

Center *for an* Urban Future



MORE HARD TIMES FOR NEW YORK'S WORKING FAMILIES

Number of
low-income working
families in NYS **585,084**

Number of working
families in NYS below
the poverty line **163,292**

Percentage of
working poor
families in NYS that
spend more than 1/3
of income on housing **79.8%**

For growing
numbers of people with
jobs in New York, the
American Dream is
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IN NOVEMBER 2004, THE CENTER FOR AN URBAN FUTURE AND THE

Schuyler Center for Analysis and Advocacy released a report titled "Between Hope and Hard Times," revealing that more than a quarter of all working families in New York State were low-income.¹ New data suggests that the number of New York's working families living in economic distress has only continued to rise, undermining the core American notion that work alone should suffice to ensure economic security.

The number of working families in New York who earn less than twice the federal poverty standard grew by 33,531 (6.1 percent) between 2002 and 2003, the most recent year for which data is available.² As a result, there are now roughly 585,000 low-income working families in the state, representing 27.7 percent of all working families in New York.³

This isn't the only indication that for large numbers of people with jobs in New York, the American Dream is slipping further out of reach. Indeed, many of the trends we discussed in our 2004 report—including job growth in low-wage positions while better-paying fields lose employment, the rising cost of housing for almost all Empire State residents, and level or falling state support for vital programs that can help economically marginalized New Yorkers land better jobs to support their families—have only grown more pronounced. For example:

■ While nearly 28 percent of all working families in the state earn less than twice the federal poverty line, 7.7 percent of working families make so little money that they are actually below the poverty level.⁴ Overall, more than 163,000 working families in New York lived below the poverty line in 2003, an increase of about 6,300 (4.0 percent) since 2002.⁵

■ The number of jobs in occupations that pay below poverty level increased by nearly 84,000 (6.4 percent) since our last report was published, climbing from 1,314,050 jobs with sub-poverty wages in 2002 to 1,397,970 in 2004.⁶

■ The number of working poor families in New York who spend more than a third of their income on housing increased by roughly 5,500 between 2002 and 2003, an increase of 4.6 percent.⁷

■ The state has a significantly higher percentage of adults with only basic or sub-basic prose literacy levels than the U.S. as a whole (50 percent vs. 43 percent).⁸

■ The cost of college in New York eats up a higher share of family income than in most other states, despite the generosity of the state's Tuition Assistance Program. In 2004, families in New York paid 30 percent of their income for community college expenses (tuition, room and board, and other expenses); the U.S. average was 23 percent. Similarly, families in New York paid 32 percent of their income for expenses at public four-year universities, compared to 28 percent nationally.⁹

In terms of both education and employment outcomes, New York is moving toward an "hourglass economy": more at the top and bottom, fewer in the middle. New York has both a higher percentage of college-educated workers and more adults with sub-par literacy attainment than the national average. These figures foreshadow what happens in the job market: those who make it to college and succeed there are relatively well positioned for the information-based economy of the new century, in which educational attainment and specialized training bring proportionally greater rewards, but those who fail to attain competency in written and verbal communication face a chronic struggle to make ends meet.

Our previous study outlined a range of recommended state actions through which New York could extend the reach of economic opportunity and support those who "work hard and play by the rules." The legislature took one such action in December 2004, when it passed a three-tiered increase in the state minimum

wage over the veto of Governor George Pataki. Despite the loudly voiced fears of critics, employment in the most-affected industries (retail and food service) grew across the state at a faster rate than the overall economy through the first half of 2005.

Ultimately, however, a higher minimum wage can only help at the margins for those at the bottom of the wage ladder. The key is to make sure that minimum wage earners do not remain so for very long. And the best way to do that is to pave trails of upward mobility through education and skills training. Unfortunately, the state has not made much progress on these fronts. Indeed, while the problems we outlined in 2004—and again in this policy brief—demonstrate a need for bold and broad-based solutions, both the governor and the legislature have largely failed to act. Governor Pataki's 2006-2007 budget request at best continues this trend of inertial drift, and at worst may inflict considerable damage on New York's low-income economy.

