

**TESTIMONY OF BRONX BOROUGH PRESIDENT
RUBEN DIAZ JR.
BEFORE THE CITY COUNCIL COMMITTEE ON CONTRACTS
MAY 12, 2011**

Good afternoon.

Before we begin, I would like to thank City Council Speaker Christine Quinn, the entire City Council and especially the chair of this committee, Council Member Darlene Mealy, for taking the time to begin a frank discussion on the subject of bringing a “living wage” to the City of New York and the future of the “Fair Wages for New Yorkers” Act. It is my sincere hope that, today, we will begin the important process of changing the way we do business in this City, specifically when major development projects rely so heavily on giant taxpayer subsidies.

The historian James Truslow Adams described the idea of the "American Dream" as a land in which life should be better, richer and fuller for every man and woman, with opportunity for each according to ability or achievement. Inherent in this vision is the idea that, if you are willing to work, you will have opportunity to make a better life for yourself and your family. The “Fair Wages for New Yorkers” Act will help restore that promise, and we need it now more than ever.

As I noted in my State of the Borough address in February, we have tremendous income inequality in this city, which is not just a local problem but a national cause of concern. The middle class, both locally and nationally, are working harder and earning less. As important, the working poor in our City are being forced to work multiple jobs for an ever lower standard of living if not being forced to get food stamps, emergency housing and other government assistance. Our economic policies should facilitate upward mobility. Instead, they are accelerating a downward spiral, in which our middle and working class families have less and less and where our tax dollars and other City resources are instead being used to facilitate low wage job creation.

Nowhere is this clearer than in my home borough of the Bronx. Since 2002, more than \$11 billion in new development took place in the Bronx, facilitated by millions in New York City subsidies and tax breaks. Yet we still have the highest poverty rate, 28.5 percent, of any urban county in the United States. As for job creation, Bronx County has consistently had the highest unemployment rate of any county in New York State. The promised employment gains from the major developments that have taken place over the last decade have been inconsequential.

Income inequality continues to grow in this city. A recent report by the Fiscal Policy Institute found the bottom 90 percent of city income earners make 34.5 percent of all money made in the city. In contrast, the top one percent of the City’s income earners make 44 percent of all money made in New York. In fact, the same study noted that between 1990 and 2007, hourly wages in this city actually fell almost nine percent.

Moreover, the cost of living in New York is high, resulting in a large number of “working poor.” For example, the cost of a monthly MetroCard is \$104, or ten percent of the pretax monthly

income of someone employed in a minimum wage job, assuming they are working at least 35 hours each week.

It is crystal clear that we have a real problem in this city. That is why the “Fair Wages for New Yorkers” Act is so important, not only as a matter of economic justice, but as sound fiscal policy as well.

The City has released the findings of a report which purports to show that this bill will do serious damage to our economy. This study is so flawed it is unbelievable that the City would present it as evidence against a living wage mandate. First, the study bases the majority of its findings on statistical models that measure the effect of applying Intro 251 to the City’s new Industrial and Commercial Abatement Program. The “Fair Wages for New Yorkers” Act, however, would not apply to the ICAP, which we have confirmed with legal counsel for the City Council. As a result, almost every finding in the report does not apply to Intro 251 or 251-a. Based on this fact alone, the study is worthless. In fact, the \$1 million that was allocated to pay for this study should be returned to the taxpayers.

As you may already know, this report was organized and authored primarily by an economist that has written 27 prior reports claiming living wage and minimum wage laws result in job losses and has a national reputation for producing academically flawed reports which is why the Bloomberg administration hired this consultant in the first place. He produced exactly what the Mayor wanted. Moreover, the report is based on Intro 251, not the current or final version of bill, Intro 251-a. Credible research shows, however, that the benefits of a “living wage” ordinance, which would require employees at subsidized developments to receive \$10 per hour with benefits and \$11.50 per hour without, are real and considerable.

