



NOT JUST ANY JOB: UPSTATE NEEDS GOOD JOBS

The Time for Industrial Development Agency Reform Is Now

Industrial Development Agencies (IDAs) are a significant source of economic development subsidies at the local and county level, providing tax breaks and tax-exempt bonds to companies in return for a commitment to create jobs. But the type of jobs created by IDAs—many of them low-wage jobs— will not generate economic revitalization in our Upstate communities.

New York needs the kind of economic development that will allow workers to move up the career ladder and into the middle class, guarantee healthcare and other benefits for low-wage workers and their families, attract and keep college-educated workers in Upstate communities to create a diversified workforce, and to ensure that workers remain Upstate in the long-term.

It is clear that New Yorkers need good jobs, not just any jobs— and comprehensive IDA reform will deliver them.

Demographic and economic data show that New York needs quality jobs now, more than ever. As illustrated below, with low-wage jobs on the rise and declining incomes, we need better solutions to keep New Yorkers out of poverty and to attract—and keep—workers in our state.



1 JOB QUANTITY HAS GROWN, QUALITY HAS PLUMMETED

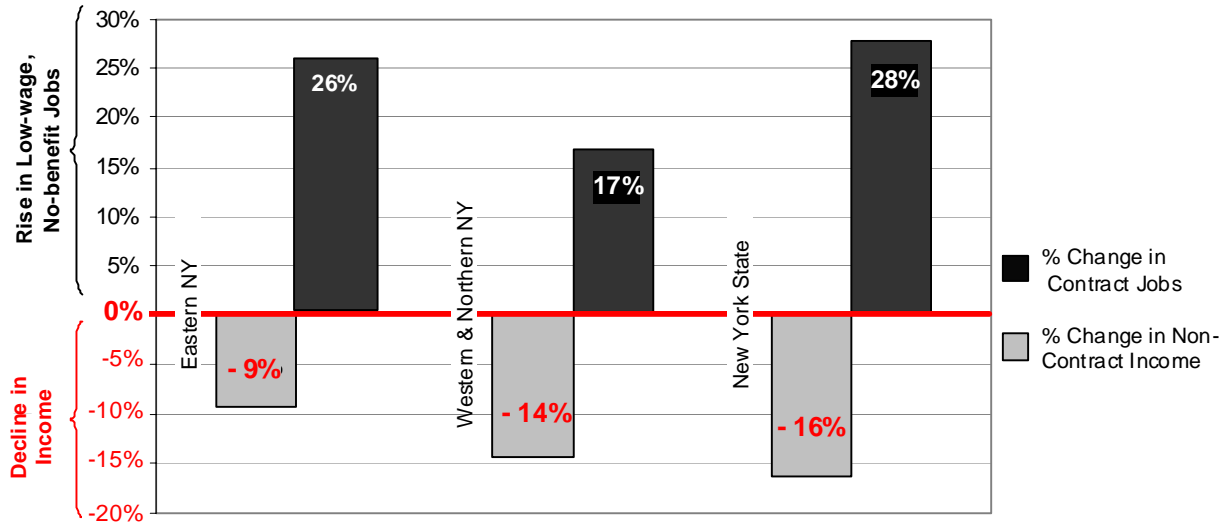
Data released by the New York State Department of Labor show that while the number of jobs in Upstate New York may have improved since the 2001 recession there has been an increasing proliferation of low-wage jobs that do not provide healthcare or other benefits to workers. In fact, the availability of *good* jobs—measured by wages, benefits, and job protections—has seen a precipitous decline since 2000.

Statewide, over 100,000 ‘payroll’ jobs—jobs with healthcare and benefits— have disappeared since 2000; Western and Northern New York accounts for almost half of these jobs.

The chart below¹ shows that between 2000 and 2005, the number of contract, or ‘non-payroll’ jobs— jobs in which employees do not have access to healthcare and other benefits—increased, due in large part to the misclassification of employees as ‘independent contractors.’ Employers deliberately misclassify workers in order to save on Social Security premiums and payroll taxes. At the same time, while these contract jobs have been on the rise, wages for these jobs have been consistently decreasing. The grey bars in the chart show that the income for contract jobs has decreased 16% statewide, while the number of these jobs has gone up 28%.

New Yorkers are left with a double-negative—as low-quality jobs proliferate across the state, incomes continue to decline. These jobs, often without healthcare and other benefits, are not providing the family-sustaining wages that workers need.

