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MAKING EVERY DOLLAR COUNT

A Targeted Proposal to Help Working New Yorkers While Protecting the Budget

TESTIMONY ON THE NEW YORK CITY LIVING WAGE BILL, INTRO. 66-A

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Introduction

The living wage bill pending before the New York City Council requires certain businesses that benefit from City contracts, economic development subsidies, or City leases to pay their workers a specified living wage in excess of the minimum wage.

The purpose of the bill is to assist low-wage New Yorkers in their daily struggles to support their families. The bill's modest goal – though one only partially achieved – is for full-time jobs created with the help of taxpayer dollars to pay a wage sufficient to support a family at a level where they do not face extreme economic hardship.

Few principles are more basic to our nation than the importance of rewarding work. New York's political leaders – from Theodore Roosevelt to Mayor Robert Wagner to the forty-four City Council members led by Speaker Miller who co-sponsor this legislation – have long embraced this concept. Some workers have dreams of being rewarded very extravagantly for their labor. Others have more modest hopes. But few of us would disagree with the notion that a full-time job should produce an income capable of minimally supporting a family. And few New Yorkers want their taxpayer dollars used to help create jobs that leave workers with a standard of living less than the poverty level.

The goal of creating a living wage – pegged at $8.10 per hour plus health benefits for 2002 – reflects a first step toward addressing the daunting economic challenges facing low-wage New Yorkers.

For the home healthcare worker who would get a raise up to $8.10 per hour if this legislation becomes law, a living wage will make it a bit easier to pay the bills. For the janitor employed in a large building leased by the City, a living wage will allow him to trade a second job for a part-time return to school. For the worker in the mailroom of a City-subsidized corporation, a living wage will ease the burden of supporting her children. (*More detailed worker stories are provided at Exhibit 4.*)

Given the unassailable goals of living wage legislation, opposition to such proposals typically is limited to questions about cost and effectiveness:

- Will the living wage law be costly for the City's budget?
- Will it reach the workers and families it is intended to help?
- Is there a chance that workers may end up worse off because of higher taxes and fewer public benefits?
- How will the law affect the employment of less-skilled workers?

Each of these questions is important, each merits a response, and each is directly answered below. Yet for anyone considering the merits of the bill before the City Council, one overarching fact must be considered: This bill has been narrowly drawn and carefully targeted so that it will successfully provide support for as many of New York's low-wage workers as possible, without creating significant costs for the City's budget or unreasonably burdening private employers. The better one understands the specific provisions contained in this legislation, the fewer concerns there are about the bill's cost and effectiveness.

The living wage bill before the City Council was developed over many months with a deep appreciation of the City's current economic climate and budget challenges. Along the way, more ambitious proposals were rejected in favor of a narrow bill that avoids unmanageable costs to the City. To achieve its goal of supporting New York's low-wage workers in a fiscally responsible manner, the bill carefully identifies five distinct categories of City programs – and the corresponding employers and employees – that would be subject to the requirements of the legislation. (*A table providing an overview of the living wage bill is provided at Exhibit 1 to this testimony*.) All were selected because they are sectors and programs where wages can be raised at little or no cost to the City budget. These detailed provisions reflect the precisely targeted nature of the proposal before the City Council.

Though New York City has a long and distinguished history of pioneering new policies to help working people help themselves, in this case New York will be joining scores of other cities and counties across the nation that already have adopted a living wage. With the benefit of experience gained from efforts in Los Angeles, Boston, Baltimore, San Francisco, Minneapolis, Oakland, and elsewhere, this bill has been developed to address the unique circumstances of New York City's programs and labor market.

Enactment of this bill and creation of a City living wage policy will benefit the people of New York in numerous ways:

- Covered low-wage workers and their families will gain meaningful increases in their income.
- The City's taxpayers will gain from an injection of federal and state resources; the cost of the living wage for home healthcare workers is paid for with $9 of state and federal matching funding for every $1 that the City spends.
- Affected employers should see lower turnover rates among their low-wage workers, thereby reducing the cost of recruitment, retention, and training.
- Consumers, particularly those elderly and disabled New Yorkers who rely upon the City's home healthcare workers, can anticipate improved service.
- The burden on the City's taxpayer-funded social services programs, ranging from its food pantries to the public hospital system, will be lessened as low-wage workers are better able to support themselves and their families.
- The City's economy will see a benefit from the stimulus provided as low-income workers spend their increased wages at local businesses in the City's low-income neighborhoods where they live.

Most importantly, though, the living wage bill will benefit the taxpayers and the City by making every dollar count – by ensuring that City dollars are used to support decent, family-supporting jobs, wherever that can be done without significant cost to the City budget.

How the Bill Works

Similar to living wage laws enacted elsewhere in the nation, the bill before the City Council will apply only to certain employers that in the future receive (1) contracts to perform services for the City in specific sectors, (2) large City leases, or (3) significant City-funded grants or tax breaks for the purpose of creating jobs. As a result, the coverage of this living wage legislation is far, far narrower than a standard minimum wage law. In effect, with enactment of this bill, the City will be saying that the creation of decent, family-supporting jobs is a condition for receiving certain City service contracts, leases or economic development subsidies.

1. Contracts with Home Healthcare Providers

Approximately three-quarters of all workers covered by this living wage bill fall into this category. We estimate that in the first year after enactment, the total number of low-wage New Yorkers benefiting from the new law will be approximately 62,000. Of this population, approximately 50,000 will be employed by home healthcare agencies operating under contract with the City.

Importantly, it is also this category of workers for which state and federal support is most generous. A full 90 percent of the cost of the increased wages paid to home healthcare workers will be paid for with state and federal matching funds. Ten percent will be paid for by the City. And the cost to employers will be zero.

