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Business and Labor Coalition of New York

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BALCONY SUPPORTS: A LIVING WAGE IN NEW YORK CITY

STATEMENT BY BALCONY DIRECTOR LOU GORDON

MAY 12, 2011

I am Lou Gordon, Director of BALCONY the Business and Labor Coalition of New York, representing more than 1000 businesses, trade associations, labor unions and nonprofit organizations. I am today here to support a living wage of $10 per hour with benefits for all New Yorkers or $11.50 an hour without benefits. Every year New York City spends billions of taxpayer dollars to subsidize economic development and create new jobs. However the way this is being done has not benefited people in low income communities. The jobs created with these public subsidies pay poverty wages with no benefits, the current New York State Minimum Wage being $7.25 an hour according to the General Industry Minimum Wage Act.

The Fair Wage for New Yorkers Act was introduced last spring by Bronx council members Oliver Koppell and Annabel Palma. BALCONY supports this effort to ensure that quality jobs are created when public dollars are provided in subsidies in New York City.

New York City's proposed living wage legislation, which I support, is faced with great opposition from both business groups and the Bloomberg Administration who suggest that increased wages would put certain stores at a competitive disadvantage. I disagree.

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.**

The Living Wage Bill will ensure that developers who receive major taxpayer funded subsidies will pay at least a living wage for the jobs they create. Together with the amendment to the Prevailing

Wage Law, which would guarantee prevailing wages for building service workers on economic development projects, this new Living wage law will ensure that as New York's economy recovers, we invest in rebuilding the middle class jobs that our city needs to thrive in the 21st century.
The Bill will affect thousands of workers employed by businesses that receive public subsidies while it categorically exempts small businesses, affordable housing projects and not-for-profit organizations from the law's living wage requirements.

Opponents of the living wage legislation argue that it would prevent businesses from creating jobs and business leaders and developers claim that adding labor standards to economic development projects will scare away potential investors by sending an "antibusiness" signal. I disagree.
A recent study released by the *Center for American Progress (CAP)* shows 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. Even during difficult economic times.

The study *Creating Good Jobs in Our Communities- How Higher Wage Standards Affect Economic Development and Employment* analyzes nearly twenty years of data on living wage laws from around the country. It finds that the 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 on the other hand. New York City is in need of a citywide wage policy for developments that are subsidized by taxpayer money otherwise New York as a City that emerges from recession will continue to face growth in working poverty. It has to be made viable for the workforce to be protected and for people to stay in their community.

While business leaders and developers are motivated to maximize their profits as it is fair to do there is nothing that suggests that the living wage laws will negatively impact economic development. On the contrary, as RWDSU's President Stuart Appelbaum has stated the recent CAP study shows "what worker activists across the country already know - that living wage laws have been able to help lift workers out of poverty without harming employment or businesses in the communities that pass them, even during difficult economic times that Living wage laws are one of the important tools we have in the fight to create good jobs in the U.S," he added. One should note that even if the bill becomes law, all existing City Economic Development projects combined only amount to 4 percent of the city's private workforce, or about 150,000 people, while projects already completed would not be subject to the new law. But still a citywide living wage law would set a standard that could later be extended to other major development projects as it was the case in other big cities.

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Prepared Testimony to the New York City Council's Contracts Committee

May 12th, 2011 1:00pm

Submitted by: T. William Lester, PhD
Assistant Professor
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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.

For the Record

Written Testimony by

Jeannette Wicks-Lim,

Assistant Research Professor

Political Economy Research Institute

University of Massachusetts, Amherst

Submitted to the

New York City Living Wage Public Hearing

May 12, 2011

My name is Jeannette Wicks-Lim. I'm an assistant research professor at the Political Economy Research Institute (PERI) at the University of Massachusetts, Amherst. For over ten years, I've been studying living wage ordinances and minimum wage laws with my colleagues at PERI.

Over the years we've produced many research papers and economic impact reports on these policies. And, in 2008 we published a book titled, "A Measure of Fairness: The Economics of Living Wages and Minimum Wage in the United States," with Cornell University Press that compiles over ten years of PERI's work. In this book my colleagues and I document our extensive work studying the economic impact of various minimum wage and living wage laws across the country including in Santa Monica, Santa Fe, Arizona, New Orleans, Boston, Hartford, and New Haven.[1] The eminent Harvard economist Richard Freeman described our book this way:

> The study of living wages in the United States has moved from an odd peripheral topic to a major issue in economic policy analysis largely because of the research reported in A Measure of Fairness. This volume defines the issues and provides a glow of empirical sunlight on an economic topic traditionally shrouded with ideology instead of evidence."

I want to first say that having the city hearing only two days after the release of the city-commissioned New York City Economic Development Corporation (EDC) economic impact study simply does not allow for a serious review of its findings. It is particularly challenging given that only a summary of the study is available and the summary gives indications that the study is incomplete. For example, the summary provides estimates on how living ordinances affect employment based on data up to 2004, but then says that "results for the period through 2009 will be provided in the full report." The summary released just two days ago, is a summary of a report that is yet to be completed.

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[1] In addition to the work presented in this book, we have done economic impacts studies of minimum wage and living wage laws in Albuquerque, Nashville, Florida, and Los Angeles.

