



Low-Wage Workers and the High Cost of Living in New York City

Testimony Presented to the New York City Council
Committee on Civil Service and Labor

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Good afternoon Chairperson Miller and members of the Civil Service and Labor Committee. Thank you for the opportunity to testify today on this critical New York City challenge.

For far too long, policy-makers have stood by while job quality deteriorated in New York City. Hopefully, this year will be different. Far too many New York City workers are paid so little that their wages cannot come close to supporting a family, particularly given the high cost of living. High and rising rents are a major factor in this squeeze: from 2002 to 2011, median monthly rents rose 53 percent, more than twice as fast as median annual income for renters.¹

1. Wages are too low for hundreds of thousands of New York City workers.

One in every 10 workers living here—400,000 altogether—receive sub-poverty wages. One-and-a-quarter million workers, or 37 percent of all wage-earners in New York City, are paid less than \$15 an hour, an amount that is considered “low-wage”. Half of all black and Latino workers are low-wage by this standard, while 23 percent of non-Hispanic whites and 34 percent of Asian wage-earners are low-wage.² In the Bronx, over half (52 percent) of all wage-earners are low-wage; in Brooklyn, 41 percent; in Queens, 37 percent; in Staten Island, 29 percent; and in Manhattan overall, 28 percent of workers are low-wage although that percentage would be much higher in lower-income neighborhoods.³

2. \$15 an hour is the amount two full-time workers need to come close to affording a bare-bones family budget in New York City.

According to the Self-Sufficiency Standard 4-person budget for a family of two adults, a pre-school age child and a school-age child, it takes \$66,268 to live in the Bronx, \$68,288 to live in Brooklyn, and \$70,198 to live in Queens.⁴ I say “comes close” because two full-time, year-round workers making \$15 an hour would have total annual wages of only \$62,400. But if they are lucky enough to have decent employer-paid health insurance, that could help them meet their annual health care costs that are budgeted at an average of \$6,200 in the self-sufficiency budget.

3. Low wages affect an increasing number of children growing up in New York City.

In 1990, 36 percent of children in working families lived in families with incomes at or below 200 percent of the federal poverty level. By 2010, that share had risen to 46 percent. The total number of New York City children being raised in low-income working families grew by 50 percent over those two decades.⁵

4. Past and projected net job growth is heavily concentrated in low-wage jobs.

Since 2000, New York City has lost, on net, 66,000 middle-wage and high-wage jobs, but gained a net of 323,000 low-wage jobs.⁶ Eight of the ten occupations expected to add the most net jobs in New York City over the next decade have median annual wages of less than \$30,000.⁷

5. Inflation-adjusted median hourly wages declined by 7 percent from 1990 to 2010, despite the fact that NYC's real GDP per capita rose by nearly 40 percent⁸

This disparity shows that the average worker is not sharing in the significant productivity growth of the broader New York City economy over the past two decades. Instead, business profits have disproportionately increased and most of the income growth has accrued to the benefit of those at the very top of the income distribution. The share of total New York City income received by the richest 1 percent rose from 21 percent in 1990 to 36 percent in 2010, (and an estimated 39 percent in 2012.)⁹

6. Low and stagnant wages exacerbate wide disparities in neighborhood incomes.

Over the past decade, while overall median family income in the city adjusted for inflation was flat, family incomes rose 55 percent in high-income neighborhoods, family incomes declined by 3 percent in middle-income neighborhoods, and median family incomes were flat in low-income neighborhoods although there was an increase in the percent of families who were poor or near-poor.¹⁰

7. The increased incidence of low-wage work is the major factor behind the persistence of high poverty in New York City

Measured against the federal poverty threshold, the overall poverty rate in 2012 in New York City was 21 percent, and child poverty was 31 percent.¹¹ Last year marked the 50th anniversary of the War on Poverty, and it was the occasion for considerable reflection on the importance of policies like Social Security, food stamps, the Earned Income Tax Credit, Medicare and Medicaid in reducing poverty among major segments of the population and in keeping poverty from rising more. What emerged from many of those retrospective assessments, however, was a clear sense that deterioration in the job market, particularly the increased incidence of low-wage work, has been the foremost culprit in the persistence of high poverty rates.

8. More education alone is not sufficient to lift the wages of low-wage workers

Low-wage workers are better-educated than two decades ago but their real wages have still fallen. In 1990, 23 percent of workers paid less than \$10 an hour had at least some college; by 2010, 39 percent of very low-wage workers making less than \$10 an hour had at least some college.¹² Moreover, inflation-adjusted median hourly wages for New York City young workers with a four-year college degree have fallen by 16 percent over the past decade.¹³

What should be done?

