



## Key Facts on Workforce Development

### 1. Outlook: Need for Greater Investments in Workforce Development

#### Labor Market Trends

Over the next 25 years, it is predicted that almost all of the workers in the Baby Boomer generation (those born between 1946 and 1964) will retire, leaving many vacancies in the workforce and necessitating education and training systems to prepare the next generation for these positions. Some labor market experts are concerned about a “skills gap” as job demands rise without a comparable rise in education level among the majority of job candidates.<sup>1</sup>

#### Skills Shortage

Based on recent U.S. Census data, nearly half the U.S. workforce has only a high school education or less. Yet, according to the U.S. Bureau of Labor Statistics, between 2004 and 2014, most of the fastest growing occupations will require at least an occupational certificate or post-secondary degree.<sup>2</sup> In New York State, nearly half of currently available jobs are considered “middle skill” – requiring more than a high school diploma but less than a bachelor’s degree. Yet, 46% of New Yorkers age 25 and over in the labor force in 2004 had no education beyond high school, resulting in a growing skills gap.<sup>3</sup>

#### Workforce Funding Trends

The original authorization of the Workforce Investment Act (WIA) expired in 2003, and annual appropriations have since been made along with extensions of existing statute. Despite the work of advocates to make significant improvements to the law, WIA reauthorization has not yet been enacted by Congress. The FY 06 federal budget allocated just \$3.2 billion in workforce programs – only 10.7% of what was spent on these programs 28 years ago. The decline in federal spending for New York State youth and adult workers from 2003-2006 was \$10 million; the decline in State funding for workforce programs from 2003-2005 was \$275 million.<sup>4</sup>

On the federal level, funding for WIA continues to dwindle. Since WIA was originally created in 2000, New York’s annual share of Title I WIA funds has been reduced from \$305 million in FY 2000 to \$136 million proposed for FY 2009. Furthermore, the net impact on New York

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<sup>1</sup> Fischer, David Jason & Twomey, John (February 2007). “A Thousand Cuts,” Center for an Urban Future, available at: [www.nycfuture.org](http://www.nycfuture.org).

<sup>2</sup> Strawn, Julie (September 28, 2007). “Policies to Promote Adult Education and Postsecondary Alignment,” National Commission on Adult Literacy.

<sup>3</sup> Fiscal Policy Institute (2007). “The State of Working New York 2007,” available at: [http://www.fiscalpolicy.org/publications2007/SOWNY/SWNY07\\_WebEditionFinal.pdf](http://www.fiscalpolicy.org/publications2007/SOWNY/SWNY07_WebEditionFinal.pdf)

<sup>4</sup> Ibid.



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State of retroactive rescissions in FY 2008 is close to \$38 million.<sup>5</sup> In addition, New York State has gradually reduced the amount of funding from federal Temporary Assistance for Needy Families (TANF) surplus dollars that is dedicated to employment, training and education programs. In SFY 2000-01, approximately \$464 million in TANF funds was appropriated for this purpose. Yet, in SFY 2007-08, less than \$100 million from the TANF surplus was spent on these programs.<sup>6</sup>

### Relationship between Education and Earnings

According to the U.S. Census Bureau, more than 43% of adults in the United States, or nearly 90 million people, between the ages of 25 and 64 have no more than a high school diploma or GED. And, nearly 25 million adults in the U.S. between ages 18 to 64 have less than a high school diploma or GED. In New York State, the statistics are slightly worse. In 2006, nearly 46%, or over 5 million adults ages 25 and up, have achieved only a high school diploma or GED as their highest level of education.

The national average earnings by educational attainment for persons 25 and older show that earnings rise significantly with greater levels of education. In 2006, the average annual earnings for individuals without a high school diploma were approximately \$21,000. Those with at least a high school degree earned \$31,000 per year, while those with at least a bachelor's degree earned close to \$56,000 per year.<sup>7</sup>

## **2. Escalating Problems: Need to Expand Opportunities to Increase Earnings**

### Income Inequality

According to recent Census data, New York State and New York City have the widest income gap of any state or city in the United States. In the greater metropolitan area in 2005, the top fifth of earners made nearly 20 times what the bottom fifth earned. In Manhattan, the wealthiest made nearly 40 times more than the poorest — \$351,333 compared to \$8,855 – a bigger gap than in any county in the country.<sup>8</sup>

### Gender Wage Gap

Males have higher median earnings than females at each level of educational attainment in each of the 50 states. In New York State, there is was an 82% earnings gap (an average

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<sup>5</sup> U.S. Department of Labor, WIA Adult/Youth/Dislocated Workers Activities Programs, "Net Impact of Retroactive Rescissions in FY 2008 to Prior Year Funding," available at:

