



# BRIGHT LIGHTS BIG SUBSIDIES

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NEW YORK CITY ECONOMIC  
DEVELOPMENT AND JOB QUALITY

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2015



# ACKNOWLEDGEMENTS

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# EXECUTIVE SUMMARY

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This report uncovers the world of job creation at the New York City Economic Development Corporation (EDC) through discretionary<sup>1</sup> subsidy programs of its Industrial Development Agency (IDA). Specifically, it looks beneath the job numbers we read about in newspapers and public hearing minutes to reveal the quality of the jobs created with public money. New York City has several pieces of “Living Wage” legislation, one of which (New York City local law 37 of year 2012) establishes that the purpose of economic development is to make sure jobs are created that pay wages enabling families to support themselves. Taxpayer money should be used to create good jobs—not jobs that keep people in poverty.

Through the Fall of 2014 we surveyed almost 300 workers around the city at subsidized businesses and developments. Our goal was to evaluate the quality of jobs created based on wages, benefits, stable schedules, training opportunities, and other indicators of quality employment. In this report, we review the economic development programs of the IDA and the 111 projects it approved to subsidize over the past five years (2010 through 2014). This sample includes projects covered by the 2012 Living Wage law, as well as projects approved before the law went into effect and projects exempted from the law. About half of the projects were completed at the time we conducted our survey; others will be completed over the next several years<sup>2</sup>. We then provide results of a survey administered to 299 workers on 50 subsidized sites.



## OUR MAIN FINDINGS

- The 111 projects approved by the EDC IDA will have created and retained 41,249 Full Time Equivalent jobs by the time the projects reach full job projections, according to subsidy applications and IDA Board minutes
- The projects will receive \$879 million in subsidies, or \$21,319 per job retained or created
- Manufacturing and Retail Trade accounted for 50 percent of the projects funded between 2010 and 2014
- According to EDC data, the median hourly wage paid at these projects is \$18.33 per hour. However, survey respondents receive a median hourly wage of only \$11.00 per hour, and this goes down to \$9.25 per hour for Retail Trade
- According to our survey, 75 percent of workers on these jobs are male. Almost half of the employees are Latino, and the workforce is split roughly evenly between US and foreign born workers
- Only 45 percent of respondents receive health care on the job. Of those who do not receive it, almost half go without health benefits altogether, and another 34 percent rely on government programs
- Nearly 70 percent of the respondents do not earn \$11.90 per hour, which was the city living wage rate at the time of the survey (though not all projects were covered by the living wage when approved)
- Only 22 percent receive \$13.13 per hour, which is the new living wage rate under Mayor de Blasio's Executive Order
- Only 16 percent of respondents receive at least \$15 per hour plus health benefits
- For 90 percent of respondents, their reported hourly wage is lower than the median hourly wage for their occupation according to Bureau of Labor Standards data
- Survey data suggests that the actual wages and working conditions on subsidized sites may differ significantly from that reported in IDA applications



## ANALYSIS OF THE PROGRAM AND KEY RECOMMENDATIONS

The discrepancy between wages in the application and wages reported in the survey appears to be a result of a few factors. First, most of the projects we studied were approved with no labor standards attached. This was especially detrimental in the subsidized low wage industries of food manufacturing and retail. Second, the IDA program is overly reliant on businesses self-reporting, and has minimal compliance and performance metrics. Therefore we recommend the following:

- 1. Expand the EDC mission to include raising standards of jobs at the lowest rung of economy with more vigorous performance metrics to measure broader mission**
- 2. Create leadership at EDC charged with the mission to promoting good jobs at city subsidized projects**
- 3. Adopt administrative policies increasing unionization such as labor peace agreement requirements for subsidized developments**
- 4. Living Wage legislation should be amended to add labor neutrality agreements and remove the exemptions for manufacturing and the Food Retail Expansion to Support Health (FRESH) program**
- 5. Living Wage legislation should be amended to cover non-profits. (Those non-profits that are financially strapped could apply for a waiver)**
- 6. Expand the EDC mission to include other metrics supporting sustainable economic development**

Our results suggest that the EDC is focusing primarily on spurring private investment, rather than job creation and job quality. Many observers<sup>3</sup> consider the massive tax breaks given in the name of economic development to be an unnecessary giveaway to real estate interests. There is ample evidence that shows a development strategy focused primarily on attracting investment can have negative impacts, particularly if the strategy results in cities and states competing for existing jobs, or if subsidies are awarded with little or few standards. While the EDC has made claims that subsidies create jobs, there is little evidence to support this argument, and it is not possible to know whether the jobs in question would have been retained or created absent the subsidy. In any case, we argue that New York City agencies should make sure that the financial assistance they do provide, at least, has job standards requirements.



Just as the mayor went to great lengths in his April 2015 OneNYC plan to integrate equity into his environmental sustainability plan, the Mayor needs to directly integrate equity into EDC's mission by adopting strong labor standards within economic development.



# INTRODUCTION

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Extreme economic inequality--unequal social distribution of opportunity and income--is one of the most ominous problems confronting our city. A December 2014 report from the Fiscal Policy Institute found that 95 percent of all income gains in the city over the past two decades went to the richest 10 percent of households, while almost half of city residents were left living in poverty or near poverty.<sup>4</sup> At the U.S. Conference of Mayors' annual meeting last year Mayor de Blasio stated, "We are living in a time of rising inequality and declining opportunity - this is a threat to our fundamental values and an obstacle to the nation's economic growth. Cities are the problem solvers and the centers of innovation. As mayors, we are on the front lines."<sup>5</sup> New York, one of the most unequal cities in the country is greatly defined and shaped by disparity.

Any effort to fight income inequality will have to reconnect the link between pay and productivity by promoting policies that protect workers' rights and enable workers to have a voice in decisions that affect their livelihoods, including the ability to join a union and bargain collectively. When collective bargaining is widespread in an industry the wages of nonunion employee rise too. Unions are also a crucial counterweight to corporate power in the political and public policy spheres.

New York City has several pieces of "Living Wage" legislation aimed at raising wages for select workers. The first piece, passed in 1996, covered employees working on certain city service contracts. The city then passed a Living Wage Law in 2002 for homecare and childcare workers employed by agencies that receive contracts from the city. In 2012, the city passed the "Fair Wages for New Yorkers Act," which mandated certain employers that received \$1 million or more in city financial assistance to pay a living wage rate of \$10 per hour with health benefits, or \$11.50 without benefits annually indexed. In 2014, Mayor de Blasio passed an Executive Order expanding the coverage of the "Fair Wages" Act, and raising the wage rates to \$11.50 per hour with health benefits, or \$13.13 without benefits. That rate was increased to \$11.65 per hour or \$13.30, on April 1, 2015.

These Living Wage laws raise wages for some workers but not all. While the laws are a step in the right direction, they contain numerous exemptions, are possibly weakly enforced, and have wage levels that are still not high enough to be a real living wage. New York City needs to improve public mechanisms to measure and promote "quality jobs" especially when the city is using public money to subsidize development. This includes raising standards, improving monitoring, and promoting union-friendly policies.



Policymakers have historically used economic development tools as a way to create and retain jobs. Governments can provide public investment in research and development, infrastructure and education, and the use of subsidies and incentives for investment.<sup>6</sup> However, many municipal and state policymakers give out business incentives with little logic or standards. Employers receive tens of millions of dollars in tax breaks, subsidized loans, tax-free bonds, and more, with little oversight into the kinds of jobs they create.<sup>7</sup> In the end, many employers get large subsidies and create few jobs, or create poor quality jobs that do little to improve the standard of living of their employees.

Instead, there should be a transparent set of qualifications that applicants would meet even before being considered for subsidies. Employers that receive subsidies should be required to pay employees a minimum living wage and have other labor standards firmly in their business model. This would prevent giving subsidies to employers who have demonstrated a history of violating labor and employment laws.

Many policymakers have focused their attention on workforce development as a way to address inequality. However, a wide range of scholars have pointed out that while technology and skills explain some of the wage inequality, other factors, particularly unionization, are important factors. For example, the International Monetary Fund, traditionally a proponent of free market approaches, released a report this past March extolling the virtues of unions for reducing inequality.<sup>8</sup> The authors note that traditional explanations for inequality focus on technology and globalization, but that when unionization falls, workers lose bargaining power, which contributes to inequality. They conclude that the fall in unionization appears to be a key factor in the rise of top income shares. Princeton scholars Western and Rosenfeld note, “The decline of organized labor among men contributes as much to rising wage inequality as the growing stratification of pay by education.”<sup>9</sup>

Promoting union-friendly policies makes sense as an economic development strategy. The mayor’s economic development agencies can and should play an instrumental role in his fight against income inequality with policies that promote unionization and union jobs.

