

**TESTIMONY OF BRONX BOROUGH PRESIDENT
RUBEN DIAZ JR.
BEFORE THE CITY COUNCIL COMMITTEE ON CONTRACTS
MAY 12, 2011**

Good afternoon.

Before we begin, I would like to thank City Council Speaker Christine Quinn, the entire City Council and especially the chair of this committee, Council Member Darlene Mealy, for taking the time to begin a frank discussion on the subject of bringing a "living wage" to the City of New York and the future of the "Fair Wages for New Yorkers" Act. It is my sincere hope that, today, we will begin the important process of changing the way we do business in this City, specifically when major development projects rely so heavily on giant taxpayer subsidies.

The historian James Truslow Adams described the idea of the "American Dream" as a land in which life should be better, richer and fuller for every man and woman, with opportunity for each according to ability or achievement. Inherent in this vision is the idea that, if you are willing to work, you will have opportunity to make a better life for yourself and your family. The "Fair Wages for New Yorkers" Act will help restore that promise, and we need it now more than ever.

As I noted in my State of the Borough address in February, we have tremendous income inequality in this city, which is not just a local problem but a national cause of concern. The middle class, both locally and nationally, are working harder and earning less. As important, the working poor in our City are being forced to work multiple jobs for an ever lower standard of living if not being forced to get food stamps, emergency housing and other government assistance. Our economic policies should facilitate upward mobility. Instead, they are accelerating a downward spiral, in which our middle and working class families have less and less and where our tax dollars and other City resources are instead being used to facilitate low wage job creation.

Nowhere is this clearer than in my home borough of the Bronx. Since 2002, more than \$11 billion in new development took place in the Bronx, facilitated by millions in New York City subsidies and tax breaks. Yet we still have the highest poverty rate, 28.5 percent, of any urban county in the United States. As for job creation, Bronx County has consistently had the highest unemployment rate of any county in New York State. The promised employment gains from the major developments that have taken place over the last decade have been inconsequential.

Income inequality continues to grow in this city. A recent report by the Fiscal Policy Institute found the bottom 90 percent of city income earners make 34.5 percent of all money made in the city. In contrast, the top one percent of the City's income earners make 44 percent of all money made in New York. In fact, the same study noted that between 1990 and 2007, hourly wages in this city actually fell almost nine percent.

Moreover, the cost of living in New York is high, resulting in a large number of "working poor." For example, the cost of a monthly MetroCard is \$104, or ten percent of the pretax monthly

income of someone employed in a minimum wage job, assuming they are working at least 35 hours each week.

It is crystal clear that we have a real problem in this city. That is why the "Fair Wages for New Yorkers" Act is so important, not only as a matter of economic justice, but as sound fiscal policy as well.

The City has released the findings of a report which purports to show that this bill will do serious damage to our economy. This study is so flawed it is unbelievable that the City would present it as evidence against a living wage mandate. First, the study bases the majority of its findings on statistical models that measure the effect of applying Intro 251 to the City's new Industrial and Commercial Abatement Program. The "Fair Wages for New Yorkers" Act, however, would not apply to the ICAP, which we have confirmed with legal counsel for the City Council. As a result, almost every finding in the report does not apply to Intro 251 or 251-a. Based on this fact alone, the study is worthless. In fact, the \$1 million that was allocated to pay for this study should be returned to the taxpayers.

As you may already know, this report was organized and authored primarily by an economist that has written 27 prior reports claiming living wage and minimum wage laws result in job losses and has a national reputation for producing academically flawed reports which is why the Bloomberg administration hired this consultant in the first place. He produced exactly what the Mayor wanted. Moreover, the report is based on Intro 251, not the current or final version of bill, Intro 251-a. Credible research shows, however, that the benefits of a "living wage" ordinance, which would require employees at subsidized developments to receive \$10 per hour with benefits and \$11.50 per hour without, are real and considerable.

A recent study of 15 cities with similar "living wage" laws to what would be required by the "Fair Wages for New Yorkers" Act found that wage standards, such as the requirements put forward in this bill, do not have a negative effect on job creation. This report is not the only credible research we have on the positive effects of a "living wage" law. Professor Robert Pollin of the University of Massachusetts has done extensive research on "living wage" laws. He has found that such laws give workers more money to save, allowing them to lower their debt and make much-needed purchases. Such mandates also save the taxpayers money, by reducing reliance on food stamps, welfare and other government assistance. You would think that fiscal conservatives would love this bill.

And such wage mandates are not foreign to City development. In fact, since 2005 New York City has made wage requirements a part of its larger taxpayer-subsidized development projects. These include both the Greenpoint-Williamsburg waterfront residential redevelopment and the Willets Point retail and entertainment development project, where the city required prevailing wages for building service workers; as well as the Coney Island redevelopment, where the city agreed to require prevailing wages for building service, hotel and construction workers, and a living wage preference for retail workers.

More recently, Governor Andrew Cuomo, together with the State Legislature, included a provision in the New York State budget that requires wage parity for home health aides. Now

organizations providing Medicaid services in New York City, as well as Westchester, Nassau, and Suffolk counties, are required to compensate their home health aides using the living wage of that area.

We already require contractors that do business with the City to pay their employees a “living wage.” Those who take heavy taxpayer subsidies should be treated no differently. Yet the Mayor prefers to use city taxpayer dollars to give special treatment to developers who stand to make hundreds of millions of dollars off their projects in the five boroughs.

We’ve seen this before. The Bronx Gateway Mall received millions in New York City subsidies. The Fiscal Policy Institute estimates that as of Spring 2010 about 1,300 workers were employed in the mall, and the average starting wage for non-managerial workers was \$8.80 an hour. In fact, the BJ’s at Gateway Center is ranked within the top three successful BJ stores nationally. The success of the Target at the Gateway Mall has even lead to a third borough Target heading to the east Bronx.

Firms like Target will continue to serve the 8.5 million residents of this city because it is a prime market. The purpose of the Fair Wages for New Yorkers Act is to ensure that when these firms come and request assistance, that they do right by the people they employ. Let us be clear, the Related Cos., which agreed to develop a multi-billion dollar project in downtown Los Angeles with a living wage requirement, would have gone through with their retail mall in the Kingsbridge Armory if the “Fair Wages for New Yorkers” Act were, in fact, the law.

But the Mayor killed the project just as he has attempted to kill this bill. Only now he has used an inherently flawed report—drafted by people who have long been against fair wages for workers—and paid for it with a million of our taxpayer dollars. EDC tells us that, instead of looking at the impact of already existing living wage laws in New York City such as the prevailing wage requirements, they prefer to release a study with inherent inconsistencies. They claim this bill will have little impact on worker income, yet it will dissuade real estate developers, particularly retail, from coming to New York.

In fact, retail is one of the fastest growing industries in the city, and research by the Fiscal Policy Institute “found more low-wage workers in New York City are employed in retail than in any other single sector of the New York economy.” If we do nothing, our tax dollars will continue to subsidize the creation of retail stores most New Yorkers will be unable to patronize.

In 1996, then Mayor Giuliani proclaimed the prevailing wage bill “would . . . do little to provide long-term economic betterment even for the narrow class of workers covered by its provisions.” Yet, the city saw record commercial and residential development over the next 15 years. Moreover, prevailing wage laws have been shown to reduce occupational injuries and fatalities, increase the pool of skilled construction workers, and actually enhance state tax revenues.

We are committed to working with all those that have raised honest concerns about this bill. The final version of the “Fair Wages for New Yorkers” Act will be inclusive; so that affordable housing can continue to be built in this city and that small businesses are protected.

But there is no more time to wait. Our bill currently has 30 City Council co-sponsors, as well as the support of dozens of other unions, community organizations and civic activists. All of us agree on one thing: when billionaire developers beg for taxpayer handouts to make their projects work, they must do better by the people they hire.

It is the responsibility of elected officials to use taxpayer dollars in a manner that leads to the best return on investment for those same taxpayers. Yet, our City's current subsidy policies prioritize the return on investment for developers. The "Fair Wages for New Yorkers" Act will change the way we do business in this City. There is no more time to wait.

Thank you.



OFFICE OF THE BRONX BOROUGH PRESIDENT
The Bronx County Building
851 Grand Concourse
Bronx, New York 10451

Ruben Diaz Jr.
BOROUGH PRESIDENT

TEL: 718-590-3500
FAX: 718-590-3537

**EXPANDED TESTIMONY OF BRONX BOROUGH PRESIDENT
RUBEN DIAZ JR.
BEFORE THE CITY COUNCIL COMMITTEE ON CONTRACTS
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The historian James Truslow Adams defined the idea of the "American Dream" as "a land in which life should be better and richer and fuller for every man, with opportunity for each according to ability or achievement."ⁱ Inherent in this vision is the idea that if you are willing to work you will have opportunity to make a better life for yourself and your family. The "Fair Wages for New Yorkers" Act will help restore that promise, and we need it now more than ever.

As I noted in my State of the Borough address in February, we have tremendous income inequality in this city, which is not just a local problem but a national cause of concern. The middle class, both locally and nationally, are working harder and earning less. Economic policy should facilitate upward mobility, not expand the masses of working poor. However, tax dollars and other City resources are instead being used to facilitate low wage job creation. As noted by Daron Acemoglu, Professor of Applied Economics, at the Massachusetts Institute of Technology, these jobs are problematic because "(e)quality of *opportunity* [is harder] to achieve in an unequal society . . . poverty not only causes low standards of living and poor health but damages both individuals and society by preventing those at the bottom from *realising their*

potential, . . . because they are unable to obtain a decent quality of education to prepare them for competition in the labour market.”ⁱⁱ How can we improve educational achievement and performance when more and more working people are falling into poverty? Our children will not realize their full potential if their parents spent more time at work than at home. Few New Yorkers will realize their potential if they have to work two jobs just to pay their rent. How can New Yorkers pursue the American Dream when they are forced to seek out food pantries instead??

Work More & Earn Less

The **Fiscal Policy Institute** recently reported that:

- The bottom 90 percent of city income earners make 34.5 percent of all *money* made in the city.ⁱⁱⁱ
- In fact, New York is the most polarized city by income in the country. The top one percent of earners account for nearly 45 percent of the city’s total income. ^{iv}
- The same study noted that between 1990 and 2007, hourly wages in this city actually fell almost nine percent; at the same time average annual salary and bonuses on Wall Street doubled.^v
- Since 1990, real wages for low-wage New York City workers have declined nearly eight percent over the past 20 years, even as their educational attainment has risen.^{vi}

Moreover, the cost of living in New York continues to rise, resulting in a large number of “working poor.” For example, the cost of a monthly MetroCard is \$104, or ten percent of the pretax monthly income of someone employed in a minimum wage job, assuming they are working at least 35 hours each week. Two million people in the five boroughs rely on food stamps to live.^{vii} The City’s poverty rate was 21.3 percent in 2009, meaning that roughly 1.8 million of our neighbors are living below the poverty line.^{viii} A recent analysis of prices by the *New York Post* found that rent has risen five percent and prices for a sampling of New Yorkers’ common purchases have jumped about 14 percent in one year.^{ix}

But the poverty rate does not tell the whole story; the **Center for an Urban Future** recently found that in New York City, 31 percent of all adults are earning less than \$11.54 an hour, or \$24,003 a year, (hereafter “low wage jobs”).^x These numbers are more pronounced in the outer-boroughs: 42 percent of Bronx workers over the age of 18 are employed in low-wage jobs.^{xi} Similarly, Queens has 34 percent of the adult workforce in low-wage positions, followed by Brooklyn at 32 percent, then Staten Island at 23 percent, and lastly Manhattan at 22 percent.^{xii} Conversely, **Wider Opportunities for Women (“WOW”)** released a report in March noting that a single worker needs an income of \$30,012 a year – or just above \$14 an hour – to cover basic expenses and save for retirement and emergencies.^{xiii} This is almost three times the 2010 national poverty level of \$10,830 for a single person, and almost twice the federal minimum wage of \$7.25.^{xiv}

What is a Living Wage?

The federal definition of a “living wage,” the same definition that is called for in the **“Fair Wages for New Yorkers” Act**, guarantees that workers in large development projects receiving public subsidies are paid at least \$10.00 an hour, including benefits, and \$11.50 an hour without benefits. More broadly, “(i)t is a wage level that offers workers the ability to support families to maintain self respect and to have both the means and the leisure to participate in the civic life of the nation.”^{xv}

The Living Wage is Already Here

Per the **National Law Employment Project**, since 2005, New York City has made wage requirements part of its large taxpayer-subsidized development projects.^{xvi} These include:

- The Greenpoint-Williamsburg waterfront residential redevelopment, where the city required prevailing wages for building service workers.^{xvii}

- The Willets Point retail and entertainment development project, where the city required prevailing wages for building service workers.^{xviii}
- The Coney Island redevelopment, where the city agreed to require prevailing wages for building service, hotel and construction workers, and a living wage preference for retail workers.^{xix}

All of these requirements apply to workers at the subsidized sites, regardless of whether they are employed by service contractors or business tenants.^{xx} New York has begun to institutionalize this approach to development.^{xxi} In 2007, the New York State Legislature made prevailing wages for building service workers a requirement for most new apartment, co-op and condo construction financed under New York City's "421-a" housing tax abatement program.^{xxii} These requirements have not deterred developers from moving forward with projects.^{xxiii} A reported 29 firms have responded to the request for proposal (RFP) for the Willet's Point project, which includes the same requirements.^{xxiv} Most recently, Governor Andrew Cuomo included a provision in the New York State budget that requires wage parity for home health aides. Now organizations providing Medicaid services in New York City, as well as Westchester, Nassau, and Suffolk counties, are required to compensate their home health aides using the living wage of that area.

Return on Investment for the Tax Payer

It is the responsibility of elected officials to use taxpayer dollars in a manner that leads to the best Return on Investment ("R.O.I.") for those same taxpayers. Yet, our City's current subsidy policies prioritize the R.O.I. for developers. Developers receive millions of dollars in tax breaks and subsidies from New York City. Per the **Fiscal Policy Institute**: "every year, New York City spends well over \$2 billion through a variety of programs in the name of economic development and job creation."^{xxv} (See Table 1) For example, real property tax expenditures

provided through the as-of-right Industrial and Commercial Assistance Program totaled \$623 million in FY 2011.^{xxvi} Similarly, New York City reports that discretionary economic development projects under the aegis of the New York City **Economic Development Corporation (EDC)** and the New York City **Industrial Development Agency (IDA)** received property, sales and mortgage recording tax breaks worth approximately \$241.7 million in 2010.^{xxvii}

Table 1^{xxviii}

Annual NYC Economic Development Tax Expenditures

Millions of dollars

| | |
|---|------------------|
| Real Property Tax | \$1,111.3 |
| Industrial & Commercial Incentive Program | \$568.0 |
| Other Commercial & Industrial Exemptions | \$26.4 |
| Industrial Development Agency | \$181.5 |
| Economic Development Corporation | \$12.2 |
| Urban Development Corporation--Commercial | \$217.8 |
| Battery Park City Authority--Commercial | \$95.5 |
| Teleport, Port Authority | \$9.9 |
| NYC Personal and Business Income, Sales and Mortgage Recording Taxes | \$1,238.3 |
| Business Income and Excise Tax Expenditures | \$841.0 |
| --Business and Investment Capital Tax Limitation | 324.0 |
| --Insurance Corporation Non-Taxation | 276.0 |
| --Other (Energy Cost Savings Program, Film Production, etc.) | 241.0 |
| Sales Tax Expenditures ## UNK | |
| --Fuel sold to airlines \$120.0 | |
| Unincorporated Business Tax Credit on NYC Personal Income Tax | \$135.6 |
| IDA Tax Expenditures (other than Real Property Tax) | \$41.7 |
| --Mortgage Recording Tax Exemption and PILOT Savings | \$32.2 |
| --Sales Tax Exemption | \$2.8 |
| --Energy Tax Savings | \$0.6 |
| --Tax Exempt Bond Savings on NYC Personal Income Tax | \$6.0 |
| Unincorporated Business Tax--Exemption for Carried Interest | \$100.0 |
| GRAND TOTAL, all NYC economic development tax expenditures | \$2,349.6 |

Moreover, EDC reports that companies receiving EDC or IDA benefits employed approximately 152,000 workers in FY 2010, about 42,000 more than employed by those companies at the time subsidies were initially provided.^{xxix}

If paying \$10 per hour after receiving the extensive benefits these firms have requested repeatedly from the City makes a project unprofitable; then these projects are poor investments of our tax dollars.

R.O.I. for the taxpayer means creating jobs that expand the tax base, reduce reliance on food stamps and other government assistance, grow the middle class and expand the purchasing power of those that live in New York City. Yet these projects generate millions for the developers and only low-wage jobs for city residents:

- *The Bronx Gateway Mall* (approximately \$10 million in New York City subsidies). FPI estimates that as of spring 2010 about 1,300 workers were employed in the mall, that the average starting wage for non-managerial workers was \$8.80 an hour, and that median wages were \$10.20 an hour.^{xxx}
- **The BJ's at Gateway Center is ranked within "the top three successful BJ stores nationally."**^{xxxi}
- The success of the **Target at the Gateway** mall has led to a third Bronx Target heading to the East Bronx, which is part of a proposed 300,000-square-foot mall at nearby Brush and Lafayette Aves off the Hutchinson Expressway. Final plans for the \$35 million project are not complete.^{xxxii}
- *Fresh Direct* (\$2 million in subsidies for its warehouse in Long Island City). According to FY2010 city reports, the company had 1,657 employees, with 63 percent earning less than \$25,000 per year. Of these employees, about 1,200 were warehouse workers, for whom starting wages were reported frequently to be the minimum wage.^{xxxiii}
- *Yankee Stadium* (nearly \$50 million in tax breaks, \$326 in city capital improvements, and more than \$1.2 billion in tax-exempt financing). FPI estimates that as of spring 2010 there were about 3,400 jobs at the stadium, that the average starting wage for non-managerial workers was \$9.19 an hour, and that median wages were \$10.50 an hour.^{xxxiv}

Their analysis found that the top five non-managerial jobs created at the three case study projects (Bronx Gateway Mall, Fresh Direct and Yankee Stadium) all paid very low wages:^{xxxv}

- Concession food and beverage workers, starting wage \$8.75 an hour;
- Warehouse workers, starting wage \$7.25 an hour;
- Retail salespersons, starting wage \$8.09 an hour;
- Security guards, starting wage \$9.53 an hour; and
- Cashiers, starting wage \$7.44 an hour.

The report concludes: “without a significant change in subsidy policy, future New York City-supported projects will likely continue to mirror this pattern of subsidizing businesses that create low-wage jobs.”^{xxxvi} Generally, developers that receive such large public subsidies are as far from small business as possible; and the tenants from such development tend to be major retail and hotel chains.^{xxxvii} Subsidy recipients can well afford to pay living wages even without the subsidies.^{xxxviii} The “Fair Wages for New Yorkers” Act specifically excludes small businesses.

Firms like Target will continue to serve the 8.5 million residents of this city because it’s a prime market. The purpose of the Fair Wages for New Yorkers Act is to ensure that when these firms come and request assistance, that they do right by the people they employ. Let us be clear, the Related Co. would have gone through with their retail mall in the Kingsbridge Armory if the “Fair Wages for New Yorkers” Act were in fact the law.

But the Mayor killed the project just as he has attempted to kill this bill. Only now he has released alleged findings of a draft report which purports to show that this bill will do serious damage to our economy. This study is so flawed it is unbelievable that the City would present it as evidence against a living wage mandate. First, the study bases the majority of its findings on

statistical models that measure the effect of applying Intro 251 to the City's new Industrial and Commercial Abatement Program. The Fair Wages for New Yorkers Act, however, would not apply to the ICAP which we have confirmed with legal counsel for the City Council. As a result, almost every finding in the report does not apply to Intro 251 or 251-a. Based on this fact alone the study is worthless.

As you may already know, this report was organized and authored primarily by an economist that has written 27 prior reports claiming living wage and minimum wage laws result in job losses and has a national reputation for producing academically flawed reports which is why the Bloomberg administration hired this consultant in the first place. He produced exactly what the Mayor wanted. Moreover, the report is based on Intro 251, not the current or final version of bill, Intro 251-a. Credible research shows, however, that the benefits of a "living wage" ordinance, which would require employees at subsidized developments to receive \$10 per hour with benefits and \$11.50 per hour without, are real and considerable.

Instead of looking at the impact of already existing living wage laws in New York City, such as the prevailing wage requirements, EDC prefers to release a study with inherent inconsistencies. They claim this bill will have little impact on worker income, yet it will dissuade real estate developers, particularly retail, from coming to New York. However, the growth of the local retail industry is a driving force for these jobs; the **Fiscal Policy Institute** December 2008 report "Low Wages, No Bargain: Retail Jobs in NYC" found more low-wage workers in New York City are employed in retail than in any other single sector of the New York economy. In regards to their wages:

- Three in five retail workers earn an hourly wage of \$13 or less, and 44 percent earn less than \$10 an hour.

- From 2000 to 2007, retail jobs grew seven times faster than total private sector employment growth.
- Nearly ten percent of the city's private sector-employees work in the retail industry and the sector has expanded rapidly in recent years.

The concentration of low-wage jobs in retail and the sector's fast growth locally suggests these projects are poor choices for public subsidy without a Living Wage component.

Why We Need Change

We have seen more than **\$11 billion in development in the Bronx over the past decade**, including millions of dollars of New York City tax breaks, and yet we remain the county with the highest poverty rates in the nation. The "**Fair Wages for New Yorkers**" Act will ensure that, when developers seek heavy taxpayer subsidies, the jobs they create pay their employees a "living wage." EDC's subsidy policy should require an industry by industry analysis to identify and distinguish between competitors and recruit those firms that are "high wage-high productivity" employers vs. "low wage-low productivity." New York City has a densely populated area of 8.5 million people with strong infrastructure; service providers and developers should want to service this market.

Job Growth Does Not Have To Come at the Expense of Job Quality

As of December 2010, the National Employment Law Project counts 123 different Living Wage Ordinance nationally; including six of the U.S.'s ten most populous cities and 12 of the top 25.^{xxxix} Moreover, the **Center for American Progress**, reviewed 15 cities (including Los Angeles, Philadelphia and Hartford) that have Living Wage laws in place and found wage standards had no negative effect on employment levels, local business climate, or a city's ability to attract investment.^{xl} **Their analysis found no evidence that Living Wage laws reduce employment or economic development across industries and firm types general typically**

covered by these laws.^{xli} Specifically, there is no loss of employment in low-wage services, retail, restaurants, hotels, manufacturing, back office, wholesale, and big-box retail businesses.^{xlii} These findings show that a living wage law is unlikely to have any harmful effects on a city's economy.^{xliii} Furthermore, seventeen states (plus Washington, D.C.) have minimum wage rates set higher than the federal minimum wage, as of January 1, 2011. There are ten states (AZ, CO, FL, MO, MT, NV, OH, OR, VT, and WA) that have minimum wages that are linked to a consumer price index.^{xliv} As a result of this linkage, the minimum wages in these states are normally increased each year, generally around January 1st.

Living Wage Mandates Positively Impact Employers

As more cities and municipalities pass wage standards and living wage laws the evidence mounts that business owners and developers reap the benefits in the form of decreases in absenteeism, reductions in turnover, reduced training and recruitment costs, and productivity gains; specifically, existing employees become more productive reducing replacement costs. Tucson, Arizona, is one of the best examples of how wage standards are a best practice for employers.^{xlv} It is unique in that it has both a LWO and a voluntary living wage program.^{xlvi} Subsequent research on the effects of the Tucson experiment found two-thirds (66 percent) of contractors that support the LWO reported an improvement in worker morale and a reduction in employee turnover since the LWO was passed.^{xlvii} Slightly more than half (56 percent) experienced a decrease in absenteeism. They also noted increases in productivity (44 percent), a reduction in accidents (22 percent) and theft (22 percent), as well as a decrease in the number of overtime hours they paid employees (11 percent). Furthermore, a majority of the companies belonging to the GBP supported the continuation of the city's LWO, suggesting most participants view the two approaches as complementary rather than antithetical.^{xlviii}

We have seen this phenomenon manifest locally, Cooperative Home Care Associates, a New York employer of 450 workers, has dropped their turnover rate to 20 percent compared to the 60 percent industry average because they were paying their workers 20 percent above the industry average as well as providing health benefits, training, and compensation for travel time to see clients.^{xlix}

Living Wage Laws Lead to More Efficient Public Contracting

In Fiscal Year 2010, New York City procured almost \$17 billion worth of supplies, services and construction through almost 56,000 transactions.¹ Consequently, concerns have risen over the impact of the Fair Wages for New Yorkers Act on the City's contracting process. Research has shown "that firms tend to absorb the wage increase mainly through efficiency gains, specifically through lower rates of turnover and vacancies, leading to increased employment stability, and thus raising both employee morale and productivity."^{li} For example, two studies on the impact of Living Wage laws in Baltimore found:

- The cost increase to the city after the living wage ordinance went into effect (1.2% for the contracts examined) was less than the rate of inflation over this period;
- Workers interviewed for one of the studies reported no change in employment levels at their workplaces in response to the wage increases;
- There was a small decrease-concentrated among smaller firms-in the number of bids per contract after the ordinance went into effect; this small decline, however, did not appear to lower competitiveness or raise contract costs;
- Interviews and case studies with affected employers suggests some absorption of labor cost increases through efficiency gains, particularly lower turnover;
- While there is evidence that the ordinance raised wages for those at the bottom of the wage scale, the affected group appears to be small.

Furthermore, as noted earlier, New York already has a living wage in city contracting in the form of prevailing wage requirements for construction jobs. The prevailing wage law was met with

similar opposition, as was vetoed by then Mayor Giuliani claiming “This bill, while purporting to help low-wage employees, would in reality do little to provide long-term economic betterment even for the narrow class of workers covered by its provisions.”^{lii} In reality, New York continued to see a demand from developers to build in the city. A review of these requirements, as well as those in other states, by the Economic Policy Institute concludes:

“An overwhelming preponderance of the literature shows that prevailing wage regulations have no effect one way or the other on the cost to government of contracted public works projects. And as studies of the question become more and more sophisticated, this finding becomes stronger, and is reinforced with evidence that prevailing wage laws also help to reduce occupational injuries and fatalities, increase the pool of skilled construction workers, and actually enhance state tax revenues.”^{liii}

Benefits to the Workers are Beyond the Direct Salary Increases

Requiring Living Wages as part of the New York City subsidy policy is intended to promote self-sufficiency and less government dependency. Roberts Pollin’s research continues to show higher wages will mean lower government subsidies, including Medicaid, food stamps, and the EITC^{liv}. The living wage and EITC are complimentary to one another. At the local level, the “advantage of an EITC over a Living Wage is that the EITC brings more outside funds into the metropolitan area . . . Moreover, from a policy standpoint, the EITC target[s] the neediest population: all of its benefits go to low-income families, and none of the EITC income is taken into account in determining the recipient’s eligibility for other means-tested benefits.”^{lv} Eighty to ninety percent of the workers who receive Living Wage increases are adults well into their career.^{lvi} The overwhelming majority come from families living below a basic budget line.^{lvii} The primary strength of wage standard is that it rewards work directly, in people’s paychecks.^{lviii} Consequently, it increases motivation and self-respect among workers, which in

turn results in higher productivity and lower absenteeism.^{lix} In addition, wage standards do not impose increased burdens on government budgets.

Conclusion

We cannot continue doing business as usual. We must make change and we will move forward with this bill.

We are committed to working with all those that have raised honest concerns about this bill. The final version of the “Fair Wages for New Yorkers” Act will be inclusive; so that affordable housing can continue to be built in this city and that small businesses are protected.

But there is no more time to wait. Our bill currently has 30 City Council co-sponsors, as well as the support of dozens of other unions, community organizations and civic activists. All of us agree on one thing: when billionaire developers beg for taxpayer handouts to make their projects work, they must do better by the people they hire. We can no longer tolerate developers picking the pockets of the taxpayer in order to create poverty wage jobs. The “Fair Wages for New Yorkers” Act will change the way we do business in this City. There is no more time to wait.

ⁱ John Truslow Adam, *The Epic of America* (2nd ed., Greenwood Press, 1931), p. 405

ⁱⁱ http://www.economist.com/economics/by-invitation/guest-contributions/economic_power_begets_political_power/print

ⁱⁱⁱ Fiscal Policy Institute Report, *Grow Together or Pull Further Apart? Income Concentration Trends in New York*, (December 13, 2010).

^{iv} Id.

^v Id.

^{vi} Fiscal Policy Institute Report, *Top Ten Reasons A Living Wage Makes Sense for New York City*, (May 5, 2011).

^{vii} LWN Y Talking Points

^{viii} Id.

^{ix} Isabel Vincent and Melissa Klein, *New York Post*, May 2, 2011.

http://www.nypost.com/p/news/local/big_apple_gets_price_clubbed_BYF1ApF3ol3i4CuiQbDEoM

^x Jonathan Bowles and David Giles, *New York by the Numbers*, Center for an Urban Future, Volume 2, Issue 5. (December 2009).

^{xi} Id.

^{xii} Id.

^{xiii} Wider Opportunities for Women, *Coming Up Short Wages, Public Assistance, and Economic Security Across America*, (Spring 2011) pg 3.

^{xiv} *New York Times*, Many Low-Wage Jobs Seen as Failing to Meet Basic Needs (March 31, 2011)

^{xv} Lawrence Glickman *A Living Wage*, (1997) pg 66.

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- xvi National Employment Law Project, Living Wage Standards for Taxpayer-Funded Development Projects: A National Trend, (May 2010).
- xvii Id.
- xviii Id.
- xix Id.
- xx Id.
- xxi Id.
- xxii Id.
- xxiii Id.
- xxiv Id.
- xxv Fiscal Policy Institute, Good Jobs New York National Employment Law Project, (February 2011) pg 1.
- xxvi Id. at 3.
- xxvii Id.
- xxviii James Parrot, Oversight: The feasibility of requiring a unified economic development budget as a reporting requirement, Fiscal Policy Institute, (April 27, 2010) pg 1.
- xxix Id. at 4.
- xxx Id at 5.
- xxxi Data provided directly by BJ's Wholesale Club to the Bronx Overall Economic Development Corporation.
- xxxii Bob Kappstatter, On Target for E. Bronx, Third Nonunion Store, New York Daily News, (March 31, 2011).
- xxxiii FPI, Good Jobs New York National Employment Law Project, at 5.
- xxxiv Id.
- xxxv Id. at 6.
- xxxvi Id. at 3
- xxxvii Finding by the Tarpinian Group – BP Talking Points.
- xxxviii Id.
- xxxix National Employment Law Project, Local Living Wage Ordinances and Coverage, (December 2010). The cities are New York, Los Angeles, Chicago, Philadelphia, San Antonio, San Jose, San Francisco, Detroit, Memphis, Baltimore, Boston, and Washington DC.
- xl T. William Lester and Ken Jacobs, Creating Good Jobs in Our Communities. How Higher Wage Standards Affect Economic Development and Employment, Center for American Progress,
- xli Id at 1.
- xlii Id at 24-25.
- xliii Id at 28.
- xliv <http://www.dol.gov/whd/minwage/america.htm>
- xlv "In 1999, the city of Tucson, Arizona adopted a Living Wage Ordinance, the first ever passed in a right-to-work state. Months later, the city's newly elected Republican mayor proposed a Living Wage Club [subsequently renamed the Good Business Partnership (GBP) program] to encourage other local businesses in the city to voluntarily pay their workers a living wage. To join the club, a company must pledge to pay its workers a living wage in the following year (in addition to adopting other "best business practices," including flexible scheduling). The mayor's office recognizes each club member by giving it a special "Good Business Partnership" logo to be displayed on a company's window and letterhead and by listing the company's name on the mayor's website . . . The city's Chamber of Commerce has embraced the program as a reasonable alternative to the "mandated wage standards" set down by the city's LWO." Don Grant and Mary Nell Trautner, Employer Opinions on Living Wage Initiatives, The Journal of Labor and Society, Vol. 8, (September 2004) at 72.
- xlvi Id. at 74.
- xlvii Id. at 77.
- xlviii "Survey results indicate that virtually every worker (99.4%) was already being paid a living wage before their company joined the program. This suggests that companies participated in the GBP not with the intent of making real substantive changes to their pay structures, but to enhance their local image." Id. at 78.
- xlix Richard Troxell, Looking Up At the Bottom Line, Plain View Press, (2010) at 221.
- ¹ <http://www.nyc.gov/html/mocs/html/research/research.shtml>
- ² Jared Bernstein, Higher Wages Lead to More Efficient Service Provision, The Economic Policy Institute, (2003)
- ³ Vivian Toy, Giuliani Vetoes a Bill to Make City Contractors Raise Wages, New York Times, (August 8, 1996).
- ⁴ Nooshin Mahalia Prevailing Wages and Government Contracting Costs: A review of the research, Economic Policy Institute, (July 3, 2008).
- ⁵ Robert Pollin, Economic Prospects Making the Federal Minimum Wage a Living Wage, New Labor Forum 16(2): 103–107, Spring 2007
- ⁶ Douglass Williams and Richard Sander, An Empirical Analysis of the Proposed Los Angeles Living Wage Ordinance (Los Angeles: Fair Housing Institute, 2 Jan 1997) 9.
- ⁷ Pollin at 106.

lvii Id.
lviii Id.
lix Id.

**JOINT TESTIMONY OF THE QUEENS & BRONX BUILDING ASSOCIATION AND
THE BUILDING INDUSTRY ASSOCIATION OF NEW YORK CITY, INC. BEFORE
THE CITY COUNCIL COMMITTEE ON CONTRACTS**

May 11, 2011

Good Afternoon, my name is Robert Altman and I represent the Queens & Bronx Building Association and the Building Association of New York City. I am also here representing myself.

Both Associations wish to go on record as VEHEMENTLY opposing Intro. 251 in any form. We cannot think of any way in which this bill can be amended where it would be salvageable. The main reason for that is business, even if they paid the amounts required by this bill, before they even took advantage of any tax break, would not want to have to deal with the paperwork, bureaucracy or potential for audit.

In fact, even if a retailer or commercial outfit were willing to rent space in a development project that fell under this law because it met the wage requirement for all its employees, why would it want to subject itself to being more paperwork? Why would it want to subject itself to an audit? Why would it want to subject itself to the City bureaucracy? It would be easier to just go somewhere else.

Moreover, as I am sure others will discuss today, this bill will change the economics of projects for parts of the 421-a programs (and other programs as well). But in case no one has, it would seriously damage the economics of projects and jeopardize the use of retail space in such projects to make them more economically viable, creating another blow to housing projects in this City at a time when housing is what it needs most.

On another front, certain members of the public and the Council like to criticize IDA projects, so let's discuss that for a second. And it is important to keep in mind that most IDA projects are for small businesses.

With IDA, there are already a myriad of conditions a business must meet. You might say what is one more. But the fact is should every worker make a "living wage?" Some jobs are minimum wage jobs. They do not justify a higher rate. And requiring every worker to do so will just harm the workers who should make more in another more skilled position, because you begin to change the economics of the business.

And again, with IDA, many of these businesses are staying in the City even though they have considered another locale. The City grants these benefits to make it so the business can be competitive to do business in New York City. Now, by the sheer force of this bill, you have changed the economics of IDA to make the City less competitive and further ensuring that the business does in fact move out. Do you really want that? You can say, "no" and sprout platitudes, but the fact is this is what it does. And with Governor Christie in New Jersey being aggressive in trying to attract these businesses, I am sure he is rooting for the passage of this bill to make his life easier. Neither the Council, nor any other body, can tilt at the windmill of economics.

It is one thing to take advantage of an IDA project where there are compliance requirements. And EDC has a large unit devoted to this. But this bill is very broad and frankly, the City has no real ability to insure compliance, which would make this yet one more example of a City law where if there is enforcement, it will ultimately wind up being selective enforcement.

And that brings up some technical flaws in the bill. For example, there are multiple programs administered by the City that are actually the subject of State law. These include the Relocation Employee Assistance Program, the Energy Costs Savings Program and the Commercial Expansion and Revitalization Programs. Are these programs subject to the law? If so, then the City is essentially amending State law, something which I believe it is pre-empted in doing so.

And what about the green legislation that has passed with its tax breaks. Are we sacrificing the incentives to go green as well?

The Council loves to sing the praises of small business. And it says it does not want to impact small business, but these thresholds are so low that even quadrupling them, you will impact small business. What does the Council consider a small business? I doubt that it has a legitimate definition. The United States Small Business Administration's definition for a manufacturer can go as high as 1,500 employees. For warehousing, it can go as high as 500. My guess is that the majority of Council Members consider the definition of small business as having around ten employees.

In 1995, as an attorney with the City Council of New York, I assisted with an amendment to the Industrial & Commercial Incentive Program, one of the City's primary incentive programs at the time. A colleague who analyzed its impact on the cost of doing business in New York City was quite pleased with the legislation. He noted that businesses relocating from Manhattan to the boroughs could gather significant City benefits, and with the deeper benefits for manufacturers, it was enough to make those boroughs competitive versus the surrounding region with respect to non-labor costs. He further explained that City government cannot lessen labor costs so the higher labor costs would simply have to be a cost of doing business in New York City.

Fast forward 16 years. I now assist many small businesses, mostly between 10 and 100 employees, relocate within the City and obtain incentive benefits from City government. Sometimes this is within my job as their real estate attorney and sometimes it is my sole job for them. Most of these businesses appreciate the smoothness with which the process can be handled and the fact that government does not unnecessarily interfere with the operations of their business, although even that fact has had its setbacks in the past few years.

But now comes Intro. 251, a bill that seeks to impose wage standards on these businesses. For businesses that it impacts, it is an open invitation to move out of state. The competitive advantage created by the City's incentive programs would be virtually eliminated and frankly, if businesses came to me seeking to relocate, I would have to advise them to move to New Jersey. For businesses already meeting the standard, the paperwork and time consumed by the reporting requirements would just not be worth the hassle. These businesses too would become prime candidates to move out of state. This bill is a disaster, crafted to ensure the death of

manufacturing in New York City and to accelerate the exodus of small business from New York City.

And it is just not because we are in bad times that such legislation should not be passed. This City's comparative high cost of business is true both in good times and in bad. The incentive programs have the same impact on comparative costs in good times and in bad. So putting restrictions on the City in "good times" will simply ensure that businesses leave then.

Many businesses do not have to be in New York City and their presence here is amazing despite the blizzard of tickets that they receive, the hassle from the different levels of government, and the myriad of City and State regulations that they face. Incentive programs lessen the burden while promoting economic development, something this City desperately needs. Virtually eliminating these benefits by sticking businesses with new costs, or forcing them to endure more paperwork are simply ways to ensure they leave the City sooner. I don't want to advise businesses to move to New Jersey, but if Intro. 251 passes, in order to have any credibility, I will need to do so.

Everyone sympathizes with the intent of this legislation. But the way to improve in life is not to put conditions on low-skill and no-skill jobs. You are successful people. You are where you are today because you went and got an education. You graduated from college. You put in your hours studying. This is the way to success. It is not a guaranty of it, but it is the way that success has generally occurred in this country and that blueprint has been clear for some time. If you really want to help those workers, you would focus more on education and skill development, instead of this pie-in-the-sky, feel good bill that is really created to have New Jersey say thank you to you for helping its economic development due to the all the businesses that it will welcome after any passage.

And then when the impact of this bill is finally felt, you can give this city a new name.... South Buffalo.



May 12, 2011

The Honorable Darlene Mealy, Chair
Committee on Contracts
New York City Council
New York, New York 10007

Re: The Fair Wages for New Yorkers Act

Madame Chair:

Thank you for this opportunity to speak in support of the Fair Wages for New Yorkers Act.

The New York City Coalition Against Hunger (NYCCAH), is a local nonprofit organization that supports the more than 1,200 food pantries and soup kitchens in the New York City area. Our goal is to make food accessible to all New Yorkers through advocacy, legislative efforts, community organizing, and by providing skilled volunteers to build the capacity of emergency food providers.

Inequality of Wealth

The number of billionaires based in New York increased from 56 to 57 between 2009 and 2010, and their collective net worth increased by \$19 billion dollars (from \$183.5 billion to \$202.65 billion), even as poverty soared, according to data released in Forbes magazine and analyzed by NYCCAH.

Recently, the Food Research and Action Center (FRAC), in Washington, D.C, released its annual food hardship report which named New York City as having the hungriest congressional district in the nation, for the second year in a row based on research gathered in 2009 – 2010.

It is a sad and common misconception that the majority of people using the services of food pantries and soup kitchens are out of work or lazy. The reality is that with the cost of housing, food, property taxes, prescription medicine, and healthcare on the rise, the working poor are relying on these services more and more.

Another misconception is that the City is broke. In order to spur the economy and balance the budget crucial program must be cut and tax incentives and subsidies must be provided to the ultra-rich and corporations. It is not that the money is not there, it is just that it is being spent on initiatives that continue to widen the chasm of wealth disparity.

That \$19 billion increase in billionaire wealth between 2009 and 2010 would pay for 913,461 full-time jobs “living wage” jobs at \$10 an hour, annually, and over 794,314 full-time “living wage” jobs at 11.50 an hour, annually.

But perhaps an example closer to home may drive home the previous point. City taxpayer money paid one million dollars for a research study which denounces the usefulness of a living wage. Ironically, the one million dollars it cost to produce the study would have paid the annual salary for 48 “living wage” workers.

A Step in the Right Direction

There are nearly 1.4 million people suffering from food insecurity in New York City. A person earning the minimum wage with a family is still living at or below the poverty line. Providing jobs at \$10 per hour with benefits and \$11.50 per hour with benefits would certainly do more to ease the burden of people already struggling to make ends meet. While this legislation would be monumental, it is important that it be seen as a necessary step in a much larger fight toward the end to poverty.

In 2006, the National Low Income Housing Coalition created the “housing wage”. This is a calculation of the full-time hourly wage that a worker would need to earn in order to pay what the federal government estimates to be the Fair Market Rent for a home where that worker lives, while spending no more than 30 percent of that worker’s income on housing costs. The 2006 National Housing Wage for a two-bedroom rental unit was \$16.31 per hour.

We have a long way to go, but the easiest way to eat an elephant is one bite at a time.

Conclusion

The single best way to reduce hunger is to ensure that all people working full-time earn enough to feed their families and meet all other basic needs. While a number of bold steps are needed to return America to a time of living wage jobs, passing the Fair Wages for New Yorkers Act in the City Council is one immediate step.

NYCCAH would like to thank Chairwoman Mealy and the Committee on Contracts for this opportunity to express our support for the Fair Wages for New Yorkers Act and would gladly augment this statement by providing the Committee with more detailed information regarding the points we made today.



BOE THE RECORD

Pratt Center
for Community Development

Hearing on Intro 251-A
Testimony to the New York City Council
Community on Contracts

May 12, 2011

Thank you for the opportunity to testify. I'm Adam Friedman, Director of the Pratt Center for Community Development, and founder of the New York Industrial retention Network, now a program of the Pratt Center.

It seems almost too obvious a proposition to state, but the City should focus its scarce economic development resources on projects and programs that will generate the most good, and by good we mean tax revenues, living wage jobs, a better quality of life and stronger neighborhoods. A Living Wage law represents an important step toward building the 21st-century economy New York City needs - an economy that is productive, resilient, and sustainable.

New York City should not be in the business of subsidizing real estate development whose avowed benefits are the creation of low-wage jobs, and whose collateral damage includes local retailers, our environment, and our neighborhoods. We pour hundreds of millions of public dollars into shopping malls, big box stores, sports arenas, and parking garages.

These projects are wrong for our economy - they drain spending power out of our neighborhoods and into the coffers of

multinational corporations. They are wrong for our environment and our neighborhoods – they generate thousands of car trips and undermine walkable local retail streets. And they are wrong for our workforce – they create low-wage jobs that trap families in poverty, and further strain our resources to pay for food stamps, Medicaid, and other supports that constitute a hidden subsidy to low-road employers.

A well-crafted living wage law would remove incentives for these ultimately destructive projects, and would reserve subsidies for employers who pay their workers a decent wage. Incentive programs that provide no-strings support to office towers, luxury condos, chain stores, malls, and big box stores put employers who pay higher wages – including manufacturers – at an artificial disadvantage. They enable low-wage employers to outbid high-road companies – companies like Ice Stone, who manufactures recycled glass surfacing materials in the Brooklyn Navy Yard. They make a sought-after, high-quality product, they divert glass out of the waste stream, and they pay their entry level workers \$12 / hour. Daedalus Design and Production paints scenery for the entertainment industry. Their entry level workers make \$18/hour; experienced workers earn \$26. The founders of both of these companies have written to attest that living wage legislation would not hurt them, but would help them, and others like them, by leveling a playing field that is now tilted in favor of low-wage retailers.

Studies bear out what we've learned in our work with hundreds of manufacturing firms during the past 15 years: manufacturers pay significantly higher wages than retail, restaurants, and other service businesses. Most manufacturers would not be affected by living

wage legislation as proposed, because they already pay more than the levels required by this bill.

That said, there remains work to be done to ensure that living wage requirements don't unreasonably burden good employers.

Exempting all manufacturing firms would harm few workers, if any. Some firms may pay entry-level workers less than the bill would mandate. But unlike service employers, manufacturers offer opportunities for those workers to advance into higher-paying positions, even if they lack a high-school diploma.

We would also seek changes – such as a higher level of assistance as the threshold that would trigger the living wage requirement – that would prevent beneficiaries of modest subsidies from being disproportionately burdened.

We look forward to working with the Council and with businesses to craft regulations that provide both accountability and efficient targeting of public subsidies, and that don't burden the small firms that are the real engine of our economy. New York City must align our subsidy and land use policies to support a 21st century economy that is competitive and resilient by virtue of its productivity, innovation, and diversity. We can't build that economy on a base of real estate development and retail consumption. A living wage bill alone won't build that economy – but it is a stone in the foundation we need to lay.

Pratt Center for Community Development - 718-636-3486 200 Willoughby Avenue
Brooklyn, NY 11205

afriedman@prattcenter.netwww.prattcenter.net

NOTE: This testimony was prepared by the Pratt Center for Community Development.
It does not necessarily reflect the official position of Pratt Institute.

FOR THE RECORD



Top Ten Reasons A Living Wage Makes Sense for New York City

May 5, 2011

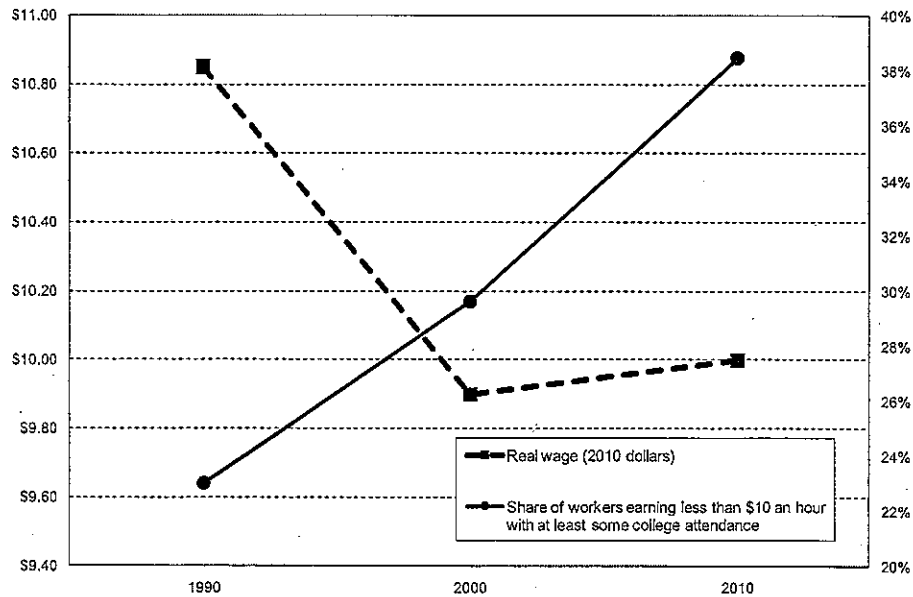
The New York City Council is considering legislation that would require the recipients of economic development subsidies for large projects to pay their employees at least a living wage (\$10 an hour with medical benefits or \$11.50 without). This requirement would also apply to the employees of tenants in these subsidized developments, such as cashiers in a retail mall or cafeteria workers in a commercial office building. Mayor Bloomberg's administration has expressed its opposition to this bill in particular and at times to wage standards generally.¹

- 1. **Since 1990, pay for low-wage workers has declined.** Over the past 20 years, real wages for low-wage NYC workers have dropped, despite the fact that these workers' educational attainment has dramatically risen.

The wages of workers at the 20th percentile of the wage distribution are typically taken as representative of those of low-wage workers; 20 percent of workers have wages at or below this level. In

1990, workers at the 20th percentile in NYC earned \$10.85 an hour (in inflation-adjusted 2010 dollars). (See the figure.) A decade later, their wage had declined to \$9.90. In 2010, it rose slightly to \$10.00, an overall drop of nearly 8 percent over the two-decade span.

New York City low-wage workers' wages have declined nearly eight percent over the past 20 years, even as their educational attainment has risen.



Source: FPI analysis of Economic Policy Institute Current Population Survey data.

¹ For background on the quality of jobs in projects receiving subsidies in New York City, see Fiscal Policy Institute, Good Jobs New York, and the National Employment Law Project, *An Overview of Job Quality and Discretionary Economic Development Subsidies in New York City*. February 2011.

http://www.fiscalpolicy.org/FPI_GJNY_NELP_SubsidizedEmployersCreateLowWageJobs.pdf

Top Ten Reasons A Living Wage Makes Sense for New York City

While NYC low-wage workers' wages have declined since 1990, their level of education has increased.² In 1990, 23 percent of workers earning less than \$10 an hour (in inflation-adjusted 2010 dollars) had a minimum of some college attendance, if not a college degree or higher. By 2000, this figure had risen to 30 percent. In 2010, fully 39 percent of NYC workers at this wage level had at least some college attendance.

Increased levels of educational attainment should have led to higher, not lower, wages.

2. **Low-wage jobs keep many families from rising above the poverty line.** Over the past two decades, there has been an increase in NYC in the number of families with one or more workers who fall below the poverty level.

In its report to Mayor Bloomberg, the New York City Commission for Economic Opportunity noted this "large growth in the number of people who work but remain in poverty," and argued that "[p]laying by the rules and being rewarded for hard work must be the ticket to financial security for our city's families."³

It is commonly assumed that families living below the poverty line are not working. Yet, of the nearly 400,000 NYC families at or below the federal poverty level in 2008-2009, 38 percent had at least one family member who was employed.⁴ The simple fact is that having a job is no guarantee of living above the poverty line.

Working poor families as a share of total poor families have nearly doubled over the past two decades, growing from 20 percent in 1989-1990 to 31 percent in 1999-2000 to the present level of 38 percent. Following welfare reform policies in the 1990s, public policy emphasized the primacy of employment for the poor, yet for employment to be a path out of poverty requires jobs that pay a living wage.

3. **Many families depend on low-wage workers' earnings, and their wages make a big difference for children's outcomes.** Retail is the industry with the largest number of low-wage workers in New York City. And the earnings of low-wage retail workers account on average for more than half of their family's earned income. These are not people working for pocket money, their jobs support NYC families—with critical repercussions for families and in particular for young children.

On average, the wages of NYC retail workers in non-managerial/non-professional occupations represent 52 percent of their family's earned income.⁵ And, defying the

² FPI analysis of Economic Policy Institute Current Population Survey data.

³ The New York City Commission for Economic Opportunity, *Report to Mayor Michael R. Bloomberg: Increasing Opportunity and Reducing Poverty in New York City*. September, 2006.
http://www.nyc.gov/html/ceo/downloads/pdf/ceo_report.pdf.

⁴ FPI analysis of Current Population Survey Annual Social and Economic Supplement data. Families considered to be "working poor" if: 1) family income at or below federal poverty level; and 2) reported total hours employed among all family members equaled at least one thousand hours during previous calendar year.

⁵ FPI analysis of Economic Policy Institute Current Population Survey data.

stereotype of teenage workers predominantly holding low-wage retail jobs, the average retail worker in these occupations in NYC is 36 years old.

The importance of these workers' earnings for their children's welfare is becoming increasingly clear. Previous research in child development has pointed to the link between increases in poor families' income levels and children's eventual achievement in school and later in the labor market as adults. Recent findings have focused on the *timing* of income increases, indicating that increases in family income for poor families during the early childhood years (0-5 years) are associated with improvements in children's future earnings and hours worked as adults.⁶ For instance, for a family with an annual income of less than \$25,000, a \$3,000 increase is associated with a 17 percent improvement in children's earnings in adulthood.

4. **Raising the pay of low-wage workers boosts consumer demand and helps neighborhood businesses.** Low-wage workers spend their additional income, improving living standards for themselves and their families while stimulating demand in the broader economy.

It is well established that lower-income households spend a larger share of their income than do those in higher income brackets. When workers buy goods and services, doing so benefits neighborhood businesses, many of which are small. If these business owners see demand for their products and services rise, they have reason to hire more workers and expand their orders from suppliers. In this way, new spending creates a multiplier effect in the larger economy, as the initial increased consumption sets in motion a chain of subsequent economic activity. Neighborhood businesses directly benefit when workers' wages rise.

5. **It's basic fairness for workers to share in the fruits of their productivity.** Over the last two decades, the NYC economy has grown substantially, yet NYC workers have not shared in the productivity increases they have generated.

NYC Gross Domestic Product grew by 63 percent between 1990 and 2007, about 2.9 percent annually.⁷ Changes in technology and increased levels of education have helped make the city's workers more productive, contributing to this economic growth. Yet workers' real median hourly wages—the wages earned by those in the middle of the wage distribution (the 50th percentile)—actually decreased over these years, falling 8.6 percent, and wages at the 20th percentile fell even further.⁸

6. **Employers who pay very low wages shift a burden to public assistance.** With insufficient wages, many low-wage workers receive one form or another of public assistance, such as Food Stamps or Medicaid. When this happens with workers in subsidized developments, the

⁶ Duncan, Greg J., and Katherine Magnuson, "The Long Reach of Early Childhood Poverty." Pathways, Winter 2011. http://www.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf.

⁷ Fiscal Policy Institute, *Grow Together or Pull Further Apart? Income Concentration Trends in New York*. December 13, 2010. http://www.fiscalpolicy.org/FPI_GrowTogetherOrPullFurtherApart_20101213.pdf.

⁸ Fiscal Policy Institute, *Grow Together or Pull Further Apart?*

developers get a double subsidy: a direct one for the project and an indirect one when public funds are required to compensate for the low wages these businesses pay.

An analysis of public assistance usage in New York State found that nearly 900,000 families enrolled in one or more of six public assistance programs had at least one family member employed year-round.⁹ Health care (reflecting the large and growing number of low-wage home health care aide jobs) and retail topped the list of industries that were disproportionately represented—their shares of enrolled workers were substantially higher than their share of workers in the overall labor market.

- 7. NYC has dramatically increased the amount it spends subsidizing businesses over the past 10 years.** In the past decade, the value of business tax subsidies grew by 180 percent—two and a half times faster than overall NYC tax collections. We shouldn't be investing these public resources in poverty-level jobs.

From less than \$920 million in Fiscal Year 2001, annual business tax expenditures in NYC rose to well over \$2.5 billion in Fiscal Year 2011.¹⁰ At a time of city budget shortfalls and cuts to public services, it is all the more essential to use these public resources wisely.

- 8. City land use policies have tremendously increased the value of land for developers in NYC.** In the wake of re-zoning actions by the city, land values in areas such as Hudson Yards and Greenpoint-Williamsburg grew much faster than the overall increase in NYC land values. Subsidized developers in these areas reaped huge financial rewards as a result. For example, in Greenpoint-Williamsburg on the Brooklyn waterfront, the City rezoned several parcels of land from industrial use to high-rise residential. Over four years from 2003 to 2007, property values in this area rose by 120 percent, one third faster than in the rest of Brooklyn.¹¹ Developers are clearly in a position to ensure that workers are paid decent wages.

- 9. A living wage requirement benefits employers as well as workers.** It is important to bear in mind that paying higher wages results in benefits as well as costs to employers: wage requirements can lead to greater efficiencies such as reduced turnover, better customer service, and savings in recruitment and training costs. Moreover, any cost of the wage requirement may be offset by developers through lower rents charged to tenants in city-subsidized developments, thus further minimizing any effect on profits for employers.

Previous estimates put the cost incurred by businesses affected by living wage ordinances at a small percentage of operating costs, from less than 1 percent to less than 3 percent

⁹ Bernhardt, Annette; Anmol Chaddha; and Siobhán McGrath, *When Work Doesn't Pay: The Public Cost of Low-Wage Jobs in New York State*. National Employment Law Project. December 2008. <http://www.nelp.org/page/-/EJP/PublicCostReport08.pdf>.

¹⁰ Fiscal Policy Institute analysis of New York City Finance Department Annual Report on Tax Expenditures, FY 2001, and FY 2011; NYC Economic Development Corporation Local Law 48 report for FY 2009; and Independent Budget Office, Budget Options for New York City, April 2011. <http://www.ibo.nyc.ny.us/iboreports/options2011.pdf>.

¹¹ FPI and Good Jobs New York analysis of Department of Finance data.

Top Ten Reasons A Living Wage Makes Sense for New York City

depending on industry.¹² There are huge profits to be made on large commercial developments in NYC such as the malls, stadiums, and office buildings that have received subsidies. Big developers can certainly afford to absorb the cost of ensuring that cashiers, custodians, and security guards receive a living wage, and doing so will in no way jeopardize their ability to profit quite handsomely.

Further, following adoption of a living wage, employers have reported decreased turnover, improved employee morale, and better customer service.¹³ Low-wage industries are characterized by high turnover, so higher employee retention can translate into substantial savings for employers on recruitment and training. This is good for the city, good for employees, and a minimal burden mixed with tangible benefits for employers.

Employer benefits of a living wage have not been confined to the U.S. Referring to London's living wage, the United Kingdom Chairman of the global firm KPMG stated, "We have found that paying the Living Wage results in higher levels of motivation, loyalty and productivity. Turnover amongst staff receiving the Living Wage has more than halved."¹⁴ KPMG is among dozens of prominent firms such as Bank of America Merrill Lynch, Goldman Sachs, JP Morgan, Morgan Stanley, PriceWaterhouse Coopers, and Prudential to have voluntarily adopted London's living wage.¹⁵

- 10. The gap between poor and rich has never been higher in New York City; an expanded living wage requirement is one of many things needed to redress that.** Income concentration in the U.S. is at an historic high—23.5 percent of the income went to the top 1 percent of earners in 2007, a level not matched since the stock market crash of 1929. Extreme as that is, the situation is even more dramatic in New York City where in 2007 the top 1 percent received 44 percent of income, up from only 12 percent in 1980. Among the 50 largest cities in the U.S., New York City ranks worst with respect to inequality of household income.¹⁶

¹² Pollin, Robert; Mark Brenner; Jeannette Wicks-Lim; and Stephanie Luce, *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States*. Ithaca: Cornell University Press. 2008.

Reich, Michael, and Peter Hall, "Living Wages at the Airport and Port of San Francisco: The Benefits and the Cost." Institute of Industrial Relations, University of California, Berkeley. October 6, 1999.

http://www.irle.berkeley.edu/research/livingwage/sf_oct99.pdf

¹³ Reich, Michael; Peter Hall; and Ken Jacobs, "Living Wage Policies at the San Francisco Airport: Impacts on Workers and Businesses." *Industrial Relations*, January 2005, 44, 106-138. Available at <http://laborcenter.berkeley.edu/livingwage/>.

¹⁴ Greater London Authority, "Global Giants Sign Up to Pay Staff the London Living Wage." November 16, 2010.

http://www.london.gov.uk/media/press_releases_mayoral/global-giants-sign-pay-staff-london-living-wage.

London Economics, *An Independent Study of the Business Benefits of Implementing a Living Wage in London: Final Report for Greater London Authority Economics*. February 2009.

http://www.london.gov.uk/mayor/economic_unit/docs/living-wage-benefits-report.pdf

¹⁵ Greater London Authority, "Global Giants Sign Up to Pay Staff the London Living Wage." Greater London Authority, *A Fairer London: The 2010 Living Wage in London*. June 2010. Available at

<http://www.london.gov.uk/who-runs-london/mayor/publications/business-and-economy/2010-living-wage-london>.

¹⁶ Fiscal Policy Institute, *Grow Together or Pull Further Apart?*

Top Ten Reasons A Living Wage Makes Sense for New York City

Research has pointed to the failure of maintaining the real value of the minimum wage in contributing to widening income inequality.¹⁷ Boosting the wages of low-wage workers is a modest but important step and one of many measures needed to ensure that the benefits of economic growth don't all accrue to the top.

Conclusion

Rising educational attainment yet falling real wages. A sharp rise in the working poor. And a staggering degree of income inequality unequalled in the city's past. This is not an economy that is working well for New Yorkers.

Requiring a modest living wage for publicly-subsidized economic development projects in New York City is not a panacea for these problems. But it is one sensible step that New York can take to ensure that the billions of dollars annually expended by the city on business subsidies are not an investment in more of the same.

Deputy Mayor for Economic Development Robert Steel recently reiterated the administration's opposition to a living wage, arguing that the City should not intervene in the labor market. Yet, when asked if providing economic development subsidies did not constitute an intervention in the real estate market, he maintained that subsidies are justified because they serve the larger policy goal of economic development.

In fact, government intervenes in the labor market every day—we have a minimum wage, child labor laws, and health and safety standards, and we are better off for it.

And surely allowing low-wage workers to support themselves and their families in dignity is a worthy policy goal of the administration, one as important as the goals served by developing shopping complexes and stadiums. When the government intervenes in the market to provide subsidies to developers, it is not too much to ask that the investment of public money results in jobs that pay a living wage.

More than ever, New York taxpayers need to know that public resources will be used to further opportunity for all of the city's residents, not just a wealthy few.

The Fiscal Policy Institute (www.fiscalspolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving policies and practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.

¹⁷ Fortin, Nicole M., and Thomas Lemieux, "Institutional Changes and Rising Wage Inequality: Is there a Linkage?" *The Journal of Economic Perspectives*, Spring 1997, 11, 75-96.

May 12, 2011
TESTIMONY OF LAWRENCE A. MANDELKER for
THE NEW YORK METROPOLITAN RETAIL ASSOCIATION (NYMRA)
COMMITTEE ON CONTRACTS
Chair: Hon. Darlene Mealy

NYC COUNCIL INTRO 251-A (2010)

Chairwoman Mealy and Members of the Committee: I represent NYMRA, the New York Metropolitan Retail Association. NYMRA is an organization of national chain retailers operating in the City of New York. NYMRA objects to the entire concept of the bill, as well as to several specific provisions.

Objection to the Concept of Intro 251-A

You face difficult choices. Programs once considered sacrosanct face substantial cuts or even elimination. Dedicated municipal employees face the loss of their jobs. Each day you are asked to define the role of government by choosing what to fund, and if so, to what extent.

The City offers economic development benefits to retain and create new private sector jobs. When, as in most projects, they aggregate at least \$100,000, Intro 251-A refers to these benefits as "Financial Assistance." In these economically parlous times, should the City continue to provide "Financial Assistance?"

The answer is a resounding "yes." Financial Assistance helps to: revitalize and stabilize outer borough neighborhoods; create new, and retain existing jobs; maintain the City's tax base; and keep the City's unemployment rate significantly below the national average. The City provides "Financial Assistance" because it is in the City's interest to do so, not because it has a soft spot for businesses and developers. Why then would the City want to undermine the effect of its Financial Assistance? Intro 251-A would force businesses to balance the reduced cost of developing or expanding a facility, or renovating it to make it more sustainable against the imposition of 30 years of increased labor costs, compliance reporting and the cost of responding to investigations and audits by the Comptroller.

After hospitality and tourism, retail is the City's largest private sector employer. It is a hallmark of the retail industry in general, and big box retailing in particular, that even entry level jobs provide a pathway for promotion and greater financial reward. A person can literally advance from the mail or stock room to the executive suite over the course of a career.

Because an economic development project often involves economic leases and subleases, and because consulting arrangements can be used to avoid the reach of labor laws, Intro 251-A includes all landlords, subtenants, contractors, sub-contractors and on site service contractors who perform work at the site, and not just those which

may be affiliated or controlled by a Financial Assistance Recipient in its definition of a “covered employer”. Retailers often use independent contractors such as janitorial, parking or security services. Intro 251-A would increase the cost of those services, too.

Retailers operate on a thin margin of profit. If the cost of full time, part time, seasonal, temporary and contract labor, including the cost of compliance reporting and audit – all operating costs – are increased, either they will be passed on to the consumer, or be offset by a corresponding reduction in operational costs. In this climate, retailers will try to hold the line on prices. They’ll offset the increased employment costs imposed by this bill by hiring fewer entry-level, seasonal and other workers. The effect will be the creation or retention of fewer jobs.

Objections to Specific Provisions

Proposed §6-130 (e) (3) creates a rebuttable presumption that any adverse employment action taken within 60 days of an employee exercising or even inquiring about her rights under Intro 251-A constitutes retaliation. The presumption should not apply if, at the time when the employee exercises or inquires about her rights, she is already subject to disciplinary action documented under the employer’s normal policies and procedures.

Finally, as with the federal civil rights laws, an award of attorney’s fees should be available to the prevailing party and not just to a prevailing employee.

Lawrence A. Mandelker, Esq.
Kantor, Davidoff, Wolfe, Mandelker, Twomey & Gallanty, P.C.
51 East 42nd Street, Floor 17, New York, NY 10017
Ph: 212-682-8383 || Fx: 212-949-5206 || Eml: mandelker@kantonline.com

Testimony on NYC Living Wage Proposal
NYC Council Committee on Contracts, May 12, 2011

Professor Joseph J. Sabia
United States Military Academy*

Today's living wage proposal is based on the best of intentions—a desire to lift working families out of poverty and to stimulate economic growth. These objectives are laudable, but we must judge the quality of a policy by its results rather than its intentions. And the best evidence we have suggests that most working families will not benefit, and many will lose, if this proposal is passed. Far from being a “shot in the arm” for the economy, a living wage may deliver a “blow to the gut” when we can least afford it.

My work with Cornell University Professor Richard Burkhauser has shown that legislated wage increases over the last two decades have failed to reduce poverty rates. What explains this surprising finding?

First, a living wage will not lift a family out of poverty if a job is destroyed as a result of its implementation. Professors David Neumark and William Wascher have shown that while some low-wage workers who keep their jobs will see higher incomes and may be lifted out of poverty, those who are laid off—or have their hours substantially reduced—will be unequivocally worse off.

New York's vulnerable populations have been particularly hard hit by recent increases in wage mandates. I, along with Professor Burkhauser and University of Oregon Professor Benjamin Hansen, found that New York State's 2005-2007 minimum wage increase reduced the employment of 16-to-29 year-olds without a high school diploma by over 20%. This result, which is consistent with Neumark and Wascher's recent synthesis of nearly 90 studies on the effects of minimum and living wages, points to adverse employment effects among low-skilled populations. According to a recent survey, 75% of labor economists agree with this conclusion.

Second, a living wage will fail to alleviate poverty because it is poorly targeted to those in need. Professor Burkhauser and I recently explored who would benefit from a national “living wage” of \$9.50 per hour. Using Census data, we found that even under the rose-colored assumption that no one will lose his job after such a policy is enacted, only 11% of the benefits would accrue to workers from poor households. The vast majority of benefits would be received by second or third-earners from households with incomes over two or three times the poverty line.

Third, there is little empirical support for the claim that legislated wage increases stimulate sustained economic growth. My research shows that minimum wage increases between 1997 and 2007 had no effect on overall Gross Domestic Product and actually reduced GDP generated by lower-skilled industries, including wholesale trade and manufacturing.

In closing, let us all agree that no New Yorker who works hard and plays by the rules should be poor. But let us also agree that good intentions should not justify bad policy. The living wage should be rejected in favor of policies that can deliver on their promises, such as an expansion in the New York City Earned Income Tax Credit program. Such an expansion would increase labor force participation and would be far better targeted to those in need than the living wage.

* The views expressed herein are those of the author and do not reflect the position of the United States Military Academy, the Department of the Army, or the Department of Defense.

Minimum Wages and Poverty: Will a \$9.50 Federal Minimum Wage Really Help the Working Poor?

Joseph J. Sabia* and Richard V. Burkhauser†

Using data drawn from the March Current Population Survey, we find that state and federal minimum wage increases between 2003 and 2007 had no effect on state poverty rates. When we then simulate the effects of a proposed federal minimum wage increase from \$7.25 to \$9.50 per hour, we find that such an increase will be even more poorly targeted to the working poor than was the last federal increase from \$5.15 to \$7.25 per hour. Assuming no negative employment effects, only 11.3% of workers who will gain live in poor households, compared to 15.8% from the last increase. When we allow for negative employment effects, we find that the working poor face a disproportionate share of the job losses. Our results suggest that raising the federal minimum wage continues to be an inadequate way to help the working poor.

JEL Classification: J21, J31, J38

1. Introduction

Proposals to increase the minimum wage are politically popular because they are widely seen as an effective way to help the working poor (AP-AOL 2006). Former President Bill Clinton captured this majority view in his statement of support for an increase in the federal minimum wage when he said: "It's time to honor and reward people who work hard and play by the rules....No one who works full time and has children should be poor anymore" (Clinton and Gore 1992). The goal of helping the working poor was also an important motivation behind the most recent legislation to increase the federal minimum wage from \$5.15 to \$7.25 per hour in 2007, and it remains a key rationale for Senate Bill 2514, the Standing with Minimum Wage Earners Act of 2007, which would increase the federal minimum wage yet again from \$7.25 to \$9.50 per hour.¹

* American University, Department of Public Administration & Policy, School of Public Affairs, 4400 Massachusetts Avenue, NW, 336 Ward Circle Building, Washington, DC 20016, USA; E-mail sabia@american.edu.

† Cornell University, Department of Policy Analysis & Management, College of Human Ecology, 125 MVR Hall, Ithaca, NY 14853-4401, USA; E-mail rvb1@cornell.edu; corresponding author.

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¹ Raising the federal minimum wage to \$9.50 per hour has support among leading Democrats, including President Barack Obama (BarackObama.com 2008); the late Senator Edward Kennedy (Zappone 2007); former Senator John Edwards (Montanaro 2007); and Secretary of State Hillary Clinton (Zappone 2007), who as a senator introduced S.2514 in December 2007.

While reducing poverty among the working poor is a laudable policy goal, the evidence suggests that minimum wage increases have thus far provided little more than symbolic support to this population (Card and Krueger 1995; Neumark and Wascher 2002; Gundersen and Ziliak 2004; Burkhauser and Sabia 2007; Leigh 2007; Sabia 2008). Several explanations have been offered for this finding. Card and Krueger (1995) emphasize that minimum wages fail to reduce poverty because many poor Americans do not work. Others have argued that even among the working poor, the relationship between earning a low hourly wage rate and living in poverty is weak and has become weaker over time (Stigler 1946; Burkhauser, Couch, and Glenn 1996; Burkhauser and Sabia 2007). Moreover, even among affected workers, there is strong evidence that increases in the minimum wage reduce the employment of low-skilled workers (Neumark and Wascher 2008). While an increase in the minimum wage will lift out of poverty the families of some low-skilled workers who remain employed, other low-skilled workers will lose their jobs or have their hours significantly cut, reducing their income and dropping their families into poverty (Neumark and Wascher 2002; Neumark, Schweitzer, and Wascher 2004, 2005; Sabia 2008).

Despite evidence on the ineffectiveness of past increases, a new set of large state and federal minimum wage increases was initiated between 2003 and 2007, all with the promise of helping the working poor.² The newly proposed federal minimum wage increase to \$9.50 per hour is also being justified as an important anti-poverty tool. Our article provides a first look at the effectiveness of these twenty-first century state and federal minimum wage increases in reducing poverty and compares the target efficiency of raising the federal minimum wage to \$9.50 per hour with that of prior increases. Moreover, our work augments the static analysis of Burkhauser and Sabia (2007) by accounting for the likely *behavioral effects* of a new federal minimum wage increase in our simulations of its distributional consequences. Further, because there continues to be controversy over the size of employment effects of minimum wage increases, we estimate a "break-even" elasticity value where the proposed minimum wage hike will produce no net benefits for workers.

Using data drawn from the March Current Population Survey (CPS), we find no evidence that minimum wage increases between 2003 and 2007 lowered state poverty rates. Moreover, we find that the newly proposed federal minimum wage increase from \$7.25 to \$9.50 per hour, like the last increase from \$5.15 to \$7.25 per hour, is not well targeted to the working poor. Only 11.3% of workers who will gain from an increase in the federal minimum wage to \$9.50 per hour live in poor households, an even smaller share than was the case with the last federal minimum wage increase (15.8%). Of those who will gain, 63.2% are second or third earners living in households with incomes twice the poverty line, and 42.3% live in households with incomes three times the poverty line, well above \$50,233, the income of the median household in 2007.³

With an average employment elasticity of -0.6 for minimum wage workers aged 16–29 without a high school diploma and an elasticity of -0.2 for other minimum wage workers, we estimate that nearly 1.3 million jobs will be lost if the federal minimum wage is increased to \$9.50 per hour, including 168,000 jobs currently held by the working poor. We estimate that

² Between 2003 and 2007, 28 states raised their minimum wage above the federal level, and in 2007, the federal minimum wage rose from \$5.15 to \$5.85 per hour. For examples of proponents of these hikes, see Bernstein (2004), Hindery (2004), Kennedy (2005), Clinton (2006), Fiscal Policies Institute (2006), Wolfson (2006), and Bernstein (2007).

³ In 2007, the poverty line for a family of four was \$20,650. Three times the poverty threshold for a family this size is \$61,950, well above the median household income of \$50,233 in 2007 (DeNavas-Walt, Proctor, and Smith 2008).

average employment elasticities greater (in absolute value) than -0.86 will cause net monthly earnings losses to the set of low-skilled workers who are affected by this proposed minimum wage legislation. We conclude that further increases in the minimum wage will do little to reduce poverty and are a poor substitute for further expansions in the federal Earned Income Tax Credit (EITC) program as a mechanism for reducing poverty.

2. Literature Review

Poverty Effects of Minimum Wage Increases

Several recent studies have examined the income and poverty effects of minimum wage increases (see, for example, Card and Krueger 1995; Addison and Blackburn 1999; Neumark and Wascher 2002; Gundersen and Ziliak 2004; Neumark, Schweitzer, and Wascher 2004, 2005; Burkhauser and Sabia 2007; Sabia 2008), and all but one have found that past minimum wage hikes had no effect on poverty.⁴ These studies have generally taken one of two approaches. The first approach uses matched CPS data and examines family income changes caused by minimum wage increases (Neumark and Wascher 2002; Neumark, Schweitzer, and Wascher 2004, 2005). These studies find that some low-skilled workers living in poor families who remain employed see their incomes rise and move out of poverty when the minimum wage increases. However, other low-skilled workers lose their jobs or have their hours substantially reduced as a result of minimum wage hikes, causing income losses and increased poverty. On net, Neumark and Wascher (2002) find that the families of low-skilled workers are no better off and may be made worse off by minimum wage hikes. Sabia (2008) finds a similar result for less-educated single mothers.

A second approach, taken by Card and Krueger (1995) and Burkhauser and Sabia (2007), estimates the effect of state minimum wage increases on state poverty rates. These studies also find no evidence that past minimum wage increases have significantly reduced poverty either among the families of all individuals or among the families of workers.

Employment and Hours Worked Effects of Minimum Wage Increases

Another explanation for the ineffectiveness of past minimum wage increases in reducing poverty is theory based and focuses on their adverse labor demand effects. Neoclassical economic theory suggests that minimum wage increases reduce the demand for low-skilled labor, thus reducing employment and hours worked (see Stigler 1946). Much of the literature examining the employment effects of minimum wage increases has focused on low-skilled workers, usually teenagers and high school dropouts, or on workers in low-skilled industries because these populations are more likely to be affected by such increases.

Neumark and Wascher (2007) review over 90 studies published since the iconoclastic Card and Krueger (1994, 1995) studies of the mid-1990s and conclude that there is overwhelming evidence that the least-skilled workers experience the strongest disemployment effects from

⁴ The one exception is Addison and Blackburn (1999), who find that minimum wage increases reduce poverty among junior high school dropouts. However, as Neumark and Wascher (2008) note, junior high school dropouts are older and unlikely to have small children; whereas, most anti-poverty efforts focus on families with younger children.

minimum wage increases (see, for example, Neumark and Wascher 1992; Williams 1993; Deere, Murphy, and Welch 1995; Currie and Fallick 1996; Abowd et al. 1999; Partridge and Partridge 1999; Burkhauser, Couch, and Wittenburg 2000a, b; Couch and Wittenburg 2001; Neumark 2001; Neumark and Wascher 2002, 2004; Campolieti, Fang, and Gunderson 2005; Campolieti, Gunderson, and Riddell 2006; Sabia 2008, 2009a, b). Median employment elasticities range from -0.1 to -0.3 , though a few studies have found employment elasticities that are larger (between -0.6 and -0.9) for less-educated single mothers (Sabia 2008) and younger high school dropouts (Burkhauser, Couch, and Wittenburg 2000b).

Recently, however, articles by Dube, Lester, and Reich (2008) and Addison, Blackburn, and Cotti (2008) have renewed this debate. These authors argue that the identification strategy used in many national panel studies is flawed due to unmeasured low-skilled employment trends across states. To better ensure common underlying trends across treatment and comparison states, they use variation in minimum wages in contiguous counties across borders for identification, finding no evidence of adverse employment effects across low-skilled sectors. But this finding is far from definitive. Other studies that have examined low-skilled workers across sectors have found evidence of adverse employment and welfare take-up effects even after controlling for unmeasured state trends (Page, Spetz, and Millar 2005; Sabia 2008; Sabia and Burkhauser 2008).

Examining only employment effects, however, may mask full labor demand effects. Firms may respond to minimum wage hikes by (i) reducing both employment and average hours worked by employed workers or (ii) increasing hours of retained workers to compensate for reduced employment (Couch and Wittenburg 2001; Neumark and Wascher 2007). The evidence on hours worked effects is mixed. Couch and Wittenburg (2001) and Sabia (2009b) find some evidence that employment effects alone understate full labor demand effects, but Zavodny (2000), Sabia (2008), and Sabia and Burkhauser (2008) find little evidence of conditional hours worked effects.

Simulations of Who Gains from Minimum Wage Increases

While lower labor force participation rates among the poor (Card and Krueger 1995) and adverse labor demand effects of minimum wages (Neumark and Wascher 2002; Neumark, Schweitzer, and Wascher 2004, 2005; Sabia 2008) may help to explain the ineffectiveness of past minimum wage increases in reducing poverty, another explanation may be the poor target efficiency of the minimum wage. A series of studies by Burkhauser and Finegan (1989); Burkhauser, Couch, and Glenn (1996); Burkhauser and Harrison (1999); and Burkhauser and Sabia (2007) have avoided the controversies surrounding the magnitude of employment and hours worked effects of past minimum wage increases and have instead focused on the target efficiency of proposed increases. These studies assume no behavioral effects of the minimum wage, giving proposed minimum wage increases their best chance to benefit affected workers. But even under the optimistic assumption of no employment or hours worked effects, the authors find that workers living in poor households received few of the benefits of past minimum wage increases because their hourly wages were already greater than the proposed state or federal minimum wages. Instead, most of the benefits went to second or third earners living in households well above the poverty line.

One important critique of these simulations is that they overstate the benefits of minimum wages to the working poor because they ignore employment effects. As the authors note,

because they assume zero employment elasticities, their simulations are likely to be upper-bound estimates of the benefits to workers (Burkhauser and Sabia 2007). And, in a recent case study of New York State, Sabia and Burkhauser (2008) find that when they account for the adverse labor demand effects of the minimum wage, workers in poor households receive an even smaller share of a shrinking pie of additional net wage earnings.

This article integrates and contributes to previous studies in the literature in several ways. First, we extend the work of Burkhauser and Sabia (2007) by estimating the effects of minimum wage increases from 2003 to 2007 on state poverty rates. No studies in the literature of which we are aware have estimated the effect of minimum wages on state poverty rates in the mid- to late 2000s, a period providing a rich new source of state-level identifying variation: 28 states increased their minimum wages above the federal level, and the federal minimum wage rose from \$5.15 to \$5.85 per hour. Second, we are the first to examine the target efficiency of the Standing with Minimum Wage Earners Act of 2007, which would raise the federal minimum wage from \$7.25 to \$9.50 per hour, and compare its target efficiency to the last federal minimum wage increase from \$5.15 to \$7.25 per hour. Finally, unlike previous studies' simulations of federal minimum wage increases that have assumed no behavioral effects of the minimum wage, we simulate the distribution of benefits from the proposed minimum wage increase using a range of employment elasticities estimated in the literature. We use these elasticities and workers' wage rates to estimate individual-specific probabilities of job loss and expected net benefits from the newly proposed minimum wage increase.

3. Data and Estimation Strategy

Our analysis uses data drawn from the outgoing rotation groups of the March CPS. We use the March CPS because it contains information not only on current employment and wage rates but also on household income and household size, which we use, together with household size-specific poverty thresholds, to calculate an income-to-needs ratio for each worker.⁵ For example, in 2007, the poverty threshold for a household size of four was \$20,650. Thus, a household of four with total household income of \$41,300 would have an income-to-needs ratio of 2.0. Workers in households with income-to-needs ratios less than 1.0 are classified as "poor," and those with income-to-needs ratios between 1.0 and 1.5 are defined as "near poor."

Information on workers' individual wage rates and hours worked comes from the outgoing rotation group and are measured in the last week. For workers who report being paid hourly, their wage rate is directly reported from their current job. For those who are not paid hourly, wage rates are calculated as the ratio of weekly earnings to weekly hours in the past week. Information on household income comes from the previous calendar year, so mapping individual wages to the poverty status of the household requires the assumption that the income-to-needs ratio of the household was the same in 2007 as it was in March 2008 (see Burkhauser, Couch, and Glenn [1996] and Burkhauser and Sabia [2007] for a discussion of this issue).

⁵ These data also contain information on family income and family size, which can be used to construct poverty measures using the family unit, as has been done in the previous literature (Card and Krueger 1995; Burkhauser and Sabia 2007).

Poverty Effects of Minimum Wage Increases

To examine the effect of past minimum wage increases on state poverty rates, we pool data from the March 2004 through March 2008 CPS and estimate a fixed effects model similar to Card and Krueger (1995) and Burkhauser and Sabia (2007). To be consistent with this poverty literature, we follow these authors and use the family unit to calculate poverty status and estimate the following model:⁶

$$P_{st} = \alpha + \beta MW_{st} + X'_{st}\delta + \theta_s + \tau_t + \varepsilon_{ist}, \quad (1)$$

where P_{st} is the natural log of the poverty rate in state s at time t ; MW_{st} is the natural log of the higher of the state or federal minimum wage;⁷ and X_{st} is a vector of state-specific, time-varying socioeconomic controls, including the unemployment rate for prime-age males aged 25–54, the average adult wage for working individuals aged 25–54, the share of older (aged 55–64) and younger (aged 16–24) individuals in the state population, a time-invariant state effect (θ_s), and a state-invariant time effect (τ_t). Because family income is measured in the previous year, the sample used in the regression corresponds to calendar years 2003–2007. The key parameter of interest in this model is β_1 . Thus, much of the identifying variation is coming from state minimum wage increases.⁸

Simulations of Minimum Wage Increases

To simulate the employment and distributional consequences of the newly proposed federal minimum wage increase as well as the last federal minimum wage hike from \$5.15 to \$7.25 per hour,⁹ we follow Baicker and Levy (2008), Burkhauser and Simon (2008), and Yelowitz (2008), who use estimates of employment elasticities from the minimum wage literature to simulate the effect of pay-or-play health insurance reforms. We use the household unit to link workers to the poverty status of their households, consistent with the income distribution literature and Burkhauser and Sabia (2007). This simulation approach uses the March CPS to identify the set of workers who are affected by a policy change. For the last federal minimum wage increase, we define these workers as those earning hourly wages between \$5.00 and \$7.24 per hour in the March 2007 CPS, and for the new federal minimum wage increase, these are workers earning between \$5.70 and \$9.49 per hour in the March 2008 CPS.¹⁰

⁶ The results are not sensitive to using the household unit to calculate poverty.

⁷ If multiple minimum wages prevailed during the year, this variable is coded as the average minimum wage that prevailed during the year, weighted by the share of the year each wage was in effect.

⁸ During this period, the following 28 states raised their minimum wage: Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Hawaii, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont, Washington, and Wisconsin. The federal minimum wage rose from \$5.15 to \$5.85 per hour on July 24, 2007.

⁹ The federal minimum wage rose again from \$5.85 to \$6.55 per hour on July 24, 2008, and increased again to \$7.25 per hour in July 2009.

¹⁰ As discussed below, the federal minimum wage in March 2008 was \$5.85 per hour. Thus, we are taking a conservative approach by assuming that workers earning hourly wages between \$5.70 and \$7.24 will be earning \$7.25 at the time the new minimum wage plan is considered. As in past simulations (see Burkhauser and Finegan 1989; Burkhauser, Couch, and Glenn 1996; Burkhauser and Sabia 2007), we assume that workers earning hourly wages less than \$0.15 below the current federal minimum wage are in the “uncovered” sector. Theoretically, workers earning wages greater than \$9.50 per hour could benefit from minimum wage increases if there are wage spillovers. But there is little empirical evidence that such spillovers exist (see, for example, Sabia and Burkhauser 2008).

For each simulation, we calculate an individual-specific probability of job loss:

$$p_i = \frac{(FMW - w_i)}{w_i} |e_i|, \quad (2)$$

where FMW is the federal minimum wage, w_i is worker i 's current hourly wage rate, and e is the estimated employment elasticity that applies to worker i . The true employment elasticity that should be applied to each minimum wage worker is unknown. We use a range of elasticities for minimum wage workers from zero (Card and Krueger 1995; Addison, Blackburn, and Cotti 2008; Dube, Lester, and Reich 2008) to "consensus" elasticities of -0.1 to -0.3 (Neumark and Wascher 2007) to upper-bound estimates of -0.6 to -0.9 (Burkhauser, Couch, and Glenn 2000b; Sabia 2008; Sabia and Burkhauser 2008). Thus, the distribution of job loss by income-to-needs ratio of households will depend on (i) the share of minimum wage workers in each income-to-needs category, (ii) the magnitude of the gap between the worker's current wage and the new federal minimum wage, and (iii) the elasticity that should be applied to each worker. Total job loss is calculated by summing the product of the individual probabilities of job loss and the population weights attached to each worker.

To simulate the expected net benefits of the minimum wage increase to each minimum wage worker, we calculate expected monthly net benefits for each worker as follows:

$$EB_i = \left(1 - \frac{(FMW - w_i)}{w_i} |e_i|\right) (FMW - w_i) H_i - \left(\frac{(FMW - w_i)}{w_i} |e_i|\right) (w_i H_i - EUI_i), \quad (3)$$

where H_i is the usual monthly hours worked by worker i and EUI_i is the expected unemployment insurance benefits received by worker i . The first term on the right-hand side of Equation 3 is the expected monthly earnings gains from a federal minimum wage hike from a retained job. The second term on the right-hand side is the expected earnings losses from a job loss due to the minimum wage increase. Thus, three types of minimum wage workers are described in Equation 3: (i) those who keep their jobs, retain their hours, and get a wage boost from a minimum wage increase; (ii) those who become unemployed due to a minimum wage increase and lose their entire monthly earnings; and (iii) those who become unemployed due to a minimum wage increase and lose their monthly earnings but have some share of their earnings replaced by unemployment insurance for a portion of the month. We calculate total net benefits for workers in each income-to-needs category by aggregating individual net benefits using earnings weights.

A number of simplifying assumptions are needed to interpret the expression in Equation 3 as the expected net benefit to minimum wage workers. First, we assume that there are no wage spillovers to workers earning more than the federal minimum wage. This assumption is reasonable given that we find no evidence that minimum wage increases have important spillover effects (Burkhauser and Sabia 2007; Sabia 2008; Sabia and Burkhauser 2008). Second, as in the simulation of job loss, we must make assumptions about the employment elasticities that are applied to minimum wage workers. We apply a broad range of employment elasticities from the literature to estimate employment and distributional effects, and in our preferred models we assign different elasticities to different types of minimum wage workers. Third, we assume that minimum wages have no effect on hours worked by retained workers. Existing estimates in the literature tend to point to either no effects or only small negative effects (see, for example, Zavodny 2000; Sabia and Burkhauser 2008; Sabia 2009b); thus, we conservatively assume no adverse hours worked effects. Finally, we assume that if a worker is laid off, his

monthly earnings are zero, but he may receive unemployment benefits. We calculate expected monthly unemployment insurance payments as follows:

$$E UI_{it} = \theta r_s w_i \alpha H_i, \quad (4)$$

where θ is the probability of unemployment insurance uptake, r_s is a state-specific measure of earnings replacement rates for workers, and α is the share of the month during which the unemployed worker receives benefits.

First, because the majority of unemployed workers do not apply for unemployment insurance (see Vroman 1991 for a discussion), we include the parameter θ and assume that it takes on a value less than 1. We experimented with a number of estimates of θ but use the national average in 2000, 0.35 (Wenger 2001).¹¹ Second, we generated state-specific estimates of earnings replacement rates (r_s). Wenger (2001) reports average unemployment insurance (UI) benefits received by unemployed minimum wage workers. Given that there is a fair amount of heterogeneity in earnings replacements across states, we use this information, along with state minimum wage levels, to calculate the implicit earnings replacement rate for each state. The most generous state in terms of replacing minimum wage earnings in our sample is Kentucky (0.68), and the least generous is North Dakota (0.41). Finally, unemployed workers do not receive unemployment insurance benefits immediately following a layoff; there is generally, at minimum, a one- to two-week waiting period (Wenger 2001). We assume that unemployed workers receive benefits for three weeks in their first unemployed month, which allows a one-and-a-half week delay until benefits.¹²

There are, of course, limitations to these simplifying assumptions. For instance, if consumers face higher prices as a result of higher costs of producing goods and services (Aaronson and French 2006, 2007) or if our employment estimates are underestimated due to a failure to capture full lagged effects of minimum wage increases (Baker, Benjamin, and Stranger 1999; Burkhauser, Couch, and Wittenburg 2000a; Neumark and Wascher 2004; Page, Spetz, and Millar 2005; Campolieti, Gunderson, and Riddell 2006), our estimates will overstate the true benefits of the minimum wage. Moreover, if there are heterogeneous effects of the minimum wage by poverty status or if unemployment insurance uptake rates differ by poverty status, our simulations may mask other distributional effects. Finally, while we assume that some unemployed workers will have a share of their earnings losses replaced by government-mandated unemployment insurance benefits, increased UI payments caused by minimum wage-induced job losses are not costless from a federal budget perspective. In sum, while our assumptions are imperfect, incorporating estimates of the behavioral consequences of past minimum wage increases will be an important improvement over past simulations.

¹¹ We experimented with a number of values from 0.3 to 0.6 for θ , and the distributional results were substantively unchanged.

¹² Note that if we extended our period of analysis beyond one month, laid-off minimum wage workers who applied for and received unemployment insurance benefits would be eligible for such benefits in each week of subsequent months. However, if we extended the time horizon of our analysis beyond six months, we would have to account for the fact that UI benefits are generally limited to 26 weeks unless the federal government enacts an extension.

4. Results

Poverty Effects of Minimum Wage Increases

Table 1 presents fixed effects estimates of the effect of recent minimum wage increases on state poverty rates among 16–64-year-olds. In column 1, we find no evidence that minimum wage increases between 2003 and 2007 affected overall state poverty rates. While the sign on the estimate of β_1 is negative, the effect is not statistically different from zero and is, in fact, smaller than the estimate obtained by Burkhauser and Sabia (2007) in their examination of the 1988–2003 period (-0.052 in column 1 of Table 1 versus -0.082 in column 4 of table 7 of their article). When the sample is restricted to workers (column 2), which gives the minimum wage its best chance to reduce poverty by raising incomes of low-skilled workers, we still find no effect on poverty rates. In fact, the magnitude of the poverty elasticity (-0.020) is even smaller. Therefore, the absence of poverty-alleviating effects is not solely attributable to the fact that many individuals in poor families do not work, as suggested by Card and Krueger (1995).

The above findings are quite robust across definitions of poverty. When we define poverty more broadly—encompassing those with incomes falling below 125% of the poverty line—estimates remain statistically insignificant and small across all individuals (column 3) and workers (column 4). And finally, when we estimate poverty as those with family incomes below 150% of the poverty line (columns 5–6), the estimate of β_1 actually becomes positive, though still statistically indistinguishable from zero.

As noted previously, the models estimated in Table 1 include controls for the average private sector wage, the prime-age male unemployment rate, and the share of older and younger individuals in the state. We examined the robustness of the results in Table 1 along several lines. First, we redefine the minimum wage variable as a Kaitz-type index, the ratio of the state minimum wage to the average state private sector wage (see Table A1 in the Appendix). This allows us to measure the effect of the minimum wage relative to its position in the state wage distribution. In these specifications, we continue to find no effect of the minimum wage on poverty rates of all individuals or of workers.

We also experiment with additional state-specific, time-varying controls: the prime-age female unemployment rate, the youth (aged 16–24) unemployment rate, the high school graduation rate, and the college graduation rate. Models including these controls produce results that are substantively similar (see Table A2 in the Appendix).¹³

Taken together, the estimates in Table 1 suggest that recent minimum wage increases enacted between 2003 and 2007 had no effect on state poverty rates. While lower labor force participation rates among poor, as compared to non-poor, workers is one explanation for the lack of poverty effects among all individuals (Card and Krueger 1995), the fact that the minimum wage has no effect on poverty rates of working individuals suggests that this is not the only explanation. Alternative explanations include the adverse labor demand effects of the minimum wage and its poor target efficiency. Keeping these explanations in mind, we now

¹³ We also experiment with controlling for the share of individuals who were employed rather than the unemployment rate. In Appendix Table A3, we include as controls employment ratios rather than unemployment rates, defined as the share of all individuals in a particular age group who are working. The results are unchanged. In the specifications in Appendix Table A4, we include the same set of controls as in Appendix Table A3 but use the ratio of the state minimum wage to the average state wage rate as our minimum wage measure. Again, we find no evidence that state minimum wage hikes reduce poverty among all individuals or workers.

