

## **Economic Security in One New York**

Upper Manhattan Workforce 1 Career Center in Harlem

August 13, 2007

Angela, thank you for that introduction and for your inspiring story.

Thank you all for coming and thank you to Seedco and the Upper Manhattan One-Stop for hosting us. These one-stops form the backbone of our workforce development system and provide invaluable career counseling, training opportunities and job placement assistance for today's ever-changing job market. I want to thank the men and women who work here for all that you do to help the New Yorkers who will be the focus of my remarks.

In my State of the State Address, I outlined a vision for One New York – a place where economic opportunity and security are available to every single New Yorker. Our first seven months in office have been spent establishing the foundation for that vision.

Whether it's addressing what I call the "perfect storm of unaffordability," increasing educational opportunity, strengthening our safety net or bringing back jobs to our communities, we have already begun laying the concrete building blocks for that foundation.

But we are not there yet.

So today I want to rededicate State government to that effort and further define our agenda for economic security. Today and throughout the rest of the week, we will be discussing new initiatives in support of this agenda.

### **The Goal: Strengthen and Grow the Middle Class**

Our goal sounds simple: to strengthen and grow New York's middle class. But unfortunately, we are swimming against the tide.

We have inherited a New York where the middle class is shrinking. Over the last decade, the gap between New York's rich and poor has widened to the point that we lead the nation in such disparity.

Our goal must be to close that gap – not by bringing the wealthy down, but by bringing those lower on the economic ladder up, and by protecting those middle class New Yorkers who are in danger of falling down.

To do that, we must focus on a group of New Yorkers who have fallen through the cracks – those low-income working New Yorkers who are one step away from economic peril. These are working New Yorkers who are neither firmly established in the middle class nor firmly supported by the full array of programs that make up our social safety net.

For these hardworking yet struggling families, a single unexpected crisis – an illness, a sudden layoff, an injury at work or a sick child can quickly pull them down into poverty. On the flip side, we also must recognize that basic supports help can pull them up into economic security and ultimately into the middle class.

These families work hard and play by the rules. They have done their part. Now we must do ours. That is where state government can play a role – to make certain that no New Yorker falls through the cracks.

### **New Focus in State Government: Economic Security Cabinet**

Here in New York, we have entire programs dedicated to our most needy and vulnerable population. To a large extent, these programs have worked. In 1994, 1.7 million New Yorkers were on welfare. Thirteen years later, that number has shrunk to 531,000 – a 68 percent drop.

But while much has been written about this dramatic decline, very little focus has been directed toward the 1.1 million New Yorkers who left the welfare rolls during that time. Too many of these former welfare recipients are now stuck in the netherworld between poverty and economic security.

Similarly, too little focus has been directed toward the millions of other New Yorkers who are now slipping out of the middle class and into that same netherworld of economic insecurity. Many of these New Yorkers at one point thought they had a stable middle-class life, but have since seen it eroded, steadily or suddenly by major cost of living increases combined with a weakening safety net of employer-sponsored health insurance or pension guarantees that once seemed solid.

These New Yorkers need someone fighting for them and against a tide of complacency that has allowed the middle class – perhaps this country's greatest strength – to gradually decline.

Now some tell me to go slower and not to push so hard, so quickly against the status quo that has left these working families behind. To them, I say that you misunderstand the size of the problems we face, the strength of what we're up against and the urgency of the people's desire for change.

I promised to take their challenges and their frustrations with me to Albany and channel them into real change.

So how can state government make a difference?

No single state agency can sensibly deal with issues as disparate as a transforming economy, rising housing and health care costs or our education system – but it also makes no sense to have our agencies so fragmented that they work at cross-purposes.

So today I am announcing the formation of an “Economic Security Cabinet.” This cabinet will bring together seventeen separate state agencies that all have a role to play in ensuring the economic security of this population, but have never before been coordinated under this single mission.

The cabinet will meet regularly and work toward four overriding objectives: first, to reduce New York’s high cost of living; second, to establish the educational and workforce development opportunities for a highly competitive and volatile economy; third, to mend together a social safety net that has slowly shredded over the past thirty years; and fourth, to aggressively bring good jobs back into our communities.

The balance of my remarks will be spent addressing each of these objectives.

### **Addressing the Perfect Storm of Unaffordability**

First, to reduce New York’s high cost of living.