There has been some good news since we published "Between Hope and Hard Times." The percentage of New York's working-age adults with some post-secondary education grew from 56.2 percent in 2002 to 57.2 percent in 2004.¹⁰ And the share of workers in the state without health insurance actually registered a slight decline, from 19.0 percent to 18.9 percent, even as the national average rose.¹¹ New York also still offers the most generous state Earned Income Tax Credit in the nation, an encouraging signal of an ongoing commitment to supporting low-income workers. Our overall conclusion, however, is that low-income families in New York today face an even steeper uphill climb toward economic security than when we issued

TABLE 1: Overview of Working Poor Families in New York¹²

	Working families below the poverty line (%)	Low-income working families (%)	% of working poor families with at least one immigrant parent	% of working poor families that spend more than 1/3 of income on housing
New York	163,292 (7.7)	585,084 (27.7)	48.1	79.8
California	355,040 (8.8)	1,221,174 (30.2)	68.6	80.8
New Jersey	51,096 (4.9)	190,868 (18.3)	49.5	79.7
Illinois	91,126 (6.3)	353,826 (24.3)	30.6	80.0
Ohio	89,709 (6.9)	322,726 (24.7)	5.1	74.3
Massachusetts	24,038 (3.3)	116,525 (16.1)	25.6	81.3
United States	2,546,395 (7.6)	9,391,719 (28.0)	31.4	75.9

Source: American Community Survey, U.S. Census, 2003.

"Between Hope and Hard Times." In the sections that follow, we take a closer look at the three major issue clusters discussed at greater length in that report: Education and Skills Training, Economic Development, and Making Work Pay.

EDUCATION AND SKILLS TRAINING

The ongoing erosion of the manufacturing base that helped so many families enter the middle class through the 20th century, and the newer challenge posed by the outsourcing of service economy jobs, underlines the fundamental importance of education, skills training and English language proficiency for New Yorkers seeking jobs that pay a decent wage. Unfortunately, too many New Yorkers are unprepared or unqualified to succeed in today's economic environment.

A recently released study of adult literacy in New York State and the U.S. as a whole should give state policymakers more cause for concern. The State Assessment of Adult Literacy found that fully 50 percent of all New Yorkers have only basic or worse prose literacy skills—a figure that compares badly to the nation as a whole (43 percent).¹³ Several sub-groups, including African-Americans and Asian-Americans, also had statistically significant literacy deficiencies compared to the national averages for those groups.

One of the literacy study's most startling findings is that 79 percent of all Hispanic New Yorkers have only basic or worse prose literacy skills.¹⁴ This may suggest larger failures in the state's systems for teaching

English language proficiency. Many of the New Yorkers who struggle to master English are not native speakers, a trend only expected to increase. Indeed, the population of New York City is projected to swell to 9.4 million (from the current 8.1 million) by 2025¹⁵; the bulk of this growth will come from foreigners resettling to America, following in the footsteps of so many millions in the late 19th and early 20th centuries.

The surge in immigration is not only occurring in New York City. Virtually all of the state's major cities have seen growth in the number of newly arrived immigrants, many of whom speak either limited or no English. And the trends show no sign of abating. In Rochester, for example, the number of residents who speak a language other than English at home jumped from 82,180 in 1990 to 99,407 in 2000, a 21 percent increase. Rochester's foreign-born population increased by 19 percent between 1990 and 2000, while the city's American-born population grew by just 2.5 percent.¹⁶

Unfortunately, as we noted in our 2004 report, language services for these new Americans are woefully inadequate compared to the level of need. In 2004, just 90,305 students across the state were enrolled in ESOL instruction¹⁷, representing only a small percentage of the overall population needing language assistance.

Another barrier to educational attainment in New York is the high cost of attending a college or university. The average annual tuition rate for public two-year

TABLE 2: Measures of Educational Attainment and Post-Secondary Access and Financial Assistance

	% of adults 18-64 with some post-secondary education*	% of working poor families with high school dropout parent**	% of 18-24 year olds enrolled in post-secondary education**	Average annual tuition rates for public two-year college, 2005-2006***	Total need-based grant awarded, 2003-2004 (in millions)****
New York	57.2	38.3	38.8	\$3,490	\$859.1
California	58.7	57.5	38.4	\$810	\$654.9
New Jersey	59.5	35.7	37.0	\$2,920	\$199.4
Illinois	59.8	30.4	36.2	\$2,070	\$339.7
Ohio	52.7	32.4	32.2	\$3,650	\$144.8
Massachusetts	63.5	25.4	37.1	\$2,770	\$79.7
United States	56.4	41.1	33.5	\$2,191	\$4,548.8

*Source: American Community Survey, U.S. Census, 2004.