Table 1. Estimates of Relationship between the Minimum Wage and Log of State Poverty Rates, 2003-2007

| | Poverty Rate (INR < 1.0) | | Poverty Rate (INR < 1.25) | | Poverty Rate (INR < 1.5) | |
|--------------------------------------|--------------------------|----------------|---------------------------|----------------|--------------------------|----------------|
| | Overall (1) | Workers (2) | Overall (3) | Workers (4) | Overall (5) | Workers (6) |
| Log (minimum wage) | -0.052 (0.146) | -0.020 (0.203) | -0.016 (0.104) | -0.013 (0.186) | 0.004 (0.132) | 0.045 (0.196) |
| Prime-age male unemployment rate | 1.71 (0.754)** | 1.52 (0.901)* | 1.52 (0.025)** | 1.59 (0.779)** | 0.748 (0.599) | 0.560 (0.658) |
| Log (average adult wage rate) | -0.103 (0.121) | -0.025 (0.155) | -0.072 (0.101) | -0.010 (0.136) | -0.21 (0.090) | 0.013 (0.107) |
| Percentage of individuals aged 54-64 | 0.558 (1.00) | 0.059 (1.11) | 0.013 (0.780) | -0.933 (1.06) | 0.447 (0.645) | -0.487 (0.836) |
| Percentage of individuals aged 16-24 | 2.18 (0.681)*** | 3.49 (1.26)*** | 1.23 (0.672)* | 2.20 (1.03)** | 0.529 (0.540) | 0.989 (0.695) |
| State Effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Year Effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Mean of dependent variable | 0.108 | 0.059 | 0.144 | 0.067 | 0.183 | 0.093 |
| N | 225 | 255 | 255 | 255 | 255 | 255 |

Source: Computed by the authors.
 The poverty rate is calculated using family income and the family size-adjusted poverty line. Adult wage measures and unemployment rates are calculated for those aged 25-54. All regressions are weighted by the relevant population of workers, and standard errors are corrected for clustering on the state.
 ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively.

focus on who will gain from the newly proposed federal minimum wage increase to \$9.50 per hour; how this population compares to those who gained from the last increase; and whether they are, in the main, poor.

Who Will Benefit?

Table 2 shows cross-tabulations of the wage distribution of non-self-employed 16–64-year-olds by the income-to-needs ratio of their households using the March 2008 CPS. Each column shows a different wage category, and each row shows the income-to-needs ratio of workers' households. Workers who are expected to be directly affected by the proposed increase are those who earn between \$7.25 and \$9.49 per hour. However, in March 2008, when wage rates of workers are measured, the federal minimum wage was \$5.85 per hour. The federal minimum wage was increased to \$6.55 on July 24, 2008, and increased again to \$7.25 on July 24, 2009. We take a conservative approach and assume that workers earning between \$5.70 and \$9.49 in March 2008 will be affected by the newly proposed federal minimum wage increase.¹⁴ We treat those who earned less than \$5.70 per hour as uncovered by the federal minimum wage.¹⁵

We see from Table 2 that a minority of workers will be affected by the newly proposed federal minimum wage increase. Approximately 17.7% of all workers in the United States earn hourly wages between \$5.70 and \$9.49 per hour and stand to be directly affected by the increase, while 80.3% of all workers earn hourly wages of \$9.50 per hour or more.

To assess how well the proposed federal minimum wage hike will target the working poor, we first examine the share of workers living in poor households who will be affected by the new federal minimum wage increase. While 4.4% of all workers live in poor households, not all of them will be affected by this minimum wage increase because 48.9% already earn wages greater than \$9.50 per hour.

In the final column of Table 2, we show the distribution of workers who earn between \$5.70 per hour and \$9.50 per hour by the income-to-needs ratios of their households. We find that 11.3% of these minimum wage workers live in poor households. When workers living in near-poor households are also included (households with income-to-needs ratios between 1.0 and 1.5), this number rises to 23.4%. However, 63.2% of minimum wage workers live in households with incomes over twice the poverty line, and 42.3% live in households with incomes over three times the poverty line (\$61,950 for a four-person household).

One concern with the sample examined in Table 2 is that it consists of both hourly and non-hourly workers. Recent work by Bollinger and Chandra (2005) suggests that imputing hourly wages from reported earnings may introduce substantial measurement error. Thus, it may be that some workers we assume are in the uncovered sector (those reporting hourly wages

¹⁴ Following Burkhauser and Finegan (1989); Burkhauser, Couch, and Glenn (1996); and Burkhauser and Sabia (2007), we assume that workers earning \$0.15 below the federal minimum wage—in this case, those earning hourly wages between \$5.70 and \$5.84 per hour in March 2008—are working in jobs covered by the federal minimum wage and their wages simply reflect reporting error.

¹⁵ The reported occupations of these workers suggest that many are tipped workers or those working in the informal sector, and thus they will be uncovered by the \$9.50 federal minimum wage. For the full worker sample, we find that 34% of these workers were food service workers, 12% were home health care or other personal service workers, 12% were retail or other service workers, and 7% were in education services. In the sample of workers who report being paid hourly, 56% were food service workers, 11% were home health care or other personal service workers, 4% were in retail, and 3.5% were in education services.

Table 2. Wage Distribution of All Workers in 2008 by Income-to-Needs Ratio of Their Household

| Income-to-Needs Ratio | Hourly Wage Categories ^a | | | | | | | Total | Percentage of All Workers | Percentage of Workers Earning More than \$5.70 and Less than \$9.49 |
|-----------------------------------|-------------------------------------|------------------|------------------|-------------------|--------------------|------------------|-------|-------|---------------------------|---|
| | \$0.01 to \$5.69 | \$5.70 to \$7.24 | \$7.25 to \$9.49 | \$9.50 to \$11.99 | \$12.00 to \$15.99 | \$16.00 and Over | | | | |
| Less than 1.00 | 5.7 | 12.7 | 32.7 | 19.5 | 15.5 | 13.9 | 100.0 | 4.4 | 11.3 | |
| 1.00 to 1.24 | 2.3 | 10.1 | 32.1 | 22.1 | 19.7 | 13.8 | 100.0 | 2.6 | 6.2 | |
| 1.25 to 1.49 | 6.1 | 10.4 | 30.7 | 22.5 | 19.2 | 11.2 | 100.0 | 2.5 | 5.9 | |
| 1.50 to 1.99 | 3.6 | 6.7 | 30.0 | 20.2 | 21.7 | 17.8 | 100.0 | 6.4 | 13.4 | |
| 2.00 to 2.99 | 2.8 | 5.4 | 17.2 | 19.6 | 28.2 | 26.7 | 100.0 | 16.3 | 20.9 | |
| 3.00 or above | 1.4 | 2.8 | 8.2 | 8.9 | 17.6 | 61.1 | 100.0 | 67.8 | 42.3 | |
| Whole category share ^b | 2.1 | 4.3 | 13.3 | 12.5 | 19.6 | 48.2 | 100.0 | 100.0 | 100.0 | |

Source: Estimated from the outgoing rotation group of the Current Population Survey, March 2008.

^a For hourly workers, wage rates are based on a direct question concerning earnings per hour on their current primary job; for non-hourly workers, wages are calculated as the ratio of reported weekly earnings to weekly hours worked. All household income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in 2008 dollars.

^b Share of all workers with wage earnings in each category.

less than \$5.70 per hour) are, in fact, covered, and other workers we assume are unaffected by the minimum wage increase (those reporting hourly wages greater than \$9.49 per hour) are affected.

To explore whether measurement error in wages is affecting our results, we take the approach of Bollinger and Chandra (2005) and present separate results for hourly workers and non-hourly workers. These findings are presented in Tables A5 and A6, respectively, in the Appendix. While hourly workers are more likely to be poor than are non-hourly workers, the final column of Appendix Table A5 shows that just 11.6% of hourly paid minimum wage workers live in poor households (compared to 11.3% of minimum wage workers in the full worker sample), while 42.6% live in households with incomes over three times the poverty line (compared to 42.3% of minimum wage workers in the full worker sample). We find a similar pattern of results for non-hourly minimum wage workers: The vast majority do not live in poor households, but instead live in households with incomes two or three times the poverty line.

In summary, the descriptive evidence in Table 2 suggests that raising the federal minimum wage to \$9.50 per hour will not be a target-efficient anti-poverty tool because (i) many poor and near-poor workers already earn hourly wages greater than \$9.50 per hour and (ii) most workers who will benefit are not poor.

How does the target efficiency of the new federal minimum wage proposal compare to that of the last increase from \$5.15 to \$7.25? Table 3 replicates Appendix Table A3 from Burkhauser and Sabia (2007) using the March 2007 Current Population Survey.¹⁶ As we saw in Table 2, not all of the working poor would gain from an increase in the federal minimum wage to \$9.50 per hour because 48.9% already have an hourly wage that is greater than \$9.50. This was an even bigger problem with respect to the last federal minimum wage increase from \$5.15 to \$7.25 per hour because an even larger percentage (71%) of the working poor already earned more than \$7.25 per hour. Nonetheless, the percentage of workers who will gain from an increase in the minimum wage to \$9.50 (11.3%—see the last column of Table 3) is still less than the percentage who gained from the previous increase in the minimum wage to \$7.25 per hour (15.8%—see the next-to-last column of Table 3). Like the last increase, the current proposal will largely affect workers living in non-poor households with incomes that are over two or three times the poverty line.¹⁷

But how do these facts square with the image of a minimum wage worker often invoked by advocates of minimum wage increases—a single mother struggling to support her children?¹⁸ As Table 4 shows, only 11.1% of those who will gain from the proposed increase in the minimum wage to \$9.50 per hour are single mothers, down from 12.0% from the last federal increase, but even the stereotype that the minimum wage earner is the primary earner in the household is misleading. Only about one-half of those who would gain from the minimum wage increase to \$9.50 are the primary earners in their household, up from 43.4% from the last federal increase, but this difference is mainly because more of the gainers are living in one-person households or in households without children.¹⁹

¹⁶ Burkhauser and Sabia (2007) use the March 2003 CPS. The March 2007 CPS is the latest annual March CPS available when all workers faced a federal minimum wage of \$5.15 per hour.

¹⁷ These results for the last federal minimum wage increase are robust across the samples of hourly and non-hourly workers (see Appendix Tables A7 and A8, respectively).

¹⁸ See, for example, Hindery (2004), Kennedy (2005), and Clinton (2006).

¹⁹ Appendix Table A9 shows that these demographic characteristics are generally similar across hourly and non-hourly workers.

Table 3. Wage Distribution of All Workers in 2007 by Income-to-Needs Ratio of Their Household

| Income-to-Needs Ratio | Hourly Wage Categories ^a | | | | | | Total | Percentage of All Workers | Percentage of Workers Earning More Than \$4.99 and Less Than \$7.25 | Percentage of Workers Earning More Than \$5.70 and Less Than \$9.49 in 2008 |
|-----------------------------------|-------------------------------------|------------------|------------------|------------------|-------------------|------------------|-------|---------------------------|---|---|
| | \$0.01 to \$4.99 | \$5.00 to \$5.14 | \$5.15 to \$7.24 | \$7.25 to \$8.99 | \$9.00 to \$14.99 | \$15.00 and Over | | | | |
| | 6.0 | 1.2 | 21.9 | 23.6 | 37.1 | 10.3 | | | | |
| Less than 1.00 | 3.4 | 1.1 | 14.3 | 24.6 | 48.3 | 8.3 | 100.0 | 4.6 | 15.8 | 11.3 |
| 1.00 to 1.24 | 1.7 | 0.9 | 16.0 | 20.3 | 44.5 | 16.6 | 100.0 | 2.3 | 5.4 | 6.2 |
| 1.25 to 1.49 | 3.0 | 0.5 | 10.2 | 15.5 | 46.0 | 24.8 | 100.0 | 2.7 | 6.9 | 5.9 |
| 1.50 to 1.99 | 1.0 | 0.5 | 8.1 | 11.8 | 43.6 | 35.0 | 100.0 | 7.0 | 11.2 | 13.4 |
| 2.00 to 2.99 | 0.9 | 0.2 | 3.8 | 6.0 | 24.8 | 64.4 | 100.0 | 16.6 | 21.4 | 20.9 |
| 3.00 or above | 1.4 | 0.3 | 6.4 | 9.3 | 31.1 | 51.6 | 100.0 | 66.8 | 39.4 | 42.3 |
| Whole category share ^b | | | | | | | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Estimated from the outgoing rotation group of the Current Population Survey, March 2007.

^a For hourly workers, wage rates are based on a direct question concerning earnings per hour on their current primary job; for non-hourly workers, wages are calculated as the ratio of reported weekly earnings to weekly hours worked. All household income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in 2007 dollars.

^b Share of all workers with wage earnings in each category.

Table 4. Demographic Characteristics of Workers Affected by Past and Future Increases in the Federal Minimum Wage: Family Type and Gender^a

| Family Type | New Proposal | | | Last Federal Increase | | |
|---|--------------|----------|------------|-----------------------|----------|------------|
| | Total (%) | Male (%) | Female (%) | Total (%) | Male (%) | Female (%) |
| Not highest earner in family | 50.2 | 20.0 | 30.2 | 56.6 | 23.9 | 32.7 |
| Highest earner, unmarried female, children under 18 years old in family | 11.1 | — | 11.1 | 12.0 | — | 12.0 |
| Highest earner, unmarried male, children under 18 years old in family | 5.8 | 5.8 | — | 5.8 | 5.8 | — |
| Highest earner, married with children under 18 years old in family | 9.3 | 5.1 | 4.2 | 6.7 | 2.8 | 3.9 |
| Highest earner, family size greater than 1, no children | 10.5 | 4.7 | 5.9 | 7.5 | 3.4 | 5.1 |
| Highest earner, family size equal to 1 | 12.9 | 6.4 | 6.5 | 10.3 | 5.5 | 4.8 |
| Whole category share | 100.0 | 42.1 | 57.9 | 100 | 41.5 | 58.5 |

^a The first three columns ("New Proposal") consists of a weighted sample of workers that includes all non-military, non-self-employed workers who earned between \$5.70 and \$9.49 per hour in March 2008, based on the March 2008 Current Population Survey (CPS) outgoing rotation group. The final three columns ("Last Federal Increase") consists of a weighted sample of workers that includes all non-military, non-self-employed workers who earned between \$5.00 and \$7.24 per hour in March 2007, based on the March 2007 CPS outgoing rotation group.

Taken together, the results in Tables 2 and 4 suggest that, like past state and federal minimum wage hikes (Tables 1 and 3), the current proposal to raise the federal minimum wage to \$9.50 per hour will not be well targeted to poor workers and, in fact, may be even less target efficient than the last federal increase. This finding is consistent with Stigler's (1946) claim that the relationship between earning a low wage and living in poverty is "fuzzy" and has become fuzzier over time.

Simulations

Poor target efficiency is one important reason why minimum wage increases are ineffective at reducing poverty among workers; adverse labor demand effects are another. In Table 5, we simulate expected job losses from the proposed federal minimum wage increase. We estimate that the proposed hike to \$9.50 per hour will affect over 21 million workers (final row, column 2), including 2.41 million workers living in poor households and 2.56 million living in near-poor households. To estimate job losses, we calculate individual probabilities of job loss as described in Equation 2 using a range of employment elasticities from the literature. Columns 3 and 4 present estimates of job losses by income-to-needs ratios of households using the range of "consensus" estimates in the literature (Neumark and Wascher 2007), while columns 5 and 6 present simulations using upper-bound estimates of -0.6 and -0.86 (Burkhauser, Couch, and Wittenberg 2000b; Sabia 2008; Sabia and Burkhauser 2008). Lower-bound elasticity estimates imply job losses of 467,000 to 1.40 million, while upper-bound estimates imply job losses of approximately 3 million to 4 million.

In our preferred estimates, we allow employment elasticities to differ by characteristics of the minimum wage worker. Because larger employment elasticities have been found for younger high school dropouts, we assign an employment elasticity of -0.6 to minimum wage

Table 5. Simulated Employment Losses of Proposed Federal Minimum Wage Increase to \$9.50 per Hour, by Household Income-to-Needs Ratio^{ab}

| Income-to-Needs Ratio | Percentage of Workers Earning More Than \$9.49 ^{ab} (1) | Number of Workers (000s) (2) | Job Losses (000s) ($e = -0.1$) ^c (3) | Job Losses (000s) ($e = -0.3$) ^c (4) | Job Losses (000s) ($e = -0.6$) ^d (5) | Job Losses (000s) ($e = -0.86$) ^d (6) | Percentage of Total Job Loss (7) | Job Losses (000s) ($e = -0.6$ Young Dropouts; $e = -0.2$ Others) (8) | Percentage of Total Job Loss (Column 8) (9) |
|-----------------------|--|------------------------------|---|---|---|--|----------------------------------|---|---|
| Less than 1.00 | 11.3 | 2,413 | 57.5 | 172.5 | 344.9 | 496.5 | 12.3 | 168.4 | 12.8 |
| 1.00 to 1.24 | 6.2 | 1,316 | 28.7 | 86.2 | 172.4 | 247.5 | 6.1 | 78.8 | 6.0 |
| 1.25 to 1.49 | 5.9 | 1,255 | 28.4 | 85.3 | 170.7 | 245.5 | 6.1 | 70.0 | 5.4 |
| 1.50 to 1.99 | 13.4 | 2,851 | 57.5 | 172.5 | 345.0 | 496.2 | 12.3 | 147.1 | 11.2 |
| 2.00 to 2.99 | 20.9 | 4,453 | 96.5 | 289.5 | 579.0 | 833.8 | 20.6 | 282.5 | 21.5 |
| 3.00 or above | 42.3 | 9,015 | 198.8 | 596.5 | 1,193 | 1,716 | 42.5 | 566.0 | 43.1 |
| Total | 100.0 | 21,303 | 467.5 | 1,402.0 | 2,805.0 | 4,034.0 | 100.0 | 1,313.0 | 100.0 |

^a For hourly workers, wage rates are based on a direct question concerning earnings per hour on their current primary job; for non-hourly workers, wages are calculated as the ratio of reported weekly earnings to weekly hours worked. All household income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in nominal dollars. Sample restricted to 16-64-year-olds who report positive weeks and weekly hours worked in the previous year.

^b This wage category corresponds to March 2008.

^c Consensus estimates in minimum wage literature (see Neumark and Wascher 2007).

^d Upper-bound estimates found in new minimum wage literature (see Burkhauser, Couch, and Wittenberg 2000b; Sabia 2008; Sabia and Burkhauser 2008).

Table 6. Simulated Employment Losses from the Last Federal Minimum Wage Increase to \$7.25 per Hour, by Household Income-to-Needs Ratio^{ab}

| Income-to-Needs Ratio | Percentage of Workers Earning More Than \$5.00 and Less Than \$7.25 in 2007 ^{ab} (1) | Number of Workers (000s) (2) | Job Losses (000s) ($\epsilon = -0.6$ Young Dropouts; $\epsilon = -0.2$ Others) (3) | Percentage of Total Job Loss (4) |
|-----------------------|---|------------------------------------|---|--|
| Less than 1.00 | 15.8 | 1274 | 51.5 | 13.7 |
| 1.00 to 1.24 | 5.4 | 431.2 | 25.4 | 6.8 |
| 1.25 to 1.49 | 6.9 | 552.7 | 18.7 | 5.0 |
| 1.50 to 1.99 | 11.2 | 897.7 | 44.6 | 14.8 |
| 2.00 to 2.99 | 21.4 | 1718 | 79.4 | 21.2 |
| 3.00 or above | 39.4 | 3169 | 155.3 | 40.8 |
| Total | 100.0 | 8042.0 | 374.9 | 100.0 |

^a For hourly workers, wage rates are based on a direct question concerning earnings per hour on their current primary job; for non-hourly workers, wages are calculated as the ratio of reported weekly earnings to weekly hours worked. All household income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in nominal dollars. Sample restricted to 16-64-year-olds who report positive weeks and weekly hours worked in the previous year.

^b This wage category corresponds to March 2007.

workers aged 16-29 without a high school diploma (representing over one-quarter of the sample) and an elasticity of -0.2 to other minimum wage workers. In this simulation, we estimate 1.3 million jobs lost.

Importantly, the share of job losses experienced by workers in poor households (12.8%; column 9, row 1) is larger than that experienced by the share of minimum wage workers who are poor (11.3%). This is because their hourly wage rates were on average lower than were those of affected workers living in many non-poor households, thus leading to a higher probability of job loss. But our estimate of job losses borne by poor workers is likely to understate the actual difference between workers living in poor and non-poor households, since the demand for these workers may be more elastic than that of non-poor workers as a group (see, for example, Sabia 2008).

The magnitude of simulated job losses from the current proposal is much larger than that from the last increase because the last increase affected far fewer workers (see Table 6). Using our preferred employment elasticities, our simulation indicates that the last federal minimum wage hike from \$5.15 to \$7.25 will, when fully implemented, reduce employment by approximately 374,900 jobs. However, in contrast to the current proposal, the last increase did not yield higher percentage job losses among the working poor.

While job losses are certainly possible, and even probable given the consensus of existing empirical evidence (Neumark and Wascher 2008), net income gains are still possible if adverse employment effects are sufficiently small. But are the gains from minimum wage increases received, in the main, by working poor, as proponents expect? In Table 7, we simulate the expected monthly benefits from the proposed federal minimum wage hike to \$9.50 per hour. Column 1 shows the distribution of monthly benefits assuming no behavioral effects of the minimum wage, as was assumed by Burkhauser and Finegan (1989); Burkhauser, Couch, and Glenn (1996); and Burkhauser and Sabia (2007). If no minimum wage workers are laid off or have their hours reduced, the minimum wage increase is simulated to yield \$4.0 billion in monthly benefits. This estimate can be considered an upper-bound estimate of benefits, given our optimistic behavioral assumptions. However, even under these assumptions, just 10.9%

Table 7. Simulated Monthly Net Benefits from Proposed Federal Minimum Wage Increase to \$9.50, by Household Income-to-Needs Ratio^{ab}

| Income-to-Needs Ratio | Net Benefits in | | Net Benefits in | | Net Benefits in | | Net Benefits in | | Net Benefits in | |
|-----------------------|-------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--|-----------------------|--------------------|-----------------------|--|
| | Billions \$ (e = 0) (1) | % Net Benefits (e = 0) (2) | Billions \$ (e = -0.1) (3) | Billions \$ (e = -0.3) (4) | Billions \$ (e = -0.6) (5) | Billions \$ (e = -0.86) ^c (6) | % Net Benefits (7) | Billions \$ (8) | % Net Benefits (9) | |
| Less than 1.00 | 0.439 | 10.9 | 0.389 | 0.287 | 0.135 | 0.001 | 10.9 | 0.298 | 10.5 | |
| 1.00 to 1.24 | 0.282 | 7.0 | 0.249 | 0.184 | 0.086 | 0.000 | 7.0 | 0.201 | 7.1 | |
| 1.25 to 1.49 | 0.270 | 6.7 | 0.239 | 0.177 | 0.084 | 0.003 | 6.8 | 0.195 | 6.9 | |
| 1.50 to 1.99 | 0.566 | 14.0 | 0.502 | 0.374 | 0.183 | 0.014 | 14.9 | 0.413 | 14.5 | |
| 2.00 to 2.99 | 0.832 | 20.6 | 0.734 | 0.539 | 0.245 | -0.012 | 19.9 | 0.565 | 19.9 | |
| 3.00 or above | 1.64 | 40.7 | 1.45 | 1.07 | 0.495 | -0.006 | 40.2 | 1.17 | 41.2 | |
| Total | 4.03 | 100.0 | 3.56 | 2.63 | 1.23 | 0.000 | 100.0 | 2.84 | 100.0 | |

^a Expected benefits are calculated as the weighted sum of $(1 - p)(\$9.50 - w)H - pwH + pUI$ for each minimum wage worker, where p is the probability of job loss from the minimum wage hike, $(\$9.50 - w)/w$ is the worker's hourly wage rate; H is monthly hours worked; UI is the expected unemployment insurance benefit; and e is the employment elasticity.

^b The analysis uses data from the outgoing rotation groups of the March 2008 CPS. A minimum wage worker is defined as earning between \$5.70 and \$9.49 per hour in March 2008. Sample restricted to 16-64-year-olds who report positive weeks and weekly hours worked in previous year.

^c The break-even elasticity is -0.863 .

(\$439 million) of these benefits will be received by the working poor (column 2), and 24.6% of the benefits will be received by workers living in poor or near-poor households. Nearly 62% of the benefits will be received by workers in households with incomes over twice the poverty line, and 40.7% will be received by workers in households with incomes over three times the poverty line. Thus, even under optimistic assumptions of zero employment elasticities (Card 1992; Card and Krueger 1994, 1995; Addison, Blackburn, and Cotti 2008; Dube, Lester, and Reich 2008), only a small share of the benefits will be received by the working poor.

In columns 3–8, we improve on the previous literature's simulations by allowing for behavioral effects of the federal minimum wage increase. At a conservative employment elasticity of -0.1 , the total net benefits from the minimum wage fall by 11.7%, to \$3.56 billion, but the distribution of benefits remains similar to that when no employment effects were assumed: Approximately 10.9% of benefits are received by workers living in poor households.

At higher employment elasticities, net benefits fall substantially. An employment elasticity of -0.3 reduces net benefits by 34.7%, to \$2.63 billion (column 4), and an elasticity of -0.6 reduces net benefits by 69.5%, to \$1.23 billion (column 5). We estimate the break-even employment elasticity, where Equation 4 equals zero, to be -0.86 (column 6). While an employment elasticity of -0.86 is large relative to the consensus estimates in the literature, a few studies have found estimates as large for less-educated single mothers (Sabia 2009b) and young high school dropouts (Burkhauser, Couch, and Wittenberg 2000b; Sabia and Burkhauser 2008). Thus, it is not implausible to imagine that the benefits of a minimum wage increase to \$9.50 to the working poor would be quite small, or even negative. Using our preferred estimates, which assume a -0.6 employment elasticity for younger dropouts and a -0.2 elasticity for other workers, we find that the net benefits are \$2.84 billion, with just 10.5% of these benefits received by poor workers.

When we compare the distribution of benefits from the current proposal at our preferred employment elasticities (Table 8, columns 1–2) to the distribution of benefits of the last increase (Table 8, columns 3–4), we find that the benefits from the new proposal are even less well targeted than are those from the last increase. Approximately 15.5% of the simulated monthly net benefits of the last increase went to workers living in poor households, compared to 10.5% of the benefits from an increase to \$9.50 per hour. The break-even elasticity of the last federal minimum wage increase is -0.91 (column 5), somewhat higher than for the current proposal.

Again, our estimates of benefits to workers from the minimum wage increase include unemployment insurance benefits, which are, in fact, costly to the federal government and are only a partial short-run remedy for unemployed workers. Moreover, the vast majority of these unemployment insurance benefits are received by non-poor workers, who comprise 87.2% of minimum wage workers who lose their jobs. If we exclude unemployment insurance benefits from the above benefit simulations, the break-even employment elasticity of the current minimum wage proposal falls to -0.77 .

5. Conclusions

This study first examines the effect of recent minimum wage increases on state poverty rates and then compares the target efficiency of the last federal minimum wage increase from \$5.15 to \$7.25 per hour to the target efficiency of a newly proposed hike from \$7.25 to \$9.50 per

Table 8. Comparison of Simulated Monthly Net Benefits from Proposed Federal Minimum Wage Increase to the Last Federal Minimum Wage Increase, by Household Income-to-Needs Ratio^{a,b}

| Income-to-Needs Ratio | Net Benefits in Billions \$ | | Net Benefits in Billions | | Net Benefits in Billions \$ from Last Federal Increase ($e = -0.91$) ^c |
|-----------------------|---|--|---|---|---|
| | from New Proposal for 16-29-Year-Old Dropouts; $e = -0.2$ for Others (1) | % Net Benefits from New Proposal (Column 1) (2) | \$ from Last Federal Increase ($e = -0.6$ for 16-29-Year-Old Dropouts; $e = -0.2$ for Others) (3) | % Net Benefits from Last Federal Increase (Column 3) (4) | |
| Less than 1.00 | 0.298 | 10.5 | 0.086 | 15.5 | 0.002 |
| 1.00 to 1.24 | 0.201 | 7.1 | 0.026 | 4.7 | -0.000 |
| 1.25 to 1.49 | 0.195 | 6.9 | 0.038 | 6.8 | -0.000 |
| 1.50 to 1.99 | 0.413 | 14.5 | 0.075 | 13.5 | -0.001 |
| 2.00 to 2.99 | 0.565 | 19.9 | 0.122 | 21.9 | 0.002 |
| 3.00 or above | 1.170 | 41.2 | 0.211 | 37.9 | -0.004 |
| Total | 2.840 | 100.0 | 0.556 | 100.0 | 0.000 |

^a Expected benefits from last federal minimum wage increase are calculated as the weighted sum of $(1-p)[\$7.25 - w]H - pWH + pUI$ for each minimum wage worker, where p is the probability of job loss from the minimum wage hike, $[(\$7.25 - w)/w]e$; w is the worker's hourly wage rate; H is monthly hours worked; UI is expected unemployment insurance benefits; and e is the employment elasticity.

^b The analysis uses data from the outgoing rotation groups of the March 2007 CPS. A minimum wage worker is defined as earning between \$5.00 and \$7.24 per hour in March 2007. Sample restricted to 16-64-year-olds who report positive weeks and weekly hours worked in previous year.

^c The break-even elasticity is -0.912 .

hour. Our results show that recent minimum wage increases between 2003 and 2007 had no effect on state poverty rates. Moreover, the proposal to raise the federal minimum wage to \$9.50 per hour is unlikely to be any better at reducing poverty because (i) most workers (89.0%) who are affected are not poor, (ii) many poor workers (48.9%) already earn hourly wages greater than \$9.50 per hour, and (iii) the minimum wage increase is likely to cause adverse employment effects for the working poor. Our evidence also suggests that the target efficiency of federal minimum wage increases is not improving, and it may actually be worsening. When compared to the last federal increase, the current proposal appears even less target efficient; 15.5% of the benefits of the last increase were received by the working poor, compared to 10.5% from the current proposal. At an employment elasticity of -0.6 for minimum wage workers who are young dropouts and -0.2 for others, we forecast that approximately 1.3 million low-skilled workers will lose their jobs if the federal minimum wage is raised to \$9.50 per hour, including 168,000 jobs held by the working poor. And at employment elasticities greater than -0.86 , we estimate that net monthly benefits from the minimum wage increase will actually become negative.

While raising the federal minimum wage is an increasingly ineffective anti-poverty strategy, expansions in the EITC program may be a promising alternative for several reasons. First, because eligibility is based on family income rather than a wage rate, the benefits are much more likely to be received by workers living in poor families (Burkhauser, Couch, and Glenn 1996; Neumark and Wascher 2001; Burkhauser and Sabia 2007; Congressional Budget Office 2007). Thus, most of the 48.9% of poor workers who earned hourly wages greater than \$9.50 per hour in March 2008 and would not gain from the proposed increase in the federal minimum wage could gain from expansions in the EITC. Second, because the costs of the EITC are not directly borne by employers, expansions in this wage subsidy do not cause adverse labor demand effects. In fact, a large body of empirical literature finds that expansions in the EITC increase employment among low-skilled single mothers (Eissa and Liebman 1996; Ellwood 2000; Meyer and Rosenbaum 2000, 2001; Hotz, Mullin, and Scholz 2002; Grogger 2003; Hotz and Scholz 2003; Eissa and Hoynes 2005). Given that employment is an important anti-poverty mechanism and wage subsidies can increase income to the working poor, expansions in the EITC may be a more effective means of aiding the working poor than would be increasing the federal minimum wage.

We conclude that further increases in the minimum wage will do little to reduce poverty and are a poor substitute for further expansions in the federal Earned Income Tax Credit program as a mechanism for reducing poverty.

Table A1. Estimates of Relationship between the Minimum Wage and Log of State Poverty Rates, 2003-2007

| | Poverty Rate (INR < 1.0) | | Poverty Rate (INR < 1.25) | | Poverty Rate (INR < 1.5) | |
|---|--------------------------|----------------|---------------------------|---------------|--------------------------|----------------|
| | Overall (1) | Workers (2) | Overall (3) | Workers (4) | Overall (5) | Workers (6) |
| Log (ratio of minimum wage to average state wage) | 0.046 (0.080) | 0.008 (0.124) | 0.039 (0.071) | 0.001 (0.104) | 0.015 (0.066) | 0.008 (0.100) |
| Prime-age male unemployment rate | 1.76 (0.762)** | 1.54 (0.915)* | 1.55 (0.668)** | 1.60 (0.807)* | 0.754 (0.619) | 0.538 (0.699) |
| Percentage of individuals aged 54-64 | 0.712 (1.02) | 0.104 (1.09) | 0.101 (0.772) | -0.910 (1.02) | 0.465 (0.638) | -0.545 (0.858) |
| Percentage of individuals aged 16-24 | 2.08 (0.657)*** | 3.46 (1.23)*** | 1.18 (0.655)* | 2.19 (1.02)** | 0.518 (0.560) | 1.03 (0.735) |
| State effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Year effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Mean poverty rate | 0.108 | 0.059 | 0.144 | 0.067 | 0.183 | 0.093 |
| N | 225 | 255 | 255 | 255 | 255 | 255 |

Source: Computed by the authors.
 The poverty rate is calculated using family income and the family size-adjusted poverty line. Adult wage measures and unemployment rates are calculated for those aged 25-54. All regressions are weighted by the relevant population of workers, and standard errors are corrected for clustering on the state. INR = income-to-needs ratio.
 ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table A2. Estimates of Relationship between the Minimum Wage and Log of State Poverty Rates, 2003-2007

| | Poverty Rate (INR < 1.0) | | Poverty Rate (INR < 1.25) | | Poverty Rate (INR < 1.5) | |
|--------------------------------------|--------------------------|----------------|---------------------------|----------------|--------------------------|----------------|
| | Overall (1) | Workers (2) | Overall (3) | Workers (4) | Overall (5) | Workers (6) |
| Log (minimum wage) | -0.033 (0.164) | -0.012 (0.225) | 0.024 (0.156) | 0.014 (0.200) | 0.021 (0.132) | 0.028 (0.183) |
| Log (average adult wage rate) | -0.002 (0.005) | 0.002 (0.005) | -0.001 (0.004) | 0.002 (0.004) | 0.001 (0.003) | 0.002 (0.003) |
| Prime-age male unemployment rate | 1.66 (0.770)** | 1.26 (0.926) | 1.34 (0.670)* | 1.24 (0.837) | 0.583 (0.683) | 0.281 (0.664) |
| Prime-age female unemployment rate | 0.271 (0.889) | 1.47 (1.03) | 1.09 (0.768) | 2.27 (1.09)** | 0.717 (0.626) | 1.30 (0.929) |
| Youth (16-24) unemployment rate | -0.054 (0.419) | -0.393 (0.573) | -0.081 (0.342) | -0.434 (0.468) | 0.087 (0.319) | -0.078 (0.415) |
| High school graduation rate | -0.038 (1.22) | -1.51 (1.47) | 0.207 (0.983) | -0.897 (1.17) | -0.152 (0.874) | -1.63 (1.02) |
| College graduation rate | -0.241 (1.06) | 0.308 (1.34) | -0.378 (0.826) | 0.532 (0.921) | -0.408 (0.637) | 0.408 (0.609) |
| Percentage of individuals aged 54-64 | 0.695 (1.07) | 0.318 (1.15) | 0.132 (0.822) | -0.745 (1.05) | 0.533 (0.683) | -0.338 (0.802) |
| Percentage of individuals aged 16-24 | 2.13 (0.663)*** | 3.32 (1.28)** | 1.10 (0.645)* | 1.94 (1.07)* | 0.467 (0.524) | 0.910 (0.740) |
| State effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Year effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Mean poverty rate | 0.108 | 0.059 | 0.144 | 0.067 | 0.183 | 0.093 |
| N | 225 | 255 | 255 | 255 | 255 | 255 |

Source: Computed by the authors.

The poverty rate is calculated using family income and the family size-adjusted poverty line. Adult wage measures and unemployment rates are calculated for those aged 25-54. All regressions are weighted by the relevant population of workers, and standard errors are corrected for clustering on the state. INR = income-to-needs ratio. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table A3. Estimates of Relationship between the Minimum Wage and Log of State Poverty Rates, 2003-2007

| | Poverty Rate (INR < 1.0) | | Poverty Rate (INR < 1.25) | | Poverty Rate (INR < 1.5) | |
|--------------------------------------|--------------------------|----------------|---------------------------|----------------|--------------------------|-----------------|
| | Overall (1) | Workers (2) | Overall (3) | Workers (4) | Overall (5) | Workers (6) |
| Log (minimum wage) | -0.024 (0.129) | -0.030 (0.181) | 0.002 (0.130) | -0.060 (0.164) | 0.031 (0.125) | 0.007 (0.169) |
| Log (average adult wage rate) | -0.003 (0.005) | 0.000 (0.005) | -0.002 (0.004) | 0.001 (0.005) | -0.000 (0.004) | 0.001 (0.003) |
| Prime-age male employment ratio | -2.30 (0.607)*** | -1.06 (0.876) | -1.57 (0.588)*** | -0.045 (0.780) | -1.33 (0.477)*** | 0.049 (0.593) |
| Prime-age female employment ratio | -1.10 (0.544)** | -0.896 (0.662) | -0.648 (0.480) | 0.093 (0.534) | -0.645 (0.377)* | 0.202 (0.457) |
| Youth (16-24) employment ratio | -0.305 (0.324) | 0.634 (0.511) | -0.181 (0.292) | 0.760 (0.451)* | -0.011 (0.237) | 0.803 (0.355)** |
| High school graduation rate | -0.447 (1.00) | -1.89 (1.47) | -0.262 (0.874) | -1.39 (1.24) | -0.367 (0.731) | -1.73 (0.989)* |
| College graduation rate | 0.066 (0.701) | 0.408 (1.18) | -0.114 (0.610) | 0.532 (0.946) | -0.208 (0.434) | 0.338 (0.597) |
| Percentage of individuals aged 54-64 | 1.12 (0.982) | 0.210 (1.09) | 0.476 (0.753) | -0.834 (0.987) | 0.669 (0.610) | -0.590 (0.735) |
| Percentage of individuals aged 16-24 | 2.07 (0.690)*** | 3.41 (1.32)** | 1.13 (0.676)* | 2.10 (1.08)* | 0.457 (0.526) | 0.934 (0.667) |
| State effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Year effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Mean poverty rate | 0.108 | 0.059 | 0.144 | 0.067 | 0.183 | 0.093 |
| N | 225 | 255 | 255 | 255 | 255 | 255 |

Source: Computed by the authors.
 The poverty rate is calculated using family income and the family size-adjusted poverty line. Adult wage measures and unemployment rates are calculated for those aged 25-54. All regressions are weighted by the relevant population of workers, and standard errors are corrected for clustering on the state. INR = income-to-needs ratio.
 ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table A4. Estimates of Relationship between the Minimum Wage and Log of State Poverty Rates, 2003-2007

| | Poverty Rate (INR < 1.0) | | Poverty Rate (INR < 1.25) | | Poverty Rate (INR < 1.5) | |
|---|--------------------------|----------------|---------------------------|----------------|--------------------------|-----------------|
| | Overall (1) | Workers (2) | Overall (3) | Workers (4) | Overall (5) | Workers (6) |
| Log (ratio of minimum wage to average state wage) | 0.071 (0.083) | 0.036 (0.112) | 0.054 (0.076) | 0.006 (0.094) | 0.032 (0.070) | 0.009 (0.085) |
| Prime-age male employment ratio | -2.31 (0.624)*** | -1.07 (0.884) | -1.57 (0.591)** | -0.054 (0.784) | -1.33 (0.473)*** | 0.046 (0.589) |
| Prime-age female employment ratio | -1.15 (0.539)** | -0.949 (0.671) | -0.687 (0.476) | 0.053 (0.536) | -0.663 (0.380)* | 0.184 (0.463) |
| Youth (16-24) employment ratio | -0.279 (0.317) | 0.663 (0.502) | -0.163 (0.287) | 0.784 (0.446)* | -0.002 (0.235) | 0.813 (0.352)** |
| High school graduation rate | -0.289 (1.05) | -1.81 (1.49) | -0.176 (0.892) | -1.31 (1.25) | -0.369 (0.795) | -1.75 (1.05) |
| College graduation rate | -0.023 (0.699) | 0.368 (1.14) | -0.157 (0.607) | 0.482 (0.937) | -0.195 (0.439) | 0.356 (0.618) |
| Percentage of individuals aged 54-64 | 1.13 (1.00) | 0.117 (1.07) | 0.449 (0.744) | -0.879 (0.958) | 0.600 (0.597) | -0.678 (0.745) |
| Percentage of individuals aged 16-24 | 1.97 (0.705)*** | 3.36 (1.27)** | 1.08 (0.681) | 2.05 (1.04)** | 0.463 (0.565) | 0.949 (0.700) |
| State effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Year effects? | Yes | Yes | Yes | Yes | Yes | Yes |
| Mean poverty rate | 0.108 | 0.059 | 0.144 | 0.067 | 0.183 | 0.093 |
| N | 225 | 255 | 255 | 255 | 255 | 255 |

Source: Computed by the authors.

The poverty rate is calculated using family income and the family size-adjusted poverty line. Adult wage measures and unemployment rates are calculated for those aged 25-54. All regressions are weighted by the relevant population of workers, and standard errors are corrected for clustering on the state. INR = income-to-needs ratio.

***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table A5. Wage Distribution of Hourly Workers in 2008 by Income-to-Needs Ratio of Their Household

| Income-to-Needs Ratio | Hourly Wage Categories ^a | | | | | | | | Percentage of All Workers | Percentage of Workers Earning More Than \$5.70 and Less Than \$9.50 | | | | | |
|-----------------------------------|-------------------------------------|------|------------------|------|------------------|------|-------------------|-------|---------------------------|---|--------------------|--|------------------|--|-------|
| | \$0.01 to \$5.69 | | \$5.70 to \$7.24 | | \$7.25 to \$9.49 | | \$9.50 to \$11.99 | | | | \$12.00 to \$15.99 | | \$16.00 and Over | | Total |
| | | | | | | | | | | | | | | | |
| Less than 1.00 | 2.5 | 12.3 | 39.0 | 19.8 | 15.9 | 10.5 | 100.0 | 5.8 | 11.6 | | | | | | |
| 1.00 to 1.24 | 0.9 | 10.1 | 35.4 | 21.0 | 20.2 | 12.4 | 100.0 | 3.6 | 6.4 | | | | | | |
| 1.25 to 1.49 | 3.4 | 10.2 | 33.9 | 22.3 | 20.9 | 9.3 | 100.0 | 3.5 | 5.9 | | | | | | |
| 1.50 to 1.99 | 3.3 | 6.7 | 35.5 | 22.8 | 21.3 | 10.5 | 100.0 | 8.1 | 13.3 | | | | | | |
| 2.00 to 2.99 | 2.3 | 6.1 | 20.2 | 22.4 | 29.1 | 19.9 | 100.0 | 19.8 | 20.3 | | | | | | |
| 3.00 or above | 1.5 | 4.6 | 13.8 | 13.8 | 23.1 | 43.2 | 100.0 | 59.3 | 42.6 | | | | | | |
| Whole category share ^b | 1.9 | 5.9 | 19.8 | 17.2 | 23.5 | 31.8 | 100.0 | 100.0 | 100.0 | | | | | | |

Source: Estimated from the outgoing rotation group of the Current Population Survey, March 2008.
^a Hourly wage rates are based on a direct question concerning earnings per hour on workers' current primary job. All household income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in 2008 dollars.
^b Share of all workers with wage earnings in each category.

Table A6. Wage Distribution of Non-Hourly Workers in 2008 by Income-to-Needs Ratio of Their Household

| Income-to-Needs Ratio | Hourly Wage Categories ^a | | | | | | | Percentage of All Workers | Percentage of Workers Earning More Than \$5.70 and Less Than \$9.50 |
|-----------------------------------|-------------------------------------|------------------|------------------|-------------------|--------------------|------------------|-------|---------------------------|---|
| | \$0.01 to \$5.69 | \$5.70 to \$7.24 | \$7.25 to \$9.49 | \$9.50 to \$11.99 | \$12.00 to \$15.99 | \$16.00 and Over | Total | | |
| Less than 1.00 | 16.6 | 14.4 | 12.6 | 18.2 | 12.0 | 26.2 | 100.0 | 2.4 | 10.1 |
| 1.00 to 1.24 | 8.8 | 10.4 | 17.9 | 26.3 | 18.3 | 18.3 | 100.0 | 1.1 | 4.7 |
| 1.25 to 1.49 | 16.5 | 10.9 | 18.4 | 23.1 | 12.7 | 18.4 | 100.0 | 1.3 | 5.7 |
| 1.50 to 1.99 | 4.5 | 6.8 | 15.1 | 13.0 | 22.5 | 38.2 | 100.0 | 4.1 | 13.9 |
| 2.00 to 2.99 | 4.0 | 4.0 | 9.8 | 13.0 | 26.1 | 43.1 | 100.0 | 11.4 | 24.5 |
| 3.00 or above | 1.3 | 1.0 | 2.3 | 3.6 | 11.9 | 79.9 | 100.0 | 79.8 | 41.0 |
| Whole category share ^b | 2.4 | 2.1 | 4.3 | 5.9 | 14.1 | 71.3 | 100.0 | 100.0 | 100.0 |

^a Hourly wage rates are based on a calculated ratio of weekly earnings to weekly hours. All household income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in 2008 dollars.

^b Share of all workers with wage earnings in each category.

Table A7. Wage Distribution of Hourly Workers in 2007 by Income-to-Needs Ratio in Their Household

| Income-to-Needs Ratio | Hourly Wage Categories ^a | | | | | | Percentage of All Workers | Percentage of Hourly Workers Earning More Than \$4.99 and Less Than \$7.25 | Percentage of Hourly Workers Earning More Than \$5.70 and Less Than \$9.49 in 2008 |
|-----------------------------------|-------------------------------------|------------------|------------------|------------------|-------------------|------------------|---------------------------|--|--|
| | \$0.01 to \$4.99 | \$5.00 to \$5.14 | \$5.15 to \$7.24 | \$7.25 to \$8.99 | \$9.00 to \$14.99 | \$15.00 and Over | | | |
| Less than 1.00 | 2.9 | 0.5 | 25.5 | 28.0 | 37.1 | 6.1 | 100.0 | 17.0 | 11.6 |
| 1.00 to 1.24 | 2.0 | 1.4 | 15.6 | 25.9 | 47.6 | 7.4 | 100.0 | 5.6 | 6.4 |
| 1.25 to 1.49 | 1.8 | 1.0 | 16.8 | 23.4 | 42.5 | 14.5 | 100.0 | 6.3 | 5.9 |
| 1.50 to 1.99 | 2.6 | 0.0 | 10.4 | 18.4 | 48.7 | 20.0 | 100.0 | 10.0 | 13.3 |
| 2.00 to 2.99 | 1.2 | 0.5 | 9.7 | 14.5 | 47.7 | 26.6 | 100.0 | 21.0 | 20.3 |
| 3.00 or above | 1.1 | 0.2 | 6.4 | 10.1 | 34.7 | 47.6 | 100.0 | 40.0 | 42.6 |
| Whole category share ^b | 1.4 | 0.3 | 9.2 | 13.8 | 39.4 | 35.9 | 100.0 | 100.0 | 100.0 |

Source: Estimated from the outgoing rotation group of the Current Population Survey, March 2007.

^a Hourly wage rates are based on a direct question concerning earnings per hour on workers' current primary job. All household income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in 2007 dollars.

^b Share of all workers with wage earnings in each category.

Table A8. Wage Distribution of Non-Hourly Workers in 2007 by Income-to-Needs Ratio of Their Household

| Income-to-Needs Ratio | Hourly Wage Categories ^a | | | | | | | Total | Percentage of All Workers | Percentage of Non-Hourly Workers Earning More Than \$4.99 and Less Than \$9.49 in 2008 | |
|-----------------------------------|-------------------------------------|------------------|------------------|------------------|-------------------|------------------|---------------------------------------|-------|---------------------------|--|--|
| | \$0.01 to \$4.99 | \$5.00 to \$5.14 | \$5.15 to \$7.24 | \$7.25 to \$8.99 | \$9.00 to \$14.99 | \$15.00 and over | More Than \$7.25 and Less Than \$9.49 | | | More Than \$9.49 | |
| Less than 1.00 | 17.5 | 2.8 | 9.5 | 8.2 | 36.8 | 25.2 | 100.0 | 2.3 | 10.2 | 10.1 | |
| 1.00 to 1.24 | 8.5 | 0.0 | 9.6 | 19.7 | 50.8 | 11.4 | 100.0 | 1.2 | 4.1 | 4.7 | |
| 1.25 to 1.49 | 1.4 | 0.7 | 14.0 | 12.9 | 50.3 | 20.8 | 100.0 | 1.8 | 9.7 | 5.7 | |
| 1.50 to 1.99 | 4.4 | 2.1 | 9.5 | 6.9 | 37.8 | 39.4 | 100.0 | 4.0 | 16.6 | 13.9 | |
| 2.00 to 2.99 | 0.7 | 0.5 | 4.8 | 5.5 | 35.0 | 53.6 | 100.0 | 12.1 | 22.8 | 24.5 | |
| 3.00 or above | 0.7 | 0.1 | 1.2 | 1.9 | 14.8 | 81.4 | 100.0 | 78.6 | 36.6 | 41.0 | |
| Whole category share ^b | 1.3 | 0.3 | 2.5 | 3.1 | 19.7 | 73.1 | 100.0 | 100.0 | 100.0 | 100.0 | |

^a Source: Estimated from the outgoing rotation group of the Current Population Survey, March 2007.

^b Hourly wage rates are based on a calculated ratio of weekly earnings to weekly hours. All household income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in 2007 dollars.

^c Share of all workers with wage earnings in each category.

Table A9. Demographic Characteristics of Workers Affected by Past and Future Increases in the Federal Minimum Wage: By Hourly versus Non-Hourly Status^a

| Family Type | Hourly | Non-Hourly | Hourly | Non-Hourly |
|---|--------------|------------|-----------------------|------------|
| | New Proposal | | Last Federal Increase | |
| Not highest earner in family | 51.2 | 44.7 | 57.3 | 53.3 |
| Highest earner, unmarried female, children under 18 years old in family | 11.3 | 10.0 | 12.5 | 9.8 |
| Highest earner, unmarried male, children under 18 years old in family | 5.8 | 6.2 | 5.5 | 7.4 |
| Highest earner, married with children under 18 years old in family | 8.6 | 13.5 | 6.3 | 8.9 |
| Highest earner, family size greater than 1, no children | 10.4 | 12.0 | 7.5 | 13.2 |
| Highest earner, family size equal to 1 | 12.7 | 13.6 | 11.0 | 7.3 |
| Whole category share | 100 | 100 | 100 | 100 |

^a The first three columns ("New Proposal") consist of a weighted sample of workers that includes all non-military, non-self-employed workers who earned between \$5.70 and \$9.49 per hour in March 2008, based on the March 2008 Current Population Survey (CPS) outgoing rotation group. The final three columns ("Last Federal Increase") consist of weighted sample of workers that includes all non-military, non-self-employed workers who earned between \$5.00 and \$7.24 per hour in March 2007, based on the March 2007 CPS outgoing rotation group.

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Minimum Wages and the Economic Well-Being of Single Mothers

Joseph J. Sabia

Abstract

Using pooled cross-sectional data from the 1992 to 2005 March Current Population Survey (CPS), this study examines the relationship between minimum wage increases and the economic well-being of single mothers. Estimation results show that minimum wage increases were ineffective at reducing poverty among single mothers. Most working single mothers were not affected by minimum wage hikes because they already earned wages above state and federal minimum wages. And less-educated single mothers who were affected did not see a rise in net income because of negative employment and hours effects. For this low-skilled population, a 10 percent increase in the minimum wage was associated with an 8.8 percent reduction in employment and an 11.8 percent reduction in annual hours worked.
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[T]here was this young boy about eleven years old . . . and he said, "You know, my mom makes the minimum wage and even though it went up, her hours were cut. So we're not making any more money. Can you help her?"

—Senator Hillary Rodham Clinton (D-NY), April 4, 2008

INTRODUCTION

Minimum wages enjoy a great deal of public support. A 2006 Associated Press-AOL News poll found that 80 percent of Americans approve of the recently enacted federal minimum wage increase (AP-AOL, 2006). One reason for this support is the belief that higher minimum wages can fight poverty among the working poor. Drawing on this sentiment, a number of policymakers have argued that minimum wage increases are necessary to prevent single mothers from falling into poverty, particularly in the wake of welfare reforms that have imposed strict work requirements and put time limits on benefits. For instance, during the summer of 2004, Senator Edward M. Kennedy (D-MA) advocated federal minimum wage increases to aid single mothers:

[T]he jobs available to women leaving welfare are often minimum wage jobs, and it is difficult, if not impossible, for them to meet the needs of their families and raise their children. Daily life is often harsh for low-income working mothers in all parts of the country, whether or not they have been on welfare. . . . We must stop asking these families to do it all alone. They are working too many hours for too little pay, without access to the support they need to make ends meet and improve the quality of their lives. One

of the most important steps we can take is to guarantee a fair minimum wage. (Senator Edward M. Kennedy, 2004)¹

While minimum wages have not been found to be particularly well targeted to single mothers (see Burkhauser & Sabia, 2007), some low-skilled single mothers may be affected by minimum wage increases. But even for these workers, the effect of a minimum wage increase on poverty is theoretically ambiguous. An increase in the minimum wage may increase the wages of less-skilled working single mothers, which could raise family income and alleviate poverty. However, a minimum wage increase will also raise the price of low-skilled labor to employers. This increase in the wage floor may cause a reduction in employment and hours,² which could reduce single mothers' income and increase poverty. Thus, the overall effect of minimum wages on poverty is an empirical question, which this paper seeks to answer.

Using data from a pooled cross section of unmarried mothers from the March 1992 to March 2005 Current Population Survey (CPS), this study presents estimates of the effect of minimum wage increases on single mothers' economic well-being. The evidence shows that minimum wage increases failed to alleviate poverty among single mothers for two reasons. First, consistent with Burkhauser and Sabia (2007), most working single mothers earn wage rates greater than state or federal minimum wages and are not directly affected by minimum wage increases. But second, even among less-educated single mothers who are affected by minimum wage increases, such hikes do not reduce poverty because of the offsetting effects of minimum wages on wages and on employment and hours. A 10 percent increase in the minimum wage is associated with an 8.8 percent reduction in employment and an 11.8 percent reduction in annual hours worked. On net, minimum wage increases had no effect on less-educated single mothers' wage income. The findings suggest that raising the minimum wage has been an ineffective anti-poverty tool for this vulnerable population.

LITERATURE REVIEW

While much of the recent political rhetoric over minimum wage increases has focused on single mothers, the empirical literature has generally focused on other important, but potentially less policy-relevant, low-skilled populations. Most studies have examined the effects of minimum wage increases on the employment of teenagers and younger high school dropouts. A review of the recent minimum wage literature by Neumark and Wascher (2007) finds that "few—if any—studies . . . provide convincing evidence of positive employment effects of minimum wages . . . and studies that focus on the least-skilled groups provide relatively overwhelming evidence of stronger disemployment effects for these groups."³

¹ See statements by Kerry (2004) and Clinton (2006) for other examples.

² This statement is true if labor markets are competitive. The presence of a monopsonistic labor market provides one theoretical rationale why minimum wage hikes could increase employment. However, recent studies by Aaronson and French (2006, 2007) suggest little evidence of monopsony power when examining the effects of minimum wage increases on output prices. Moreover, a 1996 poll found that the median labor economist believes that a 10 percent increase in the minimum wage causes a 1 percent reduction in teenage employment, a finding consistent with Brown, Gilroy, and Kohen (1982) (Fuchs, Krueger, & Poterba, 1998).

³ This review suggests that the positive employment effects found in some studies (see Card & Krueger, 1994, 1995; Card, Katz, & Krueger, 1994; Katz & Krueger, 1992) may be outliers. While it is possible for minimum wage increases to have a positive effect on employment—for instance, if labor markets are characterized by monopsony power—Aaronson and French (2006, 2007) find little evidence of monopsonistic markets when examining the effects of minimum wage increases on output prices. For examples of minimum wage studies finding adverse employment effects for low-skilled workers, see Campolieti, Gunderson, and Riddell (2006); Campolieti, Fang, and Gunderson (2005); Burkhauser, Couch, and Wittenburg (2000a, 2000b); Abowd, Kamarz, and Margolis (1999); Deere, Murphy, and Welch (1995); Neumark (2001); Neumark and Wascher (1992, 2002, 2004); Neumark, Schweitzer, and Wascher (2004); Partridge and Partridge (1999); Currie and Fallick (1996); Williams (1993); Couch and Wittenburg (2001); Sabia (2008a).

However, very few minimum wage studies have focused on single mothers. An exception is a recent paper by Burkhauser and Sabia (2007), who examine the target efficiency of the minimum wage, with special attention to single mothers. They find that minimum wage increases had no effect on single mothers' poverty rates because (1) many single mothers do not work, and (2) among those who do, most already earn wages higher than state or federal minimum wages. However, Burkhauser and Sabia (2007) do not examine employment, hours, or income effects of minimum wages for less-educated, lower-skilled single mothers, a population that may be affected.

Three studies by Grogger (2002, 2003, 2004) include the minimum wage as a control variable in regressions that examine the relationship between time limits on welfare benefits and single mothers' labor supply (and welfare use). Grogger finds that minimum wages have a negative but insignificant effect on single mothers' employment. However, because less-skilled and more highly skilled single mothers are pooled in his sample, parameter heterogeneity could mask employment effects for less-skilled single mothers.

While not specifically examining the effect of minimum wages on poverty or employment, a few studies have examined the effect of minimum wages on single mothers' welfare receipt, with mixed findings (Page, Spetz, & Millar, 2005; Brandon, 1995; Turner, 1999; CEA, 1999). An intriguing recent paper by Page, Spetz, and Millar (2005) finds that a 10 percent increase in the minimum wage is associated with a 1 to 2 percent increase in welfare caseloads. This finding could suggest there are adverse employment effects for less-educated single mothers.⁴

Finally, while not specifically focusing on single mothers, studies of other low-skilled populations have generally found little evidence of poverty-reducing effects of minimum wage increases. Dynamic analyses of the effect of minimum wage hikes on household-specific flows into and out of poverty (Neumark & Wascher, 2001, 2002; Neumark, Schweitzer, & Wascher, 2005) have found that while some low-skilled workers who remain employed after a minimum wage hike are moved out of poverty due to positive wage gains, other low-skilled workers are moved into poverty as a result of adverse employment or hours effects. Neumark and Wascher (2002) conclude that the net effect of minimum wage increases resembles income redistribution among low-income families, leaving many worse off. Golan, Perloff, and Wu (2001) also find evidence of adverse distributional effects, while Gundersen and Ziliak (2004) and Leigh (2007) find essentially no relationship between minimum wage hikes and poverty, consistent with Burkhauser and Finegan (1989).⁵

The current study contributes to the existing minimum wage literature in three key ways. First, this is the first study in the literature to examine the poverty effects of minimum wage increases for less-educated single mothers, a population targeted by policymakers for minimum wage protection in the era of welfare reform. Second, this study examines the sources of possible poverty effects of minimum wage increases: wages, employment, hours of work, weeks of work, and wage income. And finally, this study expands the work of Neumark (2007) by examining the

⁴Brandon (1995) and Turner (1999) use data from the Survey of Income and Program Participation (SIPP) to estimate the effect of minimum wage increases on the probability of exit from AFDC and reach opposite conclusions. However, these studies focus on only a few years of data and minimum wage effects are likely to be imprecisely estimated in short panels (Baker, Benjamin, & Stranger, 1999; Page, Spetz, & Millar, 2005). The Council of Economic Advisors (CEA) estimates the effects of welfare reform policies and minimum wage increases on welfare caseloads and finds that minimum wage hikes are associated with a decrease in welfare caseloads. However, Page, Spetz, and Millar (2005) convincingly show that the treatment of state-specific time trends and the time period chosen for analysis can explain differences in their findings from those of the CEA.

⁵An exception is Addison and Blackburn (1999), who find that minimum wage hikes had a modest negative effect on poverty rates of teenagers and junior high school dropouts in the pre-welfare reform era.

effects of minimum wage increases in a period covering the passage of state and federal welfare reforms.

IDENTIFICATION STRATEGY

Building on the models estimated by Page, Spetz, and Millar (2005), Grogger (2002, 2003, 2004), and Burkhauser and Sabia (2007), the following specification is used to estimate the effect of minimum wage increases on poverty:

$$PV_{ist} = \alpha_s + \beta MW_{st} + \mathbf{X}'_{st}\delta + \mathbf{P}'_{st}\pi + \mathbf{Z}'_i\gamma + \varepsilon_{ist} \quad (1)$$

where PV_{ist} is a dichotomous variable measuring whether person i in state s at year t lives in a family with total family income below the family-size adjusted poverty threshold, MW_{st} is the natural log of the higher of the real state or federal minimum wage that prevails in state s in year t , \mathbf{X}_{st} is a vector of state and year-specific economic controls, \mathbf{P}_{st} is a set of state and year-specific policy variables, and \mathbf{Z}_i is a vector of individual characteristics. The unobserved determinants of poverty are decomposed as follows:

$$\varepsilon_{ist} = \theta_s + \tau_t + f_s(t) + v_{ist} \quad (2)$$

where θ_s is a time-invariant state effect, which controls for fixed unmeasured characteristics of states, τ_t is a state-invariant year effect, which controls for time trends common to all states, $f_s(t)$ is a state-specific time effect, which controls for state-specific time trends, and v_{ist} is an unobserved error term. Fixed effects are included in the model to ameliorate bias in the estimate of β that may result from the endogeneity of minimum wage laws. The specification above is also used to estimate the effects of minimum wage increases on the underlying sources of poverty: wages, usual weekly hours worked, weeks worked per year, annual hours worked, and annual wage income.⁶

Identification of minimum wage effects comes from variation in minimum wages around a state-specific trend. Page, Spetz, and Millar (2005) persuasively argue that the inclusion of nonlinear state-specific time trends is important in obtaining unbiased estimates of the effect of minimum wage increases on single mothers, especially for samples spanning the pre- and post-welfare reform periods. In the specification above, a state-specific quadratic time trend is permitted and is defined as $f_s(t) = \alpha_{st} + \alpha_{st}^2$.⁷

While the above specification controls for several forms of unmeasured heterogeneity to address the endogeneity of minimum wage laws, this comes at a cost of reduced precision. The inclusion of state-specific time trends requires estimated employment effects to come off of deviation from trend, which may eliminate some state-specific identifying variation in minimum wages. However, given the evidence in Page, Spetz, and Millar (2005), as well as my own analysis of residuals from regressions excluding state time trends, the benefit of reducing heterogeneity bias by including such trends appears to outweigh the costs of lost precision.

Finally, I attempt to test the sensitivity of the results to unobservables by estimating Equation (1) on a sample of more highly educated single women who are

⁶Models with dichotomous dependent variables are estimated with linear probability models. Probit and logit models produce marginal effects that were comparable to those reported in the paper.

⁷In an analysis of residuals from regressions omitting state-specific time trends, quadratic time trends better fit the data than linear trends. The sensitivity of the results was tested by including only linear time trends up to higher-order polynomials (up to five) in the specification of state trends and the results were substantively unchanged. The omission of any state trends resulted in a different pattern of results, consistent with Page, Spetz, and Millar (2005), which could suggest omitted variable bias.

not expected to be affected by minimum wages. The results from these regressions will provide a natural "anti-test" to shed light on the credibility of the identifying assumptions of Equation (1) for less-educated single mothers.

DATA

Equation (1) is estimated using pooled cross-sectional data from the 1992 to 2005 March Current Population Survey (CPS). Questions about poverty, employment, hours of work, weeks of work, and wage income are asked with reference to the previous year; thus, these data correspond to the calendar years 1991–2004. While the unit of observation is the individual, the estimate of β in equation (1) can be interpreted as the estimated effect of state minimum wage increases on predicted poverty rates. The weighted means and standard deviations of the key dependent and independent variables are found in Table 1. To be included in the sample, an individual must be a single female head of household aged 15–55 with her own children under age 18 living in the family, a comparable sample to that investigated by Page, Spetz, and Millar (2005).

Poverty Measure. The key dependent variable is a measure of whether the single mother lives in poverty, defined by official government reports as having family income that falls below a family-size adjusted poverty threshold. In 2004, a single mother with two children would be defined as living in poverty if family income were less than \$15,219. Among all single mothers over the period 1991–2004, 40.6 percent reported that their total family income was below the poverty line. The percentage was much higher for single mothers without a high school diploma (71.9 percent) and lower for those with a high school diploma or more (32.8 percent).

Employment, Hours, and Income Measures. A single mother is defined as being employed if she reports working positive hours last year. While 78.7 percent of all single mothers reported positive hours of work, employment rates differed substantially by educational attainment. Only 56.4 percent of single mothers without high school diplomas were employed, while 84.3 percent of single mothers with some post-high school education reported work. Differences in employment rates by educational attainment contribute, in part, to differences in hours and weeks worked, as well as annual wage income. Single mothers without a high school degree worked, on average, 20.2 hours per week, 32.3 weeks per year, and 808.4 hours per year. Unmarried mothers with at least a high school education worked much more, at 32.3 hours per week, 38.4 weeks per year, and 1,501.2 hours per year. Not surprisingly, unconditional wage income was also substantially higher for more highly educated single mothers than for high school dropouts (\$15,918 vs. \$5,037).⁸ The final column of Table 1 shows hours and weeks of work, as well as wage income conditional on employment. Single mothers were employed for an average of 38.0 hours per week and 44.6 weeks per year, and the mean wage income was over \$17,000.

Minimum Wage. The key independent variable is the natural log of the larger of the state or federal minimum wage. Between 1991 and 2004, there were two federal minimum wage increases, as well as an increasing number of state minimum wage hikes.⁹ Because the inclusion of year effects in Equation (1) will capture much of the variation in federal minimum wages, state minimum wage changes provide an important source of identifying variation. In particular, the post-1997 period

⁸Annual wage income is measured in 2004 dollars and is top coded at \$150,000. Estimation results are not sensitive to choice of top-coding level.

⁹On April 1, 1991, the second phase of the 1990–1991 federal minimum wage increase was implemented, raising the federal minimum wage from \$3.80 per hour to \$4.25 per hour. Because the analysis uses annual data, the federal minimum wage in 1991 is the average of the two federal minimum wages that prevailed, weighted by the share of months each was in effect. A similar weighting scheme is used to calculate state minimum wages when an increase is implemented on a date other than January 1, such as the October 1996–1997 federal minimum wage hike.

Table 1. Weighted means and standard deviations of variables.

| | All | <HS Education | ≥HS Education | Employed |
|---|--------------------|------------------|--------------------|--------------------|
| <i>Dependent Variables</i> | | | | |
| Poverty (official poverty definition) | 0.406 (0.491) | 0.719 (0.449) | 0.328 (0.470) | 0.288 (0.453) |
| Employment | 0.787 (0.409) | 0.564 (0.496) | 0.843 (0.364) | — |
| Usual weekly hours worked | 29.9 (17.8) | 20.2 (19.3) | 32.3 (16.5) | 38.0 (9.74) |
| Usual weeks worked per year | 35.1 (21.9) | 21.9 (23.1) | 38.4 (20.3) | 44.6 (13.7) |
| Annual hours Worked per year | 1,362.7 (946.1) | 808.4 (916.3) | 1,501.2 (901.8) | 1,731.9 (707.0) |
| Annual wage income ^a | 13,744 (16252) | 5,037 (8081) | 15,918 (17033) | 17,457 (16452) |
| <i>Independent Variables</i> | | | | |
| Log (minimum wage) | 1.58 (0.124) | 1.57 (0.127) | 1.58 (0.123) | 1.58 (0.123) |
| Log (max. EITC benefit) | 7.71 (0.490) | 7.71 (0.522) | 7.71 (0.481) | 7.73 (0.477) |
| Work requirement | 0.656 (0.458) | 0.620 (0.468) | 0.665 (0.454) | 0.684 (0.448) |
| Time limit | 0.600 (0.486) | 0.553 (0.494) | 0.612 (0.483) | 0.631 (0.478) |
| Family cap | 0.352 (0.471) | 0.343 (0.468) | 0.354 (0.472) | 0.367 (0.476) |
| Paternity enforcement | 0.595 (0.488) | 0.549 (0.495) | 0.606 (0.485) | 0.626 (0.480) |
| Ln (max. AFDC-FS3 benefit) | 6.36 (0.228) | 6.35 (0.241) | 6.36 (0.225) | 6.36 (0.226) |
| Less than HS education | 0.200 (0.400) | — | — | 0.143 (0.350) |
| Some college (>4 years college) | 0.319 (0.466) | — | 0.398 (0.490) | 0.349 (0.476) |
| College | 0.089 (0.284) | — | 0.111 (0.314) | 0.105 (0.307) |
| Post-college | 0.034 (0.181) | — | 0.043 (0.202) | 0.041 (0.199) |
| Disability | 0.082 (0.274) | 0.133 (0.339) | 0.069 (0.254) | 0.037 (0.189) |
| Child <6 years | 0.399 (0.490) | 0.487 (0.500) | 0.378 (0.485) | 0.364 (0.481) |
| Number of children | 1.86 (1.04) | 2.27 (1.30) | 1.75 (0.941) | 1.76 (0.941) |
| Age | 34.9 (8.23) | 33.0 (8.85) | 35.3 (8.01) | 35.2 (8.07) |
| Black | 0.327 (0.469) | 0.356 (0.479) | 0.320 (0.466) | 0.309 (0.462) |
| Non-MSA | 0.176 (0.381) | 0.168 (0.374) | 0.178 (0.382) | 0.177 (0.382) |
| State unemployment rate (males aged 25–54) | 0.090 (0.025) | 0.093 (0.024) | 0.089 (0.025) | 0.089 (0.025) |
| Average state mean wage (all aged 25–54) | 27.2 (6.27) | 26.7 (6.19) | 27.4 (6.28) | 27.5 (6.31) |
| Log (state GDP) | 12.3 (0.983) | 12.4 (0.986) | 12.3 (0.980) | 12.3 (0.983) |
| <i>N</i> | 62,781 | 12,548 | 50,233 | 49,417 |

Note: Sample includes unmarried female heads of household aged 15–55 with own children under age 18.

^aReal income measure top-coded at \$150,000.

Source: Computed by the author.

Data: March 1992 to March 2005 Current Population Survey.

provides a rich new source of identification because of the increase in both frequency and magnitude of state minimum wage hikes (Sabia, 2008a). Table 2 summarizes state and federal minimum wage changes from 1991 to 2004. From this table, it can be seen that most state minimum wage increases occurred in north-eastern states and Pacific states.

State Economic Controls. State economic conditions are expected to influence single mothers' employment and earnings. As in Burkhauser, Couch, and Wittenburg (2000a, 2000b), Card and Krueger (1995), and Deere, Murphy, and Welch (1995), several state- and year-specific measures of economic health are included as controls. First, the average wage rate for workers aged 25–54 is included because as average wages rise, firms may substitute toward lower-skilled workers. Next, the state- and year-specific unemployment rate for prime age males aged 25–54 is included to capture state employment conditions. And finally, the natural log of the state gross domestic product (GDP) is included to capture state-specific economic growth.

Welfare Policy Variables. Between 1991 and 2004, many state-specific welfare reforms were adopted, as states applied to the federal government for waivers from federal welfare regulations.¹⁰ The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 implemented, at the federal level, many of the state welfare reform experiments and also facilitated states in adopting different types of provisions. Because welfare waivers may affect labor supply decisions of single mothers—particularly poor single mothers who had been, are, or anticipate joining the welfare rolls—these waivers are included as controls in the analysis (see Blank, 2001, 2002). Data on welfare waivers are obtained from the Council of Economic Advisors (1999), Sabia (2008b), the Urban Institute, and Horvath-Rose and Peters (2001).¹¹ Four key welfare reform policies are included: work requirements, time limits for welfare benefits, family caps, and sanctions for noncompliance with child support arrangements. In addition to these welfare waivers, the natural log of the state- and year-specific maximum AFDC and food stamp benefit for a family of three is included to capture non-work benefits available (Moffitt, 1992).

Maximum EITC Credit. Several studies in the literature have found that expansions in the earned income tax credit (EITC) are associated with an increase in single mothers' labor supply, though this effect is concentrated along the extensive margin (see, for example, Hotz & Scholz, 2003; Eissa & Hoynes, 2005; Meyer & Rosenbaum, 2000, 2001; Ellwood, 2000; Grogger, 2003; Hotz, Mullin, & Scholz, 2002; Eissa & Liebman, 1996). This may be because while the EITC provides unambiguous incentives for nonworkers to work, among workers, the offsetting income and substitution effects—particularly over the phase-out range of the program—result in smaller hours effects. Between 1991 and 2004, 10 states enacted or expanded their refundable EITC credit. New York, Minnesota, and Vermont each offered refundable credits of at least 30 percent of the federal EITC, which would increase the maximum credit by nearly \$1,200 for a family with at least two children.¹²

¹⁰Between January 1987 and August 1996, 46 states—including the District of Columbia—received approval to implement at least one demonstration project to amend their Aid to Families with Dependent Children (AFDC) and Job Opportunities and Basic Skills (JOBS) programs. Of the states that received approval, 39 actually implemented the waivers before PRWORA was passed in August 1996. States that either did not apply for approval or did not receive approval on their application were: Alaska, Kentucky, Nevada, New Mexico, and Rhode Island. Of the states that received approval, 39 actually implemented the waivers before PRWORA was passed in August 1996.

¹¹Horvath-Rose and Peters (2001) interviewed officials from many states in order to collect accurate data about the statewide scope of implementation. If welfare waivers were not adopted statewide, the relevant welfare waivers are coded proportional to the share of the population covered. Moreover, if a reform was only adopted for some fraction of the year, that fraction is coded in the relevant state and year.

¹²The maximum federal EITC credit in 2004 was \$4,300. In Wisconsin, a refundable credit of 43 percent of the federal EITC is available for a family with three or more children, which would result in a possible maximum credit of \$6,149. All control variables that measure dollar amounts (EITC benefits, AFDC-FS benefits, annual income, state GDP, and state mean wage) are adjusted for inflation and are measured in 2004 dollars.

Table 2. State minimum wages from 1991 to 2004 that were higher than the federal minimum on January 1.

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Federal minimum ^a | 4.25 | 4.25 | 4.25 | 4.25 | 4.25 | 4.75 | 5.15 | 5.15 | 5.15 | 5.15 | 5.15 | 5.15 | 5.15 | 5.15 |
| Northeast | | | | | | | | | | | | | | |
| New England | | | | | | | | | | | | | | |
| Maine | — | — | — | — | — | — | — | — | — | — | — | 5.75 | 6.25 | 6.25 |
| New Hampshire | 3.85 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Vermont | 3.85 | — | — | — | 4.75 | 4.75 | 5.00 | — | — | 5.75 | 6.25 | 6.25 | 6.25 | 6.75 |
| Massachusetts | — | — | — | — | — | — | 5.25 | — | — | 6.00 | 6.75 | 6.75 | 6.75 | 6.75 |
| Rhode Island | 4.25 | 4.45 | 4.45 | 4.45 | 4.45 | 4.45 | 5.15 | — | — | 5.65 | 6.15 | 6.15 | 6.15 | 6.15 |
| Connecticut | 4.25 | 4.27 | 4.27 | 4.27 | 4.27 | 4.27 | 4.77 | — | 5.65 | 6.15 | 6.40 | 6.70 | 6.90 | 7.10 |
| Middle Atlantic | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| New Jersey | — | 5.05 | 5.05 | 5.05 | 5.05 | 5.05 | 5.05 | — | — | — | — | — | — | — |
| Midwest | | | | | | | | | | | | | | |
| East North Central | — | — | — | — | — | — | — | — | — | — | — | — | — | 5.50 |
| Illinois | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| West North Central | 4.25 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Minnesota | 4.25 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Iowa | — | 4.65 | 4.65 | 4.65 | 4.65 | 4.65 | — | — | — | — | — | — | — | — |
| South | | | | | | | | | | | | | | |
| South Atlantic | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Delaware | — | — | — | — | — | 4.65 | 5.00 | — | — | 5.65 | 6.15 | 6.15 | 6.15 | 6.15 |
| District of Columbia | 4.33 | 4.33 | 4.33 | 5.25 | 5.25 | 5.25 | 5.75 | 5.75 | 6.15 | 6.15 | 6.15 | 6.15 | 6.15 | 6.15 |
| West | | | | | | | | | | | | | | |
| Pacific | | | | | | | | | | | | | | |
| Washington | 4.25 | — | — | 4.90 | 4.90 | 4.90 | 4.90 | — | 5.70 | 6.50 | 6.72 | 6.90 | 7.01 | 7.16 |
| Oregon | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 5.50 | 6.00 | 6.50 | 6.50 | 6.50 | 6.50 | 6.90 | 7.05 |
| California | 4.25 | — | — | — | — | — | — | 5.00 | 5.75 | 5.75 | 6.25 | 6.75 | 6.75 | 6.75 |
| Alaska | 4.30 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 5.25 | 5.65 | 5.65 | 5.65 | 5.65 | 5.65 | 7.15 | 7.15 |
| Hawaii | — | 4.75 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.75 | 6.25 | 6.25 |

Source: Updated from Burkhauser, Couch, and Wittenburg (2000a), Fiscal Policies Institute (2004), and the U.S. Department of Labor.
^a In 1991, the federal minimum wage was not implemented until April 1. Thus, some states listed in the table have a higher state minimum wage than the federal minimum wage from January to March in those years. In 1996 and 1997, the federal minimum wage was not implemented until October 1. Thus, some states listed in the table have a higher state minimum wage than the federal minimum wage from January to September in those years.

Individual Level Characteristics. Finally, a set of individual- and family-level demographic characteristics expected to affect labor supply are included. These include age, age squared, race, education, whether the mother has a disability, whether there are young children under age 6 in the household, the number of children in the household, and whether the mother lives in a metropolitan statistical area (MSA).

While each of the regressions in this study controls for the above explanatory variables, the discussion of findings below and the results presented in the main tables are limited to the effects of the minimum wage. Estimated coefficients on the control variables are available upon request. There are 62,781 single mothers aged 15–55 in the sample with non-missing observations. Of these, approximately 20 percent (12,548) had not completed high school and 80 percent (50,233) had completed high school or received some post-high school education.

RESULTS

Estimation results are presented in Tables 3–6. All regressions are weighted and include state effects, year effects, and state-specific quadratic time trends. Standard errors are corrected for clustering at the state level.

Poverty Effects

Table 3 presents estimates of the effect of minimum wage increases on single mothers' poverty rates. The first panel presents findings for the 1991–2004 period. In column 1, the general finding in Burkhauser and Sabia (2007) is confirmed with additional post-PRWORA years included. Consistent with their results, there is no evidence that minimum wage increases reduced poverty rates among all single mothers. As Burkhauser and Sabia (2007) emphasize, the lack of a significant effect may be explained by the fact that: (1) many single mothers do not work and thus cannot be directly helped by minimum wage increases, and (2) most working single mothers are not directly affected by minimum wage increases because they already earn wages higher than state or federal minimums.

In columns 2 and 3, poverty effects are estimated by single mothers' educational attainment to ameliorate the parameter heterogeneity problem. As expected, there is no evidence that minimum wages impact poverty among single mothers with a high school diploma, who likely are sufficiently highly skilled that they are unaffected by minimum wage policy (column 3). But even among single mother dropouts (column 2), there is little evidence that minimum wage increases affect poverty. While the parameter estimate is negative, the absence of a large negative significant effect could suggest that adverse employment and hours effects undercut income gains.

In columns 4–6, the sample is restricted to working single mothers. In these specifications, the minimum wage is given its best chance to reduce poverty because single mothers who may have become unemployed because of minimum wage increases are excluded from the sample. But even here, the results continue to show that minimum wage increases have no effect on poverty among single mothers of any education level.

In the second and third panels of Table 3, I examine whether the effect of minimum wages on poverty differs in the pre- and post-PRWORA eras. It may be that the increase in the share of single mothers who are working in the post-PRWORA period increases the effectiveness of minimum wages in reducing poverty among this population. However, across both the pre- and post-PRWORA periods, there is little evidence that minimum wage hikes have a significant effect on poverty.

Next, the sensitivity of the poverty results to alternate definitions of poverty is examined. In Panel IV, the dependent variable is a continuous measure of the

Table 3. Effect of minimum wage increases on single mothers' poverty, 1991-2004.

| | All | | | Working | | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| | All (1) | < HS Educ. (2) | ≥ HS Educ. (3) | All (4) | < HS Educ. (5) | ≥ HS Educ. (6) |
| <i>Panel I: Full Sample</i> | | | | | | |
| Log (minimum wage) | -0.088 (0.069) [62,781] | -0.203 (0.282) [12,548] | -0.057 (0.076) [50,233] | -0.062 (0.070) [49,417] | -0.305 (0.459) [7,038] | -0.024 (0.108) [42,379] |
| Elasticity | -0.217 | -0.282 | 0.174 | -0.215 | -0.524 | 0.100 |
| <i>Panel II: Pre-PRWORA Sample</i> | | | | | | |
| Log (minimum wage) | -0.186 (0.111) [23,610] | -0.362 (0.369) [5,581] | -0.148 (0.113) [18,029] | -0.144 (0.277) [16,979] | -0.176 (0.417) [2,583] | -0.179 (0.290) [14,396] |
| Elasticity | -0.408 | -0.468 | -0.404 | -0.477 | -0.287 | -0.716 |
| <i>Panel III: Post-PRWORA Sample</i> | | | | | | |
| Log (minimum wage) | -0.030 (0.082) [39,171] | -0.325 (0.202) [6,967] | 0.059 (0.087) [32,204] | 0.026 (0.108) [32,438] | -0.568 (0.515) [4,455] | 0.150 (0.089) [27,983] |
| Elasticity | -0.081 | -0.484 | 0.195 | 0.094 | -1.01 | 0.649 |
| <i>Panel IV: Total Household Income-to-Needs</i> | | | | | | |
| Log (minimum wage) | 0.057 (0.451) [62,781] | 0.729 (0.552) [12,548] | -0.054 (0.446) [50,233] | 0.038 (0.489) [49,417] | 0.949 (0.677) [7,038] | -0.026 (0.485) [42,379] |
| Elasticity | 0.030 | 0.776 | -0.025 | 0.017 | 0.786 | -0.011 |
| <i>Panel V: Total Household Income + EITC</i> | | | | | | |
| Log (minimum wage) | -0.105 (0.101) [62,781] | -0.130 (0.262) [12,548] | -0.088 (0.096) [50,233] | -0.155 (0.104) [49,417] | -0.301 (0.413) [7,038] | -0.091 (0.108) [42,379] |
| Elasticity | -0.324 | -0.213 | -0.348 | -0.767 | -0.690 | -0.558 |

Notes: The dependent variable in Panels I, II, and III is an indicator for poverty based on family income and the official family-size adjusted poverty threshold. The dependent variable in Panel IV is a continuous measure of total household income to needs, where total household income includes all earned income plus government transfers. The dependent variable in Panel V is an indicator variable for poverty, where total household income includes government transfers and EITC benefits. Regressions in Panels I, IV, and V are based on the 1991-2004 sample. Regressions in Panel II are based on the 1991-1996 sample. Regressions in Panel III are based on the 1997-2004 sample. All regressions include state effects, year effects, state-specific quadratic time trends, and the set of controls listed in Table 1.

*** Significant at 1% level; ** Significant at 5% level; * Significant at 10% level. Standard errors are corrected for clustering at the state level. All regressions are weighted.

Source: Computed by the author.

Data: March 1992 to March 2005 Current Population Survey.

income-to-needs ratio of the single mother's household, where income is defined as total household income, consistent with the definition used in Burkhauser and Sabia (2007). The findings using this measure are consistent with those in Panel I. Finally, in Panel V, the dependent variable is an indicator of poverty based on total household income that also includes EITC payments. Minimum wages could affect an after-tax measure of poverty by increasing or decreasing EITC payments due to a change in earnings. However, across models in Panel V, the results remain

Table 4. Wage distribution of working single mothers, 1991-2004.

| | Real Hourly Wage Rate ^a | | | | | | Total | Estimated Elasticity ^b |
|---|------------------------------------|------------------|------------------|------------------|-------------------|----------|-------|-----------------------------------|
| | <\$3.00 | \$3.00 to \$4.00 | \$4.01 to \$5.00 | \$5.01 to \$7.00 | \$7.01 to \$10.00 | >\$10.00 | | |
| All working single mothers | 13.0 | 8.4 | 9.6 | 18.1 | 19.5 | 31.4 | 100.0 | -0.095 |
| Single mothers with < high school education | 24.6 | 15.0 | 14.5 | 21.3 | 13.8 | 10.8 | 100.0 | 0.992* |
| Single mothers with ≥ high school education | 11.0 | 7.3 | 8.8 | 17.5 | 20.5 | 34.9 | 100.0 | -0.168 |

Source: Computed by the author.

Data: March 1992 to March 2005 Current Population Survey. Sample limited to unmarried mothers aged 15-55.

*Significant at 10% level.

^aWage rate measured in 2004 dollars.

^bThese elasticities are the estimated effects of minimum wage increases on wages. They are obtained from regressions of real wage rate on the minimum wage, controlling for demographic, economic, welfare policy controls, state effects, year effects, and state-specific quadratic time trends. Wage rates are bottom coded at \$2.00 per hour and top coded at \$150 per hour, though estimated elasticities are not sensitive to these coded values.

unchanged. Taken together, the results in Table 3 suggest that raising the minimum wage has not been a particularly effective anti-poverty tool for single mothers. The reasons for this result are explored in the remaining tables.

Wage Effects

If minimum wage increases are to affect single mothers' economic well-being, they must affect workers' wage rates. The first six columns of Table 4 show the wage distribution of working single mothers by educational attainment.¹³ All wages are in 2004 dollars and are calculated as the ratio of annual wage income to annual hours worked. The wage distribution in row 1 suggests that most working single mothers earned sufficiently high wages that they are not directly affected by minimum wage increases, a point emphasized by Burkhauser and Sabia (2007).

However, there are substantially more low-skilled, low-wage women among single mothers who had not completed high school (row 2). This suggests that minimum wage policy is likely to affect single mothers who are less educated. In contrast to these lower-skilled workers, single mothers with at least a high school diploma (row 3) are unlikely to be affected by minimum wage policy because these workers are higher-skill, higher-wage workers.

In the final column of Table 4, estimates of the effect of minimum wage increases on the wages of working single mothers are presented. Consistent with the observed wage distributions, there is little evidence that minimum wage increases significantly affect wages of all single mothers (row 1, final column) or more highly educated single mothers (row 3, final column). However, for less-educated single mothers (row 2, final column), there is a significant wage effect. A 10 percent increase in the minimum wage is associated with a 9.9 percent increase in wages.

In summary, there are two important findings to take away from Table 4. First, minimum wage increases do not affect the vast majority of working single mothers because most earn wages greater than state or federal minimum wages. Second, minimum wage hikes increase the wages of less-educated single mothers. However, the results in Table 3 indicate that these wage increases did not lead to a reduction in poverty. Next, I examine whether this result can be explained by labor demand responses to minimum wage hikes.

Employment, Hours, and Income Effects

In Table 5, estimates of the effect of minimum wages on employment, hours, weeks, and income are presented. There is little evidence that minimum wages affect all single mothers (Panel I), but this is not surprising given that most working single mothers are not affected by minimum wage policy (see Table 3 and Burkhauser & Sabia, 2007). However, for less-educated single mothers (Panel II), there is consistent evidence that minimum wages have significant adverse labor demand effects. A 10 percent increase in the minimum wage is associated with an 8.8 percent reduction in employment for single mothers who had not completed high school. This estimated employment elasticity is quite large compared to elasticities found in the literature on teenagers, which tend to range from -0.1 to -0.3 (Neumark & Wascher, 2007), but is comparable to estimates obtained for non-high school graduates, which recent studies have placed between -0.8 and -0.9 (Burkhauser, Couch, & Wittenburg, 2000a, 2000b; Neumark, 2007).

There are several explanations for why less-educated single mothers may experience especially large unemployment effects from minimum wage increases. First,

¹³ If a working single mother's imputed wage rate is less than \$2.00 per hour, it is bottom coded to \$2.00 per hour. Wage rates are similarly top coded at \$150 per hour. The results were not sensitive to modest changes in the selection of bottom- and top-coded values.

Table 5. Effect of minimum wage increases on single mothers' employment, usual weekly hours, weeks per year worked, annual hours, and wage income.

| | Employment (1) | Weekly Hours (2) | Weeks Last Year (3) | Annual Hours (4) | Wage Income (5) |
|------------------------------------|----------------------|------------------------|---------------------------|------------------------|-----------------------|
| <i>Panel I: All</i> | | | | | |
| Log (minimum wage) | -0.079 (0.130) | 0.584 (4.67) | -6.76 (6.57) | -33.4 (205.7) | -1723.8 (3146.6) |
| Min. wage elasticity | -0.100 [62,781] | 0.020 [62,781] | -0.193 [62,781] | -0.025 [62,781] | -0.125 [62,781] |
| <i>Panel II: < HS Education</i> | | | | | |
| Log (minimum wage) | -0.497*** (0.124) | -18.5*** (5.16) | -25.3*** (7.18) | -953.1*** (257.9) | -2815.9 (2874.8) |
| Min. wage elasticity | -0.881 [12,548] | -0.916 [12,548] | -1.16 [12,548] | -1.18 [12,548] | -0.559 [12,548] |
| <i>Panel III: ≥ HS Education</i> | | | | | |
| Log (minimum wage) | -0.011 (0.132) | 3.88 (4.85) | -3.71 (6.74) | 128.9 (216.0) | -1384.9 (2916.1) |
| Min. wage elasticity | -0.013 [50,233] | 0.120 [50,233] | -0.097 [50,233] | 0.086 [50,233] | -0.087 [50,233] |

Notes: All regressions include state effects, year effects, state-specific quadratic time trends, and the set of controls listed in Table 1. Sample sizes are in brackets and robust standard errors are in parentheses.

*** Significant at 1% level; ** Significant at 5% level; * Significant at 10% level.

Standard errors are corrected for clustering at the state level. All regressions are weighted.

Source: Computed by the author.

Data: March 1992 to March 2005 Current Population Survey.

prior to state and federal welfare reforms that required work, there was little incentive, and, in fact, strong disincentive in some cases, for many less-educated single mothers to accumulate job experience. Thus, single mothers without a high school diploma may be even lower skilled than other populations of dropouts, making them more likely to be laid off when minimum wages are increased. Second, the birth of a child often interrupts work, leading to gaps in the accumulation of experience and skill. Waldfogel (1998) suggests that the child wage penalty for never-married mothers may be larger than that for other women. And finally, minimum wage increases may shift employment away from low-skilled adults and toward teenagers and students (Lang & Kahn, 1998), which could result in larger estimated effects for low-skilled single mothers.

While the above employment effects are important, examining only employment elasticities may obscure the full effects of minimum wage hikes on less-educated single mothers' labor supply. This is because changes in employment could mask an increase or decrease in the demand for labor, measured by work hours or weeks of work (Couch & Wittenburg, 2001). Firms may reduce employment and average hours worked by those employed as a response to higher labor costs, or may increase hours of retained workers to compensate for reduced employment. Moreover, among retained workers, the offsetting substitution and income effects from a minimum wage increase could lead workers to supply more or fewer hours.¹⁴ Columns 2-4 of Panel II present the estimated effect of minimum wage increases

¹⁴ While there is evidence that women's own wage elasticity has been falling, particularly for married women (see Blau & Kahn, 2007), the evidence still suggests that working single women have larger wage elasticities than men (see, for example, Kimmel & Kniesner, 1998).

Table 6. Robustness of estimates for less-educated single mothers to specification choice.

| | Employment (1) | Annual Hours (2) | Wage Income (3) | Poverty (4) |
|--|----------------------|------------------------|-----------------------|--------------------|
| <i>Panel I: Lagged Effects</i> | | | | |
| Log (minimum wage) | -0.465*** (0.129) | -876.7*** (286.3) | -3084.9 (3278.2) | -0.251 (0.258) |
| Lag [log (Minwage)] | -0.088 (0.188) | -215.9 (401.4) | 761.5 (4400.2) | 0.139 (0.134) |
| Long-run MW elasticity ^a | -0.980 [12,548] | -1.35 [12,548] | -0.461 [12,548] | -0.156 [12,548] |
| <i>Panel II: Added Welfare Control</i> | | | | |
| Log (minimum wage) | -0.427*** (0.138) | -793.7** (305.4) | -2547.6 (2936.9) | -0.278 (0.251) |
| Lag [log (Minwage)] | -0.090 (0.185) | -219.5 (378.3) | 738.8 (4108.2) | 0.140 (0.124) |
| Long-run MW elasticity ^a | -0.917 [12,548] | -1.25 [12,548] | -0.359 [12,548] | -0.192 [12,548] |
| <i>Panel III: Anti-Test on Married Men</i> | | | | |
| Log (minimum wage) | 0.038 (0.025) | 138.0 (99.4) | -5225.8 (3229.9) | 0.026 (0.027) |
| Min. wage elasticity | 0.040 [250,481] | 0.063 [250,481] | -0.147 [250,481] | 0.590 [250,481] |

Notes: All regressions include state effects, year effects, state-specific quadratic time trends, and the set of controls listed in Table 1. Sample sizes are in brackets and robust standard errors are in parentheses. Regressions in Panels I and II use the sample of single mothers aged 15–55 without a high school degree. Panel III uses a sample of married men aged 18–64 with a high school degree or more. The regression in Panel I includes a one-year lagged minimum wage variable as an additional regressor; the regression in Panel II also includes a control for the estimated share of single mothers in each state in each year receiving public assistance.

*** Significant at 1% level; ** Significant at 5% level; * Significant at 10% level. Standard errors are corrected for clustering at the state level. All regressions are weighted.

Source: Computed by the author.

Data: March 1992 to March 2005 Current Population Survey.

^a For models in Panels I and II, the long-run elasticity is presented, which is the sum of the contemporaneous and lagged minimum wage effects. For employment and hours elasticities (columns 1–2) in Panels I and II, the long-run elasticity is significantly different from zero.

on usual weekly hours worked, weeks worked per year, and annual hours of work for less-educated single mothers. The estimated elasticities for weekly hours (-0.916), weeks per year (-1.16), and annual hours (-1.18) are each larger than the estimated employment elasticity, suggesting that the estimated employment effect understates the full labor demand effects of minimum wage hikes. This result is consistent with the findings of Couch and Wittenburg (2001) in their study of teenagers.

These large adverse employment, hours, and weeks effects help to explain why wage gains from minimum wage hikes did not translate to significant poverty effects for less-educated single mothers. On net, minimum wage increases had no significant effect on average wage incomes of less-educated single mothers (column 5, Panel II). In fact, the sign of the estimated effect is negative. This suggests that while some single mothers may have been lifted out of poverty due to positive wage effects of minimum

wage increases, others had their incomes decline due to adverse employment and hours effects, consistent with the results of Neumark and Wascher (2002).¹⁵

Finally, in Panel III, I examine the effect of minimum wages on more highly educated single mothers, a population that should not be affected by the minimum wage. Not unexpectedly, I find that minimum wage increases do not affect employment, hours, weeks, or incomes of more highly skilled single mothers. The estimated elasticities are always insignificant and sometimes of the opposite sign. The lack of adverse labor demand effects for this more highly skilled population adds to our confidence in causally interpreting the estimates for less-educated single mothers.¹⁶

Sensitivity Tests

To test the sensitivity of the above findings to model specifications, a set of robustness checks is presented in Table 6. First, a number of researchers have suggested that employers may not respond instantaneously to changes in the minimum wage and argue for the inclusion of lagged policy effects (Neumark, Schweitzer, & Wascher, 2004; Burkhauser, Couch, & Wittenburg, 2000a; Page, Spetz, & Millar, 2005; Baker, Benjamin, & Stranger, 1999; Campolieti, Gunderson, & Riddell, 2006). Thus, the specifications in Panel I of Table 6 include both contemporaneous and one-year lagged minimum wage variables. The estimated long-run elasticities for employment and hours (columns 1 and 2) are larger than the short-run elasticities in Table 5, suggesting that firms take time to fully adjust to the change in wage floor. These results imply that examining only contemporaneous effects may understate the full effect of the minimum wage.