## MUNICIPAL ORGANIZATIONS

There are two main organizations in the city charged with missions that ultimately address income inequality: the city agency New York City Housing, Preservation and Development (HPD) and the non-profit organization Economic Development Corporation (EDC). HPD promotes the construction and preservation of affordable, high quality housing for low- and moderate-income families. In pursuit of this, HPD often does large-scale developments that



feature commercial space. With these mixed-use commercial developments HPD gets in the business of permanent job creation overlapping with the function of the EDC to create jobs. In fact, HPD subsidized development falls under 2012 living wage legislation. For example, employers at the large affordable housing development on Queens waterfront, Hunters Point South, are required to pay living wages. Unfortunately there is very little data available from the city on this aspect of HPD economic development activity.<sup>10</sup> However, the conclusions reached in our evaluation of EDC in this report quite readily extend to HPD development since much of it is accomplished through inter-agency portfolio with the EDC. In fact the EDC releases Request for Proposals for sites throughout the city that seek to address EDC's objectives and the mixed-use vision set forth by Housing New York.<sup>11</sup>

The New York City EDC, “a non-profit organization operating under contract with the City of New York,” is the city's primary engine for economic development. Its principal mandate is to encourage investment and attract, retain, and create jobs in New York City. The EDC mission is quoted here in its entirety because it informs its very practices and programs:

*New York City Economic Development Corporation's mission is to encourage economic growth throughout the five boroughs of New York City by strengthening the City's competitive position and facilitating investments that build capacity, create jobs, generate economic opportunity and improve quality of life.*

Specifically, its core action is to facilitate private investments and only through that mechanism are jobs to be considered and created. The mission enshrines a set of rules premised around giving tax breaks to owners, developers, and investors in order to create jobs.

The EDC states that it is using private investment to attract jobs and improve the quality of life for residents. However, we argue that by focusing on private investment as the primary lever of economic growth the result is that the city prioritizes profitability, and number of jobs, over job quality. It is the economic development equivalent of trickle-down economics: encourage investment through tax breaks to the wealthy and they will create jobs.

EDC economic development contributes to economic trends occurring across the city. There are other development agencies in New York City that merit investigation but we chose to focus on EDC Industrial Development Agency programs because it is the largest, and has the most accessible data. We also focus on the EDC because we believe the city could be using public leverage via the EDC to counter the trends towards income inequality. Instead, it appears that the opposite may be true, as many of the jobs subsidized through the IDA programs are low-wage.

# REPORT

## METHODOLOGY

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Our report utilizes two main data sources. First, we compiled a database of all IDA projects approved for funding between 2010 and 2014. This includes projects of all sizes and all industries, for a total of 111 total subsidy packages approved. Three projects received multiple approvals for the same site, which means that there are 108 unique projects. This data was compiled from a variety of sources, including the subsidy applications, EDC Board Meeting minutes, and Local Law 62 reports.<sup>12</sup>

Second, we sent interviewers to all project sites that were scheduled to be operating by March 2015. Interviewers visited 69 projects. At the site they attempted to survey as many workers as possible, including those employed directly by the employer as well as those employed by tenants on the site. At five of the sites visited, businesses blocked us from conducting interviews with their employees. Fourteen of the projects did not exist (vacant buildings or the specified project was not there). We collected surveys from 50 sites from a total of 299 workers. Interviews were conducted in English, Spanish and Chinese. We analyzed the survey data unweighted, as well as weighted by project, to account for the fact that we collected different numbers of surveys at different worksites. Weighting did not produce significantly different results so we only report unweighted data below.

Table 1 provides the total number of approved subsidized projects, as well as the number of employees interviewed, by borough.

TABLE 1: PROJECTS AND EMPLOYEES SURVEYED BY BOROUGH

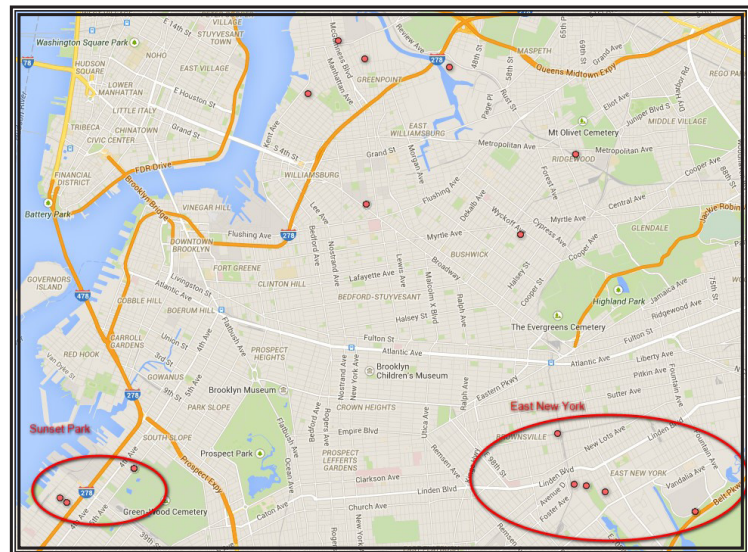
|               | Approved<br>Subsidized<br>Projects | Employees<br>Surveyed |
|---------------|------------------------------------|-----------------------|
| Bronx         | 30                                 | 66                    |
| Brooklyn      | 27                                 | 59                    |
| Queens        | 33                                 | 77                    |
| Staten Island | 13                                 | 18                    |
| Manhattan     | 11                                 | 19                    |

*Source: Authors' Survey of Subsidized Projects.*

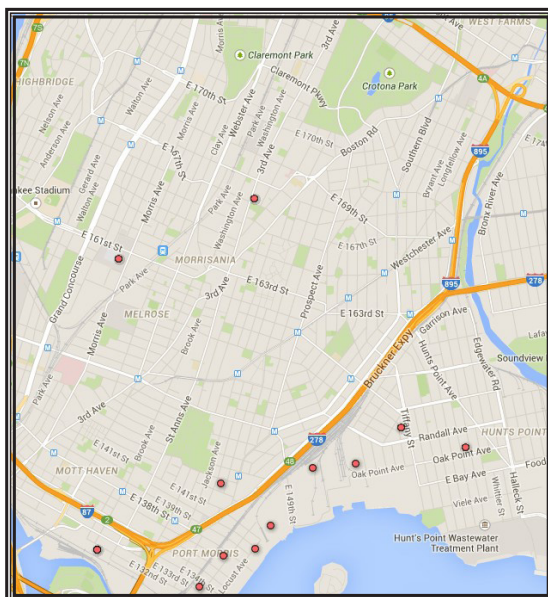




**Map 1:**  
New York City  
Survey Sites



**Map 2:**  
Some of the  
Brooklyn Economic  
Development Projects



**Map 3:**  
Bronx Cluster,  
Southern Waterfront

# OVERVIEW OF PROJECTS

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Between January 2010 and December 2014, the IDA voted and approved 111 economic development projects throughout the five boroughs. Projects are approved at monthly board meetings by a vote of its 15 members.<sup>13</sup>

According to IDA records these 111 projects will have created and retained 41,249 Full Time Equivalent (FTE) jobs. Economic development experts count both jobs that already exist at a company, retained jobs, as well as jobs created, under the assumption that without public financial assistance the company will either go out of business or move out of the area. The 41,249 jobs was comprised of 15,299 jobs retained and 25,950 new jobs created. Also according to IDA records, this job creation and retention cost the city almost \$879 million, or \$21,319 per job. Not including jobs retained, the cost per job created in this time period was \$33,887.

These public investments went into a wide array of industries and businesses, with no apparent particular strategy, and included everything from an antique items rental to theatrical weapons manufacturing (Table 2). But using broadest industry classification some patterns emerge.<sup>14</sup> A little less than a third of subsidies went to manufacturing companies in the last five years. Such assistance is understandable, as manufacturing tends to create better jobs and manufacturing as a share of the city's economy has steadily declined over the decades. The shift towards promoting light industry is evident here; 29 percent of subsidized manufacturing in this study went to food manufacturing businesses.

Retail trade made up the second largest subsidized industry in the city, with 23 projects, or a fifth of all subsidized projects. Within this sector 22 projects (96 percent of the subsidized industry) were supermarkets receiving Food Retail Expansion to Support Health (FRESH) subsidies. We will take a closer look at the FRESH program and the jobs created below.



TABLE 2: SUBSIDIZED PROJECTS BY INDUSTRY 2010 – 2014

| Industries   | Number of Projects | Percent of Projects |
|--|--------------------|---------------------|
| <b>Manufacturing</b>                                   | 31                 | 28%                 |
| <b>Retail Trade</b>                                    | 23                 | 20%                 |
| <b>Wholesale Trade</b>                                 | 16                 | 14%                 |
| <b>Transportation and Warehousing</b>                  | 11                 | 10%                 |
| <b>Real Estate and Rental and Leasing</b>              | 11                 | 10%                 |
| <b>Construction</b>                                    | 7                  | 6%                  |
| <b>Professional, Scientific and Technical Services</b> | 3                  | 3%                  |
| <b>Other Services (automotive, electrical, etc.)</b>   | 5                  | 5%                  |
| <b>Other Industries</b>                                | 4                  | 4%                  |
| <b>Total</b>   | <b>111</b>         | <b>100%</b>         |

*Source: Authors' calculations from EDC Board minutes*

Wholesale trade was the third largest subsidized industry, with 14 percent of subsidized projects. These subsidies went to businesses providing products such as beer, paper goods, electrical supplies, and tile mosaics. Transportation and warehousing accounted for nine percent of subsidized projects and entails deals with Delta and JetBlue as well as Hudson Moving and Storage.

