

National Employment Law Project, Fiscal Policy Institute, Good Jobs New York

For Immediate Release: May 12, 2011

Contact:

Paul Sonn, National Employment Law Project, 212-285-3025 x350 (w); 917-445-0410 (c)

James Parrott, Fiscal Policy Institute, 212-721-5624 (w); 917-880-9931 (c)

Bettina Damiani, Good Jobs New York, 212-721-7996 (w); 347-432-0315 (c)

ANALYSIS: EDC LIVING WAGE STUDY IRREVOCABLY FLAWED

Economists and Other Experts Conclude Study is “Inaccurate and Unreliable Guide for Policymakers” while Substantial Research Shows Living Wage Policies Create Good Jobs without Hurting the Economy

NEW YORK – A national team of economists and development experts [finds](#) that the New York City Economic Development Corporation’s study of the living wage bill currently before the City Council is fraught with errors that render its findings fundamentally flawed.

“Our current assessment, based on the executive summary, is that the study is an inaccurate and unreliable guide for policymakers. It contains a series of fundamental errors in methodology and analysis that simply render the study invalid,” said co-author Paul Sonn of the National Employment Law Project.

“The assessment of real estate market impacts is based on a mischaracterization of the proposed law and focuses on a subsidy program that it does not even cover,” said co-author James Parrott of the Fiscal Policy Institute. “Furthermore, the assessment of labor market impacts is based on a methodology that has been demonstrated to be unreliable for evaluating the impact of living wage laws.”

The 13 economists and experts contributing to the study are: **Sylvia Allegretto, University of California; T. William Lester, University of North Carolina; David Howell, New School University; Jeannette Wicks-Lim, University of Massachusetts; Stephanie Luce, City University of New York; Robert Pollin, University of Massachusetts; Michael Reich, University of California; Paul Sonn, National Employment Law Project; Annette Bernhardt, National Employment Law Project; James Parrott, Fiscal Policy Institute; Michele Mattingly, Fiscal Policy Institute; Bettina Damiani, Good Jobs New York; Brad Lander, New York City Council.** The team includes researchers who have contributed to a substantial body of evidence that shows that living wage policies create good jobs without hurting local economies.

The [assessment](#) refutes and debunks the methodology and analysis apparent in the EDC study, with the following highlights:

- **Erroneous characterization of NYC living wage bill.** The analysis erroneously focuses on estimating the impact of the proposed policy on New York’s ICAP as-of-right tax abatement program; however, this subsidy program would *not* be covered by the law and operates very differently from those subsidy programs that would be covered. This critical misconception renders the study’s job loss simulations inaccurate.

- **Failure to analyze actual business assistance living wage policies in New York and other cities.** The study failed to examine the most important evidence of how wage standards affect development projects: the actual experiences of cities like Los Angeles, San Francisco and New York in extending wage standards to major projects. (New York has already, on a project-by-project basis, extended wages standards to various categories of workers on a range of development projects since 2005.) These case studies were repeatedly recommended to EDC’s researchers as especially appropriate for close examination.
- **Discredited economic modeling:** For its labor market impact assessment, the study relies on a methodology drawn from Dr. Neumark’s past research that has been shown to be unreliable. Because of erroneous assumptions about the coverage of living wage policies, his model detects unrelated trends that are occurring in municipal and regional labor markets and wrongly attributes them to living wage policies. In reality, when an accurate definition of living wage policy coverage is used and applied across all cities with living wage laws, researchers find that there is *no* statistically meaningful effect on overall employment in these cities.

“The EDC study should have focused on the large mixed-use development projects like Yankee Stadium, the Bronx Gateway Mall, Willets Point, Hudson Yards and Coney Island that receive the lion’s share of the City’s discretionary subsidies and that make up the core coverage of the proposed living wage policy,” said co-author Bettina Damiani of Good Jobs New York.

Additionally, noting that the study failed to examine the actual experiences of cities like Los Angeles, San Francisco and New York in extending wage standards to major projects, the analysis states that “EDC and its researchers should have conducted an in-depth series of interviews with the developers, employers and city agencies affected by those cities’ policies, as they were urged to do at the start of the study. These case studies were repeatedly recommended to EDC’s researchers as especially appropriate for close examination. The EDC study team’s failure to examine these and other projects that have actually been the subject of wage standards is a glaring omission.”

The assessment emphasizes that the executive summary provided by EDC omits many details about the methodology and data used and the basis for its conclusions, but that even the limited explanation presented in the executive summary reveals a series of fundamental errors in methodology and analysis.

“To summarize,” the analysis concludes, “the assessment of real estate market impacts in the EDC study summary focuses entirely on a subsidy program, ICAP, that the proposed law does not in fact cover and that operates very differently from business subsidy programs that are covered. The assessment of labor market impacts is based entirely on a methodology that has been shown to be fundamentally flawed. As a result, the purported findings regarding potential job losses are unsupported by defensible empirical foundations. Taken together, it is our current assessment that these basic errors render the study invalid, and therefore unreliable as a guide for policymakers in assessing the merits of the proposed living wage law.”

Read the “Assessment of Methods and Findings of the New York City Economic Development Corporation’s Living Wage Study” here: <http://www.nelp.org/page/-/Justice/2011/AssessmentEDCStudyMay2011.pdf?nocdn=1>

###