up with a new model each time:

> *So what it does is it cuts our margins. ... So really what [the last state minimum wage increase] did is eliminated that two or three. That's what it did: gone. So all we had to do was come up with a new model and we're still doing it. We're feeling the effects of that. And each time that that raise goes up, we keep having to adjust that model. So those are the discussions we're having every single day as owners and managers is how do we make that model sustainable moving forward.*

It is remarkable that this employer became in favor of the living wage despite past increases having wiped out their margins. It may that having an adaptive mindset – and successfully using this to increase productivity and grow the business – contributed to this employer's support for the living wage despite have such thin margins. The owner mentioned bringing in new managers to creatively adapt and grow the business:

> ***"So that's why I'm trying to, as I said, bring the managers in, get it, be as smart as we can be. And, you know, it's even in terms of things, like, there's a certain minimum level of staff that we have to have to provide the experience, I can increase business 20%. And not change staff. So I got to figure out, well, how can I grow that business so that I can support that labor."***

Of those in the Support/High cost group were three organizations, where we interviewed the same leaders in both waves, who by 2021 had switched to paying a living wage. One was a hotel, for whom the cost was uncertain and the decision to pay a living wage ultimately made by the corporate parent (but with strong support from local management). The other two adapted. One restaurant, which survived with the aid of a PPP loan, was able to pay for a living wage by reducing waste, increasing the number of customers, and "tighter" staffing. The other was a social services agency that was able to increase wages due to a PPP loan, a Federal grant to pay for bonuses, a temporary cut in management pay, and (like the restaurant) reduced staffing. In both of these cases reduced staffing was not a strategy to fund a pay increase, but rather a consequence of a tight labor market and the difficulty of recruiting workers.

Finally, of the *Opposed/Low cost* group, there were two companies who changed their views. In one case there was a change in leadership that led to a change in opinion. In the other case, the same interviewee changed their opinion. One small employer, with 75 employees, seems to have had a change of heart. In both years, they said the problem is that "some employees cost more money than we pay them" because they're "going to burn more food than they're going to cook properly." And in both years, they said that if there were a 90-day period during which they could train the worker to get them fully qualified and "at that point, we have that value" to be able to pay them a living wage. However, he switched from being strongly opposed to being supportive. In 2019, he said: "I would be strongly opposed and am strongly opposed to a $15 minimum wage." In 2021, he said: "yeah, I think it's positive." But he again noted that he would prefer to have "90 days or six months of employing them at a lower cost, to take it upon ourselves to take our time, and our team's time to give them the skills to either put them in that job, or better enable them to apply for a different one, if we decide they aren't up to speed."

The increasing support among the employers we interviewed suggests – along with our analysis of changing cost assessments and adaptation below – that as employers adapt to paying at or above the living wage threshold, they increasingly accept the principle for their own organizations and see it is as generally needed. This is not inevitable, and there still are employers who oppose minimum wage legislation and see it as expensive. On the other hand, however, we met employers who were in favor of a living wage, even when they did not know how they will pay.

Employer Assessments of Cost

In the 2019 sample, out of 40 employers, the perceived cost of transitioning to a living wage was deemed high for 12, uncertain for five, negligible for nine, and no cost for the 14 who do not have any employees below the living wage (Table 10). To repeat, the sample is not strictly representative of the population of Tompkins County employers, but reflects an attempt to hear from most types of employers affected by living wage legislation.

The qualitative analysis reveals three key themes regarding expected costs of the living wage. First, the orientations of owners vary with regard to whether they see providing good jobs as part of their role as employers. Second, while the cost was negligible for 23 of the 40 employers, around a dozen believed they would experience moderate costs that could be financed out of efficiency improvements and/or healthy profit margins, and for a handful the anticipated costs would be substantial. The latter were all in low-profit margin sectors, which in our sample were the hospitality and education sector. Finally, and critically, owners and managers display learning over time, which seems to account in part for changes in opinions of the living wage over time. We discuss each theme in turn.