That said, I am able to provide comments about the research methodology that Dr. David Neumark and his co-authors used for the labor market analysis section of the summary because it appears that it is based on the very same methodology used in a 2003 paper co-authored by Dr. Neumark and Dr. Scott Adams that my colleagues and I critically reviewed in our 2008 book.[2] In fact we did what's a called a critical replication of the study: we reproduced their original results, and then corrected the flaws we saw in their methodology to see whether their original conclusions held up. Here I provide the most relevant finding from this exercise for today's hearing:

We found that their methodology for detecting wage and employment effects of business assistance living wage laws is seriously flawed and does not stand up to critical review. This calls into question the main findings of the labor market analysis in the EDC report summary, in particular its main finding of basically no benefits to low-wage workers because they depend crucially on Neumark's estimates of employment loss associated with living wage laws.

Unlike other study's, they do not attempt to gather information on the actual firms or workers covered by living wage laws in the various cities contained in their studies. This leads them to make a wholly inaccurate assumption that nearly all low-wage workers – typically 80 percent or more – in the U.S. cities with business assistance living wages in their study are potentially covered under the wage laws.

But in fact direct evidence from major cities with business assistance clauses indicate that only a very small number of projects and businesses have been covered. And as a result, these laws cover less than one percent of low-wage workers. This direct evidence includes phone interviews with city officials about how the business assistance living wage ordinances had been implemented, a review of city records, as well as studies that looked at cities after they passed their living wage ordinances.

What this means is that Neumark and Adam's methodology essentially tries to observe the impact of living wage ordinances by looking at the wages and employment of workers who are almost entirely *not* covered by the living wage laws. As a result, their approach has a much better chance of detecting general trends in the local labor market rather than any effects that can be attributed to the living wage laws.

When we re-estimated their economic model, but instead used a more accurate definition of which workers would be covered by living wage laws, we no longer find evidence of a negative employment effect from these living wage laws.

In sum, the main conclusions in the labor market analysis of the EDC report summary are based on a research methodology that does not stand up to critical review, and therefore should not be used to inform policy decisions.

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[2] David Neumark and Scott Adams . "Do Living Wage Ordinances Reduce Urban Poverty." *Journal of Human Resources*, Vol. 38 (3), pp. 490-521 (2003). P.508.

Testimony for the New York City Council
May 12, 2011

Stephanie Luce
Associate Professor
Murphy Institute/CUNY

Good afternoon. My name is Stephanie Luce. I am an associate professor at the Murphy Institute here in New York at CUNY. I have been researching living wage ordinances for the past 15 years, and have written three books on the subject, along with dozens of articles and reports. I have worked with researchers and policymakers around the country and in a number of other countries as well.

Part of my research has focused on the issue of implementation and enforcement. Through that work I came to understand just how specific most living wage ordinances are. For that reason, I came to the conclusion that the only way to study their actual impact was through looking at the actual firms, workers, city contracts and economic development projects covered by the ordinances. That is best done through surveys and analysis of contracts.

In the numerous surveys conducted, living wage researchers find over and over that the ordinances have overall positive benefits. None of the "cry wolf" threats have come true. In almost every case, employers claim they will leave a city or stop a contract, but we have yet to find a case where this actually happened. Workers who received the living wage report improvements in their household income and a reduction in poverty. Some workers are able to quit a second or third job, buy a computer, or take classes. Some are able to pay off long-standing debts.

Because the impacts of living wage ordinances are so targeted, I was critical of David Neumark's methodology that attempts to evaluate living wage impact using the Current Population Survey. This is a very blunt tool for looking at living wage impact. In a 2005 article for the journal *Industrial Relations*, Neumark and Adams attempt to address some of the criticisms of their methodology, and use my own enforcement index in their own work. When they adjust for some of the data problems, they conclude that they cannot make conclusions of any statistical significance. They write:

> Given the small number of living wage laws with which to try to distinguish the effects of alternative features of these laws, the evidence is often not very decisive statistically. In particular, we are unable to simultaneously estimate the effects of the variety of potentially important features of living wage laws that we have identified, and recognize that if they could do this, our evidence would be stronger. And in the more limited specifications that we do estimate, the estimates are sometimes imprecise. As a result, in our opinion this research is better viewed as opening up a number of questions about the influence of different features of living wage laws, and beginning to try to shed some light on these questions, rather than as providing definitive answers.

Unfortunately, the current report commissioned by the EDC takes us backwards. Neumark uses his old methodology and does not attempt to account for the critiques of his work that he acknowledged in his 2005 paper. That means the EDC report is based on a methodology that even Neumark admitted could be improved for a better understanding the actual impact of living wage ordinances.

