

TESTIMONY
OF
GABE MORGAN, WESTERN PA AREA LEADER 32BJ SEIU
ON
ECONOMIC DEVELOPMENT RESPONSIBILITY ACT
FOR THE
PENNSYLVANIA HOUSE COMMERCE COMMITTEE
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AMBRIDGE, PA

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With more than 120,000 members, including 16,000 in Pennsylvania, 32BJ is the largest property services union in the country.

Good morning. My name is Gabe Morgan, and I am the Western Pennsylvania Area Leader of the Service Employees International Union (SEIU) Local 32BJ. Our local represents approximately 15,000 cleaners, security guards, food service workers, and school district employees across the state of Pennsylvania. Our workers provide the types of services that keep the state's office buildings, commercial buildings, and schools running. They also know the value of a good job that allows them to not only support their families, but to save for the future and contribute to the economic vitality of their communities.

I am here today to ask you to support the Economic Development Responsibility Act, and to ensure that when the state spends public dollars on economic development subsidies, incentives, and programs, employers benefiting from those tax dollars create the good, family sustaining jobs that Pennsylvania needs.

Recent poverty data illustrates the importance of good jobs in Pennsylvania, and especially in Pittsburgh. The average median household income in Pittsburgh is 43% lower than the national average median income, and 21% of Allegheny County residents live below the poverty line. Working families are far from immune to hardship; in Pennsylvania two out of every three families living below poverty are also working families.

In other words, whenever new development comes to Pennsylvania and receives state subsidies, the low-wage jobs that are created leave working families struggling to get by. In many cases, these low-wage jobs are building service jobs. They are given to janitors, custodians, and food service workers, who then have to turn back to the state for housing, food stamps, and healthcare for their children. In a state where approximately \$300 million are used to subsidize economic development every year, it does not make sense for tax payers to pay the bill twice.

Don't get me wrong—economic development is important for our state to thrive—many of the programs have ambitious job creation goals, and are important tools for making our communities more resilient. But the state has to get a return on its investments, especially when that investment is in the hundreds of millions of dollars. In other words, economic development should make economic sense. In return for state dollars, the property service jobs that are created should pay the “standard wage,” or the wage rate that has already been established by the market.

Requiring a standard wage for building service workers will not bankrupt businesses or deter development from happening. In most cases, paying workers the standard wage equates to a small percentage of the total costs associated with

operating buildings. And since standard wage laws reflect the market rate for jobs in specific sectors, businesses are able to pay the standard wage while remaining competitive in the local economy.

In closing, I ask that you stand behind the principal that the government should never be in the business of subsidizing poverty wage jobs. Upholding this principal means advancing the Economic Development Responsibility Act so that economic development projects create the types of jobs that can truly sustain Pennsylvania's families. SEIU Local 32BJ appreciates your leadership on this issue, and asks for your support in passing HB2645 out of committee.

Thank you for your time.



Economic Development Responsibility Act FAQs



Why do we need this legislation in PA?

Pennsylvania spends an estimated \$300 million on economic development subsidies and tax breaks for businesses every year (Keystone Research Center) with the expectation that those businesses will grow or retain jobs in the state. However, without strong wage and benefit standards economic development incentives are not going towards the good jobs that Pennsylvanians need.

Too Many Pennsylvanians Are Working Hard, but Struggling to Support their Families

In Pennsylvania, two out of every three families living below poverty are also working families, and one in five Pennsylvania households does not make enough money to meet basic needs.

- **Pittsburgh:** The average median household income in Pittsburgh is \$34,834- 43% lower than the national average median income of \$52, 029 (U.S. Census)
- **Philadelphia:** 24% of Philadelphians live below the federal poverty level, double the rate for Pennsylvania (11.6%).

Tax-Payers Can't Afford to Pay Twice

When economic development programs create poverty-wage jobs, tax-payers are charged twice – first for the direct subsidy or tax credit to the project, and again to fund public programs for food, housing and health care that low-wage workers are forced to rely on.