Fifty thousand New Yorkers, predominantly minority and immigrant women, are currently paid an average of $7.69 per hour to do the important and difficult work involved in helping sick, elderly, and disabled people live with dignity in their homes instead of being institutionalized. The home healthcare workers, who help their frail clients get in and out of bed, eat, bathe, use the toilet, and attend medical appointments, are employed by agencies under contract with Medicaid-funded City programs. Their wage translates to less than $16,000 per year for fulltime work, and they rely heavily on food stamps and Medicaid to make ends meet.

The proposed living wage law will raise the pay of these workers to $8.10 per hour in 2002, and roughly 50 cents per year thereafter until it reaches $10 per hour in 2006, at which time the wage will be indexed to inflation. Under Medicaid's 50-40-10 cost allocation formula, the $50 million price tag for the first year of this wage increase will be paid for with $25 million in federal funds, $20 million in state funds, and just $5 million in City funds. Every dollar of City funding triggers $9 in federal and state matching funds. With the State's approval of its share of the costs coming in January 2002, and no additional federal approval required, there is only one step remaining to assist these 50,000 hardworking New Yorkers: enactment of the pending living wage bill.

As mentioned above, the value of a living wage is greater than the direct benefit to workers. The employers of home healthcare workers, who will incur no cost for their employees' increased wage, will likely see a more stable workforce and lower recruitment and training costs as they struggle to meet the growing demand for home health attendants in the coming years. A more stable workforce also translates into improved quality of care. And, finally, the $45 million in federal and state money fueling the wage increase will be spent primarily with retailers in the communities where these workers reside – a valuable economic stimulus for New York City's poorer neighborhoods.

2. Other City Service Contracts

The living wage bill's coverage of service contracts with the City is not limited to home healthcare. The bill also applies to the employees of certain daycare centers and Head Start programs operated under contract with the City's Administration for Children's Services ("ACS"), and employees of the program under contract with the Board of Education that provides care to children with Cerebral Palsy. (Only daycare and Head Start agencies operating under ACS's center-based, "fully-funded" programs are covered.)

These provisions of the bill will, in the short term, have an important symbolic effect, setting a wage standard for people doing difficult work for the City's children. But they should have no actual effect either on wages, employers' costs or the City budget until at least fiscal year 2006. The reasons are twofold: First, the workers covered by these provisions already are paid in excess of the living wage. (Virtually all daycare and Head Start workers earn in excess of $9.60 per hour, and caregivers for children with Cerebral Palsey earn more than $9.10 per hour.) Second, even without a living wage law, wages in these sectors are likely to increase through collective bargaining. Indeed, if past patterns hold in these programs, both wage levels and agency contract rates for these programs will likely always be above the level of the living wage.

Nonetheless, these provisions send an important message: It is simply bad public policy, not worthy of our City, to support our social services safety net with a corps of caregivers who themselves are paid poverty wages. The living wage bill chooses a different course and prevents this from happening.

3. Businesses Benefiting from Large City Subsidies

As stated above, New Yorkers do not want their taxpayer dollars used to help create jobs that leave workers with a standard of living less than the poverty level. Yet that is precisely what is happening for thousands of workers, who are employed in New York by some of America's leading corporations receiving generous City subsidies. The need to enlist these businesses as partners in the effort to correct this inequity and raise fulltime workers out of poverty is more important than ever, given the City's present budget limitations. The living wage bill insists that when a business benefits from a sizeable grant or tax abatement from the City, decent family-supporting jobs will be created for even the workers at the bottom of the economic ladder.

Businesses have the option of whether to seek economic development subsidies from the City. They can choose whether to apply for taxpayer dollars, or not. The living wage bill simply insists that, if a business elects to benefit from the City's support, it will no longer be allowed to pay any of its employees a poverty level wage. The messages embedded in the legislation are clear: first, taxpayer spending on economic development now means spending on good jobs, not just any jobs; and second, corporations will be held accountable for the quality of the jobs they create.

The living wage bill's subsidy provisions apply only prospectively to businesses that are new recipients of discretionary subsidy packages (tax abatements, grants, or land) valued in excess of $500,000, or tax-exempt bond financing worth $10 million or more. These are large subsidies, provided by the New York City Economic Development Corporation, typically to major financial services and media corporations, such as Citigroup, Conde Nast, and Bear Stearns. Often these subsidies are valued at tens of millions of dollars. The bill's requirements would extend to the contractors of these large corporations that provide on-site janitorial, security, cafeteria or office services. Also covered are the major tenants of subsidized developers.

No other City subsidy programs or tax benefits are covered. The bill thus carefully excludes the housing and low-income community economic development programs run by the Department of Housing Preservation and Development. Nor does it cover any of the City's myriad as-of-right tax benefits, or construction jobs or contracts. Even within EDC's subsidy program, the bill excludes subsidies awarded to educational and cultural institutions or to build affordable housing. Instead, the bill focuses exclusively on businesses receiving significant awards of taxpayer dollars from EDC – businesses that can reasonably be asked to pay a living wage in exchange.

The majority of low-wage workers aided by these provisions earn between $6.50 and $9.00 per hour, with no health benefits. For workers in the mailroom of a large business or a retail or manufacturing firm receiving a large EDC subsidy package, they will see their wages increase to $8.10 per hour with health benefits, or $9.60 per hour without health insurance. Workers employed as janitors, security guards, or cafeteria workers will receive the "prevailing wage" under the bill – ranging from $8.52 per hour plus benefits for security guards to $16.92 per hour plus benefits for janitors.

The cost of these requirements would be borne entirely by private businesses electing to receive large economic development subsidies, and therefore there would be no direct impact on the City's budget. The number of workers covered by these provisions would be at least 3,100, at a cost to private employers of an estimated $14.4 million in wages and another $21.2 million in health benefits.

