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AN INVESTMENT THAT WORKS

OFF THE CUF

By David Jason Fischer

Developing the skills of workers is increasingly important to cities' economic fortunes, but the federal government has eviscerated the job training budget in recent years—and New York City has been one of the biggest losers

Virtually every economic trend of the past two decades, from the opening of global markets to the powerful correlation between educational and work credentials and income level, indicates that the United States should dramatically boost its investments in workforce development and job training. But over this period, the federal government instead has drastically cut funding for workforce programs, declining by more than a third in inflation-adjusted dollars since 1985.[1] The sharpest cuts have come in the last six years, with the federal commitment falling by more than $2 billion over that span—and New York City, home to so many of the challenges and opportunities manifest in the economy of the 21st century, has been one of the biggest losers.

The economic issues at play in New York City suggest that it would particularly benefit from a renewed federal commitment to workforce development. The city's poverty rate remains over 20 percent, its labor participation rate is well below the national average, and more than 150,000 young people between the ages of 16 and 24 are neither in school nor working—a fact that bodes very poorly for their long-term economic prospects. The long-term and ongoing loss of manufacturing and other blue-collar jobs that offered good compensation for workers without a college degree informs and exacerbates all these concerns.

Services funded under the federal Workforce Investment Act (WIA), covering everything from job search assistance to career counseling and training, are intended to help address these issues. At their best, workforce development services effectively place jobseekers into openings and furnish them the tools to stay on the job, acquire further skills and advance within a company or a sector.

But the city lost nearly $50 million in nominal WIA dollars between Program Year 2001, when the allocation was $116 million and 2008, when the federal budget appropriated $66.4 million for WIA services in the city. In real (constant) dollars, New York fared even worse: factoring in inflation, the 2001 appropriation translates to more than $144 million in 2008 dollars, well over twice as much as what was actually allotted this year. That's money unavailable to train unemployed adults, assist at-risk young people both in and out of school, and provide New York teens with summer jobs.

New York City's jobseekers aren't the only ones who lose out as a result of federal disinvestment in workforce services. The city's businesses do as well. Numerous industries in New York, from finance and media to health care, rely upon not only highly-skilled and highly-educated workers to fill top creative and managerial positions, but also workers to fill "middle-skill" jobs that require some education or training beyond high school but less than a college degree. Indeed, the federal Bureau of Labor Statistics projects that 45 percent of all job openings nationwide between 2004 and 2014 will be in "middle-skill" positions.[2]

These are the jobs for which workforce development programs could offer the greatest potential value-add. Over the last 25 years, however, through both Republican and Democratic presidencies and congressional majorities, the United States has systemically disinvested in programs to increase the skills and earning power of workers.[3] While the American workforce has grown by 31 million people since the late 1980s, the federal commitment to job training has declined by 29 percent in inflation-adjusted dollars.[4] The simultaneous trends of rising skill demands and falling resources to support workforce services has left us with what John Twomey, executive director of the New York Association of Training and Employment Professionals and President of USA Works!, recently described as "a classic mismatch [of] unemployed low skilled workers" with "companies … who can't find the middle skill workers they need."[5]

DEEP CUTS

As the Center for an Urban Future has detailed in several past publications, New York City's network of job training and employment services is severely constrained both by the limited resources available for programs and the strictures of the Workforce Investment Act itself. The bulk of funding and other resources is directed toward the "low-hanging fruit" of short-term job placement for mostly low-skilled positions. City agencies and the service providers they contract with perform credibly at these tasks, and as noted below their efforts have shown improvement over the last few years.

But the system is woefully under-resourced to address the real human capital needs of New York City—and the chronic funding cuts consistently have eroded their capacity even to try. As the accompanying table shows, the federal WIA allocation for the city has declined in nominal dollars by 35 percent for adult worker services, 31 percent for youth services, and 57 percent for dislocated worker services. As we detail below, program improvements and efficiency gains have meant that the city mostly has been able to maintain its core services around job placement despite these cuts. But Blake Walters Foote, executive director of the New York City Workforce Investment Board (WIB), a federally mandated council of private-sector, government, education and non-profit officials that coordinates and conducts oversight of local workforce strategy, explains that the annual reductions have made it impossible to launch "some of the expanded programming we were thinking about doing, or opening more centers and conducting bigger outreach into the community."

For adults and dislocated workers, one consequence of the reduction has been much less money available for Individual Training Account (ITA) vouchers to be used with approved vendors for job training services. Simply as an illustration, at their current maximum value of $2,500 each, the nearly $31 million cut from adult and dislocated worker services since 2001 could have paid for more than 12,350 additional ITA vouchers.

Because funds are not available, Walters Foote adds, "We cannot do as much of the special programming for the higher-barrier populations that we would like to serve." From the formerly incarcerated to newly arrived immigrants, these tend to be the groups who would most benefit from assistance. This is not a small factor given the increasing consensus around the view that workforce development can play a vital role in reducing poverty. The city's own Center for Economic Opportunity has emphasized workforce initiatives, from career opportunities in health care to apprenticeships for young adults without extensive work histories.

