

**A New York State Career Pathways Fund  
Advancing the Skills of Low-Income  
Workers and Meeting the Demands of  
Business**

**A Proposal Submitted by:**

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## **A New York State Career Pathways Fund: Advancing the Skills of Low-Income Workers and Meeting the Demands of Business**

### **The Challenge**

In today's global economy, economic success no longer depends on the size of a region's coal reserves or factories. Regional economies rise or fall, prosper or stagnate, on their ability to train and educate workers to meet the needs of employers. What's more, employers' needs are increasingly complex, requiring a flexible set of both "hard" and "soft" skills.

Unfortunately, New York faces a widening skills gap. We are not currently training enough workers to meet the needs of employers in many industry sectors, and this problem will only worsen if current trends persist.

According to 2002-2012 occupational and employment projections, of the 20 occupations with either the largest projected growth or the largest projected number of job openings in the state, nearly two-thirds require significant training (moderate or long-term on-the-job training, licensure, or an associate's degree).<sup>1</sup> Other labor market trends, including impending retirements by the "Baby Boom" cohort, will likely exacerbate these needs. Yet nearly 40 percent of New Yorkers in the labor force in 2004 lacked any postsecondary education (ranking 25 out of 50 states and the District of Columbia),<sup>2</sup> and one out of four young workers (ages 18-24) in the state has no high school diploma.

New York must close this gap. And we can. Trends are not destiny. A large proportion of our unemployed and underemployed workforce, including welfare recipients, long for skills to propel them back into the workforce and into good-paying jobs. By developing the skills of these and other low-wage workers, we can help thousands of New Yorkers obtain a better life—while boosting the state's economy, family earnings, and the tax rolls.

But to do so successfully, New York's leaders must identify promising workforce development strategies and find the resources to support them. Some states have tapped the federal Temporary Assistance for Needy Families (TANF) program to expand their pool of skilled workers. The federal government allocates TANF to each state in the form of a block grant. When a state reduces its temporary assistance enrollment, as New York has by more than half, the money remaining in the block grant can be used for programs to help current participants or other low-income workers.

TANF dollars can and should be used to advance the skills of New York's working poor and meet the skill needs of New York's employers. Yet in 2006, New York reported using less than one-tenth of one percent (about \$3.4 million) of its total TANF spending on education and training.<sup>3</sup> Much of the state's TANF money has gone instead to pay for worthy programs that other states

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<sup>1</sup> Data from the Bureau of Labor Statistics at: [www.careervoyages.gov/files/occupationsbystate-download.xls](http://www.careervoyages.gov/files/occupationsbystate-download.xls).

<sup>2</sup> Calculated from 2004 American Community Survey data (Table B23006).

<sup>3</sup> Center for Law and Social Policy, <http://clasp.org/WelfarePolicy/pdf/map100907ny.pdf>.

finance out of general funds. If these programs can be returned to the state's general fund, the TANF grant can be used to pay for education and training services.

This proposal would invest money from the TANF grant, and other federal, state, and private funding sources, in an innovative workforce development strategy with great promise: career pathways. This workforce development strategy links basic education to occupational training and connects a series of educational programs with integrated support services, enabling participants to combine education/training and work and advance over time to higher levels of education and training and to living-wage jobs in targeted industry sectors.

One of the great advantages of implementing an ambitious career pathways initiative is the potential it provides to leverage and align other public and employer funding sources at the local level. It also taps into the interest of New York's philanthropies in innovative workforce development strategies. In particular, the New York City Workforce Development Funders Group has committed to invest in industry sector-focused initiatives, and a career pathways approach would be consistent with that focus. This initiative, therefore, has the potential to catalyze an exciting and unprecedented public-private partnership to expand the state's workforce development efforts.

The career pathways emphasis on system and funding alignment and building ladders to opportunity is consistent with Governor Spitzer's policy vision, as well. The Governor recently launched an Economic Security Cabinet, consisting of 17 agency heads, whose goal is to strengthen and grow the middle class by helping New York's low income, working families achieve financial security. To achieve this goal, the Governor has proposed (among other initiatives) establishing educational and workforce development opportunities for a highly competitive economy and improving services that target low-income, working New Yorkers at risk of falling into the social safety net.