As the cost of living in New York has gone up, wages have not kept pace. The result has been a perfect storm of unaffordability that has simultaneously pushed middle class New Yorkers down into economic insecurity and has kept those low-income New Yorkers from climbing out of poverty.

Many of these forces are well known to all of us: rising housing prices, rising health care costs and rising property taxes. But other forces such as the cost of child care and even the price of food are too often overlooked.

Since my first days in office, we have faced this problem head-on and across many fronts.

#### Housing

Take housing. Three statistics jump out. The first is that in New York City half the households pay more than 30 percent of their income on rent alone. To put that in perspective, this 30 percent threshold is commonly considered the maximum burden families can bear to be economically secure. Even more alarming is the second statistic: almost one-third of New York City households pay more than 50 percent of their income on rent alone. And for homeowners, it does not get any better. Last year alone, New York State’s foreclosure rate shot up 40 percent. Again, for some perspective, this means that 50,000 families entered the foreclosure process in a single year.

The alarm bells have been sounding, yet for years State government has had no response to this housing crisis. That’s now changing.

Preserving affordable housing has become a top priority. By doing so, we can make sure our precious affordable housing stock is safe and decent and remains affordable for the long-term.

In addition to making long-overdue regulatory changes necessary to protect residents living in regulated housing, in just seven months, the State's Housing Finance Agency has approved financings that will preserve over 1,200 affordable units statewide. And for low- to moderate-income homeowners who find themselves in risky mortgages as a result of the sub-prime lending crisis, we have introduced a new refinancing program that will offer them the opportunity to refinance and avoid foreclosure.

Beyond preservation, we are also pushing for *new* construction of affordable housing. Just last week, the Department of Community and Housing Renewal announced \$106 million in new funding that will go toward the construction and renovation of 3,089 units of affordable housing statewide.

### Property Taxes

If the high cost of housing is one of the main drivers of economic insecurity here in New York City, then high property taxes are one of the main drivers in our metro suburbs and Upstate.

If you want to know why we fought so hard to make the property tax system fairer and build in progressivity, consider this fact: From 2000 to 2005, property taxes grew by 42 percent while wages grew just 12 percent. Wages did not even grow fast enough to keep pace with the Consumer Price Index, which grew at 13 percent during that time.

In our first budget, we enacted a \$1.3 billion property tax cut that was specifically engineered to target middle class New Yorkers who need relief the most. Going forward, we will build on that record tax cut in next year's budget by both increasing its size and protecting its built-in fairness.

Besides the "big three" costs – housing, property taxes and health care, which I will get to in a moment – there are other costs of living that can also mean the difference between poverty and economic security.

### Child Care Tax Credit:

Child care is chief among them. Today, more than 70 percent of mothers work outside the home, compared with less than 40 percent in the 1970s. This means new household income, but it also means new costs – child care being one of the most burdensome.

That's why last week we signed into law a new child care tax credit for New York City families. This innovative tax credit will give up to \$1,000 to 49,000 families with incomes of \$30,000 or less to help pay for child care needs.

New York has become a national leader in providing child care support. Thanks to our most recent budget, for the first time, families will receive as much as \$333 per child to help with their care and education – a \$650 million State initiative. This initiative, I should point out, has been realized in large part due to the leadership of Assembly Speaker Shelly Silver, who spearheaded its enactment in 2006.

Taken together, these child tax credits will have the twin benefit of allowing struggling families to maintain two income earners while also ensuring that their children receive the high quality care and early learning necessary for a strong start in life.

### Nutritional Support

Just as families need health insurance to ensure they can access the health care system at critical times in their lives, they also often need assistance in helping to put food on the table. This is where our food stamp program comes in.

Food stamps used to be viewed as a benefit principally for welfare recipients, but not anymore. Our plan is to make sure that low-income working New Yorkers can access this support system as well.

We have just submitted to the U.S. Department of Agriculture a waiver request that is the first step in implementing our “Working Families Food Stamp Initiative.” This initiative is intended to enroll an additional 100,000 working families into our food stamp program – all of whom are *off* welfare, but in need of further support to help them make the next step into economic security. We expect this effort will draw down \$200 million in federal funds that will be pumped directly into our local economies through individual food purchases.