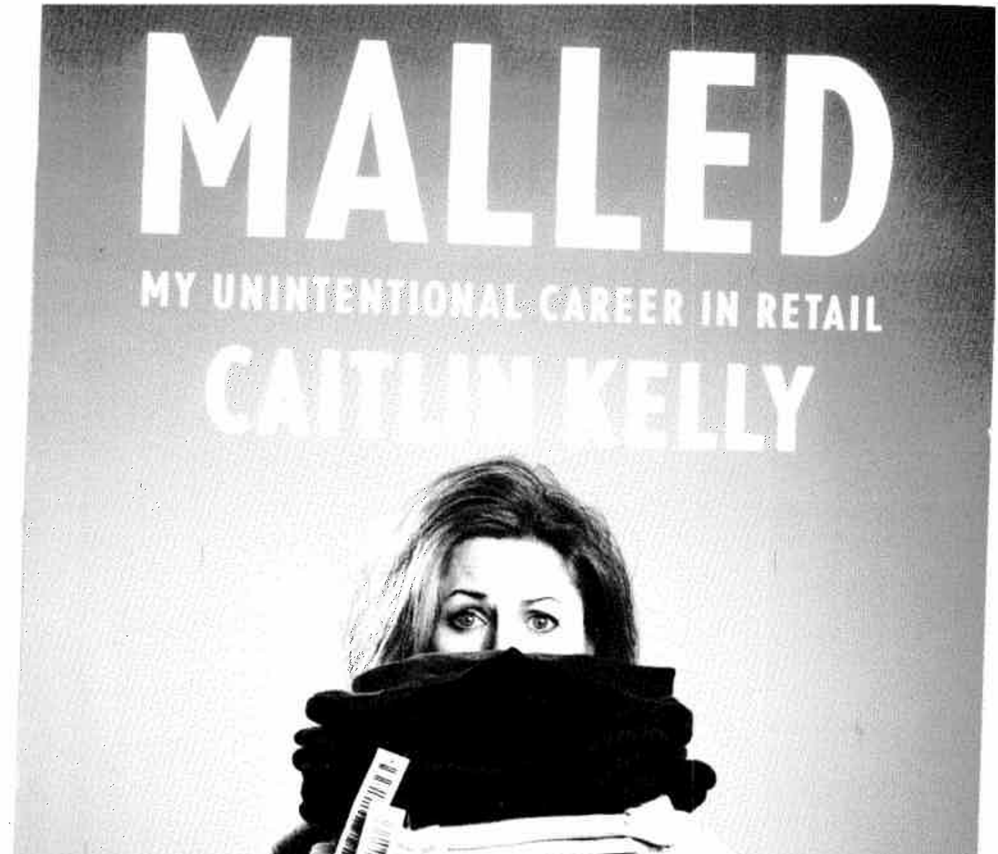
The EDC report has a number of other flaws. Even on its own terms, the study fails to provide a full cost-benefit analysis of the impact of a living wage ordinance. For example, the "Labor Market Impacts" section notes that the living wage will affect levels of government programs such as EITC, Medicaid and SNAP. But nowhere in the paper do the authors estimate the savings to governments from these programs. Without the living wage, the city of New York subsidizes low-wage employers who then may encourage their employees to rely of government programs provided through the state and federal government. The study fails a full economic accounting of this cost shifting.

The Labor Market Impacts section also repeatedly suggests that a living wage ordinance could result in job loss, loss of earnings, and an increase in extreme poverty. However, the New York proposal refers to jobs not yet created. While the living wage bill might mean that certain firms do not accept development money or move to the city, it cannot result in actual job loss, or an increase in poverty, as the authors themselves assume any jobs created would go to people currently unemployed. The jobs that would be covered by the living wage ordinance do not exist yet.

The current living wage movement began in Baltimore in 1994. The city had used economic development assistance to develop a downtown retail and restaurant area. A decade later, workers there were still earning minimum wages and no benefits. Pastors in local churches realized that some people coming into food pantries and shelters worked at city-subsidized employers. The people of Baltimore asked: does it make sense to give away money to employers that create poverty jobs? Can't we spend our money in better ways?

The situation in New York is similar. The EDC says that employers have a choice about where to locate. Our research shows that cities have a choice about what kind of development they want.

Unfortunately, this study gives us an example of the flawed logic in the EDC study. The city gave away $1 million dollars for a study with serious flaws. I have been working with cities for over 15 years and no city has paid even 1/10th this much for an economic impact study. It would have been fairly easy for the researchers to understand the living wage impact on workers and their families by surveying workers covered by the living wage law right here in New York City. The strategy of throwing away city money without applying standards did not work with this study, and it doesn't work for economic development.


MALLED
MY UNINTENTIONAL CAREER IN RETAIL
CAITLIN KELLY

"I'd spent my life as a shopper, an author, a reporter, a world traveler, a wife. Moving to the other side of the cash wrap felt as disorienting to me as Alice might have felt when she slipped through the mirror into Wonderland." —from MALLED

ONE WOMAN'S MID-CAREER MISADVENTURES IN THE ABSURD WORLD OF AMERICAN RETAIL

After losing her job as a journalist, Caitlin Kelly was hard up for cash. So when she saw that a store at the local mall was hiring, she applied for the job almost on a whim.

Suddenly she was, middle-aged and midcareer, thrown headfirst into the bizarre alternate reality of the American mall. Initially enthusiastic and motivated by new challenges, Kelly eventually struggled with harsh conditions, unreasonable dictates of a remote corporate bureaucracy and customer abuse.

In *Malled*, Kelly uses her position behind the cash register to challenge our assumptions about retail work and interviews with industry insiders to reveal the intense complexities of this business.

"Kelly's powerful descriptions of retail…highlight so much of what is wrong with our economy. Most workers are not rewarded while the benefits of the economy go to a select few at the top. Yet, *Malled* also reminds us that a good job can have the power to elevate people and society. Indeed, the only thing that will get America out of our current economic crisis is to transform retail, and other low-wage sectors, into mass suppliers of good jobs – just as we did with manufacturing fifty years ago." —DAVID MADLAND, Director of the American Worker Project at the Center for American Progress

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For more information, please visit www.caitlinkelly.com.

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Testimony of Fredy Kaplan

Stonewall Democratic Club of New York City

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. My name is Fredy Kaplan, and I am Vice President of Stonewall Democratic Club of NYC , the oldest and largest Lesbian, Gay, Bisexual and Transgendered Democratic organization in New York City as well as NY State. For 25 years we have been a strong and relevant progressive voice not only for our community, but for all communities of our great City and State. Before I begin my statement, I would like to thank Speaker Christine Quinn, Chair Darlene Mealy and the members of the committee for convening this long overdue hearing on the Fair Wages for New Yorkers Act.

We at Stonewall are proud to endorse the Fair Wages for New Yorkers Act, and have joined the Living Wage NYC Coalition to push for passage of the bill.