Table 10. Perceived cost of hypothetical living wage transition, 2019

Cost of living wage	Number of employers interviewed
High	12
Uncertain	5
Negligible	9
Zero (no workers below Living Wage)	14
Total	40

On employer orientation, many of the family-owned companies, private partnerships, and one LLC articulated what we call a “good-employer orientation” – they saw providing good jobs as part of the responsibility of a business owner. These employers expressed agreement with the principle of the living wage and were willing to try to adjust their business model to afford it, even though in many cases it would entail difficult decisions. By contrast, others, including many at corporations, explicitly focused on protecting margins by cutting costs and shifting costs to workers.

An example illustrating the good-employer orientation is that some employers discussed being happy to pay a living wage even for their unskilled and/or low-skill positions. But some of these had low profit margins and hence the living wage legislation would force difficult choices. As one family-owner explained:

> ***As someone who has to consider the industry that he speaks on behalf of, [the living wage] concerns me, from a business standpoint, a profitability standpoint. And I don’t have any expenses that are not going up. Other than my utility expenses are coming down. As a family and a human being we fully support a living wage. And we’ve been trying to get ourselves there for the last couple of years. And we’re not there yet, then, you know, part of that just because we have so much other work we’d like to be able to do. I just spent $43,000 on a new roof. You know, that’s my sort of one project for the year because I need to (a) have enough money to get us through the winter and (b) we have more increases coming and the number of things including our wages.***

This leads to the second point, that the cost is substantial for some employers in low-profit margin sectors. To organize our discussion, for convenience we designate low-margin organizations as those with net margins under 6%. We found two small restaurants who said the living wage would have a serious, negative impact on their financial health. One small restaurant had a net margin around 2%. They said the living wage would push them to them into a precarious financial situation. Paying for the living wage would require cutting jobs, intensifying the remaining jobs, shifting benefit costs to workers, reducing investment in property improvements, and reducing charitable giving.

Another small restaurant said that, with a net margin of 1% or less, they found the prospect of the living wage "terrifying." It would push them further into a precarious situation for financial health, harming their competitiveness due to the need to raise prices and reduce what they offer. They saw very few ways to adjust to this rising labor cost, so their main focus would be on cutting menu items that have a high labor burden.

The cost was also substantial for one school district. According to Thomson Reuters Eikon, the average margin for the district from 2017-2021 was -14.8%. In 2019, they said the cost of the living wage would be sufficiently high that they would have to increase taxes by 3.62% to pay for it, but there is a tax cap of 2%. In 2021 administrators were less pessimistic and said they could figure out how to manage the cost if they had a couple of years to plan, but if not, they would have to cut non-mandatory programs and lay off workers to afford it.

The other employers, including some in the hospitality sector, had healthier net margins, ranging from 6% to 12%. Below we discuss the impact on some of these and what they would have to do to respond. One hospitality concern, with a net margin around 10%, said they would "definitely" cut benefits to offset the cost of the living wage. They would also cut paid time off, which would harm their recruitment. A large corporation with a net margin or around 7% said they would offset the cost through continuous improvement, shifting benefit costs, and most likely cutting some jobs. A large nonprofit with a net margin around 6% said they would be able to dramatically reduce costs via technology investments. They also noted the higher wage would allow them to save on training and overtime costs due to improved recruitment and retention.

Finally, there was substantial evidence of learning over time and, generally, we found improvements in employer ability to pay between 2019 and 2021. Several employers who had reported in the first interview that paying the living wage is not feasible reported in the second interview that they had found a way to pay a living wage (see the following section for more on employer adjustment and adaptation). This included three relatively large employers, two of whom had expressed opposition to legislation and reluctance to implement the living wage in their own organizations.

The upshot is that although the cost of a living wage will definitely put severe financial stress on a small proportion of organizations, there are powerful reasons to believe that most if not all will be able to adapt to a living wage. First, we note variation in profit margins within generally low-margin sectors, which suggests that good management can improve margins. Second, the evidence of learning and changing views over time suggests managers can adapt. To be sure, many companies will face tough choices and some will experience severe, negative financial impact. But managers and owners can learn to adapt to become more effective and efficient. We will show in the next section that employer ability to adapt varies.

Adjustment by Employers in the COVID Pandemic

The pandemic was a severe and sudden shock to local workers and employers, with unpredictable consequences. The broader working group asked for a second wave of data collection to examine how the pandemic affected the feasibility of living wage legislation. This allowed the research team to add questions about the effects of the pandemic and also to confirm some of the information collected in the first wave of interviews.

