



BRIGHT LIGHTS BIG SUBSIDIES

NEW YORK CITY ECONOMIC DEVELOPMENT
AND JOB QUALITY

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EXECUTIVE SUMMARY

This report uncovers the world of job creation at the New York City Economic Development Corporation (EDC) through discretionary¹ 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 years². We then provide results of a survey administered to 299 workers on 50 subsidized sites.

INTRODUCTION

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.⁴ 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."⁵ 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.

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%
Total		299	100%

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%
Total	236	100%

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	
Male	74%
Female	26%

Place of Birth	
U.S. born	50%
Foreign born	50%

Race/Ethnicity	
White	17%
African-American/Black	19%
Hispanic/Latino, non-white	47%
Asian American/Pacific Islander	11%
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 \$11.00.¹⁹ 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
All Respondents	45	70
Gender		
Male	50	74
Female	30	60
Race/Ethnicity		
African-American/Black	45	80
Asian or Pacific Islander	53	72
Caucasian	57	79
Hispanic or Latino, non-white	41	64
Place of birth		
U.S. born	51	70
Foreign born	40	70

Source: Authors' survey of subsidized projects.

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
I have the opportunity to receive job training in this company	62	59	70	51	63	69	63	60
The company offers significant opportunities for promotion	41	48	29	36	38	57	42	44
I am likely to stay in this job at least for the next 5 years	43	48	29	36	38	57	42	44
I see this as a permanent job and I hope to make a career here	39	44	26	32	32	42	33	46
I have the opportunity to work overtime	71	73	66	83	79	50	66	75
When I work overtime I am paid time and a half	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
All Respondents	33	Gender	
Industry		Male	30
Manufacturing	29	Female	41
Wholesale Trade	40	Place of birth	
Retail Trade	33	U.S. born	37
Services	45	Foreign born	30
Others	20		

Source: Authors' survey of subsidized projects.