Next, in Panel II, I test the sensitivity of results to an additional control for state-level welfare reform: a state- and year-specific estimate of public assistance participation rates by single mothers. This measure is designed to capture unmeasured state welfare reform policies or strength of enforcement of welfare reform policies, which may be associated with changes in minimum wages and single mothers' economic well-being. The inclusion of this measure leaves the main results unchanged.¹⁷

And finally, I test the credibility of the identification assumption of the above specification by conducting a falsification test on another population that is not expected to be affected by minimum wages: married men aged 18–64 with at least a high school education. If there were evidence of significant effects of minimum wage increases on this population, it could suggest an important omitted variable bias problem in models examining less-educated mothers. Across outcomes in Panel III, however, there is little evidence that minimum wage hikes affected the employment, hours, or earnings of married men, adding confidence to the identification strategy used for single mothers.

DISCUSSION AND CONCLUSIONS

Despite policymakers' calls for minimum wage increases to fight poverty among single mothers, raising the minimum wage appears to have been an ineffective antipoverty tool during the era of welfare reform. Most single mothers were not affected by minimum wage increases because they already earned wage rates higher than state and federal minimum wages. But it is important to note that, even

¹⁵ In unreported results in which the sample was conditioned on employed less-educated single mothers, minimum wage increases also had no effect on the wage income of working single mothers.

¹⁶ If estimation results for more highly educated single mothers had indicated significant effects of minimum wage increases, this would have undermined the credibility of results for less-educated single mothers by raising suspicions that the findings in columns 4–6 were spurious correlations.

¹⁷ Estimates of employment, hours, and income effects were also conducted separately in the pre- and post-PRWORA periods. The strongest evidence of adverse minimum wage effects appear in the post-PRWORA era, in part due to the increased state-level variation in minimum wages, which leads to more precise estimates.

among less-educated mothers who were affected by minimum wage increases, adverse employment and hours effects resulted in no net income gains.

There are a few limitations to this study that warrant mention. First, if changes in minimum wages are correlated with marriage, childbearing, or education decisions of women, this may alter the composition of less-educated female family heads with children, which may, in turn, lead to biased estimates (see Grogger, 2002, for a detailed discussion of this issue with regard to welfare reform).¹⁸ Empirical evidence of the effects of minimum wage increases on family formation, marriage, and childbearing is quite limited, and the theoretical effects ambiguous, creating difficulty in assigning an a priori sign to this form of sample selection bias.

Second, because this study uses pooled cross sections rather than longitudinal data, I do not examine the effect of minimum wage increases on family-specific flows into and out of poverty. Thus, the study cannot measure the share of less-skilled single mothers that were moved out of poverty due to wage gains and limited hours losses, and the share that were moved into poverty due to substantial adverse labor demand effects. Rather, the results describe only net poverty effects. Understanding dynamic family poverty effects may be of interest in analyzing the distributional effects of minimum wage increases.

Finally, the findings of this study could be enhanced with the aid of qualitative research. For example, qualitative evidence from welfare caseworkers or from less-educated single mothers themselves on their job searches or work schedules following minimum wage hikes could be informative.

In summary, my results suggest that raising the minimum wage has been an ineffective antipoverty tool for single mothers. And taken together with the welfare findings of Page, Spetz, and Millar (2005), it could suggest that minimum wages cause unintended adverse consequences for precisely the vulnerable populations they are purported to help. As policymakers explore alternative strategies to combat poverty among single mothers, one such policy that merits greater attention is the earned income tax credit. The EITC has two advantages over the minimum wage in combating poverty. First, because eligibility is based on family income rather than a wage rate, the benefits are much more likely to be received by workers in poor families (Congressional Budget Office, 2007; Burkhauser & Sabia, 2007; Burkhauser, Couch, & Glenn, 1996). Second, because the costs of the EITC are not directly borne by employers, expansions in wage subsidies do not cause adverse labor demand effects. To the contrary, a large body of empirical literature finds that expansions in the EITC increase employment among low-skilled single mothers (Hotz & Scholz, 2003; Eissa & Hoynes, 2005; Meyer & Rosenbaum, 2000, 2001; Ellwood, 2000; Grogger, 2003; Hotz, Mullin, & Scholz, 2002; Eissa & Liebman, 1996).¹⁹ Given that employment is an important antipoverty mechanism and wage subsidies can increase income to the working poor, expansions in the EITC may be a more effective means of aiding low-skilled single mothers.

JOSEPH J. SABIA is an Assistant Professor in the Department of Public Administration and Policy at American University.

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¹⁸ One solution to this problem is to model selection into the sample, but the lack of credible instruments needed to identify the selection process limits such a procedure. Another solution would be to examine the full sample of women, but this, of course, would introduce a parameter heterogeneity problem, as many women are not expected to be affected by minimum wages.

¹⁹ In unreported results, I find that a 10 percent increase in state refundable supplements to the federal EITC is associated with 1.1 percent increase in less-educated single mothers' employment.

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**The Effects of Minimum Wage Increases in New York State:
Evidence from a Natural Experiment***

Joseph J. Sabia
U.S. Military Academy
Email: joe_sabia@yahoo.com

Richard V. Burkhauser
Cornell University
Email: rvb1@cornell.edu

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**The Employment and Distributional Effects of Minimum Wage Increases:
A Case Study of the State of New York**

Abstract

Using data drawn from the Current Population Survey outgoing rotation groups, we estimate the employment effects of the 2004-2006 New York State minimum wage increase, and use these estimates to simulate the employment and distributional consequences of a newly proposed state minimum wage hike. Difference-in-difference-in-difference estimates show that the last state minimum wage hike from \$5.15 to \$6.75 per hour reduced employment among 16-to-29 year-olds without a high school degree by approximately 26 percent, an implied elasticity of -0.8. This result is robust to a wide set of cross-state and within-state control groups and is further bolstered by results from falsification tests in the periods just before and after the minimum wage was increased. When we use our estimated employment elasticities to simulate the distributional consequences of the proposed state minimum wage hike from \$7.15 to \$8.25, we find that just 20 percent of the benefits will be received by workers in poor households.

JEL Codes: J23; J38; I32

Keywords: minimum wage, employment, natural experiment

I. Introduction

In June 2007, New York State Assembly Speaker Sheldon Silver proposed legislation to raise the state minimum wage from \$7.15 to \$8.25 per hour, and to index it to inflation thereafter. Proponents argue that such minimum wage increases have no negative employment effects (Card and Krueger, 1995; Dube et al., 2008) and will be effective in aiding poor workers,¹ while opponents emphasize the minimum wage's poor target efficiency (Burkhauser and Sabia, 2007) and non-trivial adverse employment and hours effects for low-skilled workers (Neumark and Wascher, 2007). While forecasting the behavioral and distributional consequences of a proposed state minimum wage hike can prove difficult, the case of New York provides a unique opportunity to do so. This is because Speaker Silver's new proposal comes on the heels of New York's recent experience with an increase in the state minimum wage. We seek to simulate the employment and distributional effects of the newly proposed state minimum wage hike by using estimates obtained from the last increase.

The timing of the last minimum wage hike in New York provides the key to identifying its effect on low-skilled workers. In 2004, the New York State legislature overrode Governor George Pataki's veto and raised the state minimum wage from \$5.15 to \$7.15 per hour. The wage hike was implemented in three phases: from \$5.15 to \$6.00 per hour on January 1, 2005; from \$6.00 to \$6.75 on January 1, 2006; and finally from \$6.75 to \$7.15 on January 1, 2007.² In a window between 2004 and 2006, three border or near-border states—Pennsylvania, Ohio, and New Hampshire—did not change their minimum wages from \$5.15 per hour. Thus, focusing on New York's minimum wage

¹ See, for example, Economic Policy Institute (2006), Fiscal Policies Institute (2004).

² During this period, New York State also raised the wages of food service workers who received tips from \$3.30 to \$4.60 per hour.

increase from \$5.15 in 2004 to \$6.75 in 2006 permits the construction of a comparison group of low-skilled individuals in Pennsylvania, Ohio, and New Hampshire that were not directly affected by minimum wage increase. Moreover, we rely on more highly-educated or experienced workers to serve as a within-state comparison group. The use of both cross-state and within-state comparison groups permits a difference-in-difference-in-difference (DDD) identification strategy, which will compare relative employment trends between low- and high-skilled individuals in New York with such trends in comparison States. We then use our estimates of the labor demand effects of the 2004-2006 New York minimum wage increase to simulate the employment and distributional consequences of the proposed hike to \$8.25 per hour.

Using data from the 2004 and 2006 Current Population Survey (CPS) outgoing rotation groups, we first estimate the effects of New York's minimum wage hike from \$5.15 to \$6.75 per hour on 16-to-29 year-olds without a high school degree. We find that the increase in the minimum wage reduced the share of these low-skilled workers who earned between \$5.15 and \$6.74 per hour and increased the share earning \$6.75 per hour. Our results also show consistent evidence of large adverse employment effects. We find that the 31.1 percent increase in the New York minimum wage was associated with a 12.2 to 36.5 percent decline in employment of less-educated 16-to-29 year olds. These effects imply an employment elasticity of -0.4 to -1.2 , with a median elasticity estimate of approximately -0.8 . We find less consistent evidence that raising the minimum wage affected work hours among retained workers.

Our employment estimates are robust to the choice of comparison States, the choice of within-state comparison groups, and to the inclusion of a number of control

variables. Moreover, the credibility of our identification strategy is bolstered by the results of falsification tests, which show that relative employment trends between low-skilled and high-skilled individuals in New York did not fall faster than comparison States in the period prior to the passage of the minimum wage increase (2002-2004) or when comparison States also raised their minimum wage (2006-2007).

Finally, we use our employment and hours estimates from the last minimum wage increase, along with more conservative estimates from the existing literature, to simulate the employment and distributional effects of the proposed New York minimum wage hike from \$7.15 to \$8.25 per hour. Using conservative employment elasticities, we estimate that over 16,000 jobs will be lost. When we simulate the distribution of monthly benefits from this minimum wage hike, we find that just 20 percent of the benefits will go to workers in poor households. At average employment elasticities greater than -0.89—which are not implausible given the range of estimates we obtain—poor working households will suffer, on net, monthly labor earnings *losses* from the proposed minimum wage hike. We conclude that other policy tools, such as expansions in the New York State Earned Income Tax Credit (EITC) program, are likely to be more effective at promoting employment and increasing incomes of low-skilled poor workers.

II. Literature on Employment and Distributional Effects

Employment Effects. Standard neoclassical economic theory suggests that minimum wage increases reduce the demand for low-skilled labor, thus reducing employment and hours worked (see Stigler, 1946, for the first modern discussion of the employment and distributional effects of minimum wage increases.) Much of the

literature examining the employment effects of minimum wage hikes have focused on low-skilled workers, usually teenagers and high school dropouts, because these populations are the most likely to be affected by them.

Neumark and Wascher (2007) review over 90 studies published since the Card and Krueger (1994; 1995) studies of the mid-1990s and conclude that the evidence is “overwhelming” that the least-skilled workers most likely to be adversely affected by minimum wage increases experience the strongest disemployment effects (see, for example, Campolieti et al., 2006; Campolieti et al., 2005; Burkhauser, Couch, and Wittenburg, 2000a,b; Deere, Murphy, and Welch, 1995; Neumark, 2001; Neumark and Wascher, 1992, 2002; Neumark et al., 2004; Partridge and Partridge, 1999; Currie and Fallick, 1996; Williams, 1993; Couch and Wittenburg, 2001; Sabia, 2008a,b,c). In this context, the Card and Krueger (1994; 1995) results appear to be outliers.

Recently, however, the debate in the literature has been stirred anew by studies that have questioned the credibility of the estimation strategy used in many national panel studies (see, for example, Dube, Lester, and Reich, 2008; Addison et al., 2008). These authors argue that the usual panel data techniques of controlling for state and year effects, and identifying minimum wage effects from within-state variation in the minimum wages may be flawed due to unobserved state-specific trends in low-skilled employment. To better control for differences in trends that could exist across heterogeneous states, these studies have instead relied on variation in minimum wages in contiguous counties across state borders, which they argue should have similar employment trends. With this approach, they found little evidence of adverse employment effects in the low-skilled retail and restaurant sectors (see, for example, Dube, Lester, and Reich, 2008; Addison et

al., 2008). However, there is evidence that minimum wage effects are robust to the inclusion of state-specific linear and quadratic time trends, particularly when examining low-skilled workers across sectors (Page et al., 2005; Sabia, 2008a).

In addition to larger-scale national panel studies of minimum wage effects, other studies have focused on specific case studies of minimum wages in particular states or cities, generally using a difference-in-difference identification strategy (see, for example, Card, 1992; Card and Krueger, 1994; Dube et al., 2007; Kim and Taylor, 1995).³ Card and Krueger (1994) examine the effect of the 1992 minimum wage increase in New Jersey from \$4.25 to \$5.05 per hour on fast food restaurant employment using Pennsylvania as their control state, and find no evidence of adverse employment effects. However, the findings of this study have been criticized over both choice of research design (Hamermesh, 1995) and phone survey methodology (Welch, 1995).

Using similar methodology, Card (1992) uses establishment data from the Bureau of Labor Statistics' unemployment insurance system to estimate the effect of the 1988 California minimum wage hike from \$3.35 to \$4.25 on retail employment. He compares retail employment growth in California (from 1984 to 1990) to retail employment growth in a set of control states that did not increase their minimum wage: Arizona, Florida, Georgia, New Mexico, and Texas. Using a difference-in-difference strategy, he finds no adverse effects of California's minimum wage increase on state retail employment growth.

Again, the key criticism of the identification strategy employed by Card (1992) and Card and Krueger (1994) is that their control states could have had different

³ Note that larger national panel studies can often be interpreted as pooling these particular state "experiments."

employment growth trends than their “treatment” state for reasons that are unrelated to the minimum wage (Deere et al., 1995; Welch, 1995; Hamermesh, 1995; Neumark and Wascher, 1995; Kim and Taylor, 1995). Kim and Taylor (1995) find some evidence in County Business Pattern (CBP) data that California’s retail sales growth in the late 1980s was much stronger than in the rest of the country. This could suggest that Card’s estimates were subject to omitted variable bias.⁴

In summary, the critiques of the above case studies and national panel studies, highlight the importance of controlling for non-minimum wage-related differences in employment trends between treatment and comparison States, and the need to test the sensitivity of estimated employment elasticities to assumptions about the nature of unmeasured employment trends.

Distributional Consequences. A second vein of literature pursued by Burkhauser and colleagues (Burkhauser and Sabia, 2007; Burkhauser and Harrison, 1999; Burkhauser, Couch, and Glenn, 1996; Burkhauser and Finegan, 1989) has avoided the debate about employment effects and instead focused on the distribution of benefits of proposed minimum wage increases. In a series of studies, these authors show that beneficiaries of minimum wage hikes are, in the main, not poor and that the majority of poor workers already earn wages greater than state or federal minimums. For example, Burkhauser and Sabia (2007) show that the Federal minimum wage increase from \$5.15 to \$7.25 per hour would yield \$18 million in benefits, of which only \$2.3 million (12.8 percent) would be received by workers living in poor households. However, an important limitation to these simulations is that they fail to account for the behavioral

⁴ Card and Krueger (1995), however, do note that employment trends looked similar in the period prior to the minimum wage hike.

effects of the minimum wage. As the authors note, because they assume zero employment elasticities, their simulations are likely upper-bound estimates of the benefits to workers (Burkhauser and Sabia, 2007).

One strategy of accounting for behavioral effects of the minimum wage in determining the distribution of benefits is to directly estimate the distributional effects of past minimum wage increases from the data, as Neumark and Wascher (2002) and Neumark et al. (2004, 2005) have done. Using matched CPS data, these authors found that minimum wage hikes have been ineffective in reducing poverty not only because of poor target efficiency, but also because of adverse employment or hours effects. They found that while minimum wage increases lift some low-skilled workers out of poverty, these hikes push other non-poor workers into poverty, leaving low-skilled workers, on net, worse off. Sabia (2008c) finds a similar result for less-educated single mothers.

The approach of estimating distributional consequences of past minimum wages from the data is informative, but can prove difficult with case studies of particular states due to data constraints. Only information from the March CPS can be used for distributional estimates because this is the only survey that contains information on household income and poverty status. Obtaining estimates of employment, hours, wage, and income effects for households of each income-to-needs category can prove difficult due to small numbers of observations per cell.

A second approach is to use a blunter set of employment and hours worked elasticity estimates for low-skilled workers to predict an individual-specific probability of job loss, and then to use this estimated probability to simulate aggregate job losses and net benefits that each minimum wage worker will receive from a proposed hike. Baicker

and Levy (2008), Yelowitz (2003), and Burkhauser and Simon (2008) use this approach to estimate the effect of state pay-or-play insurance reforms. However, it has not yet been employed in the minimum wage literature.

The current study contributes to the minimum wage literature in several ways. First, our study is the first to link the employment and hours effects of a recently enacted state minimum wage hike to simulations of distribution of benefits from a proposed state minimum wage hike. Second, while previous case studies of the minimum wage have generally studied industry-wide employment, none have focused on employment among low-skilled workers more broadly across sectors as we do. Third, given the controversies surrounding unmeasured state-specific employment trends in control states, we are careful to test the sensitivity of the results to different comparison States and to a variety of more highly-educated within-state control groups. And finally, to further bolster the credibility of our identification strategy, we conduct a set of falsification tests to show that the employment effects we attribute to the minimum wage are likely not attributable to unmeasured state employment trends that pre-dated or post-dated the minimum state wage hike under study.

III. Data

Our primary analysis uses data drawn from pooled monthly cross-sections of the 2004 and 2006 Current Population Survey (CPS). We use information from the outgoing rotation groups to generate a sample of workers from our treatment state, New York, and three comparison States that are border or near-border states: Pennsylvania, Ohio, and New Hampshire. In 2004, each of the four states had a minimum wage of \$5.15 per hour.

In 2006, New York's minimum wage had been raised by 31.1 percent to \$6.75 per hour, while Pennsylvania, Ohio, and New Hampshire all retained a minimum wage of \$5.15 per hour. The selection criteria for the control states were states in closest proximity to a New York border with a state minimum wage of \$5.15 in both 2004 and 2006. Thus, for example, we do not include Connecticut, Massachusetts, or New Jersey as control states because each had a state minimum wage greater than \$5.15 in 2004 and raised their minimum wage between 2004 and 2006.

Our primary sample of interest is a group of low-skilled workers that we expect to be affected by minimum wage policy: less-experienced, less-educated workers. Specifically, we draw a sample of individuals aged 16-to-29 without a high school diploma or GED. We also examine age-specific subsets of this low-skilled population that may be affected by minimum wage policy: teenagers aged 16-to-19, high school dropouts aged 20-to-24, and high school dropouts aged 25-to-29.

Our four main outcomes of interest are: (1) the share of 16-to-29 year-old workers without a high school degree earning hourly wages between \$5.15 and \$6.74 per hour; (2) the share earning \$6.75 per hour; (3) whether the respondent was employed in the previous week, and (4) the natural log of hours worked among employed workers. Our key independent variable of interest is a minimum wage indicator equal to one if the respondent lived in New York in 2006, and equal to zero if the respondent lived in a comparison State or if the year was 2004. In a number of specifications, we also include a set of individual-level controls: age, age-squared, marital status, race, sex, number of own children under age 18 in the family, whether the respondent lives in an SMSA, month dummies, and years of schooling completed.

Table 1 shows the means of the key wage and employment variables, pooled over the years 2004 and 2006, by treatment or comparison States. We present means for the full set of comparison States (column 2) as well as each comparison State individually (columns 3-5). The mean ratio of employment to population for 16-to-29 year-olds without a high school degree in New York (over 2004 and 2006) was 0.33.

IV. Identification Strategies

Our first identification strategy is a difference-in-difference approach, similar to that used in existing case studies (Card, 1992; Card and Krueger, 1994). We restrict the sample to individuals aged 16-to-29 without a high school degree in the years 2004 and 2006 and estimate:

$$E_{ist} = \alpha + \beta_1 MW_{st} + \theta_s + \tau_t + \varepsilon_{ist} \quad (1)$$

where E_{ist} is an indicator for whether respondent i residing in state s at time t was employed in the last week, MW_{st} is an indicator equal to one if the individual lives in New York in 2006 and zero otherwise, θ_s is a time-invariant state effect that captures any unmeasured differences in states that are fixed across time, and τ_t is a year effect that captures a time trend common to all states.⁵ The key parameter of interest in the above models is β_1 , the difference-in-difference (DD) estimate.

However, as noted by previous authors (Deere et al., 1995; Welch, 1995; Hamermesh, 1995; Neumark and Wascher, 1995; Kim and Taylor, 1995) the estimate of β_1 will only be unbiased if unmeasured employment trends are similar in the treatment

⁵ We also augment equation (1) with a vector of socio-demographic controls (X), $E_{ist} = \alpha + \beta_1 MW_{st} + \beta_2' X_{ist} + \theta_s + \tau_t + \varepsilon_{ist}$. Estimating this model via a probit produces results that are qualitatively similar to those reported in the paper.

and comparison States. Thus, our choice of comparison States is important.

Pennsylvania and Ohio are the most natural controls because each shares a common border with New York, and is expected to have similar markets for high and low-skilled labor. New Hampshire is also included because of its close geographic proximity to New York and its constant \$5.15 minimum wage level over the period of observation.

Our first approach to explore whether unmeasured trends differ between treatment and comparison States is to examine the robustness of the estimate of β_1 to our choice of comparison States. Thus, we present results for the full set of comparison States as well as results using each individual comparison State.

Our second approach is to identify within-state comparison groups that are not expected to be affected by New York's minimum wage hike—more highly-educated or experienced individuals—and to estimate a difference-in-difference-in-difference model using a sample that includes less-educated 16-to-29 year-olds as well as members of the within-state comparison group:

$$E_{ist} = \alpha + \beta_1 \text{AFFECTED}_{ist} * MW_{st} + \beta_2 \text{AFFECTED}_{ist} + \beta_3 MW_{st} + \theta_s + \tau_t \quad (2) \\ + \beta_4 \theta_s * \text{AFFECTED}_{ist} + \beta_5 \tau_t * \text{AFFECTED}_{ist} + \beta_6 \mathbf{X}_{ist} + \varepsilon_{ist}$$

where: AFFECTED_{st} is an indicator variable coded equal to one if the respondent is a 16-to-29 year-old without a high school degree and equal to zero if the respondent is a member of the more highly skilled within-state comparison group.

We identify three higher-skilled within-state comparison groups that are used in different specifications: (1) individuals aged 25-to-29 with a Bachelor's degree or more, (2) individuals aged 20-to-29 who received a high school degree or more, and (3) older individuals aged 30-to-54. The key parameter of interest, the DDD estimate β_1 , is the coefficient on the interaction between AFFECTED and MW . Intuitively, the DDD estimate

can be interpreted as:

$$\beta_1 = \left[(\bar{E}_{LE,NY,06} - \bar{E}_{LE,NY,04}) - (\bar{E}_{HE,NY,06} - \bar{E}_{HE,NY,04}) \right] - \left[(\bar{E}_{LE,CS,06} - \bar{E}_{LE,CS,04}) - (\bar{E}_{HE,CS,06} - \bar{E}_{HE,CS,04}) \right] \quad (3)$$

where \bar{E} denotes the mean employment rate, the subscript “LE” denotes those aged 16-to-29 without a high school degree, “HE” denotes more highly educated or experienced respondents, and “CS” denotes living in a comparison State. In contrast to the simple DD estimator, the triple difference estimator controls for differences in employment trends common to workers across treatment and control states.

One concern with using more highly-educated or experienced individuals as a control group is the possibility that these workers are indirectly affected by the minimum wage. If the minimum wage increases, the demand for higher-skilled workers may be affected if low- and high-skilled workers are gross substitutes or complements. If the substitution effect dominates the scale effect, then DDD estimates could overstate the effect of the minimum wage on low-skilled workers, because the estimate will reflect both the rising demand for high-skilled workers and the falling demand for low-skilled workers. If the scale effect dominates, the opposite is true. Thus, the DDD estimate will provide an unbiased estimate of the effect of the minimum wage to the extent that the minimum wage does not affect the demand for higher-skilled workers. In the existing literature, there is little evidence that minimum wage increases affect the wages of higher-skilled workers (Neumark et al., 2004; Sabia, 2004a), and we will present evidence showing that the New York minimum wage has no effect on wages or employment of more highly-educated or experienced individuals.

Finally, we test the credibility of the identifying assumptions of the DDD models by conducting a set of falsification tests in which we examine employment trends just

prior to and just after the 2005-2006 New York minimum wage hike. To carry out our first anti-test, we draw a sample of less-educated and more highly-educated respondents from New York and the comparison States in 2002 and 2004. We create a “phantom” minimum wage indicator and code it equal to one if the respondent resides in New York in 2004 and equal to zero otherwise. Then we estimate equation (2) using our “phantom” minimum wage indicator. If relative employment trends between low- and high-skilled workers are different in New York than in comparison States, this would suggest that our natural experiment is contaminated. On the other hand, the absence of employment effects would tend to lend support to our identifying assumptions.

For our second falsification test, we focus on the 2006-2007 period when New York and each comparison State raised its minimum wage. On January 1, 2007, Pennsylvania raised its minimum wage from \$5.15 per hour to \$6.15, Ohio raised its minimum wage from \$5.15 per hour to \$6.85, and New York raised its minimum wage from \$6.75 per hour to \$7.15. And on September 24, 2007, the Federal minimum wage increased from \$5.15 to \$5.85 per hour, affecting workers in New Hampshire. Given that minimum wages are rising in both treatment and control states, we expect the relative employment trend between low- and high-skilled workers to not be declining faster in New York than the comparison States.

V. Wage, Employment, and Hours Effects

All estimates presented in the tables below are weighted by state population, with heteroskedasticity-adjusted standard errors in parentheses and sample sizes in brackets.

Coefficient estimates on the control variables (X) are not presented in the tables, but are available upon request.

Wage Effects. If the 2004-2006 New York minimum wage increase is to affect the employment of low-skilled New Yorkers, it should be the case that the hike effectively increases the wages of low-skilled workers. Thus, in Table 2 we examine the effect of the minimum wage hike on the distribution of wages of employed 16-to-29 year-olds without a high school degree. For workers who report being paid hourly, their wage rate is directly reported from their current job. For those who are not paid hourly, wage rates are calculated as the ratio of weekly earnings to weekly hours in the past week.

Table 2 shows the wage distribution of these low-skilled workers in New York and the comparison States (Pennsylvania, Ohio, and New Hampshire) in 2004 and 2006. The first row of Panel I shows that approximately one-third (33.6 percent) of less-educated 16-to-29 year-old workers in New York earned hourly wages between \$5.15 and \$6.74 per hour in 2004. These workers stood to be directly affected by the minimum wage hike.⁶ By 2006 (row 2 of Panel I), the share of less-educated 16-to-29 year-old workers earning between \$5.15 and \$6.74 per hour declined substantially. The share who earned wages between \$5.15 and \$5.99 per hour fell from 0.127 in 2004 to 0.044 in 2006, and the share who earned between \$6.00 and \$6.49 per hour fell from 0.161 to 0.097.⁷ We also find evidence that the share of low-skilled New Yorkers earning \$6.75 per hour

⁶ Workers earning less than \$5.15 per hour are assumed to be employed in jobs that are not covered by the state or federal minimum wage, such as tipped employees. However, our estimated wage effects may understate the full wage effect of the change in the state minimum wage law as we do not estimate the effect of the minimum wage change on tipped workers (from \$3.30 to \$4.60 per hour).

⁷ However, the share of workers earning between \$6.50 and \$6.74 per hour remained fairly steady between 2004 and 2006. In fact, in 2006, just over 20 percent earned wages less than \$6.75, which could suggest (i) lagged enforcement effects, (ii) a shift in employment toward the "uncovered" sector not covered by state minimum wages, or (iii) reporting error in hourly wages. For example, it may be the 6.5 percent of wage earners reporting wages between \$6.50 and \$6.74 are actually earning the minimum wage.

rose from 0.017 in 2004 to 0.068 in 2006. These results provide descriptive evidence that the passage of the minimum wage reduced the number of workers earning lower hourly wages.

In Panel II, we examine the wage distribution for 16-to-29 year-olds without a high school degree in comparison States. In contrast to the trends observed in Panel I, there was a much smaller change in the share of less-educated workers earning low wages in comparison States between 2004 and 2006. The share of workers earning between \$5.15 and \$5.99 per hour fell only slightly from 0.167 to 0.150, and the share of workers earning between \$6.00 and \$6.49 per hour did not change. Moreover, the share earning \$6.75 per hour did not change appreciably. These findings suggest that the decline in share of workers in New York that fell in these wage categories did not simply reflect a regional wage trend.

In the final panel (Panel III), we show difference-in-difference estimates of the share of low-skilled workers that fell in each wage category. We find that the 2004-2006 New York minimum wage increase is associated with a 6.6 percentage-point decline in the share of low-skilled workers that earned hourly wages between \$5.15 and \$5.99 and a 6.7 percentage-point decline in the share of workers that earned hourly wages between \$6.00 and \$6.49 per hour. There was also a statistically significant 4.3 percentage-point increase in the share of low-skilled workers earning \$6.75 per hour. We find no evidence of “spillover effects,” whereby workers earning above the minimum wage (e.g. those earning hourly wages between \$6.76 and \$7.99) receive a wage boost as a result of the minimum wage hike. There was no significant difference in wage trends in any other wage category.

In Table 3A, we test the robustness of estimated wage effects across choice of comparison States. Panel I effectively replicates the results of Table 2 using the full set of comparison States, and shows that the minimum wage reduces the share of low-skilled workers earning between \$5.15 and \$6.74 per hour, and increases the share earning \$6.75. The remaining panels show results when Pennsylvania (Panel II), Ohio (Panel III), and New Hampshire (Panel IV) are used as the sole control state. The results using Pennsylvania alone and Ohio alone (Panels II and III) are nearly identical to the main model (Panel I), while using New Hampshire alone (Panel IV) produces less consistent results. Thus, the results in Table 3A generally suggest that our findings are robust to choice of comparison States. But do these wage effects simply reflect differing wage trends unrelated to the minimum wage between New York and the comparison States?

In Table 3B, we estimate the effect of the minimum wage increase on the natural log of the average wage rate of (i) 16-to-29 year-olds without a high school degree, and (ii) more highly-skilled workers. The first row shows that the minimum wage increased average wages of low-skilled workers by 9.5 percent, an implied elasticity of approximately 0.31. However, there is no evidence that the minimum wage increased the wages of more highly-skilled workers: 25-to-29 year-old college graduates (row 2), 20-to-29 year-old high school graduates (row 3) or 30-to-54 year-olds (row 4). These findings suggest that the wage effects we attribute to the minimum wage are not explained by differing unmeasured wage trends across treatment and control states.

The results in Tables 2, 3A, and 3B suggest that the New York minimum wage hike did, in fact, raise wages of less-educated workers. This finding is consistent with a number of prior case studies of state minimum wage hikes (Card, 1992; Card and

Krueger, 1994), as well as national studies of minimum wage hikes (Burkhauser, Couch, and Wittenberg, 2000a; Sabia, 2008a). Given that these low-skilled workers were affected, we next turn to the question of whether the 2005-2006 NY minimum wage hike affected employment.

Employment Effects. Figure 1 shows employment trends of 16-to-29 year-olds without a high school degree from 1996-2007, by treatment and comparison States. While employment ratios are about 0.05 to 0.10 points lower in New York than the comparison States, the pre-2004 employment trends look similar across the states. From 1996 to 2000, employment generally rises; there is a noticeable decline from 2000 to 2002, and then a leveling off or slight increase from 2002 to 2003. Between 2004 and 2006, the period during which we estimate the effects of the minimum wage, there is a sharp divergence in employment trends. In New York, the low-skilled employment ratio declined substantially, while the comparison States saw steady or increasing employment. This descriptive evidence is consistent with the hypothesis that minimum wages reduced employment of low-skilled workers. Moreover, in the 2006-2007 period when all states under study experienced minimum wage increases, we see a decline in low-skilled employment across all states.

Table 4 presents difference-in-difference and regression-adjusted difference-in-difference estimates of the effect of the New York minimum wage increase on employment. Three rows of estimates are presented using the four cross-state comparison groups: Pennsylvania, Ohio, and New Hampshire (row 1), Pennsylvania alone (row 2), Ohio alone (row 3), and New Hampshire alone (row 4).

The first four columns of Table 4 show mean employment rates of less-educated 16-to-29 year-olds in 2004 and 2006, by treatment or control state. The first two columns of row (1) show that the employment rates of low-skilled New Yorkers fell from 0.362 to 0.291, a decline of 7.1 percentage-points (19.6 percent) from 2004. In the comparison group, the employment rate of comparably aged and educated individuals actually *rose* slightly. The implied difference-in-difference estimates suggests that the minimum wage increase from \$5.15 to \$6.75 per hour led to a 7.6 percentage-point decline in employment rates. When observable controls are added to the model, this effect declines to 7.3 percentage-points (final column, row 1).

What does the magnitude of this effect imply? Using the mean employment rate of low-skilled 16-to-29 year-old New Yorkers in 2004 (0.362), this implies that the 31.1 percent minimum wage hike was associated with an 20.2 percent decline $(-0.073/0.362)$ in employment. This represents an employment elasticity of -0.648 .⁸ When other comparison groups are used, the estimated employment effect remains consistently negative and significant. The largest employment estimates are found using Pennsylvania and New Hampshire as control states, with elasticities ranging from -0.76 to -0.98 . Smaller estimates are obtained using Ohio as the control state (-0.47 to -0.52).

In summary, the DD estimates in Table 4 provide consistent evidence that the 2004-2006 New York State minimum wage increase was associated with a large, significant decline in employment for low-skilled New Yorkers.^{9,10} The range of DD

⁸ Estimation results using a probit model produce estimates that are similar in magnitude. For instance, a probit model using the full set of comparison states as controls produces an estimated employment effect of -0.077 with a standard error of 0.028 (p -value = 0.00), which implies an employment elasticity of -0.684 .

⁹ We also find that our results are robust to the choice of baseline year. In difference-in-difference specifications using 2003 as the pre-minimum wage year, we find an estimated employment elasticity of 0.597 , comparable to the estimate we obtained using 2004 (see Appendix Table 1).

estimates from -0.47 to -0.98 are large relative to national estimates of the effect of minimum wage hikes on teen employment, which tend to range from -0.1 to -0.3 (Neumark and Wascher, 2007), but are more comparable to those obtained by Sabia (2008b) for single mother high school dropouts and by Burkhauser et al. (2001) for 16-to-24 year-old African Americans and non-high school graduates aged 20-24.

However, given a concern that these estimated effects may reflect unobserved state employment trends (Deere et al., 1995; Welch, 1995; Hamermesh, 1995; Neumark and Wascher, 1995; Kim and Taylor, 1995) we next introduce a within-state control group of more highly-skilled workers and use a triple-difference identification strategy.

The descriptive evidence in Figures 2-4 suggests that the reduction in low-skilled employment in New York between 2004 and 2006 relative to comparison States did not simply reflect a difference in overall state employment trends. In these figures, we show that employment trends among more highly-skilled individuals did not diverge between New York and the comparison States during the 2004-2006 period. Those aged 25-to-29 with college degrees (Figure 2), 20-to-29 year-old high school graduates (Figure 3), and 30-to-54 year-olds (Figure 4) all had similar employment trends in New York and in the comparison States. And, in fact, the results in Appendix Table 2 show that high-skilled employment trends in New York were not significantly different than those in comparison States between 2004 and 2006. These results suggest no evidence that the minimum wage increase affected the demand for more highly-educated or experienced workers in New York.

¹⁰ Schiller (1994a, b) argues that the full adverse employment effects of minimum wages may be understated if the minimum wage induces previously employed workers in covered jobs to move into covered jobs. However, in New York, we find little evidence that the minimum wage affects the share of workers earning under \$5.15 per hour, presumably in uncovered jobs.

In Figures 5-7, we combine the trends shown in Figure 1 and Figures 2-4 to compare relative trends in employment between low- and more highly-skilled individuals in New York with such trends in comparison States. The “employment gap” in each year is defined as the difference between the employment rate of more highly-skilled individuals and 16-to-29 year-olds without a high school degree. Figure 5 shows that while the employment gap between 25-to-29 year-old college graduates and 16-to-29 year-old high school dropouts rose in New York between 2004 and 2006, it remained fairly steady or even fell in the comparison States. This trend also persists when the more highly-skilled group is comprised of 20-to-29 year-old high school graduates (Figure 6) or 30-to-54 year-olds (Figure 7). These descriptive findings suggest that the employment effects estimated in the difference-in-difference models are not explained by trends common to other workers in New York.

Table 5 shows difference-in-difference-in-difference estimates and regression-adjusted DDD estimates using the three more highly-skilled within-State control groups depicted in Figures 2-4: college educated individuals aged 25 to 29 (columns 1 and 2), those aged 20-29 with at least a high school education (columns 3 and 4), and those aged 30 to 54 (columns 5 and 6). Across within-state control groups and across comparison States (rows 1, 2, and 3), the evidence is generally consistent: the 2004-2006 New York minimum wage hike reduced employment among low-skilled New Yorkers. The magnitudes of the DDD estimates are comparable in magnitude to the DD estimates.

Using the full set of comparison States (row 1), triple-difference estimates suggest that the last New York minimum wage hike led to a 21.0 (0.076/0.362) to 27.9 (0.101/0.362) percent decline in the employment of less-educated 16-to-29 year-olds.

More conservative estimates are obtained when the within-state comparison group is comprised of those aged 20-29 who have completed high school or older individuals aged 30 to 54. When we look across comparison States, the largest employment elasticities are obtained when Pennsylvania is used as the control state (-0.88 to -1.25) and are smallest and only marginally significant when the control state is Ohio (-0.42 to -0.60).¹¹ Triple-difference estimates are robust to the choice of baseline year. In alternative models that used 2003 as the “before” year, employment elasticities are comparable in magnitude to those reported in Table 5 (see Appendix Table 1).

Baseline Employment. While the DD and DDD identification strategies control for fixed baseline characteristics of treatment and comparison States, one might be concerned with baseline differences in employment levels of low-skilled workers between treatment and control states. As Figure 1 and Table 3 show, low-skilled employment ratios in 2004 are 13 to 21 percent higher in comparison States than in New York. This baseline difference could suggest systematic underlying differences between treatment and control States that are also be related to employment trends, thus contaminating our experiment. We explore whether baseline differences in low-skilled employment could be related to demographic differences in low-skilled populations across states. When we restrict the sample to whites aged 16-to-29 without a high school degree, we find that employment ratios are quite similar at baseline (see Figure 8). This is especially true for Pennsylvania. Its white low-skilled employment ratios were nearly

¹¹ In Appendix Table 3, we estimate the effects of the first and second phases of the New York State minimum wage increase separately. The first phase, in January 2005, raised the state minimum wage from \$5.15 to \$6.00 and the second phase, in January 2006, raised the state minimum wage from \$6.00 to \$6.75. Across each separate specification, DD and DDD estimates generally show a negative relationship between the minimum wage and employment. The results show that the magnitude of the total effect of the 2004-2006 minimum wage hike is shared fairly evenly across years, with slightly stronger effects in the second phase.

identical (0.42) to New York. As Figure 7 shows, between 2004 and 2006, white low-skilled employment fell substantially in New York, while employment remained steady in the comparison States.

Table 6 shows formal DD and DDD estimates of the effect of the minimum wage on low-skilled employment. DD estimates using the full set of State controls show that the minimum wage increase reduced white low-skilled employment, with elasticities ranging from -0.56 to -0.60. White 25-to-29 year-old college graduates also had similar employment ratios at baseline, and when we use this more highly-skilled group as a within-state control, DDD models produce larger estimates ranging from -0.83 to -0.88. When Pennsylvania alone is used as a comparison State, DD and DDD estimates are even larger, with employment elasticities of -0.70 to -1.2. Taken together, these results for a demographic group with common baseline employment levels strengthen the credibility of our natural experiment design.

Heterogeneous Effects by Age: Among low-skilled 16-to-29 year-olds, there may be heterogeneous effects of the minimum wage across the age distribution. For example, younger workers with less experience are among the lower-skilled of this age group; 52.3 percent of New York's employed teenagers earned between \$5.15 and \$6.74 per hour in 2004 compared to 19.6 percent of 20-to-24 year-old dropouts, and 9.8 percent of 25-to-29 year-old dropouts. This could suggest larger employment effects for the least-skilled workers. Alternatively, it might be that firms respond to a minimum wage hike by substituting away from older dropouts and toward younger teenagers, who may be less heterogeneously low-productivity workers (Lang and Kahn, 1998).

In row (1), we repeat our results from Table 5 (row 3, columns 2, 4, and 6) for the full sample of 16-to-29 year-olds without a high school diploma, showing estimated employment elasticities of -0.68 to -0.84. In the next three rows, we provide new results disaggregating our sample by age. Consistent with the hypothesis that the least experienced workers experience the largest disemployment effects, we find that employment elasticities decline with age. Teenagers experience the largest adverse employment effects (elasticities of -0.87 to -1.1), followed by those aged 20-to-24 (elasticities of -0.73 to -0.89), and 25-to-29 year-olds (elasticities of -0.25 to -0.38).

Falsification Tests. The findings in Table 7 provide consistent evidence of a negative relationship between the minimum wage and low-skilled employment in New York. In Tables 8 and 9, we present results from falsification tests designed to further bolster a causal interpretation of these estimates. Table 8 presents DDD estimates of the effect of a “phantom” New York minimum wage hike between 2002 and 2004 on relative employment trends between low- and more highly-skilled individuals. The findings show no evidence that employment trends differed among the states in the period just prior to the enactment of the New York minimum wage hike.

Finally, in Table 9, we examine the period just after the 2005-2006 minimum wage hike (2006-2007) when each of the comparison States as well as New York raised its minimum wage. The percentage change in the minimum wage was greater in the comparison States (33.0 percent in Ohio, 19.4 percent in Pennsylvania, and 13.6 percent in New Hampshire) than in New York (5.9 percent). In Table 9, we find that the relative employment trends between low- and high-skilled individuals did not fall faster in New York than in the comparison States during 2006-2007. And, in fact, the signs are positive

in 9 of 12 specifications, which is consistent with larger minimum wage increases in the comparison States. These results add further credibility to our identification strategy for the 2005-2006 increase.

In sum, the pattern of results in Tables 2-9 suggests consistent evidence of large negative employment effects for low skilled workers from the New York minimum wage hike. Employment elasticities range from -0.4 to -1.3, with a median elasticity of -0.8. However, focusing on employment effects alone may mask other labor demand effects, such as effects on hours of work. Firms may reduce both employment and hours worked by retained workers in response to higher labor costs or may increase hours of retained workers to compensate for reduced employment (Couch and Wittenburg, 2001; Sabia, 2008a,b,c).

Conditional Hours Effects. Table 10 shows estimates of the effect of the minimum wage on log hours worked among retained workers. The findings suggest that for 16-to-19 year olds and 20-to-24 year-old dropouts, the minimum wage has no effect on conditional hours worked. However, for 25-to-29 year-old dropouts, there is some weak evidence of an adverse hours worked effect. Estimates suggest that the minimum wage reduced hours worked by 14 to 16 percent (elasticity of -0.44 to -0.51), but the effects are only significant at the 10 percent level. Given the lack of consistently signed results in Table 10, we are cautious in concluding that the minimum wage had a substantial conditional hours worked effect.

VI. Simulating Employment and Distributional Effects of a New Minimum Wage

Given that there is evidence of significant adverse employment effects from the last minimum wage increase, we next turn to estimating job losses from the proposed state minimum wage hike from \$7.15 to \$8.25 per hour. Moreover, given that proponents of minimum wage increases often discuss the effects of the minimum wage on poor workers (see, for example, Kennedy, 2005; Kerry, 2004; Economic Policy Institute, 2006), we also examine the distribution of benefits by the relative poverty status of the household.

Our analysis in Table 11 uses data from the March 2005 to March 2007 Current Population Survey (CPS) outgoing rotation groups. As in Burkhauser and Sabia (2004a, b; 2007) and Burkhauser, Couch, and Glenn (1996), we restrict our sample to the March CPS because it contains information on household income in the previous year, which allows us to construct the income-to-needs ratio of households. The income-to-needs ratio for each worker is the ratio of that worker's total household income to the official poverty line for a household of that size.¹² We pool three years of March CPS data rather than relying solely on the most recent CPS in order to generate a sufficient sample of workers in New York in each income-to-needs cell, and restrict our sample to workers who reported hourly wage rates between \$6.90 and \$8.24 per hour.¹³ We assume that

¹² For example, in 2006, the federal poverty line for a three person household was \$16,600. Therefore, a worker living in a three person household with total household income of \$33,200 would have a household income-to-needs ratio of 2.0.

¹³ We define workers who earn between \$6.90 and \$8.24 as minimum wage workers. We assume workers who report earning between \$6.90 and \$7.15 are "covered" workers who have underreported their wage rates. We repeated the analysis excluding these workers and the results are quantitatively similar. Moreover, because the minimum wage in New York was \$6.00 per hour in March 2005 and \$6.75 per hour in March 2006, minimum wage workers also include those earning between \$5.75 and \$6.89 in March 2005 and \$6.50 and \$6.89 in March 2006. We assume workers earning between \$5.75 and \$6.89 in March 2005 and \$6.50 and \$6.89 in March 2006 earn wages of \$7.15 per hour for the purposes of the simulations described below. Note that when we match wage rates of workers to household income-to-needs ratios, we are using information on current job (in the last week) to calculate wage rates, but using the previous year's household income to calculate income-to-needs ratio of the household. See Burkhauser, Couch, and Glenn (1996) and Burkhauser and Sabia (2007) for a discussion.

those workers earning less than \$6.90 per hour are in uncovered jobs and those earning greater than \$8.25 per hour are not directly affected by the increase.¹⁴

Column (2) of Table 11 shows that approximately 818,000 New Yorkers earn hourly wages between \$6.90 and \$8.24 and will be directly affected by the proposed state minimum wage hike to \$8.25 per hour.¹⁵ However, the majority are not poor. As column (1) indicates, 21.4 percent of workers who stand to benefit from the proposed minimum wage hike live in poor families, while 61.6 percent live in households with income over twice the poverty line and over 46.5 percent live in households with income three times the poverty line.

In columns (3)-(8), we estimate the number and share of workers in each income-to-needs category that are expected to become unemployed as a result of the proposed increase in the New York minimum wage. Note that an increase in the minimum wage from \$7.15 to \$8.25 represents a 15.4 percent increase.

We estimate the number of workers who will become unemployed in each cell by summing the individual probabilities that each worker will lose his or her job, and aggregating over state population weights from the CPS. The probability of job loss is calculated following Burkhauser and Simon (2008):

$$p_i = \frac{(8.25 - w_i)}{w_i} |e_i| \quad (4)$$

where w_i is worker i 's current hourly wage rate and e is the estimated employment elasticity that applies to worker i . The "true" employment elasticity that should be applied to each minimum wage worker is unknown. Different employment elasticities

¹⁴ One limitation of this approach is that we exclude tipped workers from the restaurant industry who may have been affected by a state minimum wage increase from \$3.30 per hour to \$4.60 per hour.

¹⁵ Because we pool three years of March CPS data, the population weighting variable is divided by three to approximate a single year's state population.

may apply to workers with different demographic, family, or job characteristics. As noted above, the prior literature simulating the distribution of benefits from a future minimum wage hike has assumed an employment elasticity of zero (Burkhauser et al., 1996; Burkhauser and Sabia, 2007). We seek to improve upon these estimates by including behavioral responses to the minimum wage.

We take a conservative approach and apply employment elasticities to 16-to-29 year-olds without a high school degree, the population for which we have estimated elasticities from the last minimum wage hike. This population comprises approximately 20.2 percent of New Yorkers earning hourly wages between \$6.90 and \$8.25. For all other workers, we assume a zero employment elasticity. In column (3), we use our lower-bound employment elasticity for low-skilled workers (-0.4) and estimate that over 8,400 jobs will be lost due to the proposed minimum wage hike. Our median employment elasticity, -0.8, yields expected job losses of 16,844 (column 4), and our upper-bound estimate (-1.2) yields job losses of 28,900 (column 5). Finally, in column (6)—our preferred estimates—we assume that minimum wage workers who are not 16-to-29 year-old dropouts face an employment elasticity of -0.2, the median estimate reported in the literature (Neumark and Wascher, 2007), while 16-to-29 year-old dropouts face our median elasticity, -0.8. Under these assumptions, we find that job losses are nearly 29,000 with 24.3 percent of job losses occurring to workers in poor households.¹⁶

Note that the share of jobs lost by poor workers (24.3 percent) is less than the share of minimum wage workers who are poor (21.4 percent). This is because (i) poor minimum wage workers are more likely to earn wages that are further from \$8.25 than

¹⁶ Appendix Table 4 shows job losses if we apply our estimated elasticities to all minimum wage workers.

non-poor workers and hence face a higher probability of job loss, and (ii) poor minimum wage workers are more likely to be 16-to-29 year-olds without a high school degree than non-poor workers. In sum, we estimate that 4.0 percent of poor workers will lose their jobs as a result of the proposed minimum wage hike.

Next in Table 12, we use the range of minimum wage elasticities discussed above to simulate the distribution of monthly net benefits from the proposed New York minimum wage hike. As in Table 11, we restrict the sample to those workers earning hourly wages between \$6.90 and \$8.24 per hour. We calculate the expected net benefit for each worker as follows:

$$EB_i = \left(1 - \frac{(8.25 - w_i)}{w_i} |e_i|\right) (8.25 - w_i) H_i - \left(\frac{(8.25 - w_i)}{w_i} |e_i|\right) w_i H_i \quad (5)$$

where H_i is the usual monthly hours worked by worker i . The first term is the expected monthly earnings gains from a minimum wage hike from a retained job and the second term is the expected earnings losses from a job loss due to the minimum wage hike.

Total net benefits for each income-to-needs category are calculated by aggregating using earnings weights.

There are a number of simplifying assumptions needed to interpret the expression in equation (5) as the expected net benefit to minimum wage earners. First, we assume that there are no wage spillovers to workers earning more than \$8.24 per hour. This assumption appears reasonable given that our results in Table 2 suggest no evidence of wage spillovers from the last minimum wage hike. Second, as in the prior simulation, we only apply our estimated employment elasticities to less-educated 16-to-29 year-olds; for others we make conservative assumptions about employment elasticities. Third, given the weak results in Table 9, we assume that minimum wages have no effect on

conditional hours. And fourth, we assume that if a worker is laid off, his monthly earnings are zero.

If consumers face higher prices as a result of higher costs of producing goods and services (Aaronson and French 2006, 2007) or if our employment estimates are underestimated due to a failure to capture lagged effects of minimum wage increases (Neumark et al. 2004; Burkhauser et al., 2000a; Page et al., 2005; Baker et al., 1999; Campolieti et al. 2006), our estimates will overstate the benefits of the minimum wage. Moreover, if there are heterogeneous effects of the minimum wage by poverty status, our simulations may mask distributional effects.

In column (1) of Table 12, we assume $e = 0$ as in Burkhauser and Finegan (1989), Burkhauser, Couch, and Glenn (1996), and Burkhauser and Sabia (2007). Under this assumption, we find that the minimum wage increase will yield \$67.3 million in benefits to New York's minimum wage workers, of which just \$14.3 million (21.2 percent) will be received by workers in poor households.

In columns (3)-(6), we re-simulate the distribution of net benefits assuming employment elasticities of -0.4, -0.8, and -1.2 for our less-educated 16-to-29 year-olds only. Relative to the assumption of no adverse employment effects, a conservative employment elasticity of -0.4 is predicted to reduce the total benefits from a proposed minimum wage hike to \$8.25 by 9.4 percent (from \$67.3M to \$61.0M). When we assume an employment elasticity of -0.8, net benefits to workers fall by 18.1 percent to \$55.1M, and when an elasticity of -1.2 is assumed, net benefits fall by 26.9 percent to \$49.2M. In our preferred estimates that uses our median employment estimate (-0.8) for less-educated 16-to-29 year-olds and an elasticity of -0.2 for other minimum wage

workers, simulated benefits are \$43.1M. In this scenario, just 20.0 percent of the benefits are received by poor workers, compared to 49.9 percent that are received by workers in households with incomes over 300 percent of the poverty line. Thus, raising the minimum wage does not appear to be a particularly target-efficient anti-poverty tool for New York's low-skilled workers.¹⁷

Moreover, if employment elasticities are sufficiently large, the proposed minimum wage hike could actually *reduce* average monthly earnings among poor workers, causing the losers to lose more than the gainers gain. We estimate that at average employment elasticities greater (in absolute value) than -0.89 for all affected workers, net benefits for poor workers become negative. Given the magnitude of our estimated employment elasticities, this is a nontrivial possibility.

Taken together, the results of this study suggest that the proposed increase in the New York minimum wage is likely to be an ineffective anti-poverty tool both because of its poor target efficiency and because of substantial adverse employment effects. We conclude that prior simulations of the benefits of minimum wage hikes that failed to account for behavioral effects substantially overstated the gains to poor workers.

VII. Conclusions

Using difference-in-difference and triple difference identification strategies, we find robust evidence that raising the New York minimum wage from \$5.15 to \$6.75 per

¹⁷ In unreported simulations, we use the age-specific elasticities reported in Table 7 to simulate the distribution of benefits. The results are qualitatively similar. For instance, if we apply the age-specific elasticities in column (1) of Table 7 to those minimum wage workers aged 16-to-29 without a high school degree and a zero elasticity to other minimum wage workers, the total benefits of the minimum wage are simulated to be \$54.6 million, of which \$11.4 million (20.9 percent) would be received by workers in poor households.

hour significantly reduced employment rates of less-skilled, less-educated New Yorkers. Our estimates show that employment among less-educated 16-to-29 year-olds fell by 12.2 to 36.5 percent, implying elasticities ranging from -0.4 to -1.2.

Using these employment elasticities, as well as more conservative estimates from the existing minimum wage literature, we simulate the distributional consequences for the proposed New York minimum wage hike from \$7.15 to \$8.25. Using a minimum wage elasticity of -0.8 for less-educated 16-to-29 year-olds and -0.2 for other minimum wage workers, we find that 28,990 New Yorkers will lose their jobs, including 7,031 poor workers. At average employment elasticities greater than -0.89 for all affected workers—which may be plausible given our range of estimates from the last New York minimum wage increase—net benefits to poor workers are negative.

Another increase in the minimum wage is unlikely to benefit poor New York workers because (1) most minimum wage workers who will benefit are not poor, (2) most workers who are poor earn wages greater than state or federal minimum wages (Burkhauser and Sabia, 2007), and (3) there are substantial adverse employment effects, which fall quite heavily on low-skilled workers in poor households.

In contrast to the minimum wage, the Earned Income Tax Credit (EITC) program may be a more target-efficient anti-poverty tool that can help many of New York's working households without causing adverse employment effects (Congressional Budget Office, 2007; Neumark and Wascher, 2001; Burkhauser, Couch, and Glenn, 1996; Schmeiser and Falco, 2006). Substantial evidence shows that unlike minimum wage increases, expansions in the EITC attract low-skilled workers into the labor market, particularly single mothers (Hotz and Scholz, 2003; Eissa et al., 2005; Meyer and

Rosenbaum, 2001; Ellwood, 2000; Grogger, 2003; Meyer and Rosenbaum, 2000; Hotz et al., 2002; Eissa and Liebman, 1996). Recent estimates by Schmeiser (2008) show that an increase in the New York EITC supplement from 30 to 45 percent would increase employment by an additional 14,244 persons, increase family income by \$320 million, and decrease poverty by 86,532 persons, all at a cost of approximately \$265 million.

While policymakers may wish to ensure that those who work hard and play by the rules do not fall into poverty, there is scant evidence that minimum wage increases will achieve this social goal, and some evidence that such a hike may hurt many of New York's most vulnerable workers. Expanding the New York supplement to the federal EITC appears to be a more effective mechanism to both make work pay and reduce poverty.

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Table 1. Weighted Means of Dependent and Minimum Wage Variables, by Treatment and Comparison Groups

| | Treatment | Comparison | | | Comparison |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|
| | Group: NY | Group 1: PA, NH, OH | Group 2: PA | Group 3: OH | Group 4: NH |
| Share of Working 16-to-29 Year-Olds without HS Degree Earning between \$5.15 and \$6.74 per hr | 0.277 (0.448) [592] | 0.398 (0.490) [1,306] | 0.410 (0.492) [473] | 0.405 (0.491) [504] | 0.239 (0.427) [329] |
| Employment of 16-to-29 Year-Olds without HS Degree | 0.327 (0.469) [1,905] | 0.412 (0.492) [3,264] | 0.401 (0.490) [1,257] | 0.417 (0.493) [1,271] | 0.457 (0.498) [736] |
| Employment of 16-to-19 Year-Olds without HS Degree | 0.228 (0.419) [1,344] | 0.356 (0.479) [2,581] | 0.342 (0.474) [989] | 0.365 (0.482) [974] | 0.406 (0.491) [618] |
| Employment of 20-to-24 Year-Olds without a HS Degree | 0.487 (0.501) [324] | 0.550 (0.498) [394] | 0.569 (0.497) [149] | 0.522 (0.501) [169] | 0.701 (0.461) [76] |
| Employment of 25-to-29 Year-Olds without a HS Degree | 0.612 (0.488) [237] | 0.635 (0.482) [289] | 0.634 (0.484) [119] | 0.632 (0.484) [128] | 0.706 (0.461) [42] |
| Minimum Wage Hike (= 0 if \$5.15/hr; = 1 if \$6.75/hr) | 0.495 (0.500) [1,905] | 0.0 (0.00) [3,264] | 0.0 (0.00) [1,257] | 0.0 (0.00) [1,271] | 0.0 (0.00) [736] |

Notes: All means are weighted. Standard deviations are in parentheses and sample sizes are in brackets. Estimates are obtained using data pooled from the 2004 and 2006 Current Population Survey outgoing rotation groups.

Table 2. Wage Distribution of Workers Aged 16-to-29 without a High School Degree

| | Hourly Wage Rate | | | | | | | | | |
|--|---|--------------------------------|-------------------------------|-----------------------------|-------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|--|
| | < \$5.15 | \$5.15- \$5.99 | \$6.00- \$6.49 | \$6.50- \$6.74 | \$6.75 | \$6.76- \$7.25 | \$7.26- \$7.99 | \$8.00- \$9.99 | \$10.00+ | |
| | Panel I: New York | | | | | | | | | |
| 2004 | 0.082 (0.275) | 0.127 (0.334) | 0.165 (0.372) | 0.044 (0.205) | 0.017 (0.128) | 0.139 (0.347) | 0.068 (0.253) | 0.161 (0.368) | 0.197 (0.398) | |
| 2006 | 0.033 (0.179) | 0.044 (0.205) | 0.097 (0.296) | 0.065 (0.247) | 0.068 (0.252) | 0.144 (0.352) | 0.079 (0.270) | 0.182 (0.386) | 0.290 (0.455) | |
| | Panel II: Comparison States (PA, OH, NH) | | | | | | | | | |
| 2004 | 0.085 (0.279) | 0.167 (0.373) | 0.171 (0.377) | 0.069 (0.253) | 0.014 (0.120) | 0.107 (0.309) | 0.068 (0.252) | 0.163 (0.370) | 0.155 (0.363) | |
| 2006 | 0.053 (0.225) | 0.150 (0.358) | 0.171 (0.377) | 0.068 (0.251) | 0.022 (0.146) | 0.124 (0.330) | 0.072 (0.259) | 0.163 (0.370) | 0.176 (0.381) | |
| | Panel III: Difference-in-Difference Estimates | | | | | | | | | |
| Diff-in-Diff Estimates for Each Wage Category | -0.018 (0.024) [1,898] | -0.066** (0.032) [1,898] | -0.067* (0.036) [1,898] | 0.021 (0.024) [1,898] | 0.043** (0.019) [1,898] | -0.012 (0.035) [1,898] | 0.005 (0.028) [1,898] | 0.022 (0.039) [1,898] | 0.072 (0.044) [1,898] | |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level

Notes: Estimates are obtained using data from the 2004 and 2006 Current Population Survey Outgoing Rotation Groups from respondents aged 16-to-29 without a high school degree who were employed in the last week. All estimates are weighted. For workers paid hourly, hourly wages are coded as reported; for workers not paid hourly, hourly wage rates are calculated as the ratio of weekly earnings to weekly hours. The final row shows difference-in-difference estimates; heteroskedasticity-corrected standard errors are in parentheses and sample sizes are in brackets.

Table 3A. Difference-in-Difference Estimates of the Effect of the New York State Minimum Wage Hike on the Share of Less-Educated 16-to-29 Year-Olds Earning Between \$5.15 and \$6.74 Per Hour and on the Share Earning \$6.75 per Hour

| | New York State | | Comparison States | | Diff-in-diff |
|---|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|
| | 2004 (1) | 2006 (2) | 2004 (3) | 2006 (4) | |
| | | | <i>I: PA, OH, NH</i> | | |
| Share of Workers Earning Between \$5.15 and \$6.74 | 0.336 (0.473) [332] | 0.205 (0.405) [260] | 0.407 (0.492) [695] | 0.389 (0.488) [611] | -0.112** (0.048) [1,898] |
| Share of Workers Earning \$6.75 | 0.017 (0.128) [332] | 0.068 (0.252) [260] | 0.014 (0.120) [695] | 0.022 (0.146) [611] | 0.043** (0.019) [1,898] |
| | | | <i>II: PA</i> | | |
| Share of Workers Earning Between \$5.15 and \$6.74 | 0.336 (0.473) [332] | 0.205 (0.405) [260] | 0.425 (0.498) [254] | 0.397 (0.490) [219] | -0.103* (0.059) [1,065] |
| Share of Workers Earning \$6.75 | 0.017 (0.128) [332] | 0.068 (0.252) [260] | 0.010 (0.099) [254] | 0.016 (0.125) [219] | 0.045** (0.020) [1,065] |

Table 3A, Continued.

| | New York State | | Comparison States | | Diff-in-diff |
|---|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|
| | 2004 (1) | 2006 (2) | 2004 (3) | 2006 (4) | |
| III: OH | | | | | |
| Share of Workers Earning Between \$5.15 and \$6.74 | 0.336 (0.473) [332] | 0.205 (0.405) [260] | 0.403 (0.491) [277] | 0.407 (0.492) [227] | -0.135** (0.058) [1,096] |
| Share of Workers Earning \$6.75 | 0.017 (0.128) [332] | 0.068 (0.252) [260] | 0.020 (0.140) [277] | 0.026 (0.159) [227] | 0.045** (0.022) [1,096] |
| IV: NH | | | | | |
| Share of Workers Earning Between \$5.15 and \$6.74 | 0.336 (0.473) [332] | 0.205 (0.405) [260] | 0.312 (0.465) [164] | 0.160 (0.367) [165] | 0.022 (0.059) [921] |
| Share of Workers Earning \$6.75 | 0.017 (0.128) [332] | 0.068 (0.252) [260] | 0.008 (0.194) [164] | 0.036 (0.188) [165] | 0.015 (0.022) [921] |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level
 Notes: Estimates obtained using data from the 2004 and 2006 Current Population Survey Outgoing
 Rotation Groups. All estimates are weighted. Columns (1)-(4) present means with standard deviations
 in parentheses and sample sizes are in brackets. Column (5) shows difference-in-difference estimates
 with heteroskedasticity-corrected standard errors in parentheses.

Table 3B. Difference-in-Difference Estimates of the Effect of the New York State Minimum Wage Hike on Log Wages on Low-Skilled and Higher-Skilled Workers

| | New York State | | Comparison States (PA, OH, NH) | | Diff-in-diff |
|------------------------------------|----------------------------|----------------------------|-----------------------------------|----------------------------|--|
| | 2004 | 2006 | 2004 | 2006 | |
| | (1) | (2) | (3) | (4) | |
| 16-to-29 Year-Olds w/out HS Degree | 1.99 (0.391) [332] | 2.11 (0.362) [260] | 1.93 (0.401) [695] | 1.96 (0.423) [611] | 0.095** (0.041) [1,898] 0.305 |
| <i>Elasticity</i> | | | | | |
| 25-to-29 Year-Old College Grads | 2.88 (0.622) [325] | 2.99 (0.514) [350] | 2.77 (0.597) [299] | 2.85 (0.472) [519] | 0.041 (0.060) [1,656] 0.132 |
| <i>Elasticity</i> | | | | | |
| 20-to-29 Year-Old HS Grads | 2.48 (0.578) [1,352] | 2.57 (0.548) [1,212] | 2.37 (0.522) [2,478] | 2.44 (0.514) [2,552] | 0.026 (0.028) [7,594] 0.084 |
| <i>Elasticity</i> | | | | | |
| 30-to-54 Year-Olds | 2.82 (0.608) [4,729] | 2.86 (0.660) [4,433] | 2.75 (0.583) [9,181] | 2.81 (0.580) [8,387] | -0.031* (0.017) [26,730] -0.099 |
| <i>Elasticity</i> | | | | | |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level
 Notes: Estimates obtained using data from the 2004 and 2006 Current Population Survey Outgoing Rotation Groups. All estimates are weighted. Columns (1)-(4) present means with standard deviations in parentheses and sample sizes are in brackets. Column (5) shows difference-in-difference estimates with heteroskedasticity-corrected standard errors in parentheses.

Table 4. Difference-in-Difference Estimates of the Effect of the New York State Minimum Wage Hike from \$5.15 in 2004 to \$6.75 in 2006 on Employment of 16 to 29 year-olds without High School Degree

| | New York State | | Comparison States | | Diff-in-diff (5) | Adjusted Diff-in-diff (6) |
|----------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------------|---------------------------------|
| | 2004 | 2006 | 2004 | 2006 | | |
| | (1) | (2) | (3) | (4) | | |
| | Mean Employment | | Mean Employment | | | |
| I: Comparison States: PA, OH, NH | 0.362 (0.481) [989] | 0.291 (0.454) [916] | 0.409 (0.482) [1,765] | 0.414 (0.483) [1,499] | -0.076*** (0.029) [5,169] | -0.073*** (0.028) [5,169] |
| Elasticity | | | | | -0.675 | -0.648 |
| II: Comparison State: PA | 0.362 (0.481) [989] | 0.291 (0.454) [916] | 0.392 (0.489) [697] | 0.411 (0.492) [560] | -0.089** (0.036) [3,162] | -0.091** (0.034) [3,162] |
| Elasticity | | | | | -0.791 | -0.808 |
| III: Comparison States: OH | 0.362 (0.481) [989] | 0.291 (0.454) [916] | 0.422 (0.494) [683] | 0.411 (0.492) [588] | -0.059* (0.036) [3,176] | -0.053 (0.035) [3,176] |
| Elasticity | | | | | -0.524 | -0.471 |
| IV: Comparison State: NH | 0.362 (0.481) [989] | 0.291 (0.454) [916] | 0.439 (0.497) [385] | 0.479 (0.500) [351] | -0.110** (0.043) [2,641] | -0.086** (0.043) [2,641] |
| Elasticity | | | | | -0.977 | -0.764 |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level
 Notes: Estimates obtained using data from the 2004 and 2006 Current Population Survey Outgoing Rotation Groups. All estimates are weighted. Columns (1)-(4) show mean employment rates by year and treatment/control group. Standard deviations are in parentheses and sample sizes are in brackets. Column (5) shows difference-in-difference estimates with heteroskedasticity-corrected standard errors in parentheses. Adjusted difference-in-difference estimates in column (6) include controls for age, age-squared, marital status, race, sex, number of own children under 18 in the family, whether residing in an SMSA, and month dummies.

Table 5. Difference-in-Difference-in-Difference Estimates of Effect of Minimum Wage on Employment of 16 to 29 year-olds without High School Degree

| | Within-state comparison group: Aged 25-29 with Bachelor's Degree | | Within-state comparison group: Aged 20-29 with ≥ HS | | Within-state comparison group: Aged 30-54 | |
|----------------------------------|--|--------------------------------|---|---------------------------------|---|----------------------------------|
| | DDD (1) | Adj. DDD (2) | DDD (3) | Adj. DDD (4) | DDD (5) | Adj. DDD (6) |
| | | | | | | |
| I: Comparison States: PA, OH, NH | -0.101*** (0.045) [7,226] | -0.094** (0.044) [7,226] | -0.086*** (0.035) [16,020] | -0.076** (0.033) [16,020] | -0.086*** (0.031) [43,667] | -0.080*** (0.029) [43,667] |
| Elasticity | -0.897 | -0.835 | -0.764 | -0.675 | -0.764 | -0.711 |
| II: Comparison State: PA | -0.141*** (0.055) [4,516] | -0.132** (0.054) [4,516] | -0.104*** (0.037) [9,893] | -0.099** (0.040) [9,983] | -0.104*** (0.037) [24,497] | -0.105*** (0.036) [24,497] |
| Elasticity | -1.25 | -1.17 | -0.924 | -0.879 | -0.924 | -0.933 |
| III: Comparison State: OH | -0.062 (0.055) [4,430] | -0.058 (0.054) [4,430] | -0.068 (0.043) [9,665] | -0.047 (0.040) [9,665] | -0.067* (0.038) [25,376] | -0.052 (0.036) [25,376] |
| Elasticity | -0.551 | -0.515 | -0.604 | -0.417 | -0.595 | -0.462 |
| IV: Comparison State: NH | -0.069 (0.064) [3,808] | -0.044 (0.063) [3,808] | -0.107** (0.050) [8,124] | -0.091* (0.048) [8,124] | -0.117*** (0.045) [22,674] | -0.105** (0.043) [22,674] |
| Elasticity | -0.613 | -0.390 | -0.950 | -0.808 | -1.04 | -0.933 |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level

Notes: Estimates obtained using data from the 2004 and 2006 Current Population Survey Outgoing Rotation Rotation Groups. All estimates are weighted. Heteroskedasticity-corrected standard errors are in parentheses and sample sizes are in brackets. Adjusted difference-in-difference models include controls for age, age-squared, marital status, race, sex, number of own children under 18 in the family, whether residing in an SMSA, education, and month dummies.

Table 6. Difference-in-Difference and Triple-Difference Estimates of Employment Effects for White 16-to-29 Year-Olds without a High School Degree

| | New York State | | Comparison States | | Diff-in-diff | Adjusted Diff-in-diff | DDD | Adjusted DDD |
|------------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------------|---------------------------------|--------------------------------|--------------------------------|
| | 2004 (1) | 2006 (2) | 2004 (3) | 2006 (4) | | | | |
| | Mean Employment | | Mean Employment | | (5) | (6) | (7) | (8) |
| I: PA, OH, NH | | | | | | | | |
| 16-to-29 Year-Olds w/out HS Degree | 0.416 (0.493) [697] | 0.341 (0.475) [632] | 0.433 (0.496) [1,516] | 0.434 (0.496) [1,303] | -0.077** (0.034) [4,148] | -0.073*** (0.033) [4,148] | -- | -- |
| Elasticity | | | | | -0.595 | -0.564 | | |
| 25-to-29 Year-Old College Grads | 0.856 (0.352) [327] | 0.893 (0.309) [332] | 0.880 (0.325) [539] | 0.879 (0.327) [511] | 0.037 (0.034) [1,709] | 0.034 (0.034) [1,709] | -0.114** (0.048) [5,857] | -0.107** (0.047) [5,857] |
| Elasticity | | | | | 0.139 | 0.128 | -0.881 | -0.827 |
| II: PA | | | | | | | | |
| 16-to-29 Year-Olds w/out HS Degree | 0.416 (0.493) [697] | 0.341 (0.475) [632] | 0.417 (0.493) [595] | 0.432 (0.496) [484] | -0.090** (0.041) [2,408] | -0.095*** (0.040) [2,408] | -- | -- |
| Elasticity | | | | | -0.696 | -0.734 | | |
| 25-to-29 Year-Old College Grads | 0.856 (0.352) | 0.893 (0.309) | 0.879 (0.326) | 0.852 (0.356) | 0.065 (0.043) | 0.051 (0.042) | -0.155*** (0.059) | -0.148** (0.058) |

| | [327] | [332] | [218] | [209] | [1,086] | [1,086] | [1,086] | [3,494] | [3,494] |
|------------|-------|-------|-------|-------|---------|---------|---------|---------|---------|
| Elasticity | | | | | 0.244 | 0.192 | -1.20 | -1.14 | |

Notes: Estimates obtained using data from the 2004 and 2006 Current Population Survey Outgoing Rotation Groups. All estimates are weighted. Columns (1)-(4) show mean employment rates by year and treatment/comparison group. Standard deviations are in parentheses and sample sizes are in brackets. Column (5) shows difference-in-difference estimates with heteroskedasticity-corrected standard errors in parentheses. Adjusted difference-in-difference estimates in column (6) include controls for age, age-squared, marital status, race, sex, number of own children under 18 in the family, whether residing in an SMSA, and month dummies. Column (7) presents triple-difference estimates and column (8) shows adjusted triple-difference estimates.

Table 7. Difference-in-Difference-in-Difference Estimates of Effect of the NYS Minimum Wage on Employment of Low-Skilled Individuals, by Age

| | <i>Within-state comparison group: Aged 25-29 with Bachelor's Degree</i> | <i>Within-state comparison group: Aged 20- 29 with ≥ HS</i> | <i>Within-state comparison group: Aged 30-54</i> |
|---|---|---|--|
| | Adj. DDD | Adj. DDD | Adj. DDD |
| | (1) | (2) | (3) |
| (1) <i>Treatment Group: Aged 16-29 Without a HS Degree</i> | -0.094** (0.044) [7,226] | -0.076** (0.033) [16,020] | -0.080** (0.029) [43,667] |
| <i>Elasticity</i> | -0.835 | -0.675 | -0.711 |
| (2) <i>Treatment Group: Aged 16-to-19 Without a HS Degree</i> | -0.089** (0.045) [5,982] | -0.070** (0.035) [14,776] | -0.073** (0.032) [42,433] |
| <i>Elasticity</i> | -1.10 | -0.866 | -0.903 |
| (3) <i>Treatment Group: Aged 20-to-24 Without a HS Degree</i> | -0.148* (0.085) [2,775] | -0.121 (0.080) [11,569] | -0.135* (0.078) [39,226] |
| <i>Elasticity</i> | -0.886 | -0.725 | -0.808 |
| (4) <i>Treatment Group: Aged 25-to-29 Without a HS Degree</i> | -0.071 (0.094) [2,583] | -0.049 (0.089) [11,377] | -0.046 (0.086) [39,034] |
| <i>Elasticity</i> | -0.378 | -0.261 | -0.245 |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level

Notes: Estimates obtained using data from the 2004 and 2006 Current Population Survey Outgoing Rotation Groups. All estimates are weighted. Heteroskedasticity-corrected standard errors are in parentheses and sample sizes are in brackets. Adjusted difference-in-difference-in-difference models include controls for age, age-squared, marital status, race, sex, number of own children under 18 in the family, whether residing in an SMSA, education, and month dummies. The comparison States in each specification are Pennsylvania, Ohio, and New Hampshire.

Table 8. Falsification Tests Using Years 2002 and 2004

| | <i>Within-state comparison group: Aged 25-29 with Bachelor's Degree</i> | <i>Within-state comparison group: Aged 20-29 w/ ≥ HS</i> | <i>Within-state comparison group: Aged 30-54</i> |
|---|---|--|--|
| | Adj. DDD (1) | Adj. DDD (2) | Adj. DDD (3) |
| (1) <i>Treatment Group: Aged 16-to-29 without HS Diploma</i> | 0.031 (0.050) [4,938] | 0.038 (0.039) [10,840] | 0.027 (0.035) [30,157] |
| (2) <i>Treatment Group: Aged 16-to-19 Without a HS Degree</i> | 0.008 (0.052) [4,350] | 0.025 (0.041) [10,252] | 0.016 (0.037) [29,569] |
| (3) <i>Treatment Group: Aged 20-to-24 Without a HS Degree</i> | -0.074 (0.089) [2,134] | -0.076 (0.083) [8,036] | -0.074 (0.081) [27,353] |
| (4) <i>Treatment Group: Aged 25-to-29 Without a HS Degree</i> | 0.125 (0.110) [1,834] | 0.141 (0.106) [7,736] | 0.113 (0.103) [27,053] |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level

Notes: Estimates obtained using data from the 2002 and 2004 Current Population Survey Outgoing Rotation Groups. All estimates are weighted. Heteroskedasticity-corrected standard errors are in parentheses and sample sizes are in brackets. The "phantom" minimum wage variable is set equal to one in 2004 for affected workers (treatment group) in New York in 2004. Adjusted difference-in-difference models include controls for age, age-squared, marital status, race, sex, number of own children under 18 in the family, whether residing in an SMSA, education, and month dummies. The comparison States in each specification are Pennsylvania, Ohio, and New Hampshire.

Table 9. Falsification Tests Using Years 2006 and 2007

| | <i>Within-state comparison group: Aged 25-29 with Bachelor's Degree</i> | <i>Within-state comparison group: Aged 20-29 w/ ≥ HS</i> | <i>Within-state comparison group: Aged 30-54</i> |
|---|---|--|--|
| | Adj. DDD (1) | Adj. DDD (2) | Adj. DDD (3) |
| (1) <i>Treatment Group: Aged 16-to-29 without HS Diploma</i> | 0.002 (0.043) [6,815] | 0.009 (0.033) [15,315] | 0.013 (0.029) [40,646] |
| (2) <i>Treatment Group: Aged 16-to-19 Without a HS Degree</i> | -0.021 (0.044) [5,733] | -0.013 (0.035) [14,233] | -0.010 (0.031) [39,564] |
| (3) <i>Treatment Group: Aged 20-to-24 Without a HS Degree</i> | 0.073 (0.090) [2,628] | 0.080 (0.085) [11,128] | 0.090 (0.084) [36,459] |
| (4) <i>Treatment Group: Aged 25-to-29 Without a HS Degree</i> | 0.096 (0.100) [2,488] | 0.088 (0.097) [10,988] | 0.085 (0.094) [36,319] |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level

Notes: Estimates obtained using data from the 2006 and 2007 Current Population Survey Outgoing Rotation Groups. All estimates are weighted. Heteroskedasticity-corrected standard errors are in parentheses and sample sizes are in brackets. The minimum wage variable is set equal to one in 2007 for affected workers (treatment group) in New York in 2007. Adjusted difference-in-difference-in-difference models include controls for age, age-squared, marital status, race, sex, number of own children under 18 in the family, whether residing in an SMSA, education, and month dummies. The comparison States in each specification are Pennsylvania, Ohio, and New Hampshire.

Table 10. Difference-in-Difference Estimates of Effect of Minimum Wage on Conditional Log Hours Worked among Low-Skilled Workers

| | Within-state comparison group: Aged 25-29 with Bachelor's Degree | Within-state comparison group: Aged 20-29 w/ ≥ HS | Within-state comparison group: Aged 30-54 |
|---|---|---|---|
| | Adj. DDD (1) | Adj. DDD (2) | Adj. DDD (3) |
| (1) <i>Treatment Group: Aged 16-to-29 without HS Diploma</i> | 0.050 (0.072) [3,621] | 0.048 (0.059) [9,709] | 0.071 (0.060) [31,583] |
| (2) <i>Treatment Group: Aged 16-to-19 Without a HS Degree</i> | 0.084 (0.096) [2,930] | 0.082 (0.087) [9,018] | 0.138 (0.090) [30,892] |
| (3) <i>Treatment Group: Aged 20-to-24 Without a HS Degree</i> | 0.077 (0.112) [2,057] | 0.076 (0.105) [8,145] | 0.060 (0.101) [30,019] |
| (4) <i>Treatment Group: Aged 25-to-29 Without a HS Degree</i> | -0.158* (0.096) [2,000] | -0.136 (0.085) [8,088] | -0.144* (0.082) [29,962] |

*** Significant at 1% level ** Significant at 5% level * Significant at the 10% level

Notes: Estimates obtained using data from the 2006 and 2007 Current Population Survey Outgoing Rotation Groups. All estimates are weighted. Heteroskedasticity-corrected standard errors are in parentheses and sample sizes are in brackets. The minimum wage variable is set equal to one in 2007 for affected workers (treatment group) in New York in 2007. Adjusted difference-in-difference models include controls for age, age-squared, marital status, race, sex, number of own children under 18 in the family, whether residing in an SMSA, education, and month dummies. The comparison States in each specification are Pennsylvania, Ohio, and New Hampshire.

Table 11. Simulated Employment Losses of Proposed NYS Minimum Wage Increase from \$7.15 per hour to \$8.25, by Household Income-to-Needs Ratio, assuming Smaller Elasticities for Workers not Aged 16-to-29 without a High School Degree

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|-----------------------|---|-------------------|---|---|---|--|---|
| Income-to-Needs Ratio | Percent of Workers Earning Between \$6.90 per hour and \$8.24 per hour ^{a,b} | Number of Workers | Employment Losses (e = -0.4 for Less-educated aged 16-29; e = 0 for others) | Employment Losses (e = -0.8 for Less-educated aged 16-29; e = 0 for others) | Employment Losses (e = -1.2 for Less-educated aged 16-29; e = 0 for others) | Employment Losses (e = -0.8 for Less-educated aged 16-29; e = -0.2 for others) | Percent of Job Losses under assumptions in column (6) |
| Less than 1.00 | 21.4 | 174,887 | 2,168 | 4,336 | 6,504 | 7,031 | 24.3 |
| 1.00 to 1.24 | 3.7 | 30,181 | 512 | 1,024 | 1,536 | 1,383 | 4.8 |
| 1.25 to 1.49 | 2.7 | 22,439 | 268 | 536 | 804 | 720 | 2.5 |
| 1.50 to 1.99 | 10.6 | 86,640 | 1,076 | 2,152 | 3,228 | 3,249 | 11.2 |
| 2.00 to 2.99 | 15.1 | 123,824 | 1,072 | 2,144 | 3,216 | 3,758 | 13.0 |
| 3.00 or above | 46.5 | 380,380 | 3,326 | 6,652 | 9,978 | 12,848 | 44.3 |
| Total | 100 | 818,351 | 8,422 | 16,844 | 25,266 | 28,990 | 100 |

Notes:

^aHourly wage rates are based on a direct question concerning earnings per hour on their current primary job. All income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in nominal dollars. Sample restricted to 16-64 year-olds who report positive weeks and weekly hours worked in previous year.

^bThis wage category corresponds to March 2007. For March 2006, when the NYS minimum wage was \$6.75 per hour, this wage category also includes those earning wages of \$6.50-\$6.89 per hour. In March 2005, when the NYS minimum wage was \$6.00 per hour, this wage category also includes those earning wages of \$5.75-\$6.89 per hour.

Table 12. Simulated Monthly Net Benefits from Proposed NYS Minimum Wage Increase from \$7.15 per hour to \$8.25, by Household Income-to-Needs Ratio, assuming Smaller Elasticities for Workers not Aged 16-to-29 without a High School Degree^b

| | (1) Net Benefits in Millions \$ (e = 0) | (2) % Net Benefits (e = 0) | (3) Net Benefits in Millions \$ (e = -0.4 for Less- educated aged 16-29; e = 0 for others) | (4) Net Benefits in Millions \$ (e = -0.8 for Less- educated aged 16-29; e = 0 for others) | (5) Net Benefits in Millions \$ (e = -1.2 for Less-educated aged 16-29; e = 0 for others) | (6) Net Benefits in Millions \$ (e = -0.8 for Less-educated aged 16-29; e = -0.2 for others) | (7) % Net Benefits Under assumptions of column (6) |
|------------------------------|---|-------------------------------------|--|--|--|---|--|
| <i>Income-to-Needs Ratio</i> | | | | | | | |
| Less than 1.00 | 14.3 | 21.2 | 12.7 | 11.1 | 9.43 | 11.1 | 9.43 |
| 1.00 to 1.24 | 2.82 | 4.2 | 2.27 | 1.72 | 1.17 | 1.72 | 1.17 |
| 1.25 to 1.49 | 1.21 | 2.4 | 1.04 | 0.86 | 0.69 | 0.86 | 0.69 |
| 1.50 to 1.99 | 7.97 | 11.8 | 7.05 | 6.14 | 5.24 | 6.14 | 5.24 |
| 2.00 to 2.99 | 10.1 | 15.0 | 8.86 | 7.59 | 6.33 | 7.59 | 6.33 |
| 3.00 or above | 30.6 | 45.4 | 29.1 | 27.7 | 26.3 | 27.7 | 26.3 |
| Total | 67.3 | 100 | 61.0 | 55.1 | 49.2 | 55.1 | 49.2 |

Notes:

^aExpected benefits are calculated as the weighted sum of $(1-p)(\$8.25-w)H - pwH$ for each minimum wage worker, where p is the probability of job loss from the minimum wage hike, $[(\$8.25-w)/w]e$, w is the worker's hourly wage rate, H is monthly hours worked, and e is the employment elasticity.
^bThe analysis uses data from the outgoing rotation groups of the March 2005, March 2006, and March 2007 CPS. A minimum wage worker is defined as earning between \$6.90 and \$8.24 per hour in March 2007. It also includes those earning between \$6.50 and \$6.89 per hour in March 2006, and those earning \$6.00 to \$8.24 in March 2005. Minimum wage workers earning between \$6.50 and \$6.89 in March 2006 or between \$5.75 and \$6.89 in March 2005 are assumed to earn the \$7.15 minimum wage in March 2007.

Appendix Table 1. Robustness of DD and DDD Estimates to Choice of Baseline Year

| | Baseline Year = 2003 | | Baseline Year = 2002 | |
|--|--------------------------------|---------------------------------|------------------------------|--------------------------------|
| | DD (1) | DDD ¹ (2) | DD (3) | DDD ¹ (4) |
| Effect of Minimum Wage on Employment of 16-to-29 Year-Olds without HS Degree | -0.081** (0.035) [3,288] | -0.167*** (0.054) [4,674] | -0.050 (0.035) [3,308] | -0.114** (0.052) [4,722] |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level

Notes: Estimates in columns (1) and (2) are obtained using data from the 2003 and 2006 Current Population Survey Outgoing Rotation Groups. Estimates in columns (3) and (4) are obtained using data from the 2002 and 2006 Current Population Survey. All estimates are weighted. Robust standard errors are in parentheses and sample sizes are in brackets. For all models, Pennsylvania is the control state.

¹In each case, the within-state control group is comprised of respondents aged 25-to-29 with a Bachelor's degree.

Appendix Table 2. DD Estimates of the Effect of the 2005-2006 NYS Minimum Wage Increase on More Highly Educated or Experienced Workers

| | Comparison States: PA, OH, NH | Comparison State: PA | Comparison State: OH | Comparison State: NH |
|--|----------------------------------|------------------------------|------------------------------|------------------------------|
| | (1) | (2) | (3) | (3) |
| (1) Employment of 25-to-29 Year-Olds with Bachelor's Degree | 0.026 (0.034) [2,057] | 0.052 (0.042) [1,354] | 0.003 (0.042) [1,254] | -0.041 (0.047) [1,167] |
| (2) Employment of 20-to-29 Year-Olds with High School Diploma | 0.010 (0.019) [10,851] | 0.014 (0.023) [6,731] | 0.008 (0.023) [6,489] | -0.002 (0.026) [5,483] |
| (3) Employment of 30-to-54 Year-Olds | 0.011 (0.009) [38,508] | 0.015 (0.011) [23,335] | 0.008 (0.012) [22,200] | 0.007 (0.012) [20,033] |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level + Significant at 15% level

Notes: Estimates in columns (1) and (2) are obtained using data from the 2004 and 2005 Current Population Survey Outgoing Rotation Groups. Estimates in columns (3) and (4) are obtained using data from the 2005 and 2006 Current Population Survey. All estimates are weighted. Robust standard errors are in parentheses and sample sizes are in brackets.

Appendix Table 3. DD and DDD Estimates of First (2005) and Second (2006) Phases of New York State Minimum Wage Hike on Less-Educated 16-to-29 Year-Olds

| | First Phase from \$5.15 in 2004 to \$6.00 in 2005 | | Second Phase from \$6.00 in 2005 to \$6.75 in 2006 ¹ | |
|--|--|------------------------------|--|-------------------------------|
| | DD (1) | DDD ² (2) | DD (3) | DDD ² (4) |
| Effect of Minimum Wage Increase on Employment of 16-to-29 Year-Olds without HS Degree | -0.045 ⁺ (0.029) [5,345] | -0.042 (0.034) [7,380] | -0.032 (0.030) [4,291] | -0.074* (0.045) [7,016] |

*** Significant at the 1% level ** Significant at the 5% level * Significant at the 10% level + Significant at 15% level

Notes: Estimates in columns (1) and (2) are obtained using data from the 2004 and 2005 Current Population Survey Outgoing Rotation Groups. Estimates in columns (3) and (4) are obtained using data from the 2005 and 2006 Current Population Survey. All estimates are weighted. Robust standard errors are in parentheses and sample sizes are in brackets. All models use PA, NH, and OH as control states.

¹Note that these estimates are not "true" DD or DDD estimates in the sense that at baseline (2005), the treatment and control states have different initial minimum wage levels. In 2005, the NYS minimum wage was \$6.00 per hour, while in the control states it was \$5.15.

²In all cases, the within-state control group is comprised of respondents aged 25-to-29 with a Bachelor's degree.

Appendix Table 4. Simulated Employment Losses of Proposed NYS Minimum Wage Increase from \$7.15 per hour to \$8.25, by Household Income-to-Needs Ratio, assuming uniform employment elasticities^{a,b}

| | Percent of | | | | | |
|------------------------------|---|-------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | Workers Earning Between \$6.90 per hour and \$8.24 per hour ^{a,b} | Number of Workers | Employment Losses (e = -0.2) | Employment Losses (e = -0.4) | Employment Losses (e = -0.8) | Employment Losses (e = -1.2) |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| <i>Income-to-Needs Ratio</i> | | | | | | |
| Less than 1.00 | | | | | | |
| 1.00 to 1.24 | 21.4 | 174,887 | 3,780 | 7,559 | 15,120 | 22,860 |
| 1.25 to 1.49 | 3.7 | 30,181 | 615 | 1,230 | 2,460 | 3,690 |
| 1.50 to 1.99 | 2.7 | 22,439 | 319 | 637 | 1,276 | 1,914 |
| 2.00 to 2.99 | 10.6 | 86,640 | 1,658 | 3,317 | 6,632 | 9,948 |
| 3.00 or above | 15.1 | 123,824 | 2,151 | 4,302 | 8,604 | 12,906 |
| Total | 46.5 | 380,380 | 7,858 | 15,717 | 31,432 | 47,148 |
| | 100 | 818,351 | 16,439 | 32,776 | 65,756 | 98,634 |

Notes:

^aHourly wage rates are based on a direct question concerning earnings per hour on their current primary job. All income data used to calculate income-to-needs ratios come from retrospective information from the previous year because that is the period for which it is reported. Wages are in nominal dollars. Sample restricted to 16-64 year-olds who report positive weeks and weekly hours worked in previous year.

^bThis wage category corresponds to March 2007. For March 2006, when the NYS minimum wage was \$6.75 per hour, this wage category also includes those earning wages of \$6.50-\$6.89 per hour. In March 2005, when the NYS minimum wage was \$6.00 per hour, this wage category also includes those earning wages of \$5.75-\$6.89 per hour.

Appendix Table 5. Simulated Monthly Net Benefits from Proposed NYS Minimum Wage Increase from \$7.15 per hour to \$8.25, by Household Income-to-Needs Ratio, assuming uniform employment elasticities^{a,b}

| Income-to-Needs Ratio | Net Benefits in Millions \$ (e = 0) | | Net Benefits in Millions \$ (e = -0.2) | | Net Benefits in Millions \$ (e = -0.6) | | Net Benefits in Millions \$ (e = -0.9) | |
|-----------------------|-------------------------------------|------|--|------|--|------|--|------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Less than 1.00 | 14.3 | 21.2 | 11.1 | 21.3 | 4.64 | 21.2 | -0.20 | 23.2 |
| 1.00 to 1.24 | 2.82 | 4.2 | 2.17 | 4.2 | 0.88 | 4.0 | -0.08 | 9.3 |
| 1.25 to 1.49 | 1.21 | 2.4 | 0.94 | 1.8 | 0.40 | 1.8 | -0.01 | 1.2 |
| 1.50 to 1.99 | 7.97 | 11.8 | 6.18 | 11.9 | 2.60 | 11.9 | -0.08 | 9.3 |
| 2.00 to 2.99 | 10.1 | 15.0 | 7.87 | 15.1 | 3.33 | 15.3 | -0.07 | 8.1 |
| 3.00 or above | 30.6 | 45.4 | 23.7 | 45.5 | 9.91 | 45.5 | -0.43 | 50.0 |
| Total | 67.3 | 100 | 52.1 | 100 | 21.8 | 100 | -0.86 | 100 |

Notes:

^aExpected benefits are calculated as the weighted sum of $(1-p)(\$8.25-w)H - pwH$ for each minimum wage worker, where p is the probability of job loss from the minimum wage hike, $[(\$8.25-w)/w]e$, w is the worker's hourly wage rate, H is monthly hours worked, and e is the employment elasticity.

^bThe analysis uses data from the outgoing rotation groups of the March 2005, March 2006, and March 2007 CPS. A minimum wage worker is defined as earning between \$6.90 and \$8.24 per hour in March 2007. It also includes those earning between \$6.50 and \$6.89 per hour in March 2006, and those earning \$6.00 to \$8.24 in March 2005. Minimum wage workers earning between \$6.50 and \$6.89 in March 2006 or between \$5.75 and \$6.89 in March 2005 are assumed to earn the \$7.15 minimum wage in March 2007.

