

THE CASE FOR INDUSTRIAL DEVELOPMENT AGENCY REFORM

Truths & Myths: What's Real and Not in the IDA Reform Debate

MYTH: Wage standards will drive businesses out of New York State.

★ **TRUTH:** Attributing loss of businesses to the existence of wage standards oversimplifies the truth behind states' competitiveness. Making this argument essentially pits businesses against workers, and implies that in order for a state to be competitive and attract businesses, it must de-value its workforce and encourage a climate of low-skill, low-wage work. There is a strong precedent in many other states for enacting wage standards on development subsidies, showing that standards actually do not drive businesses out of the state. In fact, all of the top ten pro-business states, as ranked by Forbes Magazine—including Virginia, Utah, Washington, North Carolina, and Georgia (the top five)—have wage standards tied to their economic development subsidy programs. Clearly, these states have not suffered because of wage standards. Wage standards actually make the state more competitive by increasing productivity and quality of work. It's about time that New York should join the ranks of these other states that are taking a cutting-edge, pro-active approach to creating quality, family-sustaining jobs through the use of state subsidies.

MYTH: Businesses depend on economic development subsidies to survive and remain in NY.

★ **TRUTH:** Subsidies account for less than 1% of business location decisions, according to Good Jobs First. Companies base their location decisions on a variety of considerations: proximity to suppliers and customers, infrastructure conditions, characteristics of the workforce, and access to affordable energy. These are the business basics that drive decisions—not the availability of subsidies. The percentage of times that a subsidies can actually make or break a deal—just 3% of the time—is so tiny that a vast majority of the subsidies granted by our IDAs are wasted on companies that actually don't need them, instead of using those funds on things that actually do create jobs, like infrastructure, workforce skills, and energy affordability. By investing in our workforce and our communities, the state can increase its competitiveness, place a higher value on the skills and quality of its workforce, and dramatically reduce the wasteful spending of tax dollars on failing companies and unfulfilled job creation promises.

MYTH: Any job is a good job – with the economy struggling, it doesn't matter what the wages and benefits are, as long as people are working.

★ **TRUTH:** New Yorkers need good jobs, not just any jobs—and the economic recovery of New York State lies in the economic health of its workforce. Now, more than ever, we need long-term strategies that are rooted in the creation of high-quality, family-sustaining jobs. The current economic crisis has proven that simply increasing the number of jobs without accompanying wage growth is unsustainable and leads to an unstable economy. In upstate New York, while the number of jobs has grown since 2001, the quality of these jobs—wages, health coverage, and other benefits—has plummeted, leading to declining wages and growing insecurity. Today nearly a quarter of the workforce earns \$10 an hour. As job quality continues to erode, poverty is increasing at alarming rates, particularly in our state's urban centers.

New York needs the kind of economic development that will allow workers to move up the career ladder and into the middle class, and guarantee healthcare and other benefits for low-wage workers and their families. As key engines of economic growth in New York, IDAs should be a part of our economic recovery by maintaining and upholding a standard of quality jobs for all projects that they subsidize. By mandating living and prevailing wages, IDAs can play a vital role in reversing the proliferation of low-wage work and move us toward sustained economic health.

MYTH: New York City workers could benefit from wage standards, but upstate workers need any job they can get – standards or not.

★ **TRUTH:** According to the Federal Reserve Bank of New York, population loss in upstate regions is not simply due to out-migration, as is commonly thought. It is actually due to insufficient migration into the state of new workers and residents, in part because of the lack of quality, family-sustaining jobs. Also, despite the high concentration of colleges and universities in New York, the state is unable to retain college graduates for the same reasons. In reality, low-wage jobs are proliferating throughout the state and poverty rates in upstate cities are among the highest in the nation. Those young people who are leaving New York are not leaving for the lack of low-quality, poverty-wage jobs—they're leaving because of the lack of well-paying, career-building opportunities.

IDAs should be working to create quality, family-sustaining jobs in all parts of the state—jobs that will attract and keep college-educated workers in upstate communities, create a diversified work force, and ensure that workers remain upstate in the long-term.

MYTH: Empire Zones are being addressed – fixing IDAs is a secondary priority in NY.

★ **TRUTH:** Real economic development reform in New York must start with IDA reform. The Empire Zone program is a failure—year after year, companies have taken advantage of loopholes in the program to gerrymander zones and secure millions of dollars of subsidies, without delivering jobs for local communities. The focus on providing aid to businesses in geographically distinct parts of the state was well-intentioned, but not enough in the current context. Despite problems with New York’s 115 IDAs, with reform, they can fulfill their mission of advancing the economic welfare and prosperity of our counties, cities, towns, and villages. The time is now to seize the state’s existing resources, such as the statewide network of IDAs in order to coordinate sustainable and long-term approach to economic development in New York. With reform—business standards, accountability measures, and transparency reforms—the state’s IDAs can function as engines for regional economic development and job creation throughout the state.

MYTH: All that is needed to reform the IDA program is greater transparency and accountability standards. Wage standards are a give-away to labor unions.

★ **TRUTH:** Accountability and transparency are simply not enough. In this economic moment, it is necessary for the state to establish a pro-active, coordinated, and long-term strategy for economic development—and IDAs can be a part of this solution. The availability and quality of jobs are fundamental to the economic recovery of the state. Especially now, as low-wage jobs proliferate and as unemployment and poverty rates continue to skyrocket, it is essential that any use of public funds is used to create the kinds of jobs that will afford our workers and families the economic mobility to rebuild or local, regional and statewide economies. Without standards in place, businesses and IDAs will continue to perpetuate the cycle of poverty-wage work and growing financial insecurity that created this economic collapse in the first place.

MYTH: IDA subsidies don’t contribute to sprawl, and sprawl doesn’t negatively impact New York’s economy – this is much ado about nothing.

★ **TRUTH:** The unhealthy competition between IDAs too often lures new projects away from central cities—areas that have more dense populations and access to mass transit—to newer, less developed areas. Regional coordination, which would encourage sustainable development, is particularly challenging in regions that have multiple, overlapping IDAs competing against each other. Rather than promoting investment in central cities, subsidizing projects in the suburbs and other surrounding areas imposes infrastructure burdens on local governments and steers jobs away from the areas most in need. A study of the nine IDAs in the Buffalo/Niagara metro area showed that despite the fact that Buffalo has the largest population of workers in the area, it only received 17% of IDA-subsidized projects. Not only does this kind of “poaching” increasingly infringe on open and natural spaces, it is also increases commute times and air pollution, reduces the economic viability of central business areas, and increases fiscal stress on local governments—all significant impacts on New York’s economy and quality of life.

MYTH: New York State does not need a statewide policy on IDAs – reforms can be made at the local level.

★ **TRUTH:** Statewide reform is the only way to ensure a level playing field across the state, and to ensure that we raise the standard for workers in all regions. Too often, companies pit region against region, IDA against IDA, in an effort to extract the largest subsidy deal possible. This unhealthy and destructive competition leads to a downward spiral of increasingly lucrative incentive packages that neither community can afford, but continue to offer in desperate effort to attract the business to their region. Nobody wins when jobs are shifted, rather than new jobs being created: taxpayers and local workers lose jobs, while local governments lose much-needed tax revenues. Without statewide IDA reform, New York will continue to subsidize narrowly-focused, project-by-project economic development—what we need now is a comprehensive statewide strategy for our economic recovery and the long-term health of our communities.

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