

TESTIMONY OF DAVID R. JONES, PRESIDENT AND CHIEF EXECUTIVE OFFICER,
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BEFORE

THE NEW YORK STATE ASSEMBLY STANDING COMMITTEE ON ECONOMIC
DEVELOPMENT, JOB CREATION, COMMERCE AND INDUSTRY

NEW YORK STATE ASSEMBLY COMMITTEE ON SMALL BUSINESS

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The Committees' call for testimony is a welcomed recognition of the extraordinary challenge the City and the State face in the months and years to come. I thank you for the opportunity to address it.

The affect of the September 11th attack has been and will continue to be felt not only by businesses and workers in Lower Manhattan, but throughout the City and across the State. The event not only devastated business activity in the Financial District, it delivered a heavy blow to what, we should remember, was an already weakened city economy. As early as this summer, New York City's economy was showing distinct signs of a slowdown. The City's unemployment rate had jumped from 5.0 percent in July to 5.8 percent in August and then to 6.3 percent in September. There were 76,000 fewer New York City residents employed in September 2001 than in September 2000. Please recall that these figures predate the impact of the economic devastation that resulted from the attack.

My point is that while there is much that can and should be done to rebuild the downtown area, we need to bear in mind the larger task of reviving the City economy as a whole. The latter is not just about tax incentives, low interests loans and vast new infrastructure improvements, as important as these may be. Rebuilding New York also requires that we find ways to maintain the quality of life in our neighborhoods, restore hope in the future, and rebuild people's lives both downtown and thought the City.

The Community Service Society strives to address the needs of the City's poor, many of whom were recently working at low-wage jobs downtown and across the City. A significant share of the jobs lost since September 11 has been in the restaurant, hotel, retail, transportation and other service industries as well as garment manufacturing, all of which provide many employment opportunities for workers without specialized skills or college degrees. And as *The*

New York Times recently reported, many of those still working in this sector are earning less because of short hours, and reduced tips and commissions.

My plea to the Committee is that the contribution that these workers once made and can again make to New York be an important element in its deliberations. We have recently published a report entitled, *Back to Work*, which I am attaching to my testimony. The core recommendation of the report is the creation of a publicly subsidized transitional jobs program that can offer 50,000 City residents an alternative to unemployment and welfare. The reconstruction and revival of downtown New York will take many months if not some years to gather steam. The City needs this program now. We believe that this approach is not just a form of income support; it can be a powerful tool for economic development.

The program would be open to New York City residents who have been unemployed for at least one month. Participants would be full-time employees receiving a minimum of \$8.50 per hour. This wage rate is low enough to make the program affordable while still ensuring that workers are eligible for Food Stamps, Family Health Plus, federal and state Earned Income Tax Credit, and subsidized childcare.

There would be no shortage of positions available to prospective workers. There are many workplaces that need able hands but cannot afford them. With a strained municipal budget and sharp cutbacks looming, the City government could make good use of this program by putting people to work in our parks, public hospitals, and other vital service areas. Subsidized employment would also expand the capacity of nonprofit service providers who are under tremendous pressure to serve increased community need with fewer resources. The positions could also aid many small, neighborhood businesses in the downtown area and across the City

that are in danger of bankruptcy. The benefits of the program would thus extend beyond the immediate participants to the City at large.

Worksites could be selected by the New York City Department of Employment through a request for proposals process. Employers would submit proposals that would identify the position they wish to create and describe how the position will enhance the future employability of the participant and benefit the community at large. The Department of Employment would rate the proposals and create an ordered list of subsidized openings with positions that would generate the most community and participant benefit being the first to be certified as eligible for subsidy. Certifications would continue down the list of submitted proposals until funding was exhausted. A list of current openings would be available through the State Employment Service, One-Stop Career Centers, and welfare Job Centers and other approved public and private agencies.

Eligible workers would be free to compete for any of these jobs. Establishments with certified openings would be free to hire whomever they chose as long as they had first advertised the opening through the appropriate public job lists for five working days. To guard against the danger of displacement, firms would be required to pay the difference between the wage subsidy and the going rate of pay for similar work in the firm, if the latter rate was higher.

The wage and salary costs of a program that could accommodate up to 50,000 former low-wage workers would come to about \$750 million. That money should come from a combination of federal aid, a restoration of the City commuter tax, and New York State's TANF "rainy day" fund, which now exceeds \$1.6 billion.

This program is not cheap but compared with the loss of City services, the diminished capacity of the nonprofit sector, the closing of otherwise viable small business, an increased

reliance on unemployment insurance and public assistance, this is a wise and humane investment in our future.

Thank you again for this opportunity to address the Committee. I would be happy to answer any questions you may have.