

## **Implement a Public-Private Strategy to Develop Key Industry Sectors**

### *Key Recommendations*

1. ***Redirect economic development expenditures to programs that support a broad range of industry sectors with both small and large businesses.*** New York's economy thrives from clusters of firms that benefit from the city's status as a global center of trade, finance, culture and information. From the Fashion industry to New Media, New York's private sector engines are characterized by the concentration of firms with diverse specializations, supported by workers with a broad range of talents and world-class communication and transportation systems. More often than not, these sectors include networks of small companies and are constantly creating new firms that must survive in a highly competitive environment. In spite of this range of dynamic sectors, a disproportionate amount of economic development dollars flow to a few large firms that threaten to leave the city. A more constructive use of these resources would be to improve the city's competitive advantages through investments in key industry sectors. Other cities have achieved success through this approach, supporting research and development, workforce preparation, market promotion and other foundations to competitive industry sectors. In nearly every example, comprehensive strategies were developed by the top levels of government in partnership with leaders in the private sector.
2. ***Foster strong industry support organizations*** to assess and prioritize the needs of their sector and involve the industry in the design and delivery of economic development services. Industry-specific development corporations, trade associations, industry-union partnerships and informal industry organizations are in the best position to ensure that programs are responsive to industry needs and are implemented effectively. One means of strengthening and expanding the city's network of industry intermediaries is to create a competitive grant program to support existing industry organizations and encourage the formation of new intermediaries. Public resources can help leverage private funding to replicate the success of organizations like the Garment Industry Development Corporation, the New York New Media Association, the New York

Software Industry Association or the Greenpoint Manufacturing and Design Center.

3. ***Establish Industrial Districts that will support the development of manufacturing clusters.*** With a quarter-million jobs and a large number of growing, profitable firms, manufacturing is a particularly important source of living-wage job opportunities for workers in the low-wage job market. However, a shortage of affordable industrial space and the expansion of commercial and residential uses in industrial areas is forcing many firms to close shop or leave the city. Special industrial districts in parts of Long Island City, industrial areas near the Brooklyn waterfront, and other active manufacturing areas can provide a focus for integrated strategies that combine zoning protections, infrastructure improvements, industrial development incentives, and the technical assistance provided by organizations such as the Industrial Technology Assistance Corporation and the New York Industrial Retention Network. Chicago, which has developed a manufacturing strategy that is focused on designated industrial corridors, can be a model for a New York strategy.
  
4. ***Connect new technology and commercial centers to the low-wage workforce.*** The growth of technology and office industries provides an opportunity to establish thriving employment centers outside of Manhattan's Central Business District. Efforts to encourage the expansion of these industries, such as the city's Digital NYC program and the Group of 35 convened by Senator Charles Schumer, can help create a rich source of job opportunities for the low-wage workforce if they are combined with planning and workforce strategies that connect employment centers to low-income communities and workers. These strategies should include:

  - Land use regulations and marketing programs that cluster activities in a few “borough downtowns” that minimize the displacement of manufacturing and affordable housing and that maximize their accessibility to the low-wage workforce.
  - Community design and infrastructure enhancements that connect commercial centers to adjacent neighborhoods.

- Creation of Special Assessment Districts, in which a portion of the increased tax revenues resulting from the conversion of industrial to commercial space is earmarked for the development of industrial space or affordable housing in nearby locations.
- Employment programs that effectively train and place low-income job seekers with technology and office firms relocating to the outer boroughs.

## Provide the Infrastructure Capacity for Sustainable Growth

### *Key Recommendations*

1. ***Implement capital plans that give priority to three critical needs—transportation, schools and housing—that will expand the capacity for growth and help attract and retain a competitive workforce.*** While there are extensive capital needs across a broad range of activities, these areas command particular attention. Congestion on subways and highways and the lack of affordable housing threaten to put a choke hold on the region’s economy, while safe, modern classrooms are a prerequisite for educating tomorrow’s workforce. Immediate priorities include adopting a sound financial plan to implement the MTA’s new five-year capital plan, increasing funding levels for school construction, and a renewed commitment to low and moderate-income housing in the city’s capital budget.
2. ***Adopt debt reduction measures to expand the fiscal capacity for infrastructure investments.*** As recommended by the New York City Comptroller, these include such actions as implementing a modest pay-as-you-go capital program, using a portion of city and state budget surpluses to retire outstanding bonds, and establishing an Infrastructure Improvement Fund to pool “one-shot” revenue sources.
3. ***Identify dedicated revenue sources for infrastructure improvements.*** To the extent possible, service improvements in areas such as transportation should be funded with revenue sources that are paid by constituents who derive a benefit from the expenditure and who can most afford to pay. Potential sources that meet these

