New York’s need for policies and resources that support education and workforce development has never been greater. Unfortunately, current policies do not adequately meet the demands of the changing labor market, and public resources that support these programs have sharply declined.

A THOUSAND CUTS

Now More Than Ever, New York Needs a Strong Workforce Development System—But Declining Funds and Uncoordinated Programs Are Obstacles to Progress

IN NEW YORK AND THROUGHOUT THE UNITED STATES, WORKFORCE DEVELOPMENT funding is in the midst of a silent crisis. Even as the economy continues to shift toward ever-greater rewards for those with higher education and specialized work skills, support for the public programs designed to help students, jobseekers and workers already on the job acquire those credentials and skills is eroding year after year. To give just one example, New York City received nearly $20 million less in 2006 for programs under the federal Workforce Investment Act (WIA) than a year before, with deep cuts to all three specific funding streams under WIA: Adult, Youth and Dislocated Workers.

But though WIA is the biggest single dedicated funding stream that supports job training and employment services, it’s far from the only one. In December 2003, our two organizations released a report, “Seeking a Workforce System,” that examined the myriad funding streams supporting workforce programming in New York State. We detailed how much money was in each, what services they could pay for, and what types of agencies and service providers could access them. We found that state and federal government spent a total of nearly $1.3 billion on workforce services in New York State.

This report offers the same information, again presented in graphical form, using budget numbers from December 2005, the most recent available. It finds that the total has declined by $133 million, to less than $1.2 billion overall.

The drop in funding means that the persistence of the problem we identified in 2003—the pervasive lack of coordination and collaboration throughout this system—is even more consequential. This version of the workforce funding matrix shows 28 active funding streams, accountable to 11 different agencies within state or federal government. The programs and services detailed in the funding matrix strengthen families and communities by helping to address these problems—but because they aren’t coordinated or evaluated on the same criteria and outcomes, New Yorkers do not derive as much value as we could from these investments.
Surprisingly, the real funding hit has come not from Washington, but Albany. As the matrix shows, while federal appropriations for literacy gains, dislocated workers and other services increased, New York spent nearly $275 million less on workforce programs in 2005 than it did two years earlier, including gargantuan cuts for the Division of Employment Services ($35 million), vocational rehabilitation programs (nearly $65 million), correctional services, academic and vocational education (over $58 million) and health worker retaining programs (a shocking $85 million).

The lower funding levels do not reflect a dwindling need for these services. Rather, employers across many different industries are finding it increasingly difficult to hire and retain the skilled workers they need. And many who have jobs aren’t earning enough to provide for themselves and their families: more than 585,000 working families in New York earned less than twice the federal poverty line in 2003, an increase of more than 33,000 families from just a year earlier. Finally, post-secondary educational attainment—the best guarantee of a family-supporting income—has leveled off in New York and nationally.

It is our profound hope that this updated version of the workforce funding report helps spur state and federal policymakers to reverse the trend of declining support for workforce development programs. But whether funding returns to more appropriate levels or continues to decline, it is vital for administrators, legislators, providers and the general public to understand where resources are within this system, and what they can do. That is one purpose of this report.

The other is to show that in New York, the explicit goal of the Workforce Investment Act—to meld, fuse and coordinate the more than 100 distinct federal funding streams for workforce services in place before 1998 into an integrated and highly functioning system—largely has failed. We do not question the good intentions of those who wrote WIA, but it has proven to be deeply flawed legislation that provides direct oversight for only a limited number of programs while mandating—but not funding—a major commitment of expenditures around infrastructure.

It is true that some local Workforce Investment Areas throughout New York State, led by engaged and attentive Workforce Investment Boards working closely with local business communities, have managed to build strong local systems that effectively address areas of real need. The majority of local boards, however, have not been able to do this—in part because of the limitations of WIA itself, and in part because the resources needed to power real cooperation have been lacking. These limitations carry growing costs, for New York and for America.

THE CHANGING LABOR MARKET

A number of trends in the economy and labor market are converging to make workforce development increasingly important. These include Baby Boomer retirements; pronounced demographic shifts among the remaining workforce; a growing "skills premium" by which better-educated workers earn increasingly higher wages and the related "skills gap" between the number of emerging jobs with high skill requirements and the number of workers joining the labor force with those skills; immigration; and ongoing technology changes that are eliminating some jobs while creating others. Below, we discuss how these changes are transforming labor markets at every level.

Baby Boomer Retirements

The generational cohort born between 1946 and 1964 was far larger and far better educated than any age group to that point. The oldest of them turn 61 this year, and will begin to retire in large numbers by the end of this decade. Over the next 25 years, almost all of them will leave the workforce. In communities throughout upstate New York with no immigration to speak of and ongoing out-migration of younger workers, these retirements will leave a huge hole in the local workforce. But even in places where younger workers and immigrants will numerically replace the Boomers, their departures might leave a void in knowledge and experience.