The effects of the pandemic were many. For the local economy, the immediate problem was not just the closure of businesses mandated by Governor Cuomo, but also the swift exodus of tens of thousands of students, i.e. customers. Many of our employers continued operating with the aid of small business loans and other government funding streams, and some used partial unemployment insurance and the Work Sharing Program to minimize or avoid layoffs. Few employers managed to entirely avoid reducing staff, and a few hospitality and food service employers laid off most of their workers. In spring 2020, unemployment insurance claims increased more sharply in Tompkins County than anywhere else in the state (NYS DOL 2020). However, as businesses re-opened the problem changed. The central business challenge was no longer managing and avoiding layoffs, but rather attracting and retaining workers. (For more detail on the pandemic-era labor market in Tompkins County, see Greer et al 2021.)

How did employers adapt? In 2019, employers reported three main channels of adjustment. They could:

1. **Reduce their costs, for example, by reducing services, squeezing suppliers, negotiating with landlords; this would free up resources to pay for wage increases;**
2. **Increase productivity, reducing hours with the aid of technology or through more skilled workers or by simplifying production or the service offering;**
3. **Increase revenue through higher prices and (or, in the case of a public school, raising the tax levy), new products and services, raising funds from donors, and getting support from government.**

In 2021 employers reported doing all of these things, not mainly because of a minimum wage increase, but because of the pressures of the pandemic, above all, the difficulties they faced attracting and retaining workers.

A critical finding from our interviews is that employers vary in their ability to adapt. Some organizations were highly flexible in general, and others less so. The reasons varied. Some were structural. As one large employer with multiple locations noted, they have more ways they can adjust than small employers:

> ***Locally, if there's somebody across the street that has a single unit, they're going to struggle more than us. And really, partly, they're going to have less moving parts to adjust. And that's one of the things, one of the benefits we have is that there's a lot of things we can look at, you know, we're breaking down our balance sheet and our P&Ls [profit and loss statements] in a very detailed way to try and understand exactly what the system is and what the profit center is at each and every one of our locations and understand what to adjust.***

Market conditions also matter: some employers can raise prices more than others, depending on the price-sensitivity of their market. Public schools are particularly constrained in their ability to raise prices on pay programs and are limited on raising taxes by the tax cap. Many nonprofits saw themselves constrained by fixed levels of funding built into grants and government reimbursements, especially Medicaid. Similarly, whether an organization can raise capital to make the change depends on their profitability, assets, and business relationships. As discussed above, there were wide variations in profit margins across companies. On business relationships, some pointed to their local networks, which allow them to attract capital and customers and give them the positive reputation they need to move into new markets or upmarket. One business owner referred to white privilege and "proximity to white men" as important, especially for raising investment capital needed for an upmarket business model.

Finally, a key finding is that owners and managers had very different views about adaptation, with some having many ideas for how they could adapt and seemingly keen to take on the challenge, others at a loss for ideas and expressing a high level of concern. The interviews suggest that time allows employers to figure out ways to adapt, and several employers noted a gradual change is far more feasible than a sudden one (see Table 9, above).

To summarize, the pandemic did not make living wage legislation less feasible in the eyes of the employers we interviewed. To the contrary, to deal with a difficult labor market, they reported making many of the same changes we would expect in response to living wage legislation, including pay increases, but also efforts to cut costs, increase revenues and become more efficient. It may be that employers are learning from the pandemic, and the associated difficulties recruiting and retaining workers, about how to raise the wage floor in their own organizations.

Employer views of Wage Compression

We found that the cost of avoiding wage compression was a major concern for many employers in relation to minimum or living wage increases. Specifically, they were worried that compression of their wage structures would be perceived as unfair by their employees and would subsequently result in dissatisfaction, lower productivity, higher turnover, etc. This is in line with a small academic literature showing that minimum wage increases have "ripple effects," leading to pay increases for workers making above the minimum wage (Grimshaw 2013), and that workers making just above the minimum wage sometimes have lower job satisfaction than those whose wages are brought up by minimum wage increases (Storer and Reich 2021). As will be discussed below, although compression was a concern for many employers, worker attitudes about compression were mixed – there was no consensus that compressed pay scales were unfair. Moreover, there was considerable variation in how employers attempted to address the issue and interesting commonalities among employers who were unperturbed by wage compression. As one stated:

