



Testimony of David R. Jones

President, Community Service Society of New York

"Fair Wages for New Yorkers"

**New York City Council
Committee on Contracts
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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

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.