### SUPPORTING STRATEGIES

- ✓ ***Provide resources for community planning and development*** to help neighborhoods benefit from new infrastructure projects. Flexible grants and loans to develop community plans, which exploit new business opportunities, train for new employment openings and assist displaced businesses and residents, can help ensure that low-income New Yorkers benefit from infrastructure investments.
- ✓ ***Develop industry, union and community programs to improve minority/female representation in construction trades.*** Both the expansion of successful programs in New York City and the replication of model programs from other regions can improve access to well-paying careers for many low-wage workers.

criteria include a regional transportation tax that would replace the outgoing commuter tax and fund new subway and commuter rail services, paying for new facilities by capturing a portion of real estate values that increase as a result of the facility, and increased bridge and tunnel tolls during peak periods of auto use. The latter would not only provide revenue for alternative services; it would also reduce congestion by diverting some drivers to other times of the day.

## **Preparing People for Living-Wage Jobs**

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Worker training should be a “win-win” deal for both sides of the labor market. Employers benefit from added worker productivity and workers benefit from more job opportunities and from higher wages. But publicly-funded worker training programs have often fallen short of this promise. In many cases, this is because workforce development programs have operated independently of the needs of local employers and have not been integrated into local economic development policy. New York’s implementation of the recently enacted Workforce Investment Act provides an opportunity to create a workforce development system that is responsive and effective.

However, the Workforce Investment Act (WIA) is not the only significant source of job training funds. With the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the welfare system has come to play a significant role in the labor market. While reforms in New York City have resulted in a large reduction in the welfare rolls and a significant increase in labor force participation, there is considerable room for improvement in how effectively the system functions to prepare people for family-sustaining jobs.

### **Make the Workforce Investment Act Work**

#### ***Key Recommendations***

1. ***Ensure that WIA focuses on clients.*** The Workforce Investment Board (WIB), which will oversee WIA locally, should commit to providing individual assessments of eligible participants and evaluating their education and training needs. The Memorandum of Understanding between the WIB and the operators of the soon-to-be-created One-Stop Career Centers should describe the expected provision of individual assessments, including those for education and occupational skills training.

Vouchers should be adequate to cover the costs of training and clients should not have to raise the difference.

2. ***Provide a “bridge” to the new system.*** The voucher system should be tested before universalizing it; the WIB should work with providers and others to define special populations; community-based organizations should be permitted to provide services during the first year of WIA implementation.
3. ***Fund effective skills upgrading programs.*** The WIB should look to proven worker skills upgrading programs, such as the Consortium for Worker Education and the Garment Industry Development Corporation, for models in expanding training for incumbent workers. These programs work because they bring together workers and employers to design appropriate training.

### **Make Welfare an Effective Work Preparation System**

#### ***Key Recommendations***

1. ***Individualize skill development.*** Work activities should be tailored to the needs and capabilities of individuals receiving public assistance, in contrast to the “one-size-fits-all” welfare approach currently being pursued. This more case-oriented approach should be coupled with greater monitoring of individual progress in order to enhance job retention after welfare.

#### **SUPPORTING STRATEGIES**

- ✓ ***Give policy makers tools to make decisions about training programs.*** Conduct periodic job - vacancy surveys to define areas of unmet labor need.
- ✓ ***Make sure the new system is properly evaluated.*** More sophisticated performance measures, long-term evaluation studies, and strong oversight of WIA will better ensure an effective workforce development system.
- ✓ ***Ensure that One-Stop Job Centers are an effective tool for matching people to jobs.*** Maximize linkages with local and suburban businesses to use the One-Stops as providers of an applicant pool.

2. ***Support access to higher education.*** Welfare participants who graduate college are likely to secure decent-paying, stable employment. The Governor should

sign legislation that has recently passed both houses of the state legislature, which classifies college work-study and internships as allowable work activities for welfare participants.

3. ***Implement and expand community jobs programs.*** Real work at real jobs helps people obtain the work experience and skills they need to move into unsubsidized employment. The New York City Council first passed and then overrode the Mayor's veto of the Transitional Employment Program - legislation that would use federal Temporary Assistance to Needy Families (TANF) funds to provide 12-month transitional employment opportunities for welfare recipients. The Mayor should implement the law. In addition, lawmakers in Albany should expand and improve the design of the New York State Wage Subsidy Program along the lines of the Transitional Employment Program.