The 30-year period following the end of World War II was the golden age of the middle class in the United States and here in New York City. The economy grew more or less steadily and wages and incomes rose across the board. Millions of American families entered the middle class

and living standards rose. Parents could expect their children to be better off than they were. The wealthy benefited along with everyone else. The share of income going to the richest 1% of the population was remarkably stable at around 10 percent. Strong labor unions largely accounted for this era of broadly shared prosperity. The declining numerical and political influence of labor unions in the 40 years since the mid-1970s coincides with the increased polarization of income and the stagnation of wages and family incomes for most Americans and for most New Yorkers.

It is up to government to re-work the social contract to move us back toward a semblance of shared prosperity. Supporting the right of workers to organize unions is critical, as is lifting labor standards so that those who work hard and play by the rules can expect to earn a decent living.

There are many things that can be done at the state and local government level to lift up low wages. Here are a few examples.

Airport workers: There are roughly 15,000 airport service workers employed at the three major area airports who are employed by companies hired by the airlines to provide passenger services. Recently, the Port Authority Executive Director Pat Foye and Governor Andrew Cuomo have been urging the airlines to re-write those contracts to increase compensation for these 15,000 predominantly low-wage workers.¹⁴ While the initial goal of \$10.10 an hour is a positive step, we know that even that level will leave a worker far short of being able to afford a self-sufficiency family budget.

Fast food workers: There are about 60,000 fast food workers in NYC, a number that has increased by almost one-third since 2008. Median wages were only \$8.90 an hour in 2013, and a recent study estimated that 60 percent of fast food workers in New York State earned so little that they qualified for some form of public assistance. Statewide estimates are that taxpayers subsidized the low-wage business model in the fast food industry to the tune of over \$700 million to foot the bill for the public assistance needed by the sector's low-wage workforce.¹⁵

Legislation introduced in Albany would allow cities and counties in New York State to enact higher local minimum wages. A growing number of localities around the country are acting to adjust minimum wage levels to reflect higher local living costs. For example, in San Francisco, where the minimum wage rose to \$10.74 an hour on January 1, 2014, Mayor Ed Lee recently stated, "San Francisco is an expensive place for working families. I believe the time has come to bring an increase in the minimum wage to the voters, and I will support a ballot initiative in 2014 that significantly raises the minimum wage to help San Francisco's lowest -paid workers keep pace with rising consumer costs."¹⁶

In New York City, in the absence of a concerted policy to use government's contracting authority to better the wages and working conditions for low-wage contract employees, contractors operating in a low-bid competitive environment have engaged in a race to the bottom.

School cleaners: For example, in recent years, New York City has cut spending for school custodial budgets and now spends far less of its education budget on school maintenance than other large school districts around the country. This school maintenance budget reduction has not

only undercut efforts to provide a suitable physical environment for education, but it also has meant declining real wages for the 5,000 workers responsible for operating and cleaning New York City's school buildings under contract to building custodians. 32BJ SEIU, which represents the school cleaners, has been pressing to have the City acknowledge that these workers school be covered under the City's living wage ordinance and thereby should receive the prevailing wage for building service work.

School bus drivers and matrons: Under the previous City administration, the moderate wages and benefits of 9,000 unionized school bus drivers and matrons came under serious attack as a result of new RFPs for school bus services that scrapped a long-standing job security provision. Unless this misguided policy is reversed, eliminating the job security provision will push down wages for school bus workers from an annual average of \$35,000 to \$22,000, imposing significant hardships on the workers, their families, and their communities. Such a move likely would effectively downgrade moderate-paying jobs with benefits to poverty-wage jobs with few benefits. Eighty percent of affected school bus workers are persons of color and 60 percent are women.¹⁷

Social service providers working under NYC contracts: New York City's budget has a sizable impact on the low-wage labor market through the \$5 billion the City spends annually on contracts with non-profit social service providers. These organizations provide child care, foster care, mental hygiene, homeless, youth, senior and home care services. They employ over 200,000 people, with more than one-third (37 percent) being low-wage workers whose family incomes put them in the "near-poor" category. Eighty percent of this workforce is female and more than 80 percent are people of color.¹⁸ In many cases, perpetual city and state budget pressures have made it difficult for nonprofit employers to adequately compensate their workers, or to invest in providing career ladder and skill-building opportunities so that less-advantaged workers can work their way into the middle class.

The City should set an example for the private sector in using its extensive contracting power to lift wages for tens of thousands of low-wage workers providing services under City contract. These workers overwhelmingly are persons of color living in the lowest-income neighborhoods across the city. Raising their wages and improving their opportunities for advancement will have a significant impact in boosting the economic vitality of poor neighborhoods, and in making a significant dent in the poverty and near-poverty conditions prevailing in many of those communities.

And as the Mayor announced in his State of the City address earlier this month, the City should expand its living wage law to cover more of the workers whose employers benefit directly or indirectly from City subsidies.

The payoff for business and communities of higher wages

Management experts who study wages and productivity in low-wage sectors like retail find that higher pay is directly associated with higher productivity, and that businesses that pay higher wages than their competitors often pursue other practices that result in better performance by workers and better bottom-line results for businesses.

