Between Hope and Hard Times

New York's Working Families In Economic Distress

November 2004

Center for an Urban Future

United Way
United Way of New York City

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ABOUT THIS REPORT

This report was produced by the Center for an Urban Future and the Schuyler Center for Analysis and Advocacy as part of the Working Poor Families Project. This national initiative, supported by the Annie E. Casey, Ford and Rockefeller Foundations, funds investigation of the economic conditions and policy environment in 15 states concerning residents who hold jobs yet face serious difficulty in making ends meet. Research for the report included collecting a list of more than 120 nationally-derived "indicators"—measures of data and policy questions—and additional research generated from New York-specific data.

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Special support for this project's research and focus on New York City was provided by the United Way of New York City. Additional project support was provided by the Ira W. DeCamp and Robert Sterling Clark Foundations. General support was provided by the JP Morgan Chase Foundation, the New York Community Trust and the Bernard F. and Alva B. Gimbel Foundation.

The authors wish to thank the dozens of prominent New York civic leaders, policymakers, and state and local officials who generously gave their time and insights during the preparation of this report.

For more information, or to view other state reports, please visit http://www.aecf.org/initiatives/jobsinitiative/workingpoor.htm

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Photo by Bill Goidell

Introduction

From the Working Class to the Working Poor

Photo by Graham Morrison

More than 1 in 4 working families in New York is low-income.

If the American Dream can be said to have a home, it's New York. The rich history of the state stretches from revolutionary times through the tremendous economic expansion of the Erie Canal to the construction of audacious skyscrapers and the greatest wealth-generating apparatus the world has ever seen. For Irish families fleeing the potato famine of the 1840s, for African-Americans trekking north during the Great Migration of the 20th century, and for immigrants today arriving from all corners of the globe, New York has always embodied American aspirations for a better life.

Opportunity beckoned in New York. If the streets weren't paved with gold, at least there were jobs that offered a foothold on that American Dream. For untold millions of working class New Yorkers, hard work, responsible living and the sustained commitment to a better future provided the education and savings to move their families into the great American middle class and beyond.

Today, many jobs that once could support a family barely suffice to keep that family out of poverty. The implied bargain America offers its citizens is supposed to be that anyone who works hard and plays by the rules can support his or her family and move onward and upward. But for millions of New Yorkers, that bargain is out of reach; the uphill climb faced by earlier generations has become a sheer vertical wall.

The numbers are surprising and a little overwhelming. More than 500,000 working families in New York—or one out of four—are low-income, even though at least one member has a job (see "Definitions Used In This Report" for statistical definitions of these terms). Worse, the trend is running strongly in the wrong direction. During the economic boom of the 1990s, the number of low-income households statewide *increased* by 2.7 percent. Nationwide, during that same period, it fell 1.3 percent. In other words, New York was adding to its number of low-income families at twice the rate the rest of the country was improving. One reason: Median hourly wages for workers at the low end of the income spectrum grew much more slowly in New York (2.3 percent) during the strong economy of 1995-2000 than they did nationally (11.9 percent).[1]

How did this happen? The economic changes that are rolling across America, in particular the steady erosion of low-skilled but relatively well-paying jobs in manufacturing, provide part of the explanation. Another is welfare reform: In New York, welfare caseloads declined by a remarkable 63 percent between 1995 and November 2002—a drop of more than 1 million individuals.[2] Most of these former welfare recipients have joined the workforce but still lack a clear path out of low-wage jobs, leaving them far from self-sufficiency. Furthermore, the infusion of all these individuals into the labor market increased downward pressure on low-skill wages. A high cost of living (particularly in New York City), growing health care costs, the state's large immigrant population—all of these also contribute to the rise in the number of working poor in New York.

Clearly, New York State has issues around work and poverty. The next question seems obvious: What are we doing about it? In the bulk of this report, we look at how well (or poorly) New York does at providing education and training, economic development and work supports to low-income families. A few overarching points stand out:

1) Policies and programs to assist low-income working families in New York State are a mixed bag. Some of New York's policies are among the best in the nation; others work but need to be sharpened—still others are, frankly, a mess. For policymakers, the challenge is to improve the laggards while protecting the winners. In this report, we try to provide a clear-eyed view of which programs work and which need work, along with appropriate recommendations for each.

2) New York State must do more to help low-income workers not just get by, but get ahead. The state is a national leader in supports, such as a generous state Earned Income Tax Credit, childcare, Medicaid and other key services for struggling families. But we are lagging in programs that offer low-wage workers opportunities to move into better careers. For a state that seeks to build its economy on a foundation of high-skill, high-wage industries, losing this chance to build our human capital is a major policy misstep.

3) Conditions are changing faster than state policies. Things move fast these days, and nowhere is that more true than New York, where seismic shifts have occurred (and continue) in bedrock economic factors such as primary economic sectors, necessary workplace skills and immigration patterns. Too often, New York's policymaking apparatus has not kept pace. Decisions must be made more quickly, in a more coordinated manner and with more thought to current and likely future conditions.

4) For many policies, the state does not gather the information necessary to make the best decisions. New York State simply does not collect and analyze the data it needs to know what works and what does not for policies as varied as the education options provided to welfare recipients, the efficiency of key economic development programs and the cost effectiveness of federally supported job training vouchers.

At the heart of this report, under all the facts, figures and policy analysis is a consistent theme: New York needs to prioritize the issue of the working poor and it needs to do so in a new way. New York currently focuses on "making work pay" by providing subsidized supports such as food stamps and tax breaks to low-income workers. State officials deserve credit for these choices, and we want to be clear that these policies are desperately needed by low-income New Yorkers and must be continued and in many cases improved. (In Chapter Four, we present a deeper analysis of what these programs offer and how they perform.)

But this approach can only go so far, and the numbers show that New York State is at or very near the ceiling of how much assistance these supports can provide. Tens of thousands of poor New Yorkers remain without subsidized childcare or medical insurance, but the cost of large-scale expansion would run to billions of dollars. Funding from Washington for programs to assist low-income working families will likely remain flat or even decline, and New York faces its own severe budget constraints. Other programs don't require state funding, but are also near their capacity to make a difference. Collections for child support, for example, are already among the best in the country.

With one out of four working families in New York living at or below the margin of self-sufficiency,

THE MOBILITY MYSTERY

The idea that individuals can advance without notable intervention from the public sector through work experience and new skills has long been used to justify laissez-faire approaches to the problem of poverty in America. Certainly some low-income families advance above the poverty line (and some later fall back). However, the concept of economic mobility is the great unknown in this debate. We present a great many numbers in this report, but most offer a snapshot in time rather than a longitudinal picture of structural poverty.

Consensus on the question of mobility remains elusive. One recent national study indicates that few Americans are mired in poverty for long periods of time.[3] Another shows that since the 1970s it has become progressively harder to make progress toward a higher income.[4] In both cases, aggregate national figures shed no particular light on special New York conditions such as the high rate of immigration. Again, for the state to truly gauge how its anti-poverty policies are performing, we must have better information.

something has to change. Clearly, the state will never be able to fill the gap between low-wage work and poverty for all New Yorkers under current conditions. The answer is to continue to provide as much relief as possible while reducing the number of New Yorkers who need such assistance. The state must refocus the programs that help lift working New Yorkers into better paying jobs—education, training and economic development—to help low-income working families. Over the long haul, the payoff is tremendous: Every family that moves out of poverty is a family that no longer costs the state money for Medicaid, childcare, tax breaks and other income supports.

While New York should continue to provide supports to low-income families, it must also pursue policies to reduce the number who need such assistance.

Considering the tight budgetary times at the federal, state and local level, wherever possible throughout this report we have tried to make recommendations that require little or no new funding. The ideas we put forth rest largely on a tighter focus on measurable outcomes, smarter planning, more efficient expenditures and/or improved allocations, and far better coordination between all the disparate programs designed to serve low-income New Yorkers. At times, we do call for increased spending, saving these recommendations for policies that are either proven to be investments well worth the expenditure or a need that is so acute and the current solution so inadequate that cost-neutral charges simply won't do the job.

One of the largely hidden benefits of welfare reform in the mid-1990s was that it finally helped demolish the pernicious myth of the "parasitic poor." As millions of single mothers and others joined the workforce, a more accurate image emerged: ambitious, hard-working Americans who wanted to join the mainstream of working life and feel the pride of caring for themselves and their families. In a sense, welfare reform issued the same challenge as always to the worst-off in our society: Make the often-arduous efforts to improve yourselves and it will pay dividends. If we as a society fail to live up to our end of that bargain, we let down not only those millions fighting every day to improve their own lives, but our own shared faith that such efforts should be rewarded.

DEFINITIONS USED IN THIS REPORT

- **Working family:** All family members age 15 and older either have a combined work effort of 39 weeks or more in the prior 12 months OR all family members age 15 and older have a combined work effort of 26 to 39 weeks in the prior 12 months, and one unemployed parent looked for work in the prior four weeks.
- **Poverty level/family in poverty:** The federally defined minimum income needed to support an individual or family at a minimum standard of living. In 2003, $18,979 (at least $9.12/hr, full-time, year round) was required.[5]
- **Low-Wage:** A wage below twice the full-time, full-year wage required to keep a family of four out of poverty.
- **Low-Income:** An annual income less than twice the full-time, full-year wage required to sustain a family of four at the poverty level (see above).
- **Self-sufficiency:** The amount of income necessary for a family to meet basic needs (including paying taxes) without either private/informal subsidies or public benefits such as public housing, Food Stamps, healthcare or childcare. In many high-cost areas of New York, the real self-sufficiency level is considerably more than twice the federal poverty line.

NEW YORK AND FRIENDS

Throughout this report, we provide snapshots of key indicators for New York, the national average and five key states: New Jersey, Massachusetts, Ohio, California and Illinois. This selection should provide some perspective on how well New York is performing compared to its peers.

No one of the five comparison states is a twin to New York, but together we think they capture some of the key attributes that affect the working poor in New York. New Jersey is a neighbor with a similar population and history. Massachusetts is another East Coast state with a highly educated workforce and generally liberal social policies. Ohio is a populous state with an industrial heritage and several large cities. California has a high percentage of immigrants and a high cost of living. And Illinois has an "upstate/downstate" perspective with one large city dominating the region, as well as a relatively large immigrant population.

Key Findings

WORKING FAMILIES IN ECONOMIC DISTRESS

- **New York has many low-income** working families, and their ranks are growing. Of New York's working families, 26.5 percent—more than one in four—are low-income, and 7.5 percent are under the poverty line. Making it even harder on low-income residents, New York State has the fifth highest average cost of living in the country.

- **Most low-income working families** do not conform to the popular stereotype of the working poor as young, single, fast-food workers: 88 percent of low-income working families include a parent between 25 and 54 years old. Married couples head 53 percent of these families nationwide. Important jobs such as home health aide, janitor and childcare worker pay a poverty wage.

- **Immigration has become a key** factor when considering the issues of low-wage work throughout New York State. More than 20 percent of the state's population is foreign-born, a huge increase from just ten years ago. Immigrants have particular needs around language, education and training.

- **Low-income working families are found** throughout New York State, not just in New York City. But NYC's struggling economy, very high cost of living, shortage of housing and increasing number of low-wage jobs present city and state officials with a unique set of challenges relevant to this group.

For a more detailed examination of low-income working families in New York, see page 7.

EDUCATION AND SKILLS TRAINING

- **New York's education systems that** can provide opportunities for low-income residents are currently not focused and funded to the necessary levels. More than a third of the low-income working families in the state include a parent without a high school degree, ninth worst in the country.

- **Community college is expensive in** New York—it is in the top three states for cost. New York State does provide more need-based financial aid for college than any other state, but budget constraints potentially threaten that commitment. Part-time adult students who work are not currently eligible for the state's major tuition-assistance program, and non-credit courses are not supported with state tuition assistance.

- **Workforce development policies vary throughout** the state, due to New York's decision to devolve many choices to the discretion of the 33 local workforce boards. While this is appropriate in many ways, the system does not provide enough common measures for performance, resulting in varying degrees of success around the state.

- **New York's focus on rapid** attachment to work for welfare recipients helped spur a dramatic decrease in the welfare rolls. But a smaller percentage of TANF recipients are referred to training in the Empire State than anywhere else in the country. New York needs a more balanced system that takes into account the abilities and goals of each individual.

- **Adult education and literacy has** not been given the attention it needs in New York, despite its importance for workplace skills. Although the state ranked 18th in the country in spending on adult ed, inattention and a failure to integrate adult ed functions into local workforce systems has limited its value. Considering New York's immigrant population, there are too few resources for English for Speakers of Other Languages geared toward adults.

For a more detailed examination of education and training in New York, see page 13.

For a list of policy recommendations, see page 19.

City Limits Photo Archive

New York is a national leader in providing work supports through benefits tied to employment.

ECONOMIC DEVELOPMENT

- **The job market is extremely** tough on struggling New Yorkers. The percentage of the workforce in low-income jobs, 32 percent (or more than 2.4 million workers), is fourth worst in the country and the statewide unemployment rate, 6.1 percent, is worse than the national average. Since the 2001 recession, high-wage jobs have been replaced by lower-paying work in every region of the state but one.
- **Economic development leaders in New** York have not reconfigured their efforts as most other states have done to focus on strong economic sectors and building worker training programs. Together, these two approaches are the best way for economic development policies to help low-income New Yorkers.
- **New York's Empire State Development** Corporation provides approximately $100 million annually in tax breaks and other incentives to attract large companies to the state. It has little focus on the industries with the most promise to create relatively high-wage jobs with advancement potential.
- **The state Empire Zone program** has fallen into disrepute. Only 26 percent of participating businesses submitted required information, and of those, only 33 percent had met job creation goals. The state has approved 20 new Empire Zones in the past five years, many of which went to wealthy suburbs.
- **Worker training is the economic** development strategy most likely to help low-wage workers, but the state has not provided a steady, well-funded system. New York has established and de-funded three different programs in the past fifteen years. The latest program, BUSINYS, has awarded more than $32 million to help more than 32,000 workers. However, its funding is vulnerable, making its future also uncertain.

For a more detailed examination of economic development in New York, see page 22.

For a list of policy recommendations on these issues, see page 26.