<http://www.workforceatm.org/sections/pdf/2008/tegl24071a.pdf>

<sup>6</sup> Renwick, Trudi (February 5, 2008). Testimony: State Joint Public Hearing on Human Services, "TANF funds for employment, training and education not sufficient," Fiscal Policy Institute, available at:

[http://www.fiscalpolicy.org/publications2008/RenwickTestimony\\_HumanServices2008.pdf](http://www.fiscalpolicy.org/publications2008/RenwickTestimony_HumanServices2008.pdf)

<sup>7</sup> U.S. Census Bureau, Current Population Survey 2006, available at:

<http://www.census.gov/population/www/socdemo/educ-attn.html>

<sup>8</sup> Roberts, Sam (August 27, 2007). " Census: New York Region has Widest Income Gap," available at:

<http://cityroom.blogs.nytimes.com/2007/08/28/census-new-york-region-has-widest-income-gap/>



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\$11,000 difference in annual income) between men and women with college degrees from 2003-2005, which was the 5<sup>th</sup> highest earnings gap of all states in the nation.<sup>9</sup>

### Disconnected Youth

Increasingly, there are larger numbers of youth between the ages of 16 to 24 who are considered “disconnected,” since they are neither in school nor in the workforce. Across the U.S., there are approximately three million disconnected youth, and here in New York City, researchers estimate close to 200,000.<sup>10</sup>

### Rise of Non-Traditional Students in Higher Education

According to the Education Commission of the States (ECS), “the majority of tomorrow’s jobs are likely to be filled by today’s workers.” Therefore, adapting the higher education system to accommodate non-traditional students, particularly working adults, is essential. These students are expected to constitute a greater percentage of those entering higher education in the coming years. In addition, higher education is becoming increasingly necessary to compete for jobs in the new economy. Therefore, adapting the higher education system to accommodate the lives of working adults, who must balance the demands of work, family and academics, is crucial to expand employment opportunities for this population.<sup>11</sup>

### Welfare Recipients engaged in Education and Training

According to data obtained from the Office of Temporary and Disability Assistance (OTDA), as of September 2007, only 14% (6,858 individuals) of the statewide public assistance caseload was engaged in some form of training or educational activity. This includes 9.2% engaged in vocational education, 2.6% engaged in job skills training, and 2.2% engaged in educational training. Under federal TANF rules, states can place up to 30% of the total statewide caseload in vocational education, which can also count as a “core” work activity. There are no restrictions on the percentage that can be engaged in job skills or educational training, which counts as a “non-core” work activity.

Furthermore, under the “work first” philosophy, which has directed state welfare policy since the enactment of the Welfare Reform Act of 1997, local social services districts have emphasized work assignments and low-wage job placements over job training and education in order to move people off welfare as quickly as possible. While this focus has helped contribute to significant caseload reductions, along with punitive policies and a booming economy in the early 1990s, it has proven to be short-sighted in failing to give individuals the opportunity to gain the skills and education they need to get sustainable wage jobs. Instead

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<sup>9</sup> American Association of University Women analysis of U.S. Census Bureau, Current Population Survey, 2004, 2005 and 2006, available at: <http://www.aauw.org/research/statedata/index.cfm>.

<sup>10</sup> Fischer, David Jason (May 2006). “Chance of a Lifetime,” Center for an Urban Future, available at: [www.nycfuture.org](http://www.nycfuture.org).

<sup>11</sup> Datamonitor USA (July 2005). “Nontraditional Students in Higher Education,” available at: [www.datamonitor.com](http://www.datamonitor.com).



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we have seen a “churning” of the caseload where people leave welfare for low-wage work and then have to turn back to welfare within a short period of time when they lose their jobs or are unable to pay their bills.<sup>12</sup>

In addition, the once-promised post-employment education and training services to welfare leavers never materialized. Therefore, many families have cycled on and off welfare over the years, and a large portion of the current caseload consists of individuals facing multiple barriers to work. These individuals are typically less employable and more likely to have difficulty complying with program requirements. According to OTDA data for January 2008, 33,203 cases (nearly 13% of all cases) are currently in sanctioned status and therefore receiving reduced benefits.<sup>13</sup>

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<sup>12</sup> Community Voices Heard (July 2005). “The Revolving Door: Research Findings on NYC’s Employment Services and Placement System and Its Effectiveness In Moving People from Welfare to Work” found that one-third of welfare recipients placed into jobs by NYC’s Employment Services and Placement (ESP) Program were back on welfare after a 12 month period. 36% of the individuals are unaccounted for; they were no longer at their jobs nor back on welfare. Available at: <http://www.cvhaction.org/reports>.

<sup>13</sup> Office of Temporary and Disability Assistance (January 2008). “Temporary and Disability Assistance Statistics,” available at: <http://www.otda.state.ny.us/main/bdma/2008/2008-01-stats.pdf>.