And importantly, we will not only enroll more eligible working families through this initiative, but we will remove a provision that currently jeopardizes their continued eligibility if they begin to accumulate even minimal savings – a provision that acts as a disincentive to save money for unexpected family expenses or for costs like their child’s college tuition.

### **Increasing Educational Opportunity in a Knowledge Economy**

But it is not enough, nor is it sustainable for government to focus its energy and resources only on stemming the perfect storm of unaffordability.

Our second strategy must be to provide the educational opportunities for low-income New Yorkers so they can secure the good-paying jobs needed to keep up with these costs of living described above.

### Education System

In today’s flat-world economy, education is the single best tool for economic mobility and security. That is why our first budget committed the largest education investment in state history – a 10 percent annual increase of \$1.8 billion, money that will lead to the first-ever statewide universal pre-kindergarten program. And like our property tax cut, we have made sure that this new investment is targeted to the school districts that need it most.

### Workforce Development

But in a knowledge economy, it can't just be about educating our children who come through the traditional school system for the first time. In today's 21<sup>st</sup> Century knowledge economy, businesses need a consistent flow of human capital. Beyond our education system, which will develop our *future* workforce, we must do more to help our *existing* workforce.

Every day, New Yorkers walk through the doors of this one-stop center in search for ways to enhance their skills so they can climb up the employment ladder into jobs that offer lasting economic security. Our responsibility must be to not just help them gain *any* kind of training, but to coordinate efforts between the business community and our workforce development system to make sure that we are investing in the training businesses really need. That way, New Yorkers get the jobs they need to move into economic security, and businesses get the skilled workers *they* need to compete.

Our new workforce development strategy starts with that premise, replacing New York's old, balkanized approach to workforce training with a strategic, demand-driven and accountable workforce development system.

To that end, we have recently initiated the "Advance New York" program, which will allocate \$12 million over the next three years for businesses to provide demand-driven training that will result in higher-wage jobs. We have also launched the "Regional Economic Transition Strategy," that will provide \$6 million to help communities identify their emerging high-growth, high-paying sectors and then provide the funding to develop the training opportunities to meet their specific needs.

We have also charged our Higher Education Commission with developing better ways to integrate our CUNY and SUNY systems into the broader workforce development pipeline, because lifelong learning has to become the norm in an increasingly competitive economy.

And today, I would like to announce a new commitment to one of our most effective workforce development programs – New York's Education for Gainful Employment program or "EDGE." We will commit \$2.5 million to EDGE programs across the state that provide instruction in English as a Second Language, adult basic education, GED preparation, and targeted job skills training in high-demand occupations. These kinds of programs are absolutely essential for the changing demographics of our workforce.

### **Strengthening our Safety Net and Sharing Risk**

The third strategy of our economic security agenda that we must commit to is to strengthen our social safety net. To give you some idea of why our safety net is needed now more than ever, last year, more people went bankrupt in our country than graduated from college – a staggering and revealing statistic. In a series of articles published in the *L.A. Times*, Peter Gosselin summed up our current challenge: over the last thirty years, economic risks have shifted "from the broad shoulders of business and government to the backs of working families." The result, he observed, has been the decimation of the once-healthy partnership between government and corporate America that produced the social safety net we had maintained for half a century.

With that safety net shredding, we must do our part to mend it – not simply patch it up with a band-aid here and there, but mend it fundamentally.

### Workers' Compensation

A social safety net does not have to be synonymous with big government or employer costs that make our businesses uncompetitive. Workers' compensation reform is a perfect example. Working together with the Legislature, we were not only able to achieve a 20 percent reduction in workers' compensation premiums – essentially a \$1 billion tax cut to businesses – but we were able to institutionalize a step-by-step increase in employee benefits. For someone injured on the job, this extra money can mean the difference between maintaining a middle class life and falling down the economic ladder.

Already, employees are seeing the benefit of this reform, with the first increase in workers' compensation benefits implemented last month – the first increase in fifteen years.

Employee benefits will rise from \$400 to \$500 this year, \$550 next year, \$600 the year after, and climbing to two-thirds of the average weekly wage by the fourth year and be indexed annually thereafter. Importantly, we have also increased the minimum weekly benefit, more than doubling it from \$40 to \$100.

### Health Care

Earlier in my remarks, I mentioned the high cost of health care as one of the leading contributors to the perfect storm of unaffordability. The high cost of health care has also contributed to the erosion of our social safety net. Perhaps the most telling statistic is the fifteen percent of New Yorkers living without health insurance – 400,000 of them children. Most revealing is that the vast majority of these uninsured New Yorkers have full-time jobs.