MAKING WORK PAY

- **New York has made a** conscious effort to assist low-wage workers through benefits tied to employment. The state is a national leader in providing "work supports"—such as health insurance and childcare—and income supplementation such as the Earned Income Tax Credit.
  - **New York is a leading** state in using the Personal Income Tax to reduce poverty by supplementing wages: For a single parent of three earning at poverty, the state will return more than $1,000.
  - **The state's minimum wage has** not increased since 1997. One-third of all minimum wage earners in New York are the main breadwinners for their families.
  - **New York has greatly expanded** subsidized childcare, more than doubling the number of slots in the last eight years, from 72,000 to 183,400. But more than 110,000 children eligible under current state standards are without childcare because of inadequate funding.
  - **More than a third of** New York's low-income working families include a parent without health insurance, despite the generous coverage the state offers through Medicaid and other subsidized programs.
  - **Just over 1.5 million New** Yorkers participated in the federal Food Stamp Program, out of an estimated eligible pool of 2.69 million. That gap represents a potential loss of federal benefits to New Yorkers as high as $1.45 billion annually.
  - **Sixty one percent of unemployed** adults in New York do not receive Unemployment Insurance. State policy intentionally excludes many low-wage earners by denying eligibility for a half-time worker at the minimum wage.
  - **New York has no independent** law providing greater benefits than those provided under the Federal Family and Medical Leave Act.
  - **New York has developed a** model child support enforcement system, which now serves nearly 900,000 families.

For a more detailed examination of income supports in New York, see page 28.

For a list of policy recommendations, see page 35.

Chapter One

WORKING FAMILIES IN ECONOMIC DISTRESS

City Limits Photo Archive

How big of a "working poor problem" does New York have? The numbers suggest that the issue is already significant and getting worse. More than 150,000 working families live below the poverty threshold (defined for a family of four in 2003 as $18,979, or one wage-earner bringing home $9.12/hr, full-time, year-round). That's 7.5 percent of the state's total population of working families, putting New York in the bottom half of all U.S. states and behind four of our five comparable states (see Table 1-1).

TABLE 1-1: New York State Poverty Rate[6]

	Working Families Below the Poverty Line	National Rank	Low-Income Working Families (as Percentage of all Families)	National Rank
New York State	7.5%	**29 of 50**	26.5%	**20 of 50**
New Jersey	4.2%	**5 of 50**	17.4%	**5 of 50**
Massachusetts	4.0%	**5 of 50**	14.8%	**1 of 50**
Ohio	7.3%	**21 of 50**	26.2%	**20 of 50**
California	8.6%	**36 of 50**	29.6%	**32 of 50**
Illinois	6.8%	**21 of 50**	23.0%	**11 of 50**
Nationwide	7.7%	**n/a**	27.4%	**n/a**

Most analysts consider the federal poverty line an inadequate measure of poverty. We believe a better measure is to look at families earning less than 200 percent of poverty per year—a threshold we refer to as "low-income" throughout this report. In New York, more than one in every four working families—over half a million families (551,553)—earns under the 200 percent threshold. That means that for a family of four, annual income would be below $38,000; perhaps not Dickensian abject poverty but certainly a difficult life when confronted with the costs of just the basics needed to get by (see Table 1-2).[7]

Furthermore, the trend isn't good. The boom of the 1990s left behind millions of New York families: The number of low-income families increased in about half the counties of New York during the decade.[8] Statewide, from 1990 to 1999, the number of low-income households increased by 2.7 percent; during that same period, it fell 1.3 percent nationwide. And this trend accelerated after the economic downturn that began in 2001.

When discussing the working poor in New York, it's important to remember that a family's budget, like any ledger, has two sides. National measures of poverty only look at how much money is coming in. They don't take into account how much a family has to spend to stay afloat, and New York State has the fifth highest average cost of living in the country.[9] By different measures, New York City is either the top or second most expensive metro area in the country. Twice the poverty line doesn't get a family as far in most parts of New York as it might in the low-cost Midwest or the South.

The generous array of income supports offered by the state, including the state Earned Income Tax Credit (EITC) and childcare (both detailed in Chapter Four), help to balance out this higher cost of living to some extent. But not everyone who is eligible participates, and several of these programs, notably the EITC, provide benefits as a lump sum, rather than distributed evenly through the course of a year. One large payment helps recipients to make major purchases, such as a new car or home improvements. But it isn't much use in meeting regular expenses throughout the year.

More than 150,000 working families live below the poverty threshold (defined for a family of four in 2003 as $18,979, or one wage-earner bringing home $9.12/hr, full-time, year-round). That's 7.5 percent of the state's total population of working families.

WHO ARE THE WORKING POOR?

With more than half a million families in New York earning below twice the poverty line, it makes sense to stop a moment and clarify exactly who these people are and what they do. Any close look at national statistics dispels many perhaps comforting myths of the working poor as a relatively small cadre of tough-luck cases who are hopelessly outside the economic mainstream.

Perception: Most people who live in poverty don't work at all and aren't really able to hold a job.
Reality: Nearly 40 percent of working-age poor people are officially employed.[10] Holding a job clearly isn't enough these days to keep a family out of poverty.

Perception: Most low-income workers are teenagers likely to earn more as they move up the career ladder.
Reality: Nationwide, 88 percent of low-income working families include a parent between 25 and 54 years old.[11] These are people who have worked hard for years, without any real opportunity for advancement.

Perception: Low-income working families are primarily headed by a single parent (probably a working mother coming off welfare).
Reality: Married couples head 53 percent of low-income working families nationwide.[12]

Perception: Only menial service economy jobs, like serving fast food, place someone into being a member of the working poor.
Reality: Today, a significant number of jobs crucial to our collective wellbeing pay a poverty wage. In New York, a home health aide can expect to earn $18,000 a year, a janitor $23,450, a child-care worker $17,400—$19,000, and a security guard $20,700.[13]

Obviously, about the only real generalization that can be made concerning low-income working families is that they work hard and want to provide for their families and children, yet face barriers that range from poor English skills to criminal records to lack of opportunity.

IMMIGRATION

Any discussion of New York's economically struggling families would be incomplete without considering immigration, a statewide phenomenon that affects policies toward this group on a number of levels. New York's reputation as a haven for immigrants is as valid today as it was in the heyday of Ellis Island 100 years ago. According to the 2000 Census, about 4.2 million New York State residents, more than 20 percent of the state's population, are foreign-born. This represents a tremendous increase from just ten years prior, when 2.8 million state residents, or 15.5 percent, were foreign-born.

As one might expect, New York City has seen the most dramatic immigrant growth, as the foreign-born population grew from 2.1 million (28 percent of all city residents) in 1990 to 2.8 million (38 percent) in 1998. Immigration alone accounts for the city's population growth throughout the 1990s, and the New York Immigration Coalition (NYIC) estimates that nearly two-thirds of Big Apple residents are immigrants and their American-born children.[14] But immigrant communities are scattered throughout the entire state. There are 5,700 Salvadorans living in Westchester, Rockland and Putnam counties, for example, and one estimate puts Schenectady's Guyanese population at approximately 5,000.[15]

It's rightly said that immigration strengthens the United States, replenishing the population with hard-working, highly motivated people looking to make a better life for themselves and their families. Research has shown that more than three-quarters of immigrant families include at least one working parent, and more than 80 percent of immigrant families are two-parent families.[16] But the capacity of these new Americans to contribute to our economy is constrained in ways that put them at greater risk of being mired in long-term poverty.

The most important issue for the economic opportunities for immigrants is language. Fifty years ago, with manufacturing jobs relatively plentiful and well-paying, it didn't matter as much if a worker could speak fluent English. In today's economy, with high-skill, knowledge-based jobs the most likely route to a decent paycheck, English is crucial. More than one of every three adult immigrants in NYC with limited

English reported incomes below the poverty line in 1990-2000.[16] However, public resources to help immigrants scale the language barrier are not equal to the need: For the estimated 1 million New Yorkers who are interested in improving their English skills, there are approximately 50,000 classroom seats available. And the problem is likely to get worse: the NYIC predicts an additional 250,000 adults in New York City who are not proficient in English over the next ten years.[17]

Furthermore, because many immigrants have come to the U.S. for the opportunities they didn't have at home, many have little formal education: Among those foreign born in the U.S., 21 percent have less than a 9th grade education, as compared to just 4.1 percent of native born Americans (notably, the same proportion from each group, 27.3 percent, have a Bachelor's degree or more).[18]

Considering their limited language skills and difficult circumstances, it's probably not surprising that immigrants are concentrated in low-wage fields such as the restaurant industry, health services and apparel manufacturing. Immigrant workers in New York City are nearly twice as likely to earn the minimum wage: 11.7 percent of immigrant workers vs. 6.4 percent of native-born workers.[19] The Fiscal Policy Institute found that fully 66 percent of New York City workers who would benefit from a minimum wage increase are immigrants.[20]

These newest Americans must be considered when devising solutions to issues affecting low-income workers. While immigrants have some traits in common with native-born low-wage workers, experience suggests that they are best reached through slightly different means. Cultural competence is the key: A staff member at a one-stop workforce center fluent in the languages of local immigrant communities can make a huge difference. An even better bet is involving community-based organizations that have banked credibility in local immigrant enclaves. Finally, immigrants with language barriers and educational or skill deficiencies are most likely to find stable employment in small businesses near their homes, perhaps run by immigrants from the same home country who have been in the U.S. longer. Policymakers should consider how best to reach those small businesses and create incentives for them to hire newer immigrant workers.

TABLE 1-2: New York State Cost of Living[22]

Annual costs in select NYS counties for family of two adults and two children (one preschooler, one school-age)

Selected Counties	Housing[23]	Childcare[24]	Food[25]	Transportation[26]	Total
Albany	$7,248	$13,116	$6,132	$1,008	$27,504
Bronx	$8,880	$14,808	$6,132	$1,512	$32,436
Cortland	$6,384	$8,880	$6,132	$4,368	$25,764
Erie	$6,120	$11,172	$6,132	$4,368	$27,792
Hamilton	$5,904	$8,880	$6,132	$4,368	$25,284
Kings (Brooklyn)	$9,612	$14,808	$7,236	$1,512	$33,168
Monroe	$7,308	$11,172	$6,132	$4,368	$28,980
Nassau	$13,668	$16,368	$6,132	$4,368	$40,536
New York (Lower Manhattan)[27]	$19,800	$14,808	$7,236	$1,512	$43,356
New York (Upper Manhattan)[28]	$8,232	$14,808	$7,236	$1,512	$31,788
Otsego	$5,808	$8,880	$6,132	$4,368	$25,188
Queens	$10,800	$14,808	$7,236	$1,512	$34,356
Richmond (Staten Island)	$10,596	$14,808	$7,236	$1,512	$34,152
Rockland	$11,040	$11,952	$6,132	$4,368	$33,492
Westchester	$13,296	$16,368	$6,132	$4,368	$40,164

These Aren't the Days: New York City and New York State

Economically, socially, and politically, New York could be said to comprise two distinct parts. Just as Illinois has Chicagoland and downstate, and California has the coastal cities and the Central Valley, New York divides in many ways into NYC and the rest of the state. When discussing poverty, the temptation is to assume that all the working poor in New York State live in New York City. But that would be a mistake.

TABLE 1-3: POVERTY RATES IN NYS[29]

County (NYC counties in italics)	Percentage of all ages in poverty	Number of people in poverty
Albany	9.6%	26,968
Bronx	*25.4%*	*332,270*
Cortland	12.9%	5,870
Erie	11.2%	103,101
Hamilton	9.4%	502
Kings (Brooklyn)	*21.4%*	*528,693*
Monroe	10.8%	77,382
Nassau	5.2%	68,791
New York (Manhattan)	*17.2%*	*260,998*
Otsego	12.3%	7,032
Queens	*14.6%*	*326,179*
Richmond (Staten Island)	*8.9%*	*39,677*
Rockland	9.3%	26,735
Westchester	7.6%	70,156
Statewide	13.2%	2,466,704

It is true that the majority of low-income New Yorkers live in the city—but it isn't an overwhelming majority. Approximately 59 percent of state Earned Income Tax Credit benefits go to New York City, a rough approximation to be sure, but since an individual must be both working and earning under a given income level to qualify for the EITC, it does provide a general gauge of where low-income working families live.[21] As shown in Table 1-3, poverty is a problem throughout New York State, not just in the five boroughs.

It's clear that the economic and policy pressures pushing downward on working New Yorkers are felt everywhere within the Empire State. But they are felt most strongly in New York City. Archie Bunker's New York is gone forever, as firmly relegated to Gotham's past as Tammany Hall and the Brooklyn Dodgers. Even if you found Archie's attitudes odious, you have to admit that despite his lack of high-end job skills or educational attainment, he was able to pay the mortgage and put Gloria through school. Increasingly, hard-working New York City residents in the same situation are unable to do as much. The city's median household income of $39,937 lags well behind the state average of $44,923, and 22 percent of the households in New York receives means-tested public assistance or non-cash benefits.[30]

Despite the widespread belief that the 1990s were a boom period for the city's economy, data indicates that the blessings of prosperity disproportionately went to those who had been doing well to start with. Indeed, real median family income declined in every borough of the city except Manhattan between 1990 and 2000.[31] And the situation has only worsened since the economy turned sour in 2001. New York City absorbed a disproportionate share of the statewide economic slump, accounting for about three-quarters of the statewide job loss and seeing median hourly wages actually decline by an average of 4 percent in 2002.[32]

Analysts have characterized the 2001-2003 economic slump in New York as a "white-collar recession" because of the substantial job losses in the city's financial sector and related professional fields. But each stock trader or investment consultant job lost over that period—some 30,000 between the fourth quarter of 2000 and the fourth quarter of 2002—had a cascading effect on livery drivers, restaurant employees, florists and anyone else who caters to the wants and needs of upscale New Yorkers. Often, the measured economic impact of this recessionary echo is muted because employees in these jobs cut back their hours rather than stop working altogether—but the consequences of often-sharp drops in their take-home pay are all too real for already-struggling families.[33]

TABLE 1-4: NEW YORK CITY'S PUBLIC HOUSING UNITS

Year	Number of Units
1946	16,840
1955	66,770
1960	110,000
1969	151,732
1980	168,000
1990	179,000
2000	181,000
2004	181,000

Period of Time	Number of New Units	Percent Increase
1946-1969	134,892	801.02%
1969-2004	29,268	19.29%

Analysts and advocates who focus on economic issues in New York City are virtually unanimous in asserting that housing—its high cost and scarcity—is the most serious issue facing low-income city residents. Affordable housing is an issue everywhere, but in New York City, the problem has reached crisis proportions. In 2001, one of every four NYC renter households paid more than half their incomes on housing. And rent control doesn't help: Households in rent-controlled apartments paid the highest average share of their gross incomes (33.4 percent) in rent among households of all major rental categories.