Keeping Business on an Equal Playing Field

Giving away tax dollars without ensuring good jobs will be created hurts business as well as working families. In Philadelphia, Pittsburgh and the many cities in between, businesses pay the same rate to building service workers. This law upholds the market “going rate” and ensures that new developments receiving generous subsidies don't undercut the wage rates already being paid by local businesses.

Have other cities and states adopted similar policies to create good jobs? What are they?

There are at least 116 state programs that ensure economic development subsidies help create good jobs. Across the country, local leaders are finding requirements for creating good jobs have not deterred developers from investing in new projects.

This year, Pittsburgh City Council and Allegheny County Council passed a law which ensures that employers benefiting from city tax dollars provide good jobs to the service workers at new developments. Covering building service, food service, hotel and grocery workers, Pittsburgh and Allegheny county's wage laws ensure that local tax-dollars are not helping create poverty wage jobs.

What is the Standard Wage?

The standard wage seeks to reflect the already established market-rate for building service work. The standard wage is the highest of the following:

- 1) The wage rate, including supplemental benefits determined by the U.S. Department of Labor for the specific job classification under the Service Contract Act

- 2) The wage rate equal to 150% of the minimum wage
- 3) The wage established pursuant to any city, county, or other local prevailing wage law

Which Workers will be covered by the Standard Wage?

The Economic Development Responsibility Act covers building service and food service employees- which include but are not limited to the following job classifications:

- Security guards, doormen, superintendents, porters, and maintenance workers
- Cleaners, janitors, custodians, window cleaners, and groundskeepers
- Cafeteria attendants, line attendants, cooks, prep cooks, servers, and dishwashers

Some economic development programs in PA already require employers to pay their workers at least 150% of the minimum wage, how much do workers covered by that standard earn?

Employees making 150% of the minimum wage (\$7.25 per hour) will earn \$11.00 an hour and \$22,932 a year. The Opportunity Grant Program, which was authorized to spend \$25 million in 2010-2011, is one example of an incentive program that already includes this mandatory wage floor.

How does a good job affect working families?

Families are not getting rich off the standard wages for building service work, but most are making enough to support their families without relying on public assistance. On a regular pay-check, workers are able to provide a stable household and even put money aside. Some workers have been able to buy homes and send their children to college.

Is there any data to support claims of reduced development or job losses associated with these types of laws/ordinances?

Since standard wage laws reflect the market rate for jobs in specific sectors, businesses are able to pay the standard wage and remain competitive in the local economy.

Research from Santa Fe and San Francisco, both of which have citywide standards above the minimum wage, concluded that raising wages had no significant impact on economic activity. A recent study published by UC Berkeley found that living wage standards in California did not depress employment or development.

How will businesses be affected by the law?

In most cases, increases in worker wages will equate to only a small percentage of the total costs associated with operating buildings. An increase in wages in Philadelphia, the city with the highest industry rates for building service workers, would amount to less than 1.9 cents on the rental dollar. Furthermore, many employers are already paying market-rate wages for building service work and won't be affected by the bill. This bill will level the playing field for responsible businesses that have to compete with developers receiving economic subsidies and paying their workers poverty-level wages.

The standard wage also provides significant benefits to both workers and businesses. Analysis of the productivity of building cleaners in Philadelphia earning the industry wage rate shows that they work almost twice as hard as their counterparts earning poverty-level wages. A study of Baltimore businesses subjected to higher wage standards found that costs associated with wage increases were offset by reductions in costs of recruitment, training, and absenteeism. At the San Francisco International Airport,

where legislation increased wages by 10%, firms covered by the law saw a 60% decrease in turnover, and reported improvements in worker performance and morale.

How will this law affect small businesses?

The square footage and subsidy thresholds ensure that very few—if any—small businesses will be required to pay the standard wage.

How will this bill impact non-profits and cultural institutions?

The Economic Development Responsibility Act applies to any a sports stadium, performance hall or amphitheater of at least one hundred thousand (100,000) square feet. However, the law does not apply to any institutional buildings or libraries.

Some performance halls that exceed 100,000 square feet, like the Kimmel Center and the Academy of Music, already pay their workers a starting rate of \$14.78 an hour and provide health benefits. This rate is higher than the standard wage; therefore these venues would not be impacted by the wage standards established by the Economic Development Responsibility Act.