Certain communities and economic sectors will be harder hit than others. As the Center for an Urban Future detailed in a May 2006 report, Boomers are concentrated within a number of key industries such as construction and nursing where the jobs are physically too demanding to allow them to work past the normal retirement age of 65. The good news is that these retiring workers allow us to predict with an unprecedented level of confidence where job opportunities will be; the bad news is that the education and training infrastructure to replace these retirees does not yet exist.

Demographic Shifts

As America evolves into a “majority-minority” nation, its workforce is moving in the same direction. Census data found that in 2003, 73 percent of the workforce—nearly three in every four American workers—was white. By 2050, it’s projected that this percentage will fall to 53 percent, or just over one in two. Over the same time, the Hispanic and Asian portions of the workforce will more than double, while the African-American percentage of the workforce will increase slightly.

If present trends in education continue, these demographic shifts will leave us with a less-skilled workforce. A 2003 study of reading competency by the National Assessment of Educational Progress (NAEP) found that 85 percent of Hispanic fourth graders in New York tested at a Basic or Below Basic level; for African-Americans, the measure was 88 percent, compared to 60 percent for whites and 63 percent for Asians. In mathematics, the news is no better: assessing eighth-graders, the NAEP found that 57 percent of Hispanics tested at Below Basic, as did 61 percent of African-American students, 31 percent of Asians, and 26 percent of whites. As non-white workers come to comprise more of the labor force, New York and the nation will need dramatic improvements in how we educate all students in order to keep our economy functioning at a high level.
The Skills Premium and the Skills Gap

Now more than ever, education pays. The average impact on earnings of a college degree over just a high school degree is approximately 70 percent; over a lifetime of working, the real-dollar difference is in the neighborhood of $1 million. Unfortunately, the nearly 20 percent increase in the number of workers with at least some college education between 1980 and 2000—years when younger Baby Boomers finished high school and went on to college—is projected to level off by 2020, with just a 4 percent rise from 2000. At the same time, it’s projected that three-quarters of new job growth will require some training and education beyond high school. A number of labor market experts are concerned about a “skills gap”: by one estimate, the U.S. could face a shortfall of 14 million workers for skilled jobs by 2020 as job demands continue to rise but the educational level of the workforce remains static.

Immigration

Immigrants always have played a vital role in sustaining and expanding America’s economic strength. But as native-born population growth slows and educational attainment levels off, the contributions of immigrants to the U.S. will become more important than ever. During the last five years, 43 percent of the nation’s population growth has been due to immigration—the highest such rate in American history. Equally significant, immigrants’ labor force participation rate is near 80 percent—higher than the overall rate. Unfortunately, local systems of both education and workforce programming often fail to serve these industrious newcomers. The NAEP assessments noted earlier indicate that immigrant attainment in reading and math is worse than that of native-born Americans. And publicly provided English-language classes are inadequate to meet even a fraction of the need: it’s estimated that for every ESOL classroom seat in the state, there are 20 adult immigrant workers who need to improve their English skills.

Technological Change

Over the last few years, much of the attention paid to changes in the labor market has focused on outsourcing of jobs to countries where a large number of workers have equivalent skills to Americans, but command significantly lower wages. In reality, though, workforce demographers estimate that off-shoring has resulted in only a small fraction of recent job loss. A bigger story has been that many jobs that offered some measure of stability and income security ten or twenty years ago have disappeared, thanks to automation. From E-Z Pass replacing toll takers on the nation’s highways to automatic airport check-in and pre-programmed phone support systems, “people jobs” requiring low-to-moderate skills have disappeared. These jobs, which often brought with them health insurance and retirement benefits, generally required no more than a good attitude and a high school diploma.

AN UNMET CHALLENGE

Taken together, these trends all indicate a sharply rising need for policies and resources that support education and workforce development. But what we’ve seen instead is the perpetuation of policies that are not adequate to the demands of the changing labor market, and sharply declining public support for these programs.

As the matrix details, much of the responsibility for workforce policy, as well as the funding, originates at the federal level. But states retain significant power both to set priorities and allocate resources. On this score, former Governor Pataki deserves credit for using his discretionary funds under WIA to support training for incumbent workers, and the state’s legislature has taken some commendable actions to restrain tuition increases at SUNY and CUNY and continue funding summer jobs programs for teens across the state. But compared to the dramatic policy advances and sustained commitment seen in states from Michigan and California to Washington and Massachusetts, New York remains well behind the curve.

None of this is to let the president or Congress off the hook. On the federal legislative front, Pell grants—the most important federal program to help low-income college students pay for school—are both insufficient in amount and terribly limited in who they help. The maximum Pell award is $4,310, and the average award was $2,354 for the 2005-2006 school year; tuition at CUNY and SUNY schools ranges from approximately $2,700 for the lowest cost two-year schools to just under $6,000 for the most expensive four-year schools. But a badly flawed eligibility formula means that most part-time students—including most adults trying to balance school with work—cannot effectively access Pell grants. Students attending less than half-time can count only a limited range of expenses—tuition, fees, books and supplies, dependent care expenses and transportation—toward their overall costs. The result is that those who arguably most need assistance have the least access to it.