### **Making Work a Path Out of Poverty**

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Despite the strong pace of private sector job growth and rising labor force participation rates, an alarming number of families in New York City are unable to earn enough to achieve an acceptable standard of living. The problems these families face fall into two broad categories. First, there are inadequate benefit supports that enhance the capacity of low-wage workers - particularly single parents - to sustain employment. The lack of affordable, quality child care and health insurance coverage makes holding a job a difficult challenge. Work is not possible if a parent does not have a reliable child care provider. Uninsured workers are disproportionately low-income workers. If these workers go without proper medical care, their ability to stay healthy and work productively will suffer.

A second challenge is inadequate income from work. More people are working but their wages remain low, often too low to enable them to lift their families above the poverty line. A growing number and proportion of New York City workers have wages that leave them well below an adequate living standard. Government action to raise living standards has yet to fully respond to this problem. The purchasing power of the federal minimum wage has eroded over the past 30 years and is now about one-third below its 1968 level. New York, which has the second highest average wage among all 50 states,

is one of the few high-wage states that has not raised its minimum wage above the federal level. Pay must be adequate to provide an effective incentive to work. Paychecks, along with wage supplements such as earned income tax credits, must be sufficient for workers to provide an adequate and acceptable standard of living.

## **Make Work Feasible**

### ***Key Recommendations***

1. ***The city and the state should further improve the availability, affordability and quality of child care by:***
  - Replacing the current, bifurcated and unequal system of subsidized child care in New York City with a single agency that would give welfare recipients and low-income working parents equal access to an array of child care options, with eligibility and subsidies determined by income and not welfare status;
  - Investing in new and existing child care centers by funding new construction and renovation, increasing funds for training, professional development and better compensation of child care workers, and raising the rate of reimbursement to providers or regulated child care;
  - Making child care more affordable by increasing the number of subsidies available and creating a refundable city child care credit equal to the state credit.

### **WHAT'S ENOUGH TO LIVE ON?**

Nearly everyone agrees that the national poverty threshold is no longer an appropriate measure of income adequacy. As the National Academy of Sciences points out, the federal government has not updated the poverty line to reflect the changes in household income, consumption, and expenditure patterns that have occurred since the poverty line was created in the early 1960s. Additionally, the poverty line does not take into account the above average cost of living in places such as New York. For example, in New York City, using the amounts specified by the US Department of Agriculture's Low Cost Food Plan and by the US Department of Housing and Urban Development's Fair Market Rents, the cost of food and housing alone equals the national poverty line amount.

What would be a better standard? A clear consensus has yet to emerge. We use 150 percent of the poverty line as our standard. In 1999, this standard specified annual incomes of \$12,360 for one person, \$16,590 for two-person families, \$20,820 for three-person families, and \$25,050 for four-person families.

2. ***Assure adequate funding for the state's Health Care Reform Act of 2000 that established Family Health Plus***, a much-needed initiative to broaden health insurance coverage through Medicaid. The state should fully access federal funding and permanently assume the local government responsibility for program expenses related to Family Health Plus. The state should use the same financial eligibility levels (250 percent of poverty) for all adults (those with and without dependent children) as for children. Coverage should also be extended to all legal immigrants.
  
3. ***The city should effectively implement the Mayor's recent commitment to increase Medicaid and Family Health Plus enrollments by 900,000 persons***. This initiative should help extend health coverage to many low-income workers.

### **Reward Work**

#### ***Key Recommendations***

1. ***The state should raise its minimum wage to \$6.75 an hour*** and, to prevent its erosion relative to the general rise in wage levels, annually index its value using changes in the state's average weekly wage level. Elected officials in Albany should complete the effort begun in the 2000 legislative session when the Assembly passed just such an increase, a majority of State Senators co-sponsored a companion bill, and the Governor voiced his support for raising the state minimum wage. Ten states now have a minimum wage above the federal \$5.15 hourly rate and five states have minimum pay standards at \$6.00 an hour or higher. By January 2001, Massachusetts will have a minimum wage of \$6.75 an hour and Connecticut's minimum wage will be at \$6.40 an hour, rising to \$6.70 a year later.
  
2. ***New York City should follow the lead of the state, which has steadily improved the statewide Earned Income Tax Credit, and create an EITC against its own personal income tax equal to 20 percent of the federal EITC***. The state and the city EITCs should not be contingent on the receipt of TANF or other non-general fund sources.