4. Businesses Benefiting from Large City Leases

Janitors and security guards working in large commercial office buildings that lease sizeable amounts of office space to the City are covered by the living wage law. They would see their wages increase from approximately $7 per hour with no health benefits to the "prevailing wage" – $16.92 per hour plus benefits for janitors, and $8.52 per hour plus benefits for security guards. The law applies prospectively, to new leases or renewals, and the responsibility for implementing the law falls to the City. As a practical matter, this means that, when City leases come up for renewal in buildings that pay their workers less than the prevailing wage, the City and its landlord will negotiate a higher wage for building workers as part of the lease, or the City will move to a different space. New leases entered into by the City would only be taken in "prevailing wage" buildings.

Given the nature of New York's real estate market and the narrowly drawn provisions of the bill, we anticipate that the living wage law would affect fewer than ten leases each year. First, a substantial majority of New York's large commercial buildings already meet the requirements of the law; 90 percent of Manhattan's office buildings of 75,000 square feet or more, and 60 percent of such buildings in the other boroughs already pay their janitors and security guards the prevailing wage. Second, the law only covers large leases, where the City rents 20,000 square feet or more. Third, the vast majority of large City leases are with landlords that already pay their workers a wage that satisfies the bill's requirements. And fourth, the typically lengthy lease terms for commercial real estate mean that few large leases turn over each year.

This means that even though the value of this provision will be large for covered building workers (janitors paid as low as $7 per hour will make $17 per hour plus benefits), the cost to the City of this requirement is modest. In the first year, the increased cost to the City budget is estimated to be approximately $1 million.

5. Large Business Improvement Districts

The City's 42 Business Improvement Districts ("BID's") are private organizations formed by property owners to spur retail and commercial business activity by making their neighborhoods cleaner and safer. BID's operate under contract with the City's Department of Business Services and are regulated by the City. The operating revenue available to BID's, raised from assessments paid by their members, was strictly limited by Mayor Giuliani, but will likely be allowed to increase under Mayor Bloomberg.

The pending bill would raise the wages of the street cleaners and security guards employed by BID's from $6 or $7 per hour, to the living wage standard of $8.10 plus health benefits for street cleaners and the prevailing wage of $8.52 plus benefits for security guards. This raise will bring the pay of BID workers closer to the wages earned by street cleaners, security guards and cleaning personnel employed by the City. We estimate that the cost of the wage increase for the approximately 1,000 BID workers covered by the law will be $1.7 million per year.

The cost of providing a living wage to BID workers will be covered with a small fraction of the revenue raised by BID's – a cost made easier to meet once the anticipated relaxation of limits on BID revenues is implemented. The City budget will bear no direct cost.

The City's BID's have been widely credited with rejuvenating struggling commercial zones throughout the five boroughs. Here, as with other provisions of the living wage bill, the value of providing a living wage to BID workers goes beyond the larger paycheck they will receive. Managers of the City's BID's can expect a lower turnover rate among their employees, less absenteeism, easier recruitment, and improvements in the quality of service to the neighborhoods they are striving to improve.

Cost to the City

Because of New York City's serious budget deficit, an important first question is what impact the living wage law will have on the City's budget. If the living wage law would result in significant new costs this year or in the next year or two, many would question whether we can afford a living wage policy at this time. In light of these serious budget constraints, the bill has been carefully tailored to focus on only those specific categories of city-subsidized jobs where pay can be raised for low-wage workers at little or no cost to the city. After this process of budget-conscious refinement, the resulting bill has a projected total cost to the City budget in the first year of approximately $6 million plus administrative costs.

Economic Impact

Cities considering living wage laws often have a set of basic, important questions about the larger economic impact of these policies: Will the law reach the workers and families that we want it to reach? Will it actually improve the lives of these families? Will it have unintended consequences that might backfire on us? To that end, we will help organize a briefing or additional hearing for City Council members when economists and other experts will provide detailed answers about the proposed law's likely impact.

In the meantime, we want to give you a preview of what we think the weight of evidence tells us about economic impacts. Because this is a carefully crafted and targeted measure, we expect that it will (1) help tens of thousands of needy New York families, (2) have very little, if any, negative impact on the city's budget, economy and labor market. Specifically, here are our answers to four key questions.

1. Will the living wage law reach the workers and families it is intended to help?

A common conception of low-wage workers is that they are primarily teenagers from middle-class families looking to earn extra spending cash. If this were true, then the proposed law would be sadly misplaced. But in fact, as the Community Service Society has documented in a recent data brief, the majority of our city's low-wage workers are adults, working full-time and helping to support low-income families.[1] The Community Service Society will present some of its analysis on this topic later this afternoon.

2. Is there a chance that workers and their families may actually end up worse off with the law's higher wages, because of higher taxes and fewer public benefits?

Especially in cities like New York with a high cost of living, low-wage earners and their families often depend on public support in order to get by from month to month. For example,

[1] Community Service Society, "Who Needs a Living Wage?: Living Wage Laws Increase Earnings for the Most Disadvantaged Workers" (CSS Data Brief #5 April 2002), *available at* www.cssny.org.

they may receive Medicaid, food stamps, or help with rent. But these programs are only available to families with very low incomes, and so the wage hike being proposed could potentially make families ineligible for benefits that they used to receive. Moreover, higher earnings will very likely mean higher taxes, as well as lower tax credits (such as the Earned Income Tax Credit). The fear, then, is that the families we are concerned about might actually end up worse off under the living wage law.