The EDC has targeted stand-alone retail, comprised almost entirely of grocery stores, but also has subsidized retail within commercial and mixed-use projects such as Hudson Yards, Related Willets, and St. George Outlet Development. Hudson Yards, “the largest private real estate development in U.S. history”, will include more than 17 million square feet of offices, restaurants, retail, and residences between 30th and 34th Streets along the west side of Manhattan.<sup>15</sup> Related Willets will include housing, retail, hotel, public space and a convention center in Queens. St. George Outlet, according to plans, will comprise approximately 340,000 square feet of outlet retail, a hotel, and several restaurants.

Some of the development projects have been approved with certain conditions, such as requirements to pay the city living wage (discussed more later). Yet others have few or no requirements. For example, St. George Outlet Development on Staten Island is a typical subsidized retail complex that was approved with no labor standards attached.

Rounding out the top five subsidized industries is real estate and rental and leasing with 11 projects (9 percent of our data base) that along with office, hotel, and residential usually contain a retail component. It is important to note that three of these projects are taking place on the west side of Manhattan in what is known as Hudson Yards.<sup>16</sup> The combined total of subsidies received so far at Hudson Yards is \$353 million, 40 percent of all public assistance given to companies in the past five years.<sup>17</sup> However, according to the Fiscal Policy Institute, “the steep property tax discounts for the Hudson Yards area...will ultimately cost the City billions in lost taxes.”<sup>18</sup>

## JOB QUANTITY

The approved projects pledge to retain and create jobs. This ranges from a low of five new jobs at Eastern Effects, which provides lighting equipment, to 7,100 new jobs at Hudson Yards. The median project pledges to retain and create a total of 61 jobs.

Table 3 provides a summary of the 111 projects by borough. The greatest number of projects is in Queens, with 33, and the fewest - nine projects - in Manhattan. As economic development agencies target impoverished or blighted areas Bronx, Brooklyn, and Queens received the lion’s share of subsidized projects. The nine projects in Manhattan will result in the greatest number of jobs retained and created, over 17,000.

TABLE 3: PROJECTS, JOBS CREATED, AND SUBSIDIES BY BOROUGH

|                      | Projects | Total jobs retained and created | Total subsidies | Subsidy/Project | Number of projects over \$1 million | Percent over \$1 million |
|----------------------|----------|---------------------------------|-----------------|-----------------|-------------------------------------|--------------------------|
| <b>Brooklyn</b>      | 27       | 2,964                           | \$74,740,112    | \$2,768,152     | 16                                  | 59%                      |
| <b>Bronx</b>         | 29       | 5,865                           | \$215,000,000   | \$7,413,793     | 23                                  | 79%                      |
| <b>Manhattan</b>     | 9        | 17,043                          | \$406,000,000   | \$45,111,111    | 8                                   | 89%                      |
| <b>Queens</b>        | 33       | 13,296                          | \$160,500,000   | \$4,863,636     | 30                                  | 91%                      |
| <b>Staten Island</b> | 13       | 2,081                           | \$23,399,728    | \$1,799,979     | 7                                   | 54%                      |
| <b>Total</b>         | 111      | 41,249                          | \$879 million   | \$7,922,235     | 84                                  | 76%                      |

Manhattan projects got the greatest amount of subsidy dollars, and by far the largest subsidy per project. With over \$400 million in total subsidies, Manhattan accounted for almost half of all subsidy dollars. Manhattan’s average of \$45 million per project was far larger than the average in other boroughs, although Queens, like Manhattan, had around 90 percent of their projects receive over \$1 million.



## JOB QUALITY

In addition to job creation, we evaluated job quality at the approved projects. First, we looked at wages. In companies' self-reported wage rates that they include in their EDC applications, median wages are \$18.33 per hour for all projects, with a low of \$16.90 in the Bronx, and a high of \$55.71 in Manhattan (Table 4).

TABLE 4: PROJECTS, SUBSIDY VALUE  
AND MEDIAN WAGES BY BOROUGH

|               | Projects   | Median hourly wage<br>as reported in application |
|---------------|------------|--|
| Brooklyn      | 27         | \$19.95  |
| Bronx         | 29         | \$16.90  |
| Manhattan     | 9          | \$55.71  |
| Queens        | 33         | \$19.32  |
| Staten Island | 13         | \$18.20  |
| <b>Total</b>  | <b>111</b> | <b>\$18.33</b>                                   |

Source: Authors' calculations from EDC Board minutes.

Another measure of job quality is whether there are unions on the subsidized project. According to self-reported information on EDC applications, just over a third of the approved projects have unions at the worksite (Table 5). This ranges from a low of 14 percent of service sector projects, to a high of 50 percent of retail trade with a strong union grocer presence.

TABLE 5: UNIONIZED PROJECTS BY INDUSTRY

| Industry        | Percentage of projects that are Union |
|-----------------|---------------------------------------|
| Manufacturing   | 31%                                   |
| Wholesale Trade | 43%                                   |
| Retail Trade    | 50%                                   |
| Services        | 14%                                   |
| Other           | 36%                                   |
| <b>Total</b>    | <b>35%</b>                            |

Source: Authors' calculations from EDC Board minutes.

# SURVEY RESULTS

The survey asked workers about their wages, working conditions, and a series of questions to assess the quality of the job. The majority of workers (83%) surveyed are employed full-time, while 13 percent are part-time and the rest are full-time but seasonal or temporary. Most are employed directly by the subsidy recipient, but almost eight percent work for a subcontractor, temp agency, or are not sure who pays their paycheck. The median worker has been employed at the site for two years, but employment tenure ranged from one week to 41 years on the job. The majority holds only one job, though almost 12 percent have at least one other job.

The majority of interviews were conducted at wholesale and retail trade establishments (see Table 6). The retail trade interviews were primarily at grocery stores, which is a large component of projects the IDA approves for subsidies.

TABLE 6: INTERVIEWS COMPLETED BY NAICS

| NAICS        | Industry  | Interviews completed | Share of Total |
|--------------|---|----------------------|----------------|
| 23           | Construction  | 4                    | 1%             |
| 31           | Food manufacturing                                    | 19                   | 7%             |
| 32           | Wood, paper, printing, chemical product manufacturing | 16                   | 5%             |
| 33           | Primary metal manufacturing                           | 45                   | 15%            |
| 42           | Wholesale trade                                       | 55                   | 19%            |
| 44           | Retail trade  | 92                   | 31%            |
| 48           | Air transportation                                    | 31                   | 11%            |
| 53           | Real Estate   | 17                   | 6%             |
| 54           | Professional, scientific and technical services       | 2                    | 1%             |
| 81           | Repair and maintenance services                       | 14                   | 4%             |
| <b>Total</b> |   | <b>299</b>           | <b>100%</b>    |

Source: Authors' survey of subsidized projects.

The interviewees are employed in a variety of occupations, with the largest groups in Office and Administrative, and Sales. The next largest occupations surveyed were Management and Transportation and Material Movers (see Table 7).



TABLE 7: INTERVIEWS COMPLETED BY OCCUPATIONAL CATEGORY

| Occupational Category                         | n          | Percent of Total |
|---|------------|------------------|
| Management                                    | 32         | 11%              |
| Business and Financial                        | 9          | 3%               |
| Computer and Mathematical                     | 6          | 2%               |
| Architecture and Engineering                  | 1          | 0.4%             |
| Arts, Design and Media                        | 4          | 1%               |
| Protective Service                            | 10         | 4%               |
| Food Prep and Serving                         | 19         | 7%               |
| Building and Grounds Cleaning and Maintenance | 4          | 1%               |
| Personal Care and Service                     | 2          | 1%               |
| Sales   | 57         | 20%              |
| Office and Administrative                     | 69         | 20%              |
| Farming and Fishing                           | 1          | 0.4%             |
| Construction                                  | 7          | 2%               |
| Installation, Maintenance and Repair          | 3          | 1%               |
| Production                                    | 20         | 7%               |
| Transportation and Material Moving            | 40         | 14%              |
| <b>Total</b>                                  | <b>236</b> | <b>100%</b>      |

Source: Authors' survey of subsidized projects.

The respondents are predominantly male, and the largest group is Latino, followed by African-American/Black. Just about half are foreign born. The median age is 33. Table 8 provides detail on the demographics of respondents.