Philanthropic funders, including foundations with which the city has come to collaborate, share this emphasis. "Private funders have been much more interested in workforce," says Bret Halverson, a longtime consultant who advises a number of foundations that support workforce programming in the city. "They see it as a critical piece of strategies to deal with poverty."

On the youth side, one dramatic consequence of

CUTS IN WIA FUNDING FOR NEW YORK CITY (2001-2008)[6]

YEAR	ADULT	YOUTH	DW	TOTAL	CHANGE	2008EQUIV[7]
2001	$42,141,940	$38,025,449	$28,803,882	$115,959,586		$144,025,497
2002	$38,025,449	$40,614,959	$17,965,597	$96,606,005	-$19,353,581	$118,120,301
2003	$33,365,687	$33,721,628	$23,247,641	$90,334,956	-$6,271,049	$107,991,150
2004	$35,775,498	$35,421,985	$24,874,481	$96,071,964	$5,737,008	$111,870,686
2005	$35,825,728	$35,095,172	$25,953,865	$97,347,295	$1,275,331	$109,641,614
2006	$29,538,390	$28,808,500	$19,108,017	$77,454,907	-$19,892,388	$84,510,365
2007	$30,639,335	$29,722,425	$17,734,270	$78,096,030	$641,123	$82,850,146
2008	$27,503,404	$26,396,955	$12,524,168	$66,424,527	-$11,671,503	$66,424,527
Reduction 01 - 08	$14,638,536	$11,628,494	$16,279,714			$77,600,970
Percentage Change	34.74%	30.58%	56.52%			53.88%

both the adaptation of WIA in 2000 and its subsequent funding slide has been the enrollment decline in New York City's Summer Youth Employment Program (SYEP). Federal support for SYEP plummeted from $42.5 million in 1999, the last year of funding before WIA went into effect, to $3.8 million in 2007.[8] The city has stepped into the breach, boosting its own commitment from $7.5 million[9] to $32.4 million last year. But the disappearance of federal dollars has been the biggest cause of the drop in participation for SYEP: from 50,499 young New Yorkers served in 1999 to about 43,000 in 2008.[10] Government disinvestment in this program seems deeply unwise, given the finding that early work experience is correlated with higher rates of jobholding after high school graduation and higher annual earnings for 10 to 15 years after leaving high school. Further, research has found that young people not bound for college—the population that most needs assistance in the job market—benefit the most from paid employment in the teen years.[11]

DOING MORE WITH LESS

The painful irony of the funding reductions is that they have come even as the city has turned around its previously dreary record on workforce services. Under Mayor Rudy Giuliani, New York's initial efforts to implement the federal Workforce Investment Act (WIA), a law passed in 1998 that went into effect two years later, were so lacking that the city nearly lost tens of millions of dollars for non-compliance. A worse penalty came after the city was struck on September 11, 2001: when hundreds of thousands lost their jobs, there was no publicly supported infrastructure to help them find new work.[12]

In 2003, Mayor Michael Bloomberg closed the dysfunctional Department of Employment and shifted responsibilities for workforce services to the Department of Small Business Services (SBS) for adults and dislocated workers, and the Department of Youth and Community Development (DYCD) for young people. Over the next three years, both agencies made dramatic improvements to their core programming and piloted some innovative service models to serve their customers.[13]

But the impact of those improvements has been limited by the perennial shrinkage in resources available to offer services.

In addition to the chronic under-funding of WIA programs, the strings attached to them are sufficiently onerous that other levels of government are deeply hesitant to add resources in support. "When we got these programs, we thought about the possibility of leveraging other resources," says DYCD Deputy Commissioner Suzanne Lynn. "But we came to realize that the highly structured nature of the program serves as a disincentive to other potential funders."

Nor is consistency a hallmark of federal guidance. Bill Chong, deputy commissioner for youth services at DYCD, explains that because of inadequate funding, agency programs for in-school youth serve only about 5,000 students—less than half the number from a few years earlier under the former Department of Employment. The program is structured for contractors to earn full reimbursement when participants achieve certain outcomes—giving them a clear incentive to target individuals who are most likely to reach those outcomes, despite occasional directives to local officials that strongly discourage this approach. In order to get full reimbursement, providers often work with mostly juniors and seniors, Chong explains. “But the first two years in high school are the most challenging and those are the kids most at risk. If you can get them through that, they’re more likely to graduate.”

ALTERNATE ROUTES

Because of all the difficulties related to WIA, New York City leaders in and out of government have looked for separate avenues through which to invest in workforce development. The city has created the Center for Economic Opportunity (CEO), a public/private agency with the mission of implementing an ambitious anti-poverty agenda drawn up by a mayoral task force in 2006. The Department of Small Business Services has responsibility for eight CEO initiatives, supported with approximately $17 million from city tax-levy dollars in this year’s budget. CEO programs are primarily intended to help low-income working New Yorkers advance in their careers and earn more money to support their families; among the initiatives are a Career Advancement Program and the development of career ladders in health care and other sectors.