These are very real concerns, and the only way to address them directly is to "do the math." In Exhibit 2, we present a thorough analysis of how workers and their families would be affected by the proposed wage increase. This "before and after" analysis was provided by the Women's Center for Education and Career Advancement, using New York City's Self-Sufficiency Calculator and drawing on standard government estimates of living costs for families in the region.[2]

Take, for example, a home healthcare worker in Washington Heights supporting only herself (first column of first table). Let's assume that she is a typical home healthcare worker and would therefore get a raise from $7.69 per hour up to $8.10 per hour. After doing the math on how her earnings, health benefits, public supports, taxes, and tax credits would change, it turns out than she and her child would gain an additional $600 every year in disposable income. The other scenarios in the Exhibit give a similar message. A security guard in East Harlem with a working spouse and two children would gain $2,568 each year. A cafeteria worker raising one child on her own in Queens would gain $3,387 each year. In short, workers and their families who are covered by the law will gain from the proposed wage increases, in some cases considerably, across all occupations and all family sizes.

These significant gains in income are all the more critical because, in truth, many low-wage earners and their families never receive public supports and instead fall through the cracks of our safety net. For example, current data show that just 14.5% of low-wage earners in New York receive Medicaid, only 14.6% receive food stamps, and only 29.0% claim the Earned Income Tax credit.[3] Now, some low-income families are not participating because their immigration status or other factors render them ineligible. Others, however, are eligible and could begin receiving some or all of these benefits if only they applied. The proposed living wage law addresses this problem as well, by ensuring that employers covered by the law distribute information to help their low-wage workers access these benefits.

3. How will the living wage law affect employment, especially for less-skilled workers?

Perhaps the most common concern about living wage laws is that they might cause unemployment for the very workers that the laws are trying to help – that is, employers might stop hiring less skilled workers if they become too expensive. But in fact, there is little reason to expect that significant job losses will result from the proposed bill, for the following reasons.

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[2] For more information on the Women's Center for Education and Career Advancement and their New York City Self-Sufficiency Calculator, see www.wceca.org.

[3] Analysis provided by the Community Service Society, 4/22/2002.

- *The consensus among most economists across the ideological spectrum is that minimum wages laws – with far broader reach than the law before us – have small, if any, negative effects on employment.*

This consensus started with the pioneering work of two leading economists from Princeton University, who found that the 1991 minimum wage increase in New Jersey had no negative effects on employment – not even in fast food restaurants employing large numbers of low-wage, low-skill workers. Over the succeeding decade, these findings have been supported and replicated by other empirical studies (see Exhibit 3). As Nobel laureate Robert Solow of the Massachusetts Institute of Technology concluded about the impact of minimum wage increases: "The main thing about the research is that the evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small."[4] In the words of Richard Freeman of Harvard University, perhaps the country's foremost labor economist, "the entire literature on the minimum wage [now agrees] that employment losses are modest."[5]

- *The New York City living wage law has a very narrow scope and, for the majority of employers affected, will cause no increased labor costs.*

Living wage laws are different from minimum wage laws because they are much more narrow in scope. And the proposed New York City version is different yet again. Ultimately, if we are going to make accurate predictions about our law's impact, then we have to look at the specific elements of the proposal.

By far the largest part of the law, in terms of the numbers of workers covered, is that pertaining to home healthcare contractors. Recall that roughly 50,000 home healthcare workers will receive higher wages, with the City paying a small portion of the cost and the state and federal government paying the rest. The actual employers of the workers – the agencies who are contracting with the city – will pay absolutely nothing, because they will be fully reimbursed for their increased labor cost. For them, the wage boost is free, and so there is no reason to think that they would need to change their hiring behavior or adjust their employment levels in any way whatsoever.

- *Even for the subset of employers that will pay the higher wages out of their own pockets, those costs will very likely be small and easily absorbed.*

A smaller number of workers – approximately 3,100 – are covered by the economic subsidy part of the law. That is, businesses that choose to accept major subsidy packages from the New York City Economic Development Corporation must, in return, commit to paying at least a living wage to their workers. How burdensome is this requirement?

To answer this question, it is important to recognize that subsidy recipients are generally large firms in finance, media and related sectors that usually employ only a small number of low-wage workers. Jobs such as security guards, cafeteria workers, mail room clerks, and janitors very likely make up less than 10% of the workforces of these companies, and an even lower

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[4] Quoted in Louis Uchitelle, "A Pay Raise~~s~~ Impact," N.Y. Times at D1 (Jan. 12, 1995).
[5] Cited in J.W. Mason, "Living Wage Junkonomics," *City Limits* (May 2002).

percentage of their labor costs. In the past, subsidy recipients have included Citigroup, Bear Sterns, and Conde Nast. Do we really expect that firms of this size and standing would turn down EDC subsidy packages, cut jobs or move elsewhere, simply because they now need to pay their security guards a living wage?

Again, the answer from a well-established body of economic research is, "no." If thousands of fast-food employers in New Jersey did not cut jobs after their minimum wage was raised, then it seems highly implausible that these high-finance firms would.

The experience of other cities and counties is telling on this point. In a forthcoming study (Summer 2002), the Brennan Center examines the impact of living wage laws from the perspectives of eight local governments where a substantial number of economic development projects were covered by the law. Most administrators reported that their living wage law had little impact on their economic development programs. Specifically, there was little change in the both the number and the type of firms seeking subsidies, and no evidence that new businesses were dissuaded from entering the locality by the living wage requirements.

All of which raises a final point. When employers create poverty wage jobs, taxpayers end up bearing the cost in the form of increased reliance on the city's social services infrastructure, increasing the demand on the city's food pantries for food and on the public hospital system for uncompensated healthcare. Low-wage jobs are costly to taxpayers, and so in the unlikely event that our modest living wage law causes an employer to bolt, we are probably better off.

In sum, we expect that the proposed living wage law will not harm the economic climate of the city or the employment prospects of less-skilled workers. This is our best assessment of the likely impact of the proposed law, given the research that currently exists.