Let me briefly explain why Stonewall is getting involved in this fight.

Lesbian, Gay, Bisexual and Transgender (LGBT) individuals are among New York City's most vulnerable citizens; many of us earn low-income wages and struggle to make a decent living. Retail is one of the fastest growing low-wage sectors of our economy, and many LGBT people work in this industry, earning wages that barely enable us to survive in this expensive city. Particularly for transgender men and women, who often struggle to find any form of steady employment, retail is one of the few sectors where they have been able to gain at least a tentative foothold, despite the many problems that still remain with workplace discrimination; a discrimination that is rooted on lack of sensitivity to the lived experience of gender identity. But raising wages and job standards in the retail industry will undoubtedly improve life for these members of our community as well as all LGBT New Yorkers.

It should be noted that retailers often lease space in commercial properties that are part of economic development projects built with taxpayer money. Despite the billions of public dollars spent in the name of economic development and job creation, many members of the LGBT community have not been strengthened as a result. A few luxury condos in Chelsea just doesn't cut it.

Let's face facts: most LGBT New Yorkers are not on the A-List. Think about the Latina lesbian single mother from the Bronx who struggles to put food on the table and to keep a roof over her kids' heads. There are probably a lot more New Yorkers who are just like her than you realize. We should support any legislation that would help improve the quality of life for those who cannot afford to have their voices heard.

The City of New York has a great opportunity to use public policy to facilitate the creation of more living wage jobs. This living wage bill, which is supported by a majority of New York City Council members, should be supported by ALL Council members who actually care for their taxpaying constituents over any poltical posturing, for this bill would establish a living wage standard for retail jobs and other jobs created by companies that benefit from taxpayer-funded economic development subsidies.

Indeed, the Fair Wages for New Yorkers Act would ensure that public money does not fund poverty-wage jobs, but instead boosts job quality and standards in our local economy.

Let me quickly run through a few key points that are often misunderstood or overlooked in the debate over the living wage bill.

The bill is driven by consensus and shared interests: Some opponents of the bill, including those within the Bloomberg administration, argue that government should not be intervening into the private market and trying to dictate what businesses do. Yet they want taxpayer-provided subsidies--which, by definition, require government to intervene in the market--to continue to be given to developers and companies. And when pressed further, they often agree that public investment in economic development and job creation are worthwhile goals. So, in fact, there is much broader agreement here than they would have you believe.

(Point of Issue: How is spending $1 million in taxpayers' dollars for a self –serving report that was generated by a firm hired OUTSIDE of NYC benefit the economic investment and needs of our City's workers and taxpayers? Wouldn't the Administartion have more credibility if at the very least it hired sources from within our City to pay the $1 million to?)

The bill stands up for the interests of all taxpayers: The bill would give taxpayers a much higher return on their investment in economic development and job creation. That's important to note at a time when the city is trying to do more with less and to spend every public dollar as wisely as possible. This is a reasonable and pragmatic bill that simply tries to ensure that government incentives designed to spur economic development, job growth, and business growth operate in the best interest of all taxpayers, including of course LGBT people.

The bill incentivizes a healthy business climate and will help raise living standards: Too often pro-business and pro-worker goals are seen as competing goals that cannot be reconciled. But the bill strikes the right balance between them. Developers and companies will continue to be incentivized to do business with the city, and jobs created in industries that benefit from taxpayer-provided incentives will pay a higher wage. The bill will help the city build a stronger economy in which the private sector and working people flourish.

The bill is reality-based public policy informed by what's already working elsewhere: Establishing a living wage standard for jobs created with taxpayer-provided subsidies is not a radical or untested idea. It's firmly rooted in fiscal pragmatism and has been proven to succeed in many cities around the country. The bill is designed to build upon that success.

Let me conclude by saying that the Stonewall Democratic Club of NYC hopes to convince all LGBT allies within the City Council that supporting this living wage legislation will benefit LGBT New Yorkers, particularly those who are low-wage retail workers. By helping to boost wages for low-income workers in the LGBT community, this legislation can play a major role in addressing problems like homelessness and hunger that affect some of the most economically vulnerable and marginalized LGBT New Yorkers. It should be enacted immediately.

Thank you for this opportunity to testify.

Low-Wage Jobs Dominate City's Job Growth

More than Half of All New Jobs Are In the City's Two-Lowest Paid Industries: Retail and Hospitality

John Petro
Drum Major Institute for Public Policy

Introduction

This report reveals the startling extent to which recent job growth in New York City has been dominated by the city's lowest-paid industries. Our findings—based on the latest data from the New York State Department of Labor—illustrate the critical need for city policymakers to take direct action and boost wages for New York's working families.

New York City lost 173,000 jobs during the Great Recession, with employment levels hitting their lowest point during the 3rd Quarter of 2009. The one-year period following this low is of particular significance for policymakers since it represents a broad restructuring of New York's economy. We examine job growth during this period to determine what this restructuring will look like and to discuss the policy implications of the dominance of low-wage work during New York's economic recovery.

The two fastest-growing industries in New York are also the lowest paid. More than half of the city's employment growth over the past year has been in retail or hospitality, both of which pay their workers less than half of the city's average wage. This report discusses how this trend will negatively impact New York City's families, schools, and workforce.

Retail and hospitality will continue to be among New York City's leading industries for job growth, and in future years an increasingly larger proportion of the city's working families will be employed in the city's lowest-paid industries. We conclude that city policymakers must take action to boost wages in these low-wage service industries, either by expanding the city's current living wage laws—through the Fair Wages for New Yorkers Act—or to consider whether the city's current minimum wage is sufficient for New York's working families.

