Chapter 6 — Recommendations

The *State of Working New York 2009* comes out as the country hobbles through the worst economic crisis since the 1930s. The fact that New York State has been hit less badly than other states gives little grounds for celebration. Knowing that the economy is worse elsewhere will provide little comfort to the more than 850,000 New Yorkers who are currently out of work. But there are significant ways that the federal, state, and local governments can help put the economy back on a better course.

Federal government actions

The recession is a national downturn, and improvements in the New York economy will depend on the national recovery. In a recession, it falls to the federal government to act: consumer spending is weak, private sector investment is down; in a worldwide recession exports cannot take up the slack; and state and local governments have limited ability to make big new investments—in fact they will be struggling just to avoid making big cuts in spending or increases in taxes.

What should the federal government do?

Create another stimulus package. Congress and the Obama Administration's rapid and strong response to the recession were laudable, and the stimulus package is showing clear results. It is already apparent, however, that even once gross domestic product picks up, the country is likely to be in for many months of "jobless recovery." Another substantial round of stimulus spending will be necessary to set the economy on a path toward real and sustainable job growth.

Implement robust regulatory reform. For some six decades after the Great Depression, effective regulation played an important role in preventing a major financial meltdown. The failure of regulation to keep up with the finance industry in recent years was a crucial lesson of this past year's crisis. Robust financial regulatory reform is critical to restoring reasonable credit market access necessary to allow the economy to function properly and to prevent ill-advised and excessive leveraging, risk-taking and use of poorly understood financial instruments.

Respond to the foreclosure crisis. Sub-prime mortgages were at the heart of the financial crisis. Yet, as of September 2009, the federal government has invested vast sums in saving the banking industry, but done very little to help the individuals most hurt by the crisis—people who are losing their homes to foreclosures. A huge and growing wave of foreclosures is wiping out all the wealth that huge numbers of Americans have, and is unfairly hitting low-income communities and people of color especially hard. Foreclosures have a negative impact on other home values, and neighborhoods suffer when houses stand empty. In cases where mortgage holders truly cannot afford the monthly payments on their mortgage, lenders should be required to allow people to stay in their homes as renters, at affordable rents. Whatever the answer, the federal government should focus on a powerful and direct response to this crisis that is wiping out the wealth of millions and destroying communities in the process.

Pass the Employee Free Choice Act. The federal government cannot allow the jobs created in the recovery from this recession to be predominantly low-wage jobs without benefits. Supporting unionization is one of the best ways to make sure that workers are paid fairly, and that wages rise as productivity increases. The Employee Free Choice Act (EFCA) would reform labor law to make it far more difficult for employers to prevent workers from forming unions if they choose to do so.

Reform the country's health-care system. Restructuring the way health-care is organized in the United States will be critical to the health of millions of uninsured and under-insured Americans, and to the global competitiveness of American businesses. The system must become more cost-effective, provide better quality, and be capable of providing universal health care. It is bad for the economy—as well as for families—when workers are trapped in jobs because they have "pre-existing health conditions." The current system is inefficient and ineffective, and needs to be reformed.

State and local government actions

State and local governments cannot play the lead role in countering the recession, but there are important actions they can take to propel New York toward a strong and sustainable recovery.

Workforce, employment, and the social safety net

Invest in higher education. In an economic downturn, more workers seek out re-training and the chance to further their education. Yet CUNY and SUNY—the state's public institutions of higher education—faced declining per capita funding and increasing enrollment even before the recession took hold and the state faced big budget gaps.[1] Investments in higher education are key to maintaining a productive workforce and expanding the middle class; in a recession, they are also an important way to provide options for people who are out of work while upgrading the workforce for when the economy improves.

Target job creation at communities with high unemployment. Given the extraordinarily high levels of unemployment in some communities, job creation should pay particular attention to communities where unemployment is extraordinarily high. For example, if there is another round of federal stimulus spending, that will provide opportunities for job creation that can be targeted to communities with high levels of unemployment. If Governor Paterson signs legislation passed by the assembly and senate, a new public-private initiative, Green Jobs/Green Homes New York, will direct private investment into residential energy efficiency retrofits that will save New Yorkers money on their utility bills and create thousands of new jobs. The state's Empire Zones program is scheduled to sunset in 2010 and the Paterson Administration has announced that it is developing a proposal for a replacement program. Whether the Empire Zones program is reformed or replaced, its original focus on distressed areas should be restored, and it should include provisions to monitor whether the benefits promised are in fact realized.

Modernize New York's unemployment insurance system. unemployment insurance helps displaced workers replace a portion of their lost earnings and thereby helps to stabilize the larger economy, keeping consumer spending from dropping as much as it otherwise would when jobs are lost. Yet, New York's out-of-date system isn't up to the task. Maximum weekly benefit levels need to rise (putting them on par with those in neighboring states) and to be indexed to keep pace with average wages. Solvency and stability need to be restored to the system by increasing the wage base used to determine unemployment insurance payroll taxes. Had New York's maximum weekly benefit been $475 last year instead of $405—pending state legislation would raise the maximum benefit in the first year to $475—nearly $267 million in additional benefit dollars would have been distributed to 283,000 New Yorkers.

Unemployment insurance, like several other safety net programs, also serves an important economic function as an "automatic stabilizer." When the economy worsens, spending on Unemployment Insurance, Food Stamps, and many other safety net programs goes up. When the economy improves, payments decrease. These actions happen immediately—often before economists are even aware there is a change in the economic climate. In a downturn, automatic stabilizers put money into the hands of people who will spend it, which in turn pumps money into the economy and dampens the severity of the downturn.