Before closing, we should address a recent report by the Public Policy Institute of New York State (PPI) questioning the desirability of the living wage law. First, it is important to understand that the report does not present any new original research. Second, the report directly contradicts two conclusions that we draw above. It argues that workers would be worse off under the living wage law, reprinting an inaccurate table that was created for Suffolk County last year. Our answer on this point is simple: the "before and after" tables in Exhibit 2 are much more accurate because they were created specifically for New York City and because they used standardized, detailed methodology that is widely accepted.

The PPI report also makes dire predictions about the number of jobs that will be lost as a result of the proposed law, drawing on a recent study by David Neumark. While a detailed analysis of this study is forthcoming, here we simply make several obvious and common sense points. Neumark's study is a virtual unknown and is only starting to be tested by other researchers, with important questions already being raised. For example, Neumark does not directly survey the firms and workers covered by the living wage laws he purports to be studying. In fact, his proxy dataset has only a miniscule chance of including the actual workers who were affected by those laws. And in any event, it is a dangerous practice to use estimates from other cities, with very different living wage laws, and apply them to New York City and its precisely targeted law.

Our conclusion? Until *direct* evidence becomes available, we should rely on what we know to be true of our city (for example, the characteristics of our low-wage workers and the structure of our public benefits), and for the things that we don't know about our city, rely only on research findings that are well-established and on which there is a consensus (for example, the minimum wage literature). And the upshot of this approach is that there is nothing to fear from the proposed law.

Exhibit 1: Overview of Proposed New York City Living Wage Law and Initial Impact Estimates

Covered Programs	Description	Occupations Covered and Current Wages/Benefits	Wages/Benefits Under Living Wage Law	Number of Workers Affected	Cost to the City	Cost to Employers/ Owners	Notes
City Home Healthcare Contracts	• Home healthcare agencies operating under contract with the City (Medicaid-funded Home Attendant and Housekeeping Programs)	• Home healthcare workers • Most earn $7.69/hr • Most receive employer/union-provided health benefits	• $8.10/hr. plus health benefits or $9.60/hr. without • Wage is increased each year to reach $10.00/hr. in 2006, then indexed to inflation thereafter	• About 50,000	• City share of additional wage costs will be about $5 million in first year • An additional $5 million each year after that	• None • 100% of additional labor costs will be covered by increased agency reimbursement rates	• State and federal matching funds will cover 90% of increased wage costs each year • For example, the City's $5 million investment in FY 2003 will trigger $45 million in state/federal match
Other City Service Contracts[6]	• Day care centers operating under contract with the City (ACS's center-based "fully-funded" program only) • Head Start programs operating under contract with City (ACS's center-based "fully-funded" program only) • Services for children with Cerebral Palsy (operating under contract with NYC Bd. of Ed.)	• Daycare and Head Start workers, virtually all earning more than 9.60/hr. • Cerebral Palsy workers, the majority earning above $9.10/hr. • All receive employer/union-provided health benefits	• Most already earn more than the living wage ($8.10/hr.), and will not receive wage increases until FY 2006, when the living wage reaches $9.60/hr.	• About 8,500 daycare and Head Start workers • About 500 Cerebral Palsy services workers	• For daycare and Head Start, no estimates currently available, but no impact expected until FY 2006 or FY 2007 • For Cerebral Palsy services, additional wage costs passed on to City roughly $60,000 in FY 2005, $500,000 in FY 2006, and $1 million in FY 2007	• None, provided that the City increases agency contract rates as wages increase, which it has done historically for these sectors	• Wages in daycare and Head Start sectors will likely increase through collective bargaining, even without living wage law
Large Economic Development Subsidies	• Businesses accepting more than $500,000 in discretionary subsidies (tax abatements, grants or land) or $10 million in tax-exempt bond financing through the NYC Economic	• Primarily mailroom, cafeteria, janitorial, and security staff, as well as some retail and manufacturing jobs	• For most low-wage workers, the living wage of $8.10/hr. + health benefits or $9.60/hr. without • For building service or	• About 3,100	• None	• Projected annual cost of $14.4 million in wages and $21.2 million in health benefits (total across both firms receiving	• Only applies to businesses that choose to accept major EDC subsidy packages • Does not apply

[6] The living wage bill preserves current City law requiring firms contracting with City agencies to provide building services, food services or office temporary services to pay prevailing wages. *See* N.Y.C. Admin. Code § 6-109.

[7] Only janitorial, security, food, or office services contractors employing more than 5 persons on-site for more than 30 days are covered.

[8] Only major tenants employing more than 20 persons and occupying at least 5,000 sq. ft. are covered.

	Development Corp. (EDC); most subsidies go to major financial services and media firms • Contractors providing on-site janitorial, security, food, or office services to above businesses[7] • Where subsidy goes to a developer to construct or rehabilitate a building, major tenants[8] are covered	(either direct employees or contracted) • Many earn \$6.50-\$9.00/hr. with no health benefits	food service workers, the prevailing wage: janitors (\$16.92/hr. + benefits), security guards (\$8.52/hr. + benefits), and cafeteria workers (\$11.88/hr. + benefits)			subsidies and their on-site contractors)	retroactively to past recipients of subsidy packages
Large City Leases	• Owners/managers of large buildings that lease large office spaces (at least 20,000 sq. ft.) to City agencies[9]	• Janitors and security guards, typically earning \$6.50-\$7.50/hr. with no health benefits	• Prevailing wage (\$16.92/hr. + benefits for janitors, \$8.52/hr. + benefits for security guards)	• About 100	• \$1 million in FY 2003	• Total cost of \$1.9 million in FY 2003 • Owners/managers will likely pay \$0.9 million, splitting the cost with City	• Few large leases turn over each year and most are already in prevailing wage buildings • About 10 leases in non-prevailing wage buildings would be affected each year
Large Business Improvement Districts (BID's)	• Large BID's (annual revenues of \$500,000 or higher) • Contractors providing janitorial or security services to BID's	• Security guards and street cleaners, typically earning \$6.00-\$9.00/hr. with no health benefits	• For security guards, prevailing wage of \$8.52/hr. + benefits • For street cleaners, \$8.10/hr. + health benefits or \$9.60/hr. without	• About 243	• None	• \$1.7 million per year	• City is authorizing BID's to raise significant new revenues • Just a fraction of new revenues will cover living wage costs

Sources: Estimates of number of workers covered, and costs to City and employers, provided by the Fiscal Policy Institute.