After a flurry of public housing development during the 1950s, new construction of low-cost housing in the decades since has declined almost to nothing. As the city has continued to add population—a 10.2 percent increase between 1990 and 2002—the problem has become more acute, especially for low-income families. Some housing experts suggest that city policy has contributed to the problem by letting public housing residents stay on as their incomes increased; housing that had been created to help the poor effectively became a subsidy for middle-class city residents. Meanwhile, the scarcity of available affordable housing has impelled city officials to give those who need it most—the homeless—preferential treatment. The irony is that for low-income New Yorkers, the only public supports available require them to actually prove that they are homeless before they can get help.

Housing also affects New York City residents' ability to find good jobs. While many critics point to high levels of taxation and regulation as factors limiting the city's economic growth, there's evidence to suggest that the lack of housing is a far bigger problem: 86 percent of companies surveyed stated that the supply and cost of housing impairs New York's ability to attract firms seeking to relocate, and 78.6 percent of companies reported that the housing situation stunts the growth of new firms in the New York City area.[34]

A comprehensive examination of the housing crisis in New York City and throughout the state could easily entail its own report. Policy thinkers are considering various proposals, from inclusionary zoning to creating new incentives for residential development. Virtually all agree that government at every level has to come up with resources to support new housing construction. As Table 1-4 illustrates, new construction of low-cost housing has declined precipitously. Without a new commitment to taking on this problem, the dearth of affordable housing will become an ever-greater constraint upon economic development in New York—and all but crush the aspirations of low-income New Yorkers to economic self-sufficiency.

TABLE 1-5: HOUSING STATISTICS, NEW YORK CITY[35]

Percent of renters paying more than 50% of income for rent, 2002	25.5%
Median gross rent, 2002	$788
Fair market rent 2BR, 1990	$593
Fair market rent 2BR, 2002	$993
Fair market rent 2BR, 2004	$1,073
Section 8 vouchers in city, 2002	102,321
Section 8 waiting list, April 2004	129,551
Public housing units in city, 2003	180,843
Public housing waiting list in city	142,514
Gross change in number of apts with rent below $600, 1991-1999	–512,906

Real median family income declined in every borough of the city except Manhattan between 1990 and 2000.

LOCAL FOCUS: HOUSING IN NASSAU COUNTY

Issues around scarce affordable housing extend beyond the five boroughs of New York City, as Lacey Underhill[36] can attest. A special education teacher's assistant in Levittown, Long Island, Underhill takes pride in the fact that she has a steady job after spending years on public assistance. "I love what I'm doing now," she gushes. "In the afternoons I'm home, 'cause I'm in the school system, and I'm here to greet my child with a smile when she gets off the bus."

Still, things could be better. Her wages from school come to $1,250 a month, and food, transportation and some basics like clothing take up about $500 of that. Like many New Yorkers, Underhill faces a constant headache with her housing accommodations. Unable to afford her own place, she pays her father $400 a month for the two rooms she shares with her daughter. She's lived there for seven years now, but notes that most of her possessions are still in boxes because she has nowhere to put them. "It's getting to the point where I'm ready to leave the state, which I don't want to do. I'm living in the town I grew up in. I'm working in the school district I grew up in. I'm a part of the community that I grew up in," she sighs. "But on a single parent income, you can't afford it."

TABLE 1-6: HOUSING STATISTICS, NASSAU COUNTY

Rental units below median gross rent	44,062
Estimated median gross rent, all apts, 1990	$749
Estimated median gross rent, all apts, 2002	$1,041
Number of households unable to afford median gross rent	115,869
Percent of households unable to afford median gross rent	26%

Housing is probably the most universal concern for low-income families in Nassau County. Starkly segregated by both race and income, the county's affluent towns and villages are largely zoned to exclude multifamily dwellings. Currently, 80 percent of housing units in the county are owner-occupied. The fair market rate for a two-bedroom apartment in Nassau was $1,230 a month in 2002; it would take an income of about $50,000 a year to afford that rent. One-third of the households in Nassau County—more than 140,000 families—fall below this standard.[37]

Even the local business community has started to advocate for a solution to the problem. The Long Island Association, which serves as the local chamber of commerce, listed affordable housing at the top of its 2003 legislative priorities.

Chapter Two

EDUCATION AND SKILLS TRAINING

Photo by Isa Brito

The link between education and wealth has been demonstrated again and again. For example, New Yorkers who go on to college generally earn far more than those who don't; over a lifetime of work, the average difference is close to a million dollars.[38] That's why educational attainment is generally considered the best way for individuals to become self-sufficient—and why taking advantage of lifelong educational opportunities can be an effective strategy for economically struggling families to raise their pay.

TABLE 2-1: EDUCATION LEVELS

	Associates Degree or Higher	**National Rank***	Low-Income Working Families w/High School Dropout Parent	**National Rank**	Adults at Literacy Levels 1 or 2
New York State	42.2%	**9 of 51**	35.5%	**41 of 50**	50%
New Jersey	43.3%	**5 of 51**	27.3%	**23 of 50**	48%
Massachusetts	48.7%	**2 of 51**	23.9%	**16 of 50**	40%
Ohio	33.6%	**37 of 51**	21.4%	**12 of 50**	45%
California	37.5%	**21 of 51**	53.7%	**50 of 50**	46%
Illinois	39.9%	**16 of 51**	34.2%	**40 of 50**	44%
Nationwide	36.7%	**n/a**	34.8%	**n/a**	50%

* Includes Washington, DC, bringing the total to 51.

At the same time, New York policymakers are hoping to cultivate and grow the high-skill, high-wage sectors of the state's economy. To do so, a well-educated workforce will be required, one that is ready to work in these demanding jobs. In July 2004 testimony before the House of Representatives Financial Services Committee, Federal Reserve Chairman Alan Greenspan noted that there is "a major problem of matching skills of workers to the technology base of the economy," dubbing this gap a "skill premium."[39] For businesses in need of high-skills workers and job-seekers looking to move up to the high-wage paychecks that come from these economic sectors, New York needs to improve opportunities for low-income workers to acquire in-demand skills.

In many ways, New York does have an enviably well-educated workforce: 42.2 percent of adults ages 25-54 have earned an Associates Degree or higher—a better figure than the national average and three of the five comparison states (see Table 2-1)—and 37.1 percent of young adults are actively engaged in post-secondary education.[40] The state also fares well on the measure of community college students who return to school after their first year: 61 percent of New York students do so, near the top of state averages that range between 43 and 63 percent.[41]

Unfortunately, the state displays an "hourglass" pattern when it comes to educational outcomes—more at the top and the bottom, fewer in the middle—that keeps too many New Yorkers at arm's length from good jobs in a knowledge-based economy. As in other states with a large immigrant population, a significant portion of low-income families in New York—35.5 percent—include a parent who failed to finish high school. Even more disturbing is that fully 50 percent of New Yorkers age 16 and over have low literacy.[42] Inadequate education and skills are undoubtedly a factor in holding many families near poverty.

Four-year college degrees remain far out of reach for most adult low-income workers. The state's skill-building education and training systems—community colleges, workforce training programs, training opportunities for welfare recipients, and adult education—are the key to upgrading workers' knowledge to the point that they are prepared to compete for better-paying jobs. New York performs well in a number of

NEW YORK CITY AND YOUTH EMPLOYMENT

No discussion of working issues in New York City is complete without considering how the city prepares its young people for the future world of work. One million New Yorkers, a full ten percent of the city's population, are between 16 to 24 years old,[43] and more than 200,000 of them are both out-of-school and ill prepared for work, with little training or higher education, according to a forthcoming study by Civic Strategies, a Boston-based consulting firm.[44] For these youth, a lack of basic competency in reading, writing, and math and little experience in the workplace makes finding a job increasingly difficult. And their numbers are growing. Each year, another 50,000 to 60,000 of the city's youth leave high school without graduating. The statewide switch to standards-based testing, in particular the requirement that New York students must pass a series of Regents exams in order to graduate high school, is exacerbating the problem.

At the same time that the number of disconnected young adults is growing, public dollars invested in serving them have declined. Civic Strategies estimates that only 5,000 to 6,000 young adults received any services in 2002. At best, public and private programs serve fewer than 10 percent of out-of-school and unemployed young people—no more than 20,000 of them.

If education is going to blaze New York's trail toward a high-skill, high-wage economy, policymakers must build on successes and recognize where gaps are leaving struggling families behind.

Compounding the problem is the lack of a coordinated strategy. The city's Department of Education recognizes the importance of the issue, but has been so consumed with its reform efforts that there is little focus on this population. In 2003, Mayor Bloomberg signaled a greater focus on workforce issues in general by moving adult job-training programs to the Department of Small Business Services, giving the Department of Youth and Community Development the responsibility for youth training. But the two agencies have done little to coordinate their offerings. Making matters worse, "older youth"—those between 18 and 24—are often caught in a bureaucratic no-man's-land between these two agencies, both of which have some mandate to serve them.

these programs compared to national averages (see further analysis of the specifics in each system's overview below), but on balance they are woefully under-funded and are not performing at a level adequate to meet state leaders' vision for New York's economy in the 21st century.

New York must expand the frame of opportunity for residents looking to make real progress toward economic self-sufficiency. Cost remains a significant barrier to higher education. Federally funded training programs do not reach far enough. Many education policies and programs are not sufficiently focused on workforce needs. If education is going to blaze New York's trail toward a high-skill, high-wage economy, policymakers must build on successes and recognize where gaps are leaving struggling families behind.

ASSESSING STATE POLICIES

HIGHER EDUCATION

Spurred in part by the sluggish economy after September 11th and in part by the demand for higher skills, the number of students at New York's community colleges has risen dramatically. Enrollment at the City University of New York (CUNY) for the Fall 2003 semester surged to its highest level since 1975. The State University of New York (SUNY) saw a similar jump: After six straight years of growth, Fall 2003 enrollment exceeded 409,000 students, the highest level ever.

But for low-income New Yorkers who are ready for community college, the cost of higher education remains a significant obstacle—and the supports and incentives that can assist them often do not align with their needs. At an average cost of $3,033 per year, community college is more expensive in New York State than in all but two other states. The figure is nearly twice the national average and more than all of our five comparison states, according to a report released in September 2003 by the American Association of Community Colleges (see Table 2-2).[45]

In 2003 SUNY raised its cost for in-state undergraduates by $950, to a total of $4,350 per year, while CUNY enacted a 25 percent hike, for a yearly price tag of $4,000. Tuition at the six two-year colleges in the CUNY system also increased, from $2,500 to $2,800 for the full college year. Costs may continue to rise. While neither system wants to raise tuition again so soon after the 2003 increases, SUNY's chancellor declared in February 2004 that the system needed $50 million more than was allocated in the governor's January budget, and CUNY officials announced that their system required another $18.6 million over what the governor had included.[46]

In order to keep higher education within the reach of less well-off New Yorkers, the state offers a Tuition Assistance Program (TAP) with a maximum grant of $5,000 for students who are financial dependents, are married, or have children of their own. Because of this program, New York is the national leader in providing assistance to the economically needy for post-secondary education (see Table 2-2).

With college costs almost certain to exceed the maximum within a few years, SUNY and CUNY leaders are urging state officials to increase the award. However, the amount provided to each student may instead soon move in the other direction. More than a quarter of the total 2003 TAP budget—some $230 million—came from surplus federal TANF funds. These funds were not available in 2004. Perhaps with this potential shortfall in mind, for the past several years Governor Pataki has proposed deferring a third of TAP awards until students graduate, creating a fiscal incentive for them to complete college. Though this proposal has yet to be enacted, education advocates fear that such a change would discourage some students from entering college at all.[47]

TAP faces concerns about its focus as well. The program does not currently support part-time adult students who work, a group that includes working parents trying to meet expenses while improving their capacity to provide for their families. Recent enrollment figures strongly suggest that this group accounts for a growing portion of college-goers in New York. In 2003, the composition of CUNY's student body showed significant change from just five years earlier: Students on average were older, much more diverse—hailing from an astounding 167 countries—and much more likely to have children. In fact, CUNY's enrollment in adult education classes shot up 31 percent between the 1997-98 school year and 2002-03.[48]

Older students looking to bridge the skills premium gap have different needs than the traditional undergraduate focus on broad-based liberal arts education leading to a college diploma. But as these students have appeared on campus in larger numbers, state policy has not adjusted to meet those different needs: New York's student subsidies do not pay for the career-oriented, non-credit classes that add marketable skills. This is particularly important in the many industries where employers increasingly demand higher levels of skill and specific courses of instruction. New York is behind the national curve in this area. More than 20 states, including California and Ohio, provide state resources to their community colleges to support non-credit career classes.[49]

Furthermore, only about half of New York students supported with funds from the Carl Perkins Vocational and Technical Education Act, a federal program that supports academic and technical learning in a work context, complete their studies and earn a degree or credential.[50] The population that accesses Perkins funds typically come from circumstances that can make sticking with an educational program difficult. However, New York's lack of data makes it very hard to determine whether (and how) the state's Perkins students could do better. For example, the state does not track the percentage of students who go on after their schooling to earn above poverty wages. States such as Florida, which found that 88.1 percent of those Perkins students who were placed in jobs are earning above

More than a quarter of the total 2003 TAP budget—some $230 million—came from surplus federal TANF funds. These funds were not available in 2004.

