

TESTIMONY OF DAVID J. FISCHER, CENTER FOR AN URBAN FUTURE
NEW YORK CITY COUNCIL JOINT COMMITTEE ON TECHNOLOGY IN
GOVERNMENT AND COMMITTEE ON SMALL BUSINESS
PLUGGING IN: CONNECTING WORKERS TO SMALL BUSINESS JOBS IN NYC
TUESDAY, APRIL 11, 2006

I'm David Fischer, project director for workforce and social policy at the Center for an Urban Future, a Manhattan-based non-partisan public policy think tank that conducts research on important issues concerning economic development, workforce development and social policy for New York City. Thank you for the opportunity to testify today.

I'd like to begin with a few general remarks about the recent performance of New York City's array of workforce development programs. Though much work remains to be done and nobody is declaring "mission accomplished," the City has made remarkable progress over the last four-plus years toward developing and running a workforce system worthy of the name. The mayor and his appointees, led by Commissioner Walsh and his team at the Department of Small Business Services, deserve a great deal of the credit, and the City Council has performed a key oversight role in keeping the focus on real jobs for NYC communities. Perhaps the most significant advance since the beginning of 2002 is that all the stakeholders in the workforce development community, from government,

employers and service providers to educators and community groups, share a vision and a goal for the system.

Unfortunately, we in New York City are figuring out how to play this game just as the field is tilting against us. Federal support for workforce development programs, never really adequate to the needs of a dynamic economy, has declined dramatically since Mayor Bloomberg took office. A few quick and dirty numbers tell the story: for Program Year 2006, the city's total estimated allocation under the federal Workforce Investment Act (WIA) is expected to be approximately \$83.5 million. That's a bit less than \$90 for each of the estimated 1.2 million New Yorkers between the ages of 16 and 64 who is either not working, seeking to move from part-time to full-time employment, or working at poverty-level wages. By contrast, New York City spent nearly \$5,500 in WIA funds in 2005 for each of the roughly 11,400 individuals who were placed into jobs through the Workforce1 Centers.

In addition to severely constrained resources, the city is also bumping up against the statutory limits of the legislation. To my mind, the greatest shortcoming of WIA is that its performance measures actually work against the principles of career development and long-term wage gains. For instance, WIA does not allow funds to be spent on training incumbent workers—despite the fact that those already working generally are better positioned to realize a stronger return on public investment, through job retention and wage gains, than individuals seeking employment, and that such expenditures carry a strong likelihood of leveraging public dollars with employer resources.

To its credit, the Bloomberg Administration has recognized the irrationality of this restriction and has moved to fill the gap with the NYC Business Solutions Training

Grant. Through early March, this program already had dispensed over \$1.3 million to ten city businesses, which matched this support with nearly \$2 million of their own funds to raise the skill levels of hundreds of city workers. The City Council's generous support for NYCWorks, an independent and complementary effort to help service providers assist customers in career advancement, unfortunately is another testimony to the fact that WIA is simply not big enough, in terms of funding or vision, to support a workforce system that grows human capital and leads people not just to jobs, but to careers.

WIA's mandate to meet performance requirements with limited resources also pushes agencies away from truly engaging with smaller businesses, who account for 60 to 80 percent of job growth nationally. Vendors must look for large clumps of jobs through partnerships with major employers like Washington Mutual, FreshDirect, UPS and JetBlue, and city workforce leaders have sought to connect with large-scale developments such as Columbus Circle, where Chairperson Brewer did such excellent work a few years, and Atlantic Terminal. It's simply not resource-efficient to go after the numbers of openings that small businesses look to fill.

The best strategy to reach them is one that SBS knows well and has zealously pursued: work with neighborhood Chambers of Commerce, Local Development Corporations, and other entities which can serve as intermediaries and emissaries for the system. One of the best groups in the city at this is the Brooklyn Chamber of Commerce, which also serves as the employment services vendor at the Brooklyn Workforce1 Center. The Chamber regards itself as "the HR department for Brooklyn's small businesses." Given the negative attitude small businesses typically show toward public

programs, it is both more effective and more cost-efficient for the city to let business intermediaries such as the Chamber do the work of engaging small employers.

You heard earlier from my colleagues Bonnie Potter and Jeremy Reiss of the New York City Employment and Training Coalition about the need for the city to expand its reach of services through the creation of a network of affiliate Workforce1 providers to complement the full Centers. I share their view, and I hope that in addition to thinking about how to maximize the value of affiliates by geography, city leaders continue to develop the concept of setting up Workforce1 affiliates organized along industry lines. Given the prevalence of certain economic sectors in New York, including health care, finance, and entertainment and media, as well as the system of “industry desks” within the city’s Economic Development Corporation, creating industry-focused affiliate centers could be a cost-effective way to expand services and provide specific expertise.

These focused affiliate sites also hold greater promise for meeting the career development needs of employees who work for small businesses. As small businesses grow, their workers can advance—but these firms generally lack clearly articulated avenues for career progression. With limited budgets and no or minimal human resources capacity, most startups and small organizations are not positioned to help their workers advance toward that next industry certification or level of educational attainment.

Fortunately, as we move the system toward a true career development model, the Department of Small Business Services is probably better positioned to do this important work than any other local workforce agency in the U.S. Already, the department offers both city funds, through the Business Solutions Training Grant I mentioned a moment ago, and helps small businesses apply for New York State funding. Going forward, the

city should conduct cost-benefit analysis of these programs; if they have been as successful as anecdotal evidence suggests, city leaders should find additional funding in the city budget and advocate for greater support from Albany and Washington.

Thank you for the opportunity to testify today. I would be happy to answer any questions you might have.