> ***I am not fearful of a living wage legislation, because a fair proportion… of our employees already earn more than $15.37 an hour… The issue for us [that] should be captured is the wage compression issue to this. And that's a real issue. It's not one that's easily scientifically captured, because it's a human emotion.***

Of the 40 employers we interviewed, 26 (nearly two thirds) directly referred to wage compression as a significant concern and a major contributor to the cost of minimum and living wage increases. Employers' main concern was that wage compression would be interpreted by their staff as unfair. In order to avoid this, they would have to increase wages nominally or as a percentage value across their wage schedules. Overall, this implies a significantly larger cost than only raising the bottom wages. As a result, those that opted to increase their wages across their wage schedules were in the minority. Seven employers said that they would be unable maintain their wage schedule (maintain the same differentials based on tenure or skill) in response to a minimum wage increase. They cited lack of government or outside funding and an inability to raise prices at the rate of wage increases as their reasons for being unable to avoid wage compression. Therefore, firms adopted a variety of strategies to address their compression concerns while avoiding the large cost of raising all wages.

On the passive end of the spectrum, employers simply expected their staff to accept wage compression over time. However, this was rare. Most employers took a more active approach. Some chose to be transparent with their staff about the cost of compression and their inability to fight it. Others attempted to recognize their experienced staff through other means, such as benefits, or perks. As one employer told us,

> ***We were not able to give them [salaried employees] as much as we could… So [this year]… every staff meeting monthly, we're providing a meal, a catered meal from some place. So again, taking the money and just using it a different way. And our hope is that staff will feel appreciated***

> *throughout the year… [we're also] doing a lot of smaller things, like staff love things like t-shirts. Yeah. That goes a long way. I hear a lot more about that than I do about a few cents in their paycheck.*

Last, some employers hired HR consultants and altered their job classifications across work units in order to create fair pay bands based on work responsibilities. Therefore, if wages had to be compressed, those who experienced increases saw a change in their responsibilities which matched their new wage.

Although wage compression was a major concern for many employers, a third of the employers we interviewed were unperturbed by it. Among this group we found three main reasons for their lack of concern.

First, they already paid well above the minimum and the living wage and as a result would be unaffected by lower wage increases. One told us, "most people are already [paid] over [the minimum wage] so wage compression is really not a big issue."

Second, the organization already had a compressed pay structure and as a result felt that their staff had adjusted to this and would not be affected by changes to the company's wage floor.

> *Wage compression [isn't] a problem… everyone makes the same pay, as most employers say, well, employees hate that. But what do people here think about that? I mean, I have been asked recently at a staff meeting, if there would ever be a possibility to get an increase in pay. And I'm pretty transparent. As you know, by paying a living wage, we're already paying far out of our industry. And so, there's not a lot of room [for] increases. Whenever the living wage increases, we do the increase.*

Third, they felt that their staff would understand, were unaware of pay differences, or would not care. For example, one organization had very few low wage workers and a much larger number of workers making $20 or more. Higher-wage workers did not seem to mind, possibly because their wages were still well above those experiencing the pay raise.

> *Most staff… I think understand compression and can deal with it and, for the most part, be happy for themselves and happy for the new people coming in and doing that work. That they can have a decent life.*

Worker and Union views of wage compression

While many employers felt that their employees would perceive wage compression as unfair, there was considerably more variation in employee and union opinions than implied by employers. For example, counter to employer claims that unions would not allow wage compression, at least one union we interviewed admitted to creating wage compression in order to prioritize raising the wages of their lowest paid members:

> *I think we actually probably created more wage compression within the bargaining unit, because basically, what we did was try to bring up the lowest paid people, and make sure that anyone… at the top of that strata was not losing… Everyone did end up making at least a little bit more money… it at least covered dues.*

Several organizations found that while employees may have been frustrated, they were also understanding. We mainly found these responses from employers in the non-for-profit and education/childcare sectors.

Lead teachers were frustrated that they didn't get bumps like the other people. But they also understood that we just didn't have funds to bring everybody up all at once... There were some wage compression issues created, but staff understood, and they supported it. They supported that the lowest paid people should get bumped up.