TABLE 2-2: COMMUNITY COLLEGE COSTS

	Annual Average Tuition Rates for Community College	**National Rank*** **(least expensive is #1)**	State Support for Need-Based Postsecondary Financial Aid[51]	**National Rank**
New York State	$3,033	**40 of 43**	102%	**1 of 50**
New Jersey	$2,145	**18 of 43**	98%	**2 of 50**
Massachusetts	$2,700	**37 of 43**	70%	**8 of 50**
Ohio	$2,225	**30 of 43**	35%	**21 of 50**
California	$451	**1 of 43**	54%	**11 of 50**
Illinois	$1,429	**12 of 43**	88%	**7 of 50**
Nationwide	$1,560	**n/a**	35%	**n/a**

* Seven of the 50 states provided too few cases to cite an estimate in this study. We have provided the rank among the 43 states that provided sufficient information.

poverty, have a much better handle on program performance and can make resource allocation decisions accordingly.

TABLE 2-3: WIA PERFORMANCE

	Employment Within Three Months of WIA Training	National Rank*	Still Employed Six Months After Being Hired	National Rank*	Unemployed WIA Adults Who Received Training	National Rank
New York State	74.5% (4,727 of 6,345)	**6 of 52**	78.9% (12,845 of 16,272)	**44 of 52**	19.2%	**50 of 50**
New Jersey	52.2% (1,353 of 2,593)	**46 of 52**	83.9% (2,092 of 2,493)	**24 of 52**	79.1%	**8 of 50**
Massachusetts	66.8% (683 of 1,022)	**20 of 52**	79.9% (1,091 of 1,366)	**42 of 52**	56.7%	**18 of 50**
Ohio	60.7% (2,565 of 4,229)	**31 of 52**	82.9% (3,963 of 4,783)	**28 of 52**	65.2%	**16 of 50**
California	53.9% (7,050 of 13,090)	**43 of 52**	80.8% (20,036 of 24,804)	**39 of 52**	36.1%	**37 of 50**
Illinois	64.6% (1,050 of 1,625)	**24 of 52**	86.1% (2,052 of 2,383)	**12 of 52**	48.3%	**27 of 50**
Nationwide	61.5% (54,633 of 88,845)	**n/a**	82.7% (124,329 of 150,282)	**n/a**	41.4%	**n/a**

* Includes Puerto Rico and Washington, D.C., bringing the total to 52.

WORKFORCE DEVELOPMENT

New York's workforce investment system is arguably the most prominent of the "skill-building" networks offering supplemental educational and training opportunities. Funded under the federal Workforce Investment Act (WIA) and comprised of one-stop workforce centers throughout the state and specially focused statewide programs, the system is intended to serve unemployed and employed workers looking to improve their earning power, as well as employers with hiring and related needs. Services for workers include providing job leads, basic counseling on how to prepare a resume and interview for a job, classroom training paid for with Individual Training Account (ITA) vouchers, and on-the-job and customized training opportunities with employers.

By several measures, New York performs well in providing these services, but the system serves only a small percentage of eligible jobseekers. And since reporting on some WIA outcomes, including long-term job retention and wage gains, is often inadequate, in many ways the state simply does not know just how effective services are.

When evaluating workforce development in New York, it's important to keep in mind that the law of WIA leaves many policy choices, from setting local training priorities to whether and how to provide supportive services, to the discretion of the 33 local workforce boards in New York. The state largely embraces this concept of devolution—a reasonable approach, considering the substantial variation in conditions across the state. For example, each local workforce investment area has its own mix of community-based organizations, educational institutions, social service providers, and government agencies that deliver services. Funding levels, priorities and the exact menu of services available all vary widely from one service area to the next.

Unfortunately, while federal investment in workforce services has dropped off over the past few years, required spending on WIA infrastructure and outcomes reporting has not. The state's discretionary funds, comprising 15 percent of the total federal allocation, have been earmarked for dislocated workers who have lost their jobs as part of economic structural changes and for incumbent workers, through programs like Building Skills in New York State (BUSINYS), discussed at greater length in Chapter Three. This has meant that local workforce areas must pay for training of unemployed adults almost entirely out of their own allocations.

How well have they done? For Program Year 2002, an impressive 74.5 percent of those who received training under WIA programs statewide had found employment within three months of exiting the program, outperforming the national average and all the comparison states. And six months after their initial placement, 78.9 percent of WIA participants were still on the job. This ranks below all of the comparison states, but only by a few percentage points for most (see Table 2-3).

In part because of policy choices and scarce resources, however, New York does not compare as well in the percentage of unemployed adults receiving WIA training. Less than one in five received training in New York State, ranking the Empire State lowest in the country on this measure. The percentage of unemployed adults receiving WIA training is less than half the national average (see Table 2-3).

State officials point to the wage gains of those who have gone through WIA-funded programs as the most important indicator of program success. As one might expect, performance has varied widely, but 13 of 33 jurisdictions reported half-year average wage increases of $3,000 or more for those who received services during Program Year 2002. The average gain statewide in that year was $2,610 for all adults served under WIA.[52]

But this indicator is of limited use in providing a comprehensive look at program performance. It's much easier to record large wage gains by focusing on jobseekers with little or no wages at the time of registration—and 30 of 33 local workforce areas registered more unemployed workers than employed for the most recent available reporting periods. Simply using wage gains as a measurement tool arguably creates perverse disincentives to serve those already on the job.

Because of WIA's devolutionary philosophy and the wide discrepancy in funding available to different local workforce areas, it is difficult to offer blanket assessments of specific policy choices. For example, there are major questions around the usage of and return on investment for Individual Training Account vouchers: The problems with wage data reporting (see endnote 51) and lack of provider follow-up in some local areas—prominently including New York City—make it difficult to determine whether ITAs played a decisive role in helping participants find work. The state should increase fairness across jurisdictions by setting more universal standards for when to refer participants into training.

Furthermore, several workforce areas—again, including NYC—have limited the number of jobseekers with access to training by failing to integrate WIA resources with other support such as the Tuition Assistance Program and federal Pell grants. Other counties have found innovative ways to accomplish this. Oneida County, for example, trains incumbent workers across a broad spectrum of income levels by merging federal workforce funds, Temporary Assistance to Needy Families funds, and county money. New York State can and should highlight such innovations and success stories and help other counties in replicating them.

WELFARE

The federal Temporary Assistance to Needy Families (TANF) program also allows for a great deal of state discretion. Both within New York's state government and in many counties, public officials made a conscious choice to emphasize rapid attachment to work for former welfare recipients and then to provide work and income supports through its two programs that provide welfare benefits: Family Assistance and Safety Net. One consequence of this choice, however, is that New York ranked near or at the bottom of all states in the percentage of TANF participants the state assigned to on-the-job training, vocational education and job skills training, according to the most recent federal data available.[53]

Judged by its stated standard of success, New York can claim impressive results. Welfare caseloads in the state declined by a remarkable 63 percent between 1995 and November 2002, a drop of more than 1 million individuals.[54] Many of these former welfare recipients are working (although it must be noted that the increase in official employment is substantially smaller than the drop in the welfare rolls, and the large majority of those who have left welfare still receive one or more forms of public support).[55] Clearly, for many transitioning from welfare to work, the "work first" philosophy is exactly the right approach: These individuals might not be interested in classroom-based training, or do not have the requisite baseline level of skill to benefit from such an approach.

New York does not compare well to other states in the percentage of unemployed adults enrolled in WIA receiving training. Less than one in five received training in the state.

Others in the welfare-to-work population, however, want to raise their earning potential through career-specific education or by learning workplace skills, knowing that over the long haul, they will earn much more. New York has not adequately served this group. Access to training and education is only available under certain restricted circumstances that vary from one local service area to the next. There is no outcome tracking to speak of, with no statewide definition of what qualifies as education, programmatic changes from year to year, and little money for evaluation. Whether by performing its own more rigorous evaluations of program participants or by supporting service providers to do so, the state must make a greater effort to determine which individuals would reap the greatest benefit from training and education.

New York's policy choices in this area suggest that state leaders share the conclusion reached by numerous conservative think tanks and policy analysts during the 1990s: Job training is of limited value as an anti-poverty strategy.[56] To be sure, publicly funded training programs of earlier decades were beset by poor implementation, insufficient accountability and too little connection to the real needs of employers, leading to disappointing results. We are not advocating a return to the lax standards of those flawed efforts, and we do not feel the state should offer universal access to training. New York's emphasis on work is a sound philosophical basis for policymaking and is consistent with the widely reported finding that most participants are more interested in quickly earning a paycheck than in receiving classroom-based instruction.

TABLE 2-4: ADULT EDUCATION SPENDING

	State Adult Ed Funds Per Student without HS Degree or GED	National Rank
New York State	$37.17	**18 of 50**
New Jersey	$42.33	**15 of 50**
Massachusetts	$73.97	**8 of 50**
Ohio	$13.07	**35 of 50**
California	$90.84	**7 of 50**
Illinois	$6.83	**42 of 50**
Nationwide	n/a	**n/a**

As other studies and the bipartisan support for the 1998 Workforce Investment Act demonstrated, however, a more focused and targeted approach to training is an important tool for helping unemployed, under-employed and low-income workers improve their earning power and prospects for self-sufficiency.[57] In other words, state officials should not perceive an either/or choice between supporting work and facilitating educational attainment and skill development. A great deal of research has concluded that a mix of focus on rapid attachment to work with education and training—individualized to each client's circumstances—tends to yield the best results. Participants and their caseworkers should work together to identify and pursue educational and training opportunities when these opportunities make sense.

ADULT EDUCATION AND LITERACY

Unlike job training, adult education has never come under sustained public attack. In New York, however, adult ed programs—a baseline system of literacy instruction, high school equivalency instruction, English training for native speakers of other languages, and citizenship education and related programs—have received scant attention as a tool to help low-income workers. But both the ongoing influx of immigrants and the aging of the workforce throughout upstate New York suggest that these programs will be far more important in developing the state's "human capital" in the years to come than has been the case in the past. Unfortunately, state officials have largely failed to build the necessary bridges between adult education and other areas of state policy, particularly workforce development.

In terms of spending per capita on its adult education system, New York compares favorably to the nation as a whole. In addition to the "standard" adult ed programs, New York also provides its own dedicated resources for workplace literacy, the $84 million Employment Preparation Education fund. The Empire State expends an average of $37.17 per adult without a high school diploma or GED, placing us in the top half of all states, below New Jersey, California and Massachusetts and firmly above both Ohio and Illinois.[58]

New York met or exceeded the national median on 12 of 15 performance indicators in 2000-2001, according to information the state submitted to the U.S. Department of Education. Federal officials imposed a corrective action plan to address the areas in which the state has not performed well, and state officials have taken some steps to improve accountability among adult ed providers, instituting an automated data system and sanctioning provider agencies that fail to meet state performance targets. Sanctioned agencies must submit corrective action plans and undergo on-site review by teams from the State Education Department.

But despite these improvements, the adult ed field is not performing as well as it needs to in order to successfully serve the growing need. Insufficient attention from higher officials and a failure to integrate adult ed functions into local workforce systems have limited the value of state offerings to jobseekers. Though it is addressed within WIA, most local workforce boards in New York have not given serious thought to how to incorporate adult ed into their larger skill-building strategies. Another element of the problem is that while adult education agencies are "mandated partners" under WIA, workforce boards do not have real authority over any resources those agencies control. This ambiguity in the federal law has frustrated policymakers and left all involved unclear on precisely where the lines of responsibility are drawn.

Adult literacy should not be a secondary concern. As noted in this chapter's introduction, more than a third of New York's low-income working families include a parent who is a high school dropout, and fully half of adults in the state have low literacy. It is very difficult to move out of poverty with such deficiencies. Until workforce leaders at the local or state level, or both, make adult education more of a priority and determine how better to integrate it with the workforce system, New York likely will continue to see the potential of these programs go unfulfilled.

One noteworthy gap in the state's programming — English for Speakers of Other Languages (ESOL) geared toward adults—has attracted somewhat more attention. As is the case in many issue areas affecting low-income New Yorkers, government policies have not kept pace with changing conditions. A 2001 report from the New York Immigration Coalition found that government support for ESOL classes actually dropped through the 1990s.[59] The current federal budget earmarks a total of only roughly $10 million to New York State for civics and English language programs, or about $2.38 for every immigrant New Yorker.[60] The governor's 2005 budget did not include any TANF funding to support English classes for adults who earn less than 200 percent of the federal poverty level, reversing five years of annual expenditures of more than $10 million for these ESOL programs.

In terms of stark economics, there's reason to believe that ESOL programs pay for themselves—and then some. Research suggests that increasing a worker's English proficiency by one level, as defined by the Census, has approximately the same impact on workplace earnings as an additional year of education. If the city could improve the English proficiency of 10 percent of its adult population by one level over the next ten years (serving about 55,000 per year, at an annual cost of $66 million), it would translate into an annual increase in the City's total economic output of more than $900 million in increased tax revenues and reduced social spending.[61] This would result in a financial gain to New York City and New York State of approximately $115 million per year by 2010, in 1999 dollars—an impressive 11.1 percent internal rate of return.

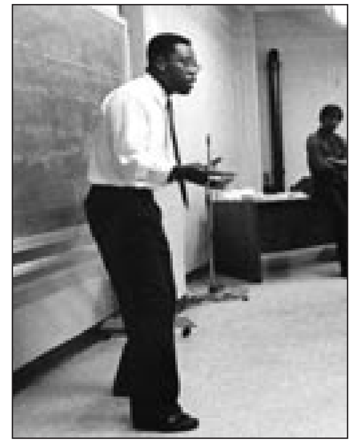

Photo by Bill Goidell

Recommendations

Set out clear rationales and explicit goals. Putting it succinctly, if these programs don't lead to wage gains for participants, they aren't successful. To focus the state's education and training systems on the needs of low-income New Yorkers, state agencies should set common program goals around wage attainment—and enforce accountability when those goals are not met.

- We suggest that state officials target annual wages equivalent to 200 percent of poverty as the outcome goal for higher education and workforce training programs. Adult education and training for welfare leavers should aim for more modest targets.

Commit to better tracking and evaluation of state policies and investments. New York must do a better job of tracking and critically evaluating how we expend our resources. It is irresponsible to continue the current philosophies and patterns of spending without critical self-analysis of what is working and what is not.

- The State Departments of Education and Labor should take the lead in establishing an inter-agency task force for program performance analysis, looking at the state's higher education investments, return on training vouchers under WIA, and other areas where data is lacking to determine performance.
- This task force should report to the state Workforce Investment Board, which has final authority to set funding for these programs, and work with the 33 local workforce boards in gathering information from jobseekers and employers and asking hard questions of service providers.