Findings

- In the year since New York reached its lowest post-recession employment levels, new job growth has been dominated by the city's lowest-paid industries. The two leading industries for job growth, accommodation and food services and retail trade, are also the city's lowest-paid industries and accounted for 52 percent of the city's net job gains over the past year.
- The city's five lowest-paid industries made up 82 percent of all job growth over the past year.
- Hospitality[a] added the most jobs over the past year accounting for 27 percent of New York's employment growth. It is also the city's lowest-paid industry, with an average wage that is 59 percent lower than the citywide average.
- Retail trade had the second-highest job growth and accounted for 25 percent of the city's job growth. It is New York City's second lowest-paid industry with average wages that

[a] The official industry classification is Accommodation and Food Services.

are 52 percent lower than the citywide average.

- Administrative and waste services was the city's third-highest industry for job growth and is the fourth lowest-paid industry. Average wages in this industry are 34 percent lower than the citywide average.
- Health care and social assistance had the fourth-highest job gains and is the city's fifth lowest-paid industry with wages 31 percent lower than the citywide average.

Where We Got the Numbers

We examined the latest quarterly employment data from the New York State Department of Labor to determine which private sector industries have added the most jobs over the past year and to compare their average wages.[1] The state's Department of Labor, in cooperation with the U.S. Bureau of Labor Statistics, collects employment and wage data from employers covered by the state's unemployment insurance law.[2] We compared New York City's private sector employment by industry[3] from the 3rd Quarter of 2009 with employment from the 3rd Quarter of 2010, which is the most recent quarter for which data is available. Average wages are from the 3rd Quarter 2010.

Low-Wage Recovery

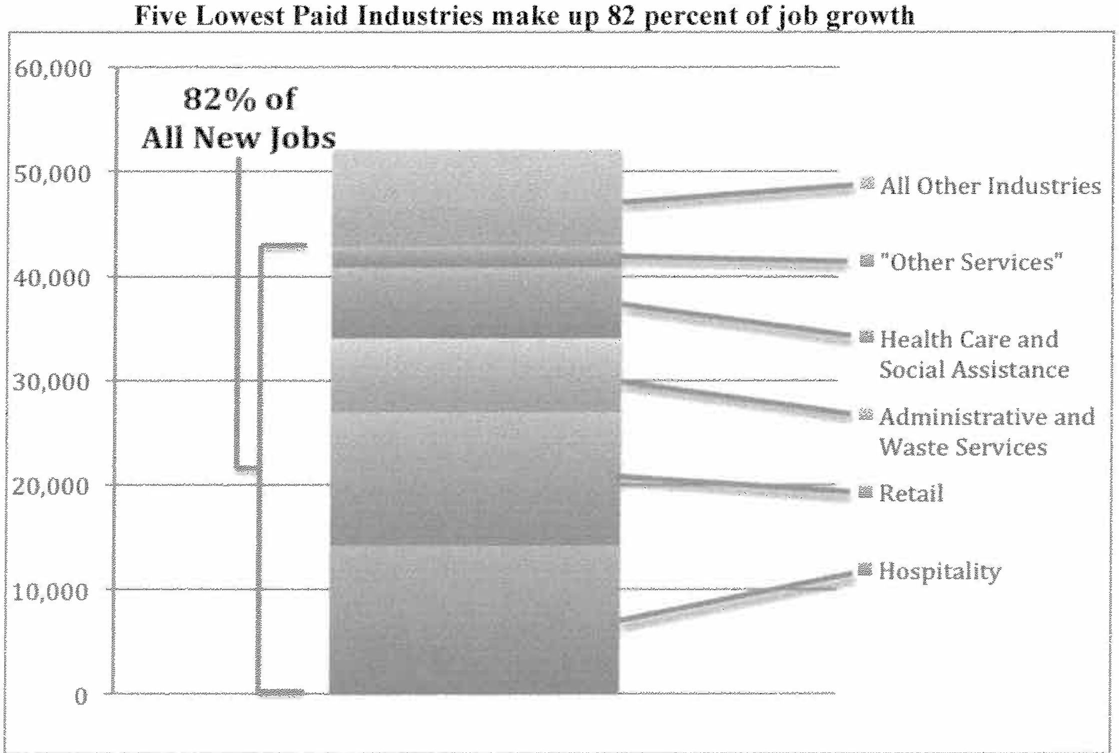
During the last months of 2007, New York City reached its highest level of employment in over seven years. But less than two years later, the city had lost more than 173,000 jobs due to the Great Recession.[4] Fortunately employment levels never dipped as low as many had predicted, and the city began to gain back some of its job losses. By December 2010 Mayor Bloomberg gave a speech that highlighted New York's relatively rapid recovery. "Over the past 12 months, New York City has been leading the nation in private sector job growth," the Mayor said, "In fact, our economy has grown twice as fast as the country's - and eight times as fast as the rest of the state's."[5]

Though New York may be gaining jobs more quickly than expected, the extent to which New York City's economic recovery has been dominated by low-wage industries has not been widely reported. Over the past year New York City gained 52,000 private sector jobs, but the vast majority of these jobs were in the city's lowest-paid industries. In fact the two fastest-growing industries, hospitality and retail, were also the city's two lowest-paid. (See Table 1).

82 percent of all new jobs were in the five lowest-paying industries, with average wages ranging from 31-59 percent lower than the citywide average wage. Accommodation and food service and retail trade alone represented 52 percent of the city's job gains and paid average wages just 59 percent and 51 percent lower than the New York's private sector average wage, respectively.