Figure 1. Employment Trends of 16-to-29 Year-Olds without High School Diploma, 1996-2007

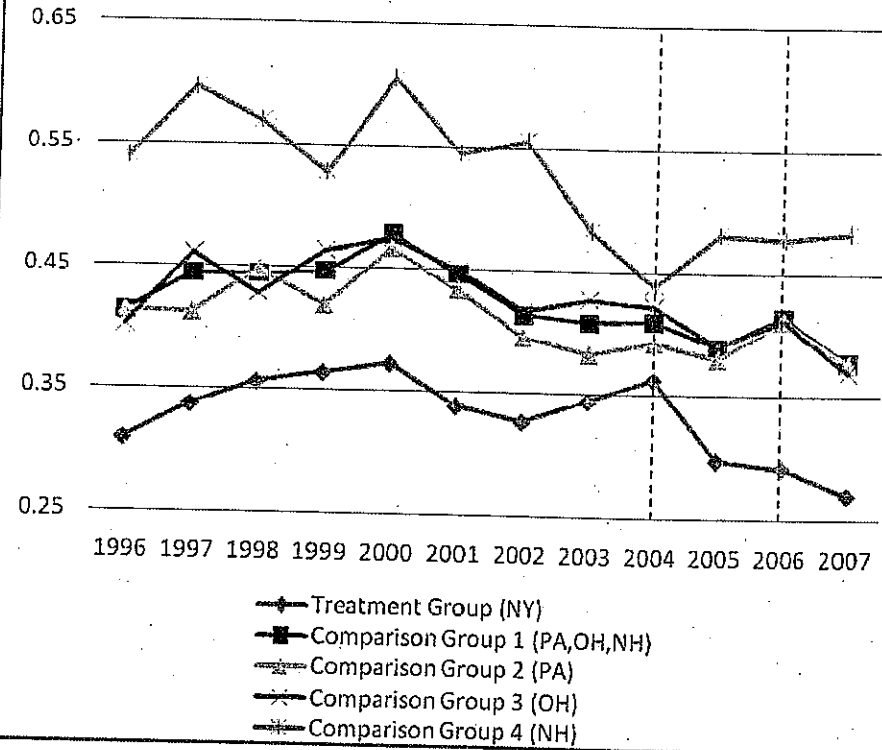


Figure 2. Employment Trends of 25-to-29 Year-Old College Graduates, 1996-2007

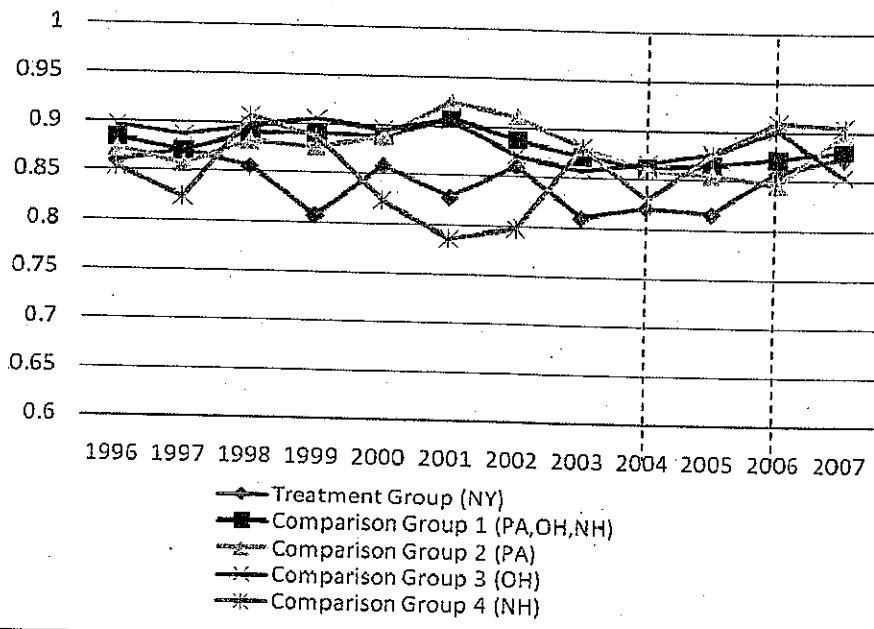


Figure 3. Employment Trends of 20-to-29 Year-Old High School Graduates, 1996-2007

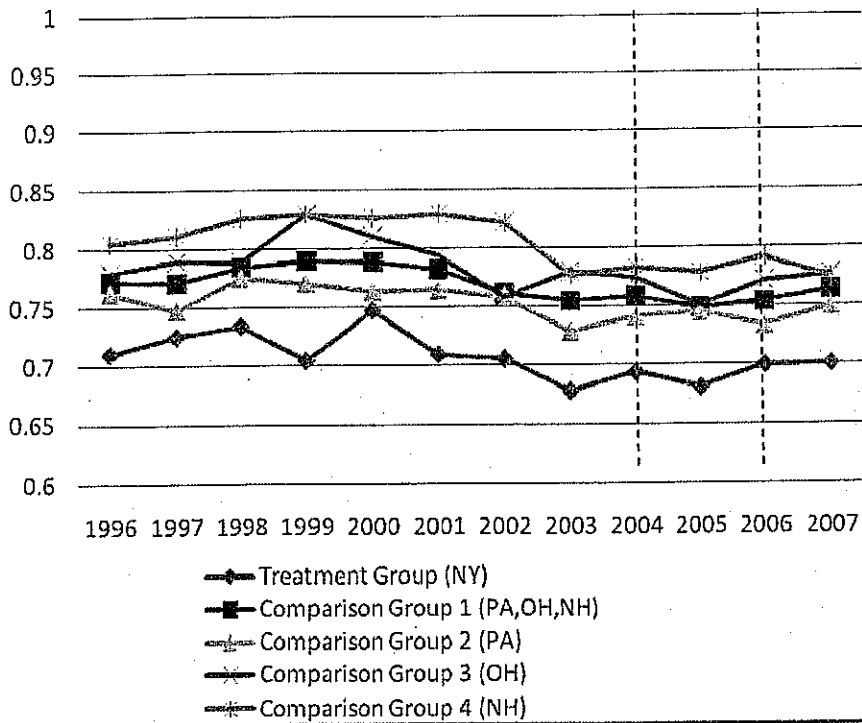


Figure 4. Employment Trends of 30-to-54 Year-Olds, 1996-2007

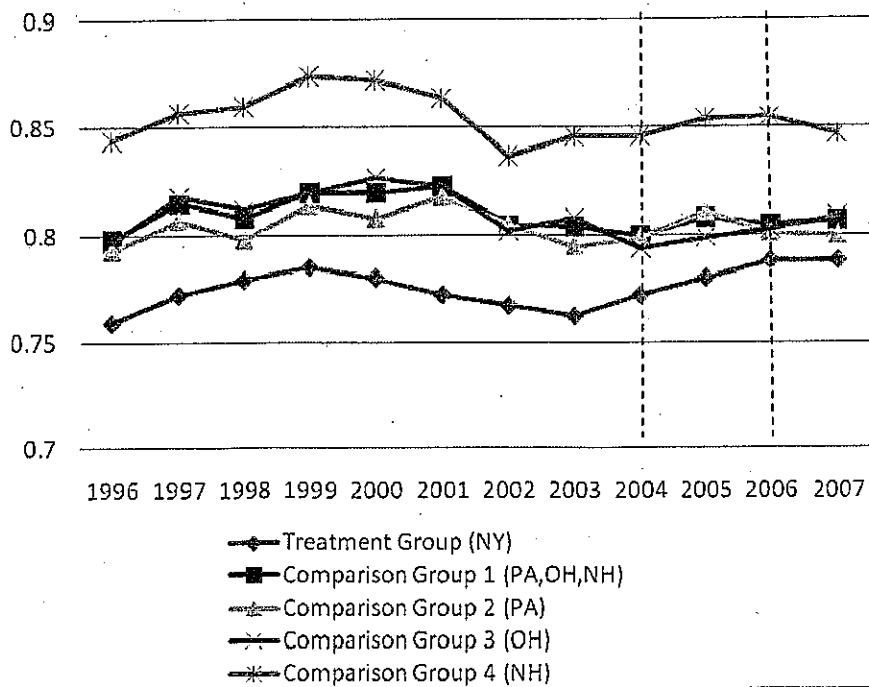


Figure 5. Employment Gap between 25-to-29 Year-Old College Graduates and 16-to-29 Year-Olds without High School Diploma, 1996-2007

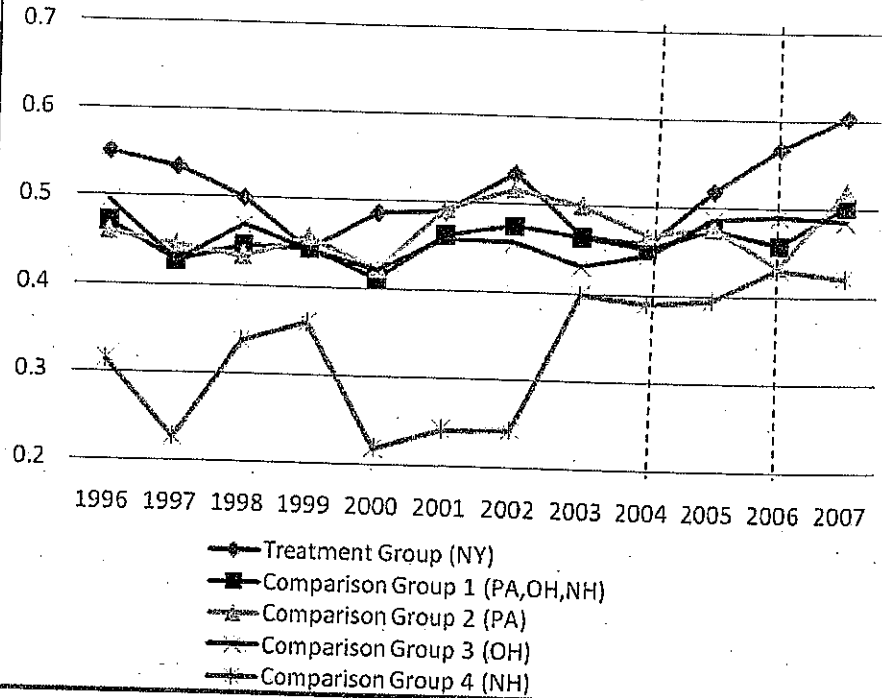


Figure 6. Employment Gap between 20-to-29 Year-Old High School Graduates and 16-to-29 Year-Olds without High School Diploma, 1996-2007

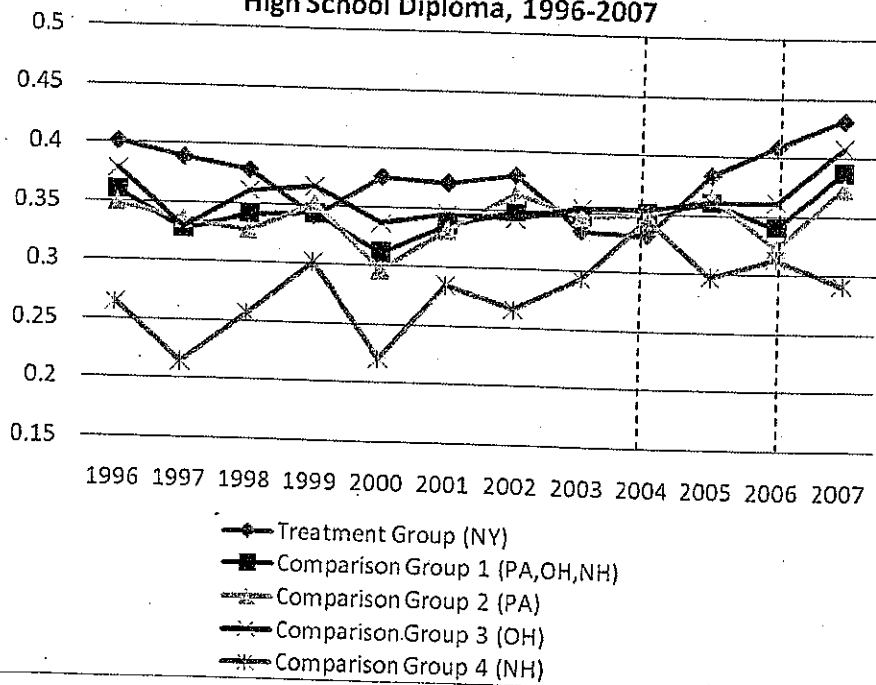


Figure 7. Employment Gap between 30-to-54 Year-Olds and 16-to-29 Year-Olds without High School Diploma, 1996-2007

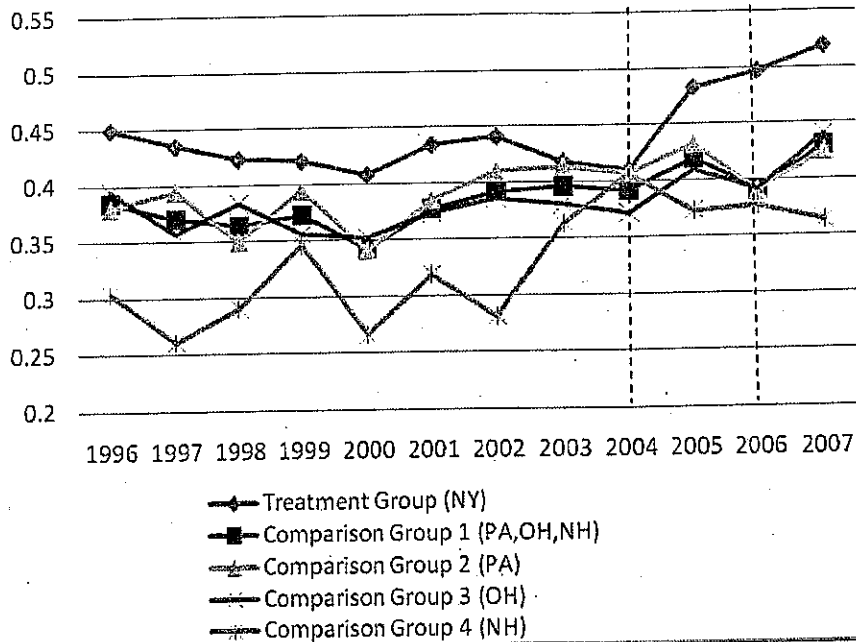
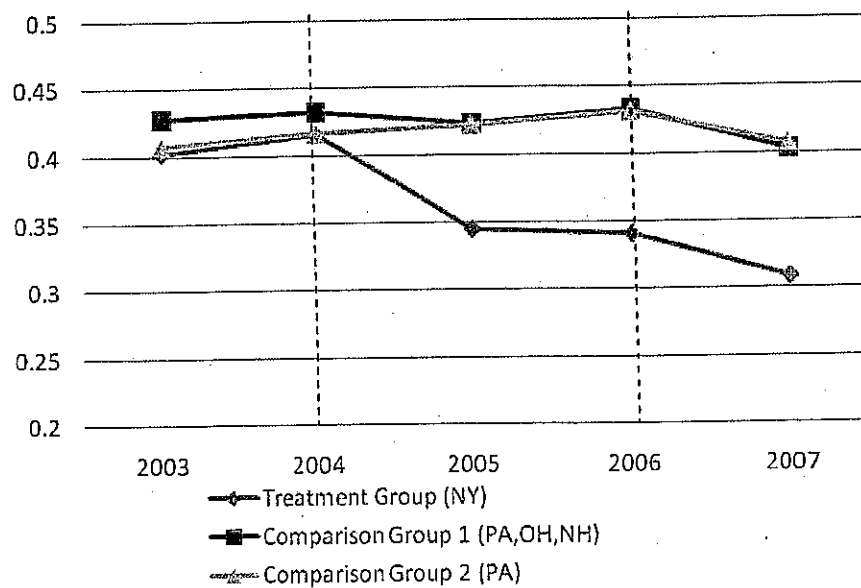


Figure 8. Employment Trends for White 16-to-29 Year-Olds without High School Diploma, 2003-2007



The Effect of Minimum Wage Increases on Gross Domestic Product*

Joseph J. Sabia
United States Military Academy
Office of Economic and Manpower Analysis
Department of Social Sciences
West Point, NY 10996
Phone: 845-938-0871
Email: Joseph.Sabia@usma.edu

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The Effect of Minimum Wage Increases on Gross Domestic Product

Abstract

Using data drawn from the Bureau of Economic Analysis and the Current Population Survey, this study estimates the effect of minimum wage increases on state gross domestic product (GDP). While difference-in-difference estimates suggest that minimum wage increases between 1997 and 2007 had little or no effect on overall state GDP, such hikes were associated with small declines in GDP generated by a number of lower-skilled industries, including wholesale trade, manufacturing of durables, rental and leasing services, and administrative and waste services. Estimated GDP elasticities for these industries generally range from -0.1 to -0.4. Falsification tests on more highly-skilled industries support a causal interpretation of these results.

Keywords: minimum wage, GDP, employment

FAILED STIMULUS:

Minimum Wage Increases and Their Failure to Boost Gross Domestic Product

Introduction

While there is a wide body of literature examining the effects of minimum wage increases on employment (Neumark and Wascher, 2007; 2008), income (Neumark and Wascher 2004 a,b), poverty (Sabia and Burkhauser, 2010; 2007; Neumark and Wascher, 2002; Card and Krueger, 1995), schooling (Neumark and Wascher, 1995; Warren and Hamrock, 2010), and output prices (Aaronson et al., 2007; 2008), there is little work exploring the effect of minimum wage increases on gross domestic product (GDP). Theoretically, the effect is ambiguous. Increases in the minimum wage may increase labor costs, reduce employment and income, and reduce output in lower-skilled industries. However, adverse employment effects among younger, less-experienced workers could induce greater human capital accumulation or shifts to high-skilled employment, leading to longer-run increases in macroeconomic growth (Cahuc and Michel, 1996; Nickell and Layard, 1999; Askenazy, 2003). To date, little work has been done to estimate the effect of minimum wage increases on GDP.

Using data drawn from the Current Population Survey (CPS) and the Bureau of Economic Analysis (BEA), this study estimates the effects of minimum wage increases between 1997 and 2007 on low-skilled employment, school enrollment rates, and gross domestic product. Consistent with consensus estimates reported in Neumark and Wascher (2008), minimum wage increases are found to reduce employment among 16-to-19 year-olds, with estimated elasticities of -0.2 to -0.4. However, there is little evidence that minimum wage increases during this period affected school enrollment rates for 16-to-19 year-olds, either in the short- or long-term.

Turning to GDP effects, the results suggest that minimum wage increases are associated with small, often statistically insignificant declines in overall and private sector GDP; however, there is some evidence of larger adverse GDP effects in a number of industries that employ relatively larger shares of lower-wage workers, including wholesale trade, manufacturing of durables, warehousing and storage, rental and leasing services, and administrative and waste services. Falsification tests suggest that minimum wage increases are unrelated to contemporaneous output in industries that employ more highly skilled workers. Difference-in-difference-in-difference models that control for unmeasured state-specific time trends common across industries suggest that a 10 percent increase in the minimum wage is associated with a 2 to 4 percent decrease in state GDP generated by lower-skilled industries.

Background and Relevant Literature

Employment Effects of the Minimum Wage

Through the late 1980s, there was a strong consensus among labor economists that minimum wage increases reduce employment among low-skilled workers (see, for example, Brown et al., 1982). However, the iconoclastic work of Card and Krueger (1994; 1995) forged a "new economics of the minimum wage" literature that caused many to reconsider the employment consequences of minimum wage increases. Since the work of Card and Krueger (1994; 1995), a substantial number of new studies on the effect of state and federal minimum wage laws have tried to improve upon Card and Krueger's research design, paying careful attention to unmeasured state-specific time

trends and the availability of sufficient within-state variation in minimum wages. Neumark and Wascher (2007; 2008) reviewed over 90 studies conducted since the Card and Krueger work. They conclude that the evidence is “overwhelming” that low-skilled workers experience the strongest disemployment effects, and place employment elasticities in this new literature from -0.1 to -0.3 .

Recently, however, the debate in the literature has been stirred anew by studies questioning the credibility of the estimation strategy used in many national panel studies (see, for example, Dube, Lester, and Reich, Forthcoming; Addison et al., 2009). These authors argue that the usual panel data techniques of controlling for state and year effects, and identifying minimum wage effects from within-state variation in the minimum wage may be flawed due to unobserved state-specific labor market trends¹. Thus, while the employment literature generally points to modest negative employment effects for workers who are less skilled, less educated, and less experienced, these studies make clear that care should be taken to control for unmeasured state-specific time trends.

Income and Spending Effects of the Minimum Wage

While there is a fair amount of evidence pointing to adverse employment effects, recent studies provide little evidence that minimum wage hikes result in net income gains for low-income workers. Neumark and Wascher (2002) and Neumark et al. (2005 a,b) use matched Current Population Survey data to examine the effects of minimum wage increases on family income. They find that some low-skilled workers living in poor families who remain employed see their incomes rise and move out of poverty when the minimum wage increases. However, other low-skilled workers appear to lose their jobs or have their hours substantially reduced as a result of minimum wage hikes, causing income losses and increased poverty. On net, Neumark and Wascher (2002) find that the families of low-skilled workers are no better off (and may be made worse off) by minimum wage hikes. The authors conclude that the effects of minimum wage increases resemble income redistribution among low-skilled workers. Sabia (2008) finds a similar

result for less-educated single mothers. In a study examining single mothers aged 15 to 55 without a high school diploma, he finds, on net, a statistically insignificant *negative* relationship between minimum wage increases and income. However, Aaronson et al. (2009) find that among households with minimum wage workers, minimum wage increases are associated with increases in consumer spending, particularly on durables such as vehicles, but that spending increases more than income, leading to greater household debt.

Schooling Effects of the Minimum Wage

The effect of minimum wage increases on school enrollment is theoretically ambiguous. Minimum wages could reduce non-school employment opportunities for teenagers, thus increasing the cost of dropping out. At the same time, minimum wage increases could induce employers to substitute away from lower-skilled teenagers and toward higher-skilled teenagers, leading to increased demand for higher-skilled teenagers who drop out of school and join the labor market.

The empirical evidence on the schooling effects of minimum wage increases is mixed. Mattila (1978) finds that minimum wages are positively associated with school attainment. On the other hand, Neumark and Wascher (1995, 1996 a,b) find that minimum wage hikes between 1977 and 1989 reduced school enrollment, and Pacheco and Cruichshak (2007) find similar evidence for some specific-subgroups in later years². Ehrenberg and Marcus (1980, 1982) find no net effects on state-level school enrollment, and also find that minimum wages reduce enrollment for low-income teenagers, and raise it among high-income teenagers. But other work (Warren and Hamrock, 2010; Campolieti et al., 2005; Neumark and Wascher, 2003; Card, 1992) has found no effect. Taken together, the evidence to date provides little evidence that minimum wage increases have increased school enrollment and mixed evidence on whether their effects are negative³.

Output Price Effects of the Minimum Wage

Two early case studies of California (Card, 1992) and Texas (Katz and Krueger, 1992) found little evidence that minimum wages affect fast food prices. These findings—in conjunction

¹To better control for differences in trends that could exist across heterogeneous states, Dube et al. (Forthcoming) instead rely on variation in minimum wages in contiguous counties across state borders and Addison et al. (2009) control for state-specific linear time trends. Sabia et al. (2010) use more highly educated individuals as an additional control group for a third difference.

²This result is consistent with Card (1992) and Cunningham (1981).

³They find some modest evidence that large hikes in the minimum wage might have small negative effects on the high school completion rate, but only in states in which students are permitted to drop out before age 17.

with Card and Krueger's (1994) evidence of positive employment effects from minimum wage increases—suggest that low-skilled labor markets affected by the minimum wage might be characterized by monopsony power.

However, a series of recent studies by Aaronson (2001) and Aaronson et al. (2007, 2008) find consistent evidence that minimum wage increases are associated with increased output prices in lower-skilled sectors and in low-wage regions of the country. Consistent with the results of Card and Krueger (1995), their study lends support to the competitive model prediction of full pass-through of minimum wage costs in prices (Lemos, 2004).

Profit Effects of the Minimum Wage

To the author's knowledge, only one study to date has explored the effects of minimum wage increases on firms' profitability. While Card and Krueger (1995) provide evidence that minimum wages reduce shareholders' expectations of future firms' value, Draca et al. (2008) are the first to present direct estimates of minimum wage effects on firms' profitability. Using panel data from the United Kingdom (UK), these authors estimate the impact of the imposition of a national minimum wage on the low-wage UK residential home care sector and on firms across all sectors. They find consistent evidence that the UK minimum wage reduced low-skilled firm profitability. While they did not find any evidence that the minimum wage increased firm exit rates, they did find some evidence of small reductions in entry rates.

GDP Effects of the Minimum Wage

Taken together, the empirical evidence on the effects of minimum wages on employment, income, schooling, output prices, and profits suggest that minimum wages may reduce output. However, there are very few studies that explore the effect of minimum wage increases on output or economic growth. Nickell and Layard (1999) note that the effect of minimum wages on growth is ambiguous because they eliminate low-productivity jobs, and also decrease employment among low-skilled workers. Cahuc and Michel (1996) argue that if minimum wages induce enough human capital accumulation

among unemployed low-skilled workers, they may have long-run productivity benefits. Askenazy (2003) presents the first estimates of the "direct impact of a minimum wage on growth." Using data on 15 countries over four time periods, he finds a statistically insignificant (p -value = 0.43) positive relationship between the minimum wage and overall GDP growth⁴.

While the finding of Askenazy (2003) is suggestive, it is clear that greater attention should be paid to (i) the role of unmeasured time trends, (ii) whether there is sufficient policy variation to identify minimum wage effects with some precision, and (iii) parameter heterogeneity across lower- and higher-skilled industries. The current study contributes to the literature by presenting the first estimates of U.S. state and federal minimum wage increases on overall and industry-specific gross domestic product.

Data and Methods

Data

The empirical analysis below uses state-year panel data from 1997-2007. Data for the dependent and independent variables were drawn from the Bureau of Economic Analysis (BEA) and the Current Population Survey (CPS)⁵.

I begin the empirical analysis by asking whether minimum wage increases over this period were binding for lower-skilled, less-experienced workers. I focus on teenagers for this portion of the analysis because they are the most commonly studied group of low-skilled workers in the minimum wage literature (see Neumark and Wascher, 2008; Burkhauser et al., 2000). Next, I explore two potential mechanisms through which the minimum wage could affect gross domestic product: employment and schooling. Lastly, I turn to the key outcome of interest in this study—the natural log of state GDP in millions of constant dollars. State-, year-, and industry-specific GDP were collected from the Bureau of Economic Analysis for the years 1997-2007 using the North American Industry Classification System.

⁴The focus of the study by Askenazy (2003) is on whether the growth effects of the minimum wage differ by the level of a nation's exports; he finds that the interaction of the volume of the nation's exports and the minimum wage is positively and significantly related to overall GDP growth.

⁵GDP data are downloadable at <http://www.bea.gov/> through the year 2007 at the time of this writing; minimum wage data are available at the Bureau of Labor Statistics at <http://www.bls.gov/>; and Outgoing Rotation Group data from the Current Population Survey is downloadable at <http://www.nber.org/data/morg.html>.

The central independent variable of interest is the natural log of the federal or state minimum wage (whichever is higher), collected from the Bureau of Labor Statistics. For years in which the state minimum wage changed mid-year, the average minimum wage that existed over the twelve month period was used. Between 1997 and 2007, there was substantial state-level variation in minimum wages. During this time there were two changes in the federal minimum wage and 28 changes in state minimum wages (see Sabia, 2009 for a discussion of the effects of this new minimum wage variation on precision of behavioral estimates)⁶. Other measures of socioeconomic controls, described below, are generated using the CPS' MORG files. The means of the dependent and independent variables are listed in Appendix Table 1.

Estimation

Following Card and Krueger (1995) and many of the studies reviewed by Neumark and Wascher (2008), the analysis begins by conditioning the sample on working low-skilled workers (teenagers) and estimating the effect of state and federal minimum wage increases between 1997 and 2007 on their wages:

$$wage_{st} = \psi + \beta_1 MW_{st} + X_{st} \delta_1 + \alpha_s + \tau_t + \varepsilon_{st} \quad (1)$$

Here, $wage_{st}$ is the natural log of the average wage rate of working 16 to 19 year-olds in state s at time t , MW_{st} is the natural log of the higher of the state or federal minimum wage in state s at time t , and X_{st} is a vector of the following state and year-specific socioeconomic controls: the prime-age (aged 25–54) average adult wage rate⁷, the natural log of the prime-age male unemployment rate, the share of the population aged 16–19, the share of the population that are U.S. citizens, the share of population that is non-white, high school completion rates for those aged 25–64, the poverty rate, and the population aged 16–64. In addition, α_s , a time-invariant state effect, is included to capture fixed state-level characteristics, and τ_t , a state-invariant year effect, is included to capture unmeasured time trends common across states. In alternate specifications, a lagged value of MW is included on the right hand-side. If the key parameter of interest, β_1 , is positive, then this would be evidence in support of the hypothesis that minimum wage increases were binding over this period for low-skilled workers.

Next, the employment and schooling effects of minimum wage increases are estimated using the following regression equations:

$$employ_{st} = \psi + \beta_2 MW_{st} + X_{st} \delta_2 + \alpha_s + \tau_t + \varepsilon_{st} \quad (2)$$

$$hs_{st} = \psi + \beta_3 MW_{st} + X_{st} \delta_3 + \alpha_s + \tau_t + \varepsilon_{st} \quad (3)$$

Here, $employ_{st}$ is the natural log of the ratio of employment to population of individuals aged 16–19 in state s at time t and where hs_{st} measures the natural log of the school enrollment rate for 16-to-19 year-olds in state s at time t . To control for differential trends in state-specific employment and high school graduation trends that are not expected to be affected by the minimum wage, the prime-age male unemployment rate and the high school completion rate of older individuals aged 25–64 are included in the vector X_{st} . Moreover, in alternate specifications of equations (2) and (3), state-specific linear time trends are included on the right-hand side to capture unmeasured state employment trends (Addison et al. 2009).

After exploring employment and schooling effects, the analysis turns to the estimation of the effect of minimum wage increases on GDP:

$$GDP_{st} = \psi + \beta_4 MW_{st} + X_{st} \delta_4 + \alpha_s + \tau_t + \varepsilon_{st} \quad (4)$$

As above, an important concern with the identification strategy pursued in (4) is that unmeasured state-specific time trends could be correlated with both state minimum wage changes and state GDP, leading to biased estimates of β_4 . For example, if state legislatures tended to enact minimum wage increases when state economies were growing rapidly and avoided them at the onset of recessions, then difference-in-difference estimates may understate the magnitude of any adverse effect of the minimum wage on state output.

Moreover, there is likely to be substantial parameter heterogeneity in β_4 . Industries that employed a larger share of low-skilled workers or produced goods and services are expected to be impacted by minimum wage increases to a greater degree than industries that employed more high-skilled workers. To identify low-skilled and high-skilled industries, I examine the

⁶The states that raised their minimum wages were AZ, AR, CA, CO, CT, DE, DC, FL, HI, IL, ME, MD, MA, MI, MN, MO, NV, NH, NJ, NY, NC, OH, OR, PA, RI, VT, WA, and WI.

⁷This measure is included to control for differential wage trends across states that should not be influenced by minimum wage policy.

Table 1. Share of Workers Earning Less than Half of the Average Private Sector Wage, by Industry, 2000

| Industry | Share of Workers Earning Less Than Half of the Average Private Sector Wage (all) | Share of Workers Earning Less Than Half of the Average Private Sector Wage (hourly) |
|--|--|---|
| Panel A: Relatively Lower-Skilled Industries | | |
| Wholesale Trade | 0.133*** | 0.196*** |
| Retail Trade | 0.341*** | 0.426*** |
| Rental and Leasing Services | 0.229*** | 0.291*** |
| Manufacturing | 0.112** | 0.140* |
| Administrative/Waste Services | 0.253*** | 0.293*** |
| Food/Accommodations | 0.592*** | 0.669*** |
| Warehousing and Storage | 0.170*** | 0.184*** |
| Mean Across Lower-Skilled Industries | 0.268*** | 0.338*** |
| Panel B: Relatively Higher-Skilled Industries | | |
| Finance and Insurance | 0.067 | 0.116 |
| Finance | 0.068 | 0.124 |
| Insurance | 0.065 | 0.102 |
| Transportation (Air/Rail/Water/Pipeline) | 0.066 | 0.084 |
| Air | 0.067 | 0.089 |
| Rail | 0.063 | 0.075 |
| Water | 0.075 | 0.059 |
| Pipeline | 0.046 | 0.089 |
| Telecommunications | 0.051 | 0.070 |
| Professional/Scientific/Technical | 0.058 | 0.109 |
| Mean Across Higher-Skilled Industries | 0.062 | 0.104 |

***Statistically different from mean share of low-wage workers in higher-skilled industries (in Panel B) at 1% level.

**Statistically different at 5% level

*Statistically different at 10% level

Source: Current Population Survey Merged Outgoing Rotation Group, 2000

share of workers in each industry earning less than half of the average non-agricultural private sector wage⁸. This definition of low-wage workers was adopted from Burkhauser and Sabia (2007).

Table 1 reports the share of all workers in each industry earning less than half of the average non-agricultural private sector wage in 2000, \$7.38. It is based on data drawn from the Current Population Survey's Merged Outgoing Rotation Groups.

Seven lower-skilled industries are identified that map to the industries for which state-by-year GDP measures are provided by the BEA: wholesale trade, retail trade, rental and leasing services, manufacturing, administrative and waste services, food and accommodations, and warehousing and storage (Panel A). The share of workers earning a "low wage" among all workers is reported in column 1 and the share of hourly workers who report being paid less than \$7.38 per hour is reported in column 2⁹. The retail trade, rental and leasing, administrative and waste

services, and food/accommodations industries have the largest shares of low-wage, low-skilled workers among the sample of relatively lower-skilled industries. On average, 26.8 percent of all workers and 33.8 percent of hourly workers in lower-skilled industries are “low-wage.”

Using the same criteria, six high-skilled industries are identified: finance and insurance, transportation (air/rail/water/pipeline), telecommunications, data processing, and professional, technical, and scientific services (Panel B). On average, only 6.2 percent of all workers in these higher-skilled industries are low-wage workers, 332 percent lower than the percentage in the seven low-skilled industries. The share of low-wage workers in each relatively lower-skilled industry is statistically significantly higher than the average share of low-wage workers in the more highly-skilled comparison group (Panel B).

Thus, one way to test whether unmeasured state time trends are leading to biased estimates of β_4 is to estimate GDP effects for lower-skilled industries, where we might expect an effect, and then conduct falsification tests using the higher-skilled industries in Panel B, which are less likely to be affected by changes in minimum wages, particularly in the short-run. Data can then be pooled from each lower-skilled industry and the more highly-skilled industries to estimate a difference-in-difference-in-difference (DDD) model of the following form:

$$GDP_{it} = \psi + \theta_i + \beta_i MW_{it} + \delta_i X_{it} + \alpha_{it} + \tau_{it} + \omega_{it} + \varepsilon_{it} \quad (5)$$

Here, i indexes industry (for instance, rental and leasing services versus telecommunications), and ω_{it} represents the interaction of the state and year fixed effects. In this framework, the source of the identifying variation is differences in GDP between the low-skilled industry and the comparison higher-skilled industries, controlling in the most flexible fashion possible for state-specific trends in GDP common to both the affected industry and the comparison group. Thus, the estimate

of β_i in equation (5) will measure the effect of minimum wages on the differential trend in GDP growth between each lower-skilled industry and the higher-skilled industry.

An advantage of the triple-difference (DDD) approach is that it better controls for unmeasured state time trends. However, a limitation of this strategy is the lack of a “clean” distinction between treatment and comparison industries. There are two reasons for this. First, state-, year-, and industry-specific GDP data from the BLS are not available for narrower industries, so we cannot identify greater disparities in the share of low-wage workers across industries that might allow for a sharper distinction between affected and unaffected industries¹⁰.

Second, in a general equilibrium framework, minimum wage increases could affect GDP in higher-skill industries. For example, adverse employment effects of minimum wage increases could lead to greater human capital accumulation among lower-skilled workers, leading to a longer-run GDP boost in higher-skilled industries. Thus, I explore whether there is evidence of spillover effects of the minimum wage on higher-skilled industries, particularly in the longer-run.

All regressions are weighted by state population aged 16–64, and standard errors are corrected for clustering on the state (Bertrand et al., 2004).

Results

Wage and Employment Effects

The first three columns of Table 2 show estimates of the effect of minimum wage increases on the wages of low-skilled workers. Column (1) shows that minimum wage increases are positively related to the wages of low-skilled workers, with an estimated wage elasticity of 0.108. The effect persists (but is

⁸Data for all GDP, private GDP, and government GDP were provided by the Bureau of Economic Analysis (BEA). Within the private GDP category, seventeen major industry categories are provided: manufacturing (durables and non-durables), wholesale trade, transportation, information, finance and securities, real estate and rental/leasing services, professional services, administrative services, agriculture, mining, utilities, construction, health care, education, accommodations, and arts/entertainment.

⁹Recent work by Bollinger and Chandra (2005) suggests that imputing hourly wages from reported earnings may introduce substantial measurement error. Thus, as in Sabia et al. (2010), results in Table 1 are presented for all workers and hourly workers.

¹⁰The BEA offers the following explanation for this: “The Bureau of Economic Analysis (BEA) does not include statistics for some of the detailed components of value added in the published tables because their quality is significantly less than that of the higher level aggregates in which they are included. Compared to these aggregates, the more detailed statistics are more likely to be either based on judgmental trends, on trends in the higher level aggregate, or on less reliable source data.”

Table 2. Estimates of the Effect of Minimum Wage on Low-Skilled Workers' Wages and Employment

| | Wages | | | Employment | | | |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Log (Minimum Wage) | 0.108** (0.051) | | 0.119* (0.067) | -0.215*** (0.078) | | -0.192*** (0.063) | -0.185** (0.075) |
| Log (Minimum Wage) in t-1 | | 0.090 (0.054) | 0.070 (0.079) | | -0.205** (0.094) | -0.073 (0.088) | -0.175 (0.154) |
| Long-Run Elasticity | | | 0.189** | | | -0.265** | -0.360* |
| p-value | | | p = 0.04 | | | p = 0.01 | p = 0.06 |
| Average Adult Wage Rate | 0.018*** (0.006) | 0.018** (0.006) | 0.016** (0.007) | 0.019* (0.010) | 0.018* (0.010) | 0.020* (0.010) | 0.018 (0.012) |
| Log (Prime-Age Male Unemployment Rate) | -0.035*** (0.009) | -0.036*** (0.011) | -0.037*** (0.012) | -0.050** (0.021) | -0.041* (0.023) | -0.039* (0.023) | -0.016 (0.021) |
| Share of Population Ages 16-to-19 | -1.20 (0.879) | -1.50 (0.977) | -1.81* (0.985) | 3.09* (1.68) | 1.60 (1.82) | 2.10 (1.87) | 3.18 (3.43) |
| Share of Population U.S. Citizens | 0.251 (0.208) | 0.113 (0.255) | 0.078 (0.260) | 1.72*** (0.471) | 1.33*** (0.499) | 1.29** (0.502) | -0.179 (0.424) |
| Share of Population Non-Whites | -0.284 (0.289) | -0.266 (0.371) | -0.286 (0.331) | -0.279 (0.343) | -0.055 (0.367) | -0.146 (0.394) | -0.475 (0.386) |
| High School Completion Rate for Ages 25-to-64 | -0.723** (0.282) | -0.734** (0.323) | -0.751** (0.310) | -1.57** (0.573) | -1.49*** (0.557) | -1.56* (0.564) | -0.553 (0.553) |
| Poverty Rate | 0.000 (0.002) | -0.001 (0.002) | -0.001 (0.002) | -0.012*** (0.004) | -0.008** (0.004) | -0.009** (0.004) | -0.005 (0.005) |
| Log (Population) | 0.088 (0.060) | 0.111 (0.074) | 0.130* (0.071) | -0.204 (0.137) | -0.163 (0.162) | -0.146 (0.163) | -0.267 (0.286) |
| State Effects? | Y | Y | Y | Y | Y | Y | Y |
| Year Effects? | Y | Y | Y | Y | Y | Y | Y |
| State-Specific Linear Time Trend? | N | N | N | N | N | N | Y |
| N | 561 | 510 | 510 | 561 | 510 | 510 | 510 |

*** Significant at 1% level ** Significant at 5% level * Significant at 10% level

Notes: Standard errors corrected for clustering on the state are in parentheses. The dependent variable in models (1)-(3) is the natural log of the wage rate of working individuals ages 16-to-19. The dependent variable in models (4)-(7) is the natural log of the ratio of employment to population for individuals ages 16-to-19.

not statistically different from zero) when the lagged value of the minimum wage is used alone (Column 2), but is significant and larger in magnitude (elasticity = 0.127) in the longer-run when both the contemporaneous and lagged effects are included together (Column 3). Thus, there is strong evidence that

minimum wage increases between 1997 and 2007 were binding for lower-skilled workers.

The remaining four columns of Table 2 (columns 4-7) show the employment effects of increases in the minimum wage. A

Table 3. Estimates of the Effect of Minimum Wage on School Enrollment of 16-to-19 Year-Olds

| | (1) | (2) | (3) | (4) |
|---|---------------------|--------------------|--------------------|-------------------|
| Log (Minimum Wage) | 0.018 (0.038) | | 0.089** (0.043) | 0.065 (0.054) |
| Log (Minimum Wage) in t-1 | | -0.0003 (0.052) | -0.062 (0.055) | -0.061 (0.063) |
| Long-Run Elasticity | | | 0.028 | 0.004 |
| p-value | | | p = 0.63 | p = 0.96 |
| Average Adult Wage Rate | -0.008 (0.006) | -0.006 (0.006) | -0.007 (0.006) | -0.007 (0.008) |
| Log (Prime-Age Male Unemployment Rate) | -0.005 (0.011) | -0.008 (0.013) | -0.009 (0.013) | -0.021 (0.015) |
| Share of Population Ages 16-to-19 | 0.004 (0.424) | 0.128 (0.486) | 0.061 (0.424) | 0.102 (0.492) |
| Share of Population U.S. Citizens | -0.170 (0.204) | 0.079 (0.190) | 0.051 (0.187) | 0.032 (0.299) |
| Share of Population Non-Whites | -0.262 (0.261) | -0.255 (0.248) | -0.269 (0.245) | -0.140 (0.336) |
| High School Completion Rate for Ages 25-to-64 | 0.117 (0.282) | -0.102 (0.248) | -0.115 (0.248) | 0.007 (0.302) |
| Poverty Rate | 0.005*** (0.002) | 0.004** (0.002) | 0.004** (0.002) | 0.003 (0.002) |
| Log (Population) | 0.094 (0.072) | 0.166** (0.082) | 0.178** (0.081) | 0.261 (0.193) |
| State Effects? | Y | Y | Y | Y |
| Year Effects? | Y | Y | Y | Y |
| State-Specific Linear Time Trend? | N | N | N | Y |
| N | 561 | 510 | 510 | 510 |

*** Significant at 1% level ** Significant at 5% level * Significant at 10% level

Notes: Standard errors corrected for clustering on the state are in parentheses. The dependent variable in all models is the natural log of the share of the population ages 16-to-19 that was enrolled in school in the last week.

10 percent increase in the minimum wage is associated with a 2.2 percent decline in low-skilled employment, consistent with the consensus estimates of Neumark and Wascher (2008). The result persists when using the lagged minimum wage alone (Column 5) and is a bit larger in magnitude (elasticity = -0.265) in the longer-run (Column 6).

As discussed above, one critique of the “difference-in-difference” approach is that there may be unmeasured state employment trends that lead to biased estimates (Dube et al., Forthcoming; Addison et al., 2009; Sabia et al., 2010). Thus, in Column (7), controls for state-specific linear time trends are added. In this specification, the longer-run employment elasticity increases to -0.360.

Table 4. Estimates of the Effect of Minimum Wage Increases on GDP

| | Overall GDP | | | | Private Sector GDP | | | | Government GDP | | | |
|---------------------------------------|-------------------|--------------------|---------------------|--------------------|--------------------|--------------------|---------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| Log (Minimum Wage) | -0.065 (0.056) | -0.122* (0.063) | -0.141** (0.063) | -0.068* (0.037) | -0.071 (0.060) | -0.135* (0.069) | -0.155** (0.070) | -0.076* (0.042) | -0.004 (0.050) | -0.019 (0.041) | -0.029 (0.053) | -0.018 (0.054) |
| Log (Minimum Wage) in t-1 | | 0.065 (0.057) | 0.102 (0.066) | -0.021 (0.064) | | 0.075 (0.060) | 0.113 (0.078) | -0.017 (0.078) | | -0.008 (0.060) | 0.016 (0.055) | -0.063 (0.051) |
| Log (Minimum Wage) in t-2 | | | -0.071 (0.082) | 0.053 (0.061) | | | -0.056 (0.091) | 0.068 (0.071) | | | -0.183 (0.113) | -0.068 (0.071) |
| Log (Minimum Wage) in t-3 | | | -0.005 (0.094) | -0.045 (0.052) | | | -0.025 (0.094) | -0.052 (0.054) | | | 0.156 (0.120) | -0.036 (0.094) |
| Long-Run Elasticity | | -0.057 | -0.115 | -0.081 | | -0.060 | -0.123 | -0.077 | | -0.027 | -0.040 | -0.185 |
| p-value | | p = 0.41 | p = 0.19 | p = 0.41 | | p = 0.43 | p = 0.20 | p = 0.47 | | p = 0.68 | p = 0.56 | p = 0.20 |
| State Effects? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| Year Effects? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| State-Specific Time-Varying Controls? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| State-Specific Linear Time Trend? | N | N | N | Y | N | N | N | Y | N | N | N | Y |
| N | 561 | 510 | 408 | 408 | 561 | 510 | 408 | 408 | 561 | 510 | 408 | 408 |

*** Significant at 1% level ** Significant at 5% level * Significant at 10% level

Notes: Standard errors corrected for clustering on the state are in parentheses. All models include the full list of controls listed in Table 2. The dependent variable in each model is the natural log of state GDP.

School Enrollment Effects

Cahuc and Michel (1996) hypothesize that minimum wage increases could increase economic growth, especially in the longer-run, if the adverse employment effects among younger lower-skilled workers lead to greater schooling. This possibility is explored in Table 3. The baseline model (Column 1) shows evidence of a positive but statistically insignificant relationship between minimum wage increases and contemporaneous school enrollment rates, with an estimated elasticity of 0.018. The estimated effect becomes negative and smaller in absolute magnitude and remains statistically indistinguishable from zero when the lagged minimum wage measure is included alone (Column 2). When the contemporaneous and lagged minimum wage measures are included on the right-hand side of the estimating equation, the contemporaneous effect is positive and statistically different from zero, but the lagged effect is negative and of comparable magnitude; the long-run elasticity remains small and is not statistically significant (Column 3). Finally, when a state-specific time trend is included as a control (Column 4), the long-run school enrollment effect falls to 0.004. Thus, while there is robust evidence of a negative employment effect from minimum wage increases, there is little

evidence that minimum wage hikes during this period affected teenage school enrollment rates, consistent with the findings of Warren and Hamrock (2010), Campolieti et al. (2005), Neumark and Wascher (2003), and Card (1992).

Overall GDP Effects

Table 4 presents estimates of the effect of minimum wage increases on aggregate GDP. The first three columns of Table 4 show estimates of β_4 from equation (4). The results suggest that a 10 percent increase in the minimum wage is associated with a small and statistically insignificant 0.65 percent decline in overall GDP (Column 1). When the lagged minimum wage (Column 2) is also included as a regressor, the longer-run elasticity remains small and statistically insignificant (-0.057), though the contemporaneous effect is now negative and marginally significant. In Column (3), three lags of the minimum wage are also included on the right-hand side of equation (1); the long-run elasticity (sum of elasticities for the contemporaneous and three lagged minimum wage effects) in this specification is around -0.12, driven by a significant contemporaneous minimum wage effect. The inclusion of a state-specific linear time trend (Column 4) reduces the magnitude of the

Table 5. Short- and Longer-Run Estimates of the Effect of Minimum Wage Increases on Lower-Skilled Industries

| | All Lower Skilled Industries | Wholesale Trade | Retail | Rental and Leasing Services | Manufacturing Durables | Manufacturing Non-Durables | Administrative & Waste Services | Accommodations & Food Service | Warehousing and Storage |
|--|------------------------------|----------------------|-------------------|-----------------------------|------------------------|----------------------------|---------------------------------|-------------------------------|-------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Panel I: Short-Run Contemporaneous Effect | | | | | | | | | |
| Log (Minimum Wage) | -0.140** (0.065) | -0.112*** (0.037) | 0.042 (0.035) | -0.234** (0.111) | -0.331 (0.205) | -0.089 (0.209) | -0.223*** (0.061) | 0.110*** (0.027) | -0.285 (0.219) |
| N | 4,488 | 561 | 561 | 561 | 561 | 561 | 561 | 561 | 561 |
| Panel II: Longer-Run Effect | | | | | | | | | |
| Log (Minimum Wage) | -0.185** (0.077) | -0.080* (0.047) | -0.043 (0.059) | -0.166* (0.100) | -0.448** (0.180) | -0.430 (0.286) | -0.108 (0.071) | 0.044 (0.039) | -0.249 (0.265) |
| Log (Minimum Wage) in t-1 | -0.021 (0.065) | -0.030 (0.057) | 0.079 (0.071) | -0.206** (0.089) | -0.109 (0.248) | 0.192 (0.229) | -0.112* (0.063) | 0.075 (0.045) | -0.060 (0.322) |
| Log (Minimum Wage) in t-2 | -0.009 (0.065) | -0.067 (0.118) | -0.067 (0.090) | 0.089 (0.129) | 0.121 (0.209) | -0.163 (0.253) | 0.011 (0.108) | -0.017 (0.083) | 0.019 (0.333) |
| Log (Minimum Wage) in t-3 | -0.017 (0.060) | 0.071 (0.108) | 0.065 (0.110) | -0.158 (0.099) | -0.546* (0.282) | 0.490 (0.310) | -0.082 (0.084) | 0.110 (0.103) | -0.087 (0.340) |
| Long-Run Elasticity | -0.232* | -0.106** | 0.034 | -0.441** | -0.982** | 0.089 | -0.291*** | 0.212*** | -0.377 |
| p-value | p = 0.08 | p = 0.05 | p = 0.62 | p = 0.01 | p = 0.03 | p = 0.85 | p = 0.00 | p = 0.00 | p = 0.40 |
| State Effects? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| Year Effects? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| State-Specific Time-Varying Controls? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| N | 3,840 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 |

*** Significant at 1% level ** Significant at 5% level * Significant at 10% level

Notes: Standard errors corrected for clustering on the state are in parentheses. All models include the full list of controls listed in Table 2. The dependent variable in each model is the natural log of state GDP.

minimum wage effect, though the long-run estimate is generally consistent with Column (3). Thus, these findings suggest that a 10 percent increase in the minimum wage has a small (less than one percent) and generally statistically insignificant effect on overall GDP.

The remaining columns in Table 4 explore parameter heterogeneity across the private versus public sectors. The results provide only modest evidence of a negative relationship between minimum wage increases and private sector GDP (elasticity estimates of -0.06 to -0.12), and only the contemporaneous effect is significant in Columns 5-8. For the public sector (Columns 9-12), there is even less evidence of minimum wage effects on government GDP. Thus, the results in Table 4 suggest only limited evidence of small adverse effects of minimum wage hikes on private sector GDP¹¹.

However, given potential parameter heterogeneity in β_4 across private sector industries with varying shares of lower- and higher-skilled workers, the analysis next turns to industry-specific estimates.

Effects on GDP Generated by Lower-Skilled Industries

Table 5 presents estimates of equation (5) for the relatively lower-skilled industries described in Panel A of Table 1. Panel I shows contemporaneous difference-in-difference estimates of minimum wage increases while Panel II shows longer-run effects. The results suggest that minimum wage increases are associated with a reduction in GDP in lower-skilled industries. A 10 percent increase in the minimum wage is associated with a contemporaneous 1.4 percent decline in state GDP generated by these lower-skilled industries. Specifically, a 10 percent increase in the minimum wage is associated with

¹¹Moreover, in unreported results, we include four- and five-year lags and continue to find no evidence of long-run positive growth effects.

Table 6. Short- and Longer-Run Estimates of the Effect of Minimum Wage Increases on Higher-Skilled Industries

| | All Higher-Skilled Industries | Telecom & Broadcasting | Telecom & Data Processing/Info | Professional Scientific Technical | Air Transport | Rail Transport | Water Transport | Pipeline Transport | Finance and Insurance |
|--|-------------------------------|------------------------|--------------------------------|-----------------------------------|-------------------|--------------------|-------------------|--------------------|-----------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Panel I: Short-Run Contemporaneous Effect | | | | | | | | | |
| Log (Minimum Wage) | 0.095 (0.103) | 0.103 (0.081) | 0.200 (0.249) | -0.145 (0.088) | -0.108 (0.166) | -0.361 (0.355) | 0.001 (0.405) | 0.231 (0.428) | 0.044 (0.153) |
| N | 4,395 | 561 | 561 | 561 | 561 | 537 | 504 | 549 | 561 |
| Panel II: Longer-Run Effect | | | | | | | | | |
| Log (Minimum Wage) | -0.119 (0.083) | 0.005 (0.069) | -0.360 (0.274) | -0.148** (0.063) | -0.096 (0.171) | -0.165 (0.300) | -0.459 (0.397) | -0.124 (0.261) | -0.027 (0.086) |
| Log (Minimum Wage) in t-1 | 0.284** (0.106) | 0.070 (0.075) | 0.127 (0.558) | -0.022 (0.072) | 0.353 (0.365) | -0.018 (0.345) | 0.658 (0.505) | 0.824 (0.664) | 0.242 (0.176) |
| Log (Minimum Wage) in t-2 | -0.021 (0.137) | -0.150 (0.096) | 0.143 (0.851) | -0.089 (0.100) | -0.368 (0.344) | 0.494* (0.265) | 0.111 (0.525) | -0.196 (0.612) | -0.173 (0.182) |
| Log (Minimum Wage) in t-3 | -0.030 (0.092) | 0.088 (0.146) | 0.034 (0.365) | -0.128 (0.114) | -0.134 (0.281) | -1.12** (0.545) | -0.791 (0.739) | 1.27 (0.805) | 0.157 (0.222) |
| Long-Run Elasticity | 0.114 | 0.013 | -0.056 | -0.387** | -0.245 | -0.809 | -0.481 | 1.77* | 0.199 |
| p-value | p = 0.42 | p = 0.92 | p = 0.90 | p = 0.01 | p = 0.44 | p = 0.23 | p = 0.50 | p = 0.06 | p = 0.41 |
| State Effects? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| Year Effects? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| State-Specific Time-Varying Controls? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| N | 3,213 | 480 | 480 | 480 | 480 | 392 | 382 | 399 | 480 |

*** Significant at 1% level ** Significant at 5% level * Significant at 10% level

Notes: Standard errors corrected for clustering on the state are in parentheses. All models include the full list of controls listed in Table 2. The dependent variable in each model is the natural log of state GDP.

GDP declines of 1.1 in wholesale trade, 2.3 percent in rental and leasing services; and a 2.2 percent decline in administrative and waste services. There were also negative (but statistically insignificant) declines in GDP in warehousing and storage and manufacturing of durables and non-durables, with respective elasticities of -0.29, -0.33, and -0.09. There is little evidence that minimum wage increases are related to GDP generated by the retail industry. While I find a small positive relationship between minimum wages and GDP generated by food and accommodations services, the evidence below suggests that this relationship is not likely causal in nature.

Relative to the short-run, the estimated effects of minimum wage increases on GDP in lower-skilled industries is approximately 69 percent larger in the longer-run (Panel II). A 10 percent increase in the minimum wage is associated with a longer-run 2.3 percent decline in lower-skilled industry GDP.

The respective elasticities across the negatively affected lower-skilled industries are also larger in magnitude. Moreover, the long-run estimated effect is statistically different from zero for manufacturing of durables. Estimated elasticities range from -0.11 for wholesale trade to -0.98 for manufacturing of durable goods. However, caution should be taken in interpreting the difference-in-difference estimates in Table 4 causally. If state legislatures choose to raise minimum wages during periods of state GDP growth and are more reluctant to raise them during periods of recession, then difference-in-difference estimates would produce negative correlations biased toward zero and positive correlation (such as that found on food/accommodations) biased upward. We explore this point below¹².

Effects on GDP on Higher-Skilled Industries

While there is some evidence in Table 5 that a number of lower-skilled industries experience a decline in GDP when

Table 7. Triple-Difference Estimates of the Effect of Minimum Wage Increases on Lower-Skilled Industries

| | All Lower-Skilled Industries | Wholesale Trade | Retail | Rental and Leasing Services | Manufacturing Durables | Manufacturing Non-Durables | Administrative & Waste Services | Accommodations & Food Service | Warehousing and Storage |
|--|------------------------------|-----------------|----------|-----------------------------|------------------------|----------------------------|---------------------------------|-------------------------------|-------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Panel I: Short-Run Contemporaneous Effect | | | | | | | | | |
| Log (Minimum Wage) | -0.238* | -0.210* | -0.056 | -0.332* | -0.430* | -0.186 | -0.321*** | 0.012 | -0.384 |
| | (0.133) | (0.116) | (0.093) | (0.188) | (0.250) | (0.231) | (0.115) | (0.098) | (0.268) |
| N | 8,883 | 8,883 | 8,883 | 8,883 | 8,883 | 8,883 | 8,883 | 8,883 | 8,883 |
| Panel II: Longer-Run Effect | | | | | | | | | |
| Log (Minimum Wage) | -0.068 | 0.036 | 0.074 | -0.050 | -0.332 | -0.314 | 0.008 | 0.160* | -0.133 |
| | (0.116) | (0.102) | (0.069) | (0.150) | (0.205) | (0.284) | (0.091) | (0.082) | (0.291) |
| Log (Minimum Wage) in t-1 | -0.305** | -0.314** | -0.205** | -0.489*** | -0.392 | -0.091 | -0.396*** | -0.209** | -0.343 |
| | (0.117) | (0.129) | (0.096) | (0.120) | (0.239) | (0.223) | (0.106) | (0.099) | (0.369) |
| Log (Minimum Wage) in t-2 | 0.010 | -0.047 | -0.047 | 0.190 | 0.141 | -0.143 | 0.031 | 0.004 | 0.039 |
| | (0.152) | (0.125) | (0.144) | (0.161) | (0.239) | (0.261) | (0.181) | (0.154) | (0.394) |
| Log (Minimum Wage) in t-3 | 0.011 | 0.096 | 0.090 | -0.133 | -0.522* | 0.516* | -0.057 | 0.135 | -0.062 |
| | (0.111) | (0.137) | (0.108) | (0.126) | (0.304) | (0.255) | (0.130) | (0.122) | (0.388) |
| Long-Run Elasticity | -0.352* | -0.229 | -0.088 | -0.482** | -1.11** | -0.032 | -0.414** | 0.090 | -0.499 |
| p-value | p = 0.10 | P = 0.15 | p = 0.48 | p = 0.03 | p = 0.02 | p = 0.95 | p = 0.01 | p = 0.49 | p = 0.33 |
| State Effects? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| Year Effects? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| State-Specific Time-Varying Controls? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| State* Year Dummies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| N | 6,477 | 3,621 | 3,621 | 3,621 | 3,621 | 3,621 | 3,621 | 3,621 | 3,621 |

*** Significant at 1% level ** Significant at 5% level * Significant at 10% level

Notes: Standard errors corrected for clustering on the state are in parentheses. All models include the full list of controls listed in Table 2. The dependent variable in each model is the natural log of state GDP.

minimum wage increases are enacted, these estimates may not represent a causal relationship, but rather a correlation due to unmeasured state-specific time trends. Thus, Table 6 presents estimates of the effect of minimum wage increases on GDP in the more highly-skilled industries. A 10 percent increase in the minimum wage is associated with a statistically insignificant 0.95 percent increase in average GDP generated by higher-skilled industries (Column 1). When each industry is considered separately, there is no evidence that minimum wage increases are associated with contemporaneous changes in GDP in telecommunications, professional/scientific/technical services, air transport, rail transport, water transport, pipeline transport, or finance and insurance (Columns 2-9).

Panel II explores whether there are longer-run increases in GDP in the more highly-skilled sector due perhaps to greater human capital investment by disemployed, low-skilled workers or employer substitution toward higher-skilled labor. In the longer-run (Panel II), there is little consistent evidence that minimum wage increases significantly affect GDP in these higher-skilled industries. A 10 percent increase in the minimum wage is associated with a statistically insignificant 1.1 percent increase in GDP in more highly skilled industries. Approximately half of the identified higher-skilled industries have negative long-run elasticities and half have positive elasticities, most not statistically different from zero. Only for pipeline transport (Column 8) is there some evidence of a long-run positive relationship between minimum wages and

¹²In unreported results, lagged minimum wages of up to five years continue to show little evidence of positive growth effects across industries, except in the accommodations/food service industry.

GDP. In summary, GDP generated by more highly skilled industries appears largely unaffected by minimum wage increases, lending little support for the hypothesis that minimum wage increases lead to greater economic growth in the longer-run due to (1) firms substituting toward higher-skilled workers or (2) lower-skilled workers investing more in education¹³.

Triple-Difference Estimates

Table 7 presents difference-in-difference-in-difference estimates of the effect of minimum wage increases on lower-skilled industries (relative to higher-skilled industries) controlling for fully interacted state and year effects, which capture any unmeasured state time trends common to industries. The findings reflect that increases in the minimum wage reduce GDP across a number of lower-skilled industries. A 10 percent increase in the minimum wage is associated with a contemporaneous 2.4 percent decline in lower-skilled industry GDP relative to higher-skilled industry GDP (Column 1, Panel I). Across individual lower-skilled industries, the pattern is similar with a contemporaneous GDP elasticity of -0.21 for wholesale trade, -0.33 for rental and leasing services, -0.43 for manufacturing of durables, and -0.32 for administrative and waste services. Moreover, the estimated elasticities for retail, manufacturing of non-durables, and warehousing and storage, while statistically insignificant, are all negative: -0.06, -0.19, and -0.38, respectively. Notably, the effect of the minimum wage on GDP in accommodations/food services is now much smaller and statistically indistinguishable from zero, suggesting that the positive difference-in-difference correlation seen in Table 5 may have been due to differential unmeasured time trends in state GDP, and is not likely causal in nature.

As in Table 5, the long-run GDP effects for lower-skilled industries are, in general, larger in magnitude than the short-run effects (Panel II). Across all lower-skilled industries (Column 1), the sum of the contemporaneous and three-year lagged effects of the minimum wage is 48 percent larger than the short-run effect. This pattern persists across each of the lower-skilled industries.

Conclusions

While policymakers' calls for minimum wage increases are usually accompanied by appeals to social justice (see Sabia, 2008 for a discussion), recent calls for hikes have focused on the potential for minimum wage increases to stimulate economic growth:

Raising the minimum wage is the first step toward a stronger economy for all Americans, not just for the privileged few. (Representative Christopher Carney, D-PA, 2007)

[T]he last time Congress raised the minimum wage, our country experienced the strongest economic growth in decades. (Senator John F. Kerry, D-MA, 2007)

The main effect of a minimum wage increase is simple: it takes money from an employer who could pay more and still earn a profit and puts it into the pockets of the lowest wage workers. This additional income will have an uplifting effect by helping to sustain economic growth. (State Representative Joseph Egan, D-NJ, 2005)

Research also shows that raising the minimum wage not only aids minimum wage workers and their families but it also helps to stimulate the American economy. (Illinois Department of Labor, 2009)

Millions of workers are going to get a raise [from the minimum wage] that they otherwise would not have gotten, and that will increase their purchasing power...

[The] wage hike will increase U.S. GDP, serving as a small engine of growth as the U.S. economy inches back toward health. (Joseph Lazzaro, AOL Financial Watch, 2009)

Moreover, an economist at the Economic Policy Institute recently made the case that raising the minimum wage could be "a shot in the arm" for the economy:

Some [supporters of the minimum wage increase] regard it as a stimulus that could help reduce the growing savings rate and increase consumer spending, which represents

¹³Several state-, year-, and industry-specific GDP categories did not fall as easily into the "lower-skilled" or "higher-skilled" industries. However, in the interests of completeness, Appendix Table 2 presents difference-in-difference estimates for seven industry categories not explored in the main body of the paper: agriculture, mining, construction, utilities, education, healthcare, and arts & entertainment.

two-thirds of the gross domestic product. The increase "could not have come at a better time," said Heidi Shierholz, an economist at the Economic Policy Institute.."

This will put \$5.5 billion of spending into the economy," she added. "That's not going to solve our problems," but it is "a shot in the arm." (Shierholz, Washington Post, July 24, 2009)

While a number of studies have examined the effect of minimum wage increases on wages, employment, income, schooling, and output prices, little work has been done examining the GDP effects of minimum wage increases. Drawing on state-year panel data from 1997-2007, this study presents estimates of the effects of minimum wage increases on overall, private sector, and industry-specific GDP. Consistent with prior literature, the results show that minimum wage increases are associated with modest adverse employment effects among low-skilled workers, with estimated elasticities of -0.2

to -0.4 for teenagers ages 16-to-19. However, during the sample period analyzed, we find no evidence that minimum wage increases affect school enrollment rates for 16-to-19 year-olds in the short- or longer-run. Taken together, this evidence suggests that there may be adverse GDP effects from minimum wage increases.

Turning to GDP effects, the results suggest that minimum wage increases are associated with small to modest declines in GDP generated by lower-skilled industries, but have no effect on GDP generated by more highly-skilled industries. Triple-difference estimates that control for state-specific time trends show that a 10 percent increase in the minimum wage is associated with a 3.5 percent long-run decline in GDP in lower-skilled industries. Thus, these findings show that while minimum wage increases are not likely to have appreciable effects on overall or private sector GDP, there may be small to modest negative effects on GDP generated by some lower-skilled industries.

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Appendix

Appendix Table 1. Means and Standard Deviations of Dependent and Independent Variables

| Dependent Variables | | | |
|---|---------|--|---------|
| Wage Rate of Employed Workers Ages 16-to-19 | 6.93 | Natural Log of Administrative and Waste Services GDP | 9.15 |
| | (0.760) | | (1.07) |
| Ratio of Employment to Population for Ages 16-to-19 | 0.401 | Natural Log of Accomodations Food Services GDP | 9.04 |
| | (0.082) | | (0.950) |
| School Enrollment Rate for Individuals Ages 16-to-19 | 0.713 | Natural Log of Warehousing and Storage GDP | 6.68 |
| | (0.045) | | (1.07) |
| Natural Log of Overall GDP (in millions of current dollars) | 12.70 | Natural Log of Higher-Skilled Industries GDP ^b | 7.41 |
| | (0.963) | | (2.37) |
| Natural Log of Private Sector GDP | 12.57 | Natural Log of Telecommunications and Broadcasting GDP | 8.99 |
| | (0.977) | | (1.12) |
| Natural Log of Government Sector GDP | 10.56 | Natural Log of Telecom Data Processing and Information GDP | 7.06 |
| | (0.893) | | (1.38) |
| Natural Log of Lower-Skilled Industries GDP ^a | 9.06 | Natural Log of Professional, Scientific and Technical Services GDP | 9.94 |
| | (1.50) | | (1.17) |
| National Log of Wholesale Trade GDP | 9.87 | Natural Log of Air Transport GDP | 7.12 |
| | (1.02) | | (1.47) |
| Natural Log of Retail GDP | 10.01 | Natural Log of Rail Transport GDP ^c | 6.40 |
| | (0.943) | | (0.965) |
| Natural Log of Rental and Leasing Services GDP | 8.03 | Natural Log of Water Transport GDP ^d | 4.96 |
| | (1.05) | | (1.84) |
| Natural Log of Manufacturing of Durables GDP | 10.04 | Natural Log of Pipeline Transport GDP ^e | 4.71 |
| | (1.06) | | (1.54) |
| Natural Log of Manufacturing of Non-Durables GDP | 9.69 | Natural Log of Finance and Insurance GDP | 10.04 |
| | (1.07) | | (1.11) |
| Independent Variables | | | |
| Natural Log of Minimum Wage | 1.70 | Share of Population that is Non-White | 0.186 |
| | (0.116) | | (0.087) |
| Prime Age (Ages 25-to-54) Male Hourly Wage Rate | 14.85 | High School Completion Rate for Individuals Ages 25-to-54 | 0.875 |
| | (2.13) | | (0.039) |
| Unemployment Rate for 25-to-54 year-olds | 0.038 | Poverty Rate | 0.123 |
| | (0.011) | | (0.278) |
| Share of Population Ages 16-to-19 | 0.088 | Natural Log of Population Ages 16-to-64 | 16.6 |
| | (0.007) | | (0.899) |
| Share of Population that are U.S. Citizens | 0.858 | N | 561 |
| | (0.101) | | |

Note: Standard deviations are in parentheses.

^aSample size is 4,488

^bSample size is 4,395

^cSample size is 537

^dSample size is 504

^eSample size is 549

Appendix Table 2. Difference-in-Difference Estimates of the Effect of Minimum Wage Increases on GDP Generated by Agriculture, Mining, Construction, Utilities, Education, and Health Care

| | Agriculture | Mining | Construction | Utilities | Education | Health Care | Arts & Entertainment |
|---------------------------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|----------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Log (Minimum Wage) | 0.180 (0.109) | -0.262 (0.331) | 0.018 (0.092) | -0.136 (0.137) | 0.045 (0.075) | -0.009 (0.046) | 0.113 (0.078) |
| State Effects? | Y | Y | Y | Y | Y | Y | Y |
| Year Effects? | Y | Y | Y | Y | Y | Y | Y |
| State-Specific Time-Varying Controls? | Y | Y | Y | Y | Y | Y | Y |
| N | 557 | 560 | 561 | 561 | 561 | 561 | 561 |
| Mean (Std) of Log (GDP) | 7.92 (1.14) | 7.21 (1.73) | 9.60 (0.952) | 8.76 (1.01) | 7.81 (1.14) | 9.97 (0.944) | 7.97 (1.11) |

*** Significant at 1% level ** Significant at 5% level * Significant at 10% level

Notes: Standard errors corrected for clustering on the state are in parentheses. All models include the full list of controls listed in Table 1. The dependent variable in each model is the natural log of state GDP.

Joseph J. Sabia
Curriculum Vitae, May 2011

ADDRESS: Office of Economic & Manpower Analysis
Department of Social Sciences
Lincoln Hall B101A
United States Military Academy
Email: joe_sabia@yahoo.com

EDUCATION:

Ph.D., Economics, Cornell University, 2004
M.S., Consumer Economics, Cornell University, 2000
B.S., Policy Analysis, Cornell University, 1997

PROFESSIONAL EXPERIENCE:

July 2011 forward: Assistant Professor of Economics, *San Diego State University*, San Diego, CA.
August 2010 – July 2010: Assistant Professor of Economics, *United States Military Academy*, West Point, NY.
August 2008 – August 2010: Assistant Professor of Public Policy, *American University*, Washington, DC.
August 2005 – July 2008: Assistant Professor of Consumer Economics, *University of Georgia*, Athens, GA.
August 2004 – July 2005: Senior Analyst, Abt Associates, Cambridge, MA.

JOURNAL ARTICLES:

“Individual Heterogeneity and Reverse Causality in the Relationship between Migraine Headache and Educational Attainment,” Economics of Education Review, Forthcoming (with Daniel Rees).

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“Wastin’ Away in Margaritaville? New Evidence on the Academic Effects of Teenage Binge Drinking,” 2010. Contemporary Economic Policy 28 (1): 1-22.

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GRANTS AWARDED:

Co-Investigator, Assistant Secretary of Program Evaluation (ASPE), Department of Health and Human Services, National Institutes of Health, *The Socioeconomic Consequences of Teen Fatherhood*, with Principal Investigator H. Elizabeth Peters (Cornell University) and Joseph Price (Brigham Young University), (Awarded \$125,000).

Principal Investigator, Employment Policies Institute, *The Effect of Minimum Wage Increases on Economic Growth, 2010-2011*, (Awarded \$32,500).

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CONFERENCE AND SEMINAR PRESENTATIONS:

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Sabia, Joseph J. and Daniel I. Rees (January, 2009) "Boys Will Be Boys: Gender Differences in the Schooling Effects of Sexual Abstinence," *American Economic Association Meetings*, San Francisco, CA.

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Rees, Daniel I., Joseph J. Sabia, and Argys, Laura (November, 2008) "A Head Above the Rest: The Effect of Adolescent Height on Psychological Wellbeing," *Southern Economic Association Meetings*, Washington, D.C.

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Sabia, Joseph J. (2007, April) "Evidence on Minimum Wages and Single Mothers" and "Reading, Writing and Sex: The Effect of Losing Virginity on Academic Performance," seminar at Agnes Scott College, Decatur, GA.

Sabia, Joseph J. (2006, November) "Reading, Writing, and Sex: The Effect of Losing Virginity on Adolescent Academic Performance," *Southern Economic Association (SEA) Meetings*, Charleston, SC.

Sabia, Joseph J. (2006, November) "The Effect of Minimum Wage Hikes on Employment: New Evidence on Teenage, Retail, and Small Business Employment," *Southern Economic Association (SEA) Meetings*, Charleston, SC.

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Sabia, Joseph J. (2006, July) "The Minimum Wage and Teenage, Retail, and Small Business Employment," *Western Economic Association (WEAI) Meetings*, San Diego, CA.

Sabia, Joseph J. (2006, May) "There's No Place Like Home: Aging-in-Place Among Older Homeowners," *Continuing the Momentum of the White House Conference on Aging*, Atlanta, GA.

Sabia, Joseph J. (2006, March) "The Effect of Body Weight on Adolescent Academic Performance," *Policy Leadership for Active Youth* (Georgia State University, Institute of Public Health), Madison, WI.

Sabia, Joseph J. (2005, September) "Blacks and the Family Cap: Pregnancy, Abortion, and Spillovers," University of Georgia, Department of Housing & Consumer Economics Seminar.

Sabia, Joseph J. (2004, February) "Sex Education, Unobserved Heterogeneity, and Informational Paths," Abt Associates Brown Bag Workshop, Bethesda, MD.

Sabia, Joseph J. (2003, October) "Estimating the Impacts of Sex Education in the Presence of Unmeasured Heterogeneity," Cornell University Labor Economics Workshop, Ithaca, NY.

Sabia, Joseph J. (2003, July) "The Family Cap Controversy: Reducing Non-marital Births by Decreasing Pregnancies or Increasing Abortion?" (2003, July) *Western Economic Association (WEAI) Meetings*, Denver, CO.

Sabia, Joseph J. (2002, May) "Welfare Reform and Non-marital Childbearing," (with Ann Horvath-Rose), *Population Association of America*, Atlanta, GA, May 9-11, 2002.

TEACHING:

Microeconomics for Policy Analysis (AU), Public Managerial Economics (AU), Quantitative Methods (AU/UGA), Economics of Consumer Law (UGA), Principles of Economics (USMA)

REFERENCES:

Professor Richard V. Burkhauser, Department of Policy Analysis and Management, 119A MVR Hall, Cornell University, Ithaca, NY 14853; Phone: (607) 255-2097; FAX: (607) 255-4071, E-mail: rvb1@cornell.edu.

Professor Donald Kenkel, Department of Policy Analysis and Management, 132 MVR Hall, Cornell University, Ithaca, NY 14853; (607) 255-2594; FAX: (607) 255-4071, E-mail: dsk10@cornell.edu.

Professor Daniel I. Rees, Department of Economics, University of Colorado Denver. Phone: (303) 315-2037, Email: Daniel.Rees@ucdenver.edu.

Professor H. Elizabeth Peters, Department of Policy Analysis and Management, 117 MVR Hall, Cornell University, Ithaca, NY 14853; (607) 255-2595; FAX: (607) 255-4071, E-mail: ep22@cornell.edu.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
THE MOSQUE OF ISLAMIC BROTHERHOOD INC.

130 West 113th Street, New York N.Y. 10026
(212) 662-4100

For The Record

TESTIMONY OF IMAM AL-HAJJ TALIB 'ABDUR-RASHID

DEAR MEMBERS OF THE COUNCIL OF THE CITY OF NEW YORK:

PEACE BE UNTO YOU ALL. TODAY, AS ONE OF THE MANY LONG-TERM RELIGIOUS LEADERS IN ONE OF THE GREATEST CITIES OF THE WORLD, I AM GRATEFUL TO ALMIGHTY GOD TO APPEAR ONCE AGAIN BEFORE THIS ESTEEMED BODY. I DO SO IN ORDER TO APPEAL TO YOU TO DO WHAT YOU HAVE DONE SO MANY TIMES BEFORE, TIME AND AGAIN. THAT IS TO RENDER A LOGICAL AND JUST DECISION, IN SUPPORT OF THE PEOPLE OF NEW YORK – IN THIS CASE, THE WORKING POOR.

MAKE NO MISTAKE – THE CAMPAIGN, THE PEOPLE'S CAMPAIGN FOR A LIVING WAGE, AND THE BILL IT HAS PRODUCED, IS A MATTER OF SOCIAL AND ECONOMIC JUSTICE. YOU HAVE THE FACTS BEFORE YOU, PRESENTED IN AN APPEAL FOR JUSTICE, BY FAITH, LABOR, COMMUNITY, AND GRASSROOTS GROUPS.

YOU ALSO HAVE THE JUSTIFICATIONS FOR INJUSTICE, PRESENTED BY THE MAYOR, MAJOR BUSINESS, SOME SMALL BUSINESS, AND REAL ESTATE DEVELOPERS. WE RELY UPON YOUR GOOD JUDGMENT. THE MAYOR OF OUR CITY, MAYOR BLOOMBERG, HAS DEMONSTRATED IN THIS CASE, HIS OWN ONGOING COMMITMENT TO THE MINORITY INTERESTS OF WEALTH AND CLASS

(con't)

OVER THE SOCIAL , ECONOMIC, AND SPIRITUAL INTERESTS AND WELL-BEING,
OF THOSE WHO ARE NOT WEALTHY – THAT IS TO SAY, THE MAJORITY.

THE MAYOR'S UTILIZATION OF AN OUT-OF-TOWN MILLION-DOLLAR
TR *consultant*
~~CONTRACTOR~~, WHOSE STUDY CLAIMS THAT THE DENIAL OF ECONOMIC JUSTICE
TO THE WORKING POOR HURTS THE CITY, IS SHAMEFUL. THE MAYOR'S
REVERSAL ON THE LIVING WAGE FROM PRO TO CON, IS SHAMEFUL. HIS VERBAL
SPIN AND RHETORICAL JUSTIFICATIONS ON THE ENTIRE MATTER, ARE
SHAMEFUL.

WE, THE PEOPLE OF THE CITY OF NEW YORK, NEED FOR YOU, OUR COUNCIL, TO
ONCE AGAIN DEMONSTRATE YOUR INTEGRITY, COMPASSION, AND EMPATHY,
BY LETTING THE MAYOR KNOW, THAT YOU KNOW , WHAT IS RIGHT. VOTE FOR
THE BILL. THANK YOU.

Greater New York Chamber of Commerce



May 12th 2011 New York City LIVING WAGE HEARINGS

A recent questionnaire sent out by the Greater NY Chamber; a non for profit organization that works with over 16,000 business and civic leaders asked "Should NYC provide tax breaks for commercial real estate developments that create jobs that pay less than a living wage?"

The majority of respondents felt that the city should not subsidize economic development that creates low paying jobs. It was felt that developments with tax breaks and public subsidies should not create poverty wage jobs with no benefits. It is not surprising that there exists strong support for "A Fair Wage for New Yorkers" [defined as \$10 per hour with benefits or \$11.50 without health benefits].

The Fair Wages for New Yorkers Act will:

- * Guarantee that workers in large development projects receiving public subsidies are paid at least the New York City living wage of \$10 an hour.
- * Index the living wage to inflation so that it increases every year and keeps pace with the cost of living.
- * Require that employees who do not receive health insurance from their employer receive an additional \$1.50 per hour wage supplement to help them purchase their own health insurance.
- * Apply the living wage guarantee to all workers at a subsidized development project, regardless of whether they are employed directly by the developer or by the project's tenants or on-site service contractors.

In short; The Living Wage Bill will help ensure that developers who receive taxpayer funded subsidies will help create jobs with living wages. A Living Wage law will ensure that NYC will invest in rebuilding the middle class and reduce the amount of "working poor".

Opponents of the living wage legislation argue that it would prevent businesses from creating jobs and that business leaders and developers will claim that adding labor standards to economic development projects will scare away potential investors by sending an "anti business" signal. However; other studies have shown that living wage laws have been able to help lift workers out of poverty without having a harmful impact on employment or businesses in the communities that pass them. A recent study released by the *Center for American Progress (CAP)* shows 15 cities effectively implementing business assistance living wage laws including—Cleveland, Hartford, Los Angeles, Philadelphia, San Francisco—had the same levels of employment growth overall as a comparable group of cities that didn't. So other cities have been successful at creating laws that raise wages without discouraging development.

Now is the time for New York City to take a close look at the true cost of all developments that are subsidized by taxpayer money. Otherwise, New York City will continue to face growth in working poverty. ie: some of the working poor are part of the 1.7 million people in NYC using food stamps to survive. Can't we do better for our workforce?

The Greater New York Chamber of Commerce is an approved New York State Not for Profit; recognized by the US Chamber of Commerce. It operates under rule 501C-6, as an exempt organization of the U.S. Internal Revenue Code, and maintains a charitable fund under IRS Rule 501 C-3.

20 West 44th Street, 4th Floor · New York, NY 10036
Tel: 212-686-7220 · Fax: 212-686-7232 · www.ny-chamber.com



George Sweeting

THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE
110 WILLIAM STREET, 14TH FLOOR
NEW YORK, NEW YORK 10038
(212) 442-0632 • FAX (212) 442-0350 • EMAIL: ibo@ibo.nyc.ny.us
<http://www.ibo.nyc.ny.us>

**Testimony of George Sweeting
Deputy Director, New York City Independent Budget Office
To the New York City Council Committee on Contracts
On Intro 251-A, Fair Wages for New Yorkers Act**

May 12, 2011

Good afternoon Chair Mealy and members of the Contracts Committee. My name is George Sweeting and I am Deputy Director of the New York City Independent Budget Office. Thank you for the opportunity to offer testimony regarding Intro 251-A, the "Fair Wages for New Yorkers Act."

IBO has estimated the number of projects under various city economic development programs which would likely be subject to the living wage provision. Our analysis suggests that 410 new 421-a projects would potentially qualify each year. There would be another 20 new Economic Development Corporation (EDC) discretionary benefit projects each year that would likely qualify, as well as perhaps 20 projects per year qualifying for an employment relocation credit.

One program that we did not consider as a source for projects that might be subject to the living wage provision is the city's Industrial and Commercial Abatement Program (ICAP) because it is our understanding that existing state law would not allow the city to change the eligibility rules for this program. For this reason, we were somewhat surprised to see that the study commissioned by EDC used ICAP as the basis for their analysis of the impact of the living wage proposal on real estate development.

The city's property tax is set in state law and therefore property tax exemptions must also be established by state law. Unless specifically stated, the city is not authorized to add additional requirements, such as a living wage provision, beyond those spelled out in the state law establishing the specific exemption program. As a result, based on our reading of the law, recipients of the Industrial and Commercial Abatement Program, the successor of the Industrial and Commercial Incentive Program and largest single property tax expenditure for economic development, would not be covered by the law.

This legislation would require beneficiaries of certain types of financial assistance to pay a so-called living wage to employees. Financial assistance is defined as assistance provided by the city or a city economic development entity to support property development, economic development, job retention or similar purposes. Only projects where the financial assistance exceeds \$100,000 over the period when the benefits are being received would be subject to the

legislation. Beneficiaries of financial assistance would include companies receiving the assistance, tenants or leaseholders of property improved by financial assistance, individuals or companies who purchase real property developed with financial assistance, and contractors and subcontractors working for a financial assistance recipient for 30 days or more. The legislation provides exemptions for small businesses (revenues under \$1 million a year), not-for-profits, affordable housing projects where at least 75 percent of units are affordable to those making 125 percent of the Area Median Income, and construction and building services contractors. The legislation also includes reporting requirements and compliance procedures, although I will not be discussing them in my testimony today.

Beneficiaries Under 421-a. In the case of the city's major property tax exemption for residential development—the 421-a exemption—we have assumed that existing the statute may allow legislation such as Intro 251-A to add eligibility criteria for the exemption. If projects developed under 421-a were covered by the living wage provision, IBO expects about 410 new projects to qualify annually, about 58 percent of all new 421-a exemptions in recent years. Of the 421-a projects that would likely be covered, IBO expects 50 percent to be in Brooklyn, 30 percent in Queens, 10 percent each in the Bronx and Manhattan, and less than 1 percent in Staten Island.

IBO based these estimates on 421-a exemptions granted between 2002 and 2011 and used the first year tax expenditure times the length of the benefit, adjusting for the phase out, as a proxy for lifetime benefit. This estimate likely understates the lifetime tax expenditure, and therefore the number of projects that would be covered by the legislation, as the tax expenditure generally increases over time with changes in assessments and tax rates. Furthermore, our estimate is also likely to understate the impact because the current property tax records understate the number of exemptions granted in recent years due to the time necessary to process 421-a applications. On the other hand, our estimate may overstate the number of projects that would be covered because some 421-a projects we included are likely to turn out to be exempt from coverage if the sponsor is a nonprofit developer, or if the project meets the criteria for the 75 percent affordability exclusion. Even within buildings that would be subject to Intro 251-A, there will likely be few direct building employees affected under this legislation because many are already covered by prevailing wage requirements.

Residential developments with ground floor retail space would be the most likely to see a direct impact from the proposed legislation, as employees of the stores would qualify for the living wage, providing they were not exempt due to the small business provision.

The city has additional housing development programs that involve benefits that would be subject to this legislation, but many of the beneficiaries would likely be exempt either because of the affordable housing threshold or because the developer is a not-for-profit. IBO also expects that many beneficiaries receiving financing for affordable housing through programs administered by the Department of Housing Preservation and Development or the Housing Development Corporation would also be exempt because of the affordable housing and nonprofit exclusions.

Economic Development Corporation Beneficiaries. A second major group of beneficiaries to be covered under Intro 251-A are companies receiving discretionary economic development

assistance through the New York City Economic Development Corporation, the Industrial Development Agency, and the Capital Resource Corporation, as well as some smaller business incentive programs operated by the city.

Using the Local Law 48 Annual Investment Projects Report for fiscal year 2009, IBO looked at new beneficiaries from 2002 to 2009 that would have been subject to the living wage provision because the present value of total assistance exceeded \$100,000, and excluded projects where the beneficiary was receiving financing for non-profit organizations. We are using the present value of the benefits because it is readily available, but it may not be the best estimate of eligibility for a couple of reasons. First, the legislation does not specify if the total assistance over the life of the project is to be the sum of the projected annual benefit amounts measured in nominal dollars or the present value of the sum of the benefits. IBO used the latter because of its availability; the former would increase the number of covered beneficiaries. Secondly, the legislation does not specify how the benefit from bonds is to be measured: is it the face value of the bonds, or is it based on the projected savings to the beneficiary, or is it based on the combined cost to the city, state, and federal governments? The EDC report that IBO based its analysis on used the projected savings to the beneficiary.

IBO estimates that about 20 new beneficiaries each year would be subject to the provisions of Intro 251-A as a result of receiving financial assistance through EDC. The total cumulative present value of the benefits for each year's set of new projects would be about \$64 million a year, with each project receiving an average of \$3.1 million in benefits.

Of the 20 new beneficiaries, IBO expects 40 percent would be in Queens, 30 percent in Brooklyn, 20 percent each in Manhattan and the Bronx, and about 10 percent in Staten Island. On average, the present value of the assistance would be roughly \$6.1 million in Manhattan, \$3.8 million in the Bronx, \$3.0 million in Queens, \$1.2 million in Brooklyn, and around \$1.0 million in Staten Island.

The total and average new benefits would vary from year to year, based on the mix of projects being supported. For example, in 2003, the city supported 13 projects that would be covered under Intro 251-A for a cumulative present value of \$121.4 million, or about \$9.3 million per project. In 2007, the city supported 32 projects likely to be covered, with a cumulative present value of \$130.3 million, or about \$4.1 million per project.

Most EDC projects in programs targeted at the manufacturing, industrial and trade sectors would be covered by the legislation. A significant share, about 80 percent, of the projects that would likely be covered would be manufacturing and small industry projects in Brooklyn, Queens, and the Bronx. These projects tend to receive smaller benefit packages than those in the Commercial Incentive Program projects that are concentrated in Manhattan, but still exceed the \$100,000 threshold of cumulative benefit. The average cumulative benefit (present value) was \$1.4 million for the Industrial Incentive program, \$1.1 million for the Manufacturing Facilities Bond program, and about \$400,000 for the Small Industry Incentives program, compared with \$16.8 million for the Commercial Incentive program. The most common industry reported is manufacturing, with an average of eight beneficiaries a year that would be covered by the legislation, followed by about an average of four beneficiaries a year in wholesale trade.

Other Business Tax Assistance. The city has a variety of smaller programs that provide benefits, often against income taxes, commercial rent tax, or utility payments, for companies relocating to or staying within the city. One such program, the Relocation and Employment Assistance Program (REAP) offers a \$3,000 refundable credit per year (for up to five years) against business income taxes per employee relocated. IBO estimated that the city grants REAP benefits to about 20 new companies each year and we assume that all of them would be subject to the new legislation. It is unknown how many of the employees of such firms already earn more than the living wage, although it seems reasonable to assume that at least some do.

Thank you again for the opportunity to testify. I would be happy to try to answer any questions you may have.

Testimony by Andrew H. Kimball
President and CEO, Brooklyn Navy Yard Development Corporation on
Intro 251-A

My name is Andrew Kimball. I am President and CEO of the Brooklyn Navy Yard Development Corporation (BNYDC), a non-profit Local Development Corporation that manages the 300-acre Brooklyn Navy Yard Industrial Park under a long-term contract to the City of New York. Thank you for inviting me to testify. Today I represent not only BNYDC but also all of our tenants who have spoken up strongly in opposition to this legislation. I am here to testify their behalf and answer any questions you may have.

Thanks in large measure to the support of the Bloomberg Administration and the City Council, under the leadership of Speaker Quinn, and with terrific local representation from Council Members James and Levin, the Brooklyn Navy Yard has become a national model for sustainable urban industrial revitalization. In fact, a recent joint report by the Pratt Center and Brookings Institution highlighted the Navy Yard's success as a model that should be replicated in other urban centers.

In recent years, public investments in basic infrastructure at the Yard have leveraged nearly half a billion dollars in private industrial investment. Job growth has increased throughout the recession with 2,200 more jobs today than in 2001. Our occupancy rate has been close to 98% for nearly ten years. The Yard's current expansion – its largest since it was the Navy's preeminent ship building facility in the years leading up to WWII – will add nearly 2 million square feet of space and 2,000 more jobs.

What BNYDC has done, in partnership the City, is to create the right conditions for private sector industrial investment and job growth: modern infrastructure, zoning certainty, and a hassle-free environment that gives our tenants the opportunity to grow and create thousands of new jobs.

Unfortunately, if Intro 251-A were signed into law, it would have a devastatingly negative impact on our tenants and the Navy Yard's growth:

- Hundreds, if not thousands, of good paying jobs at the Yard that begin somewhere between minimum wage and \$10 per hour with benefits would be lost.
- To survive the competition from employers not subject to this law our largest manufacturers and warehouse/distribution tenants -- those with over 100 employees -- would eliminate jobs through aggressive automation, or give up and relocate to more business-friendly locations in New Jersey, Long Island, down South or in the Midwest, or simply close their doors and go out of business.
- All of our tenants, even those with under \$1 million in revenues, would drown under the required 30-year compliance paperwork and be forced into the untenable role of tracking independent vendors and monitoring their wage scales, again driving many of them out of the Yard or out of business.

Study after study have shown that manufacturing jobs pay 25% to 30% more than service sector jobs, are more likely to have benefits, and result in significantly increased wages over time. In short, manufacturing plays a key role in diversifying our City's economy and creating stable communities. Many of the individuals that this bill is designed to help would be most hurt by it. For instance, our Employment Center has placed 1,000 people in jobs in the last six years, 10% of them formerly incarcerated. Typically, these are in entry-level jobs above minimum wage, but less than \$10 per hour, with benefits with the opportunity to advance. These are the very jobs that would be most endangered by this legislation.

It could not have been the intention of the supporters of Intro 251-A to damage manufacturing businesses. I think we all agree that this fragile sector that relies heavily on various forms of subsidy is critical to the City's future.

Thank you for inviting me to testify.



TESTIMONY
OF
PAUL K. SONN
NATIONAL EMPLOYMENT LAW PROJECT

ON
INT. 251-A -- THE FAIR WAGES FOR NEW YORKERS ACT

BEFORE THE
THE NEW YORK CITY COUNCIL
COMMITTEE ON CONTRACTS

MAY 12, 2011
CHAMBERS OF THE NEW YORK CITY COUNCIL
250 BROADWAY, NEW YORK CITY

National Office
National Employment Law Project
75 Maiden Lane, Suite 601
New York, NY 10038
212.285.3025

Washington, D.C. Office
National Employment Law Project
1620 Eye Street, N.W., Suite 210
Washington, DC 20006
212.533.2585

Good morning Chairperson Mealy and members of the Contracts Committee. My name is Paul Sonn. I am legal co-director of the National Employment Law Project (NELP). Thank you for the opportunity to share this testimony regarding Int. 251-A, the Fair Wages for New Yorkers Act.

NELP is a policy and advocacy center that works with federal, state and local leaders to promote good jobs in the 21st century economy. We have worked extensively with cities across the United States on living wage and minimum wage policies, including with the New York City Council on the 2002 expansion of the city's living wage law.

In my testimony today I will address some of the main questions and arguments that have been raised in relation to Intro. 251-A. My testimony is supplemented by two Exhibits that provide more detail on the points covered: (A) an analysis by nine economists and four policy experts released today detailing serious methodological problems with the Bloomberg Administration's wage study, the executive summary of which was released this week; and (B) a Gotham Gazette op-ed that provides an overview of the affirmative policy case for a living wage policy in New York.

The Proposal

What Intro. 251-A would do is very simple: it would provide that when development projects receive substantial amounts of taxpayer-funded subsidies from New York City, the developer would need to guarantee that the jobs created pay at least modestly higher than the minimum wage - \$10 per hour plus benefits. New York City has been requiring a living wage for many of its contracted workers such as home health aides since 2002, and that policy has successfully improved job conditions for more than 50,000 low-wage New Yorkers – the overwhelming majority of them women of color residing in the city's low-income, outer boroughs neighborhoods. In fact, that policy has been so successful, that in his 2012 budget Governor Cuomo extended it to all state-financed home care workers employed in New York City.

Intro. 251-A builds on the 2002 living wage law by extending it to economic development projects that receive substantial amounts of taxpayer funding to create jobs. The focus is the massive development projects that are changing the face of the city: Yankee Stadium, Willets Point, Coney Island, Hudson Yards and the like. (While the bill currently includes a coverage definition of projects receiving \$100,000 in subsidy or more, all the relevant players understand that to be a placeholder that would be negotiated up to a much higher level as negotiations with the Mayor and Speaker proceed.)

New York's Urgent Need to Promote High Road Development

While those projects offer many benefits to the city's economy, in terms of jobs for low-income New Yorkers they are actually worsening one of the most serious problems

facing working New Yorkers: our city's hour-glass labor market by bringing in employers that pay just \$8 or \$9 an hour, without benefits.¹ While job growth is starting to pick up in this tepid recovery, in New York and nationally it is disproportionately skewed towards low-wage industries like retail, restaurants and home health care.² As a result, New Yorkers who lost jobs as construction laborers or mortgage processors are finding new jobs at Target, Subway or the Visiting Nurse Service.

