

1 MYTHS ABOUT WAGE STANDARDS

Wage standards will drive businesses out of New York State.

- ★ **TRUTH:** Attributing loss of businesses to the existence of wage standards oversimplifies the truth behind states' competitiveness. Making this argument essentially pits businesses against workers, and implies that in order for a state to be competitive and attract businesses, it must de-value its workforce and encourage a climate of low-skill, low-wage work.

There is a strong precedent in many other states for enacting wage standards on development subsidies, showing that standards actually do not drive businesses out of the state. In fact, all of the top ten pro-business states, as ranked by Forbes Magazine—including Virginia, Utah, Washington, North Carolina, and Georgia (the top five)—have wage standards tied to their economic development subsidy programs. Clearly, these states have not suffered because of wage standards. Wage standards actually make the state more competitive by increasing productivity and quality of work. It's about time that New York joins the ranks of these other states that are taking a cutting-edge, pro-active approach to creating quality, family-sustaining jobs through the use of state subsidies.

Prevailing wages are too high—up to \$70 per hour.

- ★ **TRUTH:** “Prevailing wage” is an abbreviated term for the prevailing rate of wages and supplements in a region determined by the Department of Labor. Wages are the hourly rate paid to workers and supplements refer to the cost of providing benefits like health insurance, retirement benefits and vacation and holiday pay. A closer look at prevailing wages and supplements across the state shows that the median wage paid to construction workers under the prevailing rate is actually \$30 and as low as \$20 per hour in some counties.

Because construction workers are not employed year-round—they typically work 1,500 hours per year as opposed to the standard 2,000 hours per year—their annual wage comes out to roughly \$45,000. This is far lower than the supposed \$140,000 annual salary that a full-time worker earning \$70 per hour would take home. Furthermore, the supplements that are attributed to the prevailing rate are vital in assuring that workers have benefits, particularly health insurance and do not need to rely on Medicaid and other public supports.

State tax dollars used on IDA projects should support policies that encourage family-sustaining wages and the provision of health care and other benefits. This is sound economic development policy. Without these standards in place, tax payers will be forced to pay twice for IDA projects: once with the loss of tax revenues due to IDA tax exemptions, and again when workers earning low wages turn to public assistance programs for support.

Living wages are just too expensive.

- ★ **TRUTH:** “Living wage” is defined in a variety ways, with municipalities across the country enacting living wage ordinances to assure that local workers are wages that enable them to meet their basic needs and to live healthy and comfortably. Currently, ten cities and counties across the state have enacted living wage policies, providing a strong precedent for living wages in New York. The wages defined by these ordinances range from \$9 and \$11 with health benefits and up to \$13 without.

In addition, States across the nation have enacted living wage standards on their economic development subsidy programs. In exchange for subsidies, businesses must meet a defined wage requirement for the permanent jobs that are created. The top pro-business states, as defined by Forbes Magazine, all have living wage standards attached to one or more of their subsidy programs. It is clear both from the precedent of local living wage ordinances in New York and the precedent provided by other states that living wages are not only affordable, but

smart economic development policy. It is essential that the permanent jobs created by IDA projects provide workers with a decent wage that can start to alleviate the cycle of poverty-wage jobs proliferating across the state.

All that is needed to reform the IDA program is greater transparency and accountability standards. Wage standards are a give-away to labor unions.

★ **TRUTH:** Accountability and transparency are simply not enough. In this economic moment, it is necessary for the state to establish a pro-active, coordinated, and long-term strategy for economic development—and IDAs can be a part of this solution. The availability and quality of jobs are fundamental to the economic recovery of the state. Especially now, as low-wage jobs proliferate and as unemployment and poverty rates continue to skyrocket, it is essential that any use of public funds is used to create the kinds of jobs that will afford our workers and families the economic mobility to rebuild our local, regional and statewide economies. New Yorkers need quality family-sustaining jobs, not just any job. Low-wage jobs without career-building opportunities do not provide workers with the economic mobility to invest in their communities, save for their futures, or sustain their families—all necessary for a real economic recovery. Without standards in place, businesses and IDAs will continue to perpetuate the cycle of poverty-wage work and growing financial insecurity that created this economic collapse in the first place.

Wage standards will hurt the development of affordable housing.

★ **TRUTH:** IDA bond financing is not typically used to finance affordable housing, so the amount of affordable housing financed through IDA bonds is extremely small. In fact, the purpose of the IDAs does not include residential development at all. Most affordable housing is financed through other subsidy programs, particularly the Low Income Housing Tax Credits and subsidies from the US Department of Housing and Urban Development (HUD). Of the small number of affordable housing developments that are subsidized by IDAs, many are “80/20” projects, meaning that 80% of the units constructed are market-rate units. The developers thus have flexibility in both the financing of the project overall and in setting the market-rate rents in order to recoup labor costs and still make a generous profit.

In addition to 80/20 projects, other IDA-subsidized affordable housing developments also receive HUD subsidies, which are already subject to prevailing wage standards. It is clear that, of the already small universe of affordable housing financed by IDA bonds, those that could be potentially affected by wage standards are miniscule. Other, more appropriate avenues for financing affordable housing exist that are widely used throughout the state. Furthermore, requiring wage standards at the state level on the development of affordable housing is consistent with the requirements set forth by our federal government. If the widely-used HUD subsidies already require prevailing wages, then IDAs can certainly apply the same standards to development in New York State.

2 MYTHS ABOUT JOB QUALITY

Any job is a good job – with the economy struggling, it doesn’t matter what the wages and benefits are, as long as people are working.