Ensure that the state's safety net is adequate and accessible. Public assistance, such as the state's basic cash assistance grant, helps maintain a minimum level of economic security for the most vulnerable New Yorkers. After being allowed to erode for nearly two decades, the grant was finally raised this year for the first time since 1990. Yet even after the final projected increase in 2011, its purchasing power will only be at 75 percent of its 1990 value. New York should restore the value of the grant and review policies governing eligibility so that assistance remains accessible to the truly needy in a time of increased economic stress.[2]

[1] See New York's Underinvestment in Public Higher Education, Fiscal Policy Institute, January 2009, http://www.fiscalpolicy.org/UnderinvestmentPublicHigherEd.html.
[2] See New Federal Dollars for New York: The TANF Emergency Contingency Fund in the American Recovery and Reinvestment Act of 2009, Fiscal Policy Institute, August 2009, http://www.fiscalpolicy.org/tanf_contingencyfunds.html.

The federal TANF Emergency Contingency Fund could be used through September 2010 towards such restoration of the cash assistance grant.

Provide hard-hit families more help in getting jobs. State government can take advantage of the remaining $654 million in federal Emergency Contingency Fund money—available to New York through the Temporary Assistance for Needy Families program—to expand current subsidized employment programs or to develop new services to provide more training and public- and private-sector employment. These funds could be used also to provide emergency assistance and time-limited help with the following: security deposits and moving expenses for housing; short-term legal services; transportation support; and other one-shot stimulus payments or lump-sum diversion payments. The recently-announced partnership between New York State and George Soros' Open Society Institute to provide over 800,000 children in households on food stamps and/or public assistance with $200 each as a back-to-school allowance is a good start to using this funding stream as it was intended—to increase economic security for needy families during this recession.[3]

Establish paid family leave. Workers should not have to choose between caring for a sick child or other family member and receiving their paycheck, let alone keeping their job. New York's legislators should follow the lead of other states, including New Jersey, that have enacted paid family leave legislation. A proposal to allow up to 12 weeks of leave at 50 percent of a worker's average weekly wage would help to ease the burden on workers trying to balance the demands of caregiving and employment.

Improve wages for working New Yorkers

Economic expansions in recent years have relied on one form or another of bubble because stagnant or declining worker wages have not provided a firm foundation for sustainable growth. Instead, wage suppression has allowed income polarization to reach historic levels. A sustainable recovery leading to broadly shared prosperity will not occur without various policy actions at all levels. In addition to EFCA at the national level, state and local governments can play an important role.

Increase the minimum wage. New York's current minimum wage of $7.25 can leave workers and their families well below the poverty level. The minimum wage should be raised in steps to restore its purchasing power and thereafter indexed to inflation so that its real value is consistently maintained.

Link economic development policy to job standards. New York State and local governments provide subsidies to numerous development projects, from the World Trade Center site to the Near West Side Initiative in Syracuse to the Kingsbridge Armory in the Bronx. Yet, rarely is there any assurance from the private sector that the jobs created with the support of government investments will be good jobs. Clear standards should always apply to ensure that jobs created with public support pay family-supporting wages and benefits, with clearly defined mechanisms in place to ensure transparency and accountability in the use of these tax dollars. In addition, "clawback" provisions should provide for the recapture of the public's money if the project fails to provide the jobs promised. A vigorous statewide coalition has proposed clear standards that should apply to any development project receiving Industrial Development Agency support. The standards also should apply to New York State's expanded bonding authority associated with the federal American Recovery and Reinvestment Act of 2009.

Continue improvements in labor law enforcement. A shocking number of workers in New York State are paid below the minimum wage, not paid overtime, or are misclassified as independent contractors rather than employees, among a wide range of violations of labor law. Under the Spitzer and Paterson administrations, the New York State Department of Labor has made impressive progress in addressing these employer violations with its misclassification task force, New York Wage Watch, and other initiatives. There is, however,

[3] See New Federal Dollars for New York: The TANF Emergency Contingency Fund in the American Recovery and Reinvestment Act of 2009, Fiscal Policy Institute, August 2009, http://www.fiscalpolicy.org/tanf_contingencyfunds.html; and "Governor Paterson and George Soros Announce Back-to-School Assistance Program for Hundreds of Thousands of New York Children," http://www.ny.gov/governor/press/press_0811091.html.

still a long way to go, and these initiatives should be continued and expanded to make sure that there is a solid floor under all workers, and that employers are not subject to unfair competition from businesses that are breaking the law.

Federal, state, and local governments should keep one final issue clearly in mind as they take actions to move the economy out of the recession. Occupational projections indicate that a disproportionate number of new jobs in the United States will be low-wage, paying less than 150 percent of the poverty level. While there is no doubt that individual workers are likely to achieve more success in the labor market with a college education, it is far from clear that the economy on its current track will produce a sufficient supply of high quality jobs to accommodate all who receive post-secondary schooling. Public policies and private practices are needed to raise the skill requirements of jobs, and to increase the pay for the large majority of jobs that will not require a college degree.

New York State and local budget challenges ahead

Don't counteract the stimulus. New York State and local governments continue to face serious budget challenges, but leaning too heavily on spending cuts can offset the positive economic effects of federal stimulus funds. Also, to the extent that tax and/or fee increases are proposed to moderate budget reductions, increases should make New York's overall tax structure more, rather than less, progressive. The combination of state personal income tax reductions in the 1990s together with increases in local sales and property taxes in recent years has made New York's tax structure more regressive.