New York needs to grow its base of jobs that pay better than rock-bottom, and other cities are giving us a road map for how to begin using our major subsidized economic development project to do that. In Los Angeles, when the city subsidizes a new hotel complex or big box shopping center, it asks the developer to recruit an anchor tenant that will pay better wages. So rather than bringing in a Wal-Mart, developers work to get a Costco or a Trader Joe's. And rather than a hotel that pays room cleaners \$8 and no benefits, they bring in one of the unionized chains that pay decently. Contrary to the administration's claims that such living wage standards are poison pill that will doom projects, Los Angeles has had no difficulty recruiting developers, nor have developer been unable to get funding or lock in tenant businesses. (This afternoon you will have the chance to hear more about Los Angeles from a representative of the city's Community Redevelopment Agency – that city's counterpart to New York's Economic Development Corporation.)

Even more importantly, while the administration all but refuses to talk about it publicly, New York under Mayor Bloomberg has actually begun using this strategy on some projects with very positive results. Remember the redevelopment of the Greenpoint-Williamsburg waterfront with high-rise housing? Mayor Bloomberg required the ten developers leading those projects to guarantee that building service workers in them would be paid decent wages of more than \$20 an hour plus benefits. Is there the slightest bit of evidence that these standards have made projects unprofitable, or stopped deals from going forward? Or that they've led the buildings to hire fewer janitors? None. Developments like the Northside Piers and the Edge are open today and paying their workers decent wages.

Since Greenpoint-Williamsburg in 2005, the administration has expanded its use of these policies on projects like Willet's Point, Coney Island, and the Domino Sugar Factory redevelopment. Depending on the project, these deals have included wage standards for building service workers, hotel workers, supermarket workers and/or construction workers. If the administration thought that these were deadly poison pills that would doom the projects and kill jobs, it should explain why it agreed to them. Instead, however, it is clear that they are not and that the projects are moving forward with these sensible requirements to ensure that the taxpayer investment generates the types of decent jobs New Yorkers need.

Intro. 251-A would build on these successes by extending a very modest baseline wage standard – the city's \$10 living wage for contract workers – to large subsidized

development projects. The details of a final policy will, of course, reflect further fine-tuning and targeting as part of a negotiation process between the council and the administration. In the A version of the bill, advocates have already made a variety of refinements to steer clear of small businesses, non-profits and affordable housing projects and focus back on the key problem: large subsidized development projects not delivering the types of jobs New Yorkers need to lift their families out of poverty. In further negotiations there would no doubt be further refinements to determine: (1) how large projects should be in order to be covered, and (2) which sub-categories of projects raise special considerations such that they should perhaps be exempted.

Scare Mongering and Misinformation

Unfortunately, rather than engage in a productive exploration of these policy issues, the Bloomberg Administration and the Economic Development Corporation have launched an aggressive campaign of scare mongering and misinformation. The administration's goal appears to be to frighten New Yorkers – and especially residents of the city's low-income neighborhoods – with predictions that a living wage policy will lead to the loss of thousands of jobs and billions of investment dollars. But as representatives from Los Angeles report – the city that has applied living wages to economic development on the most significant scale – they have seen no such harmful results.

The campaign has two pieces. The first is a concerted effort to divert attention from the real policy question of whether, as Los Angeles and San Francisco do, New York can extend living wage standards to the city's major development projects like Willets Point, Hudson Yards and Coney Island. Instead, the administration has focused exclusively on sub-categories of projects – affordable housing, manufacturing and the FRESH program – some of which are already exempted and few if any of which are likely to be impacted by a living wage policy. It claims that these important projects will be harmed by a living wage.

Affordable Housing. The claim regarding affordable housing is baffling, since such projects have already been exempted under the A version of the bill. Despite this, the administration has attempted to fan fear and confusion among affordable housing advocates. Any peripheral impacts on affordable housing that remain can readily be addressed during final negotiation of the bill.

Manufacturing. The suggestion that a living wage policy would hurt manufacturing is completely off-base. First, the lion's share of manufacturing jobs pay well over the city's modest \$10 living wage. Second, once the bill's current placeholder subsidy threshold of \$100,000 is negotiated up, to a more plausible level, virtually all manufacturers will fall below the coverage threshold. But third, and most importantly, fighting to preserve manufacturing – one of the best sources of better paying jobs for working New Yorkers – actually goes hand-in-hand with a living wage policy. Currently the city provides

relatively small amounts of support to a large number of manufacturers, and reserves the overwhelming majority of its discretionary subsidy pool for the major projects. The city should extend wage standards to the large projects, direct less taxpayer funding to creating poverty wage jobs, and direct more funds to nurturing manufacturing. Los Angeles, which is the national leader in both living wage policy and promoting manufacturing, has shown that the two are complementary and key planks in a high road development strategy.

The FRESH Program. Finally, the administration's parade of horrors focuses on the city's new FRESH Program aimed at bringing more grocery stores to redlined neighborhoods. One can debate the pros and cons of whether such stores and such potentially marginal development projects should be covered under the living wage (although it is worth noting that Los Angeles has, in fact, included supermarkets in successful living wage-covered projects). But however one chooses to treat the FRESH program in the end, it is simply not representative of the major projects that are creating the largest numbers of low-wage jobs that have been the proposed focus of the living wage.

A Seriously Flawed Study

The second prong of the administration's disinformation campaign is its \$1 million study – ostensibly aimed at assessing what the impact of a New York City living wage policy for economic development might be. Unfortunately, when the executive summary was released this week, it revealed that, as feared, EDC's consultants had used a fundamentally flawed methodology.

Today a group of nine economists and four policy experts convened by the National Employment Law Project, the Fiscal Policy Institute and Good Jobs New York released an analysis explaining how each of the study's two parts rests on a faulty premise that renders the report's findings invalid. (See Exhibit A to my testimony today.)

While the study is highly technical, the errors are actually straight-forward and readily explained. The first portion of the study on "Real Estate Market Impacts" attempts to assess whether a living wage standard for development projects in New York will result in fewer projects moving forward, thereby resulting in lost jobs. However, the study erroneously bases virtually all of its analysis on a single subsidy program, the Industrial and Commercial Abatement Program (ICAP), whose developments – mostly small projects in the outer boroughs – are not even covered by the proposed law. The current draft of the bill would cover as-of-right subsidies in those very limited circumstances when the state legislature has authorized New York City to add additional conditions – for example, as the legislature did for the 421-a program. However, the legislature has not authorized the City to regulate ICAP in that fashion. Neither the City Council Counsel nor the New York City Corporation Counsel has ever taken the position that the legislature has authorized the City to do so.

The erroneous focus on ICAP renders the study distorted and irrelevant since those subsidies are very different from the large discretionary incentive deals that have been the focus of the public debate. Moreover, this misplaced focus on ICAP is one of the drivers of the study's outlandishly large projections of jobs impacted, since ICAP applies so broadly across the city.

While the ICAP error is bad enough to make the real estate market impact part of the report invalid, there are, in fact, several other basic problems with the analysis. See Appendix A, pp. 2-3. During the question and answer period, I'd be happy to walk through these issues in greater detail.

The second portion of the EDC study is its labor market impact analysis. While EDC has attempted to play it up as exceptionally rigorous, in reality it is, as acknowledged in the report's executive summary, simply an updated application of a methodology that their senior researcher, Dr. David Neumark, developed in 2003 with Scott Adams. However, that methodology – which purports to glean from citywide employment data the impact of living wage laws in other cities – has been shown to be inadequate for evaluating the impact of measures that affect such a tiny slice of local labor markets. Other witnesses this afternoon, Dr. Stephanie Luce from the City University of New York and Dr. Jeannette Wicks-Lim from the University of Massachusetts, can walk you through in more detail this fundamental error on which all of the job loss projections in that section rely. And Dr. Bill Lester from the University of North Carolina will outline his 2010 study of business assistance living wage laws. It used a more detailed data set and similarly found no evidence of negative employment impacts. Dr. Lester's analysis provides a further strong refutation of the job losses that have been estimated in the EDC study summary – estimates that constitute the foundation of the EDC study's simulations of potential job market impacts of the proposed New York living wage Law.

What EDC and its researchers should have done is conduct an in-depth series of interviews with the developers, employers and city agencies affected by those cities' policies, as they were urged to do at the start of the study. These case studies were repeatedly recommended to EDC's researchers as especially appropriate for close examination. The EDC study team's failure to examine these – or any other projects that have actually been the subject of wage standards – is a glaring and surprising omission.

Simply put: the EDC study is irrevocably flawed and flawed and cannot serve as a reliable guide for public policy. Instead, it is an elaborate exercise in scare-mongering and misinformation, dressed up as research.

Legal Issues

Finally, the administration has at various times argued that the City and/or the City Council does not have the power to enact the proposed bill. However, we believe that these claims are incorrect.

As an initial matter, the administration suggests that the reach of the proposed living wage is so broad as to be tantamount to a city minimum wage – which is a type of regulation that is not authorized for cities in New York State. The proposal would establish conditions for discretionary development agreements that New York City or its agents negotiate with developers. In the same way that the New York Court of Appeals has held that New York’s living wage for city contractors is not tantamount to a minimum wage, extending wage standards to a targeted group of discretionary development agreements would not be preempted.

Next the City raises a variety of questions about whether the City Council may, by local law, establish standards for major development projects that are negotiated by the Economic Development Corporation (EDC), in light of the fact that EDC is a local development corporation that is legally separate from the city.

Here is the way to think about this question: There is no serious debate that EDC could choose to impose wage standards as conditions of its development deals. In fact, as discussed, it has already started to do so on a limited base and no one suggests that they are invalid. Nor does anyone suggest that EDC couldn’t move beyond setting standards on a deal-by-deal basis and establish a living wage policy for certain categories of appropriate projects. In fact, the development agencies of other counties have already done so for certain categories of workers.

The next question is whether the City through its mayoral agencies could go further and require EDC to adopt such a policy. We believe that the answer is clearly yes – by virtue of the city’s annual contract with EDC. Under the annual contract, the City effectively hires EDC to administer its economic development program. Under the contract, the City funds a large portion of EDC’s staff and budget and in return imposes a wide range of detailed accountability and performance criteria on the agency.

Under the contract, the Deputy Mayor must approve all large EDC development projects. Moreover, in the contract itself the city has established a variety of policies and accountability standards for EDC – a few of which are even jobs related. It seems quite clear that the Deputy Mayor could either choose to withhold approval for projects that do not include a living wage requirement, or could elect to include in the contract with EDC a requirement establishing a general living wage policy for some appropriate category of projects.

With all of that as background, the question then becomes: can the City by local law – i.e., can the City Council – establish policy for how the Deputy Mayor approves development projects or instruct the Deputy Mayor to include a wage policy as part of the annual contract?

We believe that there are clear legislative precedents indicating that the Council can. While authority over city contracting resides chiefly in the Mayor, there are precedents for the Council establishing requirements or standards for city contracts – on topics ranging from living wages to green purchasing – that mayoral agencies must follow. In fact, the City Council has since 1993 mandated that the Mayor impose certain requirements on EDC – reporting requirements regarding job creation on subsidized development projects – and has directed that he do so by including them in the city’s annual contract with EDC.

While a full legal analysis is beyond the scope of this testimony, these points outline what we believe is a permissible means by which the City Council can effectively establish a wage policy for the City’s major economic development projects.

* * *

To summarize, Int. 251-A would move city policy towards addressing one of the most pressing problems facing working New Yorkers: the lack of living wage jobs for the city’s frontline workforce. Building on successful experiences with wage standards in New York, Los Angeles and other cities, it would ensure that major subsidized projects in New York focus on creating the quality jobs that our communities need.

Thank you for the opportunity to speak with you today. I would be delighted to answer questions that members of the council may have on my testimony or on other aspects of Int. 251-A.

¹ Fiscal Policy Institute, Good Jobs New York and National Employment Law Project. "An Overview of Job Quality and Discretionary Economic Development Subsidies in New York City (Feb. 2011), <http://www.nelp.org/page/-/SubsidizedEmployersCreateLowWageJobsReport2011.pdf?nocdn=1>.

² National Employment Law Project, "A Year of Unbalanced Growth: Industries, Wages, and the First 12 Months of Job Growth After the Great Recession, (Feb. 2011), <http://www.nelp.org/page/-/Justice/2011/UnbalancedGrowthFeb2011.pdf?nocdn=1>.

Appendix A

An Assessment of Methods and Findings of the New York City Economic Development Corporation's Living Wage Study (May 12, 2011)

An Assessment of Methods and Findings of the New York City Economic Development Corporation's Living Wage Study

May 12, 2011

Contributors:

Sylvia Allegretto, University of California
T. William Lester, University of North Carolina
David Howell, New School University
Jeannette Wicks-Lim, University of Massachusetts
Stephanie Luce, City University of New York
Robert Pollin, University of Massachusetts
Michael Reich, University of California
Paul Sonn, National Employment Law Project
Annette Bernhardt, National Employment Law Project
James Parrott, Fiscal Policy Institute
Michele Mattingly, Fiscal Policy Institute
Bettina Damiani, Good Jobs New York
Brad Lander, New York City Council

1. Overview

In this research brief, we provide an initial assessment of the executive summary of the New York City Economic Development Corporation (EDC)'s living wage study, *The Economic Impact on New York City of Proposed Living Wage Mandate: Key Findings*, released May 9, 2011 (hereafter "the EDC "study summary"). The study is being conducted for EDC by Charles River Associates and a staff of consultant economists.

We emphasize that the executive summary provided by EDC omits many details about the methodology and data used and the basis for its conclusions, making a definitive assessment impossible at this time. However, even the limited explanation presented in the executive summary reveals a series of fundamental errors in methodology and analysis.

In our assessment, these errors render the study fundamentally flawed. The assessment of real estate market impacts is based on a mischaracterization of the proposed law, and focuses on a subsidy program, the Industrial and Commercial Abatement Program (ICAP), that the proposed law does not in fact cover. The assessment of labor market impacts is based on a methodology developed by Dr. David Neumark that has been demonstrated to be unreliable for evaluating the impact of living wages laws. Since these two sections constitute the bulk of the EDC study, our current assessment, based on the executive summary, is that the study is an inaccurate and unreliable guide for policymakers.

We elaborate on each of these points below.

2. Errors in the Real Estate Market Impact Analysis

The “Real Estate Market” section of the executive summary attempts to project the effect of a New York City living wage policy on decisions by developers or other businesses to go forward with new projects.

However, several serious flaws in the methods used and in the analysis are evident.

First and most important, the analysis erroneously focuses on New York’s ICAP as-of-right tax abatement program under which many small projects in the outer boroughs receive subsidies. However, this subsidy program would not be covered by the proposed law. While the current draft of the bill would cover the very limited number of as-of-right subsidies that the state legislature has authorized New York City to regulate, the legislature has not authorized the City to regulate ICAP. Neither the City Council Counsel nor the New York City Corporation Counsel has ever taken the position that the legislature has authorized the City to do so.

As a result of this significant mischaracterization, the modeling in the EDC study focuses on development projects that will not be covered by the proposed law – and that differ significantly from projects that will be covered. Instead, the EDC study should have focused on the large mixed-use development projects like Yankee Stadium, the Bronx Gateway Mall, Willets Point, Hudson Yards and Coney Island that receive the lion’s share of the City’s discretionary subsidies and that constitute the core coverage of the proposed living wage policy.¹ This critical misconception renders the study’s job loss simulations inaccurate. This is because while the City’s other subsidy programs do not affect enough jobs and worksites to amount to an appreciable share of the city’s labor market, the broad ICAP program almost certainly does. To illustrate, while the EDC reported approximately 516 IDA/EDC projects for fiscal year 2010, there are approximately 6,918 ICAP/ICIP exempt properties across New York City.²

Second, the real estate impact models are based on the assumption, from the outset, that subsidized development projects will not go forward without those subsidies – an assumption that in effect pre-determines the finding that a wage mandate would substantially alter developers’ cost/benefit analysis. However, David Neumark’s own research (of California’s enterprise zone program) has found that economic development subsidies “have no statistically significant effect on either employment levels or employment growth rates.”³ That finding is consistent with conventional industry wisdom that developers and businesses typically make expansion decisions based on other factors and then, once they have decided to move forward, investigate what subsidies they may be eligible for. As Mayor Bloomberg himself has opined, “any company that makes a decision as to where they are going to be based on the tax rate is a company that won’t be around very long.”⁴

Third, because of the assumptions of the study’s real estate impact model and its failure to focus on discretionary subsidy programs, the study fails to test for the possibility that a living wage policy would function as a tool to help the City target development resources to different types of development projects, namely those that include “high road” tenants paying a living wage. Experience from Los Angeles suggests that this is frequently how business assistance living wage policies function: to steer subsidy dollars towards projects that include businesses like Costco, Trader Joe’s or unionized hotel chains that already pay a living wage.

Fourth and most surprisingly, the study failed to examine the most important evidence of how wage standards affect development projects: the actual experiences of cities like Los Angeles, San Francisco and

New York in extending wage standards to major projects. (While New York does not currently have a living wage policy for economic development, it has, on a project-by-project basis, extended wages standards to various categories of workers on a range of development projects since 2005.) EDC and its researchers should have conducted an in-depth series of interviews with the developers, employers and city agencies affected by those cities' policies, as they were urged to do at the start of the study. These case studies were repeatedly recommended to EDC's researchers as especially appropriate for close examination. The EDC study team's failure to examine these and other projects that have actually been the subject of wage standards is a glaring omission.

Finally, we should flag that even in the executive summary, there is evidence of careless use of data that alone should make policymakers question the study. For example, the real estate impact analysis makes unsupported and implausible statements about the costs of monitoring and compliance, asserting that those costs are substantial, and that they exceed the value of any financial assistance that would be offered. Similarly, the impact analysis depends on a tremendous over-statement of retail employment in the outer boroughs at 560,000; but according to the NYS Labor Department, total retail employment in New York City is a little over 300,000, with only about 160,000 in the four boroughs outside of Manhattan.

3. Errors in the Labor Market Impact Analysis

The "Labor Market Impacts" section of the executive summary attempts to project the effect of a New York City living wage policy on employment at covered economic development projects.

However, for this portion of the study, the researchers used a methodology drawn from Dr. Neumark's past research that has been shown to be unreliable.

Specifically, the study attempts to glean from regional employment data⁵ the impact that business assistance living wage laws in other major U.S. cities have had on employment levels in those cities, using a methodology for assessing employment effects developed by David Neumark and Scott Adams in a 2003 study.⁶ Claiming that such analysis shows reduced employment levels in other cities, the report then simulates a corresponding reduction in employment under the New York City proposal.

However, Dr. Neumark's methodology is fundamentally flawed. Built into it is the unsupported and inaccurate assumption that nearly all low-wage workers – typically 80 percent or more – in the U.S. cities with business assistance living wages that he studies are potentially covered under the wage laws. Why does he assume this? As he explains in his 2003 study, "For workers in cities where businesses receiving financial assistance from the city are covered, virtually any nongovernment worker potentially may work for a company that is subject to the legislation. Therefore, we characterize all private-sector workers as being potentially covered."⁷

However, in cities that have adopted and implemented business assistance living wage laws, typically only a very small number of projects and businesses have been covered. Consider, for example, the case of Los Angeles. Dr. Neumark's 2003 study assumed that in Los Angeles, 90 percent of low-wage workers would be covered by that city's living wage law. However, a careful study of how many businesses were actually covered by the living wage law after it passed, combined with telephone interviews with city officials in charge of implementing the ordinance, established that less than one percent of the Los Angeles' low-wage workforce had actually been covered by the law.⁸

What this means is that Dr. Neumark's methodology essentially looks for living wage effects among workers *who were almost entirely not covered by the provisions of the law*. As a result, his model detects other trends that are occurring in municipal and regional labor markets and wrongly attributes them to living wage policies. In reality, when an accurate definition of living wage policy coverage is used and applied across all cities with living wage laws, including Los Angeles, researchers find that there is *no* statistically meaningful effect on overall employment in these cities.⁹

Other economists who have studied living wage law impacts in Boston, Los Angeles and San Francisco have used a better methodology. Specifically, they directly surveyed affected employers and workers and compared this affected group with a control group of those who were not affected by the measures. The studies using this alternative methodology have not found any negative overall employment effects from living wage policies.¹⁰

Finally, the most recent study of the impact of business assistance living wage laws, published in 2010, used a more detailed dataset and similarly found no evidence of any negative employment impacts.¹¹ This most analysis provides a further strong refutation of the job losses that have been estimated in the EDC study summary.

In short, because the EDC study uses the same inappropriate methodology as Dr. Neumark's previous research, it is not capable of detecting what impact, if any, business assistance living wage laws have had in other cities – and by extension, are likely to have in New York City.

* * *

To summarize, the assessment of real estate market impacts in the EDC study summary focuses entirely on a subsidy program, ICAP, that the proposed law does not in fact cover and that operates very differently from business subsidy programs that are covered. The assessment of labor market impacts is based entirely on a methodology that has been shown to be fundamentally flawed. As a result, the purported findings regarding potential job losses are unsupported by defensible empirical foundations. Taken together, it is our current assessment that these basic errors render the study invalid, and therefore unreliable as a guide for policymakers in assessing the merits of the proposed living wage law.

¹ For background on the problem of large development projects creating low-wage jobs in New York, see Fiscal Policy Institute, Good Jobs New York and National Employment Law Project. "An Overview of Job Quality and Discretionary Economic Development Subsidies in New York City (Feb. 2011), <http://www.nelp.org/page/-/SubsidizedEmployersCreateLowWageJobsReport2011.pdf?nocdn=1>

² Sources: N.Y.C. Local Law 48 Report for FY2010; N.Y.C. Dep't of Finance website of exempt properties.

³ Jed Kolko and David Neumark, "Do California's Enterprise Zones Create Jobs?" Public Policy Institute of Calif. (2009), http://www.ppic.org/content/pubs/report/R_609JKR.pdf.

⁴ "The Big City; An Outsider Comes Inside To Run Things." N.Y. Times (Nov. 8, 2001).

⁵ The U.S. Census Bureau's Current Population Survey (CPS).

⁶ EDC study, Table 3, citing David Neumark and Scott Adams (2003). This is, presumably, referring to their paper, "Do Living Wage Ordinances Reduce Urban Poverty." *Journal of Human Resources*, Vol. 38 (3), pp. 490-521 (2003).

⁷ Neumark and Adams (2003), p.508.

⁸ David Fairris, David Runsten, Carolina Briones, and Jessica Goodheart. "Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses." Los Angeles Alliance for a New Economy (2005); and, Mark Brenner, Jeannette Wicks-Lim and Robert Pollin. "Detecting the Effects of Living Wage Laws: A Comment on Neumark and Adams," in *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States*. Cornell University Press (2008).

⁹ Mark Brenner, Jeannette Wicks-Lim and Robert Pollin. "Detecting the Effects of Living Wage Laws: A Comment on Neumark and Adams," in *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States*. Cornell University Press (2008).

¹⁰ See the studies by Brenner, Fairris and Reich et al. in *Industrial Relations*, January 2005, "Special Issue: the Impacts of Living Wage Policies." This issue also contains a paper by Adams and Neumark that finds quite different results from the 2003 model used in the report.

¹¹ William Lester & Ken Jacobs. "Creating Good Jobs in Our Communities: How Higher Wage Standards Affect Economic Development and Employment." Center for American Progress (2010), http://www.americanprogress.org/issues/2010/11/living_wage_cap.html.

Appendix B

Paul K. Sonn, Experience Shows Living Wage Policies Work,

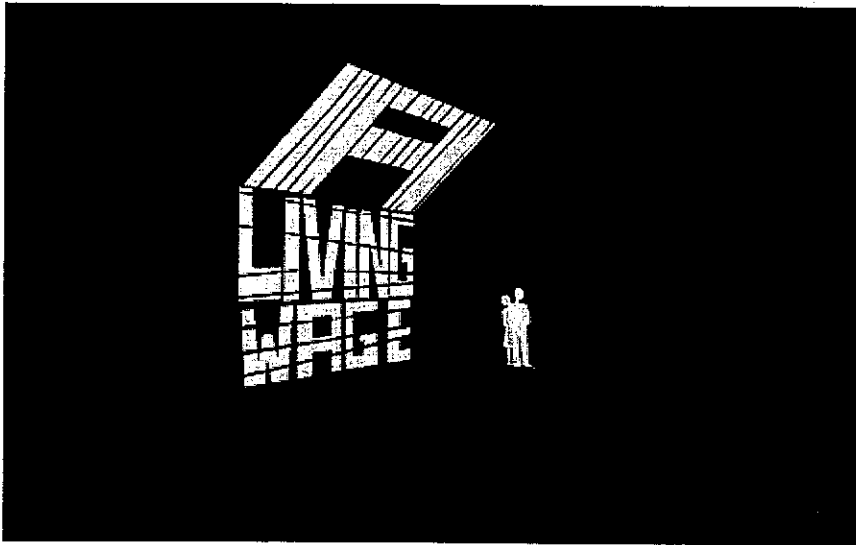
Gotham Gazette (Dec. 2010)



<http://www.gothamgazette.com/article/workandlabor/20101214/22/3431>

Experience Shows Living Wage Policies Work

by Paul K. Sonn
Dec 2010



Art by [Siân for London](#)

After recently scuttling a bill that would require paid sick days, the Bloomberg administration and the business community now are training their sights on two more City Council proposals intended to help workers. The bills ask developers who receive major taxpayer subsidies to guarantee that the jobs their big projects create will pay decent wages.

In its efforts to combat this initiative, the administration and its allies have raised a number of arguments. But examination of the facts shows that the objections have no basis in reality. Instead, New York's own experiences and those of other cities demonstrate that living-wage policies are important tools for ensuring that development delivers the middle-class jobs that communities -- and our economy -- need in order to recover and thrive.

The City Council Proposals

The City Council proposals would build on the city's current living-wage law, which was enacted in 1995 and broadened in 2002. It guarantees a \$10 minimum wage plus benefits or the prevailing industry wage (whichever is higher) for certain types of service workers at companies that operate under contracts with city agencies. The new proposals (Intro 0018 and Intro 0251) would expand these successful local wage standards to workers employed on taxpayer-subsidized economic development projects.

Every year, the city awards many millions of dollars in tax breaks to promote growth across the five boroughs -- everything from the Hudson Yards project on the West Side, to the new Coney Island in Brooklyn. While these projects are touted for the jobs they will create, security guards and cashiers at subsidized projects often are paid just \$8 or \$9 per hour with no benefits.

Under the City Council proposals, when developers seek such taxpayer subsidies, they would need to recruit tenants and building service contractors that will provide decently paying jobs. Specifically, on projects where developers receive subsidies, all workers would be required to be paid at least \$10 per hour -- a very modest wage floor. And for building service workers -- for whom the standard wage in most large buildings in New York is more than \$20 per hour -- developers would be required to match that prevailing industry wage.

Big Real Estate, Not Small Businesses

For starters, the administration says the bills would hurt small business. But the developers that receive these subsidies are about as far from small businesses as one can get. And the businesses they bring in as partners are typically major retail and hotel chains, not mom-and-pop shops.

In fact, small businesses generally oppose the city's policy of subsidizing big development projects, because it gives the chain stores an unfair advantage over local mom-and-pops that don't get tax breaks. That is why small-business groups like the Neighborhood Retail Alliance support the City Council's living-wage and prevailing-wage bills. They argue that if these big projects are going to be supported with taxpayer funds, they should at least pay their workers decently.

Developers Will Still Develop

Mayor Michael Bloomberg's other main argument is that it is unrealistic to ask developers to guarantee decent wages and that doing so will kill projects and jobs. That's a serious charge. But the experiences of New York and other major cities present compelling evidence to the contrary.

Although you would never know it from the mayor's rhetoric, Bloomberg has required wage standards on most major development projects across the city in order to win City Council support. This started in 2005 with the redevelopment of the Brooklyn waterfront in Williamsburg and Greenpoint. Bloomberg, then-City Council Speaker Gifford Miller and developers signed an agreement to pay decent wages to the janitors and security guards who would eventually be employed in the buildings there. Far from killing any projects or jobs, the developers eagerly

moved forward with new luxury high-rises up and down the waterfront. Today, buildings like the Toll Brothers' Northside Piers complex in Williamsburg operate profitably, while paying their janitors solid, middle-class wages.

Since 2005, the city has gone on to use similar standards on other major projects, such as the Willets Point, Coney Island and Domino Sugar factory redevelopments. There is no evidence that the wage guarantees have hurt the city's ability to recruit developers, or developers' ability to get financing or attract tenants for their projects.

But while New York has begun to make progress, it still must play catch-up to other cities in what it expects from businesses that benefit from taxpayers' largesse. Los Angeles, under Mayor Antonio Villaraigosa, has been the national leader in making the creation of living-wage jobs a top priority. No major subsidized development project there goes forward without a living-wage standard -- not just for building service workers, but employees in all low-wage jobs that may be generated. Projects ranging from the Staples Center/L.A. Live sports-and-entertainment district and the Kodak Theater (host to the Academy Awards), to hotel and retail development projects have been built using living-wage standards.

Los Angeles' economic development agency has found that these standards have not prevented developers from balancing project budgets, getting financing, and finding anchor tenants. The employers that the city has partnered with on these projects include major hotel chains like Marriott, Ritz and the W; food-service contractors like HMS Host and Aramark; and retailers like Trader Joe's and Costco.

San Francisco, under Mayor Gavin Newsom, has used the same strategy with equal success. For example, the massive redevelopment of the city's Hunters Point Shipyard and Candlestick Point section announced this summer (which will include 635,000 square feet of retail, 2.6 million square feet of office and research space, 10,000 residential units, and a football stadium) will require living wages for all jobs in the project area. The Lennar Corp., the nation's second-largest homebuilder, eagerly sought city approval for the project. The city's living wage was so uncontroversial that there was virtually no mention of it during the public debate over the project.

Stalling With a Study

In an effort to delay action on the proposed bills, the Bloomberg administration has commissioned a million-dollar study of the impact that living-wage laws have had across the nation. The administration hired the nation's leading anti-minimum wage economist, David Neumark from the University of California at Irvine, to conduct the analysis. Neumark, who is affiliated with the Employment Policies Institute -- a lobbying group for low-wage employers seeking to keep wages low -- has staked out an extreme and controversial position on wage standards. He opposed even the modest increase in the federal minimum wage to \$7.25.

Worse still, his research on living-wage policies has been exposed as fatally flawed. Rather than gather actual data on workers and businesses covered by living-wage policies, Neumark attempts to tease out the impact of such measures from general citywide employment data. However, as

more careful economists have pointed out, in most of the cities that have adopted living-wage laws, the policy affects only a very small number of workers. And it simply is not possible to discern the impact -- whether positive or negative -- on such a tiny sliver of the labor market from general data.

Benefits of Living Wages

Last month, the Center for American Progress released an important new national study of living-wage laws that definitively debunked Neumark's findings. It puts to rest the real estate lobby's claims that living-wage policies have impeded job growth by creating an "anti-development" business climate. And it lends support to the large body of careful research over the past decade that has examined actual living-wage policies on the ground -- and documented substantial benefits, not just for workers but also for employers.

For example, in a case study of San Francisco International Airport, University of California economists found the living-wage policy there raised pay by an average of 22 percent for workers such as security screeners, cashiers and restaurant servers. At the same time, airport employers saw annual turnover for security screeners plummet from 94.7 percent to 18.7 percent, resulting in annual savings of \$4,275 per employee in recruitment costs. Employers also reported improvements in employee performance, employee morale, and customer service.

Rebuilding the City's Middle Class and Economy

Bloomberg has begun promoting New York's record of job growth as a model for the nation. But that job growth has produced an hourglass economy, with high-paying finance jobs at the top, low-wage service jobs at the bottom, and less and less for the city's eroding middle class.

Los Angeles has provided a road map for a pro-growth development strategy that expands the tax base and brings in new employers, while improving wages for hotel, retail, and service workers. New York needs to learn from this approach.

Producing more middle-class jobs is vital, not only for New York's working families, but also for its economy. Because consumer demand powers our economy, a thriving middle class that can afford to spend money at local businesses is essential for sustaining growth. New York's recovery strategy must therefore include initiatives for rebuilding a base of good jobs at good wages for the workers who make the city run. The City Council's living-wage and prevailing-wage proposals are a good place to start.

Paul K. Sonn is legal co-director of the National Employment Law Project.



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Department of City and Regional Planning

Campus Box 3140 T 919-962-3983
New East Building F 919-962-5206
Chapel Hill, NC 27599-3140 www.planning.unc.edu

Prepared Testimony to the New York City Council's Contracts Committee
May 12th, 2011 1:00pm

Submitted by: T. William Lester, PhD
 Assistant Professor
 Department of City and Regional Planning
 University of North Carolina, Chapel Hill

Contact: twlester@unc.edu

Good afternoon. Thanks for inviting me here today. I am currently an assistant professor at the University of North Carolina, Chapel Hill where I teach quantitative methods in the economic development track.

Having studied the living wage for the past four years, I've realized how critical such laws are for workers and their families. However, having worked professionally in the field of economic development, I also understand the challenges that urban leaders face to redevelop vacant land and provide quality job opportunities. That is why research on the impact of living wage laws on urban economic development is so important. We need to look at a variety of data sources, gather opinions from a broad spectrum of experts, and test every practical hypothesis.

Thus my main goal in coming here today is to share with the results a report I co-authored last November with Ken Jacobs called "Creating Good Jobs in Our Community: How Higher Wage Standards Affect Economic Development and Employment".

We looked specifically at the impact that "business assistance" living wage laws have on both local employment levels and the "business climate" of the cities that pass them. Our report is one of the few existing studies that provide direct evidence on this issue. Living wage opponents argue that such

laws prevent businesses from creating jobs and thus help only a narrow set of workers at the expense of employing more workers overall. Some business leaders and developers also claim that adding labor standards to economic development projects will scare away potential investors by sending an “anti-business” signal.

But, our report examines all these claims and finds that economic development wage standards have no negative effect on citywide employment levels, either directly or indirectly. Furthermore, our analysis shows that living wage laws are not associated with reductions in the number of establishments that exist in the industry sectors most likely to be impacted.

Our methodology has two features that make significant improvements over previous studies.

First, we made sure to only included cases where there was at least some evidence that the law had been enforced. Thus, we carefully selected 15 cities that have effectively implemented business assistance living wage laws and compared them to 16 control cities in which advocates lodged unsuccessful campaigns to pass such ordinances.

Second, we used a unique dataset that tracks employment at nearly all businesses establishments in the US on an annual basis from 1990-2008. We use this database, which can provide employment totals at the *city, rather than metropolitan level* to measure living wage impacts before and after passage.

We measured living wage impacts on overall city employment and establishment levels and found estimates very close to zero; meaning there is no evidence of a negative impact. However, we also developed similar models for 14 different industry categories that are most likely to be directly or indirectly impacted by the living wage. These include retail, low-wage services, restaurants, back-office service work and others. This refined analysis allowed us to test for all potential negative impacts, finding none.

I believe that our study is the most methodologically sound, quantitative study conducted to date. Overall, our key point estimates are very close to zero and are measured with enough statistical precision to cast doubt on claims—such as those in the CRA study—that wage standards kill jobs or create a negative business climate.

Thank you very much. I look forward to your questions.

RWDSU

Stuart Appelbaum, *President*
Jack C. Wurm, Jr., *Secretary-Treasurer*

Retail, Wholesale and Department Store Union

Testimony of Stuart Appelbaum, President
Retail, Wholesale and Department Store Union, UFCW

New York City Council Committee on Contracts hearing
"Proposed Int. No. 251-A - In relation to requiring the payment of a living wage to employees employed on property developed by recipients of financial assistance for economic development"

May 12, 2011

Good afternoon. I would like to thank Speaker Christine Quinn, Chair Darlene Mealy and the members of the committee for convening this very important hearing on the Fair Wages for New Yorkers Act. I am Stuart Appelbaum, President of the Retail, Wholesale and Department Store Union, UFCW. Among our membership in the United States and Canada, the RWDSU represents 45,000 men and women who work in retail, grocery and drug stores in all five boroughs of New York City.

The RWDSU is committed to building the middle class in New York. We believe that job creation must focus on not just the number of jobs created, but also on the kinds of jobs created. We must ask ourselves: Will the jobs created help lift our workers out of poverty and allow them to raise their families? Will the jobs created give them the dignity and respect they deserve in the workplace? Will the jobs created make their community a better place to live?

The New York City Council led the nation in passing the original living wage law in 2002. But we have fallen behind. Dozens of municipalities – from Los Angeles and San Francisco to Pittsburgh -- have enacted living wage policies that go beyond what New York City passed and it is time that we catch up.

Retail and other low wage workers are hurting and instead of embracing ways to bring those workers out of poverty and into the middle class, this administration wasted one million dollars to fund a study to further their own agenda. *The Gothamist* put it best with its headline: "Living Wage Study Ordered by Bloomberg Agrees with Bloomberg."

We all knew exactly what the conclusions of that study were going to be because the conclusions were determined before the so-called study was conducted.

If you look back at all the fights over minimum wage increases, at either the federal or state level, businesses have always said it will cost jobs. But experience shows us that those predictions just aren't true. Raising the minimum wage in New York State in 2004 didn't cost jobs. The wage ordinance in Los Angeles hasn't deterred development or cost jobs there. And it won't happen here in New York City.

What is often missing from these studies is an examination of the benefits of increasing wages. Benefits to the workers, to the communities, to the businesses and to the City. Workers are able to increase their standard of living. Communities become more stable. Businesses find workers with improved morale and less turnover along with consumers with more purchasing power. The City has fewer workers utilizing public assistance programs.

The Fair Wages for New Yorkers Act puts into place a much needed citywide policy that would give developers who receive city provided, taxpayer dollar funded subsidies uniform rules, instead of ad-hoc, disruptive, project by project negotiations. Some communities have been able to rise up against the powerful developers and gotten wage policies on projects happening in their area - like those in Greenpoint-Williamsburg, Brooklyn or Willets Point, Queens. But the creation of good jobs should not be dependent upon the political skills of the residents. Or the political will of their elected representatives. A citywide policy would give both communities and developers a rational, consistent framework for job creation in the city.

The gap between rich and poor in New York City is at its most pronounced. Wall Street is bouncing back from the recession of the last few years, but middle class and low wage workers are not. The best way to combat the increasing numbers of working poor is for the city to support policies that will increase the wages of workers. And the Fair Wages for New Yorkers Act will do just that. It seeks to guarantee that economic development policies consider the needs of workers as well as businesses and helps raise workers from poverty wage jobs.

The RWDSU urges you to pass this important piece of legislation.

An Assessment of Methods and Findings of the New York City Economic Development Corporation's Living Wage Study

May 12, 2011

Contributors:

Sylvia Allegretto, University of California
T. William Lester, University of North Carolina
David Howell, New School University
Jeannette Wicks-Lim, University of Massachusetts
Stephanie Luce, City University of New York
Robert Pollin, University of Massachusetts
Michael Reich, University of California
Paul Sonn, National Employment Law Project
Annette Bernhardt, National Employment Law Project
James Parrott, Fiscal Policy Institute
Michele Mattingly, Fiscal Policy Institute
Bettina Damiani, Good Jobs New York
Brad Lander, New York City Council

1. Overview

In this research brief, we provide an initial assessment of the executive summary of the New York City Economic Development Corporation (EDC)'s living wage study, *The Economic Impact on New York City of Proposed Living Wage Mandate: Key Findings*, released May 9, 2011 (hereafter "the EDC "study summary"). The study is being conducted for EDC by Charles River Associates and a staff of consultant economists.

We emphasize that the executive summary provided by EDC omits many details about the methodology and data used and the basis for its conclusions, making a definitive assessment impossible at this time. However, even the limited explanation presented in the executive summary reveals a series of fundamental errors in methodology and analysis.

In our assessment, these errors render the study fundamentally flawed. The assessment of real estate market impacts is based on a mischaracterization of the proposed law, and focuses on a subsidy program, the Industrial and Commercial Abatement Program (ICAP), that the proposed law does not in fact cover. The assessment of labor market impacts is based on a methodology developed by Dr. David Neumark that has been demonstrated to be unreliable for evaluating the impact of living wages laws. Since these two sections constitute the bulk of the EDC study, our current assessment, based on the executive summary, is that the study is an inaccurate and unreliable guide for policymakers.

We elaborate on each of these points below.

2. Errors in the Real Estate Market Impact Analysis

The “Real Estate Market” section of the executive summary attempts to project the effect of a New York City living wage policy on decisions by developers or other businesses to go forward with new projects.

However, several serious flaws in the methods used and in the analysis are evident.

First and most important, the analysis erroneously focuses on New York’s ICAP as-of-right tax abatement program under which many small projects in the outer boroughs receive subsidies. However, this subsidy program would not be covered by the proposed law. While the current draft of the bill would cover the very limited number of as-of-right subsidies that the state legislature has authorized New York City to regulate, the legislature has not authorized the City to regulate ICAP. Neither the City Council Counsel nor the New York City Corporation Counsel has ever taken the position that the legislature has authorized the City to do so.

As a result of this significant mischaracterization, the modeling in the EDC study focuses on development projects that will not be covered by the proposed law – and that differ significantly from projects that will be covered. Instead, the EDC study should have focused on the large mixed-use development projects like Yankee Stadium, the Bronx Gateway Mall, Willets Point, Hudson Yards and Coney Island that receive the lion’s share of the City’s discretionary subsidies and that constitute the core coverage of the proposed living wage policy.¹ This critical misconception renders the study’s job loss simulations inaccurate. This is because while the City’s other subsidy programs do not affect enough jobs and worksites to amount to an appreciable share of the city’s labor market, the broad ICAP program almost certainly does. To illustrate, while the EDC reported approximately 516 IDA/EDC projects for fiscal year 2010, there are approximately 6,918 ICAP/ICIP exempt properties across New York City.²

Second, the real estate impact models are based on the assumption, from the outset, that subsidized development projects will not go forward without those subsidies – an assumption that in effect pre-determines the finding that a wage mandate would substantially alter developers’ cost/benefit analysis. However, David Neumark’s own research (of California’s enterprise zone program) has found that economic development subsidies “have no statistically significant effect on either employment levels or employment growth rates.”³ That finding is consistent with conventional industry wisdom that developers and businesses typically make expansion decisions based on other factors and then, once they have decided to move forward, investigate what subsidies they may be eligible for. As Mayor Bloomberg himself has opined, “any company that makes a decision as to where they are going to be based on the tax rate is a company that won’t be around very long.”⁴

Third, because of the assumptions of the study’s real estate impact model and its failure to focus on discretionary subsidy programs, the study fails to test for the possibility that a living wage policy would function as a tool to help the City target development resources to different types of development projects, namely those that include “high road” tenants paying a living wage. Experience from Los Angeles suggests that this is frequently how business assistance living wage policies function: to steer subsidy dollars towards projects that include businesses like Costco, Trader Joe’s or unionized hotel chains that already pay a living wage.

Fourth and most surprisingly, the study failed to examine the most important evidence of how wage standards affect development projects: the actual experiences of cities like Los Angeles, San Francisco and

New York in extending wage standards to major projects. (While New York does not currently have a living wage policy for economic development, it has, on a project-by-project basis, extended wages standards to various categories of workers on a range of development projects since 2005.) EDC and its researchers should have conducted an in-depth series of interviews with the developers, employers and city agencies affected by those cities' policies, as they were urged to do at the start of the study. These case studies were repeatedly recommended to EDC's researchers as especially appropriate for close examination. The EDC study team's failure to examine these and other projects that have actually been the subject of wage standards is a glaring omission.

Finally, we should flag that even in the executive summary, there is evidence of careless use of data that alone should make policymakers question the study. For example, the real estate impact analysis makes unsupported and implausible statements about the costs of monitoring and compliance, asserting that those costs are substantial, and that they exceed the value of any financial assistance that would be offered. Similarly, the impact analysis depends on a tremendous over-statement of retail employment in the outer boroughs at 560,000; but according to the NYS Labor Department, total retail employment in New York City is a little over 300,000, with only about 160,000 in the four boroughs outside of Manhattan.

3. Errors in the Labor Market Impact Analysis

The "Labor Market Impacts" section of the executive summary attempts to project the effect of a New York City living wage policy on employment at covered economic development projects.

However, for this portion of the study, the researchers used a methodology drawn from Dr. Neumark's past research that has been shown to be unreliable.

Specifically, the study attempts to glean from regional employment data⁵ the impact that business assistance living wage laws in other major U.S. cities have had on employment levels in those cities, using a methodology for assessing employment effects developed by David Neumark and Scott Adams in a 2003 study.⁶ Claiming that such analysis shows reduced employment levels in other cities, the report then simulates a corresponding reduction in employment under the New York City proposal.

However, Dr. Neumark's methodology is fundamentally flawed. Built into it is the unsupported and inaccurate assumption that nearly all low-wage workers – typically 80 percent or more – in the U.S. cities with business assistance living wages that he studies are potentially covered under the wage laws. Why does he assume this? As he explains in his 2003 study, "For workers in cities where businesses receiving financial assistance from the city are covered, virtually any nongovernment worker potentially may work for a company that is subject to the legislation. Therefore, we characterize all private-sector workers as being potentially covered."⁷

However, in cities that have adopted and implemented business assistance living wage laws, typically only a very small number of projects and businesses have been covered. Consider, for example, the case of Los Angeles. Dr. Neumark's 2003 study assumed that in Los Angeles, 90 percent of low-wage workers would be covered by that city's living wage law. However, a careful study of how many businesses were actually covered by the living wage law after it passed, combined with telephone interviews with city officials in charge of implementing the ordinance, established that less than one percent of the Los Angeles' low-wage workforce had actually been covered by the law.⁸

What this means is that Dr. Neumark's methodology essentially looks for living wage effects among workers *who were almost entirely not covered by the provisions of the law*. As a result, his model detects other trends that are occurring in municipal and regional labor markets and wrongly attributes them to living wage policies. In reality, when an accurate definition of living wage policy coverage is used and applied across all cities with living wage laws, including Los Angeles, researchers find that there is *no* statistically meaningful effect on overall employment in these cities.⁹

Other economists who have studied living wage law impacts in Boston, Los Angeles and San Francisco have used a better methodology. Specifically, they directly surveyed affected employers and workers and compared this affected group with a control group of those who were not affected by the measures. The studies using this alternative methodology have not found any negative overall employment effects from living wage policies.¹⁰

Finally, the most recent study of the impact of business assistance living wage laws, published in 2010, used a more detailed dataset and similarly found no evidence of any negative employment impacts.¹¹ This most analysis provides a further strong refutation of the job losses that have been estimated in the EDC study summary.

In short, because the EDC study uses the same inappropriate methodology as Dr. Neumark's previous research, it is not capable of detecting what impact, if any, business assistance living wage laws have had in other cities – and by extension, are likely to have in New York City.

* * *

To summarize, the assessment of real estate market impacts in the EDC study summary focuses entirely on a subsidy program, ICAP, that the proposed law does not in fact cover and that operates very differently from business subsidy programs that are covered. The assessment of labor market impacts is based entirely on a methodology that has been shown to be fundamentally flawed. As a result, the purported findings regarding potential job losses are unsupported by defensible empirical foundations. Taken together, it is our current assessment that these basic errors render the study invalid, and therefore unreliable as a guide for policymakers in assessing the merits of the proposed living wage law.

¹ For background on the problem of large development projects creating low-wage jobs in New York, see Fiscal Policy Institute, Good Jobs New York and National Employment Law Project. "An Overview of Job Quality and Discretionary Economic Development Subsidies in New York City (Feb. 2011), <http://www.nelp.org/page/-/SubsidizedEmployersCreateLowWageJobsReport2011.pdf?nocdn=1>

² Sources: N.Y.C. Local Law 48 Report for FY2010; N.Y.C. Dep't of Finance website of exempt properties.

³ Jed Kolko and David Neumark, "Do California's Enterprise Zones Create Jobs?" Public Policy Institute of Calif. (2009), http://www.ppic.org/content/pubs/report/R_609JKR.pdf.

⁴ "The Big City: An Outsider Comes Inside To Run Things." N.Y. Times (Nov. 8, 2001).

⁵ The U.S. Census Bureau's Current Population Survey (CPS).

⁶ EDC study, Table 3, citing David Neumark and Scott Adams (2003). This is, presumably, referring to their paper, "Do Living Wage Ordinances Reduce Urban Poverty." *Journal of Human Resources*, Vol. 38 (3), pp. 490-521 (2003).

⁷ Neumark and Adams (2003), p.508.

⁸ David Fairris, David Runsten, Carolina Briones, and Jessica Goodheart. "Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses." Los Angeles Alliance for a New Economy (2005); and, Mark Brenner, Jeannette Wicks-Lim and Robert Pollin. "Detecting the Effects of Living Wage Laws: A Comment on Neumark and Adams," in *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States*. Cornell University Press (2008).

⁹ Mark Brenner, Jeannette Wicks-Lim and Robert Pollin. "Detecting the Effects of Living Wage Laws: A Comment on Neumark and Adams," in *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States*. Cornell University Press (2008).

¹⁰ See the studies by Brenner, Fairris and Reich et al. in *Industrial Relations*, January 2005, "Special Issue: the Impacts of Living Wage Policies." This issue also contains a paper by Adams and Neumark that finds quite different results from the 2003 model used in the report.

¹¹ William Lester & Ken Jacobs. "Creating Good Jobs in Our Communities: How Higher Wage Standards Affect Economic Development and Employment." Center for American Progress (2010), http://www.americanprogress.org/issues/2010/11/living_wage_cap.html.

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WORKER PROJECT



Creating Good Jobs in Our Communities

How Higher Wage Standards Affect Economic Development and Employment

T. William Lester and Ken Jacobs November 2010

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How Higher Wage Standards Affect Economic Development and Employment

T. William Lester

Assistant Professor

Department of City and Regional Planning

University of North Carolina, Chapel Hill

Ken Jacobs

Chair, Center for Labor Research and Education

Institute for Research on Labor and Employment

University of California, Berkeley

November 2010

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Executive summary

From sports arenas to high-tech manufacturing zones and from commercial office buildings to big-box retail, local governments spend billions of dollars every year to entice private businesses to invest in their communities and create jobs. Yet these public funds often help create jobs that pay poverty-level wages with no basic benefits.

Cities across the country are working to gain greater control over these projects and help create quality jobs by attaching wage standards to their economic development subsidies. Communities are linking labor standards to public development projects in various ways, including community benefits agreements and prevailing wage laws. But the most common and comprehensive policies are business assistance living wage laws, which require businesses receiving public subsidies to pay workers wages above the poverty level.

These economic development wage standards have successfully raised pay for covered workers. Yet opponents of these standards argue that such laws prevent businesses from creating jobs and thus help some workers at the expense of employing more workers. Some business leaders and developers also claim that adding labor standards to economic development projects will scare away potential investors by sending an “antibusiness” signal.

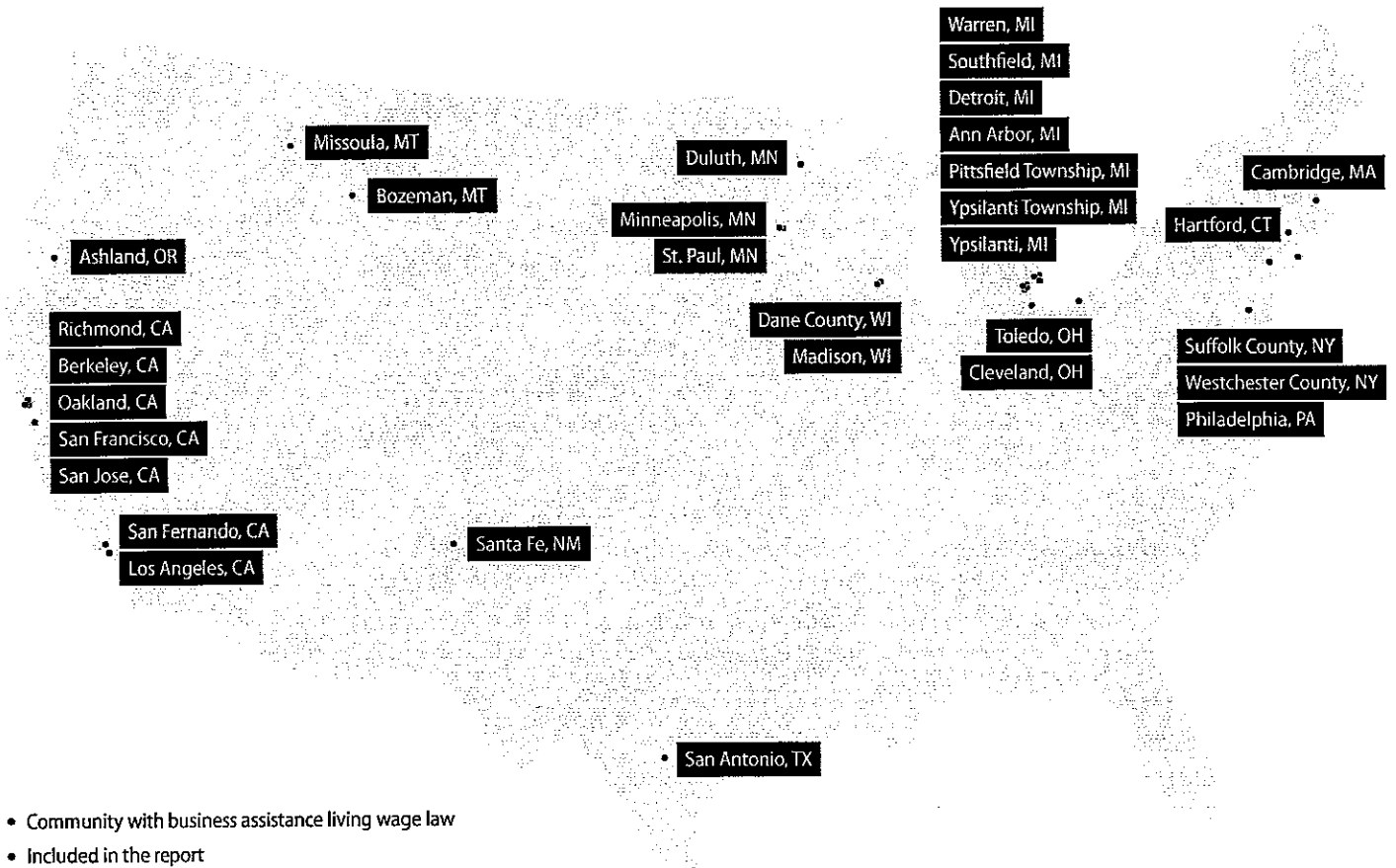
This report examines these claims and finds that economic development wage standards have no negative effect on citywide employment levels. This casts serious doubt on arguments that standards dampen municipalities’ ability to use subsidies to attract new businesses or create negative business climates where all firms avoid investment.

The study finds that the 15 cities effectively implementing business assistance living wage laws—Ann Arbor, Berkeley, Cambridge, Cleveland, Duluth, Hartford, Los Angeles, Minneapolis, Oakland, Philadelphia, Richmond, San Antonio, San Francisco, San Jose, and Santa Fe—had the same levels of employment growth

overall as a comparable group of control cities. The study also finds that these laws do not harm low-wage workers. Employment in the low-wage industries most likely affected by the living wage laws was unaffected by the change.

The study is the most methodologically sound, quantitative study conducted to date on business assistance wage standards. It uses the best available data that tracks employment by establishment and establishment movements over time in order to make accurate accounts of employment change at the city level. The study carefully selects cities that have effectively implemented business assistance living wage laws and ensures a controlled comparison that minimizes the effects of

Communities with business assistance living wage laws



unobservable variables by comparing 15 living wage cities to 16 cities with similar attributes where advocates lodged unsuccessful campaigns to pass such ordinances.

This study provides a strong test of the economic impact of wage standards because business assistance living wage laws are the type of economic development wage standard likely to have the most widespread effect on employment. Other types of economic development wage standards, such as community benefits agreements and prevailing wage laws, either affect far fewer projects or are more closely tied to market wages, and are thus even less likely to have any effect on employment.

This report—like the groundbreaking studies that established that minimum wage laws do not kill jobs as opponents maintained—brings academically sound, empirical research to bear on a debate that for too long has been relatively uninformed by quality, comparative evidence on the laws' actual effects.

The evidence demonstrates that raising job standards does not reduce the number of jobs in a city. This means that job growth does not have to come at the expense of job quality. Local government leaders can therefore ensure that taxpayer dollars do not subsidize poverty wages by supporting economic development wage standards and feel confident that their local business climate will not be affected.

Introduction

State and local leaders enact a wide variety of economic development policies to encourage private businesses to locate, invest, and ultimately create jobs for local residents. This business attraction model is exemplified by policies—such as direct subsidies, tax exemptions, and targeted infrastructure improvements—that allocate public funds to private businesses or developers. Conservative estimates indicate that state and local governments spend more than \$50 billion every year on this type of activity.¹ The logic behind such policies stems from the idea that businesses are relatively mobile and may choose to relocate or expand in low-cost areas. Yet these publicly funded projects have sometimes resulted in jobs that pay low wages and provide no benefits.

Stark increases in overall labor market inequality have led some policymakers and labor advocates to challenge the dominant business attraction strategy. Data from the past two decades suggests there is a fractured link between employment growth and raising local citizens' overall well-being. Many now view chasing jobs at all costs to be a questionable policy.

Even during the job-rich growth of the 1990s a significant portion of new jobs paid low wages and typically lacked benefits and career ladders. This trend continued in the 2000s and has led to falling real wages for most workers, increases in working poverty, and rising income inequality. Average wage growth for the bottom 80 percent of workers grew by only 0.6 percent between 2001 and 2007 while wages for those in the top quintile rose by 5.3 percent.²

Labor advocates, religious and community leaders, and elected officials have pushed for and passed local wage standard ordinances to address the problem of declining job quality. The push to link labor standards to public development projects has occurred through various forms, including community benefits agreements as well as prevailing wage and living wage laws.

A community benefits agreement is a project-based contract signed by community groups and a developer that requires the employers participating in the project to adhere to a negotiated set of wage standards and provide specific amenities on a particular project. CBAs are a growing phenomenon but so far have only affected a relatively small number of completed projects.

Prevailing wage laws require that covered businesses pay their employees wages at or above the typical wages in a certain industry, and thus not undercut the existing market wage structure. Prevailing wage laws have been used frequently on government contracts but only very recently have begun to be applied to a broad range of jobs created by government-supported economic development.

The most common and comprehensive economic development wage standards are business assistance living wage laws, which require businesses participating in projects receiving public subsidies to pay workers wages above the poverty level.

The living wage movement began in Baltimore in 1994 and more than 140 local jurisdictions now have some form of living wage law. The movement originally focused on ensuring that government contractors did not pay poverty wages but evolved into a broader set of urban policies that presented a clear alternative to the business attraction model of economic development. Living wage advocates in some cities have extended the basic form of living wage law to firms that receive public dollars through economic development subsidies.

These “business assistance” living wage laws directly challenge the logic of local economic development policies by placing additional requirements on firms that engage in development agreements with the public sector. Some business leaders and politicians have criticized wage standards for raising the cost of doing business. These opponents claim that raising wages would lead to job losses since employers would walk away from development deals. They also often identify economic development wage standards as an “antibusiness” signal to other firms who may not receive local subsidies but would nonetheless choose not to locate in the city.³

What is certain is that economic development wage standards in large U.S. cities continue to be highly controversial. The debate over Chicago’s proposed “big-box” living wage law in 2006, for example, drew national media attention and resulted in Mayor Richard M. Daley’s first-ever veto. New York City is currently debating whether to adopt a citywide economic development wage standard and Pittsburgh recently extended a prevailing wage law to cover workers at firms that receive financial assistance. The current debates are critical at this time, not only

because several major cities are considering business assistance living wage laws but also because the current economic crisis—with its near double-digit unemployment—increases the pressure on elected officials to increase the number of jobs, regardless of their quality.⁴

Given the public's desire for both creating jobs and raising the quality of jobs, this report assesses the question of whether or not business assistance living wage laws reduce jobs and economic development activity in the cities that choose to pass them.

We examine business assistance living wage laws because they are the most widespread form of economic development wage standards, which means they provide a large enough sample of cities and affected employers to allow for rigorous quantitative analysis. They also allow for more consistent comparison across cities than community benefits agreements, which tend to be unique to each deal. And living wages have been subject to previous academic study, providing a useful basis of comparison.

This study provides a hard test of the economic impact of wage standards because business assistance living wage laws are the type of economic development wage standard likely to have the most widespread effect on employment. Other types of economic development wage standards, such as community benefits agreements and prevailing wage laws, either affect far fewer projects or are more closely tied to market wages and are thus likely to have less influence on employment or business climate.

This study uses a unique, private-sector database that contains an extensive time series of observations from 1990 to 2008 to make detailed before and after calculations of how living wage laws change employment and total business establishments at the city level. We estimate these changes among a set of 31 large and economically diverse urban jurisdictions by comparing outcomes in cities that have passed (and enforce) business assistance provisions to those that attempted, but failed to pass such provisions. This research design—adopted by other living wage researchers and used widely in labor economics and policy analysis—has the benefit of controlling for underlying institutional and structural differences between cities with and without business assistance living wage laws that have the potential to confound results.

The study considers the broad set of industries and firm types most likely to be covered by business assistance living wage laws and finds no evidence that such laws reduce employment or business growth over the short or long term.

How business assistance living wage standards may affect urban economic development

Many living wage proponents argue that business assistance clauses will not cause significant job losses. Research indicates that higher minimum and living wages lead to efficiency gains for firms through reduced turnover.⁵ Increasing wages for the lowest-paid workers also stimulates local economies, as low-income households typically spend more of their dollars locally.

In addition, some researchers point out that business assistance living wage laws typically apply to only a small number of firms that receive direct subsidies, and only a fraction of these firms employ workers below the mandated wage. Business assistance laws function from this perspective as a lower bound that serves to prevent localities from subsidizing low-wage jobs, but don't represent a drastic reshaping of existing local labor practices and thus could not have a significant effect on employment.

Living wage opponents suggest, on the other hand, that these laws could “kill deals.” If local governments force subsidized businesses to increase wages above the level usually offered, these firms will choose not to enter into development agreements, leading to the loss of all the jobs, not just the low-wage positions. Another argument is that, even if deals do move forward, employers would cut back on staffing levels or substitute toward higher-wage, higher-skilled labor, resulting in fewer people employed. Still another argument is that these laws create a poor business climate. Opponents predict fewer jobs created overall if government enacts business assistance provisions.

These competing interpretations and multiple paths of causation make it important to distinguish the myriad ways that business assistance living wage laws could affect urban economies. We divide such potential effects into three groups—direct, direct spillover, and indirect effects—each of which may have one or more potential consequences.

Direct effects

Wage standards directly affect a narrow set of establishments that participate in subsidized development projects and operate businesses that hire a significant number of low-wage workers. Examples of “directly affected” businesses include retailers or food service operators that are part of a larger, publicly subsidized urban redevelopment project that is subject to the living wage requirement—such as Los Angeles’s Staples Center sports arena development. Workers at low-wage assembly plants or back-office processing centers that are often targets for local economic development incentives may also receive direct wage increases as a result of the law.⁶ Measuring only these direct consequences is nearly impossible through quantitative analysis because of the limited number of deals affected by such laws and the type of data available.

Direct spillover effects

Other low-wage employers may experience changes from higher wage rates through a direct spillover effect.⁷ Such direct spillover effects accrue if the mandated wage increases at covered firms result in an overall increase in wage standards in the local economy that forces other low-wage employers to raise wages as a competitive response.⁸ The textbook, neoclassical economic viewpoint explains that this increase in wages would result in a reduced labor demand. This is the same theoretical interpretation that some researchers apply to the minimum wage debates.

Indirect effects

Living wage laws may also indirectly affect the overall level of economic development activity in a city. The passage of business assistance provisions may send a strong antibusiness signal to employers seeking to locate in the enacting city or existing businesses considering local expansion. Some researchers argue that the indirect effect of living wage laws—particularly business assistance provisions since they theoretically could affect a much broader set of firms than contractor-only laws—may actually outweigh any observable direct effect on the local business climate.⁹ Even firms that may not seek economic development subsidies, but nonetheless hire a significant portion of low-wage workers, may view a strong living wage law as a proxy for broader political shifts at the local

scale toward a more pro-labor stance and therefore reduce their investments in the local jurisdiction.

Business assistance provisions may also shift the practice of economic development policymaking itself and thereby reduce aggregate employment levels. If business assistance clauses are effective in acting as a minimum standard, or floor, for the type of job quality expected from economic development incentive projects, then city officials may shift their business attraction strategy away from industries that provide a larger number of lower-paid positions to sectors that pay higher wages such as manufacturing, research and development, or biotechnology. The number of economic development “deals” may decline because the chances of landing such high-value targets are lower, and higher wage industries may require fewer workers due to high productivity. Labor advocates who oppose public subsidies for low-wage industries may laud these indirect effects but policy changes may end up reducing the total number of jobs created through economic development programs.

Previous studies on wage standards

The empirical literature on how living wage ordinances affect employment primarily focuses on detecting the direct and direct spillover effects and only rarely distinguishes whether the laws explicitly apply to business assistance provisions. Two types of studies characterize this literature: individual case studies of single cities before and after passage of a given law—which tend to find no employment effect—and quantitative studies from a group of living wage and nonliving wage cities over a period of time—which tend to find significant negative consequences. The living wage literature mirrors the tension between case studies and panel studies in the broader economics literature on federal and state minimum wage changes.¹⁰

One of the earliest detailed case studies on Baltimore’s landmark 1994 contractor-only living wage law found that the living wage did not significantly increase contract costs and that employment remained the same at covered firms.¹¹ Yet this study did not compare employment changes at covered firms to a control group. Researchers in a study of Los Angeles conducted two independent surveys of firms and workers that were covered and uncovered by the city’s ordinance that applied to city contractors.¹² The study found that wages in covered firms increased while turnover and absenteeism dropped relative to the control group, and there was no significant difference in employment levels.¹³ Another case study showed that San Francisco’s living wage law that applied to workers at the SFO International Airport resulted in direct wage increases for nearly 10,000 workers but had no discernable effect on employment.⁴

These empirical case studies do not focus explicitly on business assistance provisions but they provide valuable insights into the laws’ potential effects. And studies of city-level minimum wage provisions provide a further sense of the likely impact of living wage laws that extend beyond city contractors. Minimum wage ordinances cover all private-sector establishments, not just those that receive financial aid from the city. A study of Santa Fe’s minimum wage law in 2003 found

only marginal cost increases for businesses and no significant effect on employment.¹⁵ In San Francisco and Alameda County, researchers surveyed restaurants before and after San Francisco's citywide minimum wage took effect in 2004.¹⁶ They found a significant wage increase, a reduction in labor turnover, and no negative affect on employment.

Living wage case studies have the benefit of clearly identifying covered firms and therefore accurately measuring direct effects but the results of studies that compare a single case to a control group don't allow us to generalize about the greater effects of living wage ordinances. Research designs that use observations from all or many living wage cities and make comparisons across a large number of controls generally have greater external validity—that is, they are more validly generalizable to other communities.

David Neumark, an economist at the University of California, Irvine, who is frequently cited by opponents of living wage laws, examines how state minimum wage increases and city living wage laws affect wages, employment, and poverty rates using a panel of large cities that passed ordinances between 1996 and 2002.¹⁷ Based on data from the Current Population Survey, Neumark's research finds large wage increases and reductions in family poverty associated with the timing of living wage laws. But it also finds significant disemployment effects for younger, lower-skilled workers.

Robert Pollin, economics professor at the University of Massachusetts, Amherst, and head of the university's Political Economics Research Institute, and his colleagues at PERI, Jeannette Wicks-Lim and Mark Brenner, who have extensively studied living wage laws, critique Neumark's wage results as being vastly overstated given the fact that most living wage laws cover only a small fraction of workers, and that his dataset only identifies metropolitan areas rather than individual cities and weights Los Angeles too heavily.¹⁸ The drawback of using broad household surveys, such as the CPS, is that there are too few cases to accurately distinguish "covered" and "uncovered" workers. Neumark cannot specifically identify a worker employed at a firm covered by the living wage.¹⁹ Neumark also restricts his analysis to the 1996-2002 period due to data constraints, which is a relatively short time period during an economic expansion.

Summary of previous living wage studies

Individual case studies: This research has found no negative employment effects. Studies have been successful at identifying covered firms but are viewed by some as less generalizable and have not explicitly addressed business assistance laws.

Multiple-case, panel studies: This research has generally, although not always, found that living wage standards reduce employment and that business assistance laws are more harmful than contractor-only laws. Yet they are weak at identifying covered firms and most have not used appropriate datasets for examining cities.

Scott Adams, an economist at the University of Wisconsin, Milwaukee, and David Neumark more recently compare low-wage workers' income and employment levels in cities that passed living wage laws and cities that had a failed living wage campaign.²⁰ Using the failed cases as a control sample to attempt to hold constant the local political or institutional factors that fuel living wage campaigns—such as union density—may also affect the outcome variables such as employment. The study finds a statistically significant negative employment effect for lower-skilled workers—but only for those cities that have business assistance provisions, which they argue have the potential to affect most, if not all, low-wage workers in a given city. This is the only quantitative study that distinguishes results for business assistance living wage laws.

Brenner, Wicks-Lim, and Pollin, the University of Massachusetts economists, and others suggest that the latest Adams and Neumark living wage study is also deeply flawed.²¹ These authors argue that business assistance laws only directly affect a small fraction of workers in each city with a living wage ordinance. They also argue that using the CPS to identify city-level effects is highly problematic due to small sample sizes at the urban scale and the inaccurate assumption that policy changes at the city level will affect workers throughout a metropolitan area.

T. William Lester, a University of North Carolina professor and co-author of this study, seeks to address these data-quality concerns by using the National Establishment Time Series—the same dataset used for this study—to measure how living wage laws affect employment and the number of business establishments in California. The findings contradict Adams and Neumark, although there were too few cases to parse effects for business assistance from contractor-only living wage laws.²² The study concludes that living wage laws had no negative impact on government contractors or low-wage service industries that might be indirectly affected by the living wage.

Panel studies of business assistance living wage laws are also criticized for treating all laws equally. Brenner, Wicks-Lim, and Pollin argue that governments have, in some case, only applied the standards to a very small number of firms, which could not produce a direct impact that is measurable by data sources like the CPS.²³ There is wide variation in the degree to which living wage laws are enforced at the local level.²⁴ Economic development officials have simply ignored business assistance provisions in some cases. And negotiations ahead of passage significantly watered down the measure in other cases such that incentive thresholds were set so high that no firms were likely to be covered upon passage.²⁵

There is a tension in the empirical literature on living wage effects overall. Panel studies of the type applied by Adams and Neumark, which include all or a large sample of living wage cities, are preferable generally to comparing employment before and after passage within a single city.²⁶ Previous panel studies—with the exception of Lester—find a negative impact on employment, though this research has generally used inappropriate data and failed to properly select cities to study.²⁷ Individual case studies, including studies with detailed surveys, generally find no disemployment effect and make a more convincing case for measuring outcomes among firms and workers who are covered by the living wage.²⁸ But their limited scope makes it difficult to generalize the findings more broadly.

The research design proposed in the following section combines the best of both approaches in the literature. We conduct a front-end qualitative assessment of nearly all the business assistance living wage laws in the United States to construct an accurate treatment group consisting of large urban areas that have living wage laws that are binding and/or likely to be enforced. We then conduct a time-series quantitative analysis to estimate a generalizable assessment of how business assistance living wage laws will affect urban economic development. And we use a more appropriate dataset than previous research.

Research design and case selection methodology

Conceptual approach

The simplest way of measuring the effect of business assistance living wage laws is to gather information on the total number of jobs and business establishments for jurisdictions that have business assistance requirements for several years before and after each law went into effect. Yet this simple direct comparison is extremely limited due to the problem of “endogeneity”—the fact that cities that choose to pass business assistance living wage laws may experience other trends that are correlated with employment changes. Cities could be growing slower or faster as a group due to long-term trends such as deindustrialization or suburbanization, for example, masking the true effect of business assistance requirements.

To overcome the endogeneity problem, we need to identify an appropriate control group of cities without business assistance living wage laws to compare to our treatment group. This group of nontreated cities would ideally control for all relevant factors that may influence employment or establishment growth. Short of randomization, economists often look for natural experiments to analyze policy changes.²⁹ The benefit of this type of research design is that it compares outcomes between treatment and control groups that are in all other respects very similar, except for the difference in the policy. The estimated effect of the policy is therefore unbiased. Adams and Neumark attempt to control for endogeneity by comparing living wage cities to cities that experienced living wage campaigns, but either failed to pass a living wage or had had their law vetoed or struck down by the courts.³⁰ They refer to their control group as “failed or de-railed campaigns.”

We adopt the same conceptual research design in this report as Adams and Neumark.³¹ We compare outcomes for a treatment group that includes 15 large, urban jurisdictions that have passed business assistance living wage laws to a comparably sized set of cities that failed to pass business assistance provisions. This choice of control group minimizes differences in unobservable, confounding variables because these cities have similar institutional settings with regard to labor

regulation—many of the cities either have basic, contractor-only living wage laws or have undergone significant campaigns to pass stronger business assistance provisions, but did not ultimately enact them.

We assume that the existence of a living wage law campaign indicates that control cities have a similar set of labor advocates and progressive actors that have raised the issue of a living wage in the political spectrum. Both treatment and control cities are drawn from the overall set of cities in the United States that have at least proposed a living wage law. This group of cities is significantly different than other local U.S. governments in that they tend to be larger, older cities located on the West Coast or in the industrialized Northeast and Midwest.

This design does a good job of controlling for confounding differences between the treatment and control groups but it does not rule out all possibility of endogeneity. We therefore test for structural differences between the treatment and control groups cities to ensure that they are truly comparable. We also add controls to allow for city-specific trends to further address concerns about endogeneity.

Case selection methodology

A key difference between our study and that of Adams and Neumark is our sample choice.³² We conduct a systematic qualitative assessment of the set of U.S. cities that have passed business assistance living wage laws to narrow down the treatment group to exclude where the living wage has not been enforced or thresholds are too high to have an effect.

The first step in our case selection methodology was to determine the universe of all local jurisdictions that have passed or considered living wage laws that apply to businesses receiving any sort of financial assistance, including tax abatements, grants, direct infrastructure improvements, or below-market loans. We determined this universe by searching databases maintained by the Employment Policies Institute and Living Wage Resource Center.³³ These websites contain basic information on the type of living wage passed, coverage thresholds, mandated wage levels, and date of passage. EmPI's website also contained listings for cities that rejected living wage laws either through a failed ballot initiative or

What makes this study better than previous research

Careful screening of treatment cities to exclude cases where business assistance laws have weak enforcement or significant loopholes.

Better data that captures only the city where the law applies and allows for analysis of the industries most likely to be affected by business assistance living wage laws.

council vote, a veto, or a repeal. This universe consisted of 50 cities, with 30 listed as successfully enacting a law and 20 as having failed living wage campaigns.

We excluded small cities with fewer than 60,000 people because small cities tend to engage in fewer economic development “deals” for which the living wage would apply, and because we wanted to focus on cities that would have significant employment volume given the high cost of acquiring NETS data.

We then undertook a deeper analysis of each city’s law to determine whether it should be assigned to the treatment group, the control group, or dropped from the study altogether. Our goal in this process was to take the critiques of Brenner, Wicks-Lim, and Pollin and others into account by ensuring that cities in the treatment group have laws that directly or indirectly affect the local economy.³⁴

Our analysis to ascertain the status and effectiveness of the laws and determine whether to exclude the city consisted of three components. First, we obtained written copies of each city’s ordinance through web searches of city legislation. Each ordinance typically lists the exact coverage threshold, the types of financial assistance that qualify under the law, and any exclusions or loopholes.

The second step in our analysis was to make phone calls to the cities that were indicated as having enacted a business assistance living wage ordinance to determine if the law had ever been enforced. We called city staff at the agency or department listed as responsible for enforcing the living wage or monitoring performance. We also called each city’s agency in charge of business attraction.

Our limited success in reaching knowledgeable staff led us to our third step. We scanned secondary sources including local newspaper listings and performance reports by local advocacy groups or foundations to look for direct evidence of an economic development incentive deal entered into with an employer where the living wage would apply. This allowed us to finalize a list of 15 treatment cities.

These cities have one or more of the following criteria: assistance level thresholds of \$1 million or less; direct evidence of enforcement from primary and/or secondary sources; and evidence of strong enforcement campaigns and ongoing organizing activity after passage of the living wage.

Finally, we began the process of selecting the control cities with the list of 20 cities in the EmPI database that rejected a living wage ordinance and narrowed the list of cities to 16 to produce a balanced sample.³⁵ We conducted similar research

steps on the proposed control cities as we did on the treatment cities to ensure that a law was not eventually passed after the most recent update to the EmPI database—as was the case with Philadelphia, Pennsylvania. And we dropped several cities to attempt to maintain a broad regional balance across the treatment and control samples. Only one treatment case came from Texas, for example, and we thus felt it was not necessary to have both Houston and Dallas in the control. The resulting list of treatment and control cities is listed in Table 1.

We took extensive efforts to ensure that our treatment and control cities are comparable but it is possible that they may still differ in important ways. Table 2 compares the average values for a variety of demographic and economic variables.

It is reassuring to see that there are no significant differences between the treatment and control samples for the pretreatment period annual employment growth rates.³⁶ Treatment cities grow only 0.2 percent slower than the control. The two groups are also quite similar in terms of poverty and unemployment rates and racial and ethnic composition.

The only areas for which the groups differ significantly are on measures of household income and housing costs. The group of living wage treatment cities has clearly experienced significant growth at the upper end of the income spectrum, which results in higher levels of income inequality. The only distributional variable—the proportion of a city’s households that earns above the 80th percentile nationally—bears this out. This upper income growth likely adds to housing pressure as measured by the significantly higher median rental rates and housing values. Income inequality seems to be higher in the treatment group but it is unclear that inequality itself would lead to lower job growth in the industries that are likely to be affected by living wage provisions.

Regional balance of the samples also explains some of these differences. We attempted to produce balance in selected control cases but we are still left with a treatment sample that is overweighted toward California (seven cases in the West). These differences are not enough to conclude that the samples are systematically biased but it does provide a motivation for including the type of city-specific trend controls discussed later.

TABLE 1
List of treatment and control cities

| Treatment cities | Control cities |
|-------------------|------------------|
| Ann Arbor, MI | Albuquerque, NM |
| Berkeley, CA | Chicago, IL |
| Cambridge, MA | Dallas, TX |
| Cleveland, OH | Durham, NC |
| Duluth, MN | Eugene, OR |
| Hartford, CT | Indianapolis, IN |
| Los Angeles, CA | Knoxville, TN |
| Minneapolis, MN | Lansing, MI |
| Oakland, CA | Nashville, TN |
| Philadelphia, PA | New York, NY |
| Richmond, CA | Omaha, NE |
| San Antonio, TX | Oxnard, CA |
| San Francisco, CA | Pittsburgh, PA |
| San Jose, CA | Providence, RI |
| Santa Fe, NM | South Bend, IN |
| | St. Louis, MO |

Source: Author’s analysis.

TABLE 2
Comparative statistics between control and treatment group

| Variable | Treatment group (mean) | Control group (mean) |
|---|---------------------------|-------------------------|
| Total population | 665,149 | 1,000,709 |
| % African American | 18.8% | 22.2% |
| % Hispanic | 22.1% | 17.4% |
| % Non-Hispanic White | 45.3% | 54.1% |
| % With BA or higher | 34.9% | 26.5% |
| % Foreign born | 20.2% | 13.5% |
| % Poverty | 17.9% | 17.8% |
| % Unemployed | 7.5% | 7.4% |
| Median household income | \$41,003 | \$35,943 |
| Median rent | \$700 | \$578 |
| Median housing value | \$203,460 | \$111,131 |
| % Of households in top US income quintile | 21.0% | 15.2% |
| % Employed in FIRE or professional/tech. services | 20.1% | 18.1% |
| % Employed in manufacturing | 10.0% | 11.6% |
| % Renters | 52.4% | 49.1% |
| Housing vacancy rate | 5.2% | 7.4% |
| Average annual growth rate 1990-1997 | 2.3% | 2.5% |
| Average three-year growth rate 1990-1997 | 7.1% | 6.6% |
| Total number of cities | 15 | 16 |
| Frequency by region | | |
| Northeast | 3 | 3 |
| Midwest | 4 | 6 |
| South | 1 | 4 |
| West | 7 | 3 |

Source: US Census Data, 2000 obtained from the State of the Nation's Cities.

Database construction

Another key innovation in our research design is the primary data source used to measure the outcome variables. We use the National Establishment Time Series database as our primary data source to construct a city-level panel data set using annual observations.

Background on the National Establishment Time Series dataset

The NETS data is a proprietary database developed by Dr. Donald Walls of Walls and Associates in conjunction with the Dun and Bradstreet business listings information service. D&B gathers data each year from extensive phone surveys of businesses for the purposes of establishing credit ratings for businesses of all sizes. NETS is different from the typical D&B files that are sold to business and credit issuing entities in that it is a longitudinal database created by taking 19 annual snapshots of the D&B file and linking establishments across years using a unique identifier assigned by Dun and Bradstreet. This identifier is called the DUNS number. NETS contains establishment-level data on employment; estimated sales; industry, as tracked by the eight-digit Standard Industrial Classification code; ownership structure; and address for 1990-2008. NETS tracks establishment moves over time, which allows us to accurately account of total employment in each local jurisdiction in each year.

NETS is unlike household surveys such as the Current Population Survey in that it attempts to capture the entire universe of establishments operating in a given year. Once D&B assigns a DUNS number to an establishment, they contact that establishment each year by telephone to update information on their location, ownership structure, industry, employment, and sales figures.³⁷

The NETS database does a reasonably good job in capturing the level of economic activity and in measuring employment levels. A careful academic review of the NETS file argues that D&B has “an economic incentive” to ensure that its infor-

mation is up-to-date and accurate, and that it covers all existing establishments.³⁸ It is valuable to use NETS for a study of the living wage because it offers consistent long-term information on employment and the number of establishments at the local level rather than the county, metropolitan, or state level. NETS also offers detailed industry information on each record, which allows us to focus on the specific low-wage industry groups that are most likely to be affected by business assistance provisions, but also measure industries that are often targets for local business attraction strategies even if they are not low-wage industries in particular.

Using the National Establishment Time Series

The first limiting step in our analysis was on establishment size. We only use NETS records for establishments that had more than four employees at any point in their life cycle between 1990 and 2008. This limiting step was done to reduce the cost of our data purchase and to maintain comparability with other data sources. This limiting step is not likely to have a major effect on this research since very small firms do not typically receive local financial assistance, and they make up a small portion of overall employment in each city.³⁹

NETS is a dynamic database in that it tracks each establishment's location overtime. Most establishments do not move but approximately 14 percent of the NETS records in our sample have changed location at some point in time. The address information listed in the NETS is only for a firm's current location, so if a given establishment started in New York in 1994 but moved to Boston in 2000, its current geographical identifiers would reflect a location in Boston. But we would want to count this firm in New York in order to make an accurate employment total for New York in 1994-2000. We are able to overcome this problem since NETS contains information not only on current geographic location but also on the origin, time, and destination of each establishment move. We build our city-level database by combining the information on the origin zip code and current zip code of each establishment to construct a set of variables that track the zip code location of each establishment in each year.⁴⁰

Once each establishment was assigned to a city for each year that it was in existence, we then aggregated the NETS database to the city level by summing employment and the number of establishments in each city for various industry sectors and firm types of interest to our analysis.

Measuring employment and establishments

The primary objective of this report is to test for the various ways a business assistance living wage law could affect fundamental measures of economic activity in the cities that choose to pass them. The richness of the NETS database enabled us to produce outcome variables to test the hypothesis that business assistance provisions reduce jobs through direct, direct spillover, and indirect means. We calculate employment and establishment count variables for 14 separate industry sectors and firm types, organized into three broad categories. The first category, which we argue best approximates the set of employers most likely to be affected by the living wage through direct or direct spillover effects, consists of low-wage service sector industries. We calculate five outcome variables for this category: broad low-wage services; narrow low-wage services; retail; restaurants; and hotels.

The first variable in this category, broad low-wage services, captures a broad set of low-wage industries likely to be affected by large-scale urban redevelopment projects. However, this variable is of a broad cross section of industries and may be combining some higher-wage industries with low-wage ones. We therefore also break down this variable using the more refined industry data to produce a variable that captures only the low-wage industries from within the broad category, such as building security and parking services. We furthermore include the three largest employers of low-wage workers in most urban economies: retail; restaurants; and hotels. These industries are often targets for local business attraction and urban redevelopment projects and represent the group of employers who are potentially most affected by direct spillover effects of higher wages.

The second major category of outcome variables comprise what we term “common economic development targets,” which can be thought of as capturing both direct and indirect effects. Workers in this category are not necessarily low-wage but it includes those industries that are often targets of business attraction efforts. We define employment and business establishment totals by city for the following groups: manufacturing; nondurable manufacturing; back-office; wholesale; big-box retail; and finance insurance and real estate.

Most U.S. cities have experienced some form of deindustrialization and industrial job losses, and manufacturing establishments have long been the target of local economic development initiatives. Nondurable manufacturing industries tend to be less capital intensive and less unionized, and therefore have the potential to pay lower wages. At least some portion of this sector may be affected by the

living wage mandate. Economic development deals have also focused on the highly mobile back office activities of corporate services such as call centers and credit processing services, and so we construct an outcome variable that attempts to capture this activity. Wholesale distribution centers are also targets for local economic development, especially for jurisdictions that have former industrial land in need of redevelopment or that have large, undeveloped tracts. We include so-called big-box retail stores because they are often targets of local development deals, especially in jurisdictions heavily dependent on local sales taxes. Finally, we include finance insurance and real estate as an additional test because we would not expect that this high-wage industry would be affected by a living wage law.

We also generate two outcome variables that are defined by an establishment's place in the firm structure. We measure establishments that are the headquarters of a firm that has at least two other establishments at different locations—as well as branch plants, which are nonheadquarter establishments in firms with multiple establishments. These two variables do not include single location firms or small businesses. We characterize these establishment types as those that may be more susceptible to the indirect or signaling effects described above. Decisions about where to locate them are based to some degree on the region's business climate, and they typically provide jobs above the living wage threshold although they are somewhat less likely to be targets for development subsidies.

We also provide results for total private-sector employment and establishments as a summary measure.

Using the database to measure the effects of wage standards

We use our panel data set to measure how passing a business assistance living wage law affects a city's level of employment and its total number of establishments. These are the basic outcomes of economic development. We conduct this analysis by using a panel regression model that is now standard in the empirical literature on the economics of minimum and living wage increases.

The first step is to gather data on the timing of each treatment city's passage of a business assistance living wage. We measure changes in employment in the years after passage relative to changes in employment in the years leading up to passage. We then compare this difference in employment change to the same employment changes in the control sample. This technique is referred to as "difference-in-differences."

We also use statistical techniques to control for confounding factors such as the fact that different cities passed laws at different times and that there are significant differences between the cities in terms of economic structure, historical growth patterns, size, and demographics. Our model includes a control for population size based on the Census' annual estimates as well as controls for each year in the panel. It also includes dummy variables for each year in the controls for macro-economic effects that are common to all cities in the analysis. The U.S. economy was in recession in 2001, for example, and most local economies experienced job losses. Failing to control for such effects could lead us to erroneously conclude that living wage laws passed in 2000 resulted in significant job losses, which were in fact caused by a cyclical trend that was unrelated to passage.

We also include controls for each city itself and controls for city-specific linear trends. We include these controls to adjust for any idiosyncratic differences between the cities both within the treatment sample itself and between the treatment and control samples. For instance, Santa Fe is included in the treatment group based on its passage of a citywide minimum wage that includes all firms. Yet the entire Southwest region of the United States grew at a faster rate than other areas of the country for the full panel period of 1990-2008. Failing to control for these regional differences in growth could lead us to understate the living wage effects.

The study finally measures the effect of passing a business assistance living wage law over a four-year period, including estimates for two years prior and two years after passage. This allows us to control for any prepassage spike or fall in the outcome variable and also allows us to examine if the living wage has any delayed effect. If the impact on a city's business climate is real, it may take several years to have a detectable influence of overall employment or employment in a specific low-wage industry.

Main findings

Employment effects

The study examines how living wage standards affect 14 distinct employment variables: total citywide; broad low-wage services; narrow low-wage services; retail; restaurants; hotels; manufacturing; nondurable manufacturing; back-office; wholesale; big-box retail; finance insurance and real estate; headquarters; and branch plants.

Together these provide a comprehensive examination of the potential combined direct, direct spillover, and indirect effects that business assistance living wage laws can have on local employment. Figure 1 presents these 14 variables as the possible range of employment change expected after passage, allowing up to two years for lagged effects. None of the 14 outcome variables show a statistically significant negative consequence of passing a business assistance living wage standard. Statistically significant outcomes would mean that we are 90 percent confident that the estimate is different from zero. But this is not the case for any of the variables, which means we can conclude that there is no employment effect. (More detailed results are presented in the technical appendix.)⁴¹

Our estimates indicate that passage of a business assistance living wage law has no measurable effect on citywide employment. Employment levels are unaffected in low-wage industries as is employment in industries likely to be targets of economic development subsidies and in firms that are sensitive to the perceived business climate of a city. This suggests that business assistance living wage laws are unlikely to have direct, direct spillover, or indirect effects on employment levels. These findings discredit the primary arguments used by opponents of business assistance living wage laws that these laws are harmful to employment in direct and indirect ways.

It is important to note that the results are based on nearly 20 years of data—a timeframe that contained years of recessions and expansions—which suggests that business assistance living wage laws are unlikely to have an effect on employment levels even during hard economic times.

These results are also quite robust. For example, the inclusion or exclusion of any particular city from the treatment group has no meaningful effect on the results.

Figure 1 visually represents the 90 percent confidence interval of our point estimates. Any number line in Figure 1 that includes zero in the shaded area indicates that the estimated effect is not different than zero. This means that there is no estimated employment effect, which is the case for all the variables tested. The estimated impact of employment in low-wage industries—the sectors where we can expect the living wage to have the largest bite—bears some additional discussion. Our estimates for the five low-wage sectors we measure are all nearly zero, or slightly positive. These results strongly contrast with the findings of Adams and Neumark, who find significant negative employment effects for low-wage workers overall. For retail and restaurants our estimates are precise enough to reject the point estimates of their study.⁴²

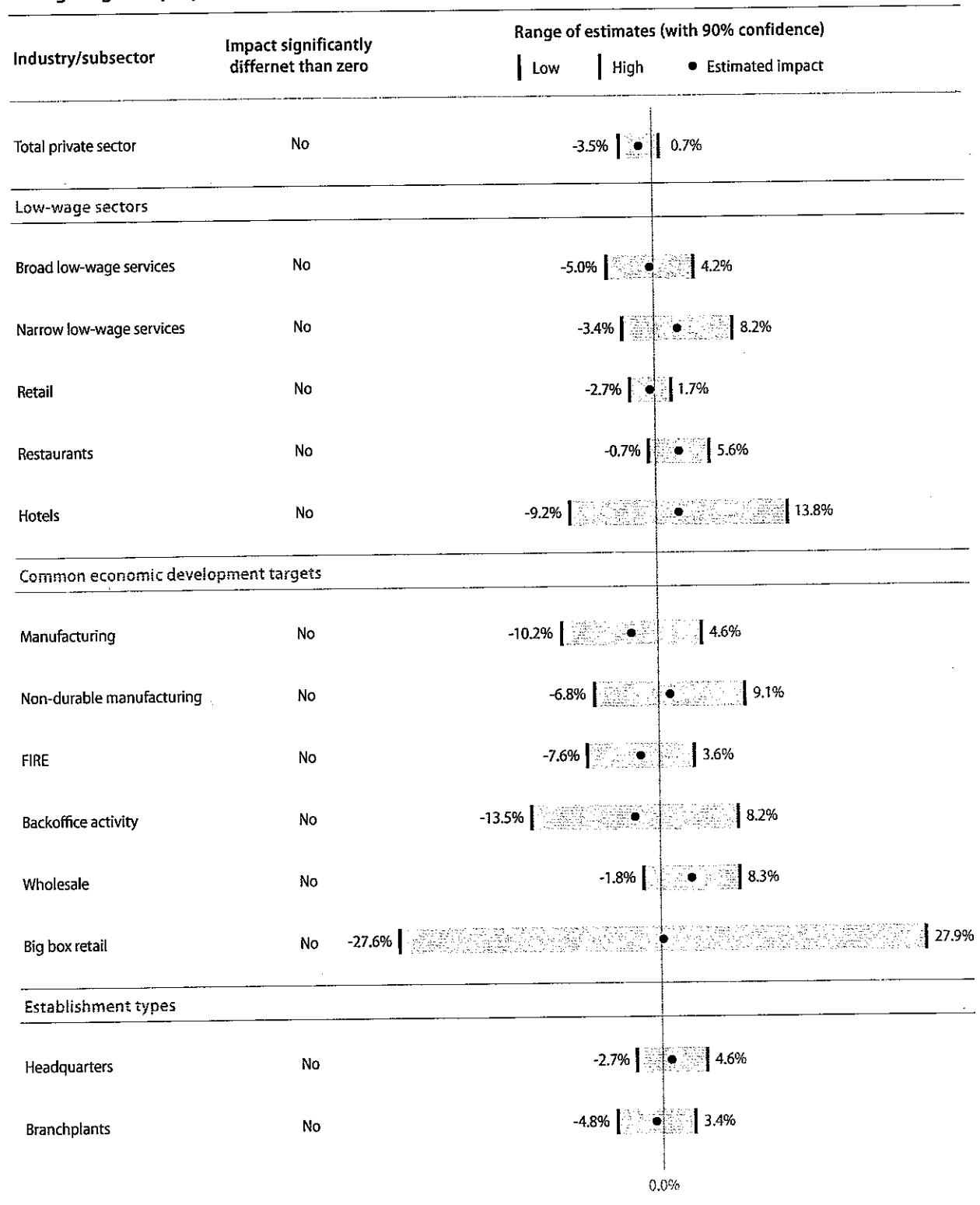
Effects on establishments

We also present our results for the number of business establishments in each outcome category to provide an additional measure of economic development activity. Even if business assistance laws do not affect aggregate employment levels in these sectors in a detectable manner, it is still possible that the overall number of businesses established in a living wage city would decrease due to negative signaling effects or because fewer businesses are attracted through local development initiatives.

Figure 2 presents the results in a parallel manner to Figure 1, with the dependent variable changed to establishment counts, rather than employment. Figure 2 visually represents the 90 percent confidence interval of our point estimates. Any number line that includes zero in the shaded area indicates that the estimated effect is not different than zero—meaning there is no employment effect, which is the case for all the variables tested, with the exception of the number of non-durable manufacturing establishments, which are estimated to slightly increase because of a business assistance living wage law.