TABLE 8: DEMOGRAPHICS OF RESPONDENTS

| Gender         |     | Race/Ethnicity                  |     |
|----------------|-----|---------------------------------|-----|
| Male           | 74% | White                           | 17% |
| Female         | 26% | African-American/Black          | 19% |
| Place of Birth |     | Hispanic/Latino, non-white      | 47% |
| U.S. born      | 50% | Asian American/Pacific Islander | 11% |
| Foreign born   | 50% | Bi- or Multi-racial             | 4%  |

Source: Authors' survey of subsidized projects.

Note that Hispanics make up only 29 percent of the New York City population, but comprise 47 percent of our survey respondents. Over one-half of the Hispanic respondents we surveyed work in grocery stores.

Over 76 percent of respondents report that they are paid hourly. Almost 20 percent receive a salary, and the remainder is paid daily, weekly, or a combination of payment types (such as hourly plus commission). Of those who are paid hourly, respondents reported wages ranging from minimum wage up to \$50 per hour, with the median wage of \$11.00.<sup>19</sup> Sample sizes are too low to report median wages by detailed industry or occupation, but Table 9 provides median hourly wages on the job by aggregated industry, as well as select demographic groups.

Median hourly wages are highest for services and “other” sectors, which is surprising, but may reflect the small sample sizes for those categories. Wages are higher in manufacturing, and lowest in retail trade. For most categories, wages move in the anticipated direction: median hourly wages are higher for men than women, for older workers, and for full-time than part-time. The sample sizes are too small to generalize wages for white or Asian workers, but African Americans make higher wages than Latino workers. Unexpectedly, foreign born workers earn higher wages than US born workers. However, this is not controlling for other factors, such as time on the job or industry.

TABLE 9: MEDIAN HOURLY WAGES BY GROUP

| All Respondents               |         |
|-------------------------------|---------|
| \$11.95                       |         |
| Employment Status             |         |
| Full-time                     | \$11.95 |
| Part-time                     | \$9.00  |
| Contingent                    | \$14.00 |
| Place of birth                |         |
| U.S. born                     | \$10.95 |
| Foreign born                  | \$11.00 |
| Race/Ethnicity                |         |
| African American/Black        | \$11.07 |
| Asian of Pacific Islander     | \$12.00 |
| Bi- or multi-racial           | \$9.65  |
| Caucasian                     | \$13.25 |
| Hispanic or Latino, non-white | \$10.25 |
| Gender                        |         |
| Male                          | \$11.95 |
| Female                        | \$10.00 |
| Industry                      |         |
| Manufacturing                 | \$13.00 |
| Wholesale Trade               | \$10.50 |
| Retail Trade                  | \$9.25  |
| Services                      | \$13.25 |
| Other                         | \$14.63 |
| Age                           |         |
| up to 21 years old            | \$9.13  |
| 22 to 29                      | \$10.28 |
| 30 to 39                      | \$12.80 |
| 40 to 49                      | \$13.00 |
| 60 and older                  | \$14.00 |

Source: Authors' survey of subsidized projects.



The median hourly wage for the Service sector being so high may seem surprising, but this is because the majority of the projects in this sector are business and professional, and real estate services. Our respondents in this sector include occupations such as rental coordinator, decorator, data analysts and accountants.

Respondents were asked a series of questions to assess the quality of the job. In particular, we asked whether they had received a raise or promotion since starting the job, whether they received health benefits and paid time off, and whether they agreed with a series of statements about scheduling, stability, opportunities for training and promotion, and long-term career opportunities. Note that the survey was conducted after the New York Earned Sick Time Act was implemented which means that most employees surveyed should be entitled to at least the right to paid sick days.

Only 45 percent of respondents receive health benefits through their job (Table 10). Union members are far more likely than others to receive benefits: almost 64 percent receive health care through their job. Women, young workers, non-union workers, and part-time employees are the least likely to receive health benefits. A greater share, 71 percent, receives paid time off. Again, union members are most likely to receive this benefit, whereas women, young workers, non-union and part-timers are least likely.

TABLE 10.1: PERCENT OF RESPONDENTS WHO RECEIVE HEALTH BENEFITS AND PAID TIME OFF, BY DEMOGRAPHIC CATEGORY

|                                      | percent who receive health benefits | percent who receive paid time off |
|--------------------------------------|-------------------------------------|-----------------------------------|
| <b>All Respondents</b>               | 45                                  | 70                                |
| <b>Gender</b>                        |                                     |                                   |
| <b>Male</b>                          | 50                                  | 74                                |
| <b>Female</b>                        | 30                                  | 60                                |
| <b>Race/Ethnicity</b>                |                                     |                                   |
| <b>African-American/Black</b>        | 45                                  | 80                                |
| <b>Asian or Pacific Islander</b>     | 53                                  | 72                                |
| <b>Caucasian</b>                     | 57                                  | 79                                |
| <b>Hispanic or Latino, non-white</b> | 41                                  | 64                                |
| <b>Place of birth</b>                |                                     |                                   |
| <b>U.S. born</b>                     | 51                                  | 70                                |
| <b>Foreign born</b>                  | 40                                  | 70                                |

Source: Authors' survey of subsidized projects.

TABLE 10.2: PERCENT OF RESPONDENTS WHO RECEIVE HEALTH BENEFITS AND PAID TIME OFF, BY DEMOGRAPHIC CATEGORY

|                           | percent who recieve<br>health benefits | percent who recieve<br>paid time off |
|---------------------------|--|--------------------------------------|
| <b>Age</b>                |  |                                      |
| <b>up to 21 years old</b> | 25                                     | 54                                   |
| <b>22 to 29</b>           | 40                                     | 63                                   |
| <b>30 to 39</b>           | 56                                     | 75                                   |
| <b>40 to 49</b>           | 51                                     | 83                                   |
| <b>50 to 59</b>           | 48                                     | 76                                   |
| <b>60 and older</b>       | 39                                     | 63                                   |
| <b>Union Status</b>       |  |                                      |
| <b>Union member</b>       | 64                                     | 77                                   |
| <b>Non union</b>          | 38                                     | 67                                   |
| <b>Employment Status</b>  |  |                                      |
| <b>Full-time</b>          | 49                                     | 76                                   |
| <b>Part-time</b>          | 19                                     | 35                                   |
| <b>Contingent</b>         | 42                                     | 58                                   |

Source: Authors' survey of subsidized projects.

Of those who do not receive health benefits through the job, the largest group, 47 percent, go without health benefits (Figure 1). Another 34 percent rely on government programs.

In other aspects of job quality, over half of respondents (62 percent) agreed that their company offered opportunities for job training (Table 11). Women are more likely than men to see training opportunities, while white workers are more likely than Latinos or Black workers. There was only a small difference by place of birth. In contrast, only 40 percent of respondents agreed that their company offered significant opportunities for promotion, and only 28 percent of women agreed. There was little difference by race or place of birth. Responses are fairly similar for the other two questions that gauged attachment to the

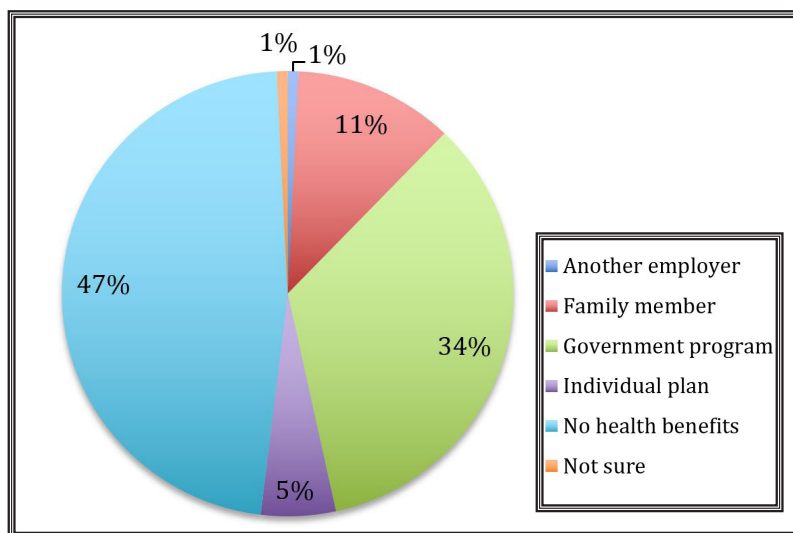


Figure 1: Health Care Status for those who do not Receive Health Benefits Through their Job



job: 43 percent of respondents say they are likely to stay in the job for at least the next five years, and 39 percent said they see this as a permanent job. Again, women had the most negative assessment for each of these indicators. US born workers were also far less likely than foreign born workers to state that they saw the job as permanent.