Speaking to workers directly we found a variety of responses. Those against compression mentioned issues of fairness and an intention to quit their jobs if the wage hierarchy was not maintained. This group was also very concerned about employers recognizing and compensating skill and experience.

A teacher with more experience should be getting paid more than someone who's just out of school. Does [company name] do that? I mean my five years of experience is only worth 40 cents to them. I'm not sure [I'm] okay with it. I'm okay with it for now, but if something better comes up. They run the risk of losing someone with five years' worth of experience, just because another company's whispering in my ear saying ooh come over to the dark side, am I gonna say no?

Others took a different stance, worrying more about their fellow workers being able to afford living costs. The wage hierarchy was secondary:

I would want my wages changed [but] I'm happy to let the floor rise. I think that's better for everybody - it's bad for billionaires, it's better for me.

However, of the workers who would accept some compression, they also did believe there is value in having some level of wage hierarchy.

I personally think that some wage differentiation is fine, especially if you have worked at the company longer. I am not entirely against the idea of meritocracy. I don't think that your raises should be based entirely on the merit review. That is a very subjective process, so collective bargaining is there to minimize that. I think that with a bargaining unit it's important that there is consent on what the wage structure is. It all comes down to what people value.

To summarize, although many employers worried about wage compression, others did not. Employers adopted a variety of strategies to manage compression while avoiding the cost of raising all wages. Moreover, employers' assumption that all employees would perceive wage compression as unfair did not reflect the actual range of opinions and beliefs held by workers.

Wage increases and Benefit cliffs

Many employers and social services professionals worry that minimum wage increases reduce the resources available to some households by making them ineligible for means-tested benefits. We were therefore asked to examine "benefit cliffs," that is any situation where an increase in earned income leads to a loss of net income for a household, because the value of benefits and tax credits lost exceeds the increase in earnings.

To give an example, one employer we interviewed had raised workers' wages from close to the minimum wage ($11.90) to the 'living wage' figure commonly used in Tompkins County ($15.37). Workers responded by asking for fewer hours. The owner told us why:

There's this tipping point where if you make $1,000 more, you lose all of your tax credit, and then health insurance ends up costing you $8,000 more a year, or there are those sorts of issues with some of the systems that are set up to make things more affordable, or provide assistance

> ***to people. And . . . something that we ran into would be people wanting to keep their hours under a certain number, so their earnings stay below a certain cap, which is almost the opposite of what you would think, right, if you're raising wages for people? . . . Maybe it's a living wage, but it's not quite enough for people to actually afford some of the dental or health or other assistance that they're getting at the minimum wage.***

This situation is close to a benefits cliff. The hourly wage increase threatens to reduce workers' net incomes, because the increase in earnings (say $1000) is less than the loss in benefits and tax credits (say $8000). The wage is high enough for the employer to be 'certified living wage', but insufficient to cover households' necessities. The workers tried to avoid the benefits cliff through reduced hours, but in this case quit because the owner – who was trying to increase productivity – wanted them to work full time. As the minimum wage increases, some employers and social services professionals worry that situations like this could become increasingly common.

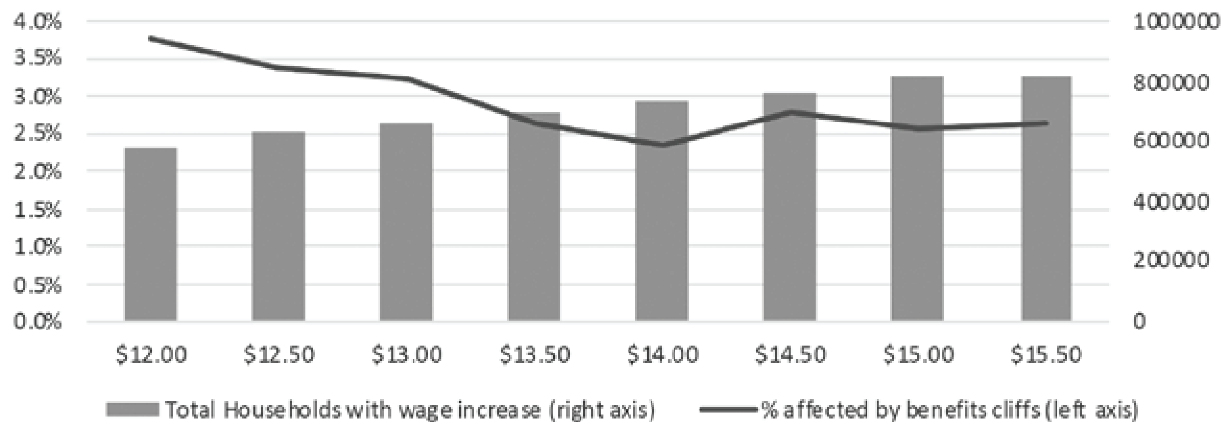
To understand this problem we examined three questions by using a simulation strategy.