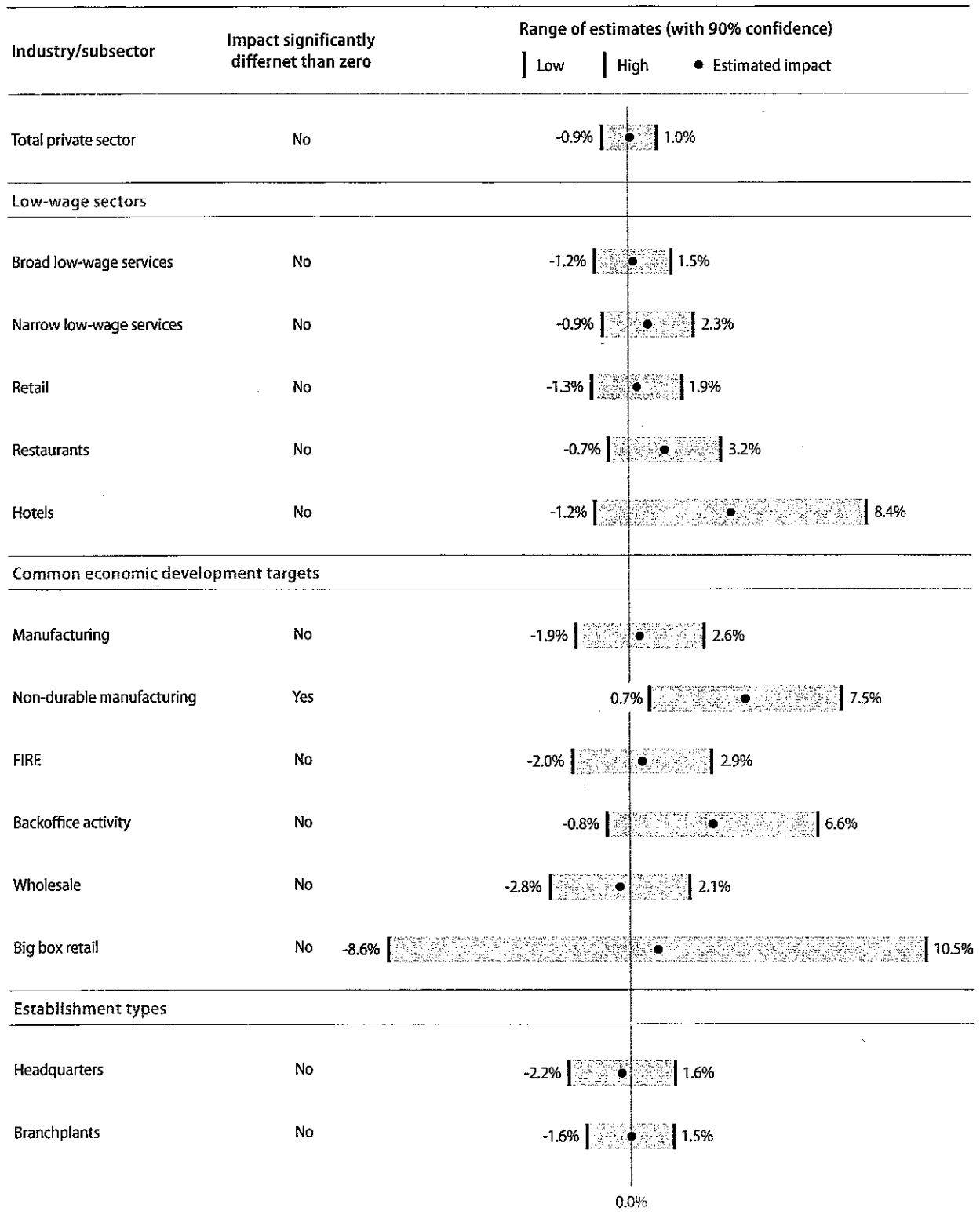
The results presented in Figure 2 indicate that none of the 14 variables show any discernable—or statistically significant—negative effect on the number of business establishments. These results provide additional confirmation that the passage of a business assistance living wage law is unlikely to have a harmful effect citywide or in any particular industry.

FIGURE 1
Living wage employment impacts



Note: All specifications include controls for the natural log of population, city linear trends, and city and year fixed effects.
 N: 465, 16 controls and 15 treatment cities.

FIGURE 2
Living wage establishment impacts



Note: All specifications include controls for the natural log of population, city linear trends, and city and year fixed effects.
 N: 465, 16 controls and 15 treatment cities.

Conclusion and policy implications

Business assistance living wage laws are promoted as a way to maximize a city or county's economic development subsidies by supporting the creation of family-supporting jobs. Critics argue that an improvement in job quality comes at the expense of a reduction in the quantity of jobs. This study presents strong evidence that these claims are unfounded.

Previous empirical research on the impact of business assistance living wage laws has detected significant decreases in employment.⁴³ Yet experts have questioned this past research on the grounds that the data sources could not detect urban-level impacts and that they did not adequately control for whether cities actually enforce their business assistance provisions. This study uses a more robust dataset than the previous research and includes background archival research into each treatment city's law, and we find no evidence of negative employment effects from business assistance living wage laws. Our research design is conceptually identical to that of Adams and Neumark, yet we can rule out negative consequences of the scope they report.

One caveat is important here. Our dataset does allow for the detailed consideration of direct and indirect effects across a wide array of potential industries but we cannot use it to measure the effect on local wages. We cannot show that workers directly received wage increases due solely to the application of a business assistance living wage. This finding would be crucial in evaluating how effective living wage laws are on the main problems they attempt to address, such as poverty and inequality. Yet many other studies in the living wage literature have shown that workers and their families do receive wage increases.⁴⁴ It is important to consider these findings in conjunction with the type of detailed case studies that can gather direct observations of wages and employment at covered firms.

Our results—which indicate no significant impact on economic development outcomes—are far from an extreme finding. In fact, it is consistent with recent research on the economic impact of minimum wage laws.⁴⁵ These general findings that labor

standards such as the minimum and living wage do not result in the type of negative economic consequences predicted by either orthodox economic theory or critics of the laws stand to offer a strong alternative interpretation for policymakers.

Accurate information on business assistance laws is critical at this time, as the current economic crisis has increased pressure on local leaders to create jobs. Local governments are increasingly being asked by businesses to lower labor standards in exchange for investment. This study suggests that such calls to lower labor standards in exchange for jobs are not based in fact.

Economic development wage standards are one tool that a city can use to create jobs of greater quality. We have compared two sets of cities in order to assess the effectiveness of such laws—those with enforced business assistance living wage laws and those without—and found that there is no loss in the number of jobs due to the living wage requirement. It appears that, even during hard times, economic development wage standards are an effective tool for increasing wages in a city without sacrificing the number of jobs.

Technical appendix

Employment and establishment variables listed by Standard Industry Classification codes

Broad low-wage services: Personal Services (72), Business Services (73), Automotive Repair, Services and Parking (75), Miscellaneous Repair Services (76), and Amusement and Recreation Services (79).

Narrow low-wage services: Miscellaneous Personal Services (729), Mailing, Reproduction, Stenographic (733), Services to Buildings (734), Misc. Equipment Rental & Leasing (735), Personnel Supply Services (736), Guard services (738101), Automobile Parking (752), Automotive Repair Shops (753), Carwashes (7542), Commercial Sports (794), and Misc. Amusement, Recreation Services (799).

Retail: All establishments in SIC 51–59, with the exception of SIC 58, Eating and Drinking Places.

Restaurants: SIC 58, Eating and Drinking Places, including cafeterias.

Hotels: All establishments in SIC 701, Hotels and Motels.

Manufacturing: We include all establishments in SIC 20 through SIC 39 in this group.

Nondurable manufacturing: This variable includes establishments in SICs 20–29.

Back office: This variable includes establishments in the following SIC codes: Adjustment and collection services (7322), Direct mail advertising services (7331), Photocopying and duplicating services (7334), Computer and Data Processing Services (737), and Telephone services (738910).

Wholesale: This industry includes establishments in SICs 50 and 51.

Big-box retail: We approximate the big-box category by only including retail establishments that are branches of firms with at least 10 other locations and with sales volume in the top 75 percent of the other retailers in the city.

Finance insurance and real estate: This industry includes establishments in SICs 60–67.

Identification strategy

We use our panel dataset to estimate the following regression that measures how living wage laws effect employment and establishments for the industry groups described above.

$$\text{Ln}(E_{it}^k) = a + \sum_{l=t-2}^{l=t+2} (\beta_l * \text{LW}_{it(l)}) + \ln(\rho\rho_{it}) + \delta_i + \gamma_t + \tau_{it} + \varepsilon_{it}$$

The dependent variable $\text{Ln}(E_{it}^k)$ is the natural log of the outcome variable (either employment or the count of establishments) in city i in year t . The model is estimated separately in the same for each of 14 industry groups or establishment types (k) such as retail or manufacturing or headquarters. Equation (1) predicts $\text{Ln}(E_{it}^k)$ as a function of a living wage indicator variable LW_{it} , which is coded 1 for each year that a business assistance living wage provision is in effect for an entire year in a given city. $\text{LW}_{(it)}$ is therefore zero for all years in the control sample and 1 for all years beginning in the calendar year after passage for the treatment group. The set of coefficients (β_l) that measure the effects of living wage passage are entered in distributed lag structure beginning two years before the living wage and continuing two years postpassage. The inclusion of lead terms on the LW variable captures what is happening to the outcome variable just before the law takes effect. This is important and has become a standard procedure in panel studies of causal effects because a spike (or dip) in employment just before the treatment can result in an erroneous treatment effect.⁴⁶ The inclusion of lag terms of LW (for example, postpassage) similarly accounts for long-term effects. The coefficient on the final lagged term ($\beta_{l=t+2}$) represents the cumulative effect not only in the second year after passage but in all years in the sample after passage. This is therefore the primary coefficient of interest for policy implications.

For controls, Equation (1) includes a term that measures the natural log of each city's annual population, fixed effects for each city δ_i —which control for and idiosyncratic differences between cities that do not vary with time—as well as year fixed effects, γ_p , which adjusts for common time effects such as changes in the macroeconomic environment. We also include a city-specific time trend, τ_{it} , that controls for differential trends in the outcome variable across the group of cities that vary over the entire time period. This is critical for the set of cities in our sample, which are drawn from various regions of the United States. If some cities are facing long-term declines in manufacturing employment and others are located in growing industrial regions, for example, we want to isolate the impact of living wage passage by removing the overall (time-varying) trend from each city. We also estimated Equation (1) with a time trend for each group (the treatment and control groups as a whole), as well as regional (for example, West, South, Northeast) trends to test that adding a city-specific trend potentially over controlled for differences between each city, and that the trend itself might be capturing some variation in the outcome variable that is attributable to the true living wage impact. Changing the scale of the time trend made no substantive difference in the results and, as such, is not reported here. Equation (1) also includes a constant term (a) and a random error term ε_{it} .

We only present results for $(\beta_l = t-2)$ two years prior to and $(\beta_l = t+2)$ two years after the passage of the living wage. The lagged term can be interpreted as the “long-term” impact of passing a business assistance living wage. The coefficients reported can be interpreted as the semielasticity of employment (or establishments) in response to changing living wage status. In other words, the percent change in the outcome variable that one can expect from passing a business assistance living wage law.

TABLE A
Results of employment regression

| Industry/subsector | (1) | (2) | (3) | 90% confidence interval on long-term effect | |
|---------------------------|--------------------|--------------------|-------------------|--|-------------|
| | Pre-trend | Immediate effect | Long-term effect | Lower bound | Upper bound |
| Total private sector | -0.012 (0.011) | 0.02 (0.016) | -0.014 (0.013) | -0.035 | 0.007 |
| Retail | -0.023 (0.014) | -0.008 (0.017) | -0.005 (0.013) | -0.027 | 0.017 |
| Broad low-wage services | 0.025 (0.024) | 0.012 (0.037) | -0.004 (0.028) | -0.05 | 0.042 |
| Narrow low-wage services | 0.053* (0.030) | 0.023 (0.032) | 0.024 (0.035) | -0.034 | 0.082 |
| Wholesale | -0.032 (0.032) | -0.002 (0.042) | 0.032 (0.030) | -0.018 | 0.083 |
| Restaurants | -0.002 (0.024) | -0.019 (0.032) | 0.024 (0.019) | -0.007 | 0.056 |
| Manufacturing | 0.008 (0.041) | -0.046 (0.050) | -0.028 (0.044) | -0.102 | 0.046 |
| Non-durable manufacturing | 0.062 (0.045) | -0.119* (0.070) | 0.012 (0.047) | -0.068 | 0.091 |
| FIRE | -0.007 (0.033) | 0.071** (0.035) | -0.02 (0.034) | -0.076 | 0.036 |
| Hotels | 0.166** (0.083) | 0.006 (0.062) | 0.023 (0.069) | -0.092 | 0.138 |
| Backoffice activity | -0.063 (0.093) | 0.023 (0.077) | -0.026 (0.065) | -0.135 | 0.082 |
| Big box retail | 0.046 (0.082) | 0.075 (0.118) | 0.002 (0.166) | -0.276 | 0.279 |
| Headquarters | -0.018 (0.025) | 0.037 (0.035) | 0.01 (0.022) | -0.027 | 0.046 |
| Branchplants | 0.001 (0.023) | 0.011 (0.031) | -0.007 (0.025) | -0.048 | 0.034 |

Note: All specifications include controls for the natural log of population, city linear trends, and city and year fixed effects.

Column (1) lists the coefficient on the 2-year lead of LW treatment, Column (2) lists the contemporaneous effect, and Column(3) lists the long-term impact of LW treatment. Robust standard errors are clustered at the city level and are listed in parenthesis under each coefficient.

N: 465, 16 controls and 15 treatment cities.

*significant at .1 level, ** significant at .05 level, *** significant at .01 level

TABLE B
Results of establishments regression

| Industry/subsector | (1) | (2) | (3) | 90% confidence interval on long-term effect | |
|---------------------------|--------------------|--------------------|--------------------|---|-------------|
| | Pre-trend | Immediate effect | Long-term effect | Lower bound | Upper bound |
| Total private sector | -0.01 (0.007) | 0.001 (0.008) | 0.001 (0.006) | -0.009 | 0.01 |
| Retail | -0.021* (0.011) | -0.005 (0.010) | 0.003 (0.010) | -0.013 | 0.019 |
| Broad low-wage services | -0.003 (0.009) | 0.002 (0.008) | 0.002 (0.008) | -0.012 | 0.015 |
| Narrow low-wage services | -0.012 (0.012) | -0.002 (0.012) | 0.007 (0.010) | -0.009 | 0.023 |
| Wholesale | -0.006 (0.015) | -0.004 (0.018) | -0.004 (0.015) | -0.028 | 0.021 |
| Restaurants | -0.023* (0.013) | -0.006 (0.012) | 0.0126 (0.012) | -0.007 | 0.032 |
| Manufacturing | 0.005 (0.013) | 0.002 (0.013) | 0.004 (0.014) | -0.019 | 0.026 |
| Non-durable manufacturing | 0.005 (0.014) | 0.015 (0.027) | 0.041** (0.020) | 0.007 | 0.075 |
| FIRE | -0.012 (0.012) | 0.005 (0.017) | 0.00432 (0.015) | -0.02 | 0.029 |
| Hotels | 0.052 (0.036) | -0.01 (0.034) | 0.036 (0.029) | -0.012 | 0.084 |
| Backoffice activity | 0.005 (0.031) | 0.034 (0.031) | 0.029 (0.022) | -0.008 | 0.066 |
| Big box retail | -0.022 (0.063) | 0.169** (0.080) | 0.0096 (0.057) | -0.086 | 0.105 |
| Headquarters | 0 (0.011) | -0.005 (0.010) | -0.003 (0.011) | -0.022 | 0.016 |
| Branchplants | -0.021 (0.014) | 0.002 (0.014) | -0.0003 (0.009) | -0.016 | 0.015 |

Note: All specifications include controls for the natural log of population, city linear trends, and city and year fixed effects. Column (1) lists the coefficient on the 2-year lead of LW treatment, Column (2) lists the contemporaneous effect, and Column(3) lists the long-term impact of LW treatment. Robust standard errors are clustered at the city level and are listed in parenthesis under each coefficient.
N: 465, 16 controls and 15 treatment cities.
*significant at .1 level, ** significant at .05 level, *** significant at .01 level

TABLE C
Description of living wage laws: Treatment sample

| City | Passage date | Description |
|-------------------|--------------|---|
| Ann Arbor, MI | 3/5/2001 | The legislation applies to employers holding city service contracts valued at \$10,000 or more. Companies with fewer than five employees and nonprofits with fewer than 10 employees are exempt. The living wage was \$11.71/hour in 2009 if the company provided health care insurance or \$13.06/hour if it provided no insurance. |
| Berkeley, CA | 6/1/2000 | The ordinance applies to municipal workers, employers who are awarded city contracts, businesses receiving financial assistance, nonprofit organizations, and municipal leaseholders. The living wage in 2010 is \$12.41/hour with health benefits or \$14.47/hour if no insurance is provided. |
| Cambridge, MA | 5/9/1999 | The ordinance applies to municipal employees, city contractors and subcontractors who have contracts worth more than \$10,000, and businesses who have received at least \$10,000 in financial assistance. The living wage was \$13.69/hour in 2009. |
| Cleveland, OH | 6/19/2000 | The ordinance applies to companies with 20 or more employees and nonprofits with 50 or more employees that receive at least \$75,000 in financial assistance from the city, as well as tenants of recipients of financial assistance, and companies holding a contract with the city worth \$25,000 or more. The ordinance also applies to subcontractors of companies who receive assistance or city contracts. The living wage in 2009 was \$11.71/hour when health insurance was provided and \$13.06/hour if health care was not provided. |
| Duluth, MN | 7/14/1997 | The legislation applies to employers and subcontractors who receive at least \$25,000 of financial assistance in the form of business loans or grants, enterprise zone credits, tax increment financing, industrial land write-downs, and lease abatements. |
| Hartford, CT | 10/12/1999 | The ordinance applies to service contracts of \$50,000 or more, development projects with \$100,000 or more in city assistance, and real estate developments costing more than \$25,000 on city-owned land. The living wage was \$11.66/hour in 2009 if health insurance was provided and \$17.78/hour if no insurance was provided. |
| Los Angeles, CA | 5/5/1997 | The ordinance applies to employers who are awarded assistance of \$1,000,000 or more in one year or service contracts of \$25,000 or more. It also applies to subcontractors and employers with public leases or licenses. The living wage is \$10.30/hour with health insurance and \$11.55/hour with no insurance in 2010. The living wage is subject to annual cost of living adjustments. |
| Minneapolis, MN | 11/4/2005 | The ordinance applies to employers with service contracts or subcontracts of \$100,000 or more. Employers must attempt to create one living wage job for every \$25,000 that they receive. The living wage in 2009 was \$11.66/hr (110 percent of the federal poverty rate) with health insurance, or 13.78/hr (130 percent of federal poverty rate) without insurance. |
| Oakland, CA | 4/1/1998 | The ordinance applies to employers awarded \$100,000 or more in assistance, city contractors receiving \$25,000 or more, and leaseholders of recipients of assistance who occupy property that is improved through the assistance and employ 20 or more people. The living wage in 2009 was \$9.13/hour with health insurance or \$10.50/hour if no insurance is provided. |
| Philadelphia, PA | 5/26/2005 | The ordinance applies to city contractors with contracts worth more than \$10,000 and recipients of city financial aid in excess of \$100,000, as well as lessees of city property. It sets the living wage at 150 percent of the federal minimum wage. It includes a clause on health benefits, which states that an employer must provide health insurance if it provides benefits to some full-time employees elsewhere in the firm. The ordinance mandates a living wage advisory commission to oversee enforcement, of which businesses may represent no more than 4/9 of the members. |
| Richmond, CA | 10/1/2001 | The ordinance applies to all city contractors with a contract worth more than \$25,000, and recipients of any local economic development aid of \$100,000 or more. It also applies to lessees of public property that employ 25 full-time employees or more and generate \$350,000 or more in annual gross receipts. And it includes subcontractors of contractors, economic development recipients, and lessees. The living wage was \$11.42/hour if employer paid at least \$1.50/hour in health benefits, or \$12.92/hour without insurance at the time of the law's adoption. |
| San Antonio, TX | 7/1/1998 | The ordinance applies to businesses receiving tax abatements requiring they pay 70 percent of employees in new jobs \$9.27/hour, and 70 percent of durable goods workers \$10.13/hour. Businesses may be eligible for tax abatement if they fill 25 percent of new jobs with economically disadvantaged individuals. |
| San Francisco, CA | 11/1/2000 | The ordinance applies to employers who are awarded city contracts, businesses receiving financial assistance, nonprofit organizations, and municipal leaseholders at the San Francisco International Airport. It set wages at \$10.00/hour in 2002 with 2.5 percent increases expected annually. |
| San Jose, CA | 6/8/1999 | The ordinance applies to employers who are awarded a service or labor contract of \$20,000 or more, or assistance of \$100,000 or more. The living wage was \$11.61/hour in 2005 for employers who provided health insurance and \$12.86/hour when employers provided no insurance. |
| Santa Fe, NM | 2/27/2002 | The ordinance applies to full-time municipal employees, city contractors who have contracts worth more than \$30,000 and that have more than 10 employees, recipients of financial assistance worth \$25,000 or more, and businesses requiring a license from the city. The living wage was \$10.50/hour in 2009. |

Endnotes

- 1 Alan Peters and Peter Fisher, "The Failures of Economic Development Incentives," *Journal of the American Planning Association* 70 (1) (2004).
- 2 Author's reanalysis of CPS wage data presented in: Lawrence Mishel, Jared Bernstein, and Heidi Shierholz, *The State of Working America 2008/2009* (Ithaca: Cornell University Press, 2009), Table 3.5.
- 3 Timothy J. Bartik, "Thinking About Local Living Wage Requirements," *Urban Affairs Review* 40 (2) (2004): 269–299.
- 4 For example, for the first time a significant proportion of North Carolina's state-level economic development incentives have gone to companies that pay wages below the county's average wage. See: David Bracken, "State settles for luring low-wage jobs," *News & Observer*, September 19, 2010, available at <http://www.newsobserver.com/2010/09/19/690381/incentive-deals-settle-for-low.html>.
- 5 Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," *Review of Economics and Statistics* 92 (4) (2010).
- 6 For example, the City of San Antonio used financial incentives in 2005 to attract World Savings Bank to expand its mortgage processing facility in the area, creating approximately 2,000 jobs. In addition, the City of San Antonio also attracted an auto parts supplier in 2005, which agreed to raise wages from \$10 per hour to \$11.03 per hour in exchange for a 10-year tax abatement. See: David Hendricks, "Enticements for Toyota suppliers should pay dividends for S.A.," *San Antonio Express-News*, July 9, 2005; Elizabeth Allen, "World Savings banking on tax breaks," *San Antonio Express-News*, November 17, 2005.
- 7 While many economists refer to spillover effects as an indirect rather than direct policy outcome, we use the term "direct spillover" to distinguish between those effects that result in clear upward wage pressure on firms—either through a mandated wage floor (narrow direct) or through competitive effects (direct spillover)—from those that have indirect effects on the local political context for economic development.
- 8 Such responses to wage floors are consistent with the monopsonistic model of the labor market. See: Alan Manning, *Monopsony in Motion* (Princeton, NJ: Princeton University Press, 2003).
- 9 Bartik, "Thinking About Local Living Wage Requirements."
- 10 David Card and Alan B. Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *The American Economic Review* 84 (4) (1994): 772–793; Dube, Lester, and Reich, "Minimum Wage Effects Across State Borders"; David Neumark and William Wascher, "Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws," *Industrial and Labor Relations Review* 46 (1) (1992): 55–81.
- 11 Christopher Niedt and others, "The Effects of the Living Wage in Baltimore," Working Paper 119 (Economic Policy Institute, 1999).
- 12 In its most basic form, the difference-in-differences, or DD method simply calculates employment changes before and after passage of a law in both the treatment and control groups and then subtracts the employment difference in the treatment group from the difference in the control.
- 13 David Fairris, "The Impact of Living Wages on Employers: A Control Group Analysis of the Los Angeles Ordinance," *Industrial Relations* 44 (1) (2005): 84–105. Card and Krueger's method included in: Card and Krueger, "Minimum Wages and Employment."
- 14 Michael Reich, Peter Hall, and Ken Jacobs, "Living Wage Policies at the San Francisco Airport: Impacts on Workers and Businesses," *Industrial Relations* 44 (1) (2005): 106–138.
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- 18 Mark D. Brenner, Jeannette Wicks-Lim, and Robert Pollin, "Measuring the Impact of Living Wage Laws: A Critical Appraisal of David Neumark's 'How Living Wage Laws Affect Low-Wage Workers and Low-Income Families,'" Working Paper 43 (Political Economy Research Institute, 2002).
- 19 David Fairris, "The Impact of Living Wages on Employers: A Control Group Analysis of the Los Angeles Ordinance," *Industrial Relations* 44 (1) (2005): 84–105.
- 20 Scott Adams and David Neumark, "The Effects of Living Wage Laws: Evidence from Failed and Derailed Living Wage Campaigns," Working Paper 11342 (National Bureau of Economic Research, 2005).
- 21 Mark D. Brenner, Jeannette Wicks-Lim, and Robert Pollin, "Detecting the Effects of Living Wage Laws." In Robert Pollin and others, eds., *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States* (Ithaca: ILR Press, 2008).
- 22 Adams and Neumark, "The Effects of Living Wage Laws."
- 23 Brenner, Wicks-Lim, and Pollin, "Detecting the Effects of Living Wage Laws."
- 24 Stephanie Luce, *Fighting for a Living Wage* (Ithaca: Cornell University Press, 2004).
- 25 For example, St. Louis technically has a business assistance law but it only applies when a firm receives at least \$20 million in local incentives. As discussed below, in this paper we treat St. Louis as a control city since its business assistance provision is weak.
- 26 Neumark, "How Living Wage Laws Affect Low-Wage Workers and Low-Income Families"; Adams and Neumark, "The Effects of Living Wage Laws."
- 27 T. William Lester, "The Impact of Living Wage Laws on Urban Economic Development Patterns and the Local Business Climate: Evidence from California Cities," *Economic Development Quarterly* (forthcoming).

- 28 Fairris, "The Impact of Living Wages on Employers."
- 29 Examples of such natural experiments in labor economics include spatial discontinuities such as comparing employment on either side of a state line after a minimum wage increase (see: Card and Krueger, "Minimum Wages and Employment"; Dube, Lester, and Reich, "Wage Effects Across State Borders") as well as regression discontinuity approaches (see: John DiNardo and David S. Lee, "Economic Impacts of New Unionization on Private Sector Employers: 1984-2001," *The Quarterly Journal of Economics* 119 (4) (2004): 1383-1441).
- 30 Adams and Neumark, "The Effects of Living Wage Laws."
- 31 Ibid.
- 32 Ibid.
- 33 "Employment Policies Institute," available at <http://www.epionline.org> (last accessed April 30, 2010). The Living Wage Resource Center was a website maintained by the now-defunct Association of Community Organizations for Reform Now, or ACORN, which was very active in supporting and passing living wage laws across the country. This web-based listing contained information on living wage type, wage level, and date of passage, and was accessed in 2008 during the author's dissertation research, which is published as Lester, "The Impact of Living Wage Laws on Urban Economic Development Patterns and the Local Business Climate: Evidence from California Cities," (forthcoming).
- 34 Brenner, Wicks-Lim, and Pollin, "Detecting the Effects of Living Wage Laws."
- 35 Chicago, Illinois, did not reject an explicit business assistance form of living wage but we included it since the City Council passed a living wage law that applied to "big-box" retailers in 2006 that the mayor immediately vetoed. Throughout the late 1990s and early 2000s, Chicago used Tax Increment Financing, or TIF, to help bring in a host of big-box retailers including Target and Home Depot. Although this legislation was not tied to the receipt of financial assistance, since it targeted a segment of the retail market that had become accustomed to receiving development assistance, it would have been functionally equivalent to a business assistance provision. In addition, during the ongoing debates over the merits of the law, opponents frequently aired the negative "business climate" argument, which suggests that the law would have had a similar indirect effect.
- 36 Note that the earliest living wage law in our sample occurred in 1998.
- 37 To ensure that new businesses are captured by their telephone surveys, D&B reviews each state's database of fictitious name filings and business incorporation listings. While D&B makes multiple attempts to reach each establishment, there are cases in which a DUNS number appears for several years, then disappears, and then reappears at the same address. In such cases, Walls and Associates imputes employment figures for each missing year based on the previous available records.
- 38 David Neumark, Junfu Zhang, and Brandon Wall, "Employment Dynamics and Business Relocation: New Evidence from the National Establishment Time Series." Working Paper W11647 (National Bureau of Economic Research, 2005).
- 39 Since NETS has a higher capture rate for very small firms, including self-employed persons, it is less comparable with other publicly available data sources such as the QCEW or County Business Patterns. Previous research indicates that for establishments with five or more employees there is a high correlation between employment measurements in NETS and other sources.
- 40 To match zip codes to the political jurisdictions we used a geographical association based on the population-weighted centroid of each zip code in 2000. We obtained the zip-to-place match from the MABLE/Geocorr2K: Geographic Correspondence Engine v1.3.3 (August 2010), published by the Missouri Census Data Center, available at <http://mcdc2.missouri.edu/websas/geocorr2k.html>. While we understand that zip code boundaries shift over time, and that new zip codes are created that would perhaps not be recognized by the 2000 Census, this turned out not to be a significant issue for our sample of large core urban counties in the NETS. In our sample of more than 1 million establishments from the counties that contained our treatment and control cities, 95.1 percent of records were matched to a city (i.e. census place) using this method. For the remaining 4.9 percent we geocoded each record based on their reported current latitude and longitude in the NETS database. To be fair, among this group of geocoded records (4.9 percent) we are not able to capture the effect of moves since the latitude and longitude information is only available for the last year the establishment was active in the database. However, of this group only 9 percent ever moved, resulting in an overall capture rate of firm moves of 99.9 percent for the entire sample.
- 41 Please note that the variable for big box retail, due to how it was narrowly defined, doesn't allow us to include all the treatment and control cities in the analysis. This leads the standard errors to be much bigger than all the other estimates.
- 42 Adams and Neumark, "The Effects of Living Wage Laws."
- 43 Ibid.
- 44 Michael Reich, Peter Hall, and Ken Jacobs, "Living Wage Policies at the San Francisco Airport: Impacts on Workers and Businesses," *Industrial Relations* 44 (1) (2005); David Fairris and others, "Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses" (Los Angeles: Los Angeles Alliance for a New Economy, 2005); Mark Brenner, "The Economic Impact of the Boston Living Wage Ordinance," *Industrial Relations* 44 (1) (2005).
- 45 Dube, Lester, and Reich, "Wage Effects Across State Borders"; Card and Krueger, "Minimum Wages and Employment."
- 46 Orley Ashenfelter and David Card, "Using the Longitudinal Structure of Earnings to Estimate the Effect of Training Programs," *The Review of Economics and Statistics* 67 (4) (1985): 648-660.

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FOR THE RECORD



**Testimony of Staten Island Chamber of Commerce President & CEO Linda Baran
NYC Council Committee on Contracts
Intro 251-A, May 12, 2011, 1:00 p.m.**

Good afternoon, my name is Linda Baran, President of the Staten Island Chamber of Commerce. On behalf of the Staten Island Chamber of Commerce and our 800 members who employ over 20,000 people, I would like to thank you for the opportunity to address the New York City Council's Committee on Contracts regarding Intro 251-A, the so-called living wage bill.

New York State, and New York City in particular, are already among the most costly and regulated environments in the country in which to operate a business – heavy taxes, burdensome government regulations and a high cost of doing business are a given here. Intro 251-A will only make our burdensome business environment much more challenging. In many instances, it will be the nail in the coffin for new development or needed urban renewal.

The wage mandates and onerous compliance requirements of Intro 251-A will saddle businesses with unprecedented costs and weighty obligations. A recent study suggested that this legislation will halt one out of every three new development projects on Staten Island.

The purpose of City subsidies for “the improvement or development of real property, economic development, job retention and growth” is to create jobs and spur economic growth. Usually, these incentives are offered in depressed areas to jumpstart recovery, however, this bill would have the opposite effect and hinder revitalization efforts in these communities. Further, to tie an economic disincentive, such as the living wage, to financial assistance makes no sense whatsoever. It's like a store offering 50% off and then marking up the products by 50% - the disincentive effectively zeros-out the incentive.

These financial incentives are designed to reap long term benefits like creating jobs and earning tax revenue for the City. Forcing employers to pay a 38% premium makes it harder for developers to attract tenants, which discourages development and ultimately leads to fewer jobs. If the City Council is serious about New York City's economic recovery, it should focus on legislation that will make it easier to create new employment opportunities, not laws that will hamper development, close businesses and put people out of work.

If this bill passes, our already distressed construction industry will be harmed even further and retail on Staten Island will all but disappear. Since 2009, development on Staten Island has been at a standstill. We have lost more than 600 construction jobs; how many more will we lose because of this bill? One of the few sectors that has seen growth in the last two years, our retail industry, would be devastated by this law. Nearly half of the retail employees who work at sites receiving financial assistance earn less than \$10 per hour. Mandating employers to give these workers a raise will result in layoffs and push even more retailers into New Jersey.

While proponents of this legislation argue that this bill will reduce poverty, the reverse is true. The unintended consequences of this proposal will be increased unemployment, particularly among those most in need of job opportunities – low-skill workers or workers seeking to enter the job market for the first time – as well as stalled development and continued urban decay. But ultimately the pain will trickle down to the small business owner, who must bear the brunt of this bill. The building service subcontractors, the ground floor retailers, and other small employers will be required to pay their employees higher wages, but won't receive the benefit of the subsidy.

Thank you for allowing me to testify on this important issue.

TESTIMONY

OF

DONALD R. SPIVACK

FORMER DEPUTY CHIEF OF OPERATIONS AND POLICY (RETIRED)

THE COMMUNITY REDEVELOPMENT AGENCY OF

THE CITY OF LOS ANGELES, CALIFORNIA

ON

INT. 251-A -- THE FAIR WAGES FOR NEW YORKERS ACT

BEFORE THE

THE NEW YORK CITY COUNCIL

COMMITTEE ON CONTRACTS

MAY 12, 2011

CHAMBERS OF THE NEW YORK CITY COUNCIL

250 BROADWAY, NEW YORK CITY

Good afternoon, my name is Donald Spivack, I am recently retired from the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) as Deputy Chief of Operations and Policy after 28 years of public service with that agency. I am here to address a few points relative to the topic of living wage requirements, which the City of Los Angeles adopted by ordinance in 1997 and the Redevelopment Agency by policy in 2003. I was the author of the agency policy.

The Community Redevelopment Agency was established by the city in 1948 to address blight and disinvestment in the City of Los Angeles. It is Los Angeles' equivalent to New York City's Economic Development Corporation and is the arm of city government responsible for promoting economic development, including job and housing growth, in the City of Los Angeles.

Policy Overview

The agency's 2003 living wage policy covers a range of types of employees who work on subsidized economic development projects. It extends to the developer's own staff, and any contractors or subcontractors hired by the developer to perform work on the project such as security, janitorial and grounds-keeping staff. It therefore covers at minimum the work force whose primary responsibility is at a covered site. Third party tenants are generally not covered by the policy unless the project is built on CRA/LA owned and leased land. However, in many cases key anchor tenants such as hotels have been defined as "participants" and as a result are covered in the policy's application. In addition, CRA/LA has a parallel policy that assures extension of living wages to employees in hotels built on agency-owned land. Finally, these requirements have been extended in many cases by community benefits agreements on individual projects, or by the City of Los Angeles' living wage ordinance. Small businesses (those with less than \$350,000 in gross income or 7 or fewer employees) are exempted.

Our agency has found the living wage policy to be an effective tool for ensuring that taxpayer-subsidized economic development creates quality jobs for Los Angeles' communities. We have not found that it has inhibited new development or job growth in any way. In fact, even in the current economy, 23 living wage covered projects are actively entering the approval process, a strong indication that the developers are not deterred by the living wage requirement. Instead, we view the policy as a key component of our development strategy – one which complements our work to attract new businesses, build new housing, and strengthen the city's tax and economic base.

Covered Projects

To give you an overview of our experience with the policy, the agency's recent development inventory includes 254 projects, of which 144 have a living wage jobs component. The 144 CRA/LA projects with a living wage component, which range in status from completed to

pending approval, involve over eight billion dollars in private investment leveraged by nearly \$400 million of agency spending. They include developers in its 31 redevelopment project areas, developers of non-profit and affordable housing and service centers, and developers of for-profit office, commercial, industrial, hotel and market-rate housing. They embody roughly 1.1 million square feet of office, 2.7 million square feet of retail and 234,000 square feet of industrial space along with about 12,000 housing units, nearly 7,000 of them market rate. Twenty-five projects are complete, 14 under construction, 39 approved and the balance in process. All told they involve nearly 48,700 construction and 23,000 permanent jobs.

A key project is the Plaza Pacoima Shopping Center in northeast Los Angeles, anchored by a Costco. Costco is paying living wages to all of its employees, who account for over 60% of the employees in the center, and a substantial part of the 75% living wage requirement for the project as a whole. Similarly, an industrial project in the South Los Angeles Goodyear Tract, which involves a significant expansion of a cluster of fashion businesses, will also guarantee that 60% of the work force receives a living wage. And the pending multi-phased downtown Grand Avenue project, a major mixed-use development to be built – when market conditions improve – by the Related Companies on four city blocks of publicly owned land in the Bunker Hill Redevelopment Project Area includes a wall-to-wall living wage requirement for all businesses located there.

As noted, the agency's policy is supplemented by community benefits agreements which extend the reach of the living wage jobs; one such example is the LA Live entertainment complex in downtown Los Angeles, and another is a neighborhood center in South Los Angeles where the prime tenant – a locally based supermarket chain – agreed to living wages for all of its employees on property the agency assembled and sold to the underlying developer.

On a similar note, the City of Los Angeles has extended its living wage policy to hotels in the Century Boulevard Corridor, outside and largely serving the City's main airport. As a result, about a dozen hotels are covered by a living wage program.

Implementation

Implementation of the policy is achieved through inclusion of the policy requirements in the development contract between CRA/LA and the developer. To assist the developer, CRA/LA and city staffs provide guidance and training on the documentation forms, assist in filling them out, and on request provide access to the city's job source centers for trained employees. Developers include in their leases that tenants will provide them with the required job data for biannual reporting. CRA/LA staff on request provides data on work source centers and other job training and placement assistance that is available, to the developer or directly to prospective tenants. The key to smooth implementation is starting early in the process.

Employers are encouraged to meet with the CRA/LA compliance staff at least ten days before initiating their hiring process both to be clear on the reporting requirements and to be advised of the job placement assistance that is available to them, including fiscal incentives for hiring from certain targeted populations. Compliance requires submitting biannual reports of its hiring status by number of jobs, proportion that are living wage and proportion, if any, receiving health benefits.

Benefits

The key benefit that has resulted from Los Angeles' overlapping living wage policies has been to provide an important pathway out of extreme poverty for thousands of working families, at minimal expense to the private sector. Today's living wage rates in Los Angeles are \$10.30 per hour with health benefits or \$11.55 without, and a requirement for 12 paid and 10 unpaid days off. At the higher wage level, assuming a full time job, 2,080 work hours per year and 10 unpaid days off, this results in an annual salary of \$23,100, marginally above the federal poverty line of \$21,954 for a family of four, and well below the estimated minimum for a family to house, clothe and feed itself in Los Angeles of \$29,474 per year. By way of comparison, the California minimum wage is \$8.00 per hour, yielding an annual income of only \$16,640, well below the living wage though still above the federal minimum wage of \$7.25 per hour.

A second benefit of the living wage policy from the business perspective is the reduction in turnover and associated costs due to business disruption, hiring and training. City analysis showed that turnover rates dropped from an average of 49% in non-living wage jobs to 32% in living wage jobs. The reduction in turnover resulted in a 16% reduction in costs for those businesses.

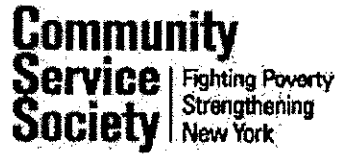
A third benefit is that any addition to funding to health care has a favorable impact on reducing the near-absolute reliance of the uninsured on acute health care and emergency room services, probably the costliest way possible to provide health care.

A final benefit, and one of importance to agencies such as ours, is that increasing wages – marginal as it is with the living wage policy – has an impact on housing and community stability. Los Angeles, like many other major cities, suffers a crisis in the availability of safe, adequate and affordable housing. Too many households live in overcrowded conditions and pay upwards of 60% of their income in rent. But to a large degree the crisis in housing – for which my agency alone spends millions of dollars in creating and subsidizing affordable housing each year – is in reality a crisis in income. Increasing wages helps to make more housing affordable, and thus positively impacts the supply of affordable housing. In addition, getting families out of dilapidated and overcrowded housing improves school performance, helps to keep kids out of gangs and involvement in other illegal activity, makes communities safer, and supports local

business expansion. Parallel policy requirements for local hiring especially targeted to minority communities enables local businesses to hire, and they are most likely to hire from their own neighborhoods.

Thank you for your time and I would be pleased to answer any questions you may have.

READ INTO
RECORD



Testimony of David R. Jones

President, Community Service Society of New York

"Fair Wages for New Yorkers"

**New York City Council
Committee on Contracts
May 12, 2011**

Good afternoon. I'm David R. Jones, president of the Community Service Society of New York, a 165 year-old anti-poverty organization. I am here to speak on behalf of why a living wage is so important - simply put, to help keep hard working individuals and families out of the grip of poverty.

It is reasonable to expect that full-time workers should earn wages that do not keep them trapped in poverty. However, this is precisely what happens for the hundreds of thousands of those who work in low-wage jobs in New York City. Periodic increases in the federal minimum wage, which currently stands at \$7.25 per hour, have not kept pace with the cost of living. Someone working 35 hours per week for 50 weeks at minimum wage earns roughly \$13,000 a year. For a family of two with one breadwinner, those earnings place that family below the federal poverty line for a family of that size-- roughly \$14,000 per year.¹

This alone should be unacceptable. But it is downright objectionable for those wishing to conduct business with the benefit of city subsidies to receive public funds without offering a "living wage" on their projects - a wage which would not leave their workers and their families living at or near the poverty level.

The City Council has proposed legislation, the "Fair Wages for New Yorkers" bill, which would require those receiving financial assistance of \$100,000 or more, including tax abatements and land transfers, to ensure that jobs created as a result of their projects pay at least \$10 per hour. Employees eligible for a living wage would include those employed by contractors or properties on the site of such developments.

The \$100,000 minimum assistance level for the living wage requirement to be applicable might elicit criticism that this law would hurt small businesses. But such a level of assistance would typically be provided to medium and large-scale developers, who also tend to partner with contractors and other companies of similar scale.

In addition, the proposed living wage legislation is not breaking new ground. New York City already has in place a living wage law which mandates a wage of at least \$10 per hour for specific classes of employees in companies that have contracts with the city. Furthermore, other cities and counties across the country have implemented living wage laws, including Los Angeles, Pittsburgh, Philadelphia, Cleveland, and San Francisco.

A carefully conducted analysis prepared last November for the Center for American Progress examined 20 years worth of

economic data for 15 cities that enacted living wage laws and 16 cities without these laws. The study determined that requiring developers who receive city subsidies to ensure jobs created offered living wages had no negative impact on employment.²

The study addressed two of the most common criticisms leveled by opponents against a living wage: (1) that it will scare away potential developers as well as businesses in general, and (2) fewer jobs will be created than otherwise would have been in the absence of a living wage law. In Los Angeles, the living wage law has not stopped developers from queuing up for projects involving, for example, the Staples Center or big box retail outlets such as Costco.³

In addition, the study findings showed that not only does a living wage have no significant negative impact on employment in areas which have mandated it for subsidized developers, but it also doesn't scare away companies in general due to fears of having to offer employees higher wages.⁴ In the case of San Francisco, a living wage mandate for airport workers did not have an impact on overall employment levels.⁵

Mayor Bloomberg has consistently opposed a living wage law. To buttress his arguments, the city spent \$1 million for a report that contends that a living wage law would result in the loss of thousands of jobs, especially low-skilled jobs. The

report was put out by an organization whose consultant economists have been critical of living wage and minimum wage laws in the past and have worked against raising the minimum wage. This is an example of people making \$500 an hour - or whatever outsized fee their consultants were paid - determining that others should not make \$10 an hour.

Also, this report is based on an incorrect minimum wage - \$6.75 per hour rather than the current \$7.25 - and the analysis does not take into account recent amendments made to the proposed law, including exempting from coverage businesses with less than \$1 million in annual revenue.⁶ The real test is the research conducted on the impact of living wage laws in other cities which have not produced negative effects on employment.

Because the proposed living wage legislation is only applicable to those receiving subsidies from the city, we are not talking about a radical transformation of the city's labor market vis-à-vis wages. This legislation would only have impact for a very small segment of the city's workforce.

Finally, my own organization's research - in our annual survey of New Yorkers, "The Unheard Third 2010" - shows that among full-time working poor New Yorkers, which we define as New Yorkers living at or below 100 percent of the federal poverty level, 30 percent fell behind in rent or mortgage payment in the

past year, 24 percent had their health care costs increase, 20 percent could not afford to fill a prescription, and 15 percent had not gotten medical care because of a lack of money or insurance.⁷ These are full-time workers.

Couple this with the finding from a second report produced by my organization which showed that a majority of low-wage workers do not have on-the-job benefits such as paid sick leave,⁸ and it is evident that the city should require wages as well as benefits be improved for workers on projects which are made possible by the support of New York City taxpayer dollars.

In addition, without fair wages, costs for basics like food and health care can easily get passed along to taxpayers when low-wage workers are forced to seek public benefits such as food stamps or Medicaid coverage for their children.⁹ The result can be a "double-dip" to taxpayer dollars, first in the form of developer subsidies, second in the form of public assistance to workers paid insufficient wages by subsidized developers.

Other cities have shown that living wage legislation has created good jobs for low-income workers without slowing economic growth. It's time for us to require fair wage guarantees for jobs created at developments getting public subsidies. The Council should pass the Fair Wages for New Yorkers Act. Thank you.

Notes

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- ¹ U.S. Census Bureau Poverty Thresholds Table, "Poverty Threshold by Size of Family and Number of Children 2010," <http://www.census.gov/hhes/www/poverty/data/threshld/index.html>
- ² T. William Lester and Ken Jacobs, "Creating Good Jobs in Our Communities: How Higher Wage Standards Affect Economic Development and Employment," Center for American Progress, Washington, D.C., November 2010.
- ³ Paul K. Sonn, "Experience Shows Living Wage Policies Work," The Gotham Gazette. December 14, 2010, <http://www.gothamgazette.com/print/3431>
- ⁴ Lester and Jacobs, p. 25.
- ⁵ Lester and Jacobs, p. 10.
- ⁶ "The Economic Impacts on New York City of Proposed Living Wage Mandate: Key Findings," Charles River Associates, May 9, 2011.
- ⁷ Community Service Society of New York, "The Unheard Third 2010" (April 2011).
- ⁸ Jeremy Reiss, Nancy Rankin and Krista Pietrangelo, "Sick in the City: What the Lack of Paid Leave Means for Working New Yorkers," Community Service Society of New York Policy Brief, October 2009.
- ⁹ Nancy Rankin and Mark Levitan, "Shortchanging Security: How Poor Training, Low Pay and Lack of Job Protection for Security Guards Undermine Public Safety in New York City," Community Service Society of New York Policy Brief (Summer 2006): p.7.



TESTIMONY OF THE REAL ESTATE BOARD OF NEW YORK IN OPPOSITION TO INTRO 251-A
May 12, 2011

The Real Estate Board of New York, Inc. (REBNY) is a broadly based trade association of over 12,000 owners, developers, brokers and real estate professionals active throughout New York City. We oppose Intro 251-A, which would impose wage mandates in excess of the federal and state minimum wage on financial assistance recipients and their tenants, contractors and vendors and would have a negative effect on development and New York City's economy. While this bill has the commendable goal of raising the wages of poor New Yorkers, it would result in substantial job loss for the workers it is attempting to benefit and the neighborhoods most in need of capital investment, according to a recent report on living wage legislation commissioned by the city.

Intro 251-A would require all financial assistance recipients and covered employers to pay a "living wage" for at least 30 years from the time assistance is received and imposes significant compliance, recordkeeping and reporting requirements both on direct recipients and those who locate in properties who benefited from such funds. Requirements would apply when a recipient receives financial assistance of \$100,000 or more, inclusive of federal, state and local funds, for the improvement of real property, economic development and job retention or growth. Such money would include cash payments or grants; tax abatements and exemptions, bond financing, tax increment financing, filing fee waivers, environmental remediation costs, and energy cost reductions.

The City and other government entities provide economic development money in order to decrease the significant cost of development and the high real estate taxes in New York City to make projects financially possible. In building new housing units and office space throughout the city, development projects achieve a significant public policy goal of promoting economic development in neighborhoods in each of the five boroughs by creating both new construction and permanent jobs and by generating additional tax revenue. This financial assistance helps overcome the significantly high costs associated with new construction in the City. Adding living wage requirements as a condition of this funding would change the economics of these projects. Many of these projects would divert investments to pay for the increased wages and administrative costs of this requirement. Others would simply no longer happen. The City's analysis suggests that \$7 billion in investment will not happen, and as many as 33,000 jobs would no longer be created – hardly a minor impact on the future of the City.

As Kingsbridge Armory project showed, wage mandates are an absolute deterrent to capital investment and can be the death knell for development projects. Developers cannot expect potential future tenants to comply with a living wage requirement if the tenant could locate elsewhere and not be encumbered with this same requirement. Tenants have no incentive to agree to leases when they would be subject to wage mandates and increased administrative requirements such as those outlined in Intro 251-A. As a



result, this legislation will cause a decline in development, especially in the other boroughs and upper Manhattan where jobs are most needed. Instead, developers will choose to do projects in municipalities that do not impose these regulations.

Additionally, we question how this bill would be implemented and enforced, especially for the initial recipient of financial assistance. We do not understand how a recipient would be expected to monitor the payrolls of every tenant, subtenant, contractor and vendor on-site. The significant penalties associated with non-compliance would be a significant disincentive for individuals to take advantage of City funding. Furthermore, the sweeping powers delegated to the Comptroller represent a significant intrusion into business, and the amount of recordkeeping required, along with the 30-year maintenance of records would be a costly burden to anyone affected by this bill. Even entities that might be able to be exempted from the legislation, such as not-for-profits, affordable housing and small businesses with less than \$1 million would still need to maintain records and re-certify their eligibility for the exemption annually – a significant burden on already encumbered organizations.

We question the authority of the City Council to impose living wage requirements on recipients of financial assistance that was authorized by the state or federal government without these entities specifically granting the City Council the authority to modify the program

Intro 251-A would also reduce employment of those currently employed. Studies have shown that wage mandates like the one in 251-A act as a tax on labor and reduces employment most significantly for workers in the lowest skill percentiles. Rather than helping lift the poorest out of poverty, living wages can actually increase the problem by leading to additional unemployment among those who find it most difficult to find new jobs. The City's study found that the average increase in unemployment among low skilled workers was 2.2% and generally cancelled out any wage gains among those who did not lose their jobs.

In conclusion, Intro 251-A is a bill which would harm both the short and long term prospects of the City. Rather than improving the lot of poor New Yorkers, it would lead to increased unemployment and fewer jobs, and less private sector capital investment to continue to rebuild our city for the next generation. We urge the City Council not to pass Intro 251-A.

New York Staffing Association

INT-0251-A: Living Wage Bill

The New York Staffing Association represents the interests of temporary staffing firms, which are responsible for over 40,000 employees throughout the City and an estimated \$1.6 billion in economic impact. While we understand the well-intentioned reasons behind INT-0251-A, we are concerned with some of the bill's language because of the potentially harmful and uniquely adverse impact upon our industry, which plays an active role in the labor market. Therefore, we would like the temporary staffing industry exempted from the living wage bill.

Temporary staffing firms provide a bridge between unemployment, to training, and eventually full time employment, thereby saving the City from the costs of additional unemployment benefits. Our employees range from CEOs to secretaries, laborers, and everyone in between, and each employee receives competitive salaries, benefits, and job skills training. They support or supplement workforces by providing assistance in distinctive work situations, such as special assignments or projects, employee absences, skill shortages, and seasonal workloads, and are customarily reassigned to other organizations when they finish each assignment. Approximately 70% of our workforce ultimately gets a “permanent” job after their period of “temping.” The remaining employees choose temporary work as a supplement to another job or vocation.

Specifically, we believe that INT-0251-A would sow confusion among both employees and their temporary staffing firm because of the variation in wages based upon location of assignment, and whether that location receives City financial assistance to offer the living wage. Depending upon the worksite’s location, employees could receive one wage on one day and the next day a very different wage. Administratively, tracking the fluctuation in wages based on the worksite location presents difficulty with employees who frequently accept many short duration assignments.

Moreover, ensuring that the employee obtains a written notice about the day’s wage rate at the work site presents an onerous requirement for our industry, since the worksite can change daily and the employee will be likely traveling from home to the worksite, and not first stopping at the temporary staffing firm. Often, jobs are filled outside of normal business hours, thereby making compliance even more difficult. In addition, the written notice requirement would very likely mean that the temporary staffing firms would be unable to schedule workers for same day assignments, which would reduce this source of income for the very workers this legislation seeks to protect. This risk is heightened due to the requirements of the Wage Theft Protection Act (NY Labor Law §195.1), which requires temporary employees to be notified of their wage rate for each assignment prior to the assignment. Varying pay rates due to the status of the assignment will invariably lead to inadvertent errors and liability under INT-0251-A. Together, these tracking and notice requirements expose the temporary staffing firm to a private right of action, and potentially costly litigation, should unintentional errors be made between one worksite and another.

Our industry historically operates with low profit margins, due to the extensive recruiting, screening, interviewing and training expenses we incur, and the competitive pay and benefits we offer. Additionally, we ensure compliance with all labor laws, and provide worker’s compensation and unemployment benefits. Our administrative concerns regarding compliance

New York Staffing Association

with this law might cause temporary staffing firms to freeze hiring in specific industry sectors, or altogether. Anything that adversely impacts upon the usage of temporary help will necessarily have a chilling effect on the “bridge” to permanent employment, particularly among lower paying jobs. Such hiring freezes could result in more workers collecting unemployment benefits, or the rise of disreputable “fly-by-night” organizations that will seek to fill the void left by temporary staffing firms. Both will detrimentally impact the City, but the latter, without the training, benefits and oversight provided by the reputable temporary staffing firms, will be a large step backwards for the City’s workforce.

An exemption for the temporary staffing industry from this legislation will allow our industry to continue providing jobs for the very workers INT-0251-A seeks to protect. In addition, the impact on the City’s overall workforce of such an exemption will be small and short lived, given the large percentage of temporary workers who ultimately get permanent jobs after starting as temporaries. Therefore, we respectfully suggest the following amendments to INT-0251-A to exempt the temporary staffing industry:

- Inserted language is underlined and bolded: **like this**
- Deleted language is in strikethrough font: ~~like this~~

- 1) **Definition “Continuous”** – If an employee is on the payroll for an uninterrupted specific period of time, they are working continuously for that employer for that time. If an employee works for a three month period in the summer, returns to college, and then later comes back to work for one month for the same employer in the winter, their return to college would interrupt their continuity with the employer. This temporal element is an important distinction for the seasonal nature of many industries that increase temporary hiring during the summer and winter months.

[See inserted b. 4. “Continuous”]

“Continuous” means a period of compensated employment that is marked by an uninterrupted duration, except for weekends, holidays, or previously scheduled days off.

- 2) **Definition of “Covered Employer”** – Remove the inclusion of temporary services or staffing agencies, and specifically exempt temporary services or staffing agencies from the bill.
- 3) **Accrual** - INT-0251-A starts accrual after an employee works on the premises of the financial assistance recipient, or the real property, for only 30 days. Like other benefits, we believe that a longer timeframe for accrual should be incorporated, such as 180 continuous work days per employee.

[See deleted and inserted § 1 b (9)(d)].

§ 1 b (9) d. d) Any person or entity that contracts or subcontracts with a financial assistance recipient to perform work for a period of more than ~~thirty~~ **one hundred eighty** days on the premises of the financial assistance recipient or, on the premises of property improved or

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developed with financial assistance, including but not limited to ~~temporary services or staffing agencies~~, food service contractors, and other on-site service contractors.

- 4) **Definition of “Employee”** – Remove the inclusion of temporary, temporary services, staffing or employment agency, or similar entity. In addition, the wage should only be required if the employee actually performs work at the covered location for more than one hundred eighty days, not just if their employer is in a covered location.

[See deleted and inserted § 1 b (11)].

§ 1 b (11). "Employee" means any person employed by a covered employer to perform work within the city of New York. This definition includes persons performing work on a full-time, part-time, ~~temporary~~, or seasonal basis, and includes employees, independent contractors, and contingent or contracted workers, whose payroll is paid by the covered employer, including persons made available to work through the services of a temporary services, staffing or employment agency or similar entity. Provided, however, that if the financial assistance is targeted to particular real property, then only persons employed by a covered employer to perform work at the real property to which the financial assistance pertains shall be deemed employees. Provided, however, that if the financial assistance is targeted to particular real property, then only persons employed by a covered employer to perform work at the real property, for more than one hundred eighty days, to which the financial assistance pertains, shall be deemed employees.

- 5) **Specific Exemption for Temporary Services or Staffing Agencies** – In addition to the enumerated exemptions for small businesses, not-for-profit organizations, and affordable housing exemptions, we are respectfully requesting an exemption for the temporary services industry.

[See inserted d. 5.]

5. Any temporary services firm or staffing service whose business consists primarily of recruiting and hiring its own employees and assigning them to other organizations to support or supplement their workforces, or to provide assistance in special work situations such as employee absences, skill shortages, and seasonal workloads, or to perform special assignments or projects, and that customarily attempts to reassign the employees to other customers when they finish each assignment.

- 6) **Notice location** – Since the temporary staffing industry hires employees at their worksite but places them to work at other work sites, it is difficult to ensure compliance with notice and posting requirements at other work sites. Therefore, we would like to require that the posters are placed in the employer’s place of business. In addition, the requirement of providing a written notice on top of the posted notice seems unworkable, burdensome and a waste of paper. For temporary employees, this would require a written notice at the start of each assignment which would be impossible to provide because employees are dispatched from home to the worksite.

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[See deleted and inserted § 1 e (1)].

e. 1. No later than the day on which any work begins at a work site subject to the requirements of this section, a covered employer shall post in a prominent and accessible place at ~~every work site~~ **the employer's work site** and ~~provide each employee a copy of a written~~ notice, prepared by the comptroller, detailing the wages, benefits, and other protections to which employees are entitled under this section. Such notice shall also provide the name, address and telephone number of the comptroller and a statement advising employees that if they have been paid less than the living wage rate, they may notify the comptroller to request an investigation.

- 7) **Notice Language** - Additionally, the notice and posting requirement of determining the languages of ten percent of the employees are not only burdensome, but also very likely an illegal inquiry pertaining to national origin. Instead, we favor a simpler notice and posting requirement, which would place posters at the employer's place of business in English, and make them available from the comptroller in every other language upon request. Alternatively, employers could comply by attesting that all wage policies and procedures are accessible through their Human Resources department via handbooks, manuals, or their own websites.

[See deleted and inserted § 1 e (1)].

Such notices shall be provided in English, ~~Spanish, and other languages spoken by ten percent or more of a covered employer's employees~~ **and shall be available upon request from the Comptroller in any other language.** The comptroller shall provide the city with sample ~~written~~ notices explaining the rights of employees and covered employers' obligations under this section, and the city shall in turn provide those ~~written~~ notices to covered employers.

- 8) **Implementations and reporting.** It should be clear that covered employees are those that are working on the premises of the real property, which is particularly important to the temporary staffing industry that hires employees and then places them in other organizations for specific and limited assignments.

[See deleted and inserted § 1 f (4)].

Every financial assistance agreement shall contain provisions: a. Obligating the financial assistance recipient to guarantee that all covered employees operating on their premises or on the real property, improved or developed with financial assistance will pay their employees **working on such real property** no less than a living wage, and comply with all other requirements of this section;

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[See deleted and inserted § 1 f (5)].

5. Each financial assistance recipient shall provide to the comptroller and the city or the city economic development entity that approved or awarded the financial assistance an annual certification, executed under penalty of perjury, stating that all of its employees and all other employees employed by covered employers working on its premises or on the property to which the financial assistance pertains are paid no less than a living wage, and providing the names, addresses and telephone numbers of such additional covered employers operating on its premises or on said property. Where the financial assistance applies only to certain property, such statement shall be required only for the employees employed working on such property. The statement shall be certified by the chief executive or chief financial officer of the covered employer, or the designee of any such person, and shall be made a part of the award, grant or assistance agreement. Where there are multiple covered employers operating on the premises of a financial assistance recipient or associated with a property to which the financial assistance pertains, each covered employer shall, prior to commencing work at such premises, provide a statement certifying that all the employees employed working on that property are paid no less than a living wage. A violation of any provision of the certified statement shall constitute a material violation of the conditions of the financial assistance agreement. Such certification shall also include copies of records indicating the days and hours worked, and the wages paid and benefits provided to each employee. The city agency or city economic development entity approving or awarding the financial assistance shall maintain this information and make it available for public inspection.

For questions, please contact:

Matthew N. Greller, Esq.

Bolton St. Johns, LLC

Email: greller@boltonstjohns.com

Cell: 917 345 0005



Committee of Interns and Residents *SEIU*Healthcare®

Testimony before the Committee on Contracts,
New York City Council
In SUPPORT of the *Fair Wages for New Yorkers Act*

Testimony delivered May 12, 2011
By Dr. Deepak Das
Committee of Interns and Residents /SEIU Healthcare

Good afternoon. My name is Dr. Deepak Das. I am a resident physician at Jacobi Medical Center in the Bronx. Today I am speaking on behalf of the Committee of Interns and Residents, which represents 6,000 physicians working in safety-net hospitals throughout the city.

You have heard about the economic benefits of a Living Wage, but this is not just an issue confined to dollars and cents. I come before you as a physician to inform you that a serious health hazard is at stake if we do not take action now.

This danger arises from the basics of human survival, namely: the food we eat and the exercise we do. This foundation for human health and human life is at risk now.

The current “food pyramid” (USDA and HHS) recommends that the average American man consume at least 3 full cups of vegetables to meet his *basic* daily nutritional quota. I told this to my patient Jorge, a roofer, after his emergent surgery. He replied, “Doc, at my local grocery store it costs me \$3.50 just to get 1 ½ green peppers. How am I supposed to afford that?”

I calculated that a complete diet for him would be \$14 a day, or two full hours of wages. This didn’t even include his child. I checked the USDA website to determine if he was eligible for food stamps. With his annual salary of \$14,500 and one child, I found that he was not. It is shocking that our current minimum wage is inadequate to support the basic USDA nutritional requirements.

What about exercise? The American Heart Association recommends at least 30 minutes of rigorous activity per day for basic heart health. But if a gym membership costs 45 dollars a month—nearly an entire day of wages—how can I justify that expense over the school supplies for their children, or the medications they need?

Those without health insurance, like Jorge, tend to wait until their condition is an expensive emergency to get medical attention. This costs the city, the state, and the federal government money in charity care. The health benefit component of this bill is essential; focusing on the bottom line at the expense of the health of workers is costly to the city, the patient and the employer who suffers lost days of productivity.

A Living Wage addresses the basic health survival for the neediest of our hardworking citizens. It doesn't cost much to stabilize these families. It is not only the right thing to do; it is the intelligent thing to do.

I thank you for your time today, and hope you agree.

*For more information or to request an interview, please contact
Heather Appel, CIR Communications Director, 212-356-8100*

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The Economic Impacts on New York City
of Proposed Living Wage Mandate:
Key Findings

Prepared By:

Charles River Associates:

Labor & Employment Practice

Financial Economics Practice

Senior Consultants:

Dr. David Neumark

Dr. Timothy Riddiough

Dr. Anthony Yezer

Reviewer:

Dr. Daniel Hamermesh

Date: May 9, 2011

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1. Executive Summary

Charles River Associates (CRA) studied the impact of the living wage mandate proposed in New York City (NYC) (Int. 251-2010). We compiled comprehensive information on living wage laws in other cities, updated analyses to 2009, and simulated the impacts for NYC of the adoption of a typical living wage mandate which included coverage of recipients of business (financial) assistance from NYC. Our report includes two primary sections: the first presents our model simulations on the impact of the proposed mandate on real estate development in New York City. The second documents our findings for direct wage, employment, poverty and income assistance programs.

We conclude that the employment losses that could result from a decline in real estate investment in response to the living wage mandate are significant and differ throughout the Boroughs. These losses impact employees at all wage levels. Specifically:

- The costs of complying with the wage mandates, and the impacts on future development, are highest for development projects located outside of Manhattan. Even though the value of financial assistance typically is higher for projects located outside of Manhattan, this is not sufficient to outweigh the added costs.
- Our estimates suggest that approximately 33 percent of retail projects located in the Outer Boroughs, compared to approximately 24 percent of office projects located in Manhattan, would not proceed under current economic conditions as a result of the costs imposed by living wage mandates.
- The lower level of commercial development is associated with approximately 33 thousand jobs per year (at all levels of compensation), based on employment in 2006-2008 at sites with at least \$100,000 in assistance in at least one year.

The simulated direct labor market effects on NYC workers earning less than \$10 per hour should be interpreted as labor market and household income effects from the enactment of a “typical” business assistance living wage mandate that is found in other cities where living wage laws have been enacted. The results are as follows:

- Among workers earning less than \$10 per hour Citywide, the wage mandates would subtract or add \$0.01 to \$0.02 to average wages once employment losses are taken into account. Depending on the breadth of coverage, between 6,000 and 13,000 NYC residents would not be employed as a result of the enactment of living wage mandates. Between 1 percent (34,000) and 2 percent (62,000) of workers would receive average wage gains ranging from \$1.65 to \$1.67 per hour.
- Using the NYC poverty threshold published by the NYC Center for Economic Opportunity (CEO) in their March 2011 working paper, the simulations suggest that the wage mandates would decrease the fraction of households in poverty by between 0.01 and 0.02 percentage points. At the same time, the employment losses increase the fraction of households in extreme poverty (with earnings less than half of the NYC CEO poverty line) by between 0.05 and 0.12 percentage points.

Overall, the results show that while the number of workers receiving wage increases is higher than the number of workers experiencing job losses, the aggregate effect on the distribution of income is negligible. In other words, the simulations suggest that a living wage mandate should be understood as a redistributive policy where income losses for low skill-workers due to lower employment offset the income gains to low-skill workers due to higher wages. For this proposed legislation there are wider effects due to reduced real estate development and lost job opportunities at all levels.

2. Scope of Project

CRA was retained by the New York City Economic Development Corporation (NYCEDC) to undertake a comprehensive review and analysis of the economic impacts of living wage mandates. We were asked to examine the economic impact these living wage laws have had on labor markets and real estate development in other cities where the laws have been implemented, as well as the potential economic impact of the proposed living wage legislation on New York City (NYC) residents and NYC real estate development.

The scope of CRA's research was concentrated on five broad areas established in consultation with NYCEDC staff:

1) a review of the existing research on the impacts of living wage laws on labor market and real estate development outcomes, including a review of “before-and-after” studies and “impact” studies. This review provides perhaps the most comprehensive and current summary of research on living wages to date;

2) a review and catalog of living wage laws currently in effect in other U.S. cities. This review provides a comprehensive view of the breadth and depth of living wage adoption across the U.S. and, in particular, highlights the wide variation in types of living wage legislation (or ordinances) and the extent of coverage;

3) an analysis of the impacts observed from implementation of living wage laws in other U.S. cities. This analysis provides a baseline against which to assess the impacts of “typical” living wage legislative changes;

4) the development of a model to estimate the impacts of the living wage laws on real estate investment and development and the associated impacts on employment. This model utilizes specifics of the proposed living wage legislation and the New York real estate markets;

and, finally,

5) a simulation of the impacts of the proposed living wage on labor market outcomes and real estate development. This simulation combines the preceding elements and allows for an assessment of the likely impacts on employment, wages, and economic development investment levels.

For the project, CRA enlisted leading scholars in the fields of labor and real estate economics. The team responsible for the research included CRA Vice Presidents Dr. Marsha Courchane and Dr. Matthew Thompson, Dr. David Neumark (Professor, University of California-Irvine), Dr. Timothy Riddiough (Professor, University of Wisconsin-Madison), and Dr. Anthony Yezer (Professor, George Washington University). Dr. Neumark is a leading researcher in labor economics and has done some of the pioneering work on the labor market and poverty impacts of living wage laws. Dr. Riddiough is a past Chair of the Real Estate and Urban Land Economics department at the University of Wisconsin-Madison and the incoming President of the American

Real Estate and Urban Economics Association. Dr. Yezer is the Director of the Center for Economic Research at George Washington University and is one of the leading researchers in regional and urban economics. The team also solicited the participation of Dr. Daniel Hamermesh (Professor, University of Texas-Austin) to review the labor economics part of the report. Dr. Hamermesh is a Fellow of the Econometric Society, a research associate of the National Bureau of Economic Research, and a past President of the Society of Labor Economists. He authored *Labor Demand, The Economics of Work and Pay*, and a wide array of articles in labor economics. Dr. Riddiough, in addition to consulting throughout the process, also acts as reviewer of the final report, with an emphasis on the real estate section.

One important component of the research summarized here, which will be detailed in the full report, is the specific living wage mandate proposed for New York City. In particular, the draft legislation informs the determination of the parameters under which the simulations are conducted and this affects the measurement of the impacts on city residents and real estate development investment. The analyses summarized here were developed based on Int. No. 251-2010, a proposed administrative code amendment to local law. In the NYC specific proposal, the mandate includes coverage for recipients of “financial assistance.” In other studies and other cities this is usually referred to as a “business assistance living wage” mandate.

Recently, an amendment was made to the proposed law (as Int. No. 251-A) that would exempt from coverage certain otherwise covered employers including small businesses with less than \$1 million in annual revenue, projects with more than 75 percent of residential housing units classified as affordable housing, and non-profits. Because it would not affect a developer’s decision whether or not to move forward with a project, these changes would not impact the analysis of real estate development and the conclusions which flow from that analysis. The omission of affordable housing investments and not-for-profit employee coverage had already been factored into the models.

To the extent that this proposal would reduce the number of workers potentially subject to the living wage legislation, fewer low-wage individuals would be expected receive the higher living wage rate and fewer low-wage individuals would be expected to experience job loss. The impact

of the revised proposed law should be interpreted in context of the “higher” coverage and “lower” coverage alternatives summarized here and to be detailed in the full report.

3. Key Findings: Living Wage Mandates in Other U.S. Cities

The study documents that: a) living wage mandates are found in many cities within the 100 largest metropolitan areas; b) considerable variation exists in the characteristics of living wage legislation, including coverage of “contractors” and recipients of “business assistance”; and c) the NYC proposal significantly differs from laws enacted elsewhere on some key dimensions.

3.1 A Survey of Living Wage Mandates in Other Cities

For evidence of living wage laws, we examine 113 cities found in the top 100 most-populated metropolitan areas as of the 2000 Census. These metropolitan areas include most major cities in the U.S. such as New York City, Los Angeles, Boston, Chicago and Washington, DC, among others. Through our research, we identified 42 cities that had *some type* of living wage law in 2009, and for these cities we collected detailed information on the laws. Many of these laws have some characteristics that are similar to the law proposed for NYC. However, there are also some unique differences with the proposed law in NYC, particularly with respect to monitoring costs and penalties, making the proposed legislation the most extensive to date in any city that has been studied.

We also collect detailed, historical information on living wage laws for the 39 cities with living wage laws that are included in our empirical analyses (For some of the poverty analyses we use a broader set of cities; a total of 79 cities including those that have no living wage law.). The empirical analysis is done with individual-level data. However, as explained in the full report, the analysis requires the estimation of deciles and other percentiles of the wage distribution by metropolitan statistical area and consolidated metropolitan statistical area (MSA/CMSA), by month, and by year. To ensure a reasonable level of accuracy in doing this, we require that an MSA/CMSA had at least 50 observations of individuals age 16-70 in all months of the sample period from 1996 – 2009.

Because they are not the focus of our study, the full report will only briefly highlight differences between other types of wage floors (prevailing wages, and minimum wages) and living wage mandates.

3.2 Overview of Proposed NYC Legislation

The proposed living wage ordinance covers all workers employed by a covered employer, whether as an employee or a contractor, including those covered due to their status as recipients of financial assistance with a value of \$100,000 (over the lifetime of a project) or more from the city. Coverage is mandated when the assistance provided is for the improvement or development of real property, economic development, job retention and growth, or other similar purposes, and is provided either directly by the city, or indirectly by a city economic development entity and is in whole or in part at the expense of the city. In some of the estimates in our study, we use a \$100,000 threshold in a single year which leads to smaller estimated impacts. Coverage of projects with \$100,000 throughout the lifetime of a project would be more extensive.

The definition of financial assistance includes, but is not limited to, cash payments or grants, bond financing, tax abatements or exemptions. In the proposed living wage mandate, covered employees include not only those employed or contracted with by the financial assistance recipients directly, but also any employee of a “tenant, sub-tenant, leaseholder or subleaseholder who occupies real property that is improved or developed with financial assistance.” As such, the living wage ordinance proposed for NYC differs from that in other cities, particularly in terms of its transference of liability from only employers to the developers, landlords or owners of buildings that receive financial assistance.

In addition to requiring monitoring of their own employees, the living wage proposal requires developers to certify that no tenant or contractor on the premises violated the living wage. This would require extensive monitoring, examination of payroll records, and would, seemingly, require the means to take action against the tenant, contractor, or subleaseholder if such a violation occurred. The penalties for non-compliance, as stated currently, are severe. For two violations within a six-year period, where the financial assistance recipient willingly failed to ensure compliance, they may become ineligible for assistance for five years after the second violation. If the Comptroller does not take other action, a recommendation can be made that the

“city or the city economic development entity that approved the project or awarded the financial assistance shall take such actions as may be appropriate and provided for by law, rule, or contract, including, but not limited to: declaring the financial assistance recipient in default of the financial assistance agreement; imposing sanctions; or recovering the financial assistance disbursed or provided, including but not limited to requiring repayment of any taxes or interest abated or deferred.”

It is not clear how “willingly failed to ensure” would be interpreted or why or when the Comptroller would take this action, but it poses a clear risk that for any two violations in a six-year period, the entire financial assistance subsidy, including the funds already received, would be placed at risk.

4. Key Findings: The Real Estate Market

This section reports the study’s key findings on the impact of the living wage mandates proposed in NYC on the volume of investment for economic development and the implications for employment. In deriving our results, we adhere to the extent possible to the specific provisions of the NYC legislative proposal. Our analysis is based on real property tax abatements for investments in commercial real estate because they account for the majority of employment potentially covered by the mandates and represent a sizable share of tax expenditures for economic development in NYC.

The results presented indicate the extent to which the wage mandates proposed in NYC represent a cost imposed on real estate investments in terms of the volume of development and the impacts on employment. It also provides information on the types and locations of investments most likely to be affected.

4.1 Summary of findings

The first set of results focus on the effects that the NYC living wage mandates would have on future real estate investments for six prototypical development projects located throughout the city. The second set of results focus on the implication for employment and wages. In either

case, the effects would emerge slowly over time because coverage is restricted to new recipients or renewals of business assistance.

4.1.1 Real estate investment impacts

Our analyses indicate that the monitoring costs and contingencies required for financing projects that result from imposition of the proposed wage mandates would almost always exceed the value of financial assistance. Therefore, some investments that would have previously gone forward with financial assistance would no longer be financially feasible. The reduction in real estate investment would be concentrated outside of the central business districts located in Manhattan. Only the investments remaining financially feasible without assistance would be likely to proceed, if still competitive relative to other geographic locations.

4.1.2 Employment and wage impacts

As a result of diminished real estate investment, aggregate employment in NYC is likely to decline. Such job losses are spread among workers at all levels of compensation and wages. At the same time, real estate investments remaining competitive and financially feasible would opt out of financial assistance to avoid coverage by the mandates. The results of the simulations show that the estimated impact of the proposed living wage mandates is to reduce aggregate employment without raising the wages of low-skill workers as development is either curtailed or moves forward without the financial assistance that would impose living wage coverage requirements.

4.1.3 Key findings

The key findings of the real estate analysis are as follows:

1. The costs of complying with the wage mandates are highest for development projects located outside of Manhattan. Even though the value of financial assistance typically is higher for projects located outside of Manhattan, this is not sufficient to outweigh the added costs.

For instance, based on our summary of net returns, a typical retail project located outside Manhattan would receive slightly more than \$60 in financial assistance per square foot but would bear costs of slightly over \$100 per square foot associated with the living wage mandate. In

contrast, an office renovation project in Midtown Manhattan would receive \$13 in financial assistance but the additional costs imposed would be about \$17 per square foot. The higher retail costs outside Manhattan flow from both the higher expected numbers of employees that would be subject to the living wage and from higher search costs to find tenants willing to comply with living wage mandates.

2. The impact on future development is expected to be highest outside of Manhattan's central business districts. Our baseline estimates suggest that approximately 33 percent of retail projects located in the Outer Boroughs would not proceed under current economic conditions as result of the costs imposed by living wage mandates compared to approximately 24 percent of office projects located in Manhattan.

3. As a result of lower investment, commercial development that does not proceed, but that would otherwise have gone forward absent the living wage mandate, is associated with approximately 33 thousand jobs per year (at all levels of compensation), based on employment in 2006-2008 at sites with at least \$100,000 in assistance in at least one year.

4.2 The Real Estate Literature

Unlike the labor economics literature, there has been little, if any, attention paid to the impacts on real estate investment and development due to living wage mandates. There is no database constructed from other cities to inform the real estate analyses. This required that the approach taken be firmly based on the evidence from the economic development literature and from a sound theoretical model.

Before analyzing proposed changes to current economic development programs in NYC, we examined the rationale for the current efforts to encourage real estate development in the city. In particular, it is instructive to draw lessons from three different areas of the academic literature. First, Wheaton, Baranski, and Templeton (2009) have constructed a repeat sales commercial property price index for Manhattan covering the entire 20th century. They find that real estate income and value, while bearing considerable risk and volatility, does little more than keep pace with long-run inflation. Given their findings, financial assistance may be needed to encourage investment.

Second, Haughwout, Inman, Craig, and Luce (2004) have estimated a model which implies that commercial property tax rates in the City are higher than the rate at which property tax revenue would be maximized. In fact, our theoretical models, following a method proposed by McDonald (2008) confirm these estimates. It appears that effective commercial property tax rates in the City are sufficiently high that they act as a major impediment to further real estate development. This has been borne out elsewhere. In a major study of Chicago, Dye, McGuire, and Merriman (2001) find that higher property tax rates in the city result in significantly slower growth rates for employment, as well as commercial and industrial property.

Third, there is an academic literature on the economic effects of tax abatement programs which suggests that these efforts are effective in encouraging additional real estate investment. NYC is in competition with other large cities and particularly with neighboring jurisdictions that provide significant financial incentives to attract new development or lure existing enterprises to relocate. Therefore, current programs to encourage real estate development in NYC, primarily through temporary property tax abatement, should be viewed as an attempt to offset both the high rate of effective property taxation on commercial property and the incentives offered by surrounding jurisdictions – in other words, to create a level playing field for investment and job creation in NYC.

4.3 Our Approach

The current living wage proposal for NYC imposes wage floors, reporting requirements, and potential sanctions on developers and owners of buildings receiving temporary tax abatements and/or other forms of assistance. Developers can avoid coverage by declining financial assistance. The mandate proposed raises the cost of real estate development in NYC and diminishes the attractiveness of current development support in NYC compared to what is offered in other areas that lack, or have less stringent, living wage mandates. Accordingly, the NYC proposed mandate will tend to lower development and associated job creation in the same manner as would a reduction in the size or period of temporary tax abatements.

We provide estimates of the likely magnitude of that attenuation. A number of separate steps were involved in the construction of these estimates. First, we developed a formal model of the real estate development decision. Second, we developed prototypical (pro forma) models that

allowed for the consideration of guidelines for the current Industrial and Commercial Abatement Program (ICAP). We calibrate inputs to the pro formas from a wide variety of publicly and privately available sources. When possible, we identified multiple sources to support each calibration decision. Given that ICAP treats development projects differently based on property type and location, we built significant flexibility into this model. Third, we modified the pro forma models to account for estimates of the costs from compliance with the living wage including reporting requirements, wage costs, and potential penalties. This phase involved significant modification of standard real estate models and consideration of the fraction of workers likely affected based on development type and location.

Based on these theoretical models, three pro formas were developed for each property type and location studied: office renovations and gut renovations in Midtown and Downtown Manhattan, office new construction in the Outer Boroughs, and retail new construction in the Outer Boroughs. Renovations reflect a renovation from a Class B office building upgraded to become a Class A office building. For the gut renovations, we assume the existing office building to have very low rents relative to the remodeled building, with construction efforts being similar to new construction and resulting in a significant increase in square footage from 250,000 to one million. As shown in the full report, these property types in these locations comprised around 60 percent of projects with financial assistance (based on historical Industrial and Commercial Incentive Program (ICIP) information).

From these pro formas, we compute the net return to development in the absence of ICAP, with ICAP provisions as currently defined, and with ICAP and the projected living wage costs imposed. CRA based the value of each development proposal on the discounted present value of net operating income over the next thirty years less costs of construction.

The economic development effects of the proposed living wage proposal fall into one of four categories:

- 1) Projects that would be developed with ICAP continue to be developed with ICAP and living wage coverage because their net valuation is both positive and higher under ICAP and living wage coverage than in the absence of ICAP.

- 2) Projects that would be developed under ICAP are substantially modified but still developed with ICAP and living wage coverage because their net valuation with modification is both positive and greater than in the absence of ICAP.
- 3) Projects that would have been developed with ICAP assistance are developed but without ICAP assistance because their net value in the absence of ICAP is both positive and greater than it would be with ICAP assistance but with living wage coverage.
- 4) Projects that would have been developed with ICAP because they had a positive valuation are abandoned because their value without ICAP or with ICAP but living wage coverage is negative.

Another possibility is that the project has negative net value under all three alternatives and would not be undertaken. The fact that such projects are abandoned has nothing to do with the living wage proposal because they are not financially attractive under any alternative, even with ICAP assistance.

4.4 Analysis of Real Estate Development Impacts

We analyze the potential impacts of living wage legislation on commercial development activity and the associated impact on employment levels. While living wage floors may yield financial benefits for some workers employed at covered sites, it also imposes costs to those investing or contemplating investment in New York City development and of the jobs that might have been created by those investments. Direct costs to development include charges associated with rent discounts because of increased wages, increased operating expenses related to reporting and monitoring requirements, and higher costs of capital connected with potential loss of either or both rental revenue and tax abatements. The impacts we measure are conservative in two respects. First, the analysis predominantly considers direct effects, and does not measure spillover effects, such as the impact on construction jobs, or welfare effects. Second, we measure only impacts from office and retail development, and do not consider impacts from hotel or industrial development. We discuss our three main conclusions, in turn, below.

- **Costs associated with the NYC living wage mandate tend to offset the current value provided by financial assistance.**

As mentioned above, the effects of the living wage proposal on real estate development projects fall into one of four categories: (1) Projects that would be continued to be developed with financial assistance even with living wage coverage; (2) Projects that would be developed, albeit with substantial modification, with financial assistance and living wage coverage; (3) Projects that would have been developed with financial assistance are developed, but without financial assistance; and (4) Projects that would have been developed with financial assistance are abandoned. Our models indicate that costs associated with the living wage provision tend to negate the benefits provided by financial assistance. This implies that under the proposed living wage mandate for NYC, most projects will fall into the latter two categories, resulting in development without financial assistance (and hence without increases in wages of low-wage workers) and reduced investment and associated job losses, particularly in the Outer Boroughs where financial assistance would otherwise be required.

For this study, perhaps more important than the magnitude of the net return is the relationship between development without ICAP, with ICAP, and with ICAP and living wage coverage mandated. Table 1 includes a summary of the “development strategy” implied by the real estate models by comparing net return among the three scenarios. It is important to note that these results are based on an average, “base” building in each of these areas, using 2010 estimates for many economic conditions, and do not represent the profitability of all development in these areas. Our full report will include extensive robustness checks that allow for variance in key inputs and assumptions. Although we find that the profitability and net return vary substantially under different sensitivity analyses, a common ordering persists: development with financial assistance (IC) is preferred to development without financial assistance (No IC), which is preferred to development with financial assistance and living wage coverage (IC+LW).

Table 1: Development Strategy by Area and Type of Development

| Area/Type | Development | Development Strategy IC = ICAP LW = Living Wage |
|-----------------------|------------------|---|
| Midtown Office | Renovation | 0 > IC > No IC > IC+LW |
| | Gut Renovation | IC > No IC > IC+LW > 0 |
| Downtown Office | Renovation | 0 > IC > No IC > IC+LW |
| | Gut Renovation | 0 > IC > No IC > IC+LW |
| Outer Boroughs Office | New Construction | 0 > IC > No IC > IC+LW |
| Outer Boroughs Retail | New Construction | 0 > IC > No IC > IC+LW |

Results of the pro forma models indicate that responses (3) and (4) predominate, even after varying a number of key inputs and assumptions. The general reason for this result is that the costs associated with the living wage proposal would negate the advantages of current ICAP property tax abatement. This may lead to a fall in development undertaken in NYC. Some projects would still be undertaken under alternative (3), without financial assistance. However, because this development occurs in the absence of assistance, these projects would not be subject to living wage coverage, and would therefore not benefit low-wage workers. In Table 1, the only projects that would be viable are those for gut renovations in Midtown Office buildings. In the model, when we allow for variance in rent or construction costs, among others, other projects such as Midtown renovations and Outer Boroughs retail also would be profitable.

4.5 Real Estate Development Implications for Employment

The living wage mandate is likely to have, as it is currently proposed, important implications for employment through its effects on real estate development. There are two potential direct effects to employment because of real estate development considerations. First, some projects that would have been developed with financial assistance will be developed, but without financial assistance. The increased costs of development without financial assistance may have some distortionary effects on tenant mix and rents which may generate employment loss. As well, tenants in these buildings will not be covered by the living wage.

Second, the real estate models indicate that some projects that would have been developed with financial assistance do not go forward at all, because they are not financially viable without financial assistance, but the additional costs associated with the living wage mandate render the projects not viable even with financial assistance. This can lead to job loss in NYC if employers, who would have otherwise occupied these buildings, no longer locate in NYC.

We undertake a number of strategies to estimate potential employment effects. Based on the pro forma models, we calculate “break-even” rents, defined as the minimum rent required for the modeled project to be profitable, holding other assumptions and inputs constant. We then compare these break-even rents against distributions of observed rents from multiple sources to estimate potential employment loss based on the expected feasibility of projects, given current economic conditions for each property type and location studied. In a second method, we focus specifically on projects that received financial assistance in the past and calculate potential employment effects based on a reduction in buildings developed with financial assistance. Because our models indicate that, based on current economic conditions, office development in Downtown Manhattan and the Outer Boroughs will be limited, our analysis is focused on Midtown Manhattan office and Outer Boroughs retail establishments.

We use data from the Quarterly Census of Employment and Wages (QCEW) for 2006-2008 to estimate total employment in buildings for each property type and location studied. Over the entire 2006-2008 time period, we observe a total of approximately 1.8 million workers in Midtown office buildings, with about 260,000 in buildings that received financial assistance greater than \$100,000 (such a group of buildings would be covered under the proposed living wage legislation). In Outer Boroughs retail establishments and over the same time period, we observe a total of around 560,000 workers, with almost 110,000 in buildings that received financial assistance greater than \$100,000. We estimate that commercial development that does not proceed because of the potential costs from the imposition of the living wage mandate could be associated with 33,000 to 100,000 jobs across all compensation levels. If this employment does not shift to other locations in NYC, this represents a direct loss of employment per year.

4.6 A Tradeoff between Benefits and Costs

Our second conclusion focuses on the tradeoff between the benefits to some workers compared to the costs to developers.

- **Benefit/cost ratios of the living wage proposal for development projects that are likely to be undertaken are very low, while development projects with higher benefit/cost ratios are unlikely to go forward.**

A primary tool for evaluating a proposed policy change is through the use of cost-benefit analysis. In this study, we compute a direct benefit/cost ratio by comparing the direct benefits of increased wages of workers covered by the living wage to the costs to developers of complying with the living wage mandate, as measured by the change in their net returns from investing in projects with or without the living wage mandate. There is a substantial range in the benefit/cost ratios across development types and locations ranging from a low of 0.05 to a high of 0.96. The development projects that have are likely to be profitable under the living wage mandate have very low benefit/cost ratios (Midtown Office gut renovations) while those with higher benefit cost ratios (Outer Borough Retail) are unlikely to proceed. In the full study, the robustness checks indicate that in good economic conditions, some Midtown Office and Outer Borough retail development would occur but downtown office or Outer Borough office development is unlikely to occur. Midtown gut renovations would most likely continue to take place. Under the living wage mandate in NYC, the low-wage workers most likely to benefit would be employed in the locations and the types of buildings that have, historically, benefited from financial assistance. If those projects do not proceed, then there are few workers who will benefit and many that may be harmed when the employment opportunities that would otherwise materialize are forgone.

In the analysis, we consider the wage increases to low-wage workers to be the measure of benefits, and the cost measure to be the difference in the value of the project with financial assistance compared to the value of the project with financial assistance and mandated living wage coverage. This calculation includes only direct benefits and costs and does not consider any indirect benefits or costs associated with the legislation, although many may exist. Table 2 includes a summary of these benefit/cost ratios. Two results are apparent from the table. First,

there is a substantial range in the benefit/cost ratio across development types. The benefit/cost ratio is “very low” (less than 0.1) for some classes of projects such as Midtown gut renovations and Downtown gut renovations. The ratio is “low” (0.2 to 0.7) for other classes of projects including Outer Boroughs office and retail and Midtown renovations. Downtown Manhattan renovations have a benefit/cost ratio of almost 1, in large part because foregone financial assistance benefits are relatively small per square foot in the base model. Second, some of the projects that are most likely to overcome the cost hurdles imposed by the mandate are precisely the projects for which the benefit/cost ratio is very low. For example, the Midtown Office gut renovation, indicated in Table 2 as the type of project most likely to continue, has the lowest ratio of benefits to costs.

Table 2: Benefit/Cost Ratio by Area and Type of Development

| Area/Type | Development | Wage Increases to Low-wage Workers | Difference in Project Value | Benefit/Cost Ratio |
|-----------------------|------------------|---|--------------------------------|-----------------------|
| Midtown Office | Renovation | 3.54 | -17.15 | 0.21 |
| | Gut Renovation | 3.31 | -60.39 | 0.05 |
| Downtown Office | Renovation | 4.66 | -4.86 | 0.96 |
| | Gut Renovation | 4.19 | -45.34 | 0.09 |
| Outer Boroughs Office | New Construction | 34.18 | -70.00 | 0.49 |
| Outer Boroughs Retail | New Construction | 67.18 | -102.45 | 0.66 |

4.7 Location of Investment and Job Creation

A third conclusion derived from the real estate analysis compares the economic impact of the imposition of a living wage mandate to the loss of development funding for NYC.

- **The living wage proposal will tend to lower development in NYC in a manner similar to that observed from reducing the size or period of temporary tax abatements.**

As mentioned, current programs that encourage real estate development in NYC, primarily through temporary property tax abatement, should be viewed as an attempt to offset the high rate of effective property tax on commercial property and incentives offered by surrounding jurisdictions. The current programs are targeted to vary by location in NYC and by the type of real estate development (office, retail, hotel or industrial). Costs imposed by the current living wage proposal raise the cost of real estate development, diminish the attractiveness of current development support in the City, and reduce the number of jobs which can be created through these types of investments. The historical spatial pattern of projects which received financial assistance demonstrates that the areas of the city where current financial assistance activity has been most successful are areas where low-wage employment is relatively small. This suggests that projects that will not go forward because of the costs imposed by the living wage may be concentrated in areas where development projects have faced the greatest hurdles. In other words, those areas which are the most challenged in terms of attracting real estate investment and jobs will be the areas which likely suffer most from the imposition of the proposed living wage mandate.

NYC includes remarkably diverse real estate markets. Current real estate development programs recognize this diversity by applying different types and degrees of incentives across NYC and by type of property. This suggests two important possibilities. First, there is a spatial dimension to the effects of current policies which implies that the policies have been more successful in promoting real estate development in some areas than others. Second, the effect of the living wage mandate proposed for NYC may also have a spatial dimension, as the fraction of the workforce that might be affected by the proposal could vary spatially and by property type. These two spatial dimensions will interact.

Our spatial analysis indicates that only retail projects are widely distributed across NYC, and, of course, these have declined recently with the recession. Trends in other types of activity for projects with development incentives have tended to involve concentration in areas where

activity was high in the past. Office activity just south of the 59th Street boundary is a particular example of this concentration. In terms of the typology of projects developed here, these areas where development projects have persisted and even accelerated during the recent decline in economic activity are most likely locations where a higher fraction of the projects are super-marginal and could exist without financial assistance. Alternatively the areas where activity has historically been low and/or has been decelerating are locations where development is more likely to be sub-marginal – projects which most need assistance in order to attract investment.

The proposed living wage mandate will have a greater effect on development in areas where a higher percentage of the current wage distribution is close to or below the threshold wage. For example, the fraction of office workers who might be affected by the living wage ordinance outside Manhattan is approximately twice that of workers in Manhattan. Recalling that financial assistance for office development appeared to be concentrated in Manhattan, this result means that the proposed living wage mandate will have a small effect in areas where office projects proceed with the least difficulty, or have the least need of financial assistance. The effect of the proposal will be most pronounced in locations outside Manhattan where, even with the current levels of financial assistance through tax abatement, office projects are difficult to develop, or where current projects are not viable without assistance. The potential effects of the living wage proposal in retail are larger, because of the higher percentage of employees currently paid below the living wage floor. The spatial pattern of this effect is, as was the case with office workers, most pronounced outside of Manhattan.

5. Key Findings: Labor Market Impacts

Having analyzed the likely real estate impacts and associated employment impacts of the *specific* living wage mandate proposed for NYC, next we analyze the impacts of more typical living wage mandates observed in other cities, and examine the implications of those for NYC.

5.1 Empirical Evidence on Living Wage Mandates in Other Cities

This section reports the study's key findings from the statistical analysis of historical data from U.S. cities that enacted living wage mandates including business assistance clauses (referred to as business assistance living wage mandates) and those that did not. Questions addressed

include the extent to which the living wage legislative efforts raised the wages of low-skill workers; whether the living wage mandates led to employment declines among low-skill workers; and whether the mandates reduced the number of households below the Federal poverty line or lowered participation in key income support programs. We present two sets of results. The first set focuses on employment and wages of low-skill workers. The second set focuses on low-income households, their poverty status and their participation in income-support programs.

5.1.1 Workers

The empirical evidence indicates that living wage mandates with business assistance clauses are associated with lower employment among low-skill workers. The estimates of negative employment effects are statistically robust. The mandates may also have increased wages for low-skill workers who remained employed, but the estimates are not statistically robust.

5.1.2 Households

There is some evidence to suggest that living wage mandates with business assistance clauses may have caused a reduction in the number of households with earnings below the Federal poverty line, but the effect is not statistically robust. The mandates also decreased household participation in income-support programs, therefore offsetting to some extent the increase in household earnings caused by the mandates.