Table 1: Top Four Industries for Job Growth Also Among the City's Lowest-Paid, 3Q 2009 to 3Q 2010				
Industry	Number of Jobs Gained	Percent of City Employment Growth	Rank Among Lowest-Paid Industries (1 = lowest)	Industry Average Wage as Percentage of Citywide Average
Hospitality	14,111	27%	1	41%
Retail Trade	12,842	25%	2	48%
Administrative and Waste Services	7,060	14%	4	66%
Health Care and Social Assistance	6,864	13%	5	69%
Total	**40,877**	79%		

New York City Private Sector Job Growth, 3rd Quarter 2009 – 3rd Quarter 2010, Five Lowest Paid Industries make up 82 percent of job growth



Discussion

The fact that New York City's economic recovery has consisted primarily of low-wage industries is troubling. These low-wage industries already make up a higher percentage of New York's private-sector employment than they did 20 years ago. In 1990, 32 percent of all private sector jobs were in the four low-paying industries highlighted in this report. By 2010 these industries had grown to 42 percent of all private sector jobs.[6] The city's shift to service-sector jobs has been occurring for several decades, but this shift has been much more pronounced over the past year.

While the creation of new jobs is very important for New York, the low wages paid by these industries leads to additional problems. As these industries continue to dominate new job growth, a significantly higher proportion of New York's working families will be engaged in low-wage work, with many families earning poverty-level wages. This trend will negatively impact New York City's, families, schools, and workforce.

Although it is commonly believed that only young adults work in the low-wage service sector, in fact many of New York's working families rely on low-wage jobs for their income. For example, more than three quarters of the workers in New York's retail industry are aged 25 or older, with half of all retail workers older than 35. The parents of more than 90,000 children work in retail.[7] As growing numbers of New York's working families rely on these low-wage industries for employment, a larger percentage of the city's working families will find it harder to meet basic needs, and these families will become increasingly susceptible to the threat of homelessness and hunger.

Second, the growth of low-wage jobs will negatively impact the city's schools. There is a strong link between childhood poverty and low graduation rates: 22 percent of children who live in poverty do not graduate high school, compared with 6 percent of children who have never been poor. For children that have lived more than half of their lives in poverty, the dropout rate rises to 32 percent.[8] As more working families earn poverty-level wages, it will become more difficult to turn failing city schools around.

Third, the dominance of low-wage industries will negatively impact the city's workforce by driving down wages for all working New Yorkers. If the majority of the city's new jobs pay significantly less than the citywide average, it is reasonable to assume that average wages for most New Yorkers will fall. Indeed, as service industry jobs have made up a larger percentage of the city's employment over the past two decades, real wages for New Yorkers have fallen. Since 1990, the inflation-adjusted median hourly wage in New York has fallen nearly nine percent, according to research from the Fiscal Policy Institute. And it isn't just low-skilled New Yorkers that are feeling the pinch; earnings for those with a bachelor's degree are also stagnating. The average earnings for full-time workers with bachelor's degrees between the ages of 25 and 34 actually fell six percent between 1990 and 2007.[9]

Finally, the growth of low-wage jobs will hurt the city's finances and push the income tax burden onto a smaller number of families. If more of New York's working families are employed in low-wage industries, their contribution to the city's income taxes will shrink, and a smaller group of taxpayers will be required to pay a larger share of the city's taxes.

Additionally, it is worth considering what type of impact these trends will have on New York's business climate. If more of New York City's families are earning barely enough to cover basic needs, what impact will this have on discretionary spending and consumer demand? Additionally, if more working families are in poverty, will this deter private investment from flowing into New York's neighborhoods?

Policy Implications

Several different policy approaches could address the negative consequences of growing low-wage employment, all of which would benefit the city. However, only one takes on the issue directly: raising the wage floor.

First, the city could increase social assistance for those working families that earn poverty-level wages in order to prevent homelessness and hunger. However, this would leave families vulnerable to cuts in assistance. And if the city relied on this approach alone, it would require taxing a smaller number of high-income families to raise the revenue necessary for an expanded social safety net.

Another option would be to intensify efforts to build a more educated workforce, but it is unlikely that higher education levels would necessarily lead to higher wages or income security for New York's working families, especially in the fast-growing service industries that generally do not require higher education. In fact, the share of the workforce with a college degree in New York City has increased over the past two decades, the same period in which real wages for most New Yorkers has fallen.[10]

Third, city policymakers could work more aggressively to attract industries that pay higher wages. The Bloomberg administration is already working to attract new industries such as biotech, information technology, and engineering. The city is also taking steps to increase the number of manufacturing jobs along the waterfront and is making investments in the Brooklyn Army Terminal and other old industrial sites. However, it is unlikely that these efforts, even if they are redoubled, will be enough to overcome the growth of low-wage service industries. That's because this growth represents a larger national trend in which a higher proportion of the country's workforce will be employed in service sector jobs. Half of the nation's new jobs from now until 2018 will be in the service sector, according to research by professor and social scientist Richard Florida. As Florida recently wrote in the *Financial Times*, service sector jobs are growing the fastest, with 7 million more coming in the next decade. "[It is] clear that neither a counter-cyclical approach to job creation, nor ideas of educating more people for higher-paying jobs, will work." Policymakers should therefore "focus on upgrading this entire job category."[11]

These service industries will continue to grow in New York, and a higher proportion of the city's working families will be employed in these low-wage jobs. Therefore, the best option for city policymakers is to find ways to boost wages in these low-paying industries. This can be done in one of two ways: extending the city's existing living wage laws to cover more workers or to raise the city's minimum wage of $7.25 an hour.