The story is similar for the Workforce Investment Act, which has been up for reauthorization since 2003. Meanwhile, the flaws of WIA—including its severe restrictions on using local funds to train incumbent workers and its many requirements around partnerships and infrastructure costs—continue to constrain policymakers at the state and local level.

If anything, the picture is much worse on the funding front. According to the federal Government Accountability Office, in 1978 the federal government spent $9.5 billion on all workforce development programs. In current dollars, that level of support would mean $30 billion for workforce programming. The 2006 federal budget, however, allocates just $3.2 billion for workforce programs. We are spending an astonishing 10.7 percent of what we spent on these programs 28 years ago. This disinvestment in the American workforce has persisted under both political parties, through both rapid economic growth and slowdowns, even as the new economy demands increasingly skilled workers.
In New York, the last few years have seen especially sharp reductions. With the state’s 2006 appropriation reduced by nearly $26 million, federal workforce spending in New York for youth and adult workers is down almost $10 million from 2002-2003.

AN ACTION AGENDA FOR NEW YORK’S LEADERS

If government is to take actions that really help workers and employers, we need both better policies and a renewed commitment to funding programs. Above all, our public officials must keep in mind that this is an investment, not an expense. Governor Spitzer and the state’s legislators can stand up for the workforce system through the following actions:

- Be a champion for workforce development. State leaders should speak publicly about successes and use their bully pulpit to emphasize the importance of workforce policy to federal officials, the business community and the general public—and to apply salutary pressure to employers, educators and other stakeholders to work together in stretching resources and changing policies to expand access to and quality of education and training.

- Begin to build a truly integrated and comprehensive workforce system, and demand closer communication and collaboration between state agencies responsible for workforce development. This should include regional joint planning among all workforce and economic development agencies and regional industry-based partnerships. The Governor and State Workforce Investment Board should set benchmarks to evaluate the progress toward real integration, such as how many adult education participants go on to utilize WIA services or how many economic development deals originating with the Empire State Development Corporation include “first hire” provisions. Finally, the state should require all workforce-related agencies to set common definitions and common performance measures to foster cooperation and improve accountability.

- Push SUNY and CUNY to be more responsive to the needs of working students. While some of the needed changes in workforce policy require federal action, state policymakers have considerable power over the State and City University systems. Within those systems, they should determine how to better appropriate financial aid resources to assist adult and part-time students and offer meaningful career counseling to better inform students about their options and opportunities in the job market.

- Institutionalize programs to assist New York employers looking to provide training and education for their incumbent workers. One success story of recent years has been the Building Skills in New York State (BUSINYS) program, in which the state matches contributions of participating employers with public dollars to offer training for incumbent workers. The program, however, has been funded through the governor’s discretionary budget rather than by the legislature, and faces an uncertain future with a new administration taking office.

- Ensure that New Yorkers of all ages and circumstances understand the job and career opportunities available to them. State and local officials have access to plenty of labor market information, but it’s rarely used to make both students and current workers aware of what jobs are available, what they pay, and what skills they require. Guidance counselors in New York’s middle and high schools, adult schools and colleges should use this information to better inform students about the full range of possible career options. Additionally, career counseling should receive greater emphasis and support in One-Stop Career Centers and community-based organizations.

CREDITS

This report was written by David Jason Fischer and John Twomey and researched by Jan Hennessy, Rick Tomisman and John Twomey. It was designed by Damian Voerg. For a more in-depth examination of the labor market trends discussed in this report, please contact NYATEP at www.nyatep.org to obtain a copy of the presentation “Six Mega Trends That Are Jolting the U.S. Labor Market” or visit the Center for an Urban Future at www.nycfuture.org to download the 2006 report “Chance of a Lifetime.”

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The Center for an Urban Future is a New York City-based think tank dedicated to independent, fact-based research about critical issues affecting New York’s future, including economic development, workforce development, higher education and the arts. For more information or to sign up for our monthly e-mail bulletin, visit www.nycfuture.org.

The New York Association of Training and Employment Professionals is the organization that promotes, enhances, and serves the interests of local workforce investment agencies and system partners in New York State. Visit online at www.nyatep.org.

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Note: This New York matrix maps the state's workforce development system, bringing together all state and federally funded employment and training programs on one page in order to track workforce funds. **$600 million is a block grant allocation that can fund a variety of programs, including employment, at local discretion.**

**$309.3 million is a block grant allocation that can fund a variety of programs, including Food Stamp Employment and Training Program, at local discretion.**

In December 2003 these programs were administered by NYSDOL. Today they are administered by OTDA. This New York workforce matrix maps the state's workforce development system, bringing together all state and federally funded employment and training programs on one page in order to track workforce funds.