[9] Only city leases in large commercial office buildings of at least 100,000 sq. ft. or large residential buildings of at least 30 units are covered.

Exhibit 2

Before and After the Living Wage Law:

Three Scenarios of Changes in Real Income

Using the Self-Sufficiency Calculator for the City of New York*

Prepared by Melanie Lavelle, Self-Sufficiency Coordinator
Women's Center for Education and Career Advancement
April 23, 2002

Scenario 1: Change in Real Income and Benefits for Home Health Attendant

Current Wage: $7.69 + Employer-Provided Health Benefits
After Living Wage Law: $8.10 (living wage) + Employer-Provided Health Benefits

	1 Adult **Upper Manhattan**	1 Adult, 1 Preschooler **Bronx**	2 Adults, Both Working** 1 School-Age, 1 Teenager **Staten Island**
Monthly Wages	**+$71**	**+$71**	**+$71**
Monthly Healthcare Coverage			
Employer-Provided Health Benefits	Continues to Receive Full-Family Coverage	Continues to Receive Full-Family Coverage	Continues to Receive Full-Family Coverage
Medicaid	Remains Ineligible	Remains Ineligible	Remains Ineligible
Family Health Plus	Remains Ineligible	Remains Ineligible	Remains Ineligible
Child Health Plus	NA	Remains Eligible	Remains Eligible
Monthly Public Supports			
Public Assistance	Remains Ineligible	Remains Ineligible	Remains Ineligible
Food Stamp Benefit	Remains Ineligible	Remains Ineligible	Remains Ineligible
WIC	NA	Remains Eligible	NA
HEAP	Remains Eligible	Remains Eligible	Remains Ineligible
Montly Taxes	**+$21**	**+$12**	**+$22**
Monthly Tax Credits			
Earned Income Tax Credit 2001	Remains Ineligible	No Change Monthly **(-$136 annually)**	Remains Ineligible
Child Tax Credit 2001	Remains Ineligible	0	0
Child & Dep. Care 2001	Remains Ineligible	**+$4**	**+$1**
Change in Real Income Monthly (Post-Taxes and monthly tax credits)	**+$50**	**+$63**	**+$50**
Change in Real Income Annually (Post-Taxes and Tax Credits)	**+$600**	**+$620**	**+$600**
Effect on Public Housing	Remains Eligible	Remains Eligible	Remains Eligible
Increase in monthly child care costs if receiving a child care subsidy	NA	+$12	+$4

Scenario 2: Change in Real Income and Benefits for Security Guard

Current Wage: $7.18 without Employer-Provided Health Benefits
After Living Wage Law: $8.52 (prevailing wage) + Employer-Provided Health Benefits

	1 Adult **Queens**	1 Adult, 1 School-Age **Brooklyn**	2 Adults, Both Working** 1 School-Age, 1 Teenager **Upper Manhattan**
Monthly Wages	**+$231**	**+$231**	**+$231**
Monthly Healthcare Coverage			
Employer-Provided Health Benefits	Would Receive Full-Family Coverage	Would Receive Full-Family Coverage	Would Receive Full-Family Coverage
Medicaid	Remains Ineligible	Remains Ineligible	Remains Ineligible
Family Health Plus	Remains Ineligible	**Becomes Ineligible**	Remains Ineligible
Child Health Plus	NA	Remains Eligible (+$15)	Remains Eligible
Monthly Public Supports			
Public Assistance	Remains Ineligible	Remains Ineligible	Remains Ineligible
Food Stamp Benefit	Remains Ineligible	**-$89**	Remains Ineligible
WIC	NA	Remains Ineligible	Remains Ineligible
HEAP	Remains Eligible	Remains Eligible	**Becomes Ineligible**
Montly Taxes	**+$70**	**+$61**	**+$22**
Monthly Tax Credits			
Earned Income Tax Credit 2001	Remains Ineligible	No Change Monthly **(-$445 annually)**	Remains Ineligible
Child Tax Credit 2001	Remains Ineligible	**(+$107 annually)**	0
Child & Dep. Care 2001	Remains Ineligible	**+$7**	**+$5**
Change in Real Income Monthly (Post-Taxes and Monthly Tax Credits)	**+$161**	**+$88**	**+$214**
Change in Real Income Annually (Post-Taxes and Tax Credits)	**+$1,932**	**+$718**	**+$2,568**
Effect on Public Housing	Remains Eligible	Remains Eligible	Remains Eligible
Increase in monthly child care costs if receiving a child care subsidy.	NA	+$28	+$24

Scenario 3: Change in Real Income and Benefits for Cafeteria Attendant

Current Wage: $7.01 without Employer-Provided Health Benefits
After Living Wage Law: $11.88 (prevailing wage) + Employer-Provided Health Benefits