★ **TRUTH:** New Yorkers need good jobs, not just any jobs—and the economic recovery of New York State lies in the economic health of its workforce. Now, more than ever, we need long-term strategies that are rooted in the creation of high-quality, family-sustaining jobs. The current economic crisis has proven that simply increasing the number of jobs without accompanying wage growth is unsustainable and leads to an unstable economy. In upstate New York, while the number of jobs has grown since 2001, the quality of these jobs—wages, health coverage, and other benefits—has plummeted, leading to declining wages and growing insecurity. Today nearly a quarter of the workforce earns \$10 an hour. As job quality continues to erode, poverty is increasing at alarming rates, particularly in our state’s urban centers.

New York needs the kind of economic development that will allow workers to move up the career ladder and into the middle class, and guarantee healthcare and other benefits for low-wage workers and their families. As key engines of economic growth in New York, IDAs should be a part of our economic recovery by maintaining and

upholding a standard of quality jobs for all projects that they subsidize. By mandating living and prevailing wages, IDAs can play a vital role in reversing the proliferation of low-wage work and move us toward sustained economic health

Upstate workers need any job they can get – standards or not.

★ **TRUTH:** According to the Federal Reserve Bank of New York, population loss in upstate regions is not simply due to out-migration, as is commonly thought. It is actually due to insufficient migration into the state of new workers and residents, in part because of the lack of quality, family-sustaining jobs. Also, despite the high concentration of colleges and universities in New York, the state is unable to retain college graduates for the same reasons. In reality, low-wage jobs are proliferating throughout the state and poverty rates in upstate cities are among the highest in the nation. Those young people who are leaving New York are not leaving for the lack of low-quality, poverty-wage jobs—they're leaving because of the lack of well-paying, career-building opportunities.

IDAs should be working to create quality, family-sustaining jobs in all parts of the state—jobs that will attract and keep college-educated workers in upstate communities, create a diversified work force, and ensure that workers remain upstate for the long-term.

3 MYTHS ABOUT STATEWIDE REFORM

Businesses depend on economic development subsidies to survive and remain in NY.

★ **TRUTH:** Subsidies account for less than 1% of business location decisions, according research conducted by to Good Jobs First. Companies base their location decisions on a variety of considerations: proximity to suppliers and customers, infrastructure conditions, characteristics of the workforce, and access to affordable energy. These are the business basics that drive decisions—not the availability of subsidies. The percentage of times that a subsidies can actually make or break a deal—just 3% of the time—is so tiny that a vast majority of the subsidies granted by our IDAs are wasted on companies that actually don't need them, instead of using those funds on things that will create new quality jobs like infrastructure, workforce skills, and energy affordability. By investing in our workforce and our communities, the state can increase its competitiveness, place a higher value on the skills and quality of its workforce, and dramatically reduce the wasteful spending of tax dollars on failing companies and unfulfilled job creation promises.

Empire Zones are being addressed – fixing IDAs is a secondary priority in NY.

★ **TRUTH:** Real economic development reform in New York must start with IDA reform. The Empire Zone program is a failure—year after year, companies have taken advantage of loopholes in the program to gerrymander zones and secure millions of dollars of subsidies, without delivering jobs for local communities. The focus on providing aid to businesses in geographically distinct parts of the state was well-intentioned, but not enough in the current context. Despite problems with New York's 115 IDAs, they can fulfill their mission of advancing the economic welfare and prosperity of our counties, cities, towns, and villages if business standards, accountability measures, and transparency reforms are enacted. In regions throughout the state, IDAs serve as the hub of local economic development activity and can lead New York into a period of recovery. The time is now to use the state's existing network of IDAs in order to coordinate sustainable and long-term approach to economic development in New York.

IDA subsidies don't contribute to sprawl and regardless, there's no negative impact of sprawl on New York's economy.

- ★ **TRUTH:** The unhealthy competition between IDAs too often lures new projects away from central cities—areas that have more dense populations and access to mass transit—to newer, less developed areas. Regional coordination, which would encourage sustainable development, is particularly challenging in regions that have multiple, overlapping IDAs competing against each other. Rather than promoting investment in central cities, subsidizing projects in the suburbs and other surrounding areas imposes infrastructure burdens on local governments and steers jobs away from the areas most in need. A study of the nine IDAs in the Buffalo/Niagara metro area showed that despite the fact that Buffalo has the largest population of workers in the area, it only received 17% of IDA-subsidized projects. Not only does this kind of “poaching” increasingly infringe on open and natural spaces, it also increases commute times and air pollution, reduces the economic viability of central business areas, and increases fiscal stress on local governments—all significant impacts on New York's economy and quality of life.

New York State does not need a statewide policy on IDAs – reforms can be made at the local level.

- ★ **TRUTH:** Statewide reform is the only way to ensure a level playing field across the state and to ensure that we raise the standard for workers in all regions. Too often, companies pit region against region, IDA against IDA in an effort to extract the largest subsidy deal possible. This unhealthy and destructive competition leads to a downward spiral of increasingly lucrative incentive packages that neither community can afford, but continue to offer in a desperate effort to attract business to their region.

Nobody wins when jobs are shifted rather than new jobs being created: taxpayers and local workers lose jobs while local governments lose much-needed tax revenues. Without statewide IDA reform, New York will continue to subsidize narrowly-focused, project-by-project economic development—what we need now is a comprehensive statewide strategy for our economic recovery and the long-term health of our communities.