**Source: American Community Survey, U.S. Census, 2003.

***Source: College Board, "Trends in College Pricing."

****Source: National Association of State Student Grant & Aid Programs, "35th Annual Survey Report on State-Sponsored Student Aid, 2003-2004."

colleges in the state is \$3,490, roughly 60 percent higher than the national average (\$2,191).¹⁸

ECONOMIC DEVELOPMENT

Though the Empire State has seen modest employment gains over the last few years, New York lags the nation in job growth. Between December 2001, when the U.S. economy began to expand after a short recession, and December 2005, national employment has grown at a 2.7 percent rate. New York State, however, has experienced only a third of that job growth (0.9 percent). In several of the state's biggest cities, the numbers have been even worse: New York City, and a number of upstate cities, including Rochester and Utica, actually lost jobs over the four year period.¹⁹

Equally distressing, more than three in ten workers in the state (30.5 percent, or 2,298,812 people) work in low-wage positions, a significantly higher share than for the U.S. as a whole (23.5 percent). The only two other states with higher percentages of workers in low-wage jobs are New Mexico (32.0 percent) and Hawaii (37.7 percent).²⁰

Part of the problem is that most of New York's recent employment gains have come in fields that pay low or modest wages, as Table 4 shows. The state as a whole and many local communities face something of a "chicken and egg" problem here: high-value employers will not relocate to communities that lack a sufficiently well-educated and skilled workforce, but without remunerative jobs in those communities, the most ambitious and best-educated residents are likely to leave in search of better-paying and more satisfying work.

MAKING WORK PAY

New York State has long been a leader in providing public resources to supplement the incomes of families working in low-wage jobs, particularly through measures such as the state Earned Income Tax Credit and Child Health Plus. Nevertheless, many low-income working families in New York struggle to access health insurance, child care and other work supports that are crucial to job retention and economic advancement.

Overall, more than 1.7 million workers in New York between the ages of 18 and 64 did not have health insurance in 2004, the most recent year for which this data is available.²³ This actually represents a modest improvement: the number of uninsured workers in the state dropped by nearly 54,000, or 3 percent, between 2003 and 2004.²⁴ Yet the percentage of uninsured workers in New York (18.9 percent) remains higher than the rate for the nation (18.6 percent) and considerably above the level for neighboring New Jersey (15.3 percent), Connecticut (13.0), and Pennsylvania (14.1).²⁵

Not surprisingly, those in the lowest income brackets are far less likely to have health insurance. In fact, more than 200,000 low-income working families in the state (33.7 percent of all such families in the state) had at least one parent without health insurance in 2004, a 3.3 percent increase from the prior year.²⁶ Meanwhile, a recent study by the Empire Justice Center found that 58 percent of participants in bankruptcy clinics in major upstate cities were struggling with medical debt. Of those, 86 percent were covered by health insurance intermittently or contin-

TABLE 3: Employment and Compensation in New York State

	Unemployment rate (as of January 2006)*	% of jobs in occupations that pay below poverty level**	% of workers 18 and over in low-wage jobs***
New York	4.6	17.0	30.5
California	4.8	15.1	24.3
New Jersey	4.5	12.7	24.7
Illinois	5.2	18.8	23.7
Ohio	5.3	19.0	23.9
Massachusetts	4.6	6.7	26.6
United States	4.5	19.4	23.5

*Source: Bureau of Labor Statistics

**Source: Occupational Employment Statistics Program, Bureau of Labor Statistics, 2004.

***Source: Current Population Survey, U.S. Census, 2004.

uously throughout the 12 months prior to taking the survey, suggesting that gaps in coverage and increased cost-sharing may be exposing more New Yorkers to medical debt.²⁷

Pensions are another important part of the support system for workers. In 2004, however, 56.8 percent of workers in the state above the age of 18 did not have an employer-provided pension, a 3.6 percent jump from 2003.²⁸

STATE INACTION: AN OPPORTUNITY MISSED

This crisis calls for real solutions and bold actions. In the two years since our report, however, the only notable progress has been the legislature's decision to increase the state's minimum wage to \$7.15 an hour, phased in over a three-year period.