1. **How widespread are benefits cliffs given different levels of minimum wage increases?**
2. **Which categories of households are most affected by benefits cliffs?**
3. **At what level is a minimum wage increase sufficient to offset lost benefits income?**

This analysis used household data from the Census Bureau, data on caseloads and expenditures from the agencies that administer benefits, and information about eligibility and benefit amounts published by those agencies. Our focus was on the counties in upstate New York where the minimum hourly wage was $12.50 at the time of carrying out the simulations. The simulations covered the entire area in upstate New York with the same minimum wage as Tompkins County using data released in 2019, when the minimum wage was $11.80. We excluded the counties downstate that have a higher minimum wage. We conducted 8 simulations for different levels of minimum wage increase (up to $15.50) taking into account 6 benefits and the Earned Income Tax Credit. We included six means-tested benefits – SNAP, Medicaid, TANF, SECTION 8, HEAP, and SSI – and the Earned Income Tax Credit (EITC). (See the Appendix for the full methodology and modelling description of the simulations).

The results of these simulations are displayed in Figure 4. We estimate that this benefits cliff effect impacts between 2% and 4% of households that have workers whose wages are brought up by minimum wage increases. This is likely an overestimate, because we do not have information about how workers and employers reduce working time to avoid losing benefits. Furthermore, this percent tends to decline as the minimum wage increase becomes greater. According to our simulation, the number of households affected by benefits cliffs is similar if the minimum wage is increased to $12.50 or to $15.50 – just over 21,000. But the number of households whose net income goes up increases from 628,000 to 821,000. As the minimum wage increase is greater, an increasing share of households are compensated for the value of lost benefits by a larger increase in wage income.

Figure 4. Households with at least one low-wage worker that experience benefit cliffs, by minimum wage levels



In order to better understand these effects, we examined the characteristics of households disproportionately affected by benefit cliffs. Households that claim Medicaid, Section 8 (housing subsidies), SSI (payments for adults and children with disabilities) or (especially) combinations of multiple benefits, are the most likely to experience the benefits cliff. Households with disabled household members, children under 6, or whose heads are Black, female, single, or low-earners are also likely to experience a benefit cliff but that impact is not as significant as the type of benefits they claim. A large household size or high number of children under 6 were not themselves associated with benefit cliffs, nor was recipiency of TANF, HEAP, or EITC (earned income tax credits).

Overall, the kind of benefit claimed had a larger effect than demographic characteristics of the household. Table 11 provides characteristics of households with low wage workers in the data set, share of those demographic groups that claim benefits, and the share of the group impacted by a benefit cliff effect.

Table 11. Sociodemographic characteristics of households with at least one low-wage worker in the baseline and benefit cliffs effects.

	All the households with at least one low-wage worker	Claim at least one or more benefits	Experience benefit cliffs at any scenario
INFORMATION ABOUT THE HOUSEHOLD			
Household size	2.94	3.04	2.91
Number of employed	1.73	1.39	1.41
Number of low wage workers	1.27	1.27	1.30
Number of people with disability	.29	.42	.50
Household Earned income ($)	57,263	28,739	29,617
Number of benefits claimed	1.04	2.38	2.90
Households with at least one child less than 6 years old (%)	15.3	22.65	24.05
Number of children less than 6 years old (*)	1.37	1.41	1.32