Create incentives for combining resources and coordinating efforts across programs.

- Limited resources make it more important than ever for New York to work toward a true "system" to provide education and training opportunities to those who seek them. For example, Oneida County, which has combined workforce, welfare and local discretionary money to create a seamless working training program, can be a model for jurisdictions throughout the state.

HIGHER EDUCATION

The state's post-secondary system should make it a higher priority to help workers receive the schooling they need to move up the career ladder, especially recognizing the needs of low-income workers.

- New York should reaffirm its historic commitment to the Tuition Assistance Program as a top budget priority. As California and other states have done with similar programs, the state legislature should exempt TAP from Albany's annual budget battles and tie both overall funding and award levels to the cost of education.
- Support vocational education at the post-secondary level. For an increasing number of non-traditional college students in New York, the primary reason for taking classes is to increase earning power. The Empire State should join the 20 states already offering financial assistance for non-credit, workforce-oriented programs of study. And community college systems administrators should think hard about how they can better serve non-traditional students—by changing class offerings, providing financial incentives of their own, or through other means.

WORKFORCE DEVELOPMENT

The state needs to ensure that minimum standards and best practices are in place throughout the state, even under a system that gives substantial control to the state's 33 local workforce investment areas.

- Establish general standards across the state for who qualifies for job training. Without these standards, the current system is unfair both to jobseekers and to local employers.
- Create greater incentives for local areas to serve incumbent workers. Several of the performance indicators on which local areas are judged offer tacit encouragement to focus on unemployed jobseekers, leaving those who are not paid well at a current job with insufficient services.
- Improve evaluation of the effectiveness of Individual Training Accounts. Questions persist about the degree to which ITAs help users find employment and if they provide enough value to really help users toward career-track jobs with potential for upward mobility. With New York spending millions on these vouchers each year, greater accountability is badly needed.
- Integrate WIA resources with other funding streams for worker training and advancement, such as federal Pell grants, Perkins Act dollars and the state TAP. Some local areas have made more progress than others toward this statutory goal, but state officials should work with jurisdictions that haven't done as well to figure out systems for connecting their local WIA participants with the full range of resources available to help them get training.

WELFARE

Make a greater effort to determine when participants might significantly benefit from education and/or skills training. We agree that most of those transitioning from welfare to work are best helped by quick entry into the workforce, but New York can and should do more to train program participants who have baseline skills with an eye toward earning higher wages.

- Rather than "choosing" between one approach and the other, state officials should aim to serve each individual with a targeted, individualized mix of activities. The apparent ideological disinclination toward training in almost all circumstances serves neither those welfare leavers with interest and aptitude for training nor state employers who need better-skilled workers.

ADULT EDUCATION

New York's adult education system needs focused, sustained attention and strong leadership on the part of policymakers. We recommend a thorough reassessment of adult education in New York, with an eye toward how the system provides low-wage workers with the basic competencies for better jobs and/or further education or skills training.

- Demand greater accountability from providers by setting stronger performance goals around literacy improvement, educational attainment and wage gains and by terminating the contracts of service providers who consistently fail to meet those goals.
- State officials and local workforce boards should take steps to integrate basic educational offerings into the larger network of workforce programs. One way to do this would be to develop pathways from basic skills instruction to more specific job training.
- Focus on the educational and occupational needs of immigrant New Yorkers. Much greater investment in English for Speakers of Other Languages is a crucial first step in cultivating the skills of this population.

Until workforce leaders make adult education a priority, New York likely will continue to see the potential of these progams go unfulfilled.

Chapter Three
Economic Development

Photo by Christoph Lingg

Economically, New York State has a pair of difficult problems: high unemployment and a knack for generating low-paying jobs. Some low-wage job creation is inevitable. Retail and tourism-based occupations offer low pay and little room for improvement. But few states in the country are as poised to create more—many more—high-skill and high-paying jobs as New York. Without an economic development system that is focused on linking workers to these jobs, however, conditions are likely to remain the same.

The issue of economic competitiveness in the state now hinges on economic mobility—moving workers up career and wage ladders into industries with real potential for growth. In some New York City boroughs and major pockets upstate, the unemployment rate hovers at more than 10 percent—about twice the national average—and the statewide rate is above the national average and that of three of our five comparison states. But even more troubling is that too many of those who are employed work for low wages.

TABLE 3-1: HARD TO FIND A JOB THAT PAYS

	Unemployment Rate, 2003	**National Rank**	Percentage of Workforce in Low-Income Jobs	Number of Workers in Low-Income Jobs	**National Rank**
New York State	6.1%	**39 of 50**	32.0%	2,413,053	**47 of 50**
New Jersey	5.7%	**31 of 50**	26.2%	955,053	**32 of 50**
Massachusetts	5.7%	**31 of 50**	24.6%	677,700	**29 of 50**
Ohio	5.7%	**31 of 50**	23.4%	1,125,446	**18 of 50**
California	6.5%	**44 of 50**	25.0%	3,435,075	**29 of 50**
Illinois	6.5%	**44 of 50**	23.4%	1,205,261	**18 of 50**
Nationwide	5.7%	**n/a**	23.8%	27,787,073	**n/a**

About a third of New York's workforce is in low-income jobs, the fourth-worst percentage in the nation, lower than all five of our comparison states and more than 8 percent worse than the national average (see Table 3-1).

The problem is getting worse over time, with wages falling throughout New York. Since the 2001 recession, in every region except for the North Country (which comprises seven counties in the northern part of the state), high-wage jobs have been replaced by lower-paying work.[62] In the Capital District (the Albany-Schenectady-Troy area), the average wage of the ten largest employment growth industries was $33,837, compared to the average wage of $42,864 for the ten industries that lost the most jobs. Jobs in relatively well-paying blue collar fields such as manufacturing, and white-collar ones such as financial activities, have fled New York; what growth the state has seen is concentrated in less compensated positions in fields such as health and hospitality services (see Table 3-2).

Table 3-2 highlights a lot of low-wage job creation, but New York has all the required elements for robust high-wage economic growth: research universities, targeted technology investments, and a workforce that includes millions with high educational attainment and specialized training. New York City's continued dominance in the areas of finance and media is well known, but the upstate economy offers the most potential to add skilled jobs. Educational services, health care and information-based sectors are projected to dominate employment growth north of Westchester for the next twenty years. The key, in many ways, is to grow the best-paying parts of these industries, with career potential, and not to settle for low-paying service jobs like home healthcare workers. And the Pataki administration seems to support this approach, having pledged $283 million in state funding for a range of high-tech sectors including bioinformatics, photonics and nanoelectronics.

Despite all of these plusses, though, New York has exhibited a schizophrenic approach to job creation. The governor is pouring money into high-tech development through individual initiatives, but the majority of the hundreds of millions dedicated each year for economic development are not focused on high-tech. In fact, they are not really very focused at all.

Economic development almost by definition serves the needs of business. Traditionally, any benefits that accrue to the worker are secondary: Stronger businesses are assumed to need more workers and to pay them well. Because of this, economic development strategies are often forgotten when it comes to helping low-income working families. In other states, this is no longer the case.

More than at any point in history, economic development programs across the country are focusing on assisting both business *and* workers, because improving the standing of the local labor force is more critical than ever. Put another way, improving economic competitiveness is tied to the economic mobility of the state's labor force. When a state targets high-skill industries for growth, it must be able to provide a workforce that is prepared to move up the skills ladder and fill these positions. Highly skilled professionals such as doctors, stockbrokers and computer analysts are either already living in a region or can be recruited from elsewhere through competitive job searches. But the tens of thousands of workers needed for administrative, lab tech, and computer programming jobs must be drawn locally—and those regions that do not cultivate these positions fail to do so at their economic peril.

For low-income workers, there is much to gain by this focus on skilling-up entry and mid-level workers and strengthening the industries that depend on them. Home health aides, for example, can move up the career ladder to become registered nurses or administrators—jobs that pay better and offer more opportunities for advancement. And the positions that they leave behind are open for workers in low-paying industries or coming off public assistance.

Indeed, over the past twenty years many states have reconfigured their economic development efforts with two very specific mandates:

- **Sectoral Orientation:** States coordinate myriad tax relief, business assistance and infrastructure programs around a few core economic sectors that are best poised to provide well-paying jobs and have real potential for growth. This focus also allows assistance to better reach small businesses—the true job engine of the economy, responsible for an estimated 60 to 80 percent of net new jobs annually, and the biggest employer of low-wage workers.

- **Focus on Workforce Development:** The vast majority of states now have enacted a variety of worker and business training programs to respond to the high demand for a skilled labor force.

Some states have also taken the step of merging their workforce and economic development programs under one roof. Michigan is considered the most advanced in this regard: The economic development arm of the Michigan Department of Career Development works directly with businesses thinking of relocating to explore an appropriate mix of tax and infrastructure incentives, while the workforce team connects the firms to local labor exchange services such as the Michigan Talent Bank. All local economic development agencies in the state are now using supply-and-demand models to evaluate the alignment of current training services with business attraction programs. Similar connections have begun to emerge in Florida, Texas and Utah.[63]

But neither of New York's two major tools for economic development—subsidies and specially

TABLE 3-2: NEW YORK EMPLOYMENT BY ECONOMIC SECTOR, MARCH 2001 – MARCH 2003*

SECTOR	MARCH 2001	MARCH 2003	CHANGE	PERCENT CHANGE
Manufacturing	728	621	–107	–14.7%
Trade, Transportation, & Utilities	1,514	1,461	–53	–3.5%
Information	330	281	–49	–14.9%
Financial Activities	742	694	–48	–6.5%
Professional & Business Services	1,108	1,023	–85	–7.6%
Education & Health Services	1,435	1,495	60	4.2%
Leisure & Hospitality	610	608	–2	–0.4%
Other Services	344	347	3	0.9%

* All raw numbers in thousands

targeted areas called Empire Zones—have a sectoral focus or include a significant worker training component. The underlyin g problem is that the state's economic development is unfocused in general. For example, in the past fifteen years New York has set up and then de-funded three different business training programs. And the state's Empire State Development Corporation is viewed as a "lone ranger" parceling out tax relief and other benefits to major businesses, rather than the center of a coordinated economic development philosophy.

SUBSIDY PROGRAMS

New York's Empire State Development Corporation (ESD) mixes and matches tax breaks and other incentives to attract large companies, a common practice in today's economy. The two primary subsidy programs administered by ESD are the Economic Development Fund and Jobs Now. Together these programs have approximately $100 million annually to spend on enticing businesses into New York with tax breaks, loans to build a new facility, training—whatever it takes.[64] State economic development officials might use the subsidy programs to court a new aviation hub for FedEx, for instance, or catch Pfizer's interest in expanding their business in the Northeast. Whenever any such business indicates an interest in locating to the state, ESD officials swoop in to offer inducements for them to move here.

About a third of New York's workforce is in low-income jobs, a larger share than all five of our comparison states and more than 8 percent worse than the national average.

There are endless debates about the value or even the wisdom of such an approach. Many studies have shown that such incentive packages do little to truly affect business location decisions, but ESD argues that when neighboring states such as Pennsylvania and New Jersey offer similar packages, New York must compete. The argument about the merits of subsidy programs is outside the scope of this report.

Generally hidden by the heat of the debate over the wisdom of business subsidies in New York, however, is the plain fact that the programs have no direct connection to low-income workers. Like many states, New York does not demand that subsidy programs be responsive to any particular population—low-income workers included. Neither the Economic Development Fund nor Jobs Now mandate that subsidy recipients hire any particular type of worker or invest in upgrading the career potential of any workers. At best, subsidies offer some hope that any jobs created will be of a pay scale and type that can help New Yorkers at the low end of the job spectrum.

Additionally, the tax break benefits offer little assistance for small business—the largest employer of low-wage workers. Small firms have virtually no tax liability to speak of, so those incentives don't mean much for them.

More troubling—and more of an anomaly compared to other states—is the complete lack of strategy attached to New York's subsidy programs. Many states focus subsidies on industries with the most promise to create relatively high-wage jobs with advancement potential, a sectoral strategy that would prioritize life sciences or manufacturing, for instance, over retail. New York has come close to embracing an explicit sectoral strategy at different points over the past ten years, as ESD has hired some of the best consultants in the field to explore this approach. But the state has yet to adopt it as policy.

EMPIRE ZONES

The state's other main economic development program is Empire Zones, a program that has moved far from its original purpose of helping low-income workers and communities by luring businesses to targeted areas of high poverty and unemployment. Established in 1986, Empire Zones are similar to federal empowerment zones in that both target business incentives within a specific geographic area; the state program is more variable and can be as small as a single building or as large as two square miles. Empire Zones are administered at the local level by Zone boards to tailor programs and incentives to their unique business climate. The boards are appointed locally and report to ESD. Businesses in an Empire Zone are eligible for reductions in state taxes, tax credits on wages paid to new employees and refunds on state sales tax paid for materials used in building in the zone, among other benefits. Currently there are 72 Zones, spread across 51 of New York's 62 counties, serving a total of 8,600 businesses.

In early 2004, the State Comptroller issued a blistering assessment of the Zones that noted the state's failure to require basic reporting on key indicators such as how many new jobs have been created through the program. Only 26 percent of the businesses even bothered to submit required information—and of those that did so, only 33 percent had met job creation goals. The information that *has* been turned in is compiled differently by each Zone,[65] and it has not been used by ESD to make any overall assessments or improvements to the program. The audit has caused a minor furor, and stakeholders from the Republican Governor to the Democratic-controlled Assembly to business-backed advocates have called for major reform and greater accountability.

Media critics have also questioned the state's fast-track approval of 20 new Empire Zones in the past five years, many of which went to wealthy suburbs with politically connected businesses and politicians, rather than relatively impoverished areas. All the changes to the Empire Zone project have led one Pataki official to characterize it as "a program on steroids," and even the conservative Manhattan Institute's E.J. McMahon told *Newsday*, "This program clearly has gotten out of hand, there are too many zones and they arrayed in a pattern that reflects the political map rather than any map of economic need. The zones should be scrapped and we should start over from square one."[66]

This bipartisan consensus to reform the program signals the possibility that Empire Zones might be revamped, especially since the program was scheduled to sunset on July 31, 2004. But like many important pieces of state business, the entire discussion was put on hold as the legislature and governor eked out a budget in August and simply extended the program through the calendar year.