The aim of both of these approaches would be to ensure that working families can earn enough to meet basic needs while pursuing upward economic mobility; this is the basic definition of a living wage. The difference lies in the number of workers that would be affected.

Over the past 20 years, more than 140 cities across the country have successfully implemented policies that ensure working families earn living wages, with these policies taking a number of different forms. New York City currently has a living wage law that covers certain home health care workers. A bill under consideration in the City Council, the Fair Wages for New Yorkers Act, would expand the living wage law to cover workers at city-led economic development sites. Many of the jobs that would be covered under this law would be in the low-wage service industries that are growing the fastest. Los Angeles has a similar law that requires businesses that receive assistance from the city, such as tax breaks or the right to operate a business on government property (airports or sports arenas), to pay a living wage to workers at the site.

Mayor Bloomberg has stated his opposition to the living wage bill, claiming that the law would hurt the city's economy. This assumption has been disproved by studies of the real-world effects of living wage laws on urban economies.[12] One recent study examined the effect of living wage laws in 15 U.S. cities and concluded that they do not harm employment growth or the employment prospects of low-income workers, as some opponents to these laws have claimed.[13]

In New York, wage standards have successfully been put into place at several city-led economic development projects, from new developments on the Brooklyn waterfront to living wage standards at Coney Island and Willets Point. Based on this experience, it is unlikely that the living wage bill currently under consideration would hold back new economic development, as the Mayor has suggested.

The Mayor has also argued that the living wage bill would represent an inappropriate intervention in the market, by setting wages at economic development sites higher than the minimum wage. However, these projects are the very essence of market intervention since they provide subsidies to developers or businesses that occur outside the free market system. Given the dominance of low-wage industries, it is appropriate and even critical that the city use its economic development resources to create good jobs with decent wages.

Instead of questioning whether it is appropriate for the city to set wage standards at city-led economic development projects, a more apt question would be whether New York City's current minimum wage of $7.25 an hour is sufficient. New York's minimum wage is equal to that of largely rural states like Mississippi, Alabama, Wyoming, and the Dakotas, while other cities, such as San Francisco and Santa Fe, have set their minimum wage to over $9.75 an hour. Moving forward, New York's policymakers should seriously consider whether the city should set a similar minimum wage.

[1] The Quarterly Census of Employment and Wages, New York State Department of Labor. Available on the web at: http://www.labor.ny.gov/stats/lsqcew.shtm. For more information on this data source, see QCEW Technical Notes:
[2] This survey accounts for 97 percent of all nonfarm employment in the state. See QCEW Technical Notes.

[3] There are 20 industry classifications in the QCEW.
[4] QCEW data.
[5] Press Release New York City Mayor's Office. "Mayor Michael R. Bloomberg Outlines Six Critical Strategies to Tackle Unemployment, Spur Job Creation, and Bring About Long-Term Economic Growth." December 8, 2010. http://www.nyc.gov/html/om/html/2010b/pr501-10.html
[6] QCEW data.
[7] Fiscal Policy Institute. *Low Wages, No Bargain: Retail Jobs in New York City.* Fiscal Policy Institute, December 2008.
[8] Donald J. Hernandez. *Double Jeopardy: How third-grade reading skills and poverty influence hhigh school graduation.* The Annie E. Casey Foundation. April 2011.
[9] 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
[10] Fiscal Policy Institute.
[11] Richard Florida. "Tips on Jobs from Zappos for the U.S." *Financial Times*, May 3, 2011.
[12] Jeff Thompson and Jeff Chapman, *The Economic Impact of Local Living Wages.* Economic Policy Institute, February 2006.
[13] 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 Fund, November 2010.

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Established in 1896

May 10, 2011

Hon. Christine C. Quinn
250 Broadway, 18th Fl.
New York, NY 10007

Dear ~~Councilmember~~ Christine Quinn:

The Greater Harlem Chamber of Commerce is the oldest continual business organization in upper Manhattan, having been chartered in 1896 as the Harlem Board of Commerce. We are structured as a not-for-profit business, civic and community development organization with a focus on commercial development, educational services, as well as concentrate on the development of small business, arts, and culture, travel and tourism industries in the upper Manhattan area.

Over its 115 years, the Chamber has co-sponsored some of the most important key development projects in New York City, including the George Washington & Triborough Bridge Construction, New York's first subway line, being actively involved with supporting the Harlem Renaissance in the 1930s, and as a key sponsor and major force behind the 1939 World's Fair, and most recently the development and construction of "Strivers Gardens," one of urban America's most extraordinary mixed-use residential and commercial development projects. As our Chamber continues to attract an ever-growing local, regional, national and international support base, ranging from single proprietors to fortune 500 Corporations, we have serious concerns about Introduction 251-A and its implications for businesses across the city.

It is our thoughts that the proposed bill in its current form would be an outright 'job killer', with not only negative consequences for the current economic recovery, but for the future economic growth of the city. Traditionally, retailers have been at the heart of the economic engine of NYC, offering entry level sales jobs to young people, while giving long time employees future stability by moving them into management positions. More importantly, as they seek out new locations and partnerships to create new jobs, such a proposal would be bad news for such prospects.

This bill, with its onerous administrative and wage requirements threatens future retail development in the city, a major driver of new jobs, both in construction and in retail operations. With that being said, we need as much assistance as we can muster as we strive to create jobs, not achieve the opposite. And, while we agree that our employees should make a living wage, especially in the town with the highest costs of living in the nation, some of the provisions in the proposed bill would make this next to impossible.