	All the households with at least one low-wage worker	Claim at least one or more benefits	Experience benefit cliffs at any scenario
INFORMATION ABOUT THE HEAD OF HOUSEHOLD			
Female (%)	51.7	57.83	59.6
African American (%)	9.79	14.13	16.96
Latino (%)	6.8	8.72	8.5
Single (%)	48.2	59.9	64.4
Age	47.6	45.9	43.6
Hourly wage ($)	20.13	14.27	13.93
BENEFITS CLAIMED (TAKE-UP)			
Snap (%)	15.6	35.6	38.2
Medicaid (%)	21.5	49.1	68.4
Section 8 (%)	7.20	9.75	21.04
TANF (%)	24.9	31.9	25.7
HEAP (%)	25.3	35.8	30.1
EITC (%)	82.1	85.4	83.1
SSI (%)	5.09	11.62	19.6

For affected households, the level of lost income lost can be substantial. For those households affected by benefits cliffs, we calculated the average hourly wage that would be needed to compensate for benefits lost. This was on average between $18 and $22 for the different simulations. This is an underestimate, because we were unable to include childcare vouchers or a full accounting of the cost of losing Medicaid benefits. It is unclear how the size of the benefits cliff changes over time with inflation, and whether a slow increase in the minimum wage would effectively compensate.

Using several different datasets and complex calculations, we estimated how widespread benefits cliffs are, the categories of households most affected by benefits cliffs, and the level of a minimum wage needed to offset them. We found that benefits cliffs affect about 2%-3% of households with a "low-wage worker" whose wages are brought up by a minimum wage increase, and this number declines with the amount of the minimum wage increase.

CONCLUSION

Although the research group was examining the feasibility of Living Wage legislation, the working group as a whole did not come to a consensus recommendation. We did, however, carry out research about the likely effects of the Living Wage to address many of the questions and concerns raised by the community in our open-ended canvassing. We provide a statistical portrait of the low-wage workforce using the highest-quality labor market data available. As per the instructions of the larger working group, most of our research has focused on concerns, particularly the negative effects on employers. We have also carried out some complex calculations to estimate benefits cliffs.

Labor market data show that Ithaca has had in the long run more robust job growth than any other metropolitan area in upstate New York, a relatively low unemployment rate, and a continued large low-wage workforce. Consistent with other analyses showing that Ithaca is the most income-unequal metropolitan area in upstate New York (Abel and Deitz 2019), we find 30%-40% of workers making below our living wage threshold. It is unclear whether this is changing in the current period of inflation and a tight labor market. We also found extreme racial disparities, with Black workers about twice as likely to earn below the living wage threshold than white workers.

The employer interviews reveal complexity and change. Some employers paid less than a living wage, and would find it difficult and expensive to adapt. These employers had differing views, with some opposing living wage legislation and others seeing it as positive and working towards attaining the living wage within their organizations. Other employers already had an entry-level wage at or above our living wage threshold. While these employers mostly favored the living wage, some objected, mainly on philosophical grounds, or out of solidarity with other, smaller employers. A concern for most employers was wage compression.

Between 2019 and 2021 some of the employers that opposed living wage legislation became in favor; and some that had previously reported difficulty adapting managed to do so. Many of the changes they had made to wages and other aspects of their businesses were efforts to cut cost, increase revenue, and improve productivity that we might associate with minimum wage increases; but these were in reality adaptations to the tight pandemic-era labor market. It is not a simple case of a living wage destroying jobs: the repeat interviews tell us how employers adapt to pressures that force entry-level wages up and how their beliefs about the living wage and its effects on their own organizations change.

According to our benefits cliffs simulations, about 2-4% of workers might experience a decline in household income because they would no longer be eligible for Medicaid, SNAP, Section 8, or some other means-tested benefit. They could avoid this by adjusting their working hours or through policy changes. Conversely, 97%-98% of workers affected by a minimum wage increase are very unlikely to fall off of a benefits cliff.

We believe we have gathered the data and provided the analysis that policymakers will need for an evidence-based policy concerning the living wage. But this is not enough to decide whether and how to act on the living wage. As with the decisions of most of the employers we interviewed – whether they were opposed or in favor – the County Legislature's decision will be fundamentally based on moral considerations.

That said, the research team interprets the findings to suggest that many employers can adapt via increasing productivity and reducing costs, rather than raising prices; the living wage itself is likely to increase retention and productivity, suggesting a minimal impact on inflation. This does not mean that all businesses will find it easy to adapt; some will struggle. However, the positive impact on living standards for workers – increasing spending power, hence local demand, and in particular reducing race and gender inequality – makes a powerful case for adopting the living wage.