TABLE 11: JOB QUALITY INDICATORS, BY DEMOGRAPHIC CATEGORY

|   | Percent who agree with the statement... |      |        |       |        |       |         |              |
|---|---|------|--------|-------|--------|-------|---------|--------------|
|   | Total                                   | Male | Female | Black | Latino | White | US born | Foreign born |
| <b>I have the opportunity to receive job training in this company</b> | 62                                      | 59   | 70     | 51    | 63     | 69    | 63      | 60           |
| <b>The company offers significant opportunities for promotion</b>     | 41                                      | 48   | 29     | 36    | 38     | 57    | 42      | 44           |
| <b>I am likely to stay in this job at least for the next 5 years</b>  | 43                                      | 48   | 29     | 36    | 38     | 57    | 42      | 44           |
| <b>I see this as a permanent job and I hope to make a career here</b> | 39                                      | 44   | 26     | 32    | 32     | 42    | 33      | 46           |
| <b>I have the opportunity to work overtime</b>                        | 71                                      | 73   | 66     | 83    | 79     | 50    | 66      | 75           |
| <b>When I work overtime I am paid time and a half</b>                 | 80                                      | 82   | 77     | 85    | 80     | 83    | 80      | 81           |

Source: Authors' survey of subsidized projects.

A large majority, 71 percent, said they had the opportunity to work overtime. This was true for all groups except white workers, where only 50 percent get the opportunity – likely because they are overrepresented in salaried positions. About the same number said they were paid time and a half for overtime work. Of the respondents who are paid hourly, 80 percent said they receive time and a half pay when they work overtime. This may sound high, but suggests that almost 20 percent of respondents may not be receiving their full legal pay. Violations are greatest in services and retail trade, and fewest in manufacturing.

We asked additional questions to gauge whether these jobs offer stable hours and schedules. A large majority, 86 percent, states that their hours are fairly stable from week to week, but 23 percent note that their schedule changes week to week. Just over one-third of women experience weekly schedule changes.

Table 12 reports on job quality by sector. Service sector jobs, which includes jobs in real estate; professional, scientific and technical services; and repair and maintenance appear to be much worse than those in other sectors. Only 39 percent of service workers have opportuni-

ties for training, and only 18 percent see opportunities for promotion, far lower than in other sectors. Service workers also seem least attached to their jobs in the long run. Retail trade jobs are better in opportunities for job training, and overtime work, but are lower than average on opportunities for promotion and long-term careers.

TABLE 12: JOB QUALITY INDICATORS, BY SECTOR

| Percent who agree with the statement...                        |       |               |                 |              |          |       |
|--|-------|---------------|-----------------|--------------|----------|-------|
|  | Total | Manufacturing | Wholesale Trade | Retail Trade | Services | Other |
| I have the opportunity to receive job training in this company | 62    | 62            | 57              | 69           | 39       | 71    |
| The company offers significant opportunities for promotion     | 41    | 41            | 38              | 48           | 18       | 47    |
| I am likely to stay in this job at least for the next 5 years  | 43    | 62            | 35              | 38           | 24       | 43    |
| I see this as a permanent job and I hope to make a career here | 39    | 54            | 33              | 30           | 27       | 51    |
| I have the opportunity to work overtime                        | 71    | 76            | 60              | 84           | 52       | 60    |
| When I work overtime I am paid time and a half                 | 80    | 86            | 85              | 80           | 65       | 71    |

Source: Authors' survey of subsidized projects.

There is little variation by sector in terms of stability of hours week to week. However, 31 percent of wholesale workers, and 28 percent of retail workers, say their schedule changes from week to week, whereas only 13 percent of manufacturing workers and 12 percent of service workers said the same.

As a final measure of job quality, we asked respondents if they were currently looking for other work. Approximately one-third of all respondents answered affirmatively. Over 50 percent of Black workers said they were currently looking for other work. See Table 13.

TABLE 13.1: ARE YOU LOOKING FOR OTHER WORK?

|                        | % who said Yes |                       | % who said Yes |
|------------------------|----------------|-----------------------|----------------|
| <b>All Respondents</b> | 33             | <b>Gender</b>         |                |
| <b>Industry</b>        |                | <b>Male</b>           | 30             |
| <b>Manufacturing</b>   | 29             | <b>Female</b>         | 41             |
| <b>Wholesale Trade</b> | 40             | <b>Place of birth</b> |                |
| <b>Retail Trade</b>    | 33             | <b>U.S. born</b>      | 37             |
| <b>Services</b>        | 45             | <b>Foreign born</b>   | 30             |
| <b>Others</b>          | 20             |                       |                |

Source: Authors' survey of subsidized projects.



TABLE 13.2: ARE YOU LOOKING FOR OTHER WORK?

|                                      | % who said Yes |
|--------------------------------------|----------------|
| <b>Race/Ethnicity</b>                |                |
| <b>African-American/Black</b>        | 55             |
| <b>Asian or Pacific Islander</b>     | 25             |
| <b>Caucasian</b>                     | 19             |
| <b>Hispanic of Latino, non-white</b> | 27             |
| <b>Age</b>                           |                |
| <b>up to 21 years old</b>            | 51             |
| <b>22 to 29</b>                      | 49             |
| <b>30 to 29</b>                      | 23             |
| <b>40 to 49</b>                      | 23             |
| <b>50 to 59</b>                      | 21             |
| <b>60 and older</b>                  | 29             |
| <b>Union Status</b>                  |                |
| <b>Union member</b>                  | 37             |
| <b>Non union</b>                     | 32             |
| <b>Employment Status</b>             |                |
| <b>Full-time</b>                     | 32             |
| <b>Part-time</b>                     | 39             |
| <b>Contingent</b>                    | 58             |

Source: Authors' survey of subsidized projects.

## GOOD JOBS

We then attempted to assess which of the jobs created by public money were “good jobs.” There is no clear definition of what counts as a good job, but we started by examining how many respondents are receiving at least the living wage rate as defined in New York City living wage legislation of \$11.90 per hour, and then at those that pay \$13.13 per hour – the amount set as the living wage rate by Mayor Bill de Blasio in an Executive Order in September 2014. Both of these rates are set for employees without health care, so we removed that criteria.

As Table 14 shows, 32 percent of respondents meet the \$11.90 city living wage rate, and 22 percent earn the new living wage of \$13.13. This means that 68 percent of the respondents do not meet the 2014 city living wage rate of \$11.90 per hour. The manufacturing and service

sector jobs are best, whereas retail trade the worst, with only 16 percent of retail trade jobs meeting the \$11.90 threshold.

TABLE 14: GOOD JOBS BY VARIOUS LIVING WAGE LEVELS, BY SECTOR (FOR THOSE WHO ARE PAID HOURLY)

| Sector                 | \$11.90 per hour | \$13.13 per hour |
|------------------------|------------------|------------------|
| <b>Manufacturing</b>   | 48%              | 36%              |
| <b>Wholesale Trade</b> | 22%              | 11%              |
| <b>Retail Trade</b>    | 16%              | 10%              |
| <b>Services</b>        | 58%              | 36%              |
| <b>Other</b>           | 31%              | 29%              |
| <b>Total</b>           | <b>32%</b>       | <b>22%</b>       |

Source: Authors' survey of subsidized projects.

There are currently movements around the country calling for \$15 per hour. Here in New York, the Mayor recently called for the minimum wage to be set at \$15 as an instrumental part of his anti-poverty program contained in OneNYC (\$15 per hour by 2020 plus indexing so the rate rises with inflation). Even the \$15 rate is below what scholars estimate as a real “living wage” for New York City but we looked at how many of the respondents receive \$15 or more per hour as well as health benefits on the job.<sup>20</sup> In our survey, 16% of respondents receive \$15 per hour or more, plus health insurance. Table 15 provides the share of workers by sector.

TABLE 15: GOOD JOBS AT \$15 LIVING WAGE LEVEL, BY SECTOR

| Sector                 | \$15 per hour plus health |
|------------------------|---------------------------|
| <b>Manufacturing</b>   | 25%                       |
| <b>Wholesale Trade</b> | 15%                       |
| <b>Retail Trade</b>    | 4%                        |
| <b>Services</b>        | 24%                       |
| <b>Other</b>           | 23%                       |
| <b>Total</b>           | <b>16%</b>                |

Source: Authors' survey of subsidized projects.

The greatest share of good jobs is in the manufacturing sector, where 25 percent pay \$15 living wage and provide health benefits. Almost the same share of jobs in the service sector are “good jobs” according to our criteria, but these are mostly managerial positions such as office manager, floor manager and senior accounting manager.



We then returned to the database of projects created by reviewing EDC board documents and company applications. This shows a surprising finding: According to data provided in the applications, the median hourly wage for all projects was \$18.33, which ranged from a low of \$11.24 in retail trade to a high of \$22.67 in “other.” The wage data provided in EDC applications suggests that the projects will provide good jobs. However, this data provided does not match with the wage data found in our survey. The company applications reported inflated hourly wages relative to what surveyed workers reported. In Table 16 we compare the median wages in the applications compared to median wages as reported in the survey. For example, whereas the median wage in application data was \$18.33 per hour, our respondents had a median hourly wage of \$11.00. Wages range from \$9.25 in retail trade to a high of \$14.63 in “other.”