5.1.3 Key findings

The key findings of the labor market analyses are as follows. A living wage mandate with business assistance clauses that is set at twice the level of the minimum wage would:

1. Decrease employment among the lowest-skill workers by 5.5 percent. This would imply a 2.1 percent decrease for NYC where the proposed living wage is roughly 38 percent above the current minimum wage. These workers would not be able to find employment and would have no earnings.
2. Increase the average wage of the lowest-skill workers by 5.1 percent, or 1.9 percent based on a 38 percent increase above the minimum wage. The empirical evidence shows that the effect of wage gains for the average low-skilled worker is not statistically different from zero. Our

interpretation of the evidence is that the wage gains are concentrated among the fraction of low-skilled workers that are able to find employment and are employed at sites covered by the wage mandates. When such wage gains are averaged across the whole population of low-skill workers (workers that may or may not be hired by employers covered by the mandates) the wage gains cannot be statistically detected with precision.

3. Reduce the fraction of households below the Federal poverty line by between 2.4 and 4.1 percentage points, or between 0.9 and 1.6 percentage points based on a 38 percent increase above the minimum wage. The empirical evidence shows that the estimated size of the change varies across samples and time periods and in some cases it is not statistically different from zero. Some of the workers receiving wage gains are in households that were below the Federal poverty line before the enactment of the mandates and above the poverty line after the enactment of the mandates. Our interpretation for the reduction in poverty is that some households may have moved from just below the poverty line to just above the poverty line. While some households found themselves above the poverty line, other households may have moved to just below the poverty line or moved into further poverty due to lower employment resulting from the enactment of the wage mandates. But the net effect may suggest reductions in poverty.

4. Reduce the probability that families receive welfare, live in public housing or receive energy assistance. The estimates also suggest they reduce payments from welfare or food stamps, but these estimates are small and very imprecise. Because of the small effects and imprecise findings, these results will be covered in the full study but are not presented in this key findings report.

5.2 The Labor Economics Literature

Since the implementation of living wage laws, there has been a significant amount of labor market research conducted on the impacts from those laws. Some of this research has conducted “before-and-after” studies similar to those done by Adams and Neumark (2003), while others have conducted “impact” studies similar to those done by Pollin (1998, 2008). Much of this research was conducted published prior to 2006, with limited work being completed more recently. The labor market analyses conducted in this study have both a “before-and-after” component and an “impact” component. The literature review in the full report will address the

qualities and criticisms of both types of studies with the goal of providing a thorough discussion and assessment of all of the research on living wages. The discussion is, however, more detailed with regard to the type of empirical analysis that we use – in particular, “before-and-after” analysis of a large number of U.S. cities that implemented living wage laws. This panel data approach provides the only realistic way to draw conclusions from the experience of all major cities that have implemented living wage laws, in a manner that allows a researcher to study a large number of outcomes of interest (wages, employment, family income, receipt of government benefits, etc.).

5.3 Our Approach

In order to investigate empirical evidence on living wage mandates in other cities, we proceed in four steps. First, we report evidence on estimated wage and employment effects. Second, we report evidence on effects of living wages on family incomes. Third, we describe findings on how living wage laws affect participation in income-support and other programs available to low-income families. As indicated earlier, there are few, if any, U.S. cities with living wage mandates closely comparable to the NYC proposal. Therefore, the statistical analysis in this section is best interpreted as providing a baseline of the average or “typical” labor market and income effects of business assistance living wage mandates. As a consequence, the estimates of NYC-specific impacts deriving from the introduction of business assistance living wage mandates provide baseline labor market and income effects that are not fully reflective of the characteristics of the proposed NYC legislation.

5.4 Impact of Living Wage Mandates in Other Cities on Employment and Wages

Extending the sample period of previous living wage studies through 2004 shows that, for any living wage law, and for living wage laws applying to those receiving some form of business assistance, the estimated wage effects are smaller, and the effect for business assistance living wage laws, as compared to the earlier work by Neumark and Adams which covers the period through 2002, is no longer statistically significant. (The CPS data we use extend beyond 2004, but the identification of metropolitan areas after 2004 change in such a way that it becomes difficult to accurately measure living wage laws by metropolitan area after that year. Results for the period through 2009 will be provided in the full report.) This does not imply that there is no

effect on wages. Rather it implies that the estimated coefficient, which indicates that a 100 percent increase in the living wage increases wages in the bottom decile of the wage distribution by 5.1 percent, is not statistically significant, so we are less sure that the true effect differs from zero.

For employment effects, in contrast, the evidence is statistically significant. The effect of increasing the living wage by 100 percent reduces employment by 5.5 percent (for business assistance living wage laws), and by 5.2 percent for living wages overall. For contractor-only living wages, the disemployment effect is 4.8 percent. In other words, we consistently find statistically significant evidence of employment reductions for all types of living wage laws, the largest of these effects occurring for business assistance living wage laws of the kind proposed for NYC.

It is important, however, to interpret the statistical evidence correctly. The evidence does not say that there are disemployment effects but *no* wage effects. The best estimate is still that wages increase; rather, the evidence is just imprecise. Thus, relative to earlier research by Adams and Neumark, there is now stronger evidence of disemployment effects, and it is not only limited to business assistance living wage laws. There is weaker evidence of wage effects.

Table 3 presents the estimated effects of living wages on log wages and employment for the lowest decile of wages or predicted wages (for employment effects). The living wages are defined for the MSA/PMSA level as in previous studies and are updated to 2004.

Table 3: Estimated Effects of Living Wages on Log Wages and Employment
 (Estimates report the percent change resulting from a 100 percent increase from the minimum wage)

| | Neumark and Adams 2003 1996-2002 | | 1996-2004 | |
|---------------------------------------|-------------------------------------|---------------------|------------------|---------------------|
| | (1) | (2) | (3) | (4) |
| Dependent variable: | Wages | Employment | Wages | Employment |
| All Living wage laws: | | | | |
| Log living wage, lagged 12 months | 0.034 (0.031) | -0.061** (0.019) | 0.037 (0.034) | -0.052** (0.017) |
| Business assistance living wage laws: | | | | |
| Log living wage, lagged 12 months | 0.070* (0.037) | -0.073** (0.021) | 0.051 (0.041) | -0.055** (0.023) |
| Contractor-only living wage laws : | | | | |
| Log living wage, lagged 12 months | -0.016 (0.040) | -0.043 (0.032) | 0.020 (0.056) | -0.048** (0.023) |
| N | 44,588 | 90,695 | 53,038 | 109,725 |

** (***) superscript indicates estimate is statistically significant at five-percent (ten-percent) level. All specifications have city-specific trends.

5.5 Impact of Living Wage Mandates in Other Cities on Household Income

We also review evidence from other cities to examine whether living wages help or hurt low-income families. Even if living wages do entail job loss – as the evidence suggests is the case – the wage gains for some workers, and possibly many more workers than are likely affected by job loss, imply that many more families are likely to experience income gains than income losses. That, in itself, does not tell us much about how a living wage will affect the distribution of family incomes, because this depends on where the workers who win and lose are in the distribution of family incomes, and by how much they gain and lose. In particular, for the same degree of job loss and wage gains for workers, the implications for the family income distribution could be quite different depending on the families to which the gains and losses accrue. Since we do not know these adjustments until after they have occurred the actual distribution changes can only be determined in the type of “before-and-after” analysis discussed here.

To determine the impact of living wages on family incomes, we need to estimate models paralleling those for wages and employment, but with family income measures as the outcomes of interest. These models allow us to determine how the various – and possibly complicated – wage, employment, and other effects (such as changes in hours worked) impact individual workers and the families of which they are members. We study a number of outcomes, including whether families' incomes are above or below the poverty threshold, as well as multiple of that threshold (both greater than and less than one). Because part of the interest in living wages is how they affect families' participation in other income-support programs, we also estimate models for these outcomes, including public assistance (welfare), food stamps, free or reduced-price hot lunches for children, public housing, and energy assistance.

Table 4 provides results on whether living wages generally reduce the *probability* that families are poor. The analyses reported in this table parallel those reported for wages and employment earlier. Note, though, that these models are estimated for the full sample, not the lower decile of the wage or skill distribution (or other ranges), and are estimated using the March CPS data. As a point of comparison, Column (1) repeats the estimates from previous work done by Adams and Neumark (2005b), who found that living wages reduce urban poverty. The estimates are negative for living wages generally and for business assistance living wages (although the point estimate is larger for contractor-only living wages). To interpret the estimates, the -0.024 estimate for business assistance living wage laws, for example, implies that a 100 percent increase in this type of living wage reduces the poverty rate by 2.4 percentage points.

Columns (2) and (3) report the results for the restricted sample (79 cities), and then with city-specific trends. Business assistance living wage laws being the only types of living wage laws associated with decreases in poverty that are statistically significant over the period through 2001. Extending the sample period to 2003 (column 4) results in small estimated reductions in poverty for business assistance living wage mandates, and is no longer statistically significant.

Table 4: Estimated Effects of Living Wages on Probability that Family is Poor, Prior Estimates and Re-estimations

| | 1995-2001 | Restricted to 79 MSAs/PMSAs, Corrected Living Wage Laws, 1995-2001 | | Column (3) Updated, 1995-2003 | 1995-2003, Earnings | Larger sample of MSAs/PMSAs, 1995-2003 |
|---------------------------------------|---------------------------------------|--|----------------------|-------------------------------|----------------------|--|
| | Previous Estimates, Restricted Trends | Restricted Trends | City-specific Trends | City-specific Trends | City-specific Trends | City-specific Trends |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Sample mean | | 0.179 | 0.179 | 0.181 | 0.268 | 0.180 |
| All living wage laws: | | | | | | |
| Log living wage, lagged 12 months | -0.035** (0.013) | -0.024 (0.017) | -0.019 (0.016) | -0.008 (0.016) | -0.018 (0.013) | -0.007 (0.016) |
| Business assistance Living wage laws: | | | | | | |
| Log living wage, lagged 12 months | -0.024* (0.013) | -0.027 (0.022) | -0.041* (0.021) | -0.035 (0.022) | -0.029 (0.020) | -0.034 (0.022) |
| Contractor-only living wage laws : | | | | | | |
| Log living wage, lagged 12 months | -0.038 (0.025) | -0.012 (0.024) | 0.012 (0.023) | 0.021 (0.020) | -0.007 (0.017) | 0.022 (0.020) |
| N | 142,421 | 115,818 | 115,818 | 157,048 | 157,048 | 159,535 |

Poverty is defined in terms of total income, except in column (5). The estimates in column (1) and (2) are from Adams and Neumark (2005b, Table 5 and 4). Estimates are weighted by family sample weights. There are 91 MSAs/PMSAs in column (6); where we do not impose the same data sufficiency requirement on the employment and wage samples. ** (***) superscript indicates estimate is statistically significant at five-percent (ten-percent) level.

Columns (5) and (6) report some alternative estimates. Column (5) reports estimates using earnings instead of income – so these estimates can be interpreted as indicating whether a higher living wage helps families *earn* their way out of poverty, without taking account of other sources of income such as transfers and welfare payments. There is no explicit prediction. For those who lose jobs, earnings will fall by more than income, since some government programs might kick in. For those whose earnings increase, transfer/welfare payments might fall. Finally, column (6) shows the poverty results for the larger sample that does not restrict attention to the subsample of MSAs/PMSAs for which we do the wage analysis. The results are very similar. In

general, business assistance living wage laws appear to reduce poverty. This parallels earlier findings. However, the statistical significance of this effect is not robust, and varies with sample and specification.

5.6 Simulation of Effects of Living Wage Mandates in NYC

This section reports the study's key findings from the simulations of labor market and household income effects derived from the enactment of a business assistance living wage mandate in NYC.

Where feasible and appropriate, the simulations make use of the empirical evidence on living wage mandates in other cities, in particular utilizing the size of employment declines among low-skill workers. Therefore, given the estimated coverage, the findings in this section should be interpreted as labor market and household income effects from the enactment of a "typical" business assistance living wage mandate. Such effects would unfold slowly over time as coverage is restricted to new recipients or renewals of business assistance.

The analysis is tailored to the characteristics of the workforce, business assistance programs, poverty thresholds and income-support programs in NYC. The simulations are based on estimates of the share of workers that would be covered by the wage mandates by industry and borough of residence based on employment at buildings that received real property tax exemptions of various types in the past. Coverage is modeled following as much as possible the provisions of the NYC proposal and varying the assumptions on the breadth of the mandates to provide a range of estimates. The simulations provide labor market and household income estimates focusing on the population of workers with wages below the mandated level.

It is important to realize that some of the specific provisions of New York City's proposed legislation have additional, potentially more adverse implications for the labor market, which could lead to significantly steeper job losses at all levels of the wage distribution and significantly lower wage and income gains for low-skill workers and their households, as reported in Section 4.

5.6.1 Summary of quantitative findings

As with the analysis of other cities, one set of results focuses on employment and wages of the lowest-skill workers. The second set of results focuses on low-income households, their poverty status, and the change in aggregate household income taking into account changes in participation in income-support programs.

5.6.2 Workers

The simulations show that among workers earning less than \$10 per hour citywide, the wage mandates would subtract or add \$0.01 to \$0.02 to average wages once employment losses are taken into account. The simulations show that, depending on the breadth of coverage, between 6,000 and 13,000 New York City residents would not be employed as a result of the enactment of living wage mandates. Between 1 percent (34,000) and 2 percent (62,000) of workers would receive average wage gains ranging from \$1.65 to \$1.67 per hour.

5.6.3 Households

Using the New York City poverty threshold published by the NYC Center for Economic Opportunity (CEO) in March 2011, the simulations show that the wage mandates would decrease the fraction of households in poverty by between 0.01 and 0.02 percentage points (for example, changing from 10 percent to between 9.99 and 9.98 percent).

At the same time, the employment losses increase the fraction of households in extreme poverty (with earnings less than half of the NYC CEO poverty line) by between 0.05 and 0.12 percentage points.

Overall, the results show that while the number of workers receiving wage increases is higher than the number of workers experiencing job losses, the aggregate effect on the distribution of income is negligible. In other words, the simulations suggest that a living wage mandate should be understood as a redistributive policy where income losses for low skill-workers and their families due to lower employment by and large offset the income gains to low-skill workers and their families due to higher wages.

5.7 Our Approach

The goal of the simulation is to provide a detailed description of workers and families that could be affected by the proposed living wage law, and estimates or projections of how they would be affected. The description and the projections are principally focused on labor market outcomes, but also on income-support and other programs for which workers and families are potentially eligible, and how eligibility or levels of support could be affected by projected changes in labor market outcomes. This analysis requires multiple inputs, including data on NYC workers, families, and business establishments, estimates of effects of living wage laws that are applicable to New York City, and information on income-support and other programs available to New York City residents and how eligibility and benefit levels are determined. The estimates of employment effects of living wage laws, where appropriate, come from the empirical evidence on other living wage laws seen in our large sample of U.S. cities and discussed previously. These may therefore be thought of as the impacts of a “typical” living wage law. The other inputs – including the data used for NYC – have not been described before. We briefly discuss the sources of data and other information we use, before explaining our methods and reporting our findings.

The data used to identify workers employed at sites that have received assistance contain information on the number of workers employed at a particular site, but do not indicate who among those workers actually reside in the city. The CPS data do not contain the detail necessary to identify those who work and/or live in one of the five boroughs. However, data from the American Community Survey (ACS) contain borough level data on individuals that record where the individual lives and works, as well as basic household characteristics. This information can be used to construct a detailed portrait of the NYC workforce and the population affected by the proposed living wage law. In addition, we use the ACS to identify workers based on their wage levels, their industry and borough of employment, their place of residence, and the characteristics of the other members of their families. We then incorporate into the analysis our estimates from CPS data to predict effects of the proposed living wage on workers and families in NYC – and in different parts of NYC. For workers we project effects based on wages. For families we provide projections based on family income levels relative to poverty thresholds, as

well as projections for families overall in terms of eligibility for and benefits from income-support and other assistance programs.

In terms of wage effects, the proposed living wage legislation would affect those employed in traditionally low-wage occupations. In general, most individuals who would be subject to the law have an hourly pay rate at or above the minimum wage. As a result, we restrict the population eligible for a wage increase in the simulations described below to those who report a wage that is at or above the 2006 minimum wage that is applicable NYC workers, \$6.75 per hour. In addition, we further restrict the relevant population by excluding self-employed earners. These restrictions reduce the measurement error resulting from a number of individuals reporting unusual hours, earnings and weeks worked in the ACS data. While the restricted results ignore the potential non-compliance issue, they are more likely to reflect the expected impact of the proposed living wage legislation.

Given that our estimates from the CPS data indicate that there is also some probability of job loss, we also need to assign some job loss to simulate the effects of the proposed living wage law. We assume that all of the job loss occurs for those earning less than \$10 per hour, which for most boroughs and industries includes more than the bottom decile. We are assuming, then, that our CPS employment estimates for the lower decile would approximately fall on the workers who, according to the QCEW data, would have their wages affected by the living wage. Therefore, we apply the estimates from our full model, which were done at the city level, for workers in each borough and industry that have wages less than \$10.

5.8 Results from the Employment and Wage Simulations for NYC

Table 5 below summarizes the simulated wage and employment changes by borough and for the city overall, based on the living wage law affecting individuals at sites receiving any assistance. The first column reports the percentage of employment at sites that received any assistance based on the QCEW data. This percentage translates into 1.1 to 3.4 percent of a given borough's workforce (the second column) being affected by the proposed living wage. The average percent increase in a borough's wage is between 0.0 and 0.3 percent and results in potential displacement of 0.2 and 0.7 percent of the borough's overall workforce.

**Table 5: Wage and Employment Changes, by Borough of Residence
 (based on sites receiving any assistance)**

| | Percent of Workers Earning < \$10 per hour at Covered Sites | Percent Affected Relative to Borough Workforce | Average Percentage Wage Increase | Percent of Workforce Experiencing Job Loss |
|---------------------------------|---|---|---|---|
| Bronx | 33.3% | 3.4% | 0.3% | 0.7% |
| Brooklyn (Kings County) | 22.4% | 2.4% | 0.2% | 0.5% |
| New York (Manhattan) | 16.2% | 1.1% | 0.0% | 0.2% |
| Queens | 24.1% | 2.4% | 0.2% | 0.5% |
| Staten Island (Richmond County) | 49.6% | 2.6% | 0.1% | 0.5% |
| Overall | 21.9% | 2.3% | 0.1% | 0.4% |

When the calculation of those affected by the proposed living wage law, based on the QCEW data, is based on the percentage of individuals at sites receiving any form of assistance, over 66,000 individuals could expect receive an increase to the living wage rate. Of these, about 6.8 percent reside outside of New York City. As a result of the living wage legislation, we estimate that just over 13,000 residents would experience job loss, with approximately 6.4 percent of those who are displaced residing outside of the City. As shown in Table 6 below, the overall average increase in wages for those earning less than \$10 is small, and in some cases negative when the impact of job loss is included in the average calculation. For each borough Table 6 reports how many individuals receive a simulated wage increase, how many individuals experience job loss, the average wage change (including those who have a negative change as a result of job loss), the average increase in hourly pay rate for those who received an increase, the average hourly wage rate before simulating the impacts of the living wage, the average hourly wage rate after simulating the impacts of the living wage (including those who experience job loss with a \$0 wage rate).

**Table 6: Number of Individuals with Wage and Employment Changes by Borough
 (based on sites receiving any assistance)**

| Borough | Number of Individuals with Wage Increases | Number of Individuals Experiencing Job Loss | Average Wage Change (All) | Average Wage Increase | Average Wage Before | Average Wage After |
|---------------------------------|---|---|---------------------------|-----------------------|---------------------|--------------------|
| Bronx | 12,905 | 2,685 | -\$0.01 | \$1.67 | \$8.36 | \$8.35 |
| Brooklyn (Kings County) | 20,303 | 4,220 | -\$0.02 | \$1.63 | \$8.40 | \$8.38 |
| New York (Manhattan) | 6,604 | 1,337 | \$0.00 | \$1.68 | \$8.33 | \$8.33 |
| Queens | 18,233 | 3,690 | -\$0.01 | \$1.66 | \$8.36 | \$8.35 |
| Staten Island (Richmond County) | 4,303 | 948 | -\$0.08 | \$1.59 | \$8.46 | \$8.38 |
| Overall | 62,348 | 12,880 | -\$0.01 | \$1.65 | \$8.37 | \$8.36 |
| Outside NYC | 4,562 | 883 | -\$0.03 | \$1.47 | \$8.54 | \$8.51 |

A living wage law based on sites receiving \$100,000 or more in assistance in at least one year (a conservative estimate of coverage) is simulated to impact, on average, a little more than 1.2 percent of the workforce, and would have small impacts on wages (0.1 percent increase) and employment (0.2 percent decrease). The overall results, as well as the results by borough, are provided in Table 7 below.

**Table 7: Wage and Employment Changes, by Borough of Residence
 (based on sites receiving \$100,000 or more of assistance in at least one year)**

| | Percent of Workers Earning < \$10 per hour at Covered Sites | Percent Affected Relative to Borough Workforce | Average Percentage Wage Increase | Percent of Workforce Experiencing Job Loss |
|---------------------------------|---|--|----------------------------------|--|
| Bronx | 12.9% | 1.6% | 0.1% | 0.3% |
| Brooklyn (Kings County) | 9.9% | 1.1% | 0.1% | 0.2% |
| New York (Manhattan) | 12.5% | 0.7% | 0.0% | 0.1% |
| Queens | 13.5% | 1.4% | 0.1% | 0.2% |
| Staten Island (Richmond County) | 31.3% | 1.5% | 0.1% | 0.3% |
| Overall | 12.9% | 1.2% | 0.1% | 0.2% |

The relatively large percent of coverage in Staten Island reflects the high proportion of sites with financial assistance of \$100,000 or more that are in retail.

As with the previous simulation some (approximately 8 percent) of those receiving the benefit of the living wage mandate reside outside of New York City. As shown in Table 8 below, the overall wage increase is \$0.02, and the increase for those who receive the living wage is \$1.67. In other words, the wage effects would be largely redistributive – some workers receive increases in their wages, others lose all their earnings, and the net result on the average income of low-wage workers is negligible.

If the living wage legislation is limited to sites receiving \$100,000 or more of assistance in at least one year, all boroughs show very small, but positive, average wage gains among those earning less than \$10 per hour. All boroughs also experience some employment losses.

Table 8: Number of Individuals with Wage and Employment Changes by Borough (based on sites receiving \$100,000 or more of assistance in at least one year)

| Borough | Number of Individuals with Wage Increases | Number of Individuals Experiencing Job Loss | Average Wage Change (All) | Average Wage Increase | Average Wage Before | Average Wage After |
|---------------------------------|---|---|---------------------------|-----------------------|---------------------|--------------------|
| Bronx | 6,017 | 1,067 | \$0.03 | \$1.70 | \$8.36 | \$8.39 |
| Brooklyn (Kings County) | 9,749 | 1,734 | \$0.01 | \$1.64 | \$8.40 | \$8.41 |
| New York (Manhattan) | 4,437 | 778 | \$0.02 | \$1.68 | \$8.33 | \$8.35 |
| Queens | 10,815 | 1,845 | \$0.02 | \$1.66 | \$8.36 | \$8.38 |
| Staten Island (Richmond County) | 2,543 | 472 | \$0.02 | \$1.65 | \$8.46 | \$8.48 |
| Overall | 33,561 | 5,896 | \$0.02 | \$1.67 | \$8.37 | \$8.39 |
| Outside NYC | 2,820 | 490 | \$0.01 | \$1.50 | \$8.54 | \$8.55 |

5.9 Results from the Household Income Simulations for NYC

As discussed above, the impact living wages have on overall poverty depends on the relationship of the households benefiting from the law through increased wages to those who are harmed through reduced employment, and this cannot be observed prior to the enactment of the mandate.

However, based on simulated impacts on individuals described above we can examine the *projected* changes in household income relative to the NYC poverty measure.

The simulated impact of the living wage legislation, assuming the law would impact workers in all sites that have received any assistance, suggest very small, but mixed results on poverty. As shown in Table 9, the share of families in “extreme poverty” (those with earning less than half the poverty threshold) would slightly increase by 0.12 percentage points, or 1.26 percent. However the percent of households below poverty would slightly decrease by 0.01 percentage points, or 0.03 percent.

**Table 9: Changes in Household Poverty Status, by Borough
 (based on sites receiving any assistance)**

| Borough | Households in Extreme Poverty | | Households Below Poverty | |
|---------------------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | Difference in Percentage Points | Percentage Change | Difference in Percentage Points | Percentage Change |
| Bronx | 0.14% | 0.95% | 0.01% | 0.03% |
| Brooklyn (Kings County) | 0.16% | 1.76% | 0.00% | -0.01% |
| New York (Manhattan) | 0.06% | 0.62% | -0.02% | -0.11% |
| Queens | 0.14% | 2.02% | 0.00% | 0.02% |
| Staten Island (Richmond County) | 0.00% | -0.03% | -0.06% | -0.39% |
| Overall | 0.12% | 1.26% | -0.01% | -0.03% |

A similar poverty change is projected when we simulate the impact of imposing the proposed living wage law on all sites that have received \$100,000 or more of assistance in at least one year (see Table 10 below). The share of families in “extreme poverty” would slightly increase by 0.05 percentage points, or 0.5 percent. However the percent of households below poverty would slightly decrease by 0.02 percentage points, or 0.08 percent.

**Table 10: Changes in Household Poverty Status, by Borough
 (based on sites receiving \$100,000 or more of assistance in at least one year)**

| Borough | Households in Extreme Poverty | | Households Below Poverty | |
|---------------------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | Difference in Percentage Points | Percentage Change | Difference in Percentage Points | Percentage Change |
| Bronx | 0.05% | 0.34% | -0.01% | -0.02% |
| Brooklyn (Kings County) | 0.05% | 0.59% | -0.01% | -0.05% |
| New York (Manhattan) | 0.03% | 0.32% | -0.02% | -0.09% |
| Queens | 0.07% | 0.99% | -0.02% | -0.09% |
| Staten Island (Richmond County) | -0.04% | -0.47% | -0.07% | -0.44% |
| Overall | 0.05% | 0.50% | -0.02% | -0.08% |

In other words, if the impacts were comparable to those typically observed in other cities, when applied in NYC to sites receiving \$100,000 or more of assistance in at least one year, our simulations suggest that business assistance living wage mandates would slightly reduce (by, on average, 0.08 percent) the number of households in poverty, but at the cost of increasing (by, on average 0.5 percent) the number of households in extreme poverty. Given our previous results on wages (some workers gain from wage increases; some workers lose all earnings due to employment losses) this is hardly surprising.

5.10 Results for Simulated Interactions with Other Income Support Programs for NYC

As a result of the proposed living wage legislation, our estimates and simulated effects imply that some households will experience an increase in earnings while others will have a decrease in earnings. In the simulations we examine the impact of the proposed living wage legislation on households' eligibility and benefit levels for income-support and related programs, assuming that an eligible household will choose to participate in the program. For the Medicaid program we only examine the question of eligibility because the actual benefit level will depend on usage and is not related to earnings conditional on eligibility. For the SNAP (Food Stamp) program there is a clear relationship whereby benefits decrease as earnings increase. However, for the Earned Income Tax Credit (EITC) benefits initially increase as earnings increase over some range of earnings, then remain flat, and eventually decrease. So, for households with workers who are

displaced as a result of the living wage legislation, EITC benefits may decline or increase depending on family income, and for households that have earnings increases as a result of the living wage legislation, EITC benefits may increase or fall, again depending on family income.

Table 11 reports the changes in benefits that are implied by simulating the impact of imposing the living wage legislation on those earning less than \$10 dollars, based on the proportion of individuals earning less than \$10 per hour that were employed in any site that received real property tax assistance. The simulations suggest that the proposed living wage legislation would result in a net overall decrease in household earnings of approximately \$10 million. As previously reported, approximately 62,000 NYC residents would benefit from wage increases, at the cost of approximately 13,000 individuals who will have zero earnings as a result of job loss. In addition, the simulations suggest that the proposed living wage legislation will increase household eligibility for the Medicaid program, but decrease EITC and SNAP benefits.

**Table 11: Changes in Support Programs
 (based on sites receiving any assistance)**

| Borough | Change in EITC Amount | Change in Number Medicaid Eligible | Change in Number SNAP Eligible | Change in Total Amount of SNAP | Change in Total Household Earnings |
|---------------------------------|-----------------------|------------------------------------|--------------------------------|--------------------------------|------------------------------------|
| Bronx | -\$2,639,598 | 383 | -86 | \$3,997 | -\$1,917,487 |
| Brooklyn (Kings County) | -\$3,987,283 | 639 | -342 | -\$40,645 | -\$4,051,680 |
| New York (Manhattan) | -\$1,143,544 | 290 | -157 | -\$10,729 | -\$391,263 |
| Queens | -\$2,274,741 | 615 | -360 | -\$41,351 | -\$1,312,283 |
| Staten Island (Richmond County) | -\$241,123 | 89 | -47 | \$12,655 | -\$2,310,907 |
| Overall | -\$10,286,289 | 2,016 | -992 | -\$76,073 | -\$9,983,620 |

When the simulations are based on the proportion of individuals earning less than \$10 employed in sites that received \$100,000 or more in assistance in at least one year (Table 12), the overall impacts (both positive and negative) change as fewer employees would be covered by the proposed legislation. Based on the simulated effects, household earnings would increase by approximately \$11 million, with the benefits concentrated among approximately 34,000 workers, while approximately 6,000 workers would experience reduced earnings due to lost employment as a result of the proposed legislation. EITC and SNAP benefits would decline by approximately \$5 million, and approximately 800 more households would qualify for Medicaid assistance.

Table 12: Changes in Support Programs
 (based on sites receiving \$100,000 or more of assistance in at least one year)

| Borough | Change in EITC Amount | Change in Number Medicaid Eligible | Change in Number SNAP Eligible | Change in Total Amount of SNAP | Change in Total Household Earnings |
|---------------------------------|-----------------------|------------------------------------|--------------------------------|--------------------------------|------------------------------------|
| Bronx | -\$1,196,001 | 100 | -114 | -\$27,741 | \$2,525,020 |
| Brooklyn (Kings County) | -\$1,517,036 | 226 | -249 | -\$63,228 | \$2,818,007 |
| New York (Manhattan) | -\$613,921 | 132 | -140 | -\$28,573 | \$1,567,378 |
| Queens | -\$1,204,460 | 316 | -346 | -\$68,554 | \$4,679,903 |
| Staten Island (Richmond County) | -\$108,314 | 10 | -96 | -\$10,383 | \$23,789 |
| Overall | -\$4,639,732 | 784 | -945 | -\$198,478 | \$11,614,097 |

6. Conclusions

The impact of any proposed wage or employment mandate will vary depending on the time at which it is imposed. For NYC, commercial office property values, in real terms, have fallen over the past century. Property taxes in NYC on commercial property are both relatively and absolutely high and it is likely that the tax abatement programs, such as ICIP and now ICAP, that have been in place in NYC, have helped to ameliorate the impacts of these taxes and encourage development that might otherwise not have been profitable, and create jobs which otherwise would not have been created. NYC is not an isolated enclave of development. The regions around it, like Connecticut and New Jersey, will have incentives to lure away development from NYC when it becomes more costly there relative to elsewhere. Developers have flexibility in choice of location.

The NYC living wage proposal is unique and extensive compared to any of those observed in other cities. Specifically, it imposes direct costs in terms of monitoring and the potential lost financial assistance benefits due to violations on the owner or developer of the building. This has impacts in terms of willingness to develop and on the ability to secure capital that will differ from any impacts found in other cities with living wage mandates.

6.1 Real Estate Development Impacts

The conclusions from the development simulations conducted are clear: additional costs, and a resultant reduction in investment activity and job creation. Developers, owners, and lenders cannot diversify away the risk of violations. Developers and owners cannot contract to shed the risk of violations. It is impossible to have a tenant sign a lease that makes them liable for the cost of penalties. Indeed, tenants can use the threat of violation as leverage against the owner.

From interviews we conducted, some lenders say that they would be unwilling to provide financing and this would tend to stop assisted development. Some employers would be unwilling to lease space where they had to pay employees more in one location than other locations.

Assuming that lending is available, there are four possible reactions to the proposal: projects go forward with assistance as before (no change); projects are substantially modified to exclude any tenants with lower-wage employees or because those tenant types may refuse to locate in the buildings that must comply with the living wage because they are recipients of financial assistance; projects go forward but cannot benefit from any financial assistance as the cost of its potential future loss is too high; or the projects are abandoned and never take place at all.

The results of the simulations indicate that the costs associated with the living wage proposal tend to more than offset the current benefits provided by financial assistance. This means that many projects are abandoned under the proposal. Some projects will be modified to go forward without financial assistance. The pro formas do not really allow us to detect how common substantial modification is, however the likelihood that projects go forward with no change is low because the benefits of financial assistance are offset by the costs of compliance with the living wage mandate.

Based on our theoretical analysis of the real estate development process and subsequent simulation results, the effects of the proposal are most dramatic as the size of the project increases because the amount of financial assistance goes up and the likelihood of violation rises with the number of employees. Therefore, large projects are most likely to be either abandoned

or perhaps to continue without assistance in some cases – in particular large projects that incorporate multiple tenants.

Finally, the spatial pattern of successful projects in the past indicates that ICIP has been relatively more successful in some areas of NYC than others. Overall, it appears that the areas where current ICIP/ICAP activity has been most successful are the areas where low-wage employment is low compared to areas where ICIP activity has been low. This suggests that the spatial pattern of projects that do not go forward due to the proposal is not random and will be concentrated in areas where ICAP projects currently face the greatest hurdles.

6.2 Labor Market Impacts

For the purposes of comparison, we focus here on the labor market impacts on the buildings that received \$100,000 or more in financial assistance in at least one year, a conservative definition of coverage. We find that the impact of imposition of a typical living wage results in an overall wage increase, averaging across those who receive wage gains and those who experience job losses, that is small (\$0.02), while the increase for those who receive the living wage is substantially higher (\$1.67). In other words, the wage effects would be largely redistributive among low-wage workers— some workers receive increases in their wages, others lose all their earnings, and the net result on the average income of low-wage workers is negligible. All boroughs also experience some employment losses (an average of around 1,200 jobs).

In terms of the poverty change, the impact of imposing the proposed living wage law on all sites that have received \$100,000 or more of assistance in at least one year is that the households in “extreme poverty” (those earning less than half the poverty threshold) would slightly increase by 0.05 percentage points, or 0.5 percent. However the percent of households below poverty would slightly decrease by 0.02 percentage points, or 0.08 percent.

In other words, if the impacts were comparable to those typically observed in other cities, when applied in NYC to sites receiving \$100,000 or more of assistance in at least one year, our simulations suggest that business assistance living wage mandates would slightly reduce (by, on average, 0.08 percent) the number of households in poverty, but at the cost of increasing (by, on average 0.5 percent) the number of households in extreme poverty. Given our previous results on

wages (some workers gain from wage increases; some workers lose all earnings due to employment losses) this is hardly surprising.

When the simulations are based on the proportion of individuals earning less than \$10 employed in sites that received \$100,000 or more in assistance in at least one year, household earnings would increase by approximately \$11 million, with the benefits concentrated among approximately 34,000 workers, while approximately 6,000 workers would experience reduced earnings due to job loss as a result of the proposed legislation. EITC and SNAP benefits would decline by approximately \$5 million, and approximately 800 more households would qualify for Medicaid assistance.

When considering the results of the labor market and real estate development analyses overall, there are significant impacts that are likely to result from the living wage mandate proposed in NYC. Of these, the greatest impact results from the disincentive or reduced ability to invest in development and job creation due to the potential loss of financial assistance if a living wage violation occurs.

7. Description of Data Sets Used

ACS (American Community Survey) – contains individual-level data with information about earnings, employment, and demographics, most notably both place of work and place of residence which is used to identify workers and residents of New York City

CPS (Current Population Survey) – contains individual-level, detailed information on labor market outcomes, government program benefits and participation, demographic information, and geographic information. Two different types of CPS data were used:

MORG (Merged Outgoing Rotations Groups) – contains hourly wage and other labor market information on one quarter of the CPS monthly sample.

ASEC (March Annual Social and Economic Supplement) – captures family income from the previous year and can be used to classify families based on poverty status as well as distance from the poverty line, and also include benefits from and participation in a variety of government programs. We used the 2009 ASEC files which capture income through 2008.

ICIP Historical (Industrial and Commercial Incentive Program) – These data contain longitudinal information, including value of exemptions and assessed/market values, on all the properties receiving ICIP exemptions in any given Fiscal Year (FY) until FY2009/2010.

QCEW (Quarterly Census of Employment and Wages) – contains information on average quarterly earnings and number of workers, by establishment, and includes information on the

location of each establishment. The NYC EDC geo-coded the QCEW data in order to determine which locations received financial assistance from NYC. The establishment-level data is confidential and was processed only by NYCEDC and provided to CRA in an aggregated format such that no individual establishment could be identified.

The conclusions set forth herein are based on independent research. The views expressed herein are the views and opinions of the author and do not reflect or represent the views of Charles River Associates or any of the organizations with which the author is affiliated. Any opinion expressed herein shall not amount to any form of guarantee that the author or Charles River Associates has determined or predicted future events or circumstances, and no such reliance may be inferred or implied. The author and Charles River Associates accept no duty of care or liability of any kind whatsoever to any party, and no responsibility for damages, if any, suffered by any party as a result of decisions made, or not made, or actions taken, or not taken, based on this paper. Detailed information about Charles River Associates, a registered trade name of CRA International, Inc., is available at www.crai.com.

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For The Record

Testimony before the New York City Council, Committee on Contracts

May 12, 2011

**Bettina Damiani,
Good Jobs New York**

Good afternoon Chairperson Mealy and Committee Members. Thank you for the invitation to testify on the proposed Fair Wages for New Yorkers Act (Intro 251-A).

Good Jobs New York is a project of Good Jobs First based in Washington, DC in partnership with the Fiscal Policy Institute, with offices in Albany and New York City. Good Jobs New York promotes accountability to taxpayers in the use of corporate subsidies by encouraging public participation and transparency of the city economic development programs.

We applaud any effort by the council to raise the wages of working New Yorkers, particularly at firms that receive large economic development subsidies; this is a principled and practical tool that would benefit those low-income New Yorkers working at wealthy firms that benefit from our tax dollars. We urge the council to focus establishing wage standards on mega economic development projects rather than, for example, small manufacturers, as often these firms provide job ladders and already pay a living wage.

Billions of tax dollars have been invested in developments on behalf of financial institutions, sport franchises and major retailers. Yet, despite these firms' enormous wealth, none of them have been asked to guarantee a benefit to its employees for something as simple as earning \$10.00 an hour (or \$11.50 when there is no employer provided health insurance benefits).

Three outstanding examples:

Yankee Stadium – There are approximately \$1 billion in city, state and federal subsidies for the development of a new Yankee Stadium across the street from the original one that opened in 2009. However, despite the Yankee franchise being one of the wealthiest and most popular in the world, few jobs at the new stadium pay enough to live on as they are mostly seasonal. An interesting note: this week, concession staff at the stadium filed suit against the

catering firm “Legends” (partly owned by the Yankees) claiming their bosses withheld their tips.

City Point (formerly Albee Square Mall) – Significant public resources have been invested in the re-development of Brooklyn’s Albee Square into what is now called City Point. In 2009, \$20 million in Recovery Zone Facility Bonds (special bonds approved under the American Recovery and Reinvestment Act) financed the development where in 2007, approximately 30 existing retailers were displaced to make way for the new development. And although the new mall (and a residential component is expected) has a goal of 122,000 square feet of retail future retail employees cannot expect to benefit beyond part-time, low-wage jobs. The profitable business model of national retailers which the city expects to occupy City Point relies on paying New Yorkers below a living wage and no benefits.

Gateway Center (formerly Bronx Terminal Market) – The Market’s history spanned over 50 years of food vendors catering to city’s immigrant populations. In 2006, the two dozen food retailers that remained were displaced by the city for the development of “Gateway Center” for over two dozen stores including Home Depot, Target and Toys R Us. Related Companies, one of most prominent developers in the city received what many consider a sweetheart land deal that included at least \$133 million in city subsidies including the city’s relocation of the food distributors. Yet, there are no wage or job standards for the current employees of the mall located in one of the poorest neighborhoods in the city.

It is morally unfair that low-income New Yorkers working at highly profitable and taxpayer subsidized firms struggle to pay their bills. And it doesn’t make economic sense for those same workers to rely of various forms of public assistance like food stamps and housing subsidies because they can’t make ends meet despite being employed.

Clearly, the city needs safeguards to keep large, subsidized corporations accountable for creating the good jobs New Yorkers deserve.

For THE LAW

**An Overview of Job
Quality and
Discretionary Economic
Development Subsidies
in New York City**



Fiscal Policy Institute
Good Jobs New York
National Employment Law
Project

February 2011

An Overview of Job Quality and Discretionary Economic Development Subsidies in New York City

Updated February 2011 (previously released May 2010)

Fiscal Policy Institute, Good Jobs New York & National Employment Law Project

Executive Summary

Every year, New York City spends well over \$2 billion through a variety of programs in the name of economic development and job creation. This policy brief outlines the mix of tools the New York City Industrial Development Agency uses to subsidize economic development—including financial assistance, tax breaks, capital improvements, and the sale or lease of City-owned land—and provides an estimate of the quality of jobs created or retained by three significant subsidized projects.

Discretionary benefits in the city are allocated mostly by the New York City Industrial Development Agency (the largest of the 115 local IDAs throughout the state). The New York City IDA has come under increased scrutiny in the past year from the Office of the New York State Comptroller and the Office of the New York City Comptroller.

Because of serious shortcomings in publicly available data and incomplete reporting by businesses receiving these funds, we conducted three case studies in spring 2010 of large subsidized commercial projects in New York City, drawing upon public records, corporate research, government wage data, and field interviews. These case studies demonstrate that substantial numbers of low-wage jobs are being subsidized by New York City economic development benefits. The projects are:

- *The Bronx Gateway Mall* (approximately \$10 million in New York City subsidies). We estimate that as of spring 2010 about 1,300 workers were employed in the mall, that the average starting wage for non-managerial workers was \$8.80 an hour, and that median wages were \$10.20 an hour.
- *Fresh Direct* (\$2 million in subsidies for its warehouse in Long Island City). According to FY 2010 city reports, the company had 1,657 employees, with 63 percent earning less than \$25,000 per year. Of these employees, about 1,200 were warehouse workers, for whom starting wages were reported frequently to be the minimum wage.
- *Yankee Stadium* (nearly \$50 million in tax breaks, \$326 in city capital improvements, and more than \$1.2 billion in tax-exempt financing). We estimate that as of spring 2010 there were about 3,400 jobs at the stadium, that the average starting wage for non-managerial workers was \$9.19 an hour, and that median wages were \$10.50 an hour.

Our analysis found that the top five non-managerial jobs created at the three case study projects all paid very low wages: (1) concession food and beverage workers, starting wage \$8.75 an hour; (2) warehouse workers, starting wage \$7.25 an hour; (3) retail salespersons, starting wage \$8.09 an hour; (4) security guards, starting wage \$9.53 an hour; and (5) cashiers, starting wage \$7.44 an hour. Without a significant change in subsidy policy, future New York City-supported projects will likely continue to mirror this pattern of subsidizing businesses creating low-wage jobs.

How does New York City subsidize economic development?

Financial Assistance: A rough estimate is that New York City currently spends well over \$2 billion annually through a variety of discretionary and as-of-right programs and tax breaks in the name of economic development and job creation.¹ Discretionary, company-specific benefits in the city are allocated mostly by the Industrial Development Agency (IDA) and have come under increased scrutiny over the past year. The City Comptroller John Liu, an ex officio member of the New York City IDA board, and his appointee to the board have consistently raised concerns regarding the process through which subsidies are allocated.² Further, a May 2010 report by the Office of the New York State Comptroller noted deficiencies in the New York City IDA's measurement of employment associated with subsidized projects.³

In the absence of a unified economic development budget and better reporting, it is not possible to precisely quantify the total amount of public monies spent on economic development subsidies—or how many or what types of jobs are being created. However, we do know the following:

- Real property tax expenditures provided through the as-of-right Industrial and Commercial Assistance Program (and its predecessor the Industrial and Commercial Incentive Program) totaled \$623 million in FY 2011.
 - New York City reports that discretionary economic development projects under the aegis of the New York City Economic Development Corporation (EDC) and the New York City Industrial Development Agency (IDA, which is managed by EDC) receive property, sales and mortgage recording tax breaks worth approximately \$241.7 million in 2010.⁴
 - A wide variety of businesses and projects, ranging from Fortune 100 companies to biotech start-ups to sports franchises, benefit from IDA subsidies. Some are existing businesses looking to expand or relocate their headquarters in the city, while others are brand new projects such as malls or stadiums.
 - The lion's share (approximately 70 percent) of IDA assistance has been channeled to large commercial projects. These include large retail complexes and commercial office buildings, from the Bronx Gateway Mall with chain stores and fast food restaurants to the two million square foot Goldman Sachs building in lower Manhattan to new baseball stadiums for the Mets and Yankees.⁵
- **Disposition or Leasing of City-Owned Land:** In addition to tax breaks from the IDA, New York City also subsidizes economic development projects by leasing or selling City-owned land to developers. Between fiscal years 2003 and 2010, the City sold 70 pieces of city-owned property in the name of economic development.⁶ While most of these transactions were completed at market rates, it is important to recognize that they still confer considerable value, given the scarcity of land in New York City. City rezoning actions, often undertaken to promote economic development, can also substantially increase the value of affected real estate.
- **Capital Improvements:** The City also makes capital improvements at public cost to support economic development, undertaking infrastructure investments and other activities that it would not otherwise do. Recent examples include Yankee Stadium and Gateway Mall in the Bronx,

where the City made capital improvements and infrastructure investments such as replacing sewer lines, replacing lost park land, re-mapping roads, demolishing and compensating existing businesses, and cleaning up toxic waste.⁷

How many jobs are created or retained by discretionary subsidies?

While the City does not have a good methodology to identify the number of jobs associated with the various economic subsidies it provides, EDC reports that companies receiving EDC or IDA benefits employed approximately 152,000 workers in FY 2010, about 42,000 more than employed by those companies at the time subsidies were initially provided.⁸

What is the quality of jobs created or retained by discretionary subsidies?

- The publicly available data on subsidized projects are not adequate to allow a thorough analysis of the quality of jobs either created or retained. Since 1993, subsidy recipients have been required to submit annual reports on the number of jobs created or retained, but there are no data documenting the occupations of those jobs (other than a rudimentary break-out of construction jobs), which would be an invaluable tool for assessing job quality.
- Similarly, subsidy recipients are not required to provide information on the wages of jobs created or retained by commercial tenants in their buildings.⁹ This represents a serious omission, because it means reported wage data do not include workers employed by, for example, retail stores, concession stands, and restaurants at subsidized developments projects. In many large projects, these types of commercial tenants employ the majority of workers.
- Without including these jobs—many of which pay low wages—the official wage data on subsidy jobs (indicating that 16 percent pay less than \$25,000 annually) are misleading. In particular, they almost surely understate the number of low-wage jobs the city subsidizes.¹⁰

Three case studies to assess job quality at subsidized projects

Given the serious gaps in publicly available data, an accurate assessment of the quality of jobs at projects funded by discretionary city subsidies is best achieved through case studies. In what follows, we draw upon a range of data—public records, corporate research, government wage data, and field interviews—to give an overview of the type and quality of jobs at three large subsidized commercial projects in New York City: the Bronx Gateway Mall, Fresh Direct, and Yankee Stadium.¹¹ In the case of the Bronx Gateway Mall and Fresh Direct, most of the jobs examined below were added after city subsidies were provided. The new Yankee Stadium involved the relocation of much of its workforce from the old stadium, although some new jobs were added as well.

BRONX GATEWAY MALL

- The Bronx Gateway Mall opened in 2009 on what was known as the Bronx Terminal Market. The project benefited from at least \$2 million in infrastructure improvements, \$7.1 million in IDA tax breaks, a special agreement to lease the property from the City, and compensation to those businesses displaced by the mall.¹²
- We estimate that as of spring 2010 about 1,300 workers were employed in the 22 (and growing) stores and restaurants in the shopping center and as security guards and janitors in the complex.
- By combining official occupational wage estimates with wage data provided by workers at the mall, we estimate that the average starting wage for non-managerial workers was \$8.80 an hour and that the median wage for the mall's workers was \$10.20 an hour.

FRESH DIRECT

- Fresh Direct is an online grocer based in Long Island City, Queens, offering delivery to customers. It was approved for a 26-year subsidy deal in 1999. Since then, it has received \$2.2 million in a variety of mortgage recording and sales tax breaks from the IDA, with \$3.1 million more available.
- According to city reports, the company has 1,657 employees, with 63 percent earning less than \$25,000 per year. Of these, we estimate that in spring 2010 about 1,200 were warehouse workers—many whom reportedly started at minimum wage (\$7.25 an hour)—and the remainder were drivers and helpers.

YANKEE STADIUM

- The new Yankee Stadium in the Bronx opened in 2009 across the street from the original stadium. The Yankees and the parking garage developers received nearly \$50 million in City tax breaks, more than \$1.2 billion in tax-exempt financing, approximately 24 acres of land that had been public parks, and over \$326 million in estimated city capital improvements, including the demolition of the old stadium, improving the sewer system, and environmental remediation.
- As of spring 2010, we estimate that there were about 3,400 seasonal jobs at Yankee Stadium, including over 2,000 concession workers selling food, beverages and merchandise. There were also workers employed as security guards and night watchmen, maintenance workers, ticket sellers and takers, restaurant workers, and customer service representatives.
- Combining government wage estimates and advertised wages for some stadium jobs, we estimate that the average starting wage for non-managerial workers was \$9.19 an hour and that the median wage for stadium workers was \$10.50 an hour.

Summary of Case Study Data on Low-Wage Jobs

In the below table, we identify the top five non-managerial jobs at the above subsidized projects (Bronx Gateway Mall, Fresh Direct and Yankee Stadium). For all of the occupations, starting wages are extremely low and easily qualify these jobs as low-wage. Even the overall median wages for these workers are quite low—at full-time, full-year work, annual earnings for these workers would range from \$17,534 (cashiers) to \$26,395 (security guards), clearly not enough to support a family in New York City.¹³

Top Five Non-Managerial Jobs Created at Subsidized Case Study Projects, 2010

(Bronx Gateway Mall, Fresh Direct and Yankee Stadium)

| | Estimated number of jobs | Estimated starting wage (in 2010 dollars) | Estimated median wage (in 2010 dollars) |
|-----------------------------------|--------------------------|---|---|
| Concession food and beverage jobs | 2,055 | \$8.75 | \$9.39 |
| Warehouse workers | 1,200 | \$7.25 | \$8.96 |
| Retail salespersons | 632 | \$8.09 | \$10.49 |
| Security guards | 563 | \$9.53 | \$12.69 |
| Cashiers | 459 | \$7.44 | \$8.43 |

Source: Authors' estimates based on public records, government wage data and field interviews.

Conclusion

New York City uses a mix of tools to subsidize economic development—financial assistance, capital improvements, sale or lease of City-owned land—that benefit a wide range of diverse businesses. The jobs at these businesses are equally diverse, including highly-paid finance jobs at Goldman Sachs and Bank of America but also low-wage jobs in retail sales and restaurants at shopping complexes and sports stadiums.

A comprehensive assessment of the quality of jobs created or retained with city subsidies will not be possible until mandatory reporting requirements improve significantly. That said, drawing on a combination of public records and independent research, our assessment is that significant numbers of low-wage jobs are being created with New York City tax dollars—jobs for which starting pay is as low as the minimum wage and for which annual earnings often do not even break the \$20,000 mark.

All signs are that future subsidized projects in New York City will continue to mirror this pattern of job creation that includes significant numbers of low-wage jobs. Examples of major projects currently in the pipeline include the redevelopment of Coney Island, Hudson Yards, Willets Point, and Flushing Commons; it is very likely that all will draw on some sort of city subsidies. For example, the Hudson Yards development will benefit from a \$2 billion subway extension, an additional \$47 million in capital spending through 2015, and hundreds of millions of dollars in tax breaks. At Willets Point, the city plans to invest over \$400 million for property acquisition and new infrastructure over the next five years. The City will also spend \$340 million for infrastructure improvements for the redevelopment of Coney Island through 2017.¹⁴

Endnotes

¹ See the table, “Annual NYC Economic Development Tax Expenditures,” attached to Testimony of James A. Parrott, Ph.D., Fiscal Policy Institute, Before the New York City Committee on Economic Development, Oversight: The Feasibility of Requiring a Unified Economic Development Budget as a Reporting Requirement, April 27, 2010. http://www.fiscalpolicy.org/FPI_Testimony_UnifiedDevelopmentBudget_20100427.pdf

² New York City Comptroller John C. Liu, Comptroller Liu on Today’s Economic Development Corporation’s IDA and CRC Votes, February 9, 2010. http://www.comptroller.nyc.gov/press/2010_releases/pr10-02-019.shtm

³ Office of the New York State Comptroller. New York State Annual Performance Report on New York State’s Industrial Development Agencies. May 2010. <http://www.osc.state.ny.us/localgov/pubs/research/idareport2010.pdf>

⁴ The New York City Finance Department’s Annual Report on Tax Expenditures, FY 2010, reports that real property tax expenditures for EDC and IDA projects were \$193.7 million in FY 2010. According to the New York City Economic Development Corporation Annual Investments Project Report, Volume I, Fiscal Year 2010, mortgage recording, sales and other IDA-related tax expenditures were \$48 million in FY 2010.

⁵ Based on an analysis of incentive programs in the New York City Economic Development Corporation Annual Investments Project Report, Volume I, Fiscal Year 2010.

⁶ New York City Economic Development Corporation Annual Investments Project Report, Volume I, Fiscal Year 2010.

⁷ Cost of capital improvements from New York City Independent Budget Office, New York City Financial Management System, NYC Executive 2011 Capital Commitment Plan (hereinafter IBO Capital Plan Report 2011).

⁸ The EDC maintains that business assistance subsidies lead firms to create new jobs or to retain existing jobs that might otherwise be eliminated or relocated outside New York City. It is important, though, to note that this is an unproven assumption—there is no counterfactual to indicate what a given firm’s employment levels would have been absent receiving a subsidy. Therefore, it makes more sense to speak of jobs associated with a given project rather than jobs created or retained.

Job figures from Table 2-1 summary of the New York City Economic Development Corporation Annual Investments Project Report, Volume 1, Fiscal Year 2010.

⁹ New York City Economic Development Corporation Annual Investments Project Report, Volume 1, Fiscal Year 2010.

¹⁰ *Ibid.* In addition, companies with fewer than 250 employees are not required to submit wage data.

¹¹ Specifically, researchers used: online research to estimate average store size for retailers, public records on each of the case studies, interviews with frontline workers and industry experts, and government data on occupational wages and employment (the American Community Survey and the Occupational Employment Statistics [OES]). OES wages in 2010 first quarter dollars; worker interviews conducted and wage data collected in 2010.

¹² Based on media reports, we believe there are additional taxpayer investments in the project, but providing an exact value of the subsidies, grants, and other benefits are difficult to quantify and point to the need for a Unified Economic Development Budget.

¹³ Low-wage workers are likely to turn to various forms of public assistance when their wages do not allow them to sufficiently support themselves and their families. Thus, publicly-subsidized development projects that benefit low-wage employers may receive a double subsidy: the initial business assistance subsidy and the public assistance provided to the project’s low-wage workers.

¹⁴ IBO Capital Plan Report 2011.

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving policies practices to better the economic and social conditions of all New Yorkers.

Good Jobs New York (www.goodjobsny.org) promotes policies that hold government officials and corporations accountable to the taxpayers, particularly when economic development agencies give subsidies to large corporations that threaten to leave New York City.

The National Employment Law Project (www.nelp.org) is dedicated to improving conditions for workers across America and to protecting working families from the vagaries of the global economy.



THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, N.Y. 10007

**TESTIMONY OF
TOKUMBO E. O. SHOLOWALE,
CHIEF OF STAFF TO THE DEPUTY MAYOR FOR ECONOMIC DEVELOPMENT,
ON INTRO 251-A**

**BEFORE THE NEW YORK CITY COUNCIL
COMMITTEE ON CONTRACTS**

MAY 12, 2011

Good morning, Chairperson Mealy and members of the Council. I am Tokumbo Shobowale, Chief of Staff to the Deputy Mayor for Economic Development Robert Steel. On behalf of the Deputy Mayor, I would like to thank you for the opportunity to testify before you on Introductory Number 251-A, a bill that would amend the Administrative Code to impose wage mandates on businesses that receive City economic development incentives.

To start, I'd like to state unequivocally that the Bloomberg Administration is committed to an economic development strategy of creating good jobs in all five boroughs. But this legislation we are discussing today is the most far reaching of its kind in any major city in the United States and while some low-skilled workers may benefit if Intro 251-A is passed, it would result in the loss of thousands and thousands of jobs for low-skilled New Yorkers and that is a cost we cannot afford to bear.

Since the economic downturn, the Bloomberg Administration's efforts to create jobs have been successful relative to the rest of the country – we have consistently outpaced the rest of the nation in terms of economic growth. And efforts to diversify our economy have also been successful; with four different sectors each representing more than 10% of all employment.

But the unfortunate reality is that many areas of the City and our economy are still suffering from the impact of the recession. The official unemployment rate in the Bronx is nearly 13%. Fourteen percent and 12% of Black and Hispanic New Yorkers, respectively, are unemployed. And keep in mind that those numbers do not take into account the impact of underemployment, where people are working, but not as much as they would like. Altogether, we know that too many New Yorkers are suffering. Unemployment has fallen from a high of 10% in January 2010 to 8.7%, but this is still unacceptably high. From the beginning of the crisis we in the Bloomberg Administration have been implementing an aggressive plan to get New Yorkers back to

work. My boss, Deputy Mayor Steel, has consistently said that his top three priorities as Deputy Mayor for Economic Development are jobs, jobs and jobs.

However, that plan does not include supporting a policy, like the one proposed in this bill that would increase unemployment among our neediest citizens. This bill would have a number of unintended consequences, including limiting the construction of affordable housing, driving more manufacturing and distribution businesses across state and county lines, and further harming our construction industry, which is already facing 14-year lows in employment. While we agree wholeheartedly with the aspirations of Intro 251-A to increase the standard of living and lift New Yorkers out of poverty – we disagree that the means proposed in the bill would achieve them. In fact, the opposite is true: some unfortunate New Yorkers would as a result of the bill lose employment opportunities.

As I mentioned, despite our initial recovery from the recession, unemployment remains too high and private investment remains too fragile to erect additional barriers to job creation. Unfortunately, that's exactly what wage mandates like those proposed in Intro 251-A will do: drive unemployment up and drive private investment in the City down. The proposed bill would also essentially impose a City-mandated minimum wage for certain segments of the economy. Wage policy is determined at the Federal and State level, not the local level; imposing wage mandates here will only push more businesses to flee to other lower-cost jurisdictions. Furthermore, attempts by the City to impose minimum wage requirements in this manner have been held improper by the State's highest court.

But before I talk in more detail about our perspective on this bill, I think it is important to step back and frame why our system of economic incentives exists in the first place. At a fundamental level, it is important to recognize that private developers and private businesses have a choice about where they do business and where they invest. They do not have to do business in New York, just as they do not have to do business anywhere else; they make their decisions based on where they can earn an economic return, just as you or I would if we were deciding where to open a store or restaurant.

The unfortunate reality is that on a standalone basis in many parts of the City it is not as economically attractive to open a new business as it would be in larger markets or places with high tourist volume like Midtown Manhattan. But we do not believe in letting the free market operate without regard for the vitality of our neighborhoods. We believe, for example, as the Speaker has argued, that every neighborhood and every New Yorker should have access to healthy fresh food. We believe that no New Yorker should have to commute to another part of town to buy clothes or household necessities. And so our system of incentives is designed to help make it more attractive for private sector businesses to open and expand in every neighborhood throughout the City. Incentives remove a critical barrier; this bill would erect a new one – moving us in the wrong direction.

In my testimony today, I will outline the key findings from a study that we conducted on the effects of living wage mandates on employment, income levels and real estate development in the five boroughs. The findings of this study show that, if enacted, this bill would increase unemployment and reduce private investment in the very communities it is intended to help.

I'd like to start by explaining why we chose to conduct this comprehensive study. In December 2009, the City Council voted to reject a developer's plan to invest \$310 million into the vacant Kingsbridge Armory in the Bronx. That plan would have transformed the site into a dense retail center, with more than 2,200 jobs. Half of those jobs would have paid more than \$10 an hour, but some elected officials were seeking a requirement that every job at the Armory pay at least \$10 an hour. The developer, The Related Companies, one of few firms willing to invest in the Armory and the one selected with the help of a Task Force comprised of local and citywide representatives, would have been prevented from attracting tenants and securing financing with such a requirement. The RFP to identify developers stated a preference for including a living wage provision in proposals at the request of local representatives, and yet not one developer responded that such a provision was feasible. Instead of 2,200, zero jobs were created, and the construction jobs that would have been created were lost, too. As you all know, the site still lies vacant today. Particularly given the current unacceptably high-level of employment, we want to avoid replicating that situation in potential development sites across the five boroughs if this legislation were enacted.

That was a disappointing and painful episode for the Administration, the real estate community, the Council and the City as a whole. During the debate around the fate of the Armory, it became clear that there had not been a significant and comprehensive analysis of existing living wage policies across the country. Instead, the debate around the Armory relied on incomplete, anecdotal evidence and ill-conceived assumptions. The Bloomberg Administration has a strong record of testing hypotheses with historic data on important policy issues. An issue as important as this, affecting hundreds of thousands of potential jobs, and a bill with implications as far-reaching as Intro 251-A, certainly requires that type of analysis.

So, through the Economic Development Corporation, the City issued a public Request for Proposals in the summer of 2010 for a team to conduct the most comprehensive survey to date on the issue. We received a number of responses from qualified academics and consultants, with the best proposal coming from Charles River Associates, a leading global consulting firm with strong expertise in economic and financial analysis. The team responsible for the research included Charles River Associates Vice Presidents Marsha Courchane and Matthew Thompson, Professor David Neumark of the University of California-Irvine, Professor Timothy Riddiough of the University of Wisconsin-Madison, and Professor Anthony Yezer of George Washington University. They have spent the past eight months conducting the study and are continuing to finalize their report now.

CRA is an internationally-respected consulting firm with expertise in labor economics and providing clear, data-driven, and unbiased analysis. Much of CRA's work involves providing expert testimony in litigation under oath; employees hold themselves to the highest standards of rigor and evidence-based approach in their work. The team members are tenured, published professors at leading universities and are expert in their fields of labor and real estate economics. Over the course of the last several months, the study team has also met with a balanced group of external stakeholders, including both advocates and opponents of living wage mandates who suggested data sources and published studies to review, and provided general feedback.

The scope of the study includes: first, a comprehensive review of the existing research on the impacts of living wage laws on labor market and real estate development outcomes, including a review of studies which support living wage laws and those which oppose them; second, a survey of 113 cities in the 100 largest metropolitan areas in the United States, and a detailed statistical analysis of the 39 cities that were studied in that group; third, an analysis of the economic impact of those laws; fourth, the development of a model to estimate the impacts of such living wage laws on real estate investment levels and economics and associated jobs; and fifth, the simulation of the impacts of the proposed living wage law on labor market outcomes and real estate development in New York City. Please note that although the bulk of the work was completed before the amended version of the bill was proposed, the authors reviewed the amendment and believe that the findings generally hold true for the amended version. A number of these changes included in the amendment were anticipated in the models.

The final report is being completed and will be more than 350 pages in length, but at the request of the City Council we have produced the key findings from this study to inform this hearing. I would like to discuss these key findings and implications in as simple and brief a manner as possible before taking your questions.

The first key finding is that while dozens of cities around the country have some type of living wage law, the proposed legislation that we're discussing today is unique: in no uncertain terms there is no wage mandate in the country that is as sweeping as Intro 251-A. Due to (a) the penalties and monitoring obligations associated with this proposal, and (b) the number of businesses in New York City that require incentives because of our uniquely high cost and tax structure, this bill will result in larger negative impacts on investment and employment.

The study used real data from 39 cities and sought to discover the effects of these cities' policies on employment and poverty reduction. By 'real data' I mean statistical data, collected by the Federal government, which when analyzed shows what actually happened when living wage laws were passed. The most significant finding – meaning the statistical finding with the most certain evidence – showed that living wage policies have a negative effect on employment of low-skilled workers. Put simply and unequivocally: the data shows that living wage mandates have eliminated low-skilled jobs, reducing opportunities for the neediest citizens. The statistical evidence from the 39 cities shows that a \$10 wage mandate would cause a 2.2% employment decrease among low skilled workers.

Why do employers shed low-skilled jobs when a wage mandate is imposed? There are two reasons: first, some projects, like the Kingsbridge Armory, that would have added jobs would not go forward. And second, if forced to pay higher-than market-rate salaries some employers would hire fewer, higher-skilled workers to do the same jobs. This is particularly easy for employers to do when unemployment is high and many people are looking for jobs.

Another finding of the study is that living wage mandates do modestly increase wages among some low-skill workers - an average income increase of 1.9% was observed in the statistical evidence. That there is any wage increase is less statistically significant (meaning the evidence is less assured), but even if there is, as I've outlined, it would come at an extreme price.

The consultants then sought to understand the implication of these two findings on reducing poverty. Put simply: some workers realized increases in income but did so at the direct expense of many workers who were no longer employed as a result of the wage mandates. The wage pie was essentially the same size, but it was split among fewer people.

And while wage mandates may have caused a modest reduction in the number of households with earnings below the Federal poverty line (in the order of 0.9 – 1.6 percentage points), with the evidence being highly variable, the mandates also decreased household participation in income-support programs, therefore offsetting to some extent the increase in household earnings caused by the mandates. Specifically, the study found that the overall impact of the wage mandates on poverty levels in New York City would be very small, and the number of households in extreme poverty would actually increase.

Following the interpretation of the historical record of living wage mandates on cities across the country, the study sought to apply these findings to New York City and to project how a living wage mandate would affect New Yorkers.

The simulations show that between 6,000 and 13,000 low-skill jobs would be eliminated as a result of the enactment of these wage mandates. Simply put: the number of job opportunities for low-income New Yorkers would shrink as a direct result of this legislation. And the distribution of these lost job opportunities was not even across the five boroughs. In fact, 90% of the jobs lost would be in areas outside Manhattan with the greatest losses in the Bronx, Brooklyn, and Queens.

The projections also demonstrated that some New Yorkers would see their wages increase, but that this increase was only experienced by 10% of the low-skilled workforce. Using the 2009 City poverty threshold estimated by the NYC Center for Economic Opportunity (CEO), the simulations show that the wage mandates would decrease the fraction of households with earnings below the poverty line by between .01 and .02 percentage points. I'll say that again, to emphasize this important point. The number of households in poverty declines by only one hundredth to two hundredths of one percent. At the same time, the employment losses increase the fraction of households in extreme poverty by between .05 and .12 percentage points. Again, the average household income gains are roughly cancelled out by the average household income losses, due to fewer overall low-skilled job opportunities. The projections also demonstrated that some New Yorkers would see their wages increase, but that this increase was only experienced by 10% of the low-skilled workforce.

Simply put: this policy will help some New Yorkers, while pushing some of the neediest residents even further into poverty.

The study also considered the proposed legislation's profound impact on the City's real estate market. As I mentioned, because of our City's unique cost and tax structure, a number of City incentive programs are required to incent investment and development, particularly in areas outside Manhattan and in industries like manufacturing and retail, where margins are thin. The proposed legislation imposes far more substantial monitoring costs and penalties that create risks, expenses and disadvantages for developers and business owners.

In fact, the study found that for almost all types of assistance, the cost of wage mandates would *exceed* the value of financial assistance.

Therefore, some private investments that would have previously gone forward with financial assistance would no longer be financially feasible. If this legislation were enacted, many projects would never get built. And the study found that this disinvestment effect was not evenly distributed around the five boroughs; unfortunately, it would be concentrated in neighborhoods that most need development. In effect, we would see the unfortunate outcome of the Kingsbridge Armory repeated many times over.

The study found that only investments remaining financially feasible without assistance would be likely to proceed. In these cases- which would likely be located in wealthier areas of Manhattan - because the developers would proceed without the incentives, they would *not* then be obligated to pay workers the mandated wage.

Overall in the real estate market, as a result of fewer real estate investments, the study shows that aggregate employment in the City would decline as a result of the proposed legislation. The consultants estimated this could result, over 20 years, in between 33,000 and 100,000 jobs not being created in New York City. These job losses would not be limited to low-skilled jobs, but would be spread among workers at all levels of compensation and wages. This estimate only includes direct jobs losses; it does not factor in additional opportunities such as construction jobs while projects are being built, nor does it account for the economic activity associated with those who would have worked on the projects spending their wages in local cafes, shops, and so on. Over 20 years, the EDC estimates that more than \$7 billion in investment will not happen as a result of this legislation.

We in the Administration have been analyzing these findings closely, as well as the findings of other relevant studies, and we have been briefed several times by the study's authors. It appears that this legislation is designed to channel money from wealthy real estate developers to the City's working poor. Despite this intent, the actual impact would be quite different. After this thorough review, we recognize that wage mandates may help some New Yorkers, but they will simultaneously hurt some of our neediest citizens. The policy would pay for some wage increases on the backs of the poor. Accordingly, we have grave concerns about the overall impact of wage mandates in New York City, and the chilling effect they would have on job creation and economic development throughout the five boroughs. Due to those concerns, we cannot support this bill.

As I mentioned at the beginning of my testimony, and as I know you are all aware, unemployment is unacceptably high. We cannot allow it to increase. We cannot allow families outside of Manhattan to suffer higher rates of unemployment than they already do. We cannot allow private investment to be scared away. We cannot allow real estate development to stop in its tracks. Unfortunately, that's exactly what this bill would do.

I would like to focus for a few minutes on several immediate and tangible impacts that this legislation would have. First, it is important to note that many of the projects that receive City

assistance are in the industrial sector. The city's industrial and manufacturing sectors have been weakened by years of macroeconomic changes, and the private sector has a weak appetite for financing new industrial or manufacturing businesses. In recent years, we have several examples of these types of companies moving to neighboring states or cities to avoid our City's high costs. Industrial and manufacturing businesses rely on City support and investment, and this bill represents a real threat to them.

Let's focus for a moment on one real-life New York City business: Hindustan Granite is a fabricator and distributor of marble and stone products that was leasing 28,000 square feet in Greenpoint with ten employees. The company was at full capacity in its factory space and looking to grow. They explored real estate options in New Jersey and saw that they could achieve cost savings by moving across the river. But they also identified a larger facility in Greenpoint. By taking advantage of benefits including sales tax abatements and Industrial Business Zone relocation tax credits, the company was able to acquire the larger, modern production and warehouse facility, creating 12 new jobs.

The majority of Industrial Development incentive packages go to unknown industrial businesses like Hindustan Granite. These kinds of businesses typically rely on an apprenticeship system to train employees. Entry-level employees start at a relatively low wage, often below \$10 an hour, as they learn the trade, but can earn several times that wage as they're trained and move up the ladder.

There are dozens of businesses that rely on our support in industrial areas in Williamsburg, Bushwick, Sunset Park, and East New York, Brooklyn; in Long Island City, Maspeth and Jamaica, Queens; on the North Shore of Staten Island; and in Bathgate, Hunts Point, Port Morris and Zerega in the Bronx. Imposing a living wage mandate on these struggling businesses would largely cancel out the value of their incentive packages and would make it virtually impossible for them to stay and grow here in New York City.

Later today you will hear testimony from a small business owner at the Brooklyn Navy Yard, Mercedes Distribution Center, who will tell you that the added administrative costs imposed by this legislation will cut into his already razor thin margins. It will make him more vulnerable to his competitors in New Jersey and Pennsylvania. There are businesses like this that would be adversely impacted by this legislation in many city-owned properties, from the city-owned markets in the Bronx and Manhattan, to the Brooklyn Army Terminal, Bush Terminal or soon to be developed Federal Building in Brooklyn.

In other areas where the City must maintain its level of competitiveness with neighboring states and cities, this bill would weaken the City's position versus its competitors. For instance, as you know, we are currently working on a plan to rebuild the Hunts Point produce market. As we work with local, State and Federal partners and the market to come up with a feasible plan, we are constantly met with competitive threats from across the Hudson. We know that New Jersey elected officials are aggressively courting the produce market, and they have made no secret about their willingness to spend freely on major incentive packages, like those for Panasonic or the giant Xanadu shopping mall. With those types of offers on the table, a living wage mandate

could be the proverbial straw that breaks the camel's back, sending the produce market packing for the Meadowlands. We feel that the passage of Intro 251-A will create another significant hurdle in our dealings with the Hunts Point Produce Market and efforts to keep them in the Bronx.

In addition to forcing out existing businesses, wage mandates would also cause mixed-use developments in areas outside Manhattan to never break ground, much like the Kingsbridge Armory. For instance, let's look at the Hub at 149th Street – a new potential development in the Mott Haven section of the Bronx within the Bronxchester Urban Renewal Area. The site has been underutilized for decades and the community has been clamoring for development. Just last week, the City announced that a private developer was selected to purchase the site and build a variety of community amenities including a new supermarket, school, restaurants and other retail and community facilities including a public plaza. The project will create 58 net new permanent jobs and more than 100 new construction jobs, and the developer has committed to use HireNYC, the City's local hiring program. The City, the community and local elected officials are all excited about this project moving forward. But if wage mandates are imposed, we will face a Kingsbridge-like scenario all over again.

One of the great economic policy initiatives of the last few years, the Food Retail Expansion to Support Health program, would be seriously threatened by this legislation. FRESH was created to give supermarket owners greater incentives to build in low-income neighborhoods where access to fresh produce has long been hard to come by. Supermarkets typically are low margin businesses, so they often need incentives to break ground on new projects, particularly in low-income neighborhoods. We can now see examples of this program working successfully: next month there will be a ribbon cutting of a brand new supermarket in Melrose in the Bronx that was built using this incentive program. But the additional costs of the proposed legislation would cancel out benefits of the FRESH program. If this legislation were passed, supermarkets like the one that will open its doors next month, would not get built. Supermarkets that are currently in the FRESH pipeline across four boroughs would likely not proceed.

The negative impact of wage mandates on the retail sector won't be felt only at shopping malls; they will also put affordable housing at risk. Most large residential development in New York City includes ground-floor retail to reduce the subsidy needed to finance the affordable units. Increased wage requirements lower profits, reducing the value of the retail space. That reduced value would mean either adding more government subsidy or reducing affordable units. That is a threat to projects all across the City that are part of the Administration's New Housing Marketplace Plan, which is creating 165,000 new units of affordable housing in neighborhoods like Long Island City, where the Hunter's Point South project is the biggest affordable housing project in decades, or Willets Point, where 35% of the housing units built will be affordable.

Across the City, there are projects that would be threatened by this legislation. In Central Brooklyn, where private investment is needed, vacant sites like the Chesnut-Dinsmore site would likely lay fallow. In the northeast Bronx, promising development opportunities like Westchester Square, or the Zerega industrial sites, would be less likely to move forward. From Willets Point, to East Harlem, Downtown Jamaica, to the Homeport on Staten Island, to the Brooklyn Navy

Yard and Coney Island, there are thousands of future jobs that would be not be created if this bill becomes law.

Over 20 years, we estimate that more than \$7 billion in investment will not happen as a result of this legislation. Last week, Mayor Bloomberg announced the FY 2012 budget. Part of the reason budget cuts are needed is because investment levels and job creation took a major hit with the recession. Economic development assistance is designed to help get that engine going again. As the study shows, this legislation will depress investment levels, which can only exacerbate fiscal problems, which would hence mean even tougher cuts in the future.

Industrial and manufacturing businesses, affordable housing developments, fresh food markets, projects that include open space and community space, and projects located in areas that need private investment. Those are the City's most vulnerable, risky projects and, for that reason, we provide incentives to make them happen. Singling out and adding costs to the developments *least* able to absorb additional costs will make them even harder to make happen. In many cases, they won't.

Less private investment means fewer construction jobs. The job losses I've discussed refer to permanent jobs, but we estimate that tens of thousands of construction jobs will be lost as a result of this legislation as well. This high-paying industry supports a strong middle class in our City. But the recession has taken a toll on this industry in the last few years, and employment levels have not been this low since 1998. Another of the great economic development policy initiatives of the last few years has been City support for Minority and Women-owned contractors. These contractors would find less work as a result of this bill. We cannot afford to create additional challenges for the construction industry in our City.

Proponents of this bill may argue that there are other recent studies that disagree with our finding that wages gains will come at the cost of job loss. I would reiterate that this is the most comprehensive and up to date study of the effects of this policy on major cities. Our study also models - using publicly available benchmarks as inputs - the real estate investment and employment impacts of the proposed legislation on workers outside of the low wage workforce. This is not something seen in any previous living wage study the consultants are aware of, but is very relevant to this proposed legislation and its impacts- remember that more than half the jobs at the Kingsbridge Armory would have paid more than \$10 an hour and those jobs were also lost. That is something about which studies such as the American Center for Progress choose to remain completely silent.

What I have been addressing thus far explains what we believe to be the likely practical impact of this bill on jobs and the City's economy. However, this discussion assumes the validity of the bill from a legal perspective. In fact, we believe that the bill raises significant legal issues. Perhaps the most significant concern is that by attempting to cover a wide range of parties for a period of thirty years or more -- including entities whose relationship with the City is remote or non-existent -- the bill seeks to impose a requirement that essentially amounts to a minimum wage for a sector of the City's economy. This is a subject matter reserved to the State. Attempts by the City to impose minimum wage requirements in this manner have been held improper by the State's highest court. Further, in some cases the bill appears to cover entities that may have

pre-existing contractual arrangements with future financial assistance recipients in a manner that would alter the financial obligations and expectations of those entities and lead to burdensome litigation among affected parties.

Key provisions of the bill would also apply to entities and programs that the City is preempted by State law from regulating through local legislation. For example, the bill covers a number of public authorities and other entities that are generally subject to State but not City legislation. Moreover, many of the financial assistance programs the City relies upon, such as tax incentives that are granted as-of-right to eligible tax payers, are enabled by State or Federal legislation. The City cannot condition the receipt of the benefits through additional requirements not authorized by the State or by Federal enabling law. The bill's explicit attempt to cover such a broad portion of the economy, combined with terms and provisions that are vague or difficult to interpret, is virtually certain to lead to controversy and litigation.

Moreover, the bill unlawfully reallocates the powers delegated to elected officials by the City Charter, particularly by expanding the enforcement role of the City Comptroller and infringing upon the powers allocated to the Mayor to determine the business terms for the acquisition and disposition of real property. A deviation from the roles specified in the Charter for the Mayor and Comptroller cannot be accomplished simply through a local law. Such a deviation requires a referendum by the voters.

In conclusion, we believe there are better ways to achieve the goal of reducing poverty, without the collateral damage of increased unemployment and lowered private investment. The Administration is focused on creating jobs in a variety of sectors, investing in training to help people raise their skills and incomes, and undertaking the largest affordable housing program anywhere in the nation. These efforts directly benefit low-skilled workers and their families.

The City's proactive approach to workforce development and job placement services has paid significant dividends and represents our commitment to helping get New Yorkers back to work. Through the Department of Small Business Services, our Administration runs a network of nine Workforce 1 Career Centers in all five boroughs. These centers provide jobseekers with a full array of employment services including job placement, career counseling, professional development and access to training opportunities. In 2010, our Workforce 1 Centers connected New Yorkers with more than 31,000 jobs, up from fewer than 500 early in the Administration. We have also committed to helping more New Yorkers find better-paying jobs. Through the first quarter of 2011, we have grown the number of New Yorkers placed in jobs with wages of \$15/hour or better at our centers by more than 40%. Three of our Career Centers are specialized sector-based centers focusing on transportation, healthcare and manufacturing. These centers in particular have been effective in connecting New Yorkers to sustainable good-paying jobs; the Healthcare Workforce 1 Center in Queens has placed New Yorkers in jobs with an average hourly wage of \$19.85. Our transportation center has facilitated more than 3,000 placements or promotions with an average wage of more than \$12 an hour.

But we know we must do more, and the Mayor has committed to expanding our efforts even further with the planned addition of ten new Workforce 1 Express Centers this year. These

additional centers will increase our job placement capacity and allow us to meet the Mayor's goal of at least 40,000 job placements in 2012.

Another critical component of our strategy to tackle unemployment has been in skill development to help out-of-work New Yorkers learn the skills that will allow them to get back to work and earn higher wages. The modern economy is putting a higher premium than ever on the skills that our education system is not successfully preparing our students in. To help close that skills gap, we have made millions of dollars available to support specialized skills training across the City.

Deputy Mayor Steel recently met with a family-owned HVAC business in Queens that had received one of these training grants. This small but growing business used that money to develop a customized training program which allowed entry-level workers to learn the skills necessary to be promoted to supervisory positions with significantly higher wages. Not only did this training program help those promoted workers grow their wages, it also allowed the company to then hire more entry level workers AND serve more customers. Our Administration will continue to make investments like this that help grow wages, create jobs, and expand the economy. Enhanced skill development is the surest way to increase the wages of lower-income New Yorkers, and we appreciate the Council's consistent support for these crucial programs.

We are also helping the most important job creators – small businesses in neighborhoods across the City – expand their businesses. Helping small businesses expand is crucial to getting New Yorkers back to work; 96% of the City's businesses employ fewer than 50 people, and nearly half of New Yorkers are employed by small businesses. SBS also operates a network of seven Business Solutions Centers located throughout the City which provide small businesses with a comprehensive set of services including business courses, business planning, legal assistance, help accessing financing and help navigating government. In 2010, more than 12,000 businesses were served by these Centers, and we helped provide access to more than \$30 million of private financing for small businesses. More than 4,500 people participated in our business training courses. These kinds of investments are vital to growing the City's economy and creating sustainable well-paying jobs for New Yorkers.

Those are some of the things we are already doing, and there are new measures we would support: like an increase in the Earned Income Tax Credit that would help the working poor. The Earned Income Tax Credit is a refundable federal income tax credit for low to moderate income working individuals and families. The City estimates that a 10% increase in City, State and Federal EITC would see approximately \$92 million accrue to eligible households in New York City and lift 30,000 people out of poverty. It would cost the City about \$10 million a year and would have a more widespread effect than Intro 251-A, without its adverse employment impacts.

Again, this Administration is committed to helping this City's neediest residents, but Int. 251-A would not only fail to help that group, it would result in thousands of fewer jobs for them. Instead, we should continue and expand our efforts to promote private sector investment and private sector job growth. That means helping more New Yorkers develop the skills they need to compete in the modern economy. That means helping small businesses access the capital they need to grow their businesses and hire more New Yorkers. And it also means continuing to

provide developers with incentives to increase the amount of jobs and economic activity in every neighborhood throughout the five boroughs. Every city in the country is doing everything it can possibly do to create new jobs. New York City is in no position to take steps we know will mean fewer jobs for New Yorkers.

I am now happy to answer any questions you may have.

Testimony: Committee on Contracts

Proposed Int. No. 251-A - In relation to requiring the payment of a living wage to employees employed on property developed by recipients of financial assistance for economic development.

John Petro, Policy Analyst
Drum Major Institute for Public Policy

I want to focus my testimony today on some of the troubling, underlying trends occurring in New York City's economy that point to the critical need for laws like the living wage bill that you all are considering today. Specifically, I want to talk about the overwhelming dominance of the city's lowest-paid industries in the city's employment growth.

Last December Mayor Bloomberg gave a speech that talked about how New York City was regaining jobs more quickly than the state or the nation. While the city has gained about 52,000 private sector jobs over the past year, but the extent to which this growth has occurred in low-wage industries has not been widely reported.

We looked at the latest data from the State Department of Labor and found that the two fastest-growing industries—hospitality and retail—are also the city's two lowest-paid industries. These two industries alone represented over half of all the city's job gains over the past year and have average wages between 51 and 59 percent lower than the citywide average wage.

When we looked at the city's five lowest-paid industries, we found that 82 percent of the city's employment growth was in these industries. So the vast majority of the city's new job growth has been in these low-wage, and in some cases poverty-level wage, jobs.

It is important to consider what effect this will have on New York's working families. In future years a larger percentage of the city's workforce is going to be relying on these low-paying jobs to meet basic needs, and in many cases the wages they earn will place them on the threshold of poverty, homelessness, and hunger. Just think: half of all the city's new jobs pay wages less than half the city average. What do you think the result will be on earnings for New York's working families?

Over the past 20 years, real wages have been stagnating for most New Yorkers, according to research by the Fiscal Policy Institute. Even among those with a bachelor's degree, wages are stagnant, and for young people with a bachelor's real wages are actually falling. At the same time, the proportion of the city's workforce employed in low-wage service sector work has increased from 32 percent to 42 percent. The job growth we're seeing over this past year indicates that this trend is going to continue, and probably at a faster pace than before. It is widely believed that the city's economy is going through a period of restructuring, and that the Great Recession has changed the city's and the nation's economy and the type of jobs that will be created.

That is why the dominance of low-wage work is especially troubling now, and it is why the City Council needs to take decisive action to raise wages for New York's working families

that will have no other employment prospects than those in retail, hospitality, home health care, and other low-paying industries. I don't think you will find anyone that will argue that it is better for the city's economy that wages are falling and that so many of the city's new jobs pay such low wages. It's not that these industries are growing that is the problem, but rather the low pay associated with these jobs is problematic.

Given these trends, it is unclear why the Administration feels that raising wages at the city's economic development projects, where the city spends taxpayer resources to create jobs, is bad for the city's economy. It is not overly simplistic to think of these issues in this way, it's just common sense.

These low-paying jobs are having no trouble being created. Why would we spend additional city resources to create more of them? Why not think of a better use of the city's economic development resources? Maybe it will be a bit more difficult to get some projects off the ground, though I doubt that these retail projects will have difficulty making money even with new wage standards—just take a visit to the Atlantic Terminal Target and you'll see just how widely popular and undoubtedly profitable these developments are. But shouldn't the city's goal be to create jobs that families can actually live off of? Why would we want to create jobs that require families to stay on food stamps or housing assistance? Why wouldn't we want to provide a way for these families to get a foothold on the ladder of economic mobility, rather than on a treadmill of low-wage work.

These are really the basic questions that we should be asking. We know from the experience of other cities that we can make this work because it *has* worked elsewhere. Thank you for your time and attention.

John Rozankowski, Ph.D.
Rozankowski@aol.com

City Council Hearing - May 12th, 2011

The Living Wage is an issue which transcends the so-called partisan divide.

To wavering Democrats in the City Council: May I remind you that fairness is a fundamental principle of the Democratic Party. The Living Wage is the epitome of fairness as public money loaned to spur development is returned to the people. When banks loan money, they expect a return of the principal with interest. It is very unfair that the people's loans should be treated differently!

To Republicans in the City Council: May I remind you that the people, not government, know best is a fundamental principle of the Republican Party. The Living Wage is more effective than the financial component of a Community Benefits Agreement. In a CBA, money is given to organizations with hopes that some benefits will trickle down to the people. In contrast, the Living Wage gives money directly to the people and they will decide how to spend it. [This will spur individualism, rather than dependency, and may ignite the rebirth of the middle class, which this City desperately needs.]

Opponents of the Living Wage, on the other hand, adhere to no principle except maximizing their pecuniary profits. They don't care about the future of the city and are unconcerned by the suffering of its citizens.

Thus, the choice before you is very clear: You can vote against the Living Wage and coddle these avaricious elitists or you can vote for the Living Wage, following the precepts of your respective parties, and proudly standing with the people. We at KARA hope that you will stand with the people.

Thank you very much.

Testimony of Charles S. Cleanavage
Faculty Religion Department: Cardinal Hayes High School
Union Delegate + Vice President of Lay Faculty Association Local 255
LIUNA

Good Afternoon. My name is Charles Cleanavage and I am a religion teacher at Cardinal Hayes High School in the South Bronx + union delegate for the Lay Faculty Association Local 255 LIUNA

I thank the City Council Committee on Contracts for holding today's hearing. I speak in favor of the Fair Wages for New Yorkers Act on behalf of the students + families of Cardinal Hayes which is located in the poorest congressional district in the United States. Not far from Cardinal Hayes you will find the Bronx Gateway Mall + Yankee Stadium two projects that received millions of dollars of subsidies for infrastructure improvement + tax breaks

This bill would allow the 1,300 workers in part time jobs an opportunity to make a living wage + fight the poverty that is impacting the quality of life of so many families in the South Bronx.

The Catholic tradition to which I belong calls a just wage + living wage a basic human right that recognizes + respects the dignity of each person. It's time for New York to pass the Living Wage Bill that offers individuals + families a way out of poverty + provide wages that support life + not wages on life support

FOR THE RECORD

Statement of Tony Juliano

President, Greenwich Village-Chelsea Chamber of Commerce

RE: Intro 251-A "Living Wage"

TO: NYC Council Committees on Economic Development, Small Business, and Community Development.

DATE: May 12, 2011

Good afternoon council members. Thank you for giving me the opportunity to speak to you today to voice our strong opposition to the so-called "Living Wage" bill, Intro 251-A.

My name is Tony Juliano and I am the President of the Greenwich Village Chelsea Chamber of Commerce. Our Chamber represents businesses in an area of Manhattan that stretches south from Canal Street up to 34th Street and from the Hudson River across to 3rd Avenue. Although you have heard and will continue to hear today about the harsh impact of this bill in underdeveloped areas of the five boroughs, its effects will be felt in every neighborhood. A major concern of our members is the bill's impact on small businesses.

Proponents claim it exempts small businesses. However, the exemption is very limited. To qualify, a small business's annual gross revenues cannot exceed \$1 million, inclusive of all its locations and all revenues of parent entities, subsidiaries, etc. What about a small, entrepreneur who buys a franchise as an entry into this market? He or she will be subject to these wage mandates resulting in an unfair disadvantage. And if a very small business is successful enough to consider opening a second location, then it is likely that they too will be subject to the mandates. One can imagine how difficult a decision it would be to choose to take the risk of opening a 2nd location knowing that your labor costs across the board will go up by almost 50%.

And, perhaps \$1 million sounds like a large amount, but in this city, in this borough, \$1 million top line revenue might well equate to a very small bottom line. In fact, the exemption does not account for whether the business is profitable, or any of the other taxes, fees and mandates that are imposed on businesses in this city.

Another way that this bill will affect small businesses is tied to the city's efforts to encourage affordable housing. Proponents of this legislation claim that it exempts affordable housing. However, you'll hear today that most affordable housing in the City will not qualify under the exemption. And many such developments include street level retail within the property at market rents. This bill does not exempt any retail space within that property nor does it exempt the space from the compliance requirements.

It is unfair to the retail merchant who happens to rent in a building that is subject to the mandate. These are merchants who have not benefited in any way from the government subsidies that trigger the wage and compliance mandates in the first place. How are they to compete with the business across the street that is not subject to these mandates?

And the compliance requirements alone are onerous. Even if exempt, we'll have to keep documentation for a minimum of 30 years. Documentation on full-time, part-time, temporary, seasonal employees; independent contractors; and contingent or contracted workers....I run a small business myself and can't imagine how I'll be able to do that without spending a lot of money now in technology and storage, and extraordinary ongoing operational expense to keep current and in compliance.

I think it's clear that these mandates will slow growth, stifle investment, and kill jobs. Whether it will kill 33,000 jobs and \$7 billion in private investment as Bloomberg study suggests or some lesser number. The question for lawmakers is how many lost jobs or billions in lost investment dollars are acceptable.



FOR THE
RECORD

**TESTIMONY OF THE REAL ESTATE BOARD OF NEW YORK IN OPPOSITION TO INTRO 251-A
May 12, 2011**

The Real Estate Board of New York, Inc. (REBNY) is a broadly based trade association of over 12,000 owners, developers, brokers and real estate professionals active throughout New York City. We oppose Intro 251-A, which would impose wage mandates in excess of the federal and state minimum wage on financial assistance recipients and their tenants, contractors and vendors and would have a negative effect on development and New York City's economy. While this bill has the commendable goal of raising the wages of poor New Yorkers, it would result in substantial job loss for the workers it is attempting to benefit and the neighborhoods most in need of capital investment, according to a recent report on living wage legislation commissioned by the city.

Intro 251-A would require all financial assistance recipients and covered employers to pay a "living wage" for at least 30 years from the time assistance is received and imposes significant compliance, recordkeeping and reporting requirements both on direct recipients and those who locate in properties who benefited from such funds. Requirements would apply when a recipient receives financial assistance of \$100,000 or more, inclusive of federal, state and local funds, for the improvement of real property, economic development and job retention or growth. Such money would include cash payments or grants; tax abatements and exemptions, bond financing, tax increment financing, filing fee waivers, environmental remediation costs, and energy cost reductions.

The City and other government entities provide economic development money in order to decrease the significant cost of development and the high real estate taxes in New York City to make projects financially possible. In building new housing units and office space throughout the city, development projects achieve a significant public policy goal of promoting economic development in neighborhoods in each of the five boroughs by creating both new construction and permanent jobs and by generating additional tax revenue. This financial assistance helps overcome the significantly high costs associated with new construction in the City. Adding living wage requirements as a condition of this funding would change the economics of these projects. Many of these projects would divert investments to pay for the increased wages and administrative costs of this requirement. Others would simply no longer happen. The City's analysis suggests that \$7 billion in investment will not happen, and as many as 33,000 jobs would no longer be created – hardly a minor impact on the future of the City.

As Kingsbridge Armory project showed, wage mandates are an absolute deterrent to capital investment and can be the death knell for development projects. Developers cannot expect potential future tenants to comply with a living wage requirement if the tenant could locate elsewhere and not be encumbered with this same requirement. Tenants have no incentive to agree to leases when they would be subject to wage mandates and increased administrative requirements such as those outlined in Intro 251-A. As a



result, this legislation will cause a decline in development, especially in the other boroughs and upper Manhattan where jobs are most needed. Instead, developers will choose to do projects in municipalities that do not impose these regulations.

Additionally, we question how this bill would be implemented and enforced, especially for the initial recipient of financial assistance. We do not understand how a recipient would be expected to monitor the payrolls of every tenant, subtenant, contractor and vendor on-site. The significant penalties associated with non-compliance would be a significant disincentive for individuals to take advantage of City funding. Furthermore, the sweeping powers delegated to the Comptroller represent a significant intrusion into business, and the amount of recordkeeping required, along with the 30-year maintenance of records would be a costly burden to anyone affected by this bill. Even entities that might be able to be exempted from the legislation, such as not-for-profits, affordable housing and small businesses with less than \$1 million would still need to maintain records and re-certify their eligibility for the exemption annually – a significant burden on already encumbered organizations.

We question the authority of the City Council to impose living wage requirements on recipients of financial assistance that was authorized by the state or federal government without these entities specifically granting the City Council the authority to modify the program

Intro 251-A would also reduce employment of those currently employed. Studies have shown that wage mandates like the one in 251-A act as a tax on labor and reduces employment most significantly for workers in the lowest skill percentiles. Rather than helping lift the poorest out of poverty, living wages can actually increase the problem by leading to additional unemployment among those who find it most difficult to find new jobs. The City's study found that the average increase in unemployment among low skilled workers was 2.2% and generally cancelled out any wage gains among those who did not lose their jobs.