STATE-SUPPORTED TRAINING PROGRAMS

The biggest concern about the state of New York's economic development for low-income working families is the lack of coordinated support for worker training programs. The issue has a history littered with politics, poor commitment and mixed signals.

Of the three economic development programs assessed in this chapter, worker training, which is also referred to as incumbent worker or business-designed training, is the most likely to directly benefit low-income workers. Worker training programs designate a pool of funds that companies can apply for specifically to upgrade their workforce, and they often leverage private sector dollars by requiring a company match. Unlike subsidy-based economic development packages, incumbent worker training programs allow state governments to make aid conditional upon companies hiring and training specific populations such as entry-level workers or low-skilled jobseekers. Such programs are a win-win for workers and business: Companies gain the exact skills they need to attain increased competitiveness and workers gain the skills needed to move up a career and wage ladder.

The popularity of these programs has grown in recent years, with 45 out of 50 states now allocating money toward customized training.[67] Total funding has more than doubled nationwide in the past ten years to nearly half a billion dollars. In fiscal year 2003, New Jersey allocated $17 million, Massachusetts $19.5 million and Ohio $12 million for worker training. A newly created program in Illinois set aside $16.3 million last year. States such as Iowa, Texas and North Carolina often turn to their community college system or other post-secondary institutions as partners to provide the training. California's program is by far the largest, allocating more than $119 million in fiscal year 2003 through the California Training Panel (CTP), a stand-alone agency dedicated exclusively to funding training. The California program targets high-growth companies and focuses on programs jointly designed by businesses and labor and on training that is linked to a career ladder. Since its creation 22 years ago, CTP has trained more than 550,000 workers and enjoyed consistent support from local businesses and politicians.

New York's support for customized training does not even approach California's consistency or strategy. Originally, New York *was* a pioneer. In the 1970s, a major program called the Employer Specific Skills Training Grant program (ESSTG) was established to assess the labor needs of New York-based businesses and create customized programs for workers to move up a career and wage ladder. Community colleges provided most of the training, and in 1989 ESSTG distributed $12 million in grants that trained more than 42,000 workers.

When ESSTG's Republican champion State Senator James Donovan died in 1990, Governor Mario Cuomo ended the program and moved to create his own training enterprise. After George Pataki defeated Cuomo in 1994, he quickly phased out this program, briefly leaving New York with no dedicated incumbent worker program at all. For the next six years, the

The biggest concern about New York's economic development for low-income working families is the lack of coordinated support for worker training programs.

Photo by Sue Calvin

state offered training as one of many economic development incentives within its subsidy packages.[68] Governor Pataki resurrected incumbent worker training in 2000 with the Strategic Training Alliance Program (STRAP), which functioned much like past incarnations and mostly benefited entry-level and mid-career workers.

STRAP was authorized by the state legislature in 1999 to spend up to $35 million over three years. From its inception in 2000, STRAP provided training for 21,000 workers. Like past state training programs, STRAP won rave reviews from participating businesses. An audit of the program by Dr. Igor Zurbenko, a statistics professor at SUNY Albany, found that 98 percent of businesses were satisfied with their participation, nearly two-thirds reported that STRAP training enabled them to fill vacant positions, and half claimed it allowed them to expand their business and hire more people.[69]

The future of STRAP is very much up in the air. It is still on the books, but the state budget has not authorized any new funding. Federal funds have begun to fill the gap in other ways. Fully 15 percent of each state's Workforce Investment Act allocation can be spent at the governor's discretion, and this administration has chosen to use a significant and increasing amount of these funds to support customized training through the BUSINYS (Building Skills in New York State) program. In the past two years, more than $32 million has been spent, serving 550 companies and assisting more than 32,000 workers.[70]

As a program, however, BUSINYS is vulnerable. In a sense, it is not really a program at all, but a discretionary allotment, making it potentially subject to cuts in federal money, to state legislators eying the funds for other programs and even to the whims of the governor's staff who could decide to close the program without any other input. As the last of a long line of programs dedicated to worker training, BUSINYS suffers in the eyes of businesspeople, who have been unable to plan for the year-in, year-out support of a state system. New York needs a worker training system it can count on.

Recommendations

To build an economic development system for the 21st century, New York needs to tie economic development to economic mobility in a way that is responsive to both business and working New Yorkers. New York has a lot to work with—a workforce waiting for opportunity and major potential for high-wage and high-skill growth. The next steps are rather simple compared to the other policy chapters in this report: Articulate a strategic vision, focused on key sectors, that includes a well-funded incumbent worker training program. Equally important, New York needs to enforce more accountability broadly over all economic development programs to ensure benefits to business, the state and New York workers.

SUBSIDY PROGRAMS

Focus New York's major subsidy programs on high-wage and high-skill sectors. Subsidies to business are not the most effective tool for helping low-income working families. However, when the state does provide funding for subsidies, it should be focused on economic sectors that offer the greatest likelihood of providing well-paying jobs.

- New York policymakers should utilize a number of well-researched sector studies, some of which were directly commissioned by the state, to determine three to five key sectors on which to focus. These sectors should be folded into a strategic plan that is revised every four years.

- Accountability measurements should be built into the programs to ensure that funds are well spent and focused on the appointed sectors. Two possible measures could be the number of jobs created and the wage scale for new jobs.

EMPIRE ZONES

Consider phasing out this program, which is in disarray and has not been proven to help businesses or residents in its targeted low-income communities.

- The state must determine whether the Empire Zone program is worth maintaining at all. We recommend the governor appoint a panel of nonpartisan business, academic and union leaders to investigate charges that the program is ill-informed and overly politicized. One possible outcome might be to close down the Empire Zone program.

- If the program is maintained, the state must impose stricter accountability to ensure businesses are meeting their obligations. A series of well-considered measurements, including number of jobs created, wage levels and career advancement opportunities, should be defined and monitored annually.

INCUMBENT WORKER TRAINING

As part of an economic sector strategy, shift economic development resources to worker training, which is critical to business growth and can quickly move low-wage workers up career ladders.

- To build recognition in the business community, the state must forgo its on- and off-again support of this vital program. The state needs to settle on one name (at this point we recommend the current BUSINYS acronym) and support it through general operating funds to ensure its sustenance. Federal workforce dollars are far too vulnerable.

- New York should build in training program incentives based on career advancement for the working poor and other struggling workers. This can be done by identifying targeted workers at 200 percent of the poverty level and in high-growth industries and providing training grants to firms that guarantee salary increases if workers successfully complete the training. This does not preclude any particular business from receiving a training subsidy, but those that can prove economic mobility should receive preference if business demand exceeds the allotted amount of funding.

Chapter Four

Making Work Pay

Photo by David J. Friedman

From the combined impact of the federal and state EITC, a single working parent in New York earning $6.50 per hour and supporting two children would see her annual income after payroll taxes rise from $12,485 to $17,764.

Even for middle- and high-wage workers, "work supports" such as health insurance, family leave and childcare are important supplements to take-home pay—and potential causes of great aggravation. For low-income working families, who lack the resources to pay for private day care or even to take days off without pay because of a sick child, these supports are crucial to job retention and potential economic advancement. Indeed, state policies and programs provide the childcare and health insurance necessary to make work possible for many of these families. States also provide or mandate wage supplements such as tax breaks, food stamps, child support and unemployment insurance. Taken together, these supports ensure that hard work at a low-paying job does not leave a family at risk of hunger, homelessness, catastrophic illness or the other dangers associated with extreme poverty.

New York can proudly tout bold, creative and well-funded policies in many aspects of income and other supports. The state is a leader in supplementing income for those who work, with a generous state Earned Income Tax Credit and a commendable focus on providing childcare and other key services for low-income working families. For these programs, New York can and should improve its policies by refining the systems in place rather than any type of system overhaul—an evolutionary rather than revolutionary approach.

In addition to program-specific improvements, state officials should also consider how they can make the whole system of work supports more "user-friendly" for applying for benefits, maintaining eligibility, and smoothly handling transitions such as a change in occupational status. How can government create more and easier access points? Are there ways to simplify application processes or apply for several types of benefits at once? Do government offices offer business hours that align with the schedules of working parents? Can potential beneficiaries find out about eligibility for different programs at one-stop centers or welfare offices? Does it make sense to partner with employers in spreading the word about benefit eligibility or offering assistance with applying? State and local governments need to answer these questions if they are to get the most out of work supports designed to help low-wage New Yorkers.

A larger, more systemic issue facing New York policymakers is that for many of these key programs, the biggest concern is the many thousands of families who are unable to access generally well-run and useful systems because of a lack of funding for expansion, particularly in the cases of childcare and health insurance. The cost of offering eligibility to every New Yorker who could use these services would be massive. As we noted in the Introduction, New York can and must continue to provide these programs and work to improve them. But depending on government subsidies to bridge the gap between poverty and a low-wage job for a large percentage of New Yorkers is not a sustainable or effective path. In addition to the programs described in this chapter, the state must seek ways to help more New Yorkers help themselves toward self-sufficiency.

LOW-INCOME TAX POLICY

New York may get a bad rap for high taxes, but for working poor families, the state is a leader in providing income tax relief—even giving money back to many families. The average amount paid to all taxes remains high for poor New Yorkers, but the worst of the offending taxes in this regard are not state controlled.

New York is a national leader in its very intentional use of the state's Personal Income Tax (PIT) to reduce poverty by supplementing wages. New York's PIT is the third most generous in the nation to earners at poverty: A single parent family of three living in poverty in 2002 had a negative tax liability of $1,015, better than all five comparison states; in the case of

Ohio, California and Illinois, much better (see Table 4-1).[71] New York's PIT threshold, the income level at which families begin to owe any state taxes, is also generous: $26,838 for a married couple with two children.[72]

The primary vehicle for the state's tax assistance to low-income families is a substantial state Earned Income Tax Credit (EITC) that provides a significant work incentive, wage supplement and anti-poverty benefits to eligible working families.[73] The combined impact of the federal and state EITC on a New York single-parent, working household with two children earning $6.50 per hour is to raise household income after payroll taxes from $12,485 annually to $17,764.[74] New York boasts the largest aggregate state EITC among the 16 states that offer the program, a refundable credit estimated to be worth nearly $677 million to eligible taxpayers in Tax Year 2004. New York's EITC is 30 percent of the federal credit and is available to those earning up to about $34,000 in gross income, whereas in Massachusetts the credit is 15 percent and in New Jersey it is 20 percent and cuts off after a person earns $20,000.

An estimated 82 percent of those eligible for New York's EITC use it, an impressive figure credited in part to a bipartisan consensus on the value of the program and outreach efforts by the Pataki administration.[75] In July 2004, state officials announced that a program to encourage low-income working families to file for EITC through free tax preparation services had benefited more than 2,200 families statewide, netting them more than $5 million total. Overall, 1.3 million New York working families filed for the combined EITC. A proposed New York City EITC could further benefit low-income workers in the Big Apple.

In addition to the EITC, New York has the most generous Child and Dependent Care Credit (CDCC) in the nation, a refundable credit worth as much as $2,310 for a family with two or more children in 2003.[76] In total, the CDCC brought $234 million to eligible families in Tax Year 2004.[77] New York also has a College Tuition Tax Credit or deduction to promote higher education by offsetting a portion of out-of-pocket costs through the tax system.

The news isn't all good on the tax front, however: Low-income New Yorkers do pay high state and local sales and excise taxes, as well as high local property taxes. On average, New York's combined state and local tax burden for working families who earn at the poverty threshold comes to 12.6 percent of their income, higher than the national average and four of five of our comparison states.[78] Sales and property taxes obviously eat far into the savings provided to the working poor by the EITC, but the state does not have control over these locally set taxes. (It does offer a very modest Real Property Tax Circuit Breaker, predominantly for the elderly, to mitigate a portion of local property taxes.)[79]

MINIMUM WAGE

Closely connected to any discussion of the EITC is the issue of the minimum wage. New York's minimum wage is now set at $5.15 per hour, the same as the federal minimum wage.[80] New York's minimum wage is indexed to changes in the federal minimum wage, similar to many states. However, the federal minimum wage has remained unchanged since 1997, despite repeated legislative efforts to increase it, and overall has lost close to half its real value relative to inflation since the 1960s: If the minimum wage had been indexed to inflation, it would now be more than $7.50 per hour.

The federal minimum wage is uniform nationally, but as noted in Chapter One, the cost of living is considerably higher in New York than in many other parts of the U.S.—meaning that $5.15 per hour is even further from the wage needed to support a family here than it is almost anywhere else. In New York, the

TABLE 4-1: TAXES

	State Income Tax Liability for a Single Parent of Three at Poverty*	**National Rank**	Income Paid by the Lowest Quintile Families to all State and Local Taxes	**National Rank**
New York State	($1,015)	**3 of 50**	12.6%	**44 of 50**
New Jersey	($694)	**11 of 50**	12.4%	**42 of 50**
Massachusetts	($595)	**13 of 50**	9.3%	**9 of 50**
Ohio	$74	**40 of 50**	10.9%	**30 of 50**
California	0	**34 of 50**	11.3%	**31 of 50**
Illinois	$52	**38 of 50**	13.1%	**47 of 50**
Nationwide	n/a	**n/a**	11.4%	**n/a**

* Number in parentheses indicates average amount refunded

More than one-third of all minimum wage earners in New York are the main breadwinners for their families, and an even higher percentage are the "second earners" in two-income families.

legislature agreed earlier this year to increase the state minimum wage in stages to $7.10 per hour. Governor Pataki vetoed the bill during the summer of 2004; the state Assembly has voted to overturn his veto, with the Senate expected to follow suit later this year.

Approximately 700,000 workers in New York with wages between the current $5.15 per hour and $7.10 per hour would benefit from a state minimum wage increase, as would other workers above the new floor from the general upward pressure on wages. Of those benefiting, 74 percent are adults. More than half work full-time, while another 27 percent work between 20 and 34 hours weekly. Additionally, 61 percent of minimum wage earners are women, while 20 percent are Hispanic.[81]

WHO PAYS?