Double Negative: Low-wage, No-benefit Jobs Proliferate While Wages Decrease Between 2000 & 2005

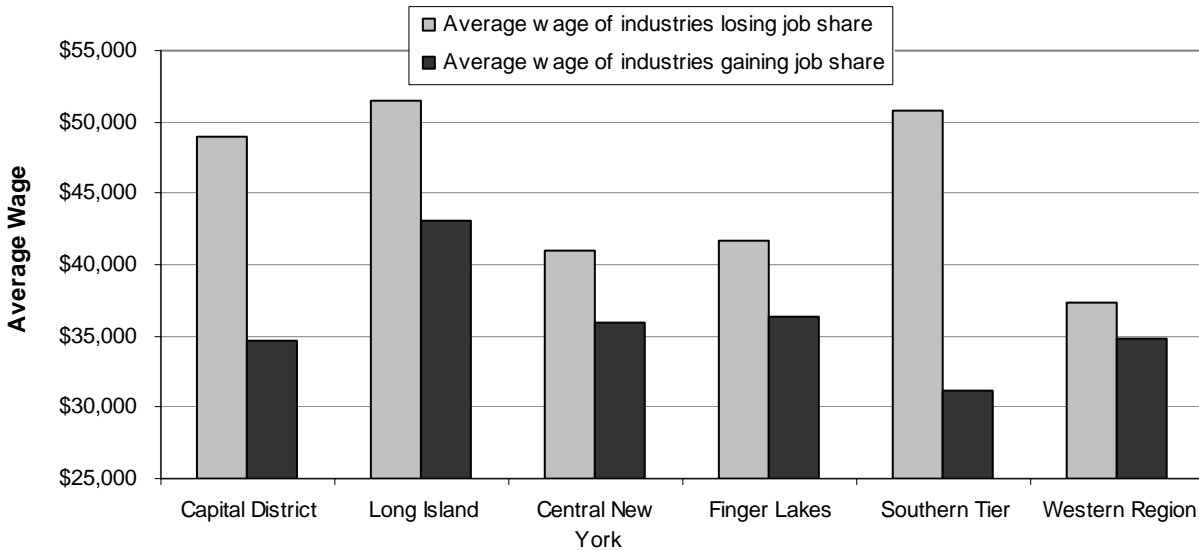


In addition to the decline in job quality of contract jobs, the jobs in industries that are increasing job share are paying wages that are less than jobs in industries that are decreasing in job share.

On average, wages in growing industries are less than in those industries that are declining—in some regions up to \$20,000 less.

The regional impact, illustrated in the chart below, has been significant. In the Southern Tier, for example, the wages in growing industries are almost 40% less than the wages in declining industries.

Lower Wages in Industries Gaining Job Share Since 2000



As key engines of economic growth in New York, IDAs should maintain and uphold 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 this proliferation of low-wage work.



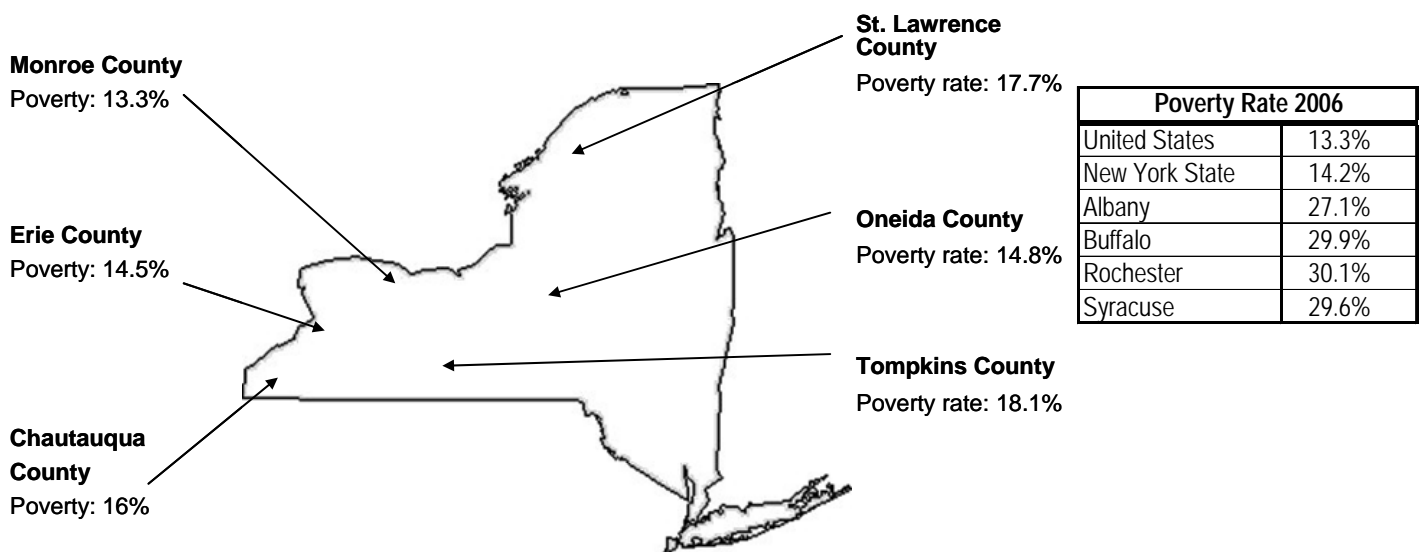
2 POVERTY RATES TRUMP UNEMPLOYMENT RATES

As job quality continues to erode in New York, poverty is increasing at alarming rates. While unemployment rates are between 5%-7%, poverty rates are two to three times as high, reaching almost 20% in some areas. In counties across the state, high poverty rates indicate that a vast majority of the state's workers earning wages too low to sustain a decent quality of life. The out-migration of jobs and population to the suburbs and outlying areas has created particularly high and growing concentrations of poverty in urban areas Upstate.