TABLE 16: GOOD JOBS BY SECTOR

| Industry               | Median hourly wage as reported in application | Median hourly wage as reported by survey respondents |
|------------------------|---|--|
| <b>Manufacturing</b>   | \$21.10                                       | \$13.00  |
| <b>Wholesale Trade</b> | \$18.21                                       | \$10.50  |
| <b>Retail Trade</b>    | \$11.24                                       | \$9.25   |
| <b>Services</b>        | \$21.68                                       | \$13.25  |
| <b>Other</b>           | \$22.67                                       | \$14.63  |
| <b>Total</b>           | <b>\$18.33</b>                                | <b>\$11.00</b>                                       |

Source: EDC Documents and survey results

# THE UNION DIFFERENCE

Approximately 29 percent of the respondents work in unionized jobs. Table 17 shows the density of union membership by industry according to the survey. The highest union density occurs in retail trade, with 52 percent of survey respondents belonging to unions. This is primarily grocery stores. The Services have the lowest union density.

TABLE 17: UNION DENSITY BY SECTOR

| Industry               | Union density |
|------------------------|---------------|
| <b>Manufacturing</b>   | 31%           |
| <b>Wholesale Trade</b> | 20%           |
| <b>Retail Trade</b>    | 52%           |
| <b>Services</b>        | 6%            |
| <b>Other</b>           | 0%            |
| <b>Total</b>           | <b>29%</b>    |

*Source: Authors' survey of subsidized projects.*

For the two industries where sample sizes are large enough, median wages are higher for union workers than non-union workers, as shown in Table 18.

TABLE 18: MEDIAN HOURLY WAGE, UNION  
AND NON-UNION, FOR SELECTED SECTORS

| Industry             | Median hourly wage<br>Non-union | Median hourly wage<br>Union |
|----------------------|---------------------------------|-----------------------------|
| <b>Manufacturing</b> | \$11.00                         | \$14.70                     |
| <b>Retail Trade</b>  | \$9.00                          | \$10.00                     |

*Source: Authors' survey of subsidized projects.*

Unionized workers are more likely than non-union workers to receive health benefits, paid time off, and promotions. Unionized and non-union workers were equally likely to have received a raise since starting the job (Table 19).



TABLE 19: BENEFITS, PROMOTIONS AND RAISES, BY UNION STATUS

| Benefit                                    | Percent who recieve benefit |       |
|--|-----------------------------|-------|
|  | Non-union                   | Union |
| <b>Health benefits</b>                     | 38%                         | 64%   |
| <b>Paid time off</b>                       | 70%                         | 77%   |
| <b>Promotion since starting job</b>        | 37%                         | 41%   |
| <b>Received a raise since starting job</b> | 60%                         | 61%   |

*Source: Authors' survey of subsidized projects.*

# EVALUTATING PROJECTS

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As stated in the introduction, a core mission of the NYC EDC is to assist the creation and retention of jobs in New York City. Ideally, these would be jobs that provide living wage jobs with benefits, and an opportunity for New Yorkers to make a career.

One project that stands out as a good investment is Baco Enterprises, Inc., a bolts manufacturer and distributor in the Bronx. We surveyed seven employees from Baco, who had worked there anywhere from a few months to 10 years. This included mostly warehouse workers, but also a supervisor and office worker. All are full-time, receive health benefits and all earn between \$16 and \$23 per hour.

Baco Enterprises requested economic development assistance in 2012 to retain 70 jobs and create six new ones. They were approved for a subsidy of \$692,098, or \$9,107 per job. In its application, Baco states that its average hourly wage is \$24.53, which is higher than the wage of the employees we surveyed. However, the average hourly wage of those we surveyed was \$17.93, and all said they worked at least 40 hours per week.

In contrast, a number of projects do not provide a living wage, career path jobs. For example, the grocery store Food Kingdom is located on Staten Island. We surveyed nine workers there, from a number of departments. Only one person, a manager, received health benefits. Five are part-time and four are full-time. All earn between \$8 and \$10 per hour except for one manager, who earns \$15 per hour.

Another grocery store, Foodfest, applied for a subsidy in 2012, promising to create 28 new jobs. It received \$680,611 in 2013, which amounts to \$24,308 per job. But our seven respondents earn an average hourly wage of only \$9.67, and work, on average, 34 hours per week. This results in an annual salary of just over \$17,000 per year, significantly less than the subsidy per job.

# GROCERY STORES

Grocery stores account for 23 of the 111 EDC projects, just over 20 percent. They are mostly covered under the Food Retail Expansion to Support Health (FRESH) program, an effort to bring grocery stores to neighborhoods across the city that are underserved by grocery stores, known as “food deserts.” Administered by EDC and the City Planning Department, FRESH subsidized projects are exempt from the city living wage ordinance. Unfortunately, they appear to provide many of the lower-quality jobs. The median hourly wage for surveyed workers is \$9.25 in grocery, compared to \$12.55 for non-grocery projects (Table 20). Far fewer grocery workers are paid the city living wage rate of \$11.90 or \$13.13, and they are also much less likely than non-grocery workers to have received a raise since starting their job.

Only 73 percent of grocery jobs are full-time, compared to 88 percent of non-grocery jobs. Grocery workers are somewhat less likely to receive health benefits, paid time off, and a promotion than non-grocery workers.

TABLE 20: CHARACTERISTICS OF GROCERY  
VERSUS NON-GROCERY PROJECTS

|                                  | Grocery projects | Non-Grocery projects |
|----------------------------------|------------------|----------------------|
| Median hourly wage               | \$9.25           | \$12.55              |
| Percent of respondents who:      |                  |                      |
| receive \$11.90 or more per hour | 17%              | 45%                  |
| receive \$13.13 or more per hour | 11%              | 34%                  |
| have received a raise            | 47%              | 67%                  |
| have a full-time job             | 73%              | 88%                  |
| receive health benefits          | 43%              | 47%                  |
| receive paid time off            | 67%              | 72%                  |
| have recieved a promotion        | 34%              | 40%                  |

*Source: Authors' survey of subsidized projects.*



# WAGES

To assess the quality of jobs created, we compared the wages respondents received to the data from the Bureau of Labor Statistics on median wages by occupation for the New York metropolitan area. For approximately 90 percent of respondents for which data is available, their actual hourly wage is less than the median wage for their job title in the BLS data. For example, whereas the median hourly wage for security guards in the New York metropolitan area was \$14.37 in 2013 according to the BLS, most of our respondents in security reported wages below that. One of the security respondents in our survey earned \$15 per hour, and the other nine earned between \$8 and \$14.

In Table 21 we compare median hourly wages in the survey data to BLS data, by industry. In every case the median hourly wage is higher in the BLS data than the wages reported by our survey respondents. The difference is most marked in Services, where the median hourly wages from the BLS are 27 percent higher than median wages in the survey. BLS wages for Retail Trade are 19 percent higher than those paid to survey respondents.

TABLE 21: COMPARISON OF SURVEY  
AND BLS MEDIAN WAGES, BY SECTOR

| Industry               | Median Wage<br>Survey Respondents | Median Wage<br>BLS | Wage gap |
|------------------------|-----------------------------------|--------------------|----------|
| <b>Manufacturing</b>   | \$13.00                           | \$14.37            | 10%      |
| <b>Wholesale Trade</b> | \$10.50                           | \$12.15            | 14%      |
| <b>Retail trade</b>    | \$9.25                            | \$11.46            | 19%      |
| <b>Services</b>        | \$13.25                           | \$18.09            | 27%      |
| <b>Other</b>           | \$14.63                           | \$18.09            | 19%      |

*Source: 2014 Survey; Bureau of Labor Statistics, Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates, May 2013. Data for the New York-White Plains-Wayne, NY-NJ Metropolitan Division.*

# ANALYSIS OF IDA PROGRAMS

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## JOB RETENTION AND CREATION

If job numbers, with only secondary concern for job quality, is primary for EDC, how have its subsidized projects fared in the metric of job creation and retention? Each project that receives IDA board approval guarantees to retain and create a specific level of employment. The 111 projects we tracked from 2010 through 2014 projected that 15,299 jobs would be retained and 25,950 jobs created, for a total of 41,249 jobs at time of application. To compare this figure with real employment generated from subsidies, we obtained “actual” (self-reported by business) employment numbers from Local Law62<sup>21</sup> reporting for 59 of 111 projects. We then took the average of the ratio of actual employment numbers to projected employment at application. If this average ratio computes less than one, fewer jobs have been created than promised. If the ratio is greater than one, then more jobs have been created than projected on average. The average ratio of these 59 projects is 1.17, just above job projections. This is good news assuming the reporting in LL62 is accurate.

Unfortunately, both the “actual” numbers in LL62 and the application numbers are self-reported by employer, and at each stage the employer has incentives to inflate job numbers.