	1 Adult **Bronx**	1 Adult, 1 School-Age **Queens**	2 Adults (Both Working**) 1 School-Age **Upper Manhattan**
Monthly Wages	**+$844**	**+$844**	**+$844**
Monthly Healthcare Coverage			
Employer-Provided Health Benefits	Would Receive Full-Family Coverage	Would Receive Full-Family Coverage	Would Receive Full-Family Coverage
Medicaid	Remains Ineligible	Remains Ineligible	Remains Ineligible
Family Health Plus	Remains Ineligible	**Becomes Ineligible**	Remains Ineligible
Child Health Plus	NA	Remains Eligible (+$15)	**Becomes Ineligible**
Monthly Public Supports			
Public Assistance	Remains Ineligible	Remains Ineligible	Remains Ineligible
Food Stamp Benefit	Remains Ineligible	**-$112**	Remains Ineligible
WIC	NA	Remains Ineligible	NA
HEAP	**Becomes Ineligible**	**Becomes Ineligible**	Remains Ineligible
Montly Taxes	**+$255**	**+$247**	**+$261**
Monthly Tax Credits			
Earned Income Tax Credit 2001	Remains Ineligible	**-$63 Monthly (-$2,023 annually)**	Remains Ineligible
Child Tax Credit 2001	NA	**(+$142 annually)**	0
Child & Dep. Care 2001	NA	**+$17**	**+$8**
Change in Real Income Monthly (Post-Taxes and monthly tax credits)	**+$589**	**+$439**	**+$591**
Change in Real Income Annually (Post-Taxes and Tax Credits)	**+$7,068**	**+$3,387**	**+$7,092**
Effect on Public Housing	Remains Eligible	Remains Eligible	**Becomes Ineligible**
Increase in monthly child care costs if receiving a child care subsidy.	NA	+$88	+$338

* Based on family expenses from the Self-Sufficiency Standard for the City of New York, assuming full-time, year-round work.
** 2nd Adult earning $9 per hour
Cell contents are changes from current wage to after living wage

Exhibit 3

An excerpt from Jared Bernstein, *Increasing the Minimum Wage: Don't Let the Slowdown Slow It Down*, EPI Issue Brief (Economic Policy Institute June 11, 2001)

The conventional argument against minimum wage hikes is that, by raising the wage of workers affected by the increase, employers will hire fewer of them, thus hurting the very persons the policy is intended to help.

By analyzing changes in the employment status of affected workers, economists have rigorously searched for, but generally failed to find these negative employment effects. The estimates from the empirical literature show that the employment effects are either statistically insignificant or slightly negative, a finding widely accepted by economists. And even in cases where there is evidence of job losses, the number of workers negatively affected are tiny compared to the number who get an hourly pay raise (for a review, see Bernstein and Schmitt 1998).

Take, for example, the last minimum wage increase, from \$4.25 to \$5.15, enacted in two steps between 1996 and 1997. Opponents argued that the increase would lead to diminished job opportunities for low-wage workers, but following the increase, conditions in the low-wage labor market in no way deteriorated. In fact, this segment of the labor market improved more than they had in decades, in part due to the wage increase itself, but largely due to the low overall unemployment rate that prevailed over this period.

Recent evidence also provides some insight into the question of the impact of increasing the minimum wage during a recession. In 1990 and 1991, while the economy was in a recession, the minimum wage was raised from \$3.35 to \$4.25. A highly regarded analysis of the increase's impact (Card 1992), which controlled for overall economic conditions, showed that the increase had no negative effects on employment. The study found that "although the 1990 and 1991 minimum wage increases led to significant earnings gains for teenagers and retail trade workers in many states, these wage increases were not associated with any measurable employment losses" (Card and Krueger 1995, 114-5). . . .

Various studies have addressed the question of why the negative predictions about the impact of minimum wage increases fail to materialize. The answer is that low-wage employers have other ways of absorbing the cost of the increase — price increases, lower profit margins, and efficiency gains — and these absorption methods are as likely to be tapped in a recession as in a recovery.

Employers often try to pass part of the wage increase forward to consumers in the form of higher prices. The evidence shows, however, that these price increases are concentrated in low-wage intensive sectors, making them too small to even show up in the overall price index. Profit margins in affected industries also tend to fall slightly following a minimum wage increase.

But many recent studies point to efficiency gains as an explanation for why the minimum wage doesn't have the negative impact predicted by some. When the minimum wage is increased, firms tend to experience fewer of the problems that typically reduce productivity in low-wage settings, such as high turnover and vacancy rates. By squeezing some of these inefficiencies out of the system, low-wage employers can absorb part of the wage increase through more efficient production.

Resources:

Bernstein, Jared and John Schmitt. 1998. *Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase.* Washington, D.C.: Economic Policy Institute.

Card, David. 1992. "Using regional variation in wages to measure the effects of the federal minimum wage." *Industrial and Labor Relations Review*. Vol. 46, pp. 22-37.

Card, David and Alan Krueger. 1995. *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton, N.J.: Princeton University Press.

Exhibit 4

Workers' Stories

Interviews conducted in conjunction with
AFSCME District Council 1707, SEIU Local 32b-j, Teamsters Local 210,
and the United Federation of Teachers

Living Paycheck to Paycheck: Six Homecare Workers Tell Their Story

Jeannette Pringle, Martha Green, Haidly Sanchez, Odessa Powell, Bertie Caraway and Hyacinth Findlator work for an agency that contracts with the city to supply home attendants to low-income elderly New Yorkers. The women provide physical and emotional support to people who can no longer care for themselves, and while they love their jobs, the work is physically and mentally demanding. Most of the women are in their sixties and have been home attendants for over twenty years, yet they earn only $7.69 per hour. Despite the fact that they are expected to be available for assignments at any time, the women are paid only for the hours that they actually work. Because they are not paid when their clients are in the hospital or on vacation, they rarely work more than 36 hours a week. When there aren't enough cases to go around, the women sometimes find their work schedules pared down to eight or twelve hours a week, making for an extremely unstable work schedule and annual earnings that rarely exceed $15,000.