Many of our members are among the city's more stalwart retailers, and they have tried to ensure that their associates earn in excess of the minimum wage, while also seeing good human resource benefits such as full medical, dental insurance. Perhaps even more important, our clients would not be able to provide the quality goods to a demanding consumer market at the low prices offered if they cannot even build the stores needed to do so. This is what we are looking at if they are required to pay a living wage that may or may not be clearly defined, just more than the minimum wage, accounting for inflationary increases.

In essence, we are not opposed to a living wage in NYC; quite the contrary. We just feel strongly, that there must be a better way, one that achieves wage parity for workers, while affording emerging, and growing small businesses like ours a chance to continue to be a part of the economic development rebirth that all of us would like to see.
And, with that, we strongly urge you to look very closely at some of the provisions outlined in the legislation, and remember that business is the engine that is *sparking* the economic recovery of our city, not just the nation. It is for these reasons, and many more that we must oppose Intro 251-A, and we urge you to do the same, and be a voice for business.

Respectfully,

Lloyd A. Williams
President & CEO

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May 12, 2011

Hon. Christine Quinn
Speaker, NYC Council
250 Broadway, Suite 1856
New York, New York 10007

Dear Speaker Quinn,

I write with concern regarding Intro 251-A, which would require recipients of financial assistance recipients above $100,000 and covered employers to pay a living wage to their employees and create additional reporting requirements for such employers. My concern stems from the special treatment of financial assistance recipients and their tenants. It is my understanding that the requirements of Intro 251-A would apply not only to new financial assistance agreements but also to existing agreements that are extended, renewed, modified, or amended after the legislation is adopted. In these cases, existing leases, vendor contracts and other agreements would have to conform to the terms of the legislation or be amended to do so. This bill would not impact businesses city-wide, only those who are building or occupying a building where the City is providing a financial incentives. This means that two buildings on the same block would be subject to a different set of requirements with regard to both reporting and compliance. This could drive tenants to one building over another, or, worse, cause tenants to decide to relocate to a building where these rules do not apply. Creating different requirements for neighboring buildings works to undo the progress the financial incentives are intended to make.

I am also concerned about the existing retail community and Dumbo's ability to attract top retail establishments. The local Dumbo economy remains fragile. According to a recent survey by the Creative Research Group, there is a 15.8% vacancy rate in the Dumbo area - more than 300,000 square feet of vacant space. The Dumbo Improvement District is working hard to create a vibrant community on the Brooklyn waterfront by attracting top tier businesses and retail establishments to the neighborhood. It would be detrimental to these efforts if some buildings were to be saddled with requirements that do not exist elsewhere in the city.

I urge you to consider equitable treatment for property owners and tenants trying to create jobs at this time.

Thank you for your consideration.

Sincerely,

Alexandria Sica

Alexandria Sica
Executive Director
Dumbo Improvement District

For the Record

Testimony of Terri Deans-McFarlane 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 over night to make more money. However, there were no healthcare benefits and certainly he 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 distract from his studies and I still had to support him. 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 benefit and there's no health insurance for the family at this time. 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 many families. It would be very beneficial to families who have children who are trying to become responsible working adults to be given a decent living wage salary that will allow them to advance economically. The fate of the Fair Wages for New Yorkers Act will have a great impact on our inspiring 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 families, who are struggling themselves, if a student cannot make a decent salary in order to make ends meet, he will be forced to defer his/her studies for 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".

LEAD INTO RECORD

The Bronx Chamber *of* Commerce

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Testimony of The Bronx Chamber of Commerce President & CEO Lenny Caro
NYC Council Committee on Contracts
Intro 251-A, May 12, 2011, 1:00 p.m.

Good Afternoon, my name is Lenny Caro. As The Bronx Chamber of Commerce President and CEO, we experienced great opportunities with projects such as the creation of The New Yankee Stadium, The Gateway Project, and Anheuser Busch Project. These endeavors, in which the chamber helped tremendously, created many jobs, increasing the amount of job opportunities because we did not have living wages. Quality and experienced employees often start well above the proposed living wage figure. Over time, in fact, their rates increase further based on great work and other factors. Government should help businesses increase the employment the rate, not contribute to employment decrease and urban decay. Businesses will go to Westchester. The Bronx is the only borough with borders exempt from living wages. Many counties in Westchester, such as Yonkers, Mount Vernon, and New Rochelle will hire Bronx workers. The Bronx's unemployment rate is quite grim at 11.7%. The Bronx Chamber of Commerce is not against living wages, as we believe everyone is entitled to better wages. In this economy, it is very difficult to accomplish. A job is better than no job.

The mandated wage and arduous compliance requirements of Intro 251-A will inflict first-time costs and burdens upon companies and employers. Major businesses who want to embark on new development projects will reevaluate their feasibility and are likely to abandon projects, or if they do decide to proceed with projects, they will hire substantially less. This will increase greatly increase poverty and lead to urban decay as a result of the decrease in jobs and stalling of development projects.

New York State and New York City are already among the most costly and regulated environments America. Intro 251-A will only make our very complex business atmosphere much more challenging. New development or urban renewal is truly needed in our economy more than ever before, and 251 will prevent this.

251-A will create unnecessary and burdensome paperwork for businesses in New York City, including a requirement to maintain employee records for at least 30 years. This will raise the cost of doing business in the city and create a disincentive for businesses to expand and grow here. Failure to maintain these records shall result in a presumption that the covered employer did not pay the wages required. They may not take adverse action against an employee for exercising the rights of this section.

The scope of 251-A is wide-ranging and will impact many small businesses, nonprofits and other organizations that do not have the staff to handle the detailed record-keeping required in the legislation.