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## JOB QUALITY

Our analysis suggests that IDA subsidy programs have been only moderately successful in creating or retaining high quality jobs. According to employer-reported numbers on project applications, the majority of jobs created do pay the living wage of \$11.90 per hour, and most even pay the higher rate \$13.13 per hour, with retail trade being the major exception. However, only a minority of projects, primarily in wholesale trade, meet a \$15 per hour minimum wage.

In addition, we found a large discrepancy between the self-reported numbers and findings from our survey of people working at these businesses. Our survey results suggest that perhaps applications for subsidy packages inflate compensation and job numbers. Just over a third of respondents receive \$11.90 per hour or more. Fewer than half of respondents in all industries receive \$13.13 per hour. Only 11 percent of respondents meet the more ambitious measure of \$15 per hour plus health benefits, which is a more realistic measure of a “good job.”

Of all respondents, only 42 percent receive health insurance from their employer. This improves to 61 percent for union members, but for most demographic groups, fewer than half of respondents receive health care benefits. Just over 70 percent of respondents receive paid time off in their job, but only 36 percent of part-time employees receive paid time off.

Good jobs are also those that provide opportunities for workers to receive job training, promotions and raises, and to offer a chance for a long-term career. Overall, respondents are



most likely to receive job training and the chance to work overtime. Approximately 40 percent see opportunities for promotion, and only 35 percent see the job as a place where they hope to build a career. In fact, fewer than half of respondents expect to stay in the job for the next five years. This suggests that the jobs retained or created through the IDA subsidies are not the kinds of sustainable jobs that would provide stability for New York workers and the New York City economy.

## COHERENCE OF THE MISSION

There appears to be no clear plan or strategy behind the EDC subsidies. Instead, they seem to approve most projects, based primarily on the goal of retaining jobs or attracting new ones. But these are dubious reasons to subsidize a business: agencies should not prop up companies the marketplace has deemed unworthy, nor should states and municipalities compete against one another.

Instead, economic development best practice would take into account New York's "comparative advantage" – what resources, skills, etc. do we have to offer? What kinds of businesses or services do New Yorkers need?

There is no magic bullet on how to best use public monies to promote sustainable and high road economic development. Cities should make programs transparent, monitor and evaluate subsidy recipients, and hold companies accountable for their promises of job creation and retention. Ideally, cities should have the right to re-open subsidy agreements on an annual basis if companies are not meeting their promises, with the option to revoke the subsidy or alter the conditions.

Beyond the basic standards of transparency and accountability, the ideal economic development program should be strategic. The best investments are those that provide living wage jobs with career ladders, training and job stability, that meet environmental standards, and that spur growth in as many industries as possible where the municipality has a competitive advantage.

The other strategy is for the city to invest in the kinds of businesses that are necessary or desirable for city residents. The Food Retail Expansion to Support Health (FRESH) program is an example of this, as it is an effort to bring grocery stores to neighborhoods across the city that are underserved by grocery stores, known as "food deserts." The FRESH program is promising in this aspect. Unfortunately, it does not include standards for job quality, so it provides a service but not necessarily good jobs.

Other than the FRESH program, the IDA data show no clear strategy or plan in terms of the kinds of projects approved. As shown above, the projects are in a wide range of sectors. For the most part, the projects are not providing good jobs, and they are not building industrial clusters.

Finally, the city should use its authority and financial leverage to raise standards in low-wage industries. For example, even industries like manufacturing have experienced declining wages and unionization. New York is investing in manufacturing jobs partially on the outdated assumption that these are necessarily “good jobs.” However, our data shows this is not always the case. The city should set standards to help foster a growth in wages.

# RECOMMENDATIONS FOR THE EDC

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Mayor de Blasio's first Mayor's Management Report (an annual report on key metrics for individual city agencies) contained a new section entitled "Focus on Equity" where each agency has an opportunity to articulate how they are working to promote fair delivery of services. EDC's cursory declaration on equity states that the EDC "fosters equality of opportunity across New York City through focus on creating quality jobs and access to opportunities". This is one of the few instances where EDC mentions a focus on quality jobs. As noted above, the EDC mission—to encourage investment that creates jobs—never mentions the quality of jobs. And board meeting minutes show a constant deference to job numbers over job quality.

Our survey results show that job creation strategies for EDC is much closer to its mission statement than its equity statement. Our concern, which initiated the research, is that in its near exclusive focus on spurring private investment not only does job creation become ancillary but attention to the quality of those jobs becomes almost non-existent.

The growth of low wage jobs with no benefits across the economy is a major part of the problem of income inequality, the issue that the Mayor was elected to combat. This is worsened by IDA subsidies that encourage investment without sufficiently attending to the equity impacts. Our numbers have shown a fairly bleak job output on IDA subsidy employment data. EDC has had little focus in fact on equity in the quality of large number of low-paying jobs that its mission has created. And even when certain jobs like building services at Hudson Yards or Willets Point include labor standards, land use review procedures, not EDC policy, were instrumental. EDC has often determined that it is not possible to raise wage standards in certain development projects, which has the result of effectively lowering wage standards.

In this section we propose several recommendations that focus on improving job quality. We leave it to others to argue against the fairness or appropriateness of city agencies directly assisting capital and to push for an overall reassessment of EDC strategy. Our proposals are less ambitious and narrower in that they focus directly on strategies to improve jobs within the programmatic framework of the EDC. Economic development programs can and should promote better jobs with better wages and benefits. While the NYC City Council



has pushed EDC to improve its strategies around lower wage jobs through living wage and prevailing wage legislation, EDC can adopt further policies to improve the jobs at this scale.

## I. EXPAND EDC'S MISSION TO INCLUDE STRONGER JOB STANDARDS AND INCLUDE STRONGER REPORTING AND COMPLIANCE MEASURES

The EDC can play a leading role within Mayor de Blasio's administration to reduce income inequality in the city. Through the Bloomberg years into the Mayor's first year, the EDC has focused on job numbers instead of also improving jobs. This may not only do little to reduce income inequality but may in fact worsen it. We recommend the very concrete step of amending the EDC mission statement to prioritize job quality at the lower end of the job spectrum. A tweak to the current statement would suffice as simple as "...facilitating investments that build capacity, create [quality] jobs, generate economic opportunity [for those who have it least]..." A revamped mission would balance expanding private investment with growing livable wage jobs in order to fight income inequality. It would balance EDC financial assistance to capital with support for working and middle class families.

Further, to capture performance and hold itself accountable, EDC should adopt new and expanded performance metrics. This could be accomplished by adding several requirements to the city's subsidized projects reporting law, pursuant to City Charter Section 1301(1)(b), Local Law 62 of 2010. First, many lower-wage jobs are created at subsidized developments by contractors, concessionaires and tenants. The Annual Projects Report should include details of wages and benefits paid for all jobs created at developments including contractor, concessionaire and tenant jobs. Secondly, employment data is currently only required for businesses with over 250 employees. This threshold misses a large swath of jobs created at subsidized developments, and should be required of all subsidized developments. Further, goals should be established that all jobs should pay living wage or higher on all subsidized projects.

Once these performance metrics are in place the city should establish systems to review all subsidized projects. This review should include "recapture provisions" such as clawback legislation that would mandate firms to pay back subsidies should they fail to meet their promised goals. More importantly, it should also include the possibility to reopen cases to renegotiate terms. For example, the EDC could attach additional requirements or labor standards such as card check labor neutrality agreements on any ongoing projects. These agreements would make it easier for workers to establish a union when a majority would like one. Employers would be explicitly prohibited from interfering in workers' decisions to establish or join a union.

## II. CREATE LEADERSHIP AT EDC CHARGED WITH THE MISSION TO PROMOTING GOOD JOBS AT CITY SUBSIDIZED PROJECTS

The Bloomberg administration opposed leveraging subsidies for living wage jobs. It fought against, vetoed and then filed a lawsuit blocking local laws requiring living and prevailing wages at subsidized developments. It is more important than ever to create a new parallel office within the EDC with authority to push good jobs within the organization. It is also important for reappointments be made to the IDA Board with members who are dedicated to a good jobs mission. In reading transcripts of board meeting minutes from the past five years, consistent are the lone voices of Kevin Doyle of SEIU 32BJ and former City Comptroller John Liu pushing a good jobs agenda, attempting to balance returns to capital with returns to workers. Their opposition to projects with poor jobs never once prevailed on the board and our survey results attest to this.

## III. ADOPT ADMINISTRATIVE POLICIES INCREASING UNIONIZATION

The ability to join a union is one of the cornerstones of America's economic prosperity. The most effective way to create living wage jobs has historically been through collective bargaining. Furthermore, when workers join together with a collective voice through collective bargaining, they are able to achieve many other workplace objectives necessary for good jobs. Exercising this right helped workers win time off, decent pay, health care, retirement security, and protections against dangerous or discriminatory working conditions. In addition, unions have been leaders in promoting skill upgrading and encouraging job bidding and internal career ladder opportunities.