In many ways, the last two years have represented a missed opportunity for state lawmakers to implement policies to help working poor New Yorkers get ahead. The only good news, perhaps, is that things could have been even worse: in 2005, the legislature largely succeeded in rolling back Governor Pataki's proposed funding cuts to higher education, adult literacy and health care. But neither legislative nor executive officials took affirmative steps to bolster skills training initiatives, higher ed programs or other efforts to invest in the future of the state's workforce. And in

a few critical areas, like child care, the state has slipped backward.

Child care is essential for many New Yorkers who are trying to hold down a job and raise a family, but it remains unattainable for large numbers of working poor families. New York expanded its investment in child care by 250 percent between 1997 and 2003, when overall funding hit \$929 million. Since 2003, however, spending has dropped by \$30 million.²⁹

Unemployment insurance is another critical work support for low- and moderate-income New Yorkers, particularly since the economy remains sluggish in many regions of the state. But in November 2004, the state missed its deadline to pay back an outstanding \$587 million federal unemployment insurance loan, triggering an automatic increase in the federal unemployment tax for all of the state's employers. Today, New York's Unemployment Insurance trust fund remains in debt, with the state's taxable wage base – the first \$8,500 of every worker's wages – too small to support the program's financial viability, let alone finance badly needed reforms to this vital program.

And this spring, the Legislature will be on the defensive again. Governor Pataki's proposed 2006-2007 budget calls for substantial cuts in programs that support education and job training, health care and efforts to supplement the pay of low-income workers.

TABLE 4: New York State job gain and loss by selected sectors, December 2000–June 2005

	Average annual wages (2004)*	December 2000 employment level**	June 2005 employment level**	% change**
Construction	\$49,184	334,494	324,033	-3.1
Manufacturing	\$50,255	739,735	578,121	-21.8
Information	\$73,565	329,461	270,185	-18.0
Finance and Insurance	\$143,445	563,696	526,157	-6.7
Management of Companies and Enterprises	\$115,683	116,663	120,506	3.3
Services	\$73,689 ²¹	454,135	431,281	-5.0
Educational services	\$38,350	298,537	354,569	18.8
Health Care and Social Assistance	\$37,449	1,102,250	1,195,189	8.4
Leisure and Hospitality	\$39,177 ²²	647,152	677,465	4.7
Total non-farm	n/a	8,692,779	8,526,240	-1.9

*Source: Quarterly Census of Employment and Wages/ NAICS Based Industry Employment and Wages.

**Source: New York State Department of Labor, seasonal adjustment by Fiscal Policy Institute.

CONCLUSION

There is broad consensus about what kind of economy and society New Yorkers would like to see over the decades to come: plentiful and remunerative jobs, reinvigorated communities from New York City to Oswego, and a safety net strong enough to facilitate upward mobility but infused with the values of work and family. Unfortunately, indications are that New York is drifting farther from that vision as time goes by. The jobs being created here generally pay less than those lost to other communities. The long decline of small cities and towns across the Empire State continues as the best and brightest of those communities relocate elsewhere. And our own capacity to resist these trends through public programs that help working families to increase their earning power and stabilize their finances is undermined by budget cutters at both the federal and state levels.

Are these trends irreversible and irresistible? We do not believe so. The value that work should bring a measure of economic security and the chance for a better life is at the center of the American outlook and is the key to New York's illustrious history. As we move closer to a number of high-profile ballot contests in 2006, we call upon public officials and candidates for office in New York to keep in mind both the economic and moral imperatives for policies and programs that

support our state's working families.

Programs to educate and increase the job skills of New Yorkers are investments, not handouts. As employers increasingly base their location decisions on the skills of the available pool of workers, the value of strong and affordable schools and effective programs of language and skill-specific instruction is likely to increase. Without a robust skill development infrastructure in place, the high-wage jobs we all want to see in New York are more likely to land elsewhere.