Poverty rates in Upstate cities are *twice* as high as the national average. Data also points to a large number of families who would qualify as *working poor*—those who have been employed, but earn low wages that are unable to lift these families out of poverty.

According to the 2006 American Community Survey, over half of poor families— 55%— included a head of household who was employed in the previous year. And 15% of poor families included a head of household who was employed full-time for the entire previous year, providing evidence that jobs are not paying enough to sustain New York's working families.

Poverty Rates in Upstate Counties, 2006



Again, it is clear that job quality is key in maintaining the economic viability of New York's working families, and thus, New York's regional economies. As poverty rates continue to surge beyond unemployment rates in many areas of the state, it will take a commitment to creating and maintaining quality jobs to alleviate this trend. IDA reform is critical in combating the cycle of poverty perpetuated by these low-wage jobs. Workers need adequate wages to sustain themselves, their families, and ultimately their communities and the revitalization of our urban areas. Wage and environmental standards, as proposed by our 9-point plan for IDA reform, are a step in the right direction.



3 UPSTATE IS UNABLE TO DRAW NEW WORKERS

In this context, it is no surprise that Upstate communities struggle to attract and maintain a diversified workforce. Data from the Federal Reserve Bank of New York show that there are not sufficient incentives for workers to move to Upstate New York.

Upstate experienced a net outflow of college educated workers between 1995 and 2000—a net loss of 4.1%, the second worst in the nation if the region were a state.

The net population decline of many Upstate regions is due not as much to disproportionate out-migration as it is to insufficient in-migration. The proliferation of low-wage jobs, as discussed above, does not create an economic context that includes career opportunities a college graduate would be seeking.

Countless stories from regions around the state tell of young graduates following job opportunities outside of the state.

In other words, with the lack of jobs in higher-paying industries, few, if any, college educated individuals are moving into the area. Without a sufficient influx of workers to balance the outflow, New York's workforce will continue to become less diverse and less vital. Comprehensive reform would require IDAs to use our tax dollars for economic development that diversifies our workforce and creates real economic opportunities for all workers.



IDA REFORM IS NEEDED NOW

Across New York State local IDAs hand out more than \$400 million per year in tax breaks to create only a handful of low-paying jobs. And too often, IDAs provide subsidies to companies that fail to deliver the jobs they promised. In 2006, one in every five dollars spent by IDAs—amounting to \$93 million—went to *failing* projects that either cut jobs or did not meet their job creation goals. Subsidized companies actually fell short 46,000 jobs. In this context of increasing poverty—in particular, an increase in the state's working poor—and declining job quality, we can not afford to subsidize failure.

It is imperative that IDA subsidies are used to create quality jobs that will help to reverse these trends and revitalize our regional economies.

To ensure that our IDAs are supporting responsible businesses that will deliver on their promises to provide good jobs to New Yorkers, the New York Initiative for Development Accountability supports a 9-point platform for comprehensive IDA reform. Our recommendations include raising standards for businesses that receive aid from IDAs, including critical prevailing and living wage standards to ensure we are creating quality jobs; instituting accountability requirements for subsidy recipients to ensure that subsidized projects live up to their end of the agreement; and requiring greater transparency from local IDAs to ensure they are fulfilling their responsibility to create real economic development opportunities for members of our communities.



SUMMARY OF THE NY IDA COALITION'S 9-POINT PLAN FOR REFORM

1. Business Standards

- ◆ Wage Standards for construction & permanent jobs created by subsidized projects.
- ◆ Regional Hiring & Apprenticeship Requirements to ensure that development creates jobs and training opportunities for local workers.
- ◆ High Performance Building & Environmental Standards to prevent sprawl & encourage smart growth.

2. Accountability Measures

- ◆ Local Government Oversight of IDA project approvals.
- ◆ Subsidy Recapture Mechanisms, or “Clawbacks,” to provide a money-back guarantee against companies that default on their contract commitments.
- ◆ Designated IDA Board Representation to ensure a broad range of stakeholder interests are included in decision-making.
- ◆ Anti-Raiding Measures to prevent IDAs from engaging in unhealthy competition that results in job-shifting from region to region rather than real job creation.

3. Transparency Reforms

- ◆ Community Impact Reports & Accessible Public Hearings that disclose the potential impacts of IDA developments and allow for meaningful dialogue on the impacts, costs and benefits by local stakeholders.
- ◆ Increased Monitoring through Improved Reporting by IDAs and their projects on activities, performance, and commitments.



Analysis and data was provided by the Fiscal Policy Institute, www.fiscalspolicy.org.

ⁱ These regions are derived from the Fiscal Policy Institute's analysis in *The State of Working New York*, and are defined as follows: (1) Eastern New York: Capital District through Hudson Valley and Long Island; (2) Western & Northern New York: Western region, Southern Tier, Central New York, Mohawk Valley, and North Country.