Some argue that because of New York's generous EITC, a state minimum wage increase is not needed. But it's important to keep in mind that not all of those eligible for the EITC receive it. And of those who do file for the EITC, nearly 90 percent get the money as one lump sum, limiting its ability to help families pay day-to-day expenses.

Beyond these practical issues, however, lies a philosophical question that has largely gone unanswered in New York: What is the balance between taxpayers' and employers' responsibility for helping supplement the earnings of low-income New Yorkers? Through measures such as the EITC and subsidized childcare, the case could be made that the public sector is effectively subsidizing employers who benefit from the labor of the state's lowest-paid workers. On the other hand, there are legitimate concerns that imposing mandates on business might lead to adverse effects on employment, or put New York firms at a disadvantage compared to businesses in neighboring states. Based on our research, we believe that the aggregate effect of raising the minimum wage on the purchasing power of low-income working families far outweighs the risk that state businesses will either cut back on hiring or suffer competitive disadvantage. But policymakers must consider the larger question whenever they consider offering new benefit programs or requiring employers to take steps for the well-being of their workers.

More than one-third of all minimum wage earners in New York are the main breadwinners for their families, and an even higher percentage are the "second earners" in two-income families.[82] Roughly half the total benefits of a minimum wage increase would accrue to families with annual income equal to or less than 200 percent of poverty. Some analysts have posited that an increase in the minimum wage could lead to job loss, but recent research examining the 12 states with minimum wages above the federal level seems to disprove this hypothesis.[83]

CHILDCARE

Childcare has become one of the most vital services supporting low-income working families, as more and more single mothers enter the workforce (in part due to changes in welfare law) and more married families need a dual income to get by. New York State does a commendable job of helping low-income families access child care. But overall unmet need for subsidized childcare remains high in New York, with hundreds of thousands of children remaining unserved.

New York deserves credit for expanding subsidized childcare, choosing to spend flexible TANF block grant funding to more than double the number of subsidized slots for children over the past decade (see Table 4-2). The state also should be commended for its complementary Universal Pre-K (UPK) and Experimental Pre-K Programs, which provide vital early learning and care opportunities for 3- and 4-year-olds (although UPK's funding has peaked at $201.9 million, despite the promise of $500 million for full funding). New York sets its childcare reimbursement rate at a high level (75th percentile) of the market rate. This ensures that providers are relatively well compensated for subsidized care, parent costs are not unnecessarily increased, and low-income parents have access to providers who also serve unsubsidized children.[84]

Despite these positive aspects of the system, problems remain. Most importantly, overall unmet need for subsidized childcare remains high in New York, despite the important expansion of the past decade. There are more than 110,000 children under current state eligibility levels who would be in childcare if funding were available.[87] Furthermore, income eligibility is set too low: New York has not expanded its current threshold of 200 percent of federal poverty level and the maximum allowed level under federal childcare law, 85 percent of state median income.[87] As of 2001, 16 other states and the District of Columbia had higher income eligibility levels for subsidized childcare than New York, including California, Georgia, Connecticut and Massachusetts.[88] Another 137,000 children in families with income between the current and maximum allowed eligible levels remain unserved.

Finally, although in aggregate New York requires only a modest childcare co-payment for families earning below poverty, local discretion can mean that similarly situated families pay more, simply because of where they live:[89] Annual out-of-pocket costs for a low-income family of three can range from a low of $1,567 to a high of $5,485.[90] Because federal dollars cover nearly 85 percent of overall childcare funding in New York, this disparity is particularly inequitable.

There is clear economic justification to expand the childcare system. Overall, the system currently serves at least 750,000 families, including 130,000 low- and moderate-income parents, enabling them to go to work and collectively earn more than $1.7 billion.[91] Each dollar invested in childcare in New York generates $1.52- $2.00 in the state economy as a whole and leverages more than $3.50 in federal funds.[92]

A final, ironic note: Childcare workers themselves are among the lowest paid workers nationwide and in New York, with annual wages averaging around $19,000.[93] In State Fiscal Year 2000-01, New York, to its credit, attempted to address this issue of low wages and resulting high staff turnover by enacting a Professional Retention Program funded with $40 million in one-time TANF surplus funds. Funding for the program has expired, however.

TABLE 4-2: NEW YORK STATE CHILDCARE PROVISIONS

	1995-96	2003-04
Subsidized Slots for Children	72,000	183,400[85]
Overall Funding	$279 million	$929 million
State Match Funds	$96 million	$96 million
Local Match Funds	$68 million	$68 million

TABLE 4-3: CHILDCARE SLOTS IN NEW YORK CITY

WORKING FAMILY CHILDCARE SLOTS—AGENCY FOR CHILD DEVELOPMENT

Year	Slots	Informal	Regulated
1998	79,995	0 (0%)	79,995 (100%)
2002	75,821	3,357 (4%)	72,464 (96%)

Percentage Change in Total Slots: –5

WORKING FAMILY CHILDCARE SLOTS—HUMAN RESOURCES ADMINISTRATION

Year	Slots	Informal	Regulated
1998	14,418	12,007 (86%)	2,411 (14%)
2002	30,156	25,923 (86%)	4,233 (14%)

Percentage Change in Total Slots: +109

HEALTH CARE COVERAGE

New York has a large number of working families who lack health care coverage—19 percent of all workers between the ages of 18 and 64, or a total of 1,767,217 working New Yorkers.[94] The continuing erosion of employer-based coverage contributes to the problem, as do spiking premiums for individual coverage. Commendably, the state has tried to address the problem by covering more New Yorkers through expanding programs like Child Health Plus and Family Health Plus, but steadily rising costs mean that doing so puts tremendous strain on public finances.

Access to adequate health care for families is critical in supporting work. Illness for an uninsured worker or family member can lead to loss of time, productivity and potentially even employment. In New York, more than a third of low-income working families include a parent without health insurance, a figure better than the national average but worse than three of our five comparison states (see Table 4-4). One study estimates that 77 percent of the total 2.96 million uninsured New Yorkers are in families where at least one person works either full- or part-time, and 52 percent are in families with a full-time, year-round worker.[95]

New York has a large number of working families who lack health care coverage: 19 percent of all workers between the ages of 18 and 64, or a total of 1,767,217 working New Yorkers.

The continuing erosion of employer-based coverage is particularly acute in lower paying service and retail sector employment and among small employers, who find that providing coverage is often prohibitively expensive. Part-time and contract work usually offers no health care coverage. Even where employers offer

TABLE 4-4: LACK OF HEALTH COVERAGE

	Low-Income Working Families Without Health Insurance	**National Rank**
New York State	35.5%	**41 of 50**
New Jersey	27.3%	**23 of 50**
Massachusetts	23.9%	**16 of 50**
Ohio	21.4%	**12 of 50**
California	53.7%	**50 of 50**
Illinois	34.2%	**40 of 50**
Nationwide	34.8%	**n/a**

health care options, low-wage workers often do not enroll or drop out because of costly premiums. National data, which is a reasonable proxy for New York on this issue, show that an average worker's premium contributions for individual coverage have risen by 52 percent from 2000 to 2003. Premiums to cover a family of four have risen by 49 percent over the same span, outpacing wage gains over the same period many times over.[96]

For those whose employers do not offer health insurance, buying coverage on the private market is prohibitively expensive, particularly for single-parent low-wage workers. In 2002 a typical standard insurance policy for a healthy 25-year-old woman in New York cost $3,078 annually.[97] For an entry-level, single mother earning $7.00 per hour in a service or labor job without coverage, purchasing private insurance at such a price would require an outlay of more than 20 percent of her gross income.[98]

Clearly, the market does not provide sufficient health coverage for New York's low-income families. Again, the state deserves praise for its efforts to address these gaps through its Medicaid program—one of the best in the country—and its related components Child Health Plus, which provides coverage for children up to 250 percent of poverty, and Family Health Plus, which covers working parents with incomes up to 150 percent of poverty. New York also has instituted the Healthy New York Program, which assists almost 3,200 small businesses to provide coverage for their workers.[99] New York is also one of only 10 states to offer some coverage for non-parent adults earning up to 62 percent of the federal poverty level.[100]

In all, some 67 percent of working adults in New York with no other coverage receive benefits through Medicaid.[102] However, even at this level, too many New Yorkers are without coverage. Since New York, like most states, is finding it difficult to hold the line on Medicaid expenses, we hope to see a larger share of the cost picked up by the federal government.

FOOD STAMP PARTICIPATION

While Food Stamp benefit dollars are entirely federal, states can have an enormous impact on participation rates. Here, New York has not fared well, although recent

LOCAL FOCUS: CHILDCARE IN NYC

Welfare reform greatly increased the need for childcare in New York City, as several hundred thousand former stay-at-home mothers were obligated to join the workforce. The city already had a strong public childcare program in place for working poor parents, funded with municipal tax-levy dollars and administered by its Agency for Child Development (ACD). Childcare for welfare recipients was administered separately, through the welfare agency, the Human Resources Administration (see Table 4-3).

When the federal government allocated new billions for childcare throughout the country, NYC chose to expand care for people on welfare or just leaving it, while keeping care for working families at the status quo. The city also replaced much of its own funding for the ACD childcare with federal dollars, meaning that overall capacity rose by only about 11,000 slots despite a very large influx of federal money. In contrast, most jurisdictions had no pre-existing childcare program of any scale and the federal funds were used to start new programs and greatly expand overall capacity. Furthermore, instead of beefing up the pre-existing system of high-quality, government-regulated centers, the city primarily funded informal care—at-home babysitters subject to no government oversight.

The bottom line: For low-income working families in New York City who have never been on welfare, getting public childcare today is virtually impossible. New York City estimates the current number of eligible children waiting for childcare slots at 36,000.[101]

progress suggests this may be changing. As of September 2003, just over 1.5 million New Yorkers participated in the federal Food Stamp Program (FSP) out of an estimated eligible pool of 2.69 million.[103] The potential loss of federal benefits to New Yorkers could be as high as $1.45 billion annually because of eligible families that simply did not participate.[104]

Many members of low-income families don't realize that food stamps are available to families that receive no other government subsidies (such as TANF). To be eligible for FSP, households without an elderly or disabled member must have monthly gross incomes below 130 percent of poverty and resources totaling less than $2,000. The actual amount of food stamp benefits an eligible household receives is based on household size, income and various expenses. For a typical family of four, the family could have a maximum gross monthly income (before taxes) of $2,043 per month to be eligible for the Food Stamp Program.

The practice of welfare diversion in New York could have something to do with the state's lower-than-desired food stamp participation rate. New York's food stamp system includes local bureaucratic barriers to establishing and maintaining FSP eligibility—including inconvenient hours and locations for applying, incorrect case closings and the difficulties encountered in applying for benefits.

Many former welfare recipients dropped out of FSP as a result of welfare reform, even though they were still eligible. Overall, FSP participation in New York dropped by almost 32 percent between January 1995 and September 2003. During that same period, the total number of FSP households receiving public assistance dropped by 45.4 percent and non-public assistance Food Stamp cases rose by only 13.1 percent. Considering the pay scale generally available to someone coming off welfare, many more TANF leavers should have retained their food stamp benefits.[105] It's also possible that a perceived stigma on the part of some families eligible for FSP deterred them from claiming these benefits.

Recognizing that federal dollars were being lost unnecessarily to the state and local economies, New York has begun aggressive outreach and generous transitional food stamp benefits for families leaving welfare, even before federal options for doing so were enacted in 2003.[106] As a result, the state has begun to reverse this food stamp decline: Participation has increased since January 2002 and in March 2004 stood at just over 1.6 million.[107] Conversion of New York's Supplemental Security Income caseload to automatic food stamp enrollment through the New York State Nutrition Improvement Project (NYSNIP) will further increase those caseload numbers and offer significant assistance to the elderly and disabled. There are still approximately one million workers who could benefit from food stamps; many of the suggestions about ease of registration and services centers in the introduction to this chapter are particularly appropriate to increase New York's FSP participation rates.

UNEMPLOYMENT INSURANCE

When the breadwinner in a low-income family loses his or her job, the effects can be immediate and devastating. Generally without much in savings and, in today's economic climate, likely to have difficulty finding new employment, low-income workers may depend on Unemployment Insurance (UI) to keep afloat economically. Unfortunately, the UI system in New York is unavailable to many low-wage workers.

New York's UI program has a number of commendable aspects. The state's weekly maximum benefits are relatively generous,[108] and 55 percent of all UI recipients receive benefits above the poverty level.[109] New York has also made improvements to its system over time, providing for an alternate base period (though advocates have voiced concerns about how this has been administered) and allowing eligibility for part

TABLE 4-5: UNEMPLOYMENT COVERAGE

	Unemployed Not Receiving UI Benefits	**National Rank**
New York State	61%	**34 of 50**
New Jersey	38%	**5 of 50**
Massachusetts	37%	**4 of 50**
Ohio	60%	**31 of 50**
California	57%	**23 of 50**
Illinois	51%	**16 of 50**
Nationwide	58%	**n/a**

State policy intentionally excludes many low-wage earners from receiving Unemployment Insurance benefits at all by denying eligibility for a half-time worker at the minimum wage.

time workers and for those who are unemployed because of domestic reasons.[110] In addition to UI, a Temporary Disability Insurance (TDI) program run through New York's Workers Compensation System provides temporary wage replacement to workers who have no earnings as a result of non-work related illness or injury, and the state requires employers to provide this benefit to employees as part of the worker's compensation benefit package.[111]

Despite these features, however, 61 percent of unemployed adults are still left outside the UI system in New York, slightly worse than the national average of 58 percent and worse than all five comparison states (see Table 4-5).[112] About 129,200 New Yorkers who exhausted their regular UI benefits between late December 2003 and April 30, 2004 have no federal or state extended benefits available at a time of relatively high unemployment.[113] This figure does not include discouraged workers who are no longer actively looking for employment.