The social contract is a two-way street. New York's commitment to rewarding work and ambition has made a material difference in millions of lives over the past decade and more. Through the state Earned Income Tax Credit, subsidies for child care, assistance to low-income college-goers and other measures, our policies have reinforced our values. In times of tight budgets, however, state officials face a variant of the dilemma that low-income working families contend with every day: what to do when resources don't suffice to pay for a menu of needs and wants. Just as we expect these families to sustain their commitment to bettering their lives through work, we must honor our own promises to help them with a hand up. ❖

TABLE 5: Work and Health Coverage

	% of all workers 18-64 without health insurance	% of low-income working families, at least one parent without health insurance
New York	18.9	33.7
California	21.8	44.6
New Jersey	15.3	37.3
Illinois	16.3	32.0
Ohio	14.7	28.6
Massachusetts	13.2	18.1
United States	18.6	38.6

Source: Current Population Survey, U.S. Census, 2004.

ENDNOTES

- ¹ In this policy brief, “low-income” refers to an annual income less than twice the full-time, full-year wage required to sustain a family of four at the federally defined poverty level. “Poor” refers to an annual income less than 100% of the full-time, full-year wage required to sustain a family of four at the federally defined poverty level. “Working families” refers to those in which all family members age 15 or older either have a combined work effort of 39 weeks or more in the prior 12 months or all family members age 15 and older have a combined work effort of 26 to 39 weeks in the prior 12 months, and one unemployed parent looked for work in the prior four weeks.
- ² American Community Survey, U.S. Census, 2002 – 2003. Overall, the state’s population grew by 63,276 (0.33 percent) between 2002 and 2003.
- ³ American Community Survey, U.S. Census, 2003. Except where otherwise noted, the most recent statistics in this policy brief date from the 2003 American Community Survey and 2004 Current Population Survey. Those used in “Between Hope and Hard Times” are from the 2002 American Community Survey and 2003 Current Population Survey.
- ⁴ American Community Survey, U.S. Census, 2003.
- ⁵ American Community Survey, U.S. Census, 2002 – 2003.
- ⁶ Occupational Employment Statistics Program, Bureau of Labor Statistics, 2002 – 2004.
- ⁷ American Community Survey, U.S. Census, 2002 – 2003.
- ⁸ American Institutes for Research, “Highlights from the 2003 New York State Assessment of Adult Literacy.”
- ⁹ The National Center for Public Policy and Higher Education, “Measuring Up 2004: The State Report Card on Higher.”
- ¹⁰ American Community Survey, U.S. Census, 2002 – 2004.
- ¹¹ Current Population Survey, U.S. Census, 2002 – 2004.
- ¹² We note statistics for New York, the U.S. as a whole, and five states that are comparable on at least two of the following factors: demographics, political culture, urban/suburban/rural mix, and history.
- ¹³ American Institutes for Research, “Highlights from the 2003 New York State Assessment of Adult Literacy.”
- ¹⁴ American Institutes for Research, “Highlights from the 2003 New York State Assessment of Adult Literacy.”
- ¹⁵ Sam Roberts, “Coming Soon, 9 Million Stories in the Crowded City,” *New York Times*, February 19, 2006.
- ¹⁶ U.S. Census, 1990 – 2000.
- ¹⁷ Literacy Assistance Center of New York City.
- ¹⁸ The College Board, “Trends in College Pricing.”
- ¹⁹ Bureau of Labor Statistics, 2001 – 2005.
- ²⁰ Current Population Survey, U.S. Census, 2004.
- ²¹ QCEW/NAICS industry sector defined as “Professional and Technical Services.”
- ²² QCEW/NAICS industry sector defined as “Arts, Entertainment, and Recreation.”
- ²³ Current Population Survey, U.S. Census, 2004.
- ²⁴ Current Population Survey, U.S. Census, 2003 – 2004. [This may reflect the increasing number of New Yorkers covered by Medicaid: between July 2000 and July 2005 Medicaid enrollment rose from 2 million to 3.4 million, a 74 percent jump. About one-third of the increase resulted from the state’s highly successful rollout of Family Health Plus, which extended coverage to near-poor parents, and another one-third to continuing success in Child Health Plus enrollment.]
- ²⁵ Current Population Survey, U.S. Census, 2004.
- ²⁶ Current Population Survey, U.S. Census, 2003 – 2004.
- ²⁷ Empire Justice Center, “In Sickness and In Debt: A Review of Medical Debt in Upstate New York.”
- ²⁸ Current Population Survey, U.S. Census, 2003 – 2004.
- ²⁹ New York State Final Budget, 1997-2005.

CREDITS

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