“The city tax-levy funding has allowed us to be a lot more creative and flexible, since it’s not WIA funding,” says WIB executive director Blake Walters Foote. She is careful to add, however, that the city-originating CEO dollars are not intended to substitute for disappearing federal funds. “The CEO investment should not be seen as a replacement for what was cut on the WIA side. Those funds are intended to serve working poor and innovative programming, not necessarily for core programming.”

Additionally, the Bloomberg administration has found resources to provide training for individuals already on the job and to bring more private money into the workforce system through competitively awarded NYC Business Solutions Training Grants. Participating employers must commit to wage increases for an agreed-upon number of workers to receive training and to bear a share of costs—both further leveraging public dollars and giving employers a direct stake in the success of the training. Through April 2008, SBS had awarded nearly $5 million to 45 companies in the city to support training for over 3,000 workers, leveraging more than $6.5 million in employer funds.

New York City’s philanthropic community has stepped up its commitment to workforce development as well. In 2004, a number of foundations that supported research and service delivery in the workforce field began to meet on a formal basis as the New York City Workforce Development Funders Group. That first year, a survey of the group’s membership found that total giving amounted to approximately $18.5 million for both direct service provision and intermediary work; by 2007, it was $40.4 million. (The Center for an Urban Future has been a beneficiary of support from some of the Funders Group member organizations.)

Without question, city tax-levy, employer and philanthropic dollars are a vital support for local workforce development efforts. In addition to expanding the reach and depth of services, they more deeply invest this crucial set of stakeholders in the success of the system—as was rarely the case during the somnolent 1990s, when indifferent city officials too often used federal funds for job training solely as political pork.

But for a variety of reasons, these sources are not sufficient to stand up and sustain the robust network of education, training and job placement services the city needs. Local budgets fluctuate wildly—particularly in New York City, where public coffers are so closely tied to booms and busts on Wall Street—and public priorities change with each new mayoral administration and City Council. The business community as a whole and by economic sector generally will invest in its own success, but its willingness to do so often reflects the perceived commitment of government. And foundations tend to conduct their giving in cycles, with program officers frequently drawn to exciting new models or directed to spread their generosity across benefactors and fields.

As the system is presently constituted, only the federal government can express the financial commitment to a highly skilled workforce that will prove vital to the prosperity of New York City and countless other American communities. Groups such as Skills 2 Compete, a national coalition of business, labor, and educational institutions, have called for massive new investment in the training and education of American workers, a recommendation we heartily endorse. This is not to say that New York City’s government and philanthropic community should abandon their efforts; indeed, only their greater commitment has saved the system from even deeper erosion over the last few years, assisting thousands of New Yorkers in the process. But their efforts are meant to be supplemental and complementary; the proper federal role is to provide both the vision for the system and the resources to make that vision real.

CUF Recommends

The Workforce Alliance: *"Skilling the American Workforce 'On the Cheap,"* September 2003 and *"Federal Funding for Key Job Training, Vocational Education and Employment Programs During the Bush Administration (FY2002-FY2008)*," February 2008

Harry J. Holzer and Robert I. Lerman, *"America's Forgotten Middle-Skill Jobs,"* November 2007;

Center for an Urban Future *"Work In Progress,"* June 2007; "*Summer Help*," June 2007

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ENDNOTES:

[1] Estimatee derived from two publications of The Workforce Alliance: "Skilling the American Workforce 'On the Cheap," September 2003 and "Federal Funding for Key Job Training, Vocational Education and Employment Programs During the Bush Administration (FY2002-FY2008)," February 2008

[2] Harry J. Holzer and Robert I. Lerman, "America's Forgotten Middle-Skill Jobs," November 2007, p. 3.

[3] The Workforce Alliance, "Skilling the American Workforce 'on the Cheap,'" 2003.

[4] The Workforce Alliance, "Why We Need to Train America's Workers…"

[5] Testimony of John Twomey, President, USA Works! to U.S. House of Representatives, House Appropriations Subcommittee on Labor, Health & Human Services, Education and Related Agencies, March 30, 2008.

[6] Funding data from past years available on the Workforce New York website: http://www.workforcenewyork.org/

[7] Calculations derived from the Consumer Price Index inflation calculator, available online at http://data.bls.gov/cgi-bin/cpicalc.pl. The calculator only translates numbers of less than eight digits, so estimates were used; as the index changes over the course of the current year, the calculator uses the latest monthly values. These figures were accessed in September 2008.

[8] Department of Youth and Community Development, Summer Youth Employment Program 2007 Summary.

[9] New York City Independent Budget Office, "Since 2000, Funding Changes Cause Annual Uncertainty for Summer Jobs Program," June 2006.

[10] For more about SYEP, see the Center's June 2007 brief, "Summer Help."

[11] Andrew Sum, Neeta Fogg, and Garth Mangum, "Confronting the Youth Demographic Challenge: The Labor Market Prospects of Out-of-School Young Adults," Johns Hopkins University, October 2000, p. 251.

[12] Center for an Urban Future, "Under the Mattress," November 2001.

[13] See the Center's 2007 report "Work in Progress" for a fuller description of city workforce programming.

[14] NYC Department of Small Business Services press release, April 4, 2008.