In conclusion, Intro 251-A is a bill which would harm both the short and long term prospects of the City. Rather than improving the lot of poor New Yorkers, it would lead to increased unemployment and fewer jobs, and less private sector capital investment to continue to rebuild our city for the next generation. We urge the City Council not to pass Intro 251-A.

FOR THE RECORD

AIR TRANSPORT ASSOCIATION OF AMERICA

STATEMENT

OF

JAMES E. STEVENS

MANAGING DIRECTOR, STATE AND LOCAL GOVERNMENT AFFAIRS

REGARDING

NEW YORK CITY COUNCIL

PROPOSED INT. NO. 251-A

MAY 12, 2011

GOOD AFTERNOON

**I AM JIM STEVENS REPRESENTING THE AIR TRANSPORT ASSOCIATION
- THE AIR TRANSPORT ASSOCIATION IS THE PRINCIPAL TRADE
ORGANIZATION OF THE UNITED STATES COMMERCIAL AVIATION INDUSTRY -
BOTH PASSENGER AND CARGO AIRLINES.**

**I AM HERE TODAY TO JOIN WITH THE IMPRESSIVE LIST OF PREVIOUS
SPEAKERS AND ORGANIZATIONS TO OPPOSE NEW YORK CITY COUNCIL
INTRO 251-A.**

**WHILE WELL-INTENTIONED, THE BILL WOULD IMPOSE COSTLY NEW
MANDATES ON OUR AIRLINE MEMBERS AND OTHER COMPANIES LARGE AND
SMALL.**

**A SIGNIFICANT PROBLEM WITH THIS BILL IS THAT IT SEEKS TO
REGULATE IN AN AREA CONTROLLED BY FEDERAL LABOR RELATIONS LAW.
THE VAST MAJORITY OF AIRLINE WORKERS IN NEW YORK CITY WORK UNDER
LABOR CONTRACTS THAT HAVE BEEN NEGOTIATED BY EMPLOYEE UNIONS.**

**TO ALLOW MUNICIPAL GOVERNMENTS TO IMPACT OR OVERRIDE THE
NEGOTIATED AGREEMENTS BETWEEN UNIONS AND MANAGEMENT THREATENS
THE BASIC TENET OF COLLECTIVE BARGAINING ON WHICH MUCH OF OUR
INDUSTRY IS FOUNDED.**

**WHILE IT IS ALWAYS THE CASE THAT CUMBERSOME MANDATES
THREATEN EMPLOYMENT AND AIR SERVICE IN THE LOCALITIES THAT IMPOSE
THEM. THE BURDENSOME ADMINISTRATIVE REQUIREMENTS EMBEDDED IN
THIS BILL ALL BUT GUARANTEE THAT IT WILL HAVE A SIGNIFICANT NEGATIVE
IMPACT ON OUR MEMBERS.**

**WE ARE PLEASED TO JOIN WITH THE PREVIOUS SPEAKERS AND
STRONGLY URGE THE BILL'S WITHDRAWAL OR DEFEAT.**

THANK YOU.

For the record)

The Riverside Church

INTERDENOMINATIONAL • INTERRACIAL • INTERNATIONAL
OPEN • AFFIRMING • WELCOMING



The Rev. Stephen H. Phelps
Interim Senior Minister

May 12, 2011

To the Honorable Speaker Quinn and Esteemed Councilors:

Most testimony in support of the Fair Wages for New Yorkers Act states why this legislation will be good and just for the poorest workers of the City. My claim looks from the other side. The Living Wage will be good for the rich, the powerful, indeed for the whole city and for the nation.

In the current issue of *The Atlantic* magazine, former chancellor of schools Joel Klein writes of this nation, "We're rapidly moving toward two Americas—a wealthy elite, and an increasingly large underclass . . . This division tears at the very fabric of our society." Well you know that we could spend days in hearings proving Mr. Klein's claim using data about the damage inflicted on the least and the lost through our schools, our prisons, our infrastructure, our public health, our environment . . .

History records that all great nations ultimately fell because the people at the bottom went too long ignored. You can read it from the prophets of Israel or the books of Islam. You can read it from Jesus or from Edward Gibbon. Tragically, history almost never records that a nation chose leaders wise enough to end injustice in time; to cause the laws to support the dignity of all the people; not split the people, but make them one.

Economic justice for the poorest is in the highest self-interest of the wealthy. The wise see this, for they know that their interests are not for themselves alone but for their children's children and for all children. When this wealthy city stands up in wisdom with a law and a lamp to welcome the weak and the weary—why, a whole nation is watching. You cannot choose a stronger means than this bill to mend the fabric of our torn society and renew a future for all the people for a new century.

Testimony of Hal Fetner
CEO of Durst Fetner Residential
New York City Council Committee on Contracts
May 12, 2011

My name is Hal Fetner and I am a third generation real estate developer here in New York. Both my grandfather and father developed properties in the Bronx and Manhattan.

Over the last few years, my company has built 1700 rental apartments, some in partnership with the Durst Family.

All of these units were developed under the 80/20 program, and as a result I have also built approximately 340 affordable rental units for working new Yorkers who otherwise could not afford to live in New York City.

The goals of your living wages bill are laudable, however, the unintended consequences of this legislation is that it will kill affordable housing projects and the jobs that they create.

To build an 80/20 project, you need financing. It is no surprise that today's financing market is tough. Banks are giving fewer loans and demanding more equity. Pre-leasing retail space before applying for a construction loan is an effective way to entice banks to provide the necessary financing needed to build the project.

Retailers will not lease in my building if they are going to be required to pay their employees higher salaries. They will rent in another location that is not subjected to this living wage bill's requirements.

80/20 builders like myself will have problems financing our projects. The immediate impact will be that construction jobs won't start, permanent jobs will be lost and affordable housing won't get built. It's a lose lose for everyone.

Finally, as a real estate owner who has rarely sold any of my assets, you are now putting me in a position of having to build condominiums rather than rental housing.

I don't want to be a condo developer. I also don't want to build outside of New York City. However, this bill forces me out of the affordable housing business in New York City.

I know everyone loves to hate developers. I also know that I take substantial risk when I build these buildings, but I create hundreds and hundreds of good paying jobs, not just construction jobs, but jobs for architects, engineers, advertisers, leasing staff, and brokers.

Don't force me to create those jobs in New Jersey or Florida.

We all agree our city needs jobs and affordable housing. This legislation kills both.

###

Testimony of the International Council of Shopping Centers (ICSC) Regarding Intro 251-A

Presented by G. Lamont Blackstone, Principal
G. L. Blackstone & Associates LLC

Madame Speaker and members of the City Council. I am a volunteer officer and past dean of the School of Economic Development of the International Council of Shopping Centers (aka ICSC), which is the trade association for that segment of the commercial real estate industry encompassing retailers as well as the owners of commercial properties within which those retailers operate, as well as the mayors and elected officials who wish to attract retail to their communities. By profession I am a consultant and a developer who has been involved in urban retail development projects such as the Harlem Pathmark on 125th Street, a supermarket-anchored shopping center in the South Bronx, and a proposed affordable housing project inclusive of ground floor retail – that last project is being spearheaded by the New York City Housing Authority.

ICSC opposes this legislation although we recognize that it is born of good intentions. Addressing the issue of working class poverty is unquestionably a righteous goal, but this bill is the wrong tool, at the wrong time, being used in the wrong way. If financial incentives are needed in order for a retail development or redevelopment project to proceed, if that developer's project or that retailer's store is not financially feasible **but for** the decision of the public sector to provide some quantifiable amount of economic incentives, it defeats the purpose of providing the incentive to begin with if you impose the incremental costs of a nearly 60% increase in the effective minimum wage along with the record-keeping expenses of compliance monitoring, along with the liability issues and risks. Financial

incentives are provided and only should be provided because a developer or retailer faces a funding gap in attracting private sector debt and equity to cover project costs, or because the higher costs of operating a project or store in NYC prevent that developer or retailer from achieving adequate returns for the level of risk they are assuming. If this wage mandate is imposed, retailers – assuming they still choose to come to a subsidized project – will likely pay considerably less in rent. Lower rents will make development projects less likely to be feasible and that will curtail development – stopping it during a period when construction activity in this city is at a 5-year low. Ladies and gentlemen of the Council, if it wasn't for a package of incentives from the public sector, the Harlem Pathmark project which has done so much to revitalize East Harlem, which has done so much to expand healthy food alternatives in Upper Manhattan, without such public sector investment that Harlem project would never have been possible. If that same project was attempted today under these wage mandates, the East Harlem marketplace would not get done.

However, even if a development or redevelopment project doesn't need financial assistance, you can expect this living wage legislation to deliver a deathblow to urban retail attraction – particularly in the outer boroughs and Upper Manhattan. The retail industry and the shopping center industry are struggling to recover from wounds inflicted by the worst economic crisis since the Great Depression. At the same time, supermarkets, restaurants, and other categories of retail are facing higher commodity prices and escalating energy costs in the form of higher electricity bills. Indirectly, retailers are impacted by higher gas prices, another energy cost, because if consumers pay more for gas they are less likely to drive to their favorite shopping centers or shopping districts. And those consumers also will have less money to spend at retail outlets. So with these cumulative economic

pressures impacting the profitability of the conventional retail store, retailers are highly sensitive to business risks and are leery of putting themselves in harm's way. How would a retailer have reasonable certainty that some prior property owner did not benefit from the financial assistance threshold which triggers the living wage mandate – thereby transforming that retailer into a “covered employer?” Rather than assume the risk that a property was at some point in the past the recipient of financial assistance or at some point in the future directly or indirectly becomes the recipient of a compliance trigger of as little as one hundred thousand dollars (\$100,000), the chief financial officers of retail chains (and most corporate real estate departments report to a company's CFO) will likely delay, reduce or reject store expansion opportunities in the City.

It may be argued that such concerns will only impact big box stores and national chains since small retail businesses will not be affected because of the proposed small business exemption. However, Intro 251-A's small business exemption provides no safe harbor. We estimate that if a store occupies more than 2,000 sq. ft. of space or if the store ownership has total square footage in the City of more than 2,000 sq. ft., it is at risk of being burdened with these crushing wage mandates. If a small retailer grows a successful business in one location that is the recipient of financial assistance and then expands his/her business to a second location in the City, will that trigger the imposition of the wage mandate at the first location? (This estimate is based on the \$1,000,000 revenue cap and an average sales productivity per square foot of store space of \$500 per year.)

This living wage mandate raises significant questions which heighten uncertainties and risks for developers, retailers and the lenders which finance both stakeholders. The smallest supermarket project, inclusive of single-store operations, would be

entangled within the web of these mandates, thereby diluting the effectiveness of incentive programs the City has instituted explicitly for the purpose of attracting grocers to the City's food deserts. According to the grocery trade organization, the Food Marketing Institute: "Of all food retailing expenses, store labor accounts for the largest portion with payroll at 11.5 percent of sales and employee benefits at 3.6 percent – together comprising more than half the gross margin." The methods available to grocers and retailers of all types for adjusting to higher wage mandates are few: raising prices, revising operational processes, boosting productivity, or lowering profits. In the post-Great Recession environment in which retailers now live, the first three of the aforementioned tactics have limited application and the last method has little appeal for investors who have alternatives for deploying their capital.

According to the National Retail Federation, another retail industry trade group, the New York City retail industry generates more than 298,000 jobs and \$10 billion in wages. So retailing is a vital component of the City's economy. ICSC has partnered with New York City agencies and community development organizations in spotlighting retail development opportunities in the South Bronx as well as emerging local retailers which have grown from a single location to several stores in the Five Boroughs. We have promoted to our membership the importance of public-private partnerships and we look forward to working with the Council and the Administration to nurture the expansion of retail opportunities and amenities in all neighborhoods of the City. However, in order for those efforts to be successful, developers and retailers need reasonable certainty over long time horizons that their business models will not face draconian risks that make urban stores less competitive than suburban outlets. This living wage legislation will add inordinate complexity to the business environment for the next 30 years. To

reiterate, we recognize that this bill was born of good intentions, but we fear that it will grow into a deadly creature that will ravage the landscape of the urban retail economy. Accordingly, we respectfully urge the Council to abandon Intro 251-A.

Advocates of the
Food Industry
Since 1900



FOOD INDUSTRY ALLIANCE OF NEW YORK STATE, INC.

130 Washington Avenue • Albany, NY 12210 • Tel (518) 434-1900 • Fax (518) 434-9962
Government Relations (518) 434-8144

Comments

by the Food Industry Alliance of New York State, Inc.

on Int. No. 251-A

in relation to requiring the payment of a living wage to employees employed on property developed by recipients of financial assistance for economic development

The Food Industry Alliance of New York State, Inc. (FIA) is a not for profit trade association representing the interests of New York's 21,000 food stores. In New York City our members include A&P, AIM Stores, Bravo Supermarkets, C-Town, D'Agostino Supermarkets, Fairway Markets, Food City Markets, Food Emporium, Foodtown, Gristede's, Key Food Stores, King Kullen, Met Food, Pathmark, Pioneer Supermarkets, Shoprite Supermarkets, Stop & Shop, Trader Joe's and Waldbaum's as well as their wholesale suppliers including Bozzuto's, C & S Wholesale Grocers, Krasdale Foods, Supervalu, Wakefern, and White Rose.

On behalf of our members, FIA opposes Int. 251-A. The legislation would impose a minimum wage mandate on recipients of financial assistance of \$100,000 or more in New York City. It is sweeping in its provisions, including in the definition of covered employers recipients of financial assistance as well as tenants, sub-tenants, leaseholders or sub leaseholders who occupy property improved or developed with financial assistance, fee holders or other condominium owners, and any contractors or subcontractors who work on the property for more than 30 days. The bill requires that the mandated wage be paid to all employees – full time, part time, temporary, seasonal, independent contractors and contingent or contracted workers – and makes no provision for those covered by collective bargaining agreements. The requirements apply for at least 30 years. There are extensive and onerous reporting and record keeping requirements. And, while the provisions do not apply to any project agreement enacted prior to the law, extensions, renewals, amendments or modifications will trigger inclusion for all covered employers.

This mandate, for an industry that operates in a highly competitive environment on the slimmest one percent net profit margin, will clearly discourage supermarket participation in any project involving financial assistance. Food stores cannot absorb new costs, continue to offer competitively priced products, and be successful. The bill would put the much needed supermarket at a significant competitive disadvantage vis a vis all the other formats now offering food that operate on much higher margins. Significant questions are also raised about differing pay at different locations for those multi-store companies.

Most disturbing, if enacted Int. 251-A would discourage, if not completely shut down, the City's FRESH Program. Food Retail Expansion to Support Health, two years in planning and now a year and a half into implementation, was designed to encourage supermarket development in the City's most underserved neighborhoods, fostering economic and health benefits in communities as access to a full line of fresh, affordable, healthy food is improved. The zoning and financial incentives included in FRESH were crafted to address some of the barriers that inhibit new store development and renovation and happily, there are now 10 projects in the pipeline. The benefit of those incentives will be wiped out if 251-A becomes law, depriving underserved communities of new and/or improved food stores and depriving residents of needed job opportunities. We will have taken one step forward and two steps back in achieving the goal of improving access to healthy food and stemming the increases in obesity and diabetes.

FIA and its members urge you to reject Int. 251-A.

For The Record

**Testimony by Joal Savino
Executive Vice President
Mercedes Distribution Center, Brooklyn, New York
City Council Hearing on Intro 251-A
May 12, 2011**

Good afternoon. My name is Joal Savino and I am the Executive Vice President of the Mercedes Distribution Center. Our firm is located in the Brooklyn Navy Yard. We have been at the Navy Yard for 40 years and, in fact, were one of the Yard's very first tenants.

Mercedes is in the fulfillment business. We warehouse products for our clients—typically e-commerce businesses—and ship out merchandise to their customers to fulfill their orders.

While New York City is a high-cost location, we believe it is important to be located here. It keeps us close to our clients, many of which are located in the city, and to many of their customers in the highly populated Northeast.

As a small business, we are very sensitive to cost. The added administrative costs that would be required by Intro 251-A would impose a major burden on our business. Mercedes does not receive any direct financial incentives from the City and in fact pays market rents in the Navy Yard. Yet, we would be impacted by the legislation because it covers tenants of entities like the Brooklyn Navy Yard, which do receive financial assistance from the City.

This legislation would require us to keep employee records for 30 years—a major imposition on a small business where our workforce often changes based on the business climate. We would also be required to file an annual certification about employee wages. In addition, it is possible that many of our vendors would be covered by this legislation.

And if our vendors' costs go up due to these added administrative burdens, they may think twice before working for us—or charge us more for the same services they now provide.

Running a business in New York City is always an exciting yet challenging endeavor. Our company is already losing market share to competitors in Pennsylvania and southern states that run with less overhead.

But we want to stay in New York, be productive and continue to create jobs. Please don't make it more difficult and more expensive for us to run a business in the city. We urge you not to pass Intro 251-A. Thank you.

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TESTIMONY

OF

DONALD R. SPIVACK

FORMER DEPUTY CHIEF OF OPERATIONS AND POLICY (RETIRED)

THE COMMUNITY REDEVELOPMENT AGENCY OF

THE CITY OF LOS ANGELES, CALIFORNIA

ON

INT. 251-A -- THE FAIR WAGES FOR NEW YORKERS ACT

BEFORE THE

THE NEW YORK CITY COUNCIL

COMMITTEE ON CONTRACTS

MAY 12, 2011

CHAMBERS OF THE NEW YORK CITY COUNCIL

250 BROADWAY, NEW YORK CITY

Good afternoon, my name is Donald Spivack, I am recently retired from the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) as Deputy Chief of Operations and Policy after 28 years of public service with that agency. I am here to address a few points relative to the topic of living wage requirements, which the City of Los Angeles adopted by ordinance in 1997 and the Redevelopment Agency by policy in 2003. I was the author of the agency policy.

The Community Redevelopment Agency was established by the city in 1948 to address blight and disinvestment in the City of Los Angeles. It is Los Angeles' equivalent to New York City's Economic Development Corporation and is the arm of city government responsible for promoting economic development, including job and housing growth, in the City of Los Angeles.

Policy Overview

The agency's 2003 living wage policy covers a range of types of employees who work on subsidized economic development projects. It extends to the developer's own staff, and any contractors or subcontractors hired by the developer to perform work on the project such as security, janitorial and grounds-keeping staff. It therefore covers at minimum the work force whose primary responsibility is at a covered site. Third party tenants are generally not covered by the policy unless the project is built on CRA/LA owned and leased land. However, in many cases key anchor tenants such as hotels have been defined as "participants" and as a result are covered in the policy's application. In addition, CRA/LA has a parallel policy that assures extension of living wages to employees in hotels built on agency-owned land. Finally, these requirements have been extended in many cases by community benefits agreements on individual projects, or by the City of Los Angeles' living wage ordinance. Small businesses (those with less than \$350,000 in gross income or 7 or fewer employees) are exempted.

Our agency has found the living wage policy to be an effective tool for ensuring that taxpayer-subsidized economic development creates quality jobs for Los Angeles' communities. We have not found that it has inhibited new development or job growth in any way. In fact, even in the current economy, 23 living wage covered projects are actively entering the approval process, a strong indication that the developers are not deterred by the living wage requirement. Instead, we view the policy as a key component of our development strategy – one which complements our work to attract new businesses, build new housing, and strengthen the city's tax and economic base.

Covered Projects

To give you an overview of our experience with the policy, the agency's recent development inventory includes 254 projects, of which 144 have a living wage jobs component. The 144 CRA/LA projects with a living wage component, which range in status from completed to

Employers are encouraged to meet with the CRA/LA compliance staff at least ten days before initiating their hiring process both to be clear on the reporting requirements and to be advised of the job placement assistance that is available to them, including fiscal incentives for hiring from certain targeted populations. Compliance requires submitting biannual reports of its hiring status by number of jobs, proportion that are living wage and proportion, if any, receiving health benefits.

Benefits

The key benefit that has resulted from Los Angeles' overlapping living wage policies has been to provide an important pathway out of extreme poverty for thousands of working families, at minimal expense to the private sector. Today's living wage rates in Los Angeles are \$10.30 per hour with health benefits or \$11.55 without, and a requirement for 12 paid and 10 unpaid days off. At the higher wage level, assuming a full time job, 2,080 work hours per year and 10 unpaid days off, this results in an annual salary of \$23,100, marginally above the federal poverty line of \$21,954 for a family of four, and well below the estimated minimum for a family to house, clothe and feed itself in Los Angeles of \$29,474 per year. By way of comparison, the California minimum wage is \$8.00 per hour, yielding an annual income of only \$16,640, well below the living wage though still above the federal minimum wage of \$7.25 per hour.

A second benefit of the living wage policy from the business perspective is the reduction in turnover and associated costs due to business disruption, hiring and training. City analysis showed that turnover rates dropped from an average of 49% in non-living wage jobs to 32% in living wage jobs. The reduction in turnover resulted in a 16% reduction in costs for those businesses.

A third benefit is that any addition to funding to health care has a favorable impact on reducing the near-absolute reliance of the uninsured on acute health care and emergency room services, probably the costliest way possible to provide health care.

A final benefit, and one of importance to agencies such as ours, is that increasing wages – marginal as it is with the living wage policy – has an impact on housing and community stability. Los Angeles, like many other major cities, suffers a crisis in the availability of safe, adequate and affordable housing. Too many households live in overcrowded conditions and pay upwards of 60% of their income in rent. But to a large degree the crisis in housing – for which my agency alone spends millions of dollars in creating and subsidizing affordable housing each year – is in reality a crisis in income. Increasing wages helps to make more housing affordable, and thus positively impacts the supply of affordable housing. In addition, getting families out of dilapidated and overcrowded housing improves school performance, helps to keep kids out of gangs and involvement in other illegal activity, makes communities safer, and supports local



Council of New York Cooperatives & Condominiums

INFORMATION, EDUCATION AND ADVOCACY

250 West 57 Street • Suite 730 • New York, NY 10107-0700

TESTIMONY IN OPPOSITION TO INTRO 251-A REQUIRING A 'LIVING WAGE' AND EXTENSIVE RECORD KEEPING

Presented by Mary Ann Rothman

Thursday, May 12, 2011

My name is Mary Ann Rothman. I am the Executive Director of the Council of New York Cooperatives & Condominiums, a membership organization for housing cooperatives and condominiums. More than 170,000 New York families make their homes in our member buildings, which span the full economic spectrum from very modest housing to some very upscale dwellings. What we have in common is a commitment to our homes, our communities and to this City where we have bought our homes.

A great number of CNYC's members would be affected by Intro 251-A, because of the property tax abatements we receive to relieve in part the very significant disparity between our taxes and the taxes paid by home owners in one, two and three family homes in New York City. And those cooperatives and condominiums -- primarily in the outer boroughs-- that are able to qualify for J-51 to defray the cost of capital improvements or those receiving other City or State incentives to help pay for mandated energy upgrades -- all are likely to find themselves subject to the terms of Intro 251-A.

I have no doubt that this legislation is well-intended, but I believe that it will have significant unintended consequences that will slow our economic recovery and will result in fewer rather than more job opportunities for poorer New Yorkers. Intro 251-A will also impose massive new responsibilities on our members and require extensive record-keeping, whose purpose is not clear to us.

An affected building would have to ensure that any employer operating on its premises for 30 days or more pay a 'Living Wage' to its employees. Failure to do so could result in fines and other penalties. In a cooperative or condominium, this responsibility appears to extend not only to the tenant of any commercial space in the building, but also to contractors doing work either for the building or inside shareholder or unit owner apartments. Does it also extend to housekeepers, home health care attendants or other employees of building residents? Just think of the amount of work involved in communicating to all residents that the cooperative or condominium now has to verify the wages paid to anyone working in the building! And needs to be alerted when employees are changed, or if their wages are raised. Intro 251 A would require the cooperative or condominium to maintain its own payroll records plus all of these additional records for at least 30 years. The workload and the cost of it are staggering!

Intro 251-A further states that violations could result in fines or other penalties, including a requirement to return to the City all financial assistance received. This is particularly problematic, as it creates 30 years of financial uncertainty: The risk that the cooperative corporation or condominium association might one day be faced with penalty charges amounting to hundreds of thousands of dollars as a result of a commercial tenant's employment practices would affect our ability to obtain financing -- both for building improvements and for the purchase of units. Mortgage loans could become completely unavailable, or become far more costly, causing the value of units in the building to fall.

I'm sure that others will be talking today about how this legislation is likely to affect the job market: that employers will be slower to take on additional workers, or that some work that doesn't merit pay of \$10 will simply not get done -- resulting in fewer entry level job opportunities, and less productivity in areas where those jobs now exist. And that businesses able to do so could find in this sufficient motivation to relocate outside of the City. I have tried to limit my remarks to the serious problems that I see for the cooperatives and condominiums that make up CNYC's membership. I thank you for this opportunity and strongly urge the City Council not to pass Intro 251-A.

Hello and thank you for this opportunity to listen to the small business community that helps make up the fabric that is New York City. My name is Paul Seres and I'm President of the New York Nightlife Association, a member of the board of directors of the New York State Restaurant Association, and a member of Manhattan Community Board 4 that covers Chelsea and Hell's Kitchen districts.

This bill, as it is written would be yet another burden forced upon the small business owner in a city where all costs seem to roll down to the creators of jobs and the producers of taxes, the small business owner. In addition to be ^{very} responsible for real estate taxes for the landlords from which we lease, the hospitality industry is under a constant barrage of new laws and regulations by city and state agencies that shrink our already small profit margins.

Hospitality is one of the few industries left in New York that showed signs of growth in 2010. Manufacturing is all but gone, the financial industry is looking else where to house their headquarters, yet we as an industry who continue to provide jobs, taxes and revenue to the city and state are constantly being asked to cough up more money all for the sake of doing business.

In recent years, there has been a strong movement of the restaurant and hospitality industry to go green, not only for the greater good of the environment, but for the tax incentives and rebate programs offered by the government. This bill would not only stop business owners from thinking progressively towards a cleaner more environmentally friendly way of doing business, it will force us to find locations that are not already receiving those benefits, as the tip credit is not exempt from the bill as it is written.

I am in the process of developing a multi-level restaurant lounge in a commercial property in the Fashion District where I will initially be creating upwards of around 60 new jobs and paying hundreds of thousands of dollars in city and state taxes through the life of the establishment. This bill, if made into law, will force me to scale back my operation in order to maintain a profit margin that would allow me to sustain my business practice to keep what little employees I could afford. With a shaky global economy, the thought of more than doubling my labor costs would inevitably force me ^{to} hire less people just to stay afloat.

As an entrepreneur, I am constantly looking at the next business opportunity and where that business opportunity will be welcome and become part of a community, creating jobs where none existed before. This bill and others like it, make it more and more difficult for small business owners like myself to stay in New York City. I have begun looking out of state for my next opportunity, at states and municipalities that are not only more pro-business than New York, but welcome new opportunities that will create jobs and revenues. At every turn we are relentlessly being asked to pay more and more, in a recessed economy that is delivering less and less.

I urge you to reconsider this bill and think about the job creators. If the intention of this bill is to protect the work force, what good will it do if there are fewer and fewer positions open for the work force to fill.



NEW YORK NIGHTLIFE ASSOCIATION

Serving New York's Bars, Clubs & Lounges
325 Broadway, Suite 501
New York, NY 10007

Testimony of Robert Bookman, Counsel, New York Nightlife Association against Intro 251-A, the so called "Living Wage Bill".

May 2011

I am Counsel to the New York Nightlife Association, the organization that represents the city's bars, lounges and clubs. We directly employ over 20,000 New Yorker's and generate over \$9 billion dollars a year in economic activity. I am also an attorney and my law firm represents hundreds of restaurants and other small businesses in the City.

We don't need to argue about studies to tell you without any doubt that if passed, this bill will kill jobs and development of all kinds in NYC, especially in poor neighborhoods where it is already hard to make a profit. I have spoken to dozens of our members and clients about this bill....everyone of them said they would never rent in a building where this bill controlled what they had to pay their employees...period. I do not know of a single retailer who feels otherwise. So who is going to develop properties if there are no retail tenants, no restaurants or bars?

This bill should not even apply to the hospitality industry at all for many reasons. Few of us receive direct city financial incentives, but because we pay rent to landlords that do receive incentives we are included. This makes no sense.

Most of our employees make well in excess of the legal minimum because of tips. As a result, State law provides that we pay only \$5/hr. If \$11.50/hr is a living wage, and our employees make more than that, then why should we have to increase what we pay them by over 100%? They already are making a living wage.

This would also force us to increase the wages of everyone else in the business as you have just raised the bottom wage and we have to keep wage differentials between job types and experienced workers within a job category. If a dishwasher gets a raise to \$11.50/hr then a cook who was

getting \$12/hr will have to get a raise as well. The proponents of this bill don't calculate that cost.

We have many students in our industry ...and throughout the City in offices like yours and mine...who work part time to make some pocket money but who do not support a family. They do not need to make a living wage, just a wage. Those jobs will disappear if we must pay \$11.50/hr....and forget about summer jobs all together.

This bill would discourage the construction of new buildings—reducing the number of venues for our businesses—and result in such a huge increase in labor costs, it would make it impossible for our businesses to survive and thrive.

It will also have unintended consequences such as stopping the greening of buildings as this often results in tax and energy subsidies that would place it within the scope of this bill.

Finally, it will create needless and burdensome paperwork for businesses across the city, including a requirement to maintain employee records for at least 30 years. This will overwhelm most small businesses. This will increase the cost of doing business in the city and create a disincentive for businesses to expand and grow here. It will also create a cottage industry of litigation between landlords, who can get fined for their tenants alleged non compliance and their tenants , who the City has no jurisdiction over under this bill, over issues of compliance....a huge hidden cost for everyone.

Robert Bookman

Pesetsky and Bookman

325 Broadway, Suite 501

New York, NY 10007

212-513-1988

My name is Mitch Banchik. I am the owner operator of 7 pub style restaurants in 4 different neighborhoods in Manhattan and have been in business for 20 years.

Employee payroll is, by far, my largest expense. The majority of my 280 employees are waiters, busboys, bartenders and barbacks. These are all tipped employees. Their hourly rate of pay is \$5.00 per hour plus tips. They ALL make more than \$11.50 per hour.

If the building I am operating out of were to become subject to the living wage I would have to pay my tipped employee's an additional \$6.50 per hour. I would also have to raise the pay rate of my porters and dishwashers from their current rate of \$8.00 per hour to \$11.50. Then, once the cooks find out about this, and they will, I will have to raise their salaries from \$12 to \$14 or \$15 per hour. This increased payroll cost would force me to lay off workers and cut the hours of all my employees. This seems to be exactly the opposite of what the living wage is trying to accomplish. It could easily put me out of business as I operate inexpensive, local pubs and would have tremendous difficulty passing along these costs to our customers who are very price sensitive. I would certainly not open a restaurant in a building that were subject to these rules. There are hundreds, if not thousands of operations like mine throughout the city.

Also, I currently own many of the buildings that my restaurants are in and although I am very much in favor of energy efficiency and making buildings more green, I would not be able to take advantage of the energy and tax credits for my properties as this could cause my restaurants to become subject to the living wage. I suspect that other landlords, for fear of losing, or not being to attract restaurant tenants, would also shy away from

making their buildings more efficient as the tax savings and energy credits would not compensate them for the loss of rent and the ensuing diminished values of their property.

FOR THE RECORD



Manhattan Chamber of Commerce Testimony Into 251A

May 12, 2011

The Manhattan Chamber of Commerce is here today on behalf of our 10,000 business members and subscribers to express our opposition to the City Council's Into 251A as we feel this is a job killing proposal for all of the reasons our colleagues have expressed to you today as well as these additional points:

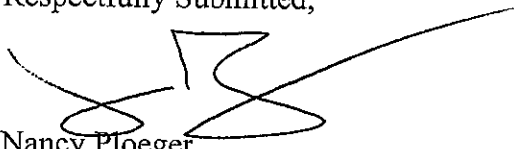
*The ongoing partnership between our local businesses, BIDs and other local entities and city government is vital to creating and growing jobs in our boroughs. There are many city programs, like REAP and ICAP, that have been very successful in helping businesses expand and create jobs. This legislation would put a virtual halt to these partnerships and leave local businesses on their own.

*This legislation will discourage local businesses, nonprofits and other entities from taking advantage of tax abatements, bond financings and other incentives the city has created to promote economic development in our boroughs.

*Since many newer buildings built in the last 10 years probably have received some sort of support, if this bill went into effect, all the businesses who lease from these buildings will all now be subject to this mandate when renewing and will cause many of them not to renew

*The bill will create needless red tape and reporting requirements that will take away resources from day-to-day legitimate business activities and require more personnel time and record keeping not to mention storage of 30 years worth of paperwork.

Respectfully Submitted,


Nancy Ploeger

President

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1375 BROADWAY, 3RD FLOOR
NEW YORK, NY 10018

O: 212 473 7875

F: 212 473 8074

INFO@MANHATTANCC.ORG
WWW.MANHATTANCC.ORG



We serve you

Comments

of

Andrew Rigie

Executive Vice President, Greater New York City Chapters

New York State Restaurant Association

on the

Proposed Fair Wages for New Yorkers Act

May 12, 2011

1:00 p.m.

250 Broadway, 16th Floor, New York, New York 10007.



Greater NYC Chapters

1001 Avenue of the Americas, 3rd Floor
New York, New York 10018

212-398-9160
212-398-9650 (Fax)

Headquarters

409 New Karner Road
Albany, New York 12205

518-542-4222
518-452-4498 (Fax)



We serve you

Good Afternoon. My name is Andrew Rigie and I am the Executive Vice President of the Greater New York City Chapters of the New York State Restaurant Association (“NYSRA”), a trade group that represents approximately 5000 food service establishments in New York City.

After careful review NYSRA is unable to support this proposed legislation. There are 24,000 food service establishments in New York City that employ more than a quarter of a million hard working men and women, each a vital component to the success of New York City’s vibrant restaurant industry. NYSRA urges the council to carefully consider the uncertainty and hardships this bill (Int. No 251-A) will impose on your constituents – the hard working restaurant owners in each of your districts.

This legislation will create another layer of unnecessary and confusing regulation for the businesses community. In fact, this legislation is in direct contravention of the City’s efforts to assist businesses by cutting burdensome regulation. NYSRA has many members who are closing their local restaurants and bypassing New York City as a locale to open new venues because of high regulatory costs and because they are being made to feel like targets of aggressive anti-entrepreneurial regulation, such as proposed bill 251-A.

Even those people who consider themselves ‘foodies’ don’t realize that their favorite neighborhood restaurant survives on razor-thin profit margins. Multiple federal and New York State minimum wage increases, higher City administrative costs and the increase in fines being levied by regulatory agencies continue to erode these margins. Then when you consider the ever-increasing cost of commodities, soaring food prices and the higher cost of employing and retaining good staff in New York City’s highly competitive restaurant industry it should become very clear that this legislation has no place in the business community and must stay far away from the restaurant kitchen.

NYSRA is further concerned that the bill will impede efforts to attract health conscious restaurants to underserved and underemployed neighborhoods where development projects are often heavily incentivized by governmental financial assistance.

This legislation will place restaurants in a very unwelcoming position – they will be asked to comply with a law that they may not even know applies to them. Because the law applies to tenants even if they do not receive any city financial assistance, and because most restaurants are tenants, restaurants must trust that their landlord has disclosed and properly notified the restaurant that they are covered by this wage legislation. The legislation in effect asks a private citizen to rely on another citizen – not the government – to disclose whether a law applies to them. This council should not expect any investor/entrepreneur restaurant owner to operate a business in this manner.

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This legislation also would make private business information – including employee pay rates – public. Restaurants covered by this bill would have to submit payroll records identifying the name and wages of covered employees which will then be subject to public inspection. This is an unwarranted intrusion into the privacy of employees and employers.

NYSRA has not seen any evidence for the proposition that tax incentives paid to developers or landlords covered by this legislation would somehow result in lower rents for restaurant tenants.

In addition, this legislation's application is simply too broad, applying to any business with gross revenues of one-million dollars or more. While one-million dollars in gross revenues may seem like a large sum, it is not in the restaurant industry where profit margins are often less than 5%. Furthermore, this legislation would require that revenue generated from separate entities with common ownership that are not located at the property receiving government financial assistance to be aggregated, insuring that the increased wage mandate will be triggered even at many small establishments. This expansive coverage would include a franchisee whose parent company generates in excess of one-million dollars or a silent investor in a restaurant with non-related business interests that generate in excess of one-million dollars and trigger coverage of a related restaurant that may only generates two-hundred thousand dollars gross revenue a year.

Another example of its breadth is the legislation's failure to make exception for the receipt of gratuities received by employees. With tips, employees in the industry can and do make far in excess of the proposed higher wage sought by this legislation but the restaurant industry would not receive any credit for the tips, which are otherwise considered wages under the New York Labor Law.

Please recognize that not only will these local restaurant owners shoulder the financial burden of the increased wage mandates, but by default, this legislation will increase the wage scale of all other employees who would be entitled to receive higher wages for seniority and greater skill levels. This could also make future merit-based wage increases, bonuses or benefits cost prohibitive.

Because of these issues, this proposed legislation will create undue anxiety and unjustified burdens on mom-and-pop food service establishments like my family's fourth generation bakery and café, or your neighborhood Indian restaurant, or your cousin's pizzeria.

Please start thinking about what you will tell your constituents when they come to you and tell you that their family owned restaurant that employs 20 people is four years into a 20 year lease and because their landlord is the recipient of a J-51 or other tax abatement they are now required to pay increased wages and benefits that they could never have contemplated, had no voice in deciding whether to ask for the tax incentives, receive no benefit from the landlord's tax incentives and simply cannot afford to pay if they are to survive as an ongoing business. This would also influence restaurant owners not to renew an existing lease because where future financial assistance would trigger increased wage mandates.

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NYSRA also believes this proposed legislation will be a boondoggle to one of the now infamous contingency law firms that sues hard working, small businesses owners and extracts settlements at the cost of their restaurant victims' very survival. These lawyers will be the winners because there is no effective government enforcement of this proposed legislation.

If the goal of credits, abatements, and incentives is to encourage and spur economic development in New York City, this proposed legislation is counter-productive at best. NYSRA believes that the Council should use different, effective models to encourage heightened wages for hard-working workers. NYSRA's partnership with the NYC Department of Small Business Services is one such example. This partnership provides subsidized restaurant training that is contingent on employee wage gains. The employee receives new and enhanced skill sets and a raise. The employer receives more productive and valuable employees. Such mandated wage increases which are linked to a justifiable and objective goal is justified a win-win for everyone. The mandates in Int. 251-A is a lose-lose for New York City.

Today, NYSRA and its nearly 5,000 members asks you, the members of the New York City Council, to please keep restaurants, jobs, and business in New York City. We urge you not to pass this legislation.

Thank you for your attention and consideration of these comments.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Andrew Rigie".

Andrew Rigie
Executive Vice President, New York City
New York State Restaurant Association
212-398-9160 x 202 (Tel)
AndrewR@NYSRA.net

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212-398-9650 (Fax)

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518-452-4498 (Fax)

For the Record

COOPER SQUARE MUTUAL HOUSING ASSOCIATION

59-61 East 4th Street, 3rd Floor New York, NY 10003 Phone: 212-477-5340 Fax: 212-477-9328

May 12, 2011

Ladies and Gentlemen Members of the NYC City Council

My name is Valerio Orselli. I am the Executive Director of the Cooper Square Mutual Housing Association (Cooper Square MHA) and I am here today to speak in support of Intro. No. 251-A, which will require the payment of a living wage to all employees employed on property developed by recipients of financial assistance for economic development.

Cooper Square Mutual Housing Association is a cooperative housing non-profit project in Manhattan's Lower East Side. Cooper Square MHA owns and manages some 25 formerly City-owned buildings that were renovated using various City or Federal funding sources and programs, including US HUD HOPE II, NYC DAMP MHA Program, Inclusionary Zoning and City Capital Budget funds.

CS MHA employs seven (7) management staff and eleven (11) maintenance workers. Our lowest paid employees are hired at the rate of \$10.00 an hour. Upon completion of the 3-months probationary period, the salary is raised to \$10.50 an hour, with full medical and dental benefits paid 100% by CS MHA. After 2 years of employment staff is also entitled to set aside a portion of their salary to go into a retirement fund which is matched by the CS MHA.

We also have some 25 commercial units that we rent out to neighborhood entrepreneurs and community people who wish to start a business, have developed a business plan and show that they know their market. We do not charge full market rent for such spaces. We charge what we call a "modified fair market rent." Based on surveys we periodically carry out our commercial rents typically are 25% to 40% below market rents for the so-called East Village area. This allows store owners to get their business up and running and potentially pay a living wage to their employees.

I say "potentially" because some businesses of course do not succeed and under current law we are not allowed to verify what they pay their employees. But it seems logical that one way for developers to require commercial tenants to pay a living wage is by offering them a lease at somewhat below market. That is not so unusual in the development world. For example: Avalon Bay on Houston Street has rented a large commercial space to Whole Foods on a long-term lease for a very low rent, in exchange for Whole Foods taking a basically raw space and building it up. Why not apply the same principle to a Living Wage?

Similarly, in the renovation of the MHA buildings, the City required contractors to pay "Prevailing Wages" which are pretty much equivalent to union salaries, and are a whole lot more than the proposed "Living Wage." Do all contractors follow the law? Most, I believe, do. Some do not. And the City employs inspectors to go over logbooks to verify compliance. Something

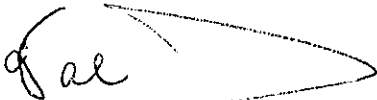
similar could be done with the "Living Wage" without creating major bureaucratic problems for developers or employers. Rather than developers and commercial associations working to defeat a Living Wage bill, they would be better off working out an arrangement to implement a Living Wage process: a slightly discounted rent for a slightly higher Living Wage, where everyone will benefit.

I cannot understand why any developer, particularly a non-profit developer or manager, would or could in good conscience be opposed to this legislation. In New York City, given the cost of living and the generally high rents (even in much of the subsidized housing), a Living Wage is far from being a living wage. Even our own employees who are getting just the living wage have to live in public housing or in one of the MHA buildings in order to be able to make it. There is much talk about economic development and how this is going to be stymied by passage of this Living Wage legislation. But who is supposed to benefit from this economic development. The developers or the poor and working class people of our City?

From the point of view of the City's economic development, I would argue that the City would benefit more by putting more money into working people's pockets than in the developers'. Working people spend their money, giving it to other working people and thus creating a multiplier effect. Developers if they invest, they will invest their money where they stand most to gain. And presently there are a lot a wealthy developers and investors who are just sitting on their money and not even investing it.

If there is anything wrong with this proposed legislation, is that it doesn't go far enough. But it is a first step in the right direction and I urge the City Council to vote in favor of Intro No. 251-A. It is a matter of economic necessity for our families. It is an issue of Social Justice for our City.

Thank you very much.

A handwritten signature in cursive script, appearing to read "Val", enclosed within a hand-drawn, elongated oval shape.

Valerio Orselli
Executive Director

For the Record

Greetings to One and All.

I'm personally grateful to the councilmember-sponsors of the **Fair Wages for New Yorkers Act** a/k/a **Intro 251**, the **Living Wage** bill, brought this day before the *NYC Council's* Contracts Committee, chaired by Councilmember Darlene Mealy. You all are to be commended for having more courage than most. In addressing, publicly supporting, and proposing to enact binding legislation regarding wages, you supply a basic rung in the ever-evolving ladder toward economic justice. During tremendous social upheaval in our world, nation, state, and city, mavericks pave the way. This has been too long a time in coming! Would that others might follow your courageous lead on this issue!

We are our brothers' and sisters' keepers, yes we are! And as elected officials, it behooves you to fulfill your explicit and implicit obligations and responsibilities to society! Too many are overburdened, oftentime bone-weary, and powerless to engage socially and politically to demand fair treatment in the hope of being heard, to affect political will for real, lasting, legislative change! Let's be pragmatic--government exists solely to serve and protect all people, to govern with justice. When it works well it does so fairly across-the-board. When it doesn't the effects are disastrous for most, but not all.

Those whom this legislation would most affect will no doubt return the favour. It stands to reason healthier, respected, appreciated employees serve not simply their employer, but the city, state, and nation, as well, paying taxes for necessary public services and amenities. Properly remunerated employees are more likely to become productively engaged in society than those undervalued due to being poorly compensated and/or treated unjustly.

For the sake of future employees, specifically at the *Lower East Side's* as-yet-undeveloped *Seward Park Urban Renewal Area*, as well as at other future developments city-wide, many of whom may be currently unemployed or under-employed, you must ratify this urgently needed legislation! We call upon you individually and collectively to stand proud in echoing in thought, word, and deed, one of many admonitions of the modern-day prophet and leader, the Rev. Dr. Martin Luther King, Jr. 43 years ago in 1968:

"Now is the time to make an adequate income a reality for all God's children. Now is the time for City Hall to take a position for that which is just and honest."

Respectfully submitted,
Adrienne M. Z. Chevrestt
NYC native, 30+ year *Loisaida* resident

For the Record

NATIONAL ASSOCIATION OF THEATRE OWNERS

OF NEW YORK STATE (NATO)

TESTIMONY BEFORE CITY COUNCIL ON INTRO 251-A

GOOD AFTERNOON MR. CHAIRMAN AND MEMBERS OF THE CITY COUNCIL.
IT IS VERY DIFFICULT TO STAND HERE AND TALK AGAINST INTRO 251-A
WHEN THE SPIRIT OF THE LEGISLATION IS TO HELP PEOPLE ATTAIN A
LIVING WAGE.

BUT THE WAY THE LEGISLATION IS WRITTEN, WE BELIEVE IS COUNTER
PRODUCTIVE AND WILL IN FACT STIFLE JOBS AND LEAD TO INCREASED
UNEMPLOYMENT IN NEW YORK CITY. THE UNINTENDED CONSEQUENCES OF
THIS PROPOSAL WILL BE INCREASED UNEMPLOYMENT AMONG LOW-
SKILLED WORKERS OR WORKERS SEEKING TO ENTER THE JOB MARKET FOR
THE FIRST TIME AS WELL AS STALL DEVELOPMENT OF NEW PROJECTS IN
THE CITY.

MY NAME IS ROBERT SUNSHINE AND I AM THE EXECUTIVE DIRECTOR OF
THE NATIONAL ASSOCIATION OF THEATRE OWNERS OF NEW YORK STATE,
WE ARE A NOT-FOR-PROFIT TRADE ASSOCIATION THAT REPRESENTS 48
MOVIE THEATRES, 312 SCREENS AND ABOUT 1,825 EMPLOYEES ACROSS THE
FIVE BOROUGHES.

DESPITE THE BEST INTENTIONS BEHIND INTRO 251-A, NATO CANNOT SUPPORT IT IN ITS PRESENT FORM.

OUR EMPLOYEES ARE MOSTLY COMPRISED OF PART-TIME STUDENTS OR RETIREES, BECAUSE OUR FLEXIBLE WORKING SCHEDULE FITS THEIR NEEDS.

OUR NYC THEATRES VARY WIDELY IN SIZE AS THERE ARE SOME WITH AS FEW AS 10 EMPLOYEES AND OTHERS WITH AS MANY AS 150 EMPLOYEES. DO THE MATH. TAKE A MODERATE SIZED THEATRE THAT EMPLOYS 20 STUDENTS. EACH WORK ABOUT 30 HOURS A WEEK AND WITH A \$4.00 INCREASE AN HOUR IT WOULD COST THAT THEATRE NEARLY \$125,000 A YEAR. LET ME REPEAT THAT - \$125,000 ADDITIONAL PAYROLL A YEAR PLUS BENEFITS.

ALTHOUGH WE APPLAUD THE GOOD INTENTIONS OF THIS BILL, WE CANNOT SUPPORT IT. THE OUTCOME IS OBVIOUS. IT WILL LEAD TO LOSS OF JOBS, HIGHER ADMISSION PRICES TO ATTEND THE THEATRE AND ULTIMATELY NEW THEATRES WILL NOT BE BUILT IN THE CITY.

NEW YORK CITY IS ALREADY AMONG THE MOST COSTLY AND REGULATED ENVIRONMENTS IN THE COUNTRY IN WHICH TO OPERATE A BUSINESS

HEAVY TAXES, HIGHER RENTS, BURDENSOME GOVERNMENT REGULATIONS, AND THE HIGH COST OF OPERATING A BUSINESS.

THE THEATRE BUSINESS IS LOSING PATRONS EACH YEAR. ATTENDANCE IS DOWN. AND MOVIE THEATRES ALL OVER THE COUNTRY ARE FACING ONE OF THE BIGGEST CHALLENGES EVER IN THAT MOVIE STUDIOS ARE STARTING A NEW BUSINESS WITH DIRECT TV AND WILL BE STREAMING MOVIES TO HOMES DIRECTLY AFTER A 60-DAY WINDOW IS OBSERVED. ALTHOUGH NO ONE CAN ADEQUATELY ESTIMATE WHAT THIS WILL COST MOVIE THEATRES THERE IS NO DOUBT IT WILL HAVE A PRONOUNCED EFFECT ON OVERALL BOXOFFICE AND ATTENDANCE.

UNFORTUNATELY, IT'S ALWAYS THE PUBLIC AND THE CONSUMER THAT GETS THE SHORT END OF THE STICK BECAUSE COSTS NEED TO BE PASSED ON.

WE ALSO BELIEVE THE BILL IS FLAWED IN SEVERAL WAYS:

1. WE QUESTION THE LEGALITY OF THIS LEGISLATIVE BODY MANDATING AN INCREASE IN WAGES.
2. THE RETROACTIVE PORTION OF THE LEGISLATION IS NOT CLEAR.

3. IF ONLY THE LANDLORD IS BENEFITTED BY SUBSIDIES, WHY ARE THE PROVISIONS FOR INCREASED WAGES PASSED DOWN TO A TENANT WHO RECEIVES NO BENEFIT?
4. THE SPONSORS OF THE BILL HAVE NOT FULLY INVESTIGATED THE REPERCUSSIONS OF THIS LEGISLATION. NO ONE KNOWS HOW MANY BUILDINGS EVEN COME UNDER THESE PROVISIONS.

WE URGE YOU TO NOT ACCEPT THIS LEGISLATION AS PROPOSED.

SUBMITTED BY:

ROBERT H. SUNSHINE
EXECUTIVE DIRECTOR OF NATO OF NYS
770 BROADWAY, 7TH FLOOR
NEW YORK, NY 10003
(212) 493-4097

NATO/LIVING WAGE/TESTIMONY INTRO 251-A

READ INTO RECORD

Hearing on the Fair Wages for New Yorkers Act
May 12, 2011

Worker Testimonials

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Linda Archer

My name is Linda Archer. I'm a member of the Northwest Bronx Community and Clergy Coalition. I'm a cashier at the McDonald's in Times Square. I live in the Bronx and share a one bedroom apartment with an elderly family member.

I have over 10 years experience working in customer service. I took the job at McDonald's because I could not find any other immediate employment.

Times Square has received hundreds of millions in taxpayer dollars. Meanwhile, I started at McDonald's at the minimum wage of \$7.25 per hour. When I had my 6-month evaluation they told me and my co-workers that we broke sales records. My team received the highest possible ranking of "Rising Stars." And what did I get for it? I got this lovely t-shirt that says "Rising Star" AND a 20-cent raise.

McDonald's just hired 50,000 more people nationwide, so these are the types of jobs that are being created in this country. But these jobs are not sustainable and the City Council needs to take a stand.

When you go from \$7.25 to \$7.45, that does not help. In addition to the necessities such as food, clothing, and shelter, I can't afford any of the basic things that working people should be able to enjoy such as a decent pair of shoes or a summer vacation.

My dream is to return to school so that I can complete my bachelor's degree, go to law school, and work for social justice. A living wage would help me afford the basic necessities and save some money to work towards this dream.

Today I'd like to make a deal with the City Council. If you pass the Fair Wages for New Yorkers Act, YOU will be Rising Stars in the City Council, and I will give each of you a Rising Star t-shirt.

But in all seriousness, this is so important. Workers around the city are struggling. So please, do the right things, and pass the Fair Wages for New Yorkers Act today!

Nick Pehlman

Hello. My name is Nick Pehlman. I'm 21 years old and am a member of the Retail Action Project. I've been working retail and food service jobs since I was 14 years old. I've never made a living wage at any of these jobs.

During my last job search, I had seen the city's advertisements for Work Force 1, so I sought their help in finding a better job. They immediately streamlined me into a low paying retail job at a store in Flushing, Queens.

When I started there, I found that many of my co-workers had also found their positions through Work Force 1. These were people with higher degrees and years of work experience. And yet, here they were, forced to take a massive pay cut because low wage jobs were the only jobs being created.

One of my co-workers had been a professional furniture salesman for 20 years, but got laid off due to the economic crisis. He collected unemployment benefits until the unemployment office urged him to take the job at our store, threatening to cut him off from his benefits. He ended up taking the job and making *less* than he was making from his unemployment benefits. The company now had a seasoned, experienced sales person and was paying him \$8.50 per hour. This was the story for many of my co-workers and it is the reality for workers around the city.

Although the managers told us that this could be a lifetime career, of the 400 people hired when the store opened, within a month, 200 were fired and the rest had their hours cut. Oftentimes during our morning meetings, the manager would point outside to the long line of people waiting to interview and would tell us that there were plenty of people waiting to take our jobs.

What happened at my store was not unique. It represents a larger trend of continually cutting funding for good paying jobs and giving more and more taxpayer money to extremely profitable companies who provide low wage jobs.

I've since left that job and am still unemployed and looking for a good job. Unfortunately, the only jobs available are the same low wage jobs that I've been working since I was 14. Inaction on the Fair Wages for New Yorkers Act will not only prevent the creation of good jobs but will allow the continued practice of throwing away millions of our taxpayer dollars on low wage jobs. It is a death sentence for the working people of New York. We need living wage jobs and we need them now!

JCPenney Workers

Good afternoon. We are a group of workers from the Queens Center Mall JCPenney. The mall is receiving nearly \$100 million in tax subsidies. We are submitting our testimony as one group because the problems of low wage work are a trend in our store and in the retail industry. We are testifying anonymously because the company retaliates against those who speak out.

New hires at the multi-million dollar chain earn around \$8-9 per hour. Those who stick with the company don't have it much better. In one example, a JCPenney employee has been with the company for over 20 years. She has been moved amongst different departments and as a result has had her pay slashed three times during her time there. Another employee is 48 years old and supports his wife and 8-year-old child. After 7 years at JCPenney, he makes \$9.21 per hour. Clearly, loyalty is not rewarded in the retail industry. This is why the annual Cost of Living Adjustment is an important part of the Fair Wages for New Yorkers Act.

Unaffordable health benefits create additional hardship. The 48-year-old mentioned above pays nearly \$70 per month to buy the company's family health insurance, vision, and dental plan. In addition, there is a \$1,150 yearly deductible. If employees opt to pay a lower monthly fee, they must pay an even higher deductible of \$2,500.

When one uninsured employee asked Human Resources if they could help her pay \$6,000 for needed surgery, she was told to apply for Medicaid. She, like many at JCPenney, has already applied for Medicaid but makes just enough so that she does not qualify.

In one particularly tragic case, a 19-year-old uninsured employee had a tooth infection. She waited to take care of it so that she could save up enough money to see a doctor. Unfortunately, the infection went untreated for too long, and the woman passed away. A hardworking young woman at one of the most profitable chains in the country lost her life due to a simple and preventable infection. Requiring employers to either provide health insurance or pay an extra \$1.50 per hour as laid out in the Fair Wages for New Yorkers Act can literally save lives.

We have been trying for years to improve things at our store, but, like most low-wage employers, JCPenney has a long history of fighting workers' attempts to improve conditions. While we realize that it won't solve all our problems, having a right to a living wage, health benefits, and a Cost of Living Adjustment would greatly improve our situation. So today we call on the City Council to pass the Fair Wages for New Yorkers Act for the workers of JCPenney and workers all across New York City.

Kim Ortiz

Hello. My name is Kim Ortiz. I'm a member of Retail Action Project, which is a growing membership network dedicated to improving working conditions in the retail industry. As a member of Retail Action Project, I interact with low-wage retail workers every day. Their story, and my own, is a testament to why we need living wage jobs here in New York City.

I live in the Bronx in a 2-bedroom apartment along with my mother, father, and two small children. I pay for household expenses such as food, bills, and transportation. My children are three and four years old. They both have autism and require special services that are not provided by any social service.

For 5 years, I worked at the concession stand and gift shop at the Statue of Liberty, where I earned \$8.25 per hour. During peak tourist seasons I worked hard for nearly 12 hours a day. I made sure all the concession stands were fully stocked, set up properly, and run smoothly. My hard work for those 5 years made a difference to this city by creating a positive experience for both tourists and New York residents.

It was extremely difficult to make ends meet on \$8.25 per hour. I qualified for the benefits plan after the first year, which meant they took an additional \$25 out of my weekly paycheck. But I rarely used the benefits because of the expensive monthly premium and co-pay.

I was so excited when, a year and half into the job, I was promoted to Assistant Manager. My new job came with more work, more responsibility, and the exact same wage of \$8.25 per hour. When I left the job after five years, I was only making \$9 per hour.

I am currently attending Lehman College and working towards a BA in social work. If I made a living wage, I could save money for school, help out my family at home, and afford basic services for my children. My goals are simple: to have a career in which I can contribute to society, and to raise a happy and healthy family.

Here I was, working at the Statue of Liberty – the symbol of American prosperity, and yet – I could barely afford to live. Does this sound like life, liberty and the pursuit of happiness?

This city needs a change. We are providing charity to extremely profitable businesses while workers suffer. This isn't right. We need a living wage and we need one now!

Terri Deans-McFarlane

Testimony in Support of the Fair Wages for New Yorkers Act

My name is Terri Deans-McFarlane. I am a mother and a member at Convent Avenue Baptist Church. I serve on the Deacon Board and I also work with the children and youth.

I am very involved with the economic concerns that the young adults are facing today. I am here to express my support for the Fair Wages for New Yorkers Act. As a parent, we try to teach our young adults that they not only have a right to spiritual empowerment, but they also have a right to be empowered economically.

My eldest son worked for American Eagle for three years while attending Liberty University. I can remember him going to work after school and coming home after midnight. They even enticed the workers to work overnight to make more money. There were no healthcare benefits and he certainly was not in a position to be self-sufficient because the pay was minimum wage. I felt that it was wrong that he had to work so hard for so little money and be distracted from his studies. I still had to support him even though he was working.

Now my younger son will be entering college this fall and plans on entering the retail industry to make ends meet. I am currently collecting unemployment benefits and have no health insurance for my family. In my church I see so many young people trying to go to college who are not able to complete their studies because of problems with money.

The reason am I here today is that I don't want this cycle of financial difficulty to be played out again and again in our families. It would be very beneficial to families who have children who are trying to become responsible working adults to be paid a living wage that will allow them to advance economically. The fate of the Fair Wages for New Yorkers Act will have a great impact on our aspiring college students as they continue their studies.

It is said, "If a man does not work, he cannot eat." Every parent wants to see their children succeed in life. Unfortunately, with so many single-parent families struggling, if a student cannot make a decent salary in order to make ends meet, he will be forced to defer his or her studies to a later date. It is only fair that if we are giving subsidies to businesses, they should also offer jobs that pay a "living wage."

Morenike Dagbo

Hello, my name is Morenike Dagbo. I am member of the Retail Action Project and the Living Wage NYC Coalition. I'm 25 years old and have been working in retail for almost 10 years. I am currently working as a cashier in a supermarket at an hourly wage of seven dollars and ninety cents.

I live with my mother and my younger sister on Staten Island. I am responsible for most of the bills and daily expenses for my family. Sadly, both my mother and younger sister have major health issues which prevent them from being financially independent.

A few years ago I was a college student with big dreams. I enjoyed learning and working toward my goals. I was a determined student and an energetic athlete. As time went on my mother's health declined dramatically and my financial situation became more complicated. Unfortunately, I realized that I would have to take on more financial responsibilities to ensure the livelihood of my family and myself.

It is very difficult to provide a decent living for my family and myself as well as to follow through with my goals while working minimum wage jobs that barely pay enough to cover the most basic necessities. Education costs money, transportations costs money, food costs money, and rent costs money; it is virtually impossible to afford all these things on a minimum wage.

I am a strong supporter of the "Fair Wages for New Yorkers Act." I truly believe that projects receiving our taxpayer dollars should give back to the communities that fund these subsidized projects by providing living wage jobs with benefits and not poverty jobs that are fruitless.

It is no surprise that seven dollars and ninety cents is not nearly enough to cover some of my family's monthly expenses. I am confident that if the "Fair Wages for New Yorker's Act" passes it will set a precedent for the future of living wage policies but most importantly it would change the lives of struggling low wage workers in New York. All hard working New Yorkers want to be able to make a living. We all want to be paid well. We all want good jobs and benefits for our families and ourselves.

I am asking members of the City Council to please sign on to the "Fair Wages for New Yorkers Act." It is the right step to take in improving the lives of New York's low wage workers. Thank You.

Med Dalhatu

Hello. My name is Med Dalhatu and I'm a member of Retail Action Project, an organization of retail workers dedicated to raising standards in the retail industry. I'm here today to share my story and tell you why it's so important for workers to earn a living wage.

I've been in America for 8 years. I came here to be part of the American dream – to work hard, go to school, graduate, and live a better life. After I graduated from high school, I started working in fast food and then moved to a retail job at a store called Shoe Mania in Manhattan. I worked very hard because I wanted to save some money and go to college. I worked 60 hours a week, and only had one day off. And I was only making minimum wage.

I struggled to pay the bills, buy a metro card, pay my phone bill, eat and pay rent. It was impossible for me to save any money. I was living paycheck to paycheck. I felt stuck and lost hope of ever achieving my dreams. I prayed and prayed for a way out. I worked there for 4 years and I didn't make any progress in my life because I wasn't making a living wage.

The store I worked at was in midtown Manhattan. It was always very busy and we made a lot of sales. Many of our customers were tourists coming to New York for the first time. We kept the economy moving, and the store was making a lot of money, but we the employees saw very little of that money.

I recently got a new job in a different industry and now I make a living wage. My life is so much better. My dream is to finish my bachelor's degree and someday open up my own business. Now that I make a living wage, I am able to go back to school and can work towards my dreams. I am very positive about my future and I call on the City Council to pass the Fair Wages for New Yorkers Act because it will benefit workers like me, their families, our communities, and our economy.

Romeo Ilboudo

Hello. My name is Romeo Ilboudo. I was a retail worker for over five years and I am on the leadership board of Retail Action Project. The Retail Action Project is a growing network of retail and fashion workers dedicated to improving standards in the retail industry.

I immigrated to America 8 years ago. In 2003, I began working as a stock worker at a clothing store in SoHo. This store, believe it or not, paid a living wage! It was still hard to support my wife and two kids with my wage, but we managed to get by. If I weren't even making a living wage, I don't know how we would have been able to live.

Now, as a member of the leadership board of Retail Action Project, I see firsthand how hard retail workers have it.

Retail is one of the fastest growing industries in New York City, but most retail workers live in poverty. In fact, almost half of New York City retail workers make less than \$10 per hour. Poverty wages are a huge problem in the retail industry and in the entire city.

Our taxpayer dollars should not help bad employers who keep working people in poverty. Bad employers make it harder for the good ones - they make it harder for the employers who pay a living wage, like the store where I worked. If more employers paid a living wage, it wouldn't just benefit workers at those companies, but it would benefit workers everywhere because it would raise standards. Conditions have been getting worse and worse. Passing this bill would be the first step in making things better.

Right now the City Council has the opportunity to make a real impact on the lives of low-wage workers around New York City. Pass the Fair Wages for New Yorkers Act. It is the right and necessary thing to do.

Anonymous Retail Worker

This worker is testifying anonymously because her company has retaliated against workers for speaking out for better conditions. They even fired one person for speaking out.

Hello. I am a member of the Retail Action Project. I work as a sales associate at a clothing store on 34th Street. I live with my three kids and am their sole supporter.

I've worked at this store for three years and currently make \$8.15 per hour. In the three years I've worked there, I've only received two raises, and both were less than 50 cents. So my wage is not only low to begin with, but basically gets lower each year because the raises don't even keep up with the cost of living.

It also important for workers to have affordable health benefits. I can't even afford to buy the health insurance that my company offers. Instead, I am on Medicaid.

I am one of the rare retail workers who enjoys full time status, which means I usually get between 35 and 40 hours of work each week. But even with full time hours, it is impossible to support a family on a wage as low as \$8.15 per hour. More than half my income goes to rent, and there is barely any left over for food, clothing, and bills.

Oftentimes I have to ask my mother for help. But if I didn't have her, I don't know what I would do, and I don't know what all the other low-wage mothers in New York do when they can't make the rent one month or can't put food on the table.

My goal is to study to become a medical assistant. Right now, on the wages I receive, I will never be able to afford school. There is no way out for me. And there is no way out for millions of New Yorkers around the city.

If I made a living wage of \$10 an hour with benefits, at least I could start putting some money away for the future and not have to constantly worry about money.

If this cruel and harsh reality is to ever change, then we need to start somewhere. Requiring employers in city subsidized projects to pay a living wage is a great place to start. So today I'd like to ask the City Council to please pass the Fair Wages for New Yorkers Act.

Nadia Yakubova

My name is Nadia Yakubova. I'm 20 years old. For nearly 4 years, I worked as a cashier at a supermarket in Forest Hills, Queens, where I made the minimum wage of \$7.25 per hour. In that whole time I received a total raise of only 50 cents. I received no benefits.

Working in a supermarket is hard work. Workers stand on their feet for seven to eight hours a day. They provide people with groceries. As a cashier, I had to have excellent customer service skills, be able to communicate effectively with our customers, and be able to diffuse situations when customers would get angry.

Before I worked at the supermarket, I worked at a kiosk in the Queens Center Mall, selling makeup on commission. Although the owner of the Queens Center Mall receives tens of millions in taxpayer subsidies, I barely made minimum wage when I worked there.

I currently live in an apartment with my parents and sister. I chip in for groceries, household bills, and pay my cell phone bill. Minimum wage is just not enough to live on. I don't have any extra money because I have to spend everything on necessities.

I can't even afford a monthly metrocard because I never have a full \$104 at one time, so I have to buy a weekly metrocard and thus spend more on transportation than if I could afford a monthly one.

If I made a living wage of at least \$10 per hour, I'd be able to help my family a lot more. My father works two jobs and is constantly worried about money. With a living wage, I could help my parents pay the bills and they wouldn't have to worry so much about money.

Tyi Jones

My name is Tyi Jones. I'm 22 years old and worked at Yellow Rat Bastard, a clothing store in SoHo, for nearly 4 years. At Yellow Rat Bastard I was a proud member of the Retail, Wholesale and Department Store Union.

Co-workers would tell me what it was like before we had a union. The employer broke laws all the time, didn't pay overtime, and often subjected the workers to unsanitary working conditions.

In 2006 and 2007 the workers came together and took a stand against this unjust treatment. They won \$1.4 million in back wages and won a union contract. Thanks to their campaign for better conditions, workers like me were able to enjoy regular raises, paid sick and vacation days, and respect on the job.

Unfortunately, most retail workers don't have a union, and too many of them live in poverty while they work for some of the most profitable companies in the country.

My dream is to go into fashion. I recently left my job at Yellow Rat Bastard because I was finally able to save up enough money to attend school to pursue this dream. Unfortunately, this is the exception and not the rule for most retail workers.

Right now we have a race to the bottom. It's the norm for retailers to pay poverty wages, and sometimes wages that are illegally low. This makes it that much harder for companies who try to do right by their workers and pay decent wages.

The City Council can reverse this trend. The Fair Wages for New Yorkers Act would be a first and very modest step in raising standards in retail and other low wage industries.

Irene Romero

My name is Irene Romero. I'm 24 years old, I live in Queens, and I've worked in retail for 10 years. In all the retail jobs I've worked, I've always made minimum wage.

I live with my parents and two younger brothers and help out with the bills at home, and I've also helped with the rent. It is very stressful because I make such little money that it all goes to necessities and I'm not able to save any money for myself.

When I worked at Yellow Rat Bastard, I made minimum wage with no benefits. The company violated labor laws and sometimes paid below minimum wage. When I was working there, there was a campaign to win back wages and a union. Now, the store has a union and follows the law. Unfortunately, most retail stores do not have a union.

My dream is to open a boutique and café because I love fashion and would love to run my own business. It's impossible to achieve this dream on minimum wage. I completed one year of college and right now I'm still paying off the debt from that and because it's so expensive I probably won't be able to return to school in the near future. If I made a living wage, I could at least pay the bills and have a little extra money to put away. It would also be a huge relief on my family because I could help them out more.

I call on the City Council to pass the Fair Wages for New Yorkers Act because it would benefit workers like me, their families, our communities, and our local economies.

Jennifer Mercado

I've worked at two stores in the Queens Center Mall, which is a project that receives tens of millions in taxpayer dollars. I worked at Yellow Rat Bastard until they closed their Queens location in early 2010. Now I work at the Yellow Rat Bastard in SoHo.

I also worked at Children's Place for about 5 months. I took a second job at Children's Place because I really needed to make more money to support myself and my three children. Something is very wrong in this country when a person works 60 hours a week at two different jobs and cares for three children and still can just barely get by!

At Children's Place I was paid \$8.25 an hour. Most of the workers were part-time without any sick, personal, or vacation days or medical insurance. I don't know anyone who can support themselves on \$8.25.

At Children's Place, when the store closed at the end of the day, they would lock us inside the store to clean up until 3:00 in the morning. We were never told where the emergency exits were and we weren't given any information on emergency procedures. I had to quit working there because I felt my safety was at risk.

The mall owner fines stores for opening late. And yet they do nothing when companies put workers' safety at risk, or when they violate labor laws.

If I work full-time for a store that makes millions of dollars every year, and in a mall that receives millions in tax breaks, then I should be able to support myself and my children!

Projects like the Queens Center Mall should NOT be given our taxpayer money without giving back to the workers and community.

Adrienne M. Z. Chevrestt

Greetings to One and All.

I'm personally grateful to the councilmember-sponsors of the **Fair Wages for New Yorkers Act a/k/a Intro 251**, the **Living Wage** bill, brought this day before the *NYC Council's* Contracts Committee, chaired by Councilmember Darlene Mealy. You all are to be commended for having more courage than most. In addressing, publicly supporting, and proposing to enact binding legislation regarding wages, you supply a basic rung in the ever-evolving ladder toward economic justice. During tremendous social upheaval in our world, nation, state, and city, mavericks pave the way. This has been too long a time in coming! Would that others might follow your courageous lead on this issue!

We are our brothers' and sisters' keepers, yes we are! And as elected officials, it behooves you to fulfill your explicit and implicit obligations and responsibilities to society! Too many are overburdened, oftentime bone-weary, and powerless to engage socially and politically to demand fair treatment in the hope of being heard, to affect political will for real, lasting, legislative change! Let's be pragmatic-- government exists solely to serve and protect all people, to govern with justice. When it works well it does so fairly across-the-board. When it doesn't the effects are disastrous for most, but not all.

Those whom this legislation would most affect will no doubt return the favour. It stands to reason healthier, respected, appreciated employees serve not simply their employer, but the city, state, and nation, as well, paying taxes for necessary public services and amenities. Properly remunerated employees are more likely to become productively engaged in society than those undervalued due to being poorly compensated and/or treated unjustly.

For the sake of future employees, specifically at the *Lower East Side's* as-yet-undeveloped *Seward Park Urban Renewal Area*, as well as at other future developments city-wide, many of whom may be currently unemployed or under-employed, you must ratify this urgently needed legislation! We call upon you individually and collectively to stand proud in echoing in thought, word, and deed, one of many admonitions of the modern-day prophet and leader, the Rev. Dr. Martin Luther King, Jr. 43 years ago in 1968:

"Now is the time to make an adequate income a reality for all God's children. Now is the time for City Hall to take a position for that which is just and honest."

Respectfully submitted,
Adrienne M. Z. Chevrestt
NYC native, 30+ year *Loisaida* resident

Hello, my name is Morenike Dagbo. I am member of the Retail Action Project and the Living Wage NYC Coalition. I'm 26 years old and have been working in retail for almost 10 years. I am currently working as a cashier in supermarket at an hourly wage of seven dollars and ninety cents.

I live with my mother and my younger sister on Staten Island. I am responsible for most of the bills and daily expenses for my family. Sadly, both my mother and younger sister have major health issues which prevent them from being financially independent.

A few years ago I was a college student with big dreams. I enjoyed learning and working toward my goals. I was a determined student and an energetic athlete. As time went on my mother's health declined dramatically and my financial situation became more complicated. Unfortunately, I realized that I would have to take on more financial responsibilities to ensure the livelihood of my family and myself.

It is very difficult to provide a decent living for my family and myself as well as to follow through with my goals while working minimum wage jobs that barely pay enough to cover the most basic necessities. Education costs money, transportations costs money, food costs money, and rent costs money; it is virtually impossible to afford all these things on a minimum wage.

I am a strong support of the "Fair Wages for New Yorker's Act." I truly believe that projects receiving our tax payer dollars should give back to the communities that fund these subsidized projects by providing a living wage jobs with benefits and not poverty jobs that are fruitless.

It is no surprise that an hourly wage of seven dollars and ninety cents is not even nearly enough to cover some of my family's monthly expenses. I am confident that if the "Fair Wages for New Yorker's Act" was pass it will set a precedent for the future of living wage policies but most importantly it would change the lives of struggling low wage workers in New York. All hard working New Yorkers has one voice when it comes to their wages. We all want to able to make a living. We all want to be paid well. We all want benefits for our families and ourselves.

I am asking members of the City Council to please sign on to the "Fair Wages for New Yorkers Act" it is the right step to take in improving the future of New York's low wage workers. Thank You.

ROUNABOUTTHEATRECOMPANY

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BOARD OF DIRECTORS
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Treasurer Samuel R. Chapin
Secretary Lawrence Kaplen

May 12, 2011

Dear Chairwoman Mealy and Members of the Contracts Committee,

On behalf of The Roundabout Theatre Company, I am pleased to submit comments on Intro 251-A, which would impose wage and compliance requirements on entities that receive financial assistance from the City, State or Federal sources.

Roundabout Theatre Company has existed in New York City since 1965. Our core mission is to both re-energize classic plays and musicals and to develop and produce new works by today's great writers and composers. We also produce and provide extensive education programs that integrate us into the larger community, including a longtime partnership with the New York City Department of Education that brings the theater to over 6,000 schoolchildren and 800 teachers around the 5 boroughs. We employ close to 1,400 individuals, generating \$17.8 million in employee wages and creating possible the productions that contribute over \$100 million annually into the local and state economies.

Roundabout Theatre Company performs in five New York City theaters. Each fulfills a different aspect of our mission, and each one was developed with the support and partnership of the City of New York, including critical grants of capital money. Accordingly, Roundabout is a "financial assistance recipient" under the definition of the proposed legislation and would be compelled to meet all the applicable requirements contained in the legislation for at least the next 30 years.

There is no question that Intro 251-A would have severe adverse impacts on Roundabout. It would create an unsustainable burden on our administrative staff and we have serious doubts that we could ever fully meet the compliance requirements. We recognize that as a 501(c)3 Roundabout would be exempt from the requirement to pay the wage that the City would annually deem a "living wage." However, the burdens of the legislation go well beyond the wage requirements, and would create substantial administrative responsibilities, adding red tape and reducing the resources we devote to our core mission.

Like any non-profit cultural institution, we have learned to take advantage of revenue generating opportunities wherever possible. Roundabout subcontracts its food, beverage and merchandise concessions, for example, to supplement the income generated from ticket sales, subscriptions and donations. When our performance schedule permits, we rent out some of our beautiful spaces for community or corporate events. Intro 251-A would require us to monitor the employment practices of our concessionaires and other consultants who are on site more than 30 days each year. This is just one example of how this will truly burden our staff and compromise our ability to take advantage of the revenue streams we have come to rely on.

Leslie E. Bains
James J. Burke, Jr.
Jim Carter
Mary Cirillo-Goldberg
Edward E. Cohen
Michael T. Cohen
Mike de Graffenried
Douglas Durst
Sylvia Golden
Patricia R. Goldstein
John R. Gordon
Harry E. Gould, Jr.
Perry B. Granoff
Maureen A. Hayes
Abby F. Kolnstantam
Gene R. Korf
Stephanie Kramer
Carole S. Krumland
Cathy Lasry
Mark J. Manoff
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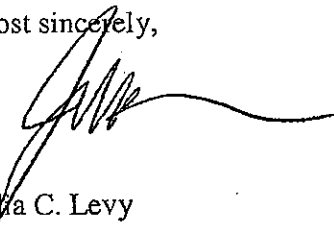
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Page 2
Chairwoman Mealy and Members of the Contracts Committee
May 12, 2011

Moreover, even as an exempt employer, the legislation would require us to file detailed annual reports and payroll records and open our workplace to audit and inspection by the Comptroller, adding a whole new set of paperwork mandates to the voluminous requirements that are already placed on non-profit cultural institutions. Each of these activities would drain time and resources from our organization whose mission is to foster and provide live theatre and quality educational programs.

In an era of dwindling public resources, it makes no sense to ask a non-profit cultural institution to shift its resources away from the performing arts toward policing the wage practices of its vendors and subcontractors. I urge you to reject Intro 251-A.

Most sincerely,

A handwritten signature in black ink, appearing to read 'Julia C. Levy', with a long horizontal flourish extending to the right.

Julia C. Levy

Executive Director



Alliance for Downtown New York,
Inc.
120 Broadway, Suite 3340
New York, NY 10271
212.566.6700
DowntownNY.com

READ INTO RECORD

Testimony of Elizabeth H. Berger
President, Alliance for Downtown New York
May 12, 2011

The Council of The City of New York
Committee on Contracts

Intro 251-A

Good afternoon Chairperson Mealy, Committee Members, elected officials, neighbors and friends.

I am Liz Berger, President of the Alliance for Downtown New York, the business improvement district for Lower Manhattan. Thank you for giving the Downtown Alliance time to speak on the important issue of Intro 251-A.

In 1995, when the Downtown Alliance began operating, Lower Manhattan's vacancy rate was more than 25 percent. Through a number of much-needed public incentive programs, many obsolete commercial buildings were converted to residential uses and remaining commercial buildings were eligible for commercial incentives that attracted new tenants. By the end of the 1990s, the commercial vacancy rate was below 5 percent.

The tragic events of September 11th sent Lower Manhattan into a tailspin, but new incentives from Federal, State and City sources have spearheaded a remarkable rebirth. More than 270 new commercial tenants have moved into the district, and the residential population has more than doubled.

It is safe to say that virtually every building in Lower Manhattan has benefited from some form of government benefits. Intro 251-A, therefore, could have a tremendous negative impact on Lower Manhattan's economy and continued growth. It would impose substantial restrictions and administrative burdens on current and future recipients of those game-changing incentives. Property owners would be required to disclose to new and current tenants whether this proposed law would apply to them and their tenants would have to submit their books to the property owner as evidence of compliance. There are many other nearby locations that are competitively priced and would not come with this burden on the residential as well as commercial sides and the impact could reverse the trend of Lower Manhattan's recovery.

Please do not allow this proposed legislation to stifle or suffocate Lower Manhattan's rebirth.

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NYS^AFAH

NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

450 7th Avenue • New York, New York 10123

Phone: 646-473-1205 • info@nysafah.org • www.nysafah.org

Testimony to the New York City Council on 521-a Living Wage May 12, 2011

My name is Frank Anelante and I am on the Executive Board of NYSFAH, the New York State Association for Affordable Housing. Before I begin my remarks on the legislation before you today, I would like to state that NYSFAH supports the concept of a living wage in affordable housing. Our members already pay our employees a living wage or better, and we are sympathetic to the goals of the legislation. Unfortunately, the many requirements of Intro 251-A would severely limit NYSFAH's ability to build and maintain affordable housing in a cost-effective manner, and we urge you to reject this bill.

Intro 251-A asks affordable housing developers and operators to take on a massive compliance responsibility that bears no relationship to their core business. We simply are not equipped to monitor the employment practices and payroll records of our regular vendors, contractors and commercial tenants. The scope of this legislation is so sweeping that we would anticipate dramatic increases in our administrative costs, diverting resources from the planning, production and maintenance of affordable housing.

NYSFAH recognizes and appreciates that the drafters of the legislation have included language to exempt affordable housing projects from the obligation to pay the living wage. Unfortunately, this exemption fails to provide meaningful relief for several reasons.

First, affordable housing is defined narrowly to include only those projects in which 75% of the residential units are affordable for families earning less than 125% of the area median income. This formulaic approach would exclude many important projects that happen to target a different mix of incomes, or a different approach to site design.

Second, as a practical matter, the exemption would only relieve those few narrowly defined projects from the obligation to pay the defined living wage. Developers and operators would still be required to prepare annual certifications, maintain payroll records, and comply with other burdensome reporting requirements for 30 years or more.

Third, the exemption specifically excludes retail stores on the premises of affordable housing projects. Increased wage requirements in these spaces would make them less attractive to merchants and businesses, reducing our ability to lease them and potentially

impacting the financial viability of a project. This could result in fewer units and a diminished quality of life for our residents.

One final point –our project finances are lean and carefully structured. Before advancing a single dollar, our public and private sector investors review each aspect of a financial plan to ensure that it is sound. Our projects also include restrictive covenants and deed restrictions to ensure continued financial viability. Aside from the obvious costs, Intro 251-A would introduce an element of uncertainty into every deal. The legislation provides that the City may recapture the financial assistance it granted if it finds that the Living Wage provisions have been violated and the Comptroller is unable to effectuate a settlement. This means that the basic financial underpinnings of the project could be undone at any time during a 30 year period due to the actions of an unrelated business entity that has a lease or contract to do business on the premises. This uncertainty would certainly affect our ability to obtain bank and tax credit financing, the two major sources of private capital in affordable housing construction.

In an era of dwindling public resources and skyrocketing demand for housing, it makes no sense to add burdens to programs that are delivering results. While we support the concept of living wage, we believe that wage standards should be set by the State, and enforced across all industries by the State Department of Labor. Thank you for this opportunity to testify.

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GMDC

1155 MANHATTAN AVENUE
BROOKLYN, NY 11222
PHONE 718 383.3935 FAX 718 383.6339
WWW.GMDCONLINE.ORG

Testimony to the New York City Council on Intro 251-A

Paul Parkhill
Director of Planning and Development
May 12, 2011

Members of the City Council:

My name is Paul Parkhill and I am the Director of Planning and Development for the Greenpoint Manufacturing and Design Center, a non-profit developer of space for small manufacturers. To date, GMDC has redeveloped six properties in North Brooklyn, and currently owns and manages over 600,000 square feet of space housing more than 100 businesses.

Fair wages are at the heart of GMDC's mission: industrial businesses simply pay better than their service sector equivalents, and employ populations that often lack the education or language skills necessary to work in retail or professional jobs. Our latest tenant survey, conducted last year, shows that the average income of the 500+ people who work in our buildings is \$41,618, or about \$20/hour.

GMDC thus supports the general principle behind the Fair Wages amendment to the Administrative Code. Large employers who receive city funds should commit to paying their employees a living wage. Nevertheless, we have some concerns about the proposal at a logistical level. While nonprofits are exempt from the reporting requirements, it appears from our review of the proposal that GMDC – which often relies on city capital support to realize its projects – will be required to report on the wages of any for-profit tenants with gross revenues exceeding \$1,000,000. Based on our long and somewhat painful experience trying to extract financial information from tenants, we are not convinced that this is possible. While we currently include certain broad reporting requirements within our leases, demanding specific employee wage information is likely to undermine some of our ability to secure larger tenants. And for those new tenants that do agree to these reporting provisions but don't comply in practice, GMDC's only recourse as a landlord will be to begin eviction proceedings, which is frankly in nobody's interest.

As an alternative, we recommend that the City create a mechanism for requiring employee wage reporting directly from businesses, rather than relying on the building owner as an intermediary. GMDC would be happy to inform its tenants of this requirement and provide tenant contact information to the relevant agency overseeing compliance. Since the city has the ability to demand and enforce the reporting of wage information far more effectively than we do, we believe that this approach would yield far better results.

Thank you.

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT) *Luce*

Name: *Jeanette [unclear] - Lim*

Address: *University of Mass - Amherst*

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: *Lim*

(PLEASE PRINT)

Name: *L. Stephanie [unclear] - Lucem [unclear]*

Address: *60 [unclear] - Amherst*

I represent: *Self*

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. *251-A* Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: *Andrew Kimball*

Address: *63 Hushing Ave, Brooklyn 11205*

I represent: *Brooklyn Navy Yard*

Address: _____

▶ Please complete this card and return to the Sergeant-at-Arms ◀

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

Name: Tokumbo Sholowabo (PLEASE PRINT)

Address: _____

I represent: Mayor Bloomberg

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

Name: Ewan Robertson (PLEASE PRINT)

Address: _____

I represent: Mayor Bloomberg

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

Name: Francesca Bindisi (PLEASE PRINT)

Address: _____

I represent: Mayor Bloomberg

Address: _____

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**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

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in favor in opposition

Date: _____

(PLEASE PRINT)

Name: John Petro

Address: 252 12th Street, Brooklyn, NY

I represent: Drum Major Institute

Address: 40 Exchange Place

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251A Res. No. _____

in favor in opposition

Date: 5/10/11

(PLEASE PRINT)

Name: Andrew Rigie

Address: 100 Ave. B, Brooklyn, NY 11210

I represent: NY's Working Assn

Address: 732 76 St. Astoria, NY 11105

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251A Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: Paul Seres

Address: 150 Ludlow St. NYC 10002

I represent: New York Nightlife Assoc

Address: 325 B'way

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251A Res. No. _____

in favor in opposition

Date: _____

Name: Mitch Bainchik (PLEASE PRINT)

Address: 300 E 70th NYC NY 10021

I represent: Night+Life Industry

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5-12-11

Name: Joseph Sabia (PLEASE PRINT)

Address: 5 Main St.

I represent: U.S. Military Academy

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251-A Res. No. _____

in favor in opposition

Date: 5/12/11

Name: Bb Bodman (PLEASE PRINT)

Address: 325 West

I represent: MATHE BSD

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: THOMAS WILLIAM FOSTER

Address: 324 Umstead Drive, Chapel Hill, NC

I represent: UNC - Chapel Hill 27516

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: JACK FRIEDMAN

Address: 75-20 ASPEN AVE JAMAICA NY

I represent: 5 BOROUGH COUNCIL DISTRICT

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: JOAC SAUNO

Address: 803 FLUSHING AV, BAYLOR, NY

I represent: MERCERS DIST.

Address: ABOVE

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Bx Ford Pres Ruben DIAZ Jr

Address: 851 Grand Concourse

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251 A Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: Valecio Orselli

Address: 61 East 4th St

I represent: Cooper Square Mutual Housing Assn

Address: 59-61 East 4th St, NYC, NY 10003

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 250 A Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: Robert H. Sunshine

Address: 9 Longbridge Rd

I represent: Nat'l. Assn. of Theatre Owners of NYS

Address: 770 B'way, NYC 10003

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251A Res. No. _____

in favor in opposition

Date: May 12, 2011

(PLEASE PRINT)

Name: Patricia Brodthagen

Address: 130 Washington Ave. Albany, NY 12210

I represent: Food Industry Alliance of NYS, Inc.

Address: same

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. 5/12/11

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Rev Stephen Phelps

Address: _____

I represent: The Riverside Church

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251 Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: Stephanie Basile

Address: 75 Madonna St #8, Brooklyn, NY 11216

I represent: RHDSU

Address: 30 E 29th St, New York, NY 10016

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251-A Res. No. _____

in favor in opposition

Date: 3/2/11

Name: Morenike Ogbo (PLEASE PRINT)

Address: _____

I represent: Romeo Tiboundo

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251-A Res. No. _____

in favor in opposition

Date: 5-12-11

Name: FREDY KAPLAN (PLEASE PRINT)

Address: 174 East 2nd St. 3F 10009

I represent: Stonewall Democrats of NYC

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251-A Res. No. _____

in favor in opposition

Date: 5/12/11

Name: Charles Chesnara (PLEASE PRINT)

Address: 82 Putnam Ave

I represent: Cardinal Hayes HS. The Gay Faculty & Association LISIWA LOCAL 255

Address: 650 Grand Concourse, Bronx, NY 10451

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

[]

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Ahmed Dakhata

Address: 430 Essex Street Brooklyn

I represent: RWDSU

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

[]

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: David J. Jerny

Address: 140 W 31st St. 2nd NY NY

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

[]

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: 5/12

(PLEASE PRINT)

Name: Adam Friedman

Address: _____

I represent: Pratt Center for Community Development

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251-A Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)
Name: Mary Ann Rothman
Address: 110 Riverside Drive NYC 10024
I represent: Council of NY Cooperatives & Condominiums
Address: 250 W 57 St # 730 NYC 10107

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)
Name: Linda Archer
Address: 880 Boynton Avenue Bx. Ny.
I represent: Retail Worker (NWBCCL)
Address: (Retail Union)

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)
Name: Joel Berg
Address: 1 Plaza Street
I represent: NYC Coalition Against Hunger
Address: 50 Blvd, NY, NY

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: JOHN ROZANOWSKI

Address: 2960 Grand Concourse

I represent: KARA

Address: 2751 Grand Concourse

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: DEEPAK DAS MD.

Address: 1130 STADIUM AVE, APT. 6E, BRONX NY 10465

I represent: COMMITTEE OF INTERNS AND RESIDENTS

Address: 520 8th AVE, SUITE 1200, NY, NY, 10018

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Ahmad Dahlan

Address: 110 E 55th Brooklyn

I represent: RWDSU

Address: NYC

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Leticia Greene

Address: 25 Elm Place

I represent: Brooklyn Chamber

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Rev. Raymond Rivera

Address: 74 W 2170 St

I represent: Mwank 18452

Address: Living Way Colinton

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. DS1 A Res. No. _____

in favor in opposition

Date: 8/12/12

(PLEASE PRINT)

Name: Hal Retner

Address: _____

I represent: Dwight Retner

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: May 12, 2011

(PLEASE PRINT)

Name: Jeannette Wicks-2in

Address: 865 Belcher town Rd. Amherst MA

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: MAY 12 2011

(PLEASE PRINT)

Name: CATHY KELLY

Address: ?

I represent: SELF

Address: 222 MARTINDALE AVE 6A TARRYTOWN NY

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: May 12, 2011

(PLEASE PRINT)

Name: Doug Cunningham, Pastor

Address: 325 E. 201 St

I represent: New Day Church

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: Chris Mall

Address: 349 E 119 St New York N.Y.

I represent: Retail Action Project

Address: 140 W 31 St. 2 Floor NY NY

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5-12-11

(PLEASE PRINT)

Name: FERRI McFARLANE

Address: _____

I represent: Convent Avenue Baptist Church

Address: 420 Convent Avenue
NY NY

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Rev. Dr. John L. Scott

Address: 448 W. 152nd St. NY NY

I represent: The Social Action Comm., Baptist Ministers Conf.

Address: 145th & Convent Avenue, NY

◆ Please complete this card and return to the Sergeant-at-Arms ◆

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251A Res. No. _____

in favor in opposition

Date: 5/12/11

Name: Rev Gail Davis M (PLEASE PRINT)

Address: _____

I represent: Rev. Jesse Williams

Address: Convent Ave Baptist Church, NYC

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251-A Res. No. _____

in favor in opposition

Date: May 12, 11

Name: Morenike Sagbo (PLEASE PRINT)

Address: _____

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

Name: Talib Abdul-Rashid, Imam (PLEASE PRINT)

Address: 130 W. 113 St.

I represent: The Mosque of Islamic Brotherhood

Address: same

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

Name: Talib Abdul-Rashid, Imam (PLEASE PRINT)

Address: 130 W. 113 St.

I represent: The Mosque of Islamic Brotherhood

Address: same

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251 A Res. No. _____

in favor in opposition

Date: _____

Name: ROYONIA JOHANNES SCOTT (PLEASE PRINT)

Address: 448 Duw 24 St NYC 10011

I represent: The Greenwich Village Chamber of Ministers Conf.

Address: 1545 7th Ave New York

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251 Res. No. _____

in favor in opposition

Date: _____

Name: Kimberly Ortiz (PLEASE PRINT)

Address: 54 Featherbed Lane #6D

I represent: Retail Action Project

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

[]

I intend to appear and speak on Int. No. 251 Res. No. _____

in favor in opposition

Date: 05/12/11

(PLEASE PRINT)

Name: Nick Pehlman

Address: 8606 102nd Ave

I represent: Living Wage NYC Retail Action Project

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

[]

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 12 May '11

(PLEASE PRINT)

Name: Bettina Samiani

Address: _____

I represent: Good Jobs New York

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

[]

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Stuart Appelbaum

Address: 30 E 29th St

I represent: RWDSU

Address: _____

◆ Please complete this card and return to the Sergeant-at-Arms ◆

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: PAUL SONN

Address: NAT'L EMPLOYMENT LAW PROJECT

I represent: 75 MADEN LANE, STE 601

Address: NY, NY 10038

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 751-A Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: George Sweeting

Address: _____

I represent: NYC Independent Budget Office

Address: 110 William St

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 2519 Res. No. _____

in favor in opposition

Date: 5/11/11

(PLEASE PRINT)

Name: FRANK ANELANTE

Address: 5925 BROADWAY, BRONX, NY 10463

I represent: NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

Address: 450 SEVENTH AVENUE - SUITE 2401, NYC 10078

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Stephanie Luce

Address: 469 13th St. #2, Brooklyn

I represent: self (CUNY)

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: PROF. ALICE GILL

Address: 140 E 67th St. Ph. BX, N.Y.

I represent: COMMON GROUNDS

Address: Amsterdam Ave, N.Y.C.

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251-A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Lawrence A. Mandelkes

Address: 51 East 42nd Street

I represent: New York Metropolitan Retail Association

Address: 160 W 34 St NY NY 10001

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: DONALD R SPINACK

Address: 1200 W 7th ST LA CA 90017

I represent: L.A. COMMUNITY REDEVELOPMENT AGENCY

Address: 1200 W 7th ST LA CA 90017

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: Tray Brown

Address: 2046 Pacific Blklyn

I represent: Neighbor Together

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Merble Reagan

Address: 11 Broadway

I represent: Women's Center for Education

Address: + Career Advancement

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251 Res. No. _____

in favor in opposition

Date: 5-12-11

(PLEASE PRINT)

Name: Robert S. Altman

Address: _____

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: Philip J. Malebranche

Address: 159 Suydam St.

I represent: Brooklyn Food Action Board, St. Phil's Bread and Life

Address: Levittown Ave, Brooklyn Soup Kitchen

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Tokumbo Shobwale, Chief of Staff, DM Steel

Address: _____

I represent: MAYOR'S OFFICE

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 251-A Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: JAMES PARROT
Address: 11 Park Place #701 NYC
I represent: FISCAL POLICY INSTITUTE
Address: SAME

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. 251A

in favor in opposition

Date: May 12, 2011

(PLEASE PRINT)

Name: Peter Heltzel
Address: 453 W. 140, Apt. 4, N.Y., NY 10015
I represent: New York Theological Seminary
Address: 475 Riverside Drive, Suite 500
N.Y., NY 10015

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/12/11

(PLEASE PRINT)

Name: Robert Altman
Address: _____
I represent: BIANCA & ALBA
Address: _____