## SUPPORTING STRATEGIES

- ✓ *The city should expand the scope of its "living-wage" law* to include more workers employed by city contractors, include the provision of benefits in its calculation, and extend the law to firms receiving city economic development subsidies.
- ✓ *Since the welfare Earned Income Disregard can be an effective work incentive when properly structured, the state should make several improvements, including:* increasing the standard deduction to \$200, setting the percent disregard factor at 50 percent, and extending its application to single individuals.
- ✓ *To ensure that workers receive the compensation and protections to which they are entitled,* the state should improve the enforcement of minimum wage, overtime pay, and health and safety laws by: increasing the budget for enforcement agencies; encouraging private enforcement of wage and hour requirements; allowing private enforcement of health and safety laws; and assisting small companies in achieving compliance and remaining competitive without undercutting labor standards.
- ✓ *The state should adopt pay equity legislation.* Women working in female-dominated and minorities working in minority-dominated occupations suffer a pay gap. They earn less than workers with the same skills in occupations that are majority-male and majority-white. Pay equity legislation would make it illegal to pay different wages for comparable work.

## **Providing a Humane Safety Net**

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Even if all of the recommendations outlined above were implemented, there would still be a need for a humane social safety net. Employment-based approaches to the problems of low-income families are a better long-range solution than others, but they cannot serve everyone's needs all of the time. Unemployment Insurance (UI) is often the first program jobless workers turn to. But the system does not measure up to the demands of a changing economy and the new public policy environment. In addition, there will always be people in need of public assistance. Some have disabilities (or are caring for people with disabilities) that do not rise to the level of eligibility for the federal Supplemental Security Income (SSI) program, but that realistically preclude them from competing for, obtaining, and retaining a job. Others will need cash assistance on a transitional basis between jobs (if they do not qualify for unemployment insurance) or other changes in life circumstances. Finally, some continuing and cyclical unemployment is inevitable. Unemployment Insurance, public assistance, food stamps, and Medicaid are essential (albeit inadequate) supports for these New Yorkers. Our

recommendations would put more people to work, at higher wages, but “ending welfare” is not a realistic goal.

### ***Key Recommendations***

1. ***New York State should follow the lead of several other states in modifying its unemployment system to:***
  - Increase benefit levels for low-wage workers, establish a dependent allowance as part of UI benefits, and change the Extended Benefits trigger to make it easier for the long-term unemployed to obtain extended benefits during periods of high unemployment;
  - Base eligibility on hours worked, not earnings, so as not to discriminate against low-wage workers;
  - Allow unemployed workers who are seeking part-time employment (often because of family obligations) to qualify for benefits;
  - Expand access to the UI system through such measures as immigrant-friendly services and by providing for representation of UI claimants as part of a larger outreach and education effort.

#### **SUPPORTING STRATEGIES**

- ✓ To help facilitate the transition to work, ***the city should ensure access to food stamp and Medicaid benefits*** for households whose cash assistance is terminated.
- ✓ ***The city should ensure the fair administration of public assistance supports*** by: providing welfare applicants clear and accurate information about benefits and facilitating their application; initiating a “Customer Service Review” to avert wrongful case terminations; and revamping the enforcement of work participation rules to foster the acquisition of skills and the enhancement of employability.
- ✓ ***The city and state should institute mechanisms to track the implementation of policies that affect the welfare eligible population.*** Periodic evaluations of program effectiveness should be conducted by independent, outside experts and include outcomes for those deterred from

2. ***New York State should restore the welfare grant to its 1990 value and index the grant to ensure that its purchasing power remains intact.*** The welfare grant has not been increased since 1990. It is woefully inadequate. Longer-term, the grant should provide recipients an income at least equal to that of the federal Supplemental Security Income program.

## Conclusion

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*Building a Ladder* provides a comprehensive approach to policy making. It suggests a variety of ways to strengthen the low-wage labor market. Some recommendations call for new policies, some outline ways to make existing programs work more effectively, and still others focus on making the most of new opportunities such as the Workforce Investment Act. Taken together, these recommendations address the challenges facing low-wage workers: job availability, adequate skills, health care and child care, earnings sufficient to sustain a family, and a safety net for hard times.

The proposals we offer are also feasible. They are grounded in the realities of New York City's economy and the current federal policy context. Welfare reform is betting on the labor market and has put the spotlight on low-wage work in a new way. Now, when good times and federal policies are giving states and cities more flexibility, public and private sector leaders have new opportunities for effective action. *Building a Ladder* calls on all of us to consider new approaches that will provide more jobs and higher wages.