News from the Fiscal Policy Institute

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New FPI Report: Wage Standards are Key to Reversing the Erosion of Wages and Living Standards in New York City

Despite considerable growth in the New York City economy over the past two decades, very little of that growth has trickled down to the average worker and his or her family, according to a new report from the Fiscal Policy Institute (FPI). Wage standards like the minimum wage and the living wage are critical in ensuring that there is a floor under the job market and that workers are adequately paid. Prevailing wage standards, however, are a key means to ensure that skilled labor provides a path into the middle class.

Prevailing wage standards apply to occupation-specific subgroups within the skilled blue collar workforce. The prevailing wage level is established in the marketplace and reflects the pay and benefit standards that private employers have determined is appropriate to ensure a sufficient supply of trained workers.

This report focuses on the importance of establishing and maintaining prevailing wage standards for building service workers—janitors, security guards and building porters—as a practical way in which New York City government can promote greater economic opportunities and influence outcomes in the job market. The New York City building service workforce is made up largely of persons of color and recent immigrants. Local 32BJ of the Service Employees International Union (SEIU), which helped fund the FPI report, represents roughly 70,000 building service and security workers in the city, about half of all building service and security workers in the city.

Among the report's key findings:

- New York City's real per capita GDP (that is, economic output per resident) grew nearly 60 percent from 1990 to 2012, yet inflation-adjusted median family income declined 15 percent, and median hourly wages dropped 10 percent;
- Fully 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 poor (i.e., living in poverty) or near-poor;

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- An increasing share of jobs leave a family in or near poverty. Among city residents in working families with children, 42 percent were at or below 200 percent of the federal poverty line in 2011, up considerably from 33 percent in 1990.

In addition to overall economic inequalities, disturbing economic disparities exist along racial and ethnic lines. The poverty rate is high at 14 percent for non-Hispanic whites, but it is starkly higher for blacks (23 percent), Latinos of any race (26 percent), and Asians (29 percent). Of all working poor families in the city, 87 percent are headed by a person of color, and working families headed by a person of color are more than twice as likely to be low-income as a working family headed by a white, non-Hispanic person.

The demographic profile of unionized building service workers is representative of the broader set of service contract and low-wage workers in New York City. The overwhelming majority (84 percent) are persons of color and 56 percent are immigrants. Nearly two-thirds live in low- and moderate-income neighborhoods, and another 30 percent reside in middle-income neighborhoods. However, the typical 32BJ member who is a trained security guard or building cleaner earns more than their neighbors, and their earnings contribute to family incomes that put these workers in the moderate- or middle-income range. With annual wage earnings of about $48,000, the typical 32BJ member's earnings were above the average for most workers in lower-income neighborhoods, making them a stabilizing force in many of the neighborhoods in which they live.

James Parrott, FPI's Deputy Director and Chief Economist and the report's principal author, said: "By flexing its service contract buying power and leveraging city actions and subsidies to aid real estate developments, the City of New York is in a strategic position to set standards for the wages of tens of thousands of low-wage workers and, in turn, to help shape compensation and employment practices in the broader low-wage labor market in New York City."

"This report shows that prevailing wage standards are good for workers and good for New York City," said 32BJ President Hector Figueroa. "Building service workers are overwhelmingly people of color and residents of lower-income communities. If we want to fight inequality, these standards are an important tool to end the "tale of two cities" and provide a path to the middle class for tens of thousands of working people."

"Raising wage standards will ensure that more New Yorkers will be able to share in the prosperity that our robust and diverse economy generates," said Ron Deutsch, FPI's Interim Executive Director. "Further," Deutsch noted, "it is an important concrete step toward addressing the deep economic and racial divides across New York City's neighborhoods."

Minimum wages, living wages and prevailing wages are complementary policies that are central to New York City's economic well-being and growth and essential for its role as a city of opportunity. Elevating wage standards is key to raising living standards, reducing poverty, and improving opportunities for upward mobility.

Higher wages improve the city's tax base, and, as more families are lifted out of poverty, will reduce government expenditures needed to care for the poor. There will also be important

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benefits for parenting and child development, as well as community involvement and civic engagement as families are more financially secure. No single policy will fix the city's polarized economy, but establishing wage standards should be one of the most obvious first steps for an administration that takes the city's history of economic polarization seriously.

Link to report: http://bit.ly/1wb0XXu

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