

New York State Joint Legislative Workforce Budget Hearing - January 25, 2017
Submitted by Kevin Stump, Northeast Director, Young Invincibles

Good afternoon. My name is Kevin Stump, and I am the Northeast Director of Young Invincibles also known as “YI.” YI is a national non-partisan policy and advocacy organization working to elevate the voices of and expand economic opportunities for today’s young adult generation. YI focuses on the intersection of higher education, health care, and workforce development all in the context of the broader economic security of our generation.

As this committee and the state legislature deliberate Governor Cuomo’s FY18 Executive Workforce Development Budget Proposal, it is essential that the voices and needs of young adults are heard throughout the process, and that the legislature’s response to the Governor’s budget reflects the needs and priorities of young adult New Yorkers across the state. Young Invincibles latest research shows Millennials have earned a net wealth half that of Baby Boomers when they were young adults and young adult workers today earn \$10,000 less than young adults in 1989, a decline of 20 percent. Additionally, when Baby Boomers were young adults, they owned twice the amount of assets as we do today.¹ Our generation faces unprecedented challenges despite being the most diverse and educated generation in American history. Crisis-level problems require crisis-level solutions from our elected leaders.

We will focus this testimony on the need to repurpose the \$50 million dedicated to the Urban Youth Jobs Program, which has been renamed in this proposed budget the New York Youth Jobs Program and proposes to extend \$50 million annually for five years. Recent research suggests this type of tax credit strategy does not adequately meet the needs of employers who prefer having skilled young adult workers over small dollar tax credits.

That’s why we are urging you to instead invest these precious and limited workforce dollars in expanding evidence-based training strategies that skill up young adult New Yorkers and connect them to long-term employment opportunities. As part of a larger strategy, we urge the legislature to pass and fund the Empire State Apprenticeship Program for young adults proposed by Assemblyman Bronson and Senator Gallivan.

Investing in training and skill development among New York’s disadvantaged young adult population is critical now more than ever as young adults face stubbornly high unemployment and poverty rates. Unemployment has serious long-term consequences. One analysis found that a young person who is unemployed for six months can expect to earn \$22,000 less over the following ten-year period. With more than 15 percent of 16-to-24-year-old New Yorkers unemployed and looking for work, this could translate to a potential loss of about \$8.8 billion in earnings to the state over the course of the next decade. Unfortunately, despite New York’s economic gains since the Great Recession, disadvantaged young New Yorkers are still being left behind.

¹ <http://younginvincibles.org/financial-health/>.

From the peak of the Great Recession in 2010 to 2015, New York businesses have added almost one million private-sector jobs, with sectors like leisure and hospitality experiencing nearly 30 percent growth, and construction experiencing nearly 20 percent growth. During that same period, the state increased its investment in economic development by more than \$8.6 billion. New York has clearly made an investment in growing the economy. For some, it's paid off: unemployment for the entire state population has dropped to about five percent. Despite this, young adults in New York currently face double-digit unemployment rates. The young adult unemployment rate today is more than triple that for residents 35 years and older, and is even higher for young adults of color.

In YI's latest report, "**Sounding the Alarm: New York's Young Adult Unemployment Crisis & the Need for State-Based Reforms**," we outline the seriousness of the state's youth unemployment crisis and make four specific suggestions to repurpose the state's single largest youth jobs investment of \$50 million--the Urban Youth Jobs Program. This initiative is a \$5,000 dollar tax credit available to employers who hire and retain a disadvantaged young adult for two years. It's clear this small dollar tax credit is not only failing the most vulnerable young adults but is failing employers across the state who are in desperate need of a skilled workforce.

Our research made clear that these small dollar tax credits do not change employer behavior. More than 90 percent of employers who participated in our research through interviews, focus groups, and surveys indicated that a \$5,000 tax credit over two years does not impact their hiring or retention decisions. For example, the president of a machining company in Rochester said, "*our biggest problem is they [young adults] don't have the basic math skills needed to train them.*" He referenced the decline of apprenticeship programs as one of the challenges the machinery industry is facing with an aging workforce, and stressed the need to ensure that "young adults are properly trained, have the proper etiquette, and the proper skills so [we] can use them." This is in line with other research across the country on programs related to these types of flawed tax credits.

Additionally, our research on the Urban Youth Jobs Program has shed light on a shadowy part of the state budget due to a lack of data, evaluation, and transparency. The statute authorizing the Urban Youth Jobs Program mandates an annual report with basic information on the program to be published and delivered to the legislature but after much investigation that report is nowhere to be found. However, even if the report was published every year, the tax credit program doesn't collect enough basic data that would enable the state to not only conduct an evaluation to better understand the effectiveness of the program but that would allow the state to compare these tax credits to other strategies with similar missions. Another glaring discovery from our research is how this tax credit--like most tax credit programs in New York State--does not require a mandated review and evaluation. Despite the seriousness of high youth unemployment and the lack of evidence demonstrating the program's effectiveness, the Governor has proposed and the legislature has approved rapid increased funding to an annual \$50 million a year. This is concerning.

As a first step, and part of a larger strategy to connect young adults to training opportunities in growing sectors and industries across the state, the legislature should prioritize passing the bipartisan Empire State Apprenticeship Program for young adults introduced by Assemblyman Bronson and Senator Gallivan, and should use the resources from the UYJP to do so.

It's no secret that apprenticeship strategies are dollars well spent. One study from the U.S. Department of Labor--which we highlight in our report--found that the taxpayer return on investment of apprenticeship programs was \$27 for every dollar spent. This is most likely why employers consistently point to it as a model they would like to use more. For example, one employer, the owner of a growing fashion manufacturing company in Brooklyn, told YI, "*We think one of the biggest opportunities for us is to start with young adults and give them an alternative because you are talking about high skill, high quality manufacturing where you would need to apprentice right out of high school.*" The owner went on to share her confusion around how to set up an apprenticeship program through the Department of Labor but her dire need to use the time-tested apprentice model.

The Governor's FY18 Executive Budget proposes to authorize five more years of \$50 million annual funding level for the Urban Youth Jobs Program. While a \$50 million commitment to tackling the crisis of having so many young adults across the state living in poverty, unemployed, and not in school is commendable, we need to make sure that limited resources are used wisely. **That's why we strongly urge you to reject the Governor's proposal to extend funding for five years and to repurpose these dollars to train young adults so they can meet the needs of employers across the state.**

With limited state resources to tackle this issue, the stakes are too high to get it wrong. The report included with our testimony outlines, in detail, our proposals on how best to repurpose the resources spent on the Urban Youth Jobs Program. Our approach is dedicated to tackling high youth unemployment by investing in strategies that connect young adults to training opportunities linked to the needs of employers in growing sectors across the state. In the coming weeks we will also be sharing more ideas about how to ensure programs like this are collecting more data, conducting evaluations, and are more transparent.

We look forward to working with the Governor and the State Legislature throughout this budget process and beyond to ensure that the needs and voices of young adults are taken addressed. Thank you.