Health insurance is an absolute requirement for economic security. Without it, even one illness can wipe out a family's savings or force them into poverty. That is why we have begun to lay the building blocks to ensure that every single New Yorker has access to affordable health insurance.

Building blocks in this year's budget include: making health coverage available to all 400,000 of New York's uninsured children; streamlining Medicaid enrollment to ensure that those already eligible for health coverage receive and maintain that coverage; and restructuring Medicaid around a 'patient-first' model to ensure that every decision, every initiative and every investment we make is designed with the patient's interest first.

After the budget was passed, we worked with the Legislature to enact what is known as the Family Health Plus Buy-In program. This program enables employers to make coverage available to their employees at a price they afford, bringing more private employer dollars into the health care system.

And just next month, public hearings will begin around the state as the Departments of Health and Insurance work to develop options for universal coverage. This will not be easy given our other fiscal and programmatic priorities, but we will start now on this complex task of mapping out an ultimate solution.

### Paid Family Leave

Besides workers' compensation and health care reform, during this last legislative session, we proposed paid family leave legislation that would have moved New York to the forefront of a national movement to support working families.

With the increase of dual-earner households, too often families have no good option for care when a family member gets sick or a child is born. Taking time from work may risk their family's financial survival, while failing to provide care may risk the wellbeing of a young baby or ill parent. A mother with a newborn baby; a husband whose wife needs chemotherapy; a grown son whose elderly parent has just suffered a stroke – they must choose between the financial security of their household and the urgent need to be with their families at these most vulnerable and critical moments of family life.

Our paid family leave proposal will help support working families through these challenging times. The Assembly has already passed this groundbreaking legislation and it is my hope that we can work with the Senate so when they come back later this year, they can add this to their priority list.

### Worker Rights

What safety net we do have means little without proper enforcement. In order to make work pay, our labor laws must be more strictly enforced.

Two examples illustrate the point well.

First, while the minimum wage rose to \$7.15 at the beginning of this year, too many minimum-wage workers have not seen their wages reflect that increase. In response, our Department of Labor will begin ramping up enforcement. Already, we have increased their enforcement unit by 10 percent.

Second, for years State government has turned a blind eye on a growing epidemic that is keeping wages and benefits artificially low. The problem is the rampant misclassification of workers.

A recent Cornell University study reports that a staggering ten percent of the seven million private-sector workers in New York are misclassified as independent contractors. In real terms, this means that these workers lose out on overtime, unemployment and workers' compensation benefits, Social Security and Medicare benefits, and the right to unionize. All told, the study estimates that a worker typically loses nearly eight percent of his or her wages simply because our labor laws are not enforced.

In the coming weeks, we will announce a proposal to directly address this problem.

### **Bringing Good Jobs to our Communities**

Finally, a plan for economic security cannot be complete without a strategy to bring good-paying jobs back into our communities. For years, the State's economic development arm, the Empire State Development Corporation, has been focused principally on the mega-development projects, particularly in Manhattan. While those projects are critical, we must not lose sight of the smaller projects that may not make the headlines, but could make the difference in turning around the neighborhood and establishing the foundation for good-paying jobs and opportunity.

That's why I will make sure the top officials at ESDC work directly in our communities to figure out what can be done. I will be joining them for some of these visits and will meet with local economic development leaders to see first-hand how we can marshal all of government's resources for these communities.

In fact, this afternoon, we will join ESDC's President Avi Schick, Sherry Roberts, the Executive Director of the Local Development Corporation of East New York, State Senator Sampson and Assemblyman Boyland for a tour of East New York in Brooklyn.

I would like to conclude with a historical reference that will help guide our economic security agenda going forward.

In 1904, New York Governor and then-President Teddy Roosevelt stood on the State fair grounds in Syracuse, New York, and outlined a basic concept that would form the foundation for the social compact he would make with every American. He said that, "We must see that each is given a square deal, because he is entitled to no more and should receive no less...[Because] the welfare of each of us is dependent fundamentally upon the welfare of all of us."

Let us work toward that same goal – by protecting those middle class New Yorkers who are in danger of falling down and by bringing up those lower on the economic ladder.

Thank you.