Living Wage legislation provided the first step in bringing about the quality job creation we need for our city. It establishes the principle that the purpose of economic development is to make sure public subsidies are used to create jobs that pay wages enabling families to support themselves. Taxpayer money should be used to create good jobs—not jobs that keep people in poverty.

Putting unionized businesses in developments to begin with is the best economic development policy for creating good permanent jobs. EDC staff and board members recognize this already. At public and board meetings, staff and board members always highlight that the jobs are union as a guarantee of good jobs. Short of union preferred businesses, the EDC should neutralize obstacles to unionization by keeping existing labor law inviolate, and adopt a labor neutrality policy also known as labor harmony. Part of the application process should include labor neutrality agreement requirements.

Labor harmony agreements are the logical and appropriate method for expanding economic development policy around creating good jobs.<sup>22</sup> These are agreements designed to create a harmonious work environment that is in the best interest of the city. Employers agree to adhere to labor and employment laws, card check, and to remain neutral if workers decide to unionize. Additionally, labor harmony agreements have proven an effective means of ensuring that the city's interest in successful project development is not undermined by labor strife. Labor harmony has been an important and successful policy in New York and elsewhere around casinos, hotels, and airports.

The key legal underpinning to all neutrality agreements is the fact that the public entity—in this case the EDC—is acting as a “market participant” rather than in a regulatory manner. A labor neutrality policy would require a cost/benefit analysis on all subsidized development projects. If in the analysis, a labor harmony agreement was found to be in the public entity's interest, then one would be required between the union and the developer, and each of its tenants. The union would agree not to strike, picket, or otherwise disrupt the employer's operations. In turn the employer would offer equal access to employees on and around the premises during non-working hours, take a neutral approach towards unionization of its employees, and will not coerce or threaten any employees.

#### IV. LIVING WAGE LEGISLATION SHOULD BE AMENDED TO REMOVE THE EXEMPTIONS FOR MANUFACTURING AND THE FRESH PROGRAM

The “living wage” ordinance has helped improve job quality for city funded projects and recent revisions will have a major positive impact, but the law still contains some major holes. In particular, our research shows how central the FRESH program is to the EDC IDA program. The grocery sector stands out as a low-wage employer in our study, despite the fact that this has historically been a sector that provides living wage, stable jobs.

#### V. LIVING WAGE LEGISLATION SHOULD BE AMENDED TO COVER NON-PROFITS

THOSE NON-PROFITS THAT ARE FINANCIALLY STRAPPED COULD APPLY FOR A WAIVER

A recent review of the New York living wage law conducted by a City & State reporter found that 76 percent of the EDC projects approved since de Blasio took office have been exempted from the living wage requirement due to their non-profit status. We did not include non-profits in our study, but we argue that the city should revise the law to cover non-profits in order to expand the efficacy of the ordinance. The EDC has expressed concern that some



non-profits are small and operate on a tight budget, and a living wage mandate could be beyond their means. However, a few other cities have ways to handle this in their living wage ordinances. For example, the Los Angeles living wage ordinance covers non-profits, but exempts those where the top paid executive earns less than 8 times the lowest wage employee. In Boston, all non-profits are covered but firms have the opportunity to apply for an exemption due to financial hardship. A living wage advisory board, comprised of city, community and business representatives, reviews the applications and is authorized to look at the budget and financial records of the non-profit.

## VI. EXPAND THE EDC MISSION TO INCLUDE OTHER METRICS SUPPORTING SUSTAINABLE ECONOMIC DEVELOPMENT

In addition to attaching stronger job standards, the EDC should include other metrics when making awards. For example, the city should prioritize supporting those firms that adhere to strong environmental regulations and expectations, so that city money is not used to subsidize polluters. This should be a requirement of any firm that EDC assists, whether or not an IDA subsidy is provided. The city could also prioritize firms that adhere to environmental as well as labor standards.

# CONCLUSION

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Our concern, which initiated the research, is that in EDC's near exclusive focus on spurring private investment not only does job creation become ancillary, but attention to the quality of those jobs becomes almost non-existent. Our research has found that this concern is justified. It appears that the EDC has made little effort to fulfill its Equity Statement to focus on quality of jobs subsidized. The large gap between self-reported company wages and wages reported in the survey points to both systemic problems in capturing economic performance and, more disconcerting, a blind spot to the types of jobs created.

We found that 68 percent of respondents do not receive the living wage set by city legislation, and only 14 percent receive at least \$15 per hour with health benefits—the minimum wage the mayor feels is necessary by the year 2020 to reduce the number of people living in poverty by 800,000. In light of these findings we recommend, first and foremost, raising standards of jobs at the lowest rung of economy with more vigorous performance metrics to measure a broader mission. Second, the Living Wage legislation (“New York City local law 37 of year 2012”) should be amended to add labor neutrality agreements and remove the exemptions for manufacturing and the FRESH program.

# ENDNOTES

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<sup>1</sup> It is important to note that while this report analyzes discretionary subsidies the city provides hundreds of millions of dollars annually in real property tax breaks through the ICIP?ICAP programs without any labor standards or job reporting.

<sup>2</sup> Most projects in our database will be completed by 2019, however, a few did not provide a completion date.

<sup>3</sup> Fiscal Policy Institute, 2015. “New York City Taxes—Trends, Impact and Priorities for Reform,” January 13. <http://fiscalspolicy.org/wp-content/uploads/2015/01/NYC-Tax-Report-Jan-13-2015.pdf>

<sup>4</sup> Fiscal Policy Institute, 2014. “Raising the Floor: How Wage Standards Protect Workers, Build Communities and Strengthen our City.” <http://fiscalspolicy.org/wp-content/uploads/2014/12/Raising-the-Floor-Wage-Standards-12-16-2014.pdf>

<sup>5</sup> Reuters, 2014. “Bill de Blasio Enlists Mayors to Fight Inequality.” June 22. [http://www.huffingtonpost.com/2014/06/23/de-blasio-inequality-mayor-sacramento\\_n\\_5520257.html](http://www.huffingtonpost.com/2014/06/23/de-blasio-inequality-mayor-sacramento_n_5520257.html)

<sup>6</sup> Ha-joon Chang. 2010. *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*. Bloomberg Publishing.

<sup>7</sup> See, for example, Greg LeRoy, 2005. *The Great American Jobs Scam: Corporate Tax Dodging and the Myth of Job Creation*. Berrett-Koehler.

<sup>8</sup> Florence Jaumotte and Carolina Osorio Buitron, 2015, “Power from the People.” *Finance and Development*. Vol 52(1).

<sup>9</sup> Bruce Western and Jake Rosenfeld, 2011. “Unions, Norms, and the Rise in American Wage Inequality.” *American Sociological Review*. Vol 76 (4): Page 2.

<sup>10</sup> A parallel study to the present report should be done around HPD job development.

<sup>11</sup> <http://www.nycedc.com/opportunities/real-estate-development-procurement/housing-new-york>

<sup>12</sup> Local Law 62 of 2010 requires the EDC to submit an annual report on specific subsidized projects.

<sup>13</sup> These 15 board members primarily represent business interests. There are a few members who represent community interests, but no members are explicitly representatives for worker organizations. The full list can be found here: <http://www.nycedc.com/about-nycedc/board-directors>

<sup>14</sup> We used the 2-digit level of the North American Industrial Classification System (NAICS).

<sup>15</sup> Source: <http://www.hudsonyardsnewyork.com/the-story>

<sup>16</sup> The project is being administered by the Hudson Yards Infrastructure Corporation, created in 2005. This means that this is larger than a regular IDA project. Source: <http://www.hudsonyardsnewyork.com/the-story>

<sup>17</sup> This is in addition to the public investment of the Number 7 subway extension line over to Hudson Yards. The subway extension is a public good that also accrues increased value to land developers.

<sup>18</sup> Fiscal Policy Institute, 2015. “New York City Taxes—Trends, Impact and Priorities for Reform,” January 13. <http://fiscalspolicy.org/wp-content/uploads/2015/01/NYC-Tax-Report-Jan-13-2015.pdf>



- <sup>19</sup> Respondents were asked about their gross pay but it is plausible that some, particularly those reporting a weekly pay, reported their net pay. One person reported \$5 per hour, and one person reported \$6.25 per hour
- <sup>20</sup> There are several methodologies for measuring a “real living wage.” One, the Self-Sufficiency Standard developed by Diana Pearce comes up with a wage for a full time worker of \$22.90 per hour for one adult with a child. See <http://www.selfsufficiencystandard.org/docs/NYCity2014.pdf>
- <sup>21</sup> A Local Law to amend the New York City charter, in relation to the annual report required by certain entities which enter into contracts with the department of small business services.
- <sup>22</sup> These are sometimes referred to as “labor peace” agreements.
- <sup>23</sup> Sarina Trangle, “Living Wage Exemptions Abound for Non-Profits.” City& State. June 23, 2015. <http://www.cityandstateny.com/2/politics/new-york-city/living-wage-exemptions-abound-for-nonprofits.html#.VZGXoBNVikp>