M.I.T. management professor Zeynep Ton analyzed employment practices at several retail chains and found that the stores that perform the best, pay higher wages, provide better benefits, invest more in training their workers, have more advancement opportunities, and allow their employees more convenient schedules. Writing in the Harvard Business Review, Ton concluded that the most successful retailers tend to “view labor not as a cost to be minimized but as a driver of sales and profits.”¹⁹

Several economic studies support the conclusion of elected officials in Santa Fe, San Francisco and San Jose, that higher local minimum wages have provided substantial benefits for local communities and have been manageable for local businesses. A study by the Center for Economic Policy Research that analyzed the effects of the city minimum wage laws in San Francisco, Santa Fe and Washington, D.C. found that such laws raised the earnings of low-wage workers and did not have a discernible adverse impact on affected low-wage businesses.²⁰

In an analysis of the economic impact of several local living wage ordinances, economists at the Economic Policy Institute concluded that living wage laws had small to moderate effects on municipal budgets, they benefitted working families with few or no negative effects, and such laws often raised productivity and decreased turnover among affected firms.²¹

Conclusion

Hopefully, this year will mark the beginning of a concerted effort by the City to systematically use the range of tools at its disposal to establish a meaningful wage floor under the job market and to enhance opportunities for tens of thousands of New York families to move into the middle class. Businesses across the city will do better in an environment where the middle class thrives and poverty is in retreat. New York City’s economy has enormous potential to flourish in the years ahead, particularly if the fruits of our collectively generated prosperity are more broadly shared.

Thank you for the opportunity to testify today.

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The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers.

Endnotes

- ¹ U.S. Census Bureau, New York City Housing and Vacancy Surveys, 2002 and 2011. Note: data not adjusted for inflation. More than two-thirds of New York City's 3.1 million households rent.
- ² Economic Policy Institute analysis of Current Population Survey data for employed wage-earners, 2013.
- ³ Fiscal Policy Institute analysis. See Table 5 in *Why New York State Should Let Cities and Counties Enact Higher Local Minimum Wages*, National Employment Law Project and Fiscal Policy Institute, February 2014, <http://fiscalpolicy.org/wp-content/uploads/2014/02/Why-New-York-State-Should-Let-Cities-and-Counties-Enact-Higher-Local-Minimum-Wages.pdf>.
- ⁴ Diana M. Pearce, *The Self-Sufficiency Standard for New York City 2010*, Prepared for the Women's Center for Education and Career Advancement, June 2010. http://www.wceca.org/publications/NYC_SSS_2010_WEB_062310_v2.pdf
- ⁵ Fiscal Policy Institute (FPI) analysis of Current Population Survey data, March supplements.
- ⁶ FPI analysis of NYS Department of Labor payroll employment data.
- ⁷ FPI analysis of NYS Department of Labor Occupational Employment Statistics, 2010-2010 net changes.
- ⁸ FPI analysis.
- ⁹ James Parrott, *Beyond Balance: Forward-Looking Budget Priorities for New York City*, in *Toward a 21st Century City for All, Progressive Policies for New York City for 2013 and Beyond*, edited by John H. Mollenkopf, New York: the Center for Urban Research, CUNY Graduate Center, 2013, 78.
- ¹⁰ James Parrott, *Beyond Balance: Forward-Looking Budget Priorities for New York City*, p. 79.
- ¹¹ Fiscal Policy Institute, *While Some Improvement Crept in during 2012, NYC's Family Incomes and Poverty Status are Still Much Worse than before the Recession*, September 20, 2013, <http://fiscalpolicy.org/nyc-family-incomes-and-poverty-status-are-still-much-worse-than-before-the-recession>.
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- ¹⁵ Fiscal Policy Institute, *The Taxpayer Cost of Low-Wage Fast Food Jobs in New York State*, October 16, 2013, <http://fiscalpolicy.org/taxpayer-costs-of-low-wage-fast-food-jobs-in-nys>.
- ¹⁶ John Cote, "Ed Lee backs significant increase in minimum wage," *SF Gate*, December 20, 2013.
- ¹⁷ James Parrott, Fiscal Policy Institute, Testimony before the New York City Council Education and Finance Committees, *The New York City School Bus Workers' Strike*, February 8, 2013.
- ¹⁸ FPI analysis of 245,000 city residents working in social services or home care organizations, 2009-2011 American Community Survey.
- ¹⁹ Zeynep Ton, "Why 'Good Jobs' Are Good for Retailers," *Harvard Business Review*, January-February, 2012, pp. 6-7.
- ²⁰ John Schmitt, *Why Does the Minimum Wage Have No Discernible Impact on Employment?* (February 2013), Center for Economic and Policy Research, available at <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>.
- ²¹ Jeff Thompson and Jeff Chapman, *The Economic Impact of Local Living Wages*, Economic Policy Institute Briefing Paper, February 2006. <http://www.epi.org/publication/bp170/>.