APPENDIX

Description of Modelling Techniques for Benefits Cliff Simulations

We included respondents to the 2015-2019 American Community Survey (ACS). We calculated hourly wages for all workers in the sample based on data on annual work income, and hours and weeks worked. The ACS data contain information about households' receipt of some benefits (SNAP, Medicaid, and SSI), factors that affect their eligibility for benefits (such as annual earned income and household size and composition), and geographic location. Data were adjusted to December 2019 prices.

To assess the eligibility of households in the ACS sample for benefits and the amount they might receive, we used information provided by the agencies that administer benefits post online to assist applicants for benefits. These sources also tell us the maximum benefits amounts allowed for eligible households. We also asked DSS staff in Tompkins County, which was particularly helpful for understanding TANF.

The ACS data and benefits rules do not provide enough information to estimate the amount or value of most of these benefits and whether a household is eligible or claims them. Low-income households typically underreport benefits income in surveys. For a more realistic view of the allotments and take-up of benefits, we use data from the agencies on caseloads and expenditures. For many benefits these administrative data provide breakdowns by county, allowing fine-grained county-by-county adjustments of estimated benefit levels and take-up for households in the survey.

We modeled the eligibility, allotment, and take-up for the six benefits and the Earned Income Tax Credit (EITC). We calculated eligibility using ACS data on earned income (we ignored assets and other sources of income), based on the rules from agency websites. We calculated allotments based on benefits levels reported on agency websites and adjusted using administrative data. We calculated take-up based on self-reported information in the ACS (for SSI, SNAP and Medicaid) or random assignment (for most benefits using administrative data on caseloads to decide on the takeup rate of eligible households). We then conducted eight simulations of minimum wage increases, from $12.00 up to $15.50 per hour.

For all details on this analysis, please see the full technical report (Rodriguez and Greer, 2021).

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ENDNOTES

1 U.S. Census Bureau Five-Year American Community Survey (ACS) Public Use Microdata Samples (PUMS) for 2016-2020. This data is the most commonly used data set for analyzing demographic distribution in earnings and occupations. https://www.census.gov/programs-surveys/acs/news/data-releases/2020/release.html. Respondents to the long-form ACS provide four key pieces of information that allow for estimates of their effective hourly wages: (1) wage or salary income in the past twelve months; (2) self-employment income in the past 12 months; (3) weeks worked during the last twelve months; and (4) usual hours worked per week during the past twelve months. Unfortunately, the way these data are recorded do not allow for straightforward computations of hourly wages. In the first place, self-reported hours worked often include uncompensated hours and/or hours worked outside of one's regular job in the form of self-employment. Second, up until 2019, the number of weeks a survey respondent reported working was collected into bins (e.g., 40 to 47 weeks, 48 to 49 weeks, 50 to 52 weeks). Therefore, one cannot simply divide annual earnings by weeks worked by usual hours worked. To overcome this issue, the authors relied on a new ACS PUMS feature that began in 2019, which reports the exact number of weeks that a person reported working. From the sample of Tompkins County residents who were surveyed in 2019 and 2020, the researchers computed the average number of self-reported weeks worked in each of the previous (pre-2019) "bins" used by the ACS. The results were as follows: (1) average of 52 weeks worked in bin 1; (2) 48 weeks in bin 2; (3) 42 weeks in bin 3; (4) 33 weeks in bin 4; (5) 21 weeks in bin 5; and (6) 6 weeks in bin 6. These averages were applied to workers from the pre-2019 portion of the ACS sample according to their respective bin. Next, because some workers who report self-employment income alongside their wage income appear to have included their self-employment in their hours worked, total earned income was used (which includes self-employment) as opposed to just wage and salary income. Finally, for each worker, the worker's total earned income was divided by number of weeks worked (imputed for respondents contacted prior to 2019 as described above), which was, in turn, divided by self-reported hours worked per week. Because of self-reporting, some workers will inevitably have "effective" hourly wages that are less than state and local minimum wages.

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A LIVING WAGE FOR TOMPKINS COUNTY?

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