A recent study of 15 cities with similar “living wage” laws to what would be required by the “Fair Wages for New Yorkers” Act found that wage standards, such as the requirements put forward in this bill, do not have a negative effect on job creation. This report is not the only credible research we have on the positive effects of a “living wage” law. Professor Robert Pollin of the University of Massachusetts has done extensive research on “living wage” laws. He has found that such laws give workers more money to save, allowing them to lower their debt and make much-needed purchases. Such mandates also save the taxpayers money, by reducing reliance on food stamps, welfare and other government assistance. You would think that fiscal conservatives would love this bill.

And such wage mandates are not foreign to City development. In fact, since 2005 New York City has made wage requirements a part of its larger taxpayer-subsidized development projects. These include both the Greenpoint-Williamsburg waterfront residential redevelopment and the Willets Point retail and entertainment development project, where the city required prevailing wages for building service workers; as well as the Coney Island redevelopment, where the city agreed to require prevailing wages for building service, hotel and construction workers, and a living wage preference for retail workers.

More recently, Governor Andrew Cuomo, together with the State Legislature, included a provision in the New York State budget that requires wage parity for home health aides. Now

organizations providing Medicaid services in New York City, as well as Westchester, Nassau, and Suffolk counties, are required to compensate their home health aides using the living wage of that area.

We already require contractors that do business with the City to pay their employees a “living wage.” Those who take heavy taxpayer subsidies should be treated no differently. Yet the Mayor prefers to use city taxpayer dollars to give special treatment to developers who stand to make hundreds of millions of dollars off their projects in the five boroughs.

We’ve seen this before. The Bronx Gateway Mall received millions in New York City subsidies. The Fiscal Policy Institute estimates that as of Spring 2010 about 1,300 workers were employed in the mall, and the average starting wage for non-managerial workers was \$8.80 an hour. In fact, the BJ’s at Gateway Center is ranked within the top three successful BJ stores nationally. The success of the Target at the Gateway Mall has even lead to a third borough Target heading to the east Bronx.

Firms like Target will continue to serve the 8.5 million residents of this city because it is a prime market. The purpose of the Fair Wages for New Yorkers Act is to ensure that when these firms come and request assistance, that they do right by the people they employ. Let us be clear, the Related Cos., which agreed to develop a multi-billion dollar project in downtown Los Angeles with a living wage requirement, would have gone through with their retail mall in the Kingsbridge Armory if the “Fair Wages for New Yorkers” Act were, in fact, the law.

But the Mayor killed the project just as he has attempted to kill this bill. Only now he has used an inherently flawed report—drafted by people who have long been against fair wages for workers—and paid for it with a million of our taxpayer dollars. EDC tells us that, instead of looking at the impact of already existing living wage laws in New York City such as the prevailing wage requirements, they prefer to release a study with inherent inconsistencies. They claim this bill will have little impact on worker income, yet it will dissuade real estate developers, particularly retail, from coming to New York.

In fact, retail is one of the fastest growing industries in the city, and research by the Fiscal Policy Institute “found more low-wage workers in New York City are employed in retail than in any other single sector of the New York economy.” If we do nothing, our tax dollars will continue to subsidize the creation of retail stores most New Yorkers will be unable to patronize.

In 1996, then Mayor Giuliani proclaimed the prevailing wage bill “would . . . do little to provide long-term economic betterment even for the narrow class of workers covered by its provisions.” Yet, the city saw record commercial and residential development over the next 15 years. Moreover, prevailing wage laws have been shown to reduce occupational injuries and fatalities, increase the pool of skilled construction workers, and actually enhance state tax revenues.

We are committed to working with all those that have raised honest concerns about this bill. The final version of the “Fair Wages for New Yorkers” Act will be inclusive; so that affordable housing can continue to be built in this city and that small businesses are protected.

But there is no more time to wait. Our bill currently has 30 City Council co-sponsors, as well as the support of dozens of other unions, community organizations and civic activists. All of us agree on one thing: when billionaire developers beg for taxpayer handouts to make their projects work, they must do better by the people they hire.

It is the responsibility of elected officials to use taxpayer dollars in a manner that leads to the best return on investment for those same taxpayers. Yet, our City's current subsidy policies prioritize the return on investment for developers. The "Fair Wages for New Yorkers" Act will change the way we do business in this City. There is no more time to wait.

Thank you.