FAMILY LEAVE

Most low-income working parents do have access to job-protected maternity/paternity leave. But leave for any other reason is hard to secure. According to one recent national report, 58.6 percent of working welfare recipients have no paid leave and 13.2 percent have one workweek or less. For a low-wage worker, lost income from time off work can be devastating to family stability. And without leave available, these workers risk losing their jobs if they need to stay home with a sick child.[114]

New York has no independent law providing greater benefits than those provided under the Federal Family and Medical Leave Act.[115] The state should address this issue, to both stabilize work for low-wage workers and ensure that parents are not forced to choose between attending to a child's needs and keeping their job. Similarly, parents with little or no leave time are often unable to do things most other workers take for granted, such as attend educational activities or go to parent-teacher meetings. Illinois and California, among other states, provide leave for children's educational activities; New York should take the modest step of doing the same for all its working families.

CHILD SUPPORT

Child support is an important factor for working single mothers and their children. Nationwide, child support payments represent the second largest source of supplemental income for working families after the EITC. Of the 895,459 families receiving child support in New York as of June 2004, more than 80 percent were not receiving welfare; a decade ago, that figure stood at approximately 50 percent.[116] Child support payments made to a woman on welfare primarily are paid to the state as a return for her benefits, whereas a working individual receiving payments keeps those payments. More than ever before, child support has become an income support for single parent working families.

New York has done an excellent job over the last decade in developing a model child support enforcement system that adds a major source of monthly income for these families. The state has improved voluntary and other paternity establishment, made more vigorous efforts to establish child support orders and established much more rigorous collection procedures to secure child support from non-custodial parents. Child support collections in New York have increased by 106 percent, from $671.6 million in 1995 to $1.38 billion in 2003. Through June 2004, collections increased at a rate of almost 3.3 percent more than in 2003, with $771.7 million collected.[117] Average monthly child support collections in New York are $169 in 2004, or $2,028 annually.[118]

In spite of this strong track record, New York could do even better. There are 66,000 current assistance cases without child support orders and another 28,000 former or never on welfare cases without orders in New York as of June 2004.[119] If even one out of four of these cases saw orders established and collections begin at the monthly average of $169, that would raise an additional $8 million every month—$5.2 million for children from working families and $2.8 million for children on TANF.[120]

A policy focus on making low-income non-custodial fathers more employable and economically self-sufficient is essential as a next step to both increase the collection of child support and involve both parents in the emotional well-being of their child.

Recommendations

The New York State programs and policies described in this chapter are mature, complex systems. Because these programs are well-established and most are working well, our recommendations for this section are generally for "tweaking" existing rules to maximize results. Many of these suggestions are technical; however, we feel that with these changes, New York's income and other supports can provide more help to the state's economically distressed families.

INCOME POLICY

Focus on the few places where the state can improve its tax policy for low-income working families.

- Reach out to target populations that are least likely to use the Earned Income Tax Credit: people coming off welfare, non-English speakers and legal immigrants.

- Expand the series of tax breaks targeted to specific populations: the CDCC for working families, the Real Property Tax Circuit Breaker for non-elderly working families and the College Tuition Tax Credit for low- and moderate-income working families. The state should also consider other new measures, such as a refundable state child tax credit tied to the federal credit.

- Raise the minimum wage, along the lines of the gradual increase passed by the New York legislature but vetoed by the governor in the summer of 2004.

CHILDCARE

- Increase the state share of funding for childcare over a multi-year period, which when coupled with federal funds can help reduce unmet need.

- Standardize parental co-pays statewide and limit them to no more than 10 percent of gross income.

- Address low wages in the childcare sector either through reauthorizing and funding New York's Professional Retention Program or adopting a refundable Childcare Worker Tax Credit introduced in both houses of the Legislature.

HEALTH CARE

Continue to find ways to increase the reach of subsidized health care while also reaching out to businesses to provide care through work.

- Pursue savings in Medicaid through efforts at cost control, including for prescription drugs, long-term care services for the non-poor, excessive personal care and uncompetitive hospital and nursing homes. Examine the required insurance package for public programs to see if more cost-effective services might reduce overall costs and expand the number served.

- Undertake outreach to enroll eligible participants in existing public programs.

- Explore more ways to help the private sector provide health insurance for low-wage workers: Expand access to Healthy New York and improve the benefits package so that more small businesses can participate. Explore a "play or pay" system (in which employers either have to cover their workers or pay into a public system that does so), to require employer-based coverage of at least primary and preventive care. Pilot a means-tested, targeted state refundable tax credit to finance private health care coverage or assist workers to pay out-of-pocket employer based coverage.

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FOOD STAMP PARTICIPATION

Make increased enrollment of eligible families a priority through a wide variety of means.

- Change the name of the Food Stamp Program to the New York State Food Security Program, to remove stigma for working families.

- Make accommodations for working families unable to apply during normal business hours by: conducting phone interviews, offering extended office hours, out-stationing caseworkers, and allowing enrollment by proxy. Support training and technical assistance to counties to ensure that five-month transitional food stamp benefits are being automatically provided to every eligible household leaving TANF.


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- Fully fund state outreach efforts through the Nutrition Outreach and Education Program in order to establish projects in all counties statewide.

UNEMPLOYMENT INSURANCE

- Continue to work through New York's congressional delegation to reinstate a federal extended UI benefits program.

- Change state eligibility policies to include half-time workers at the minimum wage.

FAMILY LEAVE

- Create modest paid family leave through state legislation, perhaps financed through changes to the state TDI program, as has been suggested by the NYS Paid Family Leave Coalition and similarly adopted in California.

CHILD SUPPORT

- Add state funds and reinvest federal bonus funds to increase state and local staffing and technological capacity for adequate child support enforcement.

- Ease the burden on family courts by removing the simplest child support cases (those involving only wage income from the non-custodial parent), handling them through an administrative process (with due process appeal rights built in).

- Increase the child support pass-through and disregard for TANF cases from $50 to at least $100 monthly as a way to help families leave TANF.

- Invest in programs and services that help poor non-custodial fathers become more economically stable and more involved as parents.

[1] Fiscal Policy Institute, "The State of Working New York: 2003," p. 8.

[2] New York State Department of the Budget, "Supporting New Yorkers Entering the Workforce," http://www.budget.state.ny.us/archive/fy0304archive/fy0304littlebook/welfare.html

[3] "Dynamics of Economic Well-Being: Poverty 1996-1999," U.S. Census Bureau, July 2003.

[4] "Are Lifetime Incomes Growing More Unequal?" Katharine Bradbury and Jane Katz, Regional Review, Federal Reserve Bank of Boston, Sept. 2002.

[5] This is measured in pre-tax income. For many families, the federal and state Earned Income Tax Credit supplements wages to some extent.

[6] Census 2002 Supplementary Survey. Please note that the rankings are rounded to the nearest whole number.

[7] One limitation of these data is that they do not fully capture the income effects of the federal and state Earned Income Tax Credit, the federal Food Stamp program, childcare and housing subsidies, and other federal and state-level benefits available to working poor New Yorkers. These income supports, described in greater detail in Chapter Four, provide critical assistance to low-income working families. New York's relative generosity in providing these supports helps to balance the higher cost of living in the state.

[8] Census 2002 Supplementary Survey.

[9] Cost of Living Index for the American States, 1960-2000.

[10] Stephanie Armour, "What Recovery? Working Poor Struggle To Pay Bills," USA Today, June 9, 2004.

[11] Census 2002 Supplementary Survey.

[12] American Community Survey, 2002.

[13] Estimates from Payscale.com, and including data from the NYS Professional Retention Program for NYC and Rest of State, Office of Children and Family Services, 2002-03.

[14] Margie McHugh, Executive Director of New York Immigration Coalition, Testimony Before the City of New York Black, Latino, & Asian Caucus Regarding the Immigrant Opportunities Initiative, May 6, 2004.

[15] Sara B. Miller, "Big Cities Struggle to Hold Onto New Immigrants As Costs Rise," *The Christian Science Monitor*, October 9, 2003; "Immigrants in Suburbia," *The Journal News*, http://thejournalnews.com/immigrants/salvador/index.htm

[16] Cited in "Hardship in Many Languages," Milano Graduate School, Center for New York City Affairs, New School University, January 2004.

[17] The New York Immigration Coalition, "Eager for English: How and Why New York's Shortage of English Classes Should be Addressed," March 1, 2001.

[18] U.S. Census Bureau, Current Population Survey, 2003 Annual Social and Economic Supplement, Figure 7: http://www.census.gov/prod/2004pubs/p20-551.pdf

[19] "Immigrant workers and the Minimum Wage in New York City," Fiscal Policy Institute, March 25, 2004.

[20] Ibid.

[21] Percentages derived from actual state data in Earned Income Tax Credit Analysis of Credit Claims for 2001, Office of Tax Policy Analysis, NYS Department of Taxation and Finance, Albany, NY, September 2003.

[22] Diana Pearce, with Jennifer Brooks, "The Self-Sufficiency Standard for New York," New York State Self-Sufficiency Standard Steering Committee, September 2000 (most recent data available on self-sufficiency and costs throughout NYS).

[23] Based on the FY 2000 Fair Market Rents for housing costs, which are based on data from the decennial census, the annual American housing survey and telephone surveys.

[24] The Standard uses the rates set by the Market Rate Survey, conducted in 1999 and analyzed by the NYS Office of Children and Family Services as the source of childcare cost data. This survey distinguishes cost by age and setting, and by the time period (daily, weekly, etc.). It divides NYS into five cost areas. Unlike other costs such as housing, this data does not distinguish between the boroughs of New York City, and therefore the childcare costs are the same across the New York City area. Preschoolers (three through five years old), are assumed to go to day care centers full time. School-age children (ages six to 12) are assumed to receive part-time care in before-and after-school programs.

[25] The Standard uses the USDA Low-Cost Food Plan for June 1999 to calculate food costs.

[26] The Standard assumes that only workers living in NYC and Albany use public transportation. Fixed costs are estimated using the Consumer Expenditure Survey.

[27] Based on the U.S. Census, Lower Manhattan is defined as the area on the east side of Manhattan below 96th Street, and on the west side of Manhattan, the area below 125th Street.

[28] Based on the U.S. Census, Upper Manhattan is defined as the area on the east side of Manhattan above 96th Street, and on the west side of Manhattan, the area above 125th Street.

[29] Small Area Income & Poverty Estimates, Intercensal Estimates for States, Counties & School Districts, http://www.census.gov/hhes/www/saipe/county.html

[30] American Community Survey, 2002.

[31] Fiscal Policy Institute, "The State of Working New York: 2003," p. 2.

[32] Ibid., p. 8.

[33] Community Service Society of New York, "A Crisis of Black Male Employment," February 2004.

[34] Office of State Comptroller H. Carl McCall, "No Room For Growth: Affordable Housing and Economic Development in New York City," October 1999.

[35] Housing and Vacancy Survey 2003, "Housing a Growing City"; Coalition for the Homeless.

[36] This name has been changed to protect the privacy of the individual.

[37] AFL-CIO report.

[38] "Two Americas? Yes. But Look What Divides Them," USA Today editorial, July 27, 2004.

[39] The Workforce Alliance, “Washington Update,” July-August 2004.

[40] Census 2002 Supplementary Survey

[41] National Center for Public Policy and Higher Education, “Measuring Up 2004: The State-by-State Report Card for Higher Education,” 2004.

[42] Estimates from the National Institute for Literacy, using data from the 1992 NALS and the 1990 Census.

[43] In 2000, 1,110,472 sixteen to twenty-four year olds were living in NYC, per 2000 Census data.

[44] The number of disconnected youth in 2004 is conservatively estimated to be higher than the 202,000 identified in 2002, in the range of 225,000 to 227,000. This projection is based on a 12% increase from 2000 to 2002, Andrew Sum, Northeastern University.

[45] American Association of Community Colleges, Revised 2003 Community Colleges Tuition Survey, September 2003.

[46] National Center for Public Policy and Higher Education, “Measuring Up 2004: The State-by-State Report Card for Higher Education,” 2004.

[47] Michael Gormley, “SUNY Tuition Could rise to $5,100,” *Albany Times-Union*, February 6, 2004.

[48] Center for an Urban Future, “CUNY on the Job,” April 2004.

[49] Community College Policy Center, Education Commission of the States, “State Funding for Community Colleges: A 50-State Survey,” Table 18, 2000.

[50] Year 2002-2003 Consolidated Annual Report for Perkins Vocational and Technical Education Act.

[51] Al Baker, “Albany Impasse Is Felt In Wallet and Town Hall,” *New York Times*, July 10, 2004.

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[54] New York State Department of the Budget, “Supporting New Yorkers Entering the Workforce,” http://www.budget.state.ny.us/archive/fy0304archive/fy0304littlebook/welfare.html

[55] Rockefeller Institute of Government, “Leaving Welfare: Post-TANF Experiences of New York State Families,” June 2002.

[56] David H. Greenberg, Charles Michalopoulos, and Philip K. Robins, “A Meta-Analysis of Government Sponsored Training Programs,” September 2001.

[57] The Workforce Alliance, “Skills Training Works,” September 2002.

[58] Data generated by the Population Reference Bureau from Census 2002 Supplementary Survey.

[59] New York Immigration Coalition, “Eager for English: How and Why New York's Shortage of English Classes Should be Addressed,” March 1, 2001.

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[61] Ibid.

[62] Fiscal Policy Institute, “The State of Working New York: 2003”.

[63] “Service Delivery Under the Workforce Investment Act of 1998,” the Nelson A. Rockefeller Institute of Government, Chapter Three: Michigan Case Study, by Dan O. Shea and Christopher King.

[64] It is important to note that general budget money is not used to fund the subsidies; instead, ESD generates its monies through its ownership of various properties across the state.

[65] Office of the New York State Comptroller, “Department of Economic Development: Administration of Empire Zones Program,” Spring 2004

[66] Ibid.

[67] See “A Comprehensive Look at State-Funded Employer-Focused, Job Training Programs,” Regional Technology Strategies, Inc., 1999 and “Employed Worker Programs Focus on Business Needs,” Government Accounting Office, 2003.

[68] Greater detail of these programs can be found in “Putting CUNY to Work,” Center for an Urban Future, 1999.

[69] Igor Zubrenko, “Strategic Training Alliance Program: Program Evaluation Report,” February 2004.

[70] Because New York City’s workforce system was not certified by the state until mid-June, no awards to date have been provided in NYC.

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[96] Kaiser/HRT Survey of Employer Sponsored Health Benefits 2003 Annual Survey Chart #2.

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Notes