"I live paycheck to paycheck," says Ms. Caraway, who explains how difficult it is to pay rent and buy food on her low wages. Ms. Sanchez says, "I have diabetes, and sometimes I need more insulin than my health plan will cover. Those months, I have to choose between insulin and food." She applied for food stamps, but was rejected because she earns too much to be eligible. All of the women have children who are adults, and they say it was even harder to get by when their children, now grown, were young and depended on them. "I'm lucky I live in public housing, where my rent is determined according to how much I earn in a quarter. Otherwise, I'd have to live like many women in our profession, with four families crammed into a two-bedroom apartment," says Ms. Pringle. Ms. Powell adds, "Most of us are heads of our households, so our families live on our earnings."

When asked why they stick with a job that pays them wages that are almost impossible to live on, the women answer in a loud chorus, "Because we care." Ms. Pringle says, "We get paid to do light housekeeping, but our clients demand a lot more of us, and we deliver it. We're their surrogate families, psychologists, lawyers, and nurses." Each of the women has a similar story about getting a call from a frightened client in the middle of the night. Ms. Pringle says, "My client called me crying in the middle of the night. They call us before they call their families—before they even call an ambulance. I took a cab over to her place and then put her in a cab and took her to the hospital. I held her hand while they admitted her. When she was discharged, I was there to pick her up." Ms. Pringle was not paid for providing these additional services to her client, but she says, "You take this work home with you. These are people you're dealing with, and sometimes they need you. My parents didn't have this service—we eventually had to put them in a nursing home. I wish my parents could have gotten the kind of care that we provide."

20 Million Tax Dollars and No Safety Net: The Diaz Family

Farides Diaz came to the United States from Colombia 14 years ago looking, as had generations before her, for a better life.

Today she lives in Elmhurst, Queens with her husband, who is also a building service worker, and their three children. For the past two years, she has worked as a cleaner for Planned Buildings Services, the cleaning contractor at 335 Broadway, scrubbing bathrooms and cleaning offices until late at night. Yet, for all her hard work, Planned Buildings Services pays her just $7 an hour with no health insurance. At times, she has had to hold off paying her electrical bills in order to buy school clothes for her children.

This is especially disturbing because New York City's Department of Citywide Administrative Services pays the building's owner $20 million for a 10-year lease for office space for the New York City Department of Mental Health.

In addition to the $20 million rent, the City is paying the cost of public health benefits and other social services on which many the cleaners' families are forced to rely because the contractor hired by the building owner pays such low wages and does not provide medical benefits. "It's not fair because the government is supposed to make sure people are treated well," says Farides, "We get no benefits—no safety net at all."

While her two youngest daughters receive basic health coverage under the New York's Family Health Plus plan, Farides, her husband, and her son have no health insurance at all. She is afraid to go to the doctor because she's worried she can't pay for the visit.

Meanwhile, 20 million tax dollars pour into 335 Broadway, and into the bank accounts of a building owner whose business decisions are keeping cleaners and their families in poverty.

The Workers Who Sweep Our Streets: The Rodriguez Family

In 1993, Miriam Rodriguez left her home in El Salvador in search of a better life in the United States. For the past four years, she has worked for Atlantic Maintenance Corporation, cleaning streets for several of the city's Business Improvement Districts (BID's). Miriam empties garbage cans, sweeps the streets, brushes away rain puddles, and removes graffiti and stickers from storefront facades. She earns $6 per hour, with no health benefits. Several days a week she hits the streets at 7 in the morning and doesn't finish until 7 at night – but she doesn't receive overtime pay, because Atlantic sends her to different BID's throughout the week.

Miriam's husband also works for Atlantic Maintenance. He's been there longer than his wife, but earns just slightly more ($6.88 per hour), also without health benefits. Miriam recently injured her back and had to pay $1,600 in medical bills because she doesn't have health insurance and couldn't prove that her injury was related to her work. She applied for Medicaid, but was told that she earns too much to be eligible.

Miriam and her husband are devout and try to attend church on Sundays, although recently her husband has had to work those days. The couple lives in upper Manhattan in a neighborhood where they don't feel safe. Their rent is only $215 a month, but not for much longer: their landlord just told them that they will have to move because he will be renting the apartment at a much higher rate. "If I had a little more money," says Miriam, "I'd get out of this neighborhood." But with bills mounting, her dream of better home seems very far away.

“Terribly Underpaid” But Loving His Work: The Story of Alan Fisher

With his teenage daughter beginning to think about college, Alan Fischer worries that she won’t have the option of choosing the best school available. “She’ll go wherever offers her some money,” he explains. Alan is a teaching assistant who works for the Brooklyn chapter of United Cerebral Palsy (UCP), an agency providing daycare and educational services to physically disabled New Yorkers under a contract with New York’s Board of Education. Since he earns just $15,000 per year, he and his wife won’t be able to cover much of their daughter’s tuition. “We’ll be taking out lots of loans!” he says. Six and a half years ago, after getting laid off as a supervisor of the mailroom at a large non-profit organization, Alan began working at UCP, with a starting salary of $13,500.

Currently Alan makes a little more than the proposed $8.10 hourly living wage. But he fears that before long he and his family may need the living wage law. He hasn’t received a raise in two years and the value of his meager pay is fast eroding. A living wage law will help ensure that pay for Alan and UCP’s other extremely low-wage employees at least keep pace with inflation.

As a teaching assistant, Alan spends his days feeding, toileting, and helping to teach a class of 12 physically disabled children, most of them four or five years old. The work can be frustrating, but Alan sees a lot of potential in his students and is gratified by his work. In his off-hours, he is working towards a bachelor’s degree. He has thought about trying to find a better job, but his family depends on his health benefits. He describes himself as “terribly underpaid” and says that his coworkers struggle to make ends meet. And he explains that UCP and its clients would benefit as much as its employees from better pay: “When people are happier, they put more into an organization.”