Finally, this initiative would help New York achieve its work participation rate under the reauthorized federal TANF law, which recalculated the caseload reduction credit that had allowed the state to meet the standard in previous years. As a result, New York needs to increase the number of TANF-eligible participants in work activities that count toward the federal participation rate. "Vocational educational training" is countable as a stand-alone activity for up to 12 months, and for up to 30 percent of the caseload counted toward the rate. Yet in FFY 2004, only 13% of those counted as working in the state were enrolled in vocational training, below the national average. With this career pathways initiative, New York can meet its participation rate and avoid possible federal penalties, while meeting the skills demands of workers and businesses.

Furthermore, career pathways will complement the Office of Temporary and Disability Assistance (OTDA)'s mission to expand education and training opportunities to public assistance recipients throughout the state. By facilitating collaborations with local social services districts, this initiative will provide recipients with more direct access to career-oriented learning and vocational programs. Not only will this help the state achieve its goal of maximizing the percentage engaged in "vocational educational training," it will also promote long-term self-sufficiency for those transitioning from welfare to work, thus preventing repeated cycles of financial crisis and welfare use.

New York could learn from local successes within our own state (in New York City and Albany) and the successes of other states to develop a cutting-edge career pathways program on a statewide scale. (More information about these programs—and their results—appears at the end of this paper.) As the Empire State grapples with looming skill shortages, we cannot afford to leave a large share of our state’s current and future workforce behind. By educating and training every New Yorker who is ready to work for a better life, we can fulfill their aspirations and strengthen New York’s economy at the same time.

### **The Proposal: A New York State Career Pathways Fund**

Purpose: To provide incentives and fund programmatic strategies that link basic education to occupational training and connect a series of educational programs with integrated support services, enabling participants to combine education/training and work and advance over time to higher levels of education and training and to living-wage jobs in targeted industry sectors.

Participant Eligibility: Entrants must be low-income adults or teens (defined as age sixteen or over and below 200% of the federal poverty threshold) or otherwise recipients of state or federally funded income or childcare assistance.

Amount, Funding Sources, and Administration: \$50 million annually drawn from New York’s TANF Block Grant and other federal or state funding sources. Administration should be conducted in a manner consistent with the collaborative nature of these strategies and Governor Spitzer’s evolving approach to workforce development policy and the alignment of service delivery. Grantees are selected on a competitive basis through a request for proposal process.

A central strength of this approach is that a state allocation to partnership recipients of these grant (see below) would also leverage and align resources available at the local level, including Workforce Investment Act (WIA) Title I and II, Flexible Fund for Family Services (FFFS), Carl D. Perkins Career and Technical Education, Tuition Assistance Program, Food Stamp Employment & Training (FSET), and Employment Preparation and Training Aid funds, as well as supportive services and private philanthropic and employer funds.

Estimate of Participation and Returns: Based on rough estimates of spending in Kentucky, we estimate that this level of funding should be able to provide services to 6,250 to 12,500 New Yorkers, including tuition assistance, supportive services, administration, and partnership expenses.

Based on return-on-investment methodologies developed in Michigan (specifically with the TANF population),<sup>4</sup> we estimate that this level of investment could generate more than \$200 million in benefits to taxpayers, including reductions in welfare assistance and increases in tax revenues, related to significant increases in earnings for participants. (More information about specific outcomes of state career pathway programs in other states appears at the end of this paper.)

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<sup>4</sup> Michigan Works! Association, *Return on Investment* (Lansing, 2007).

Eligible Grantees: These strategies are the product of active and functional partnerships and, as such, applicants must demonstrate significant collaboration with relevant stakeholders and local employers. Eligible grantees are:

- Community or technical colleges.
- Other training providers, such as community-based organizations, labor-management partnerships or apprenticeship programs, with demonstrated expertise in workforce development.
- Local workforce investment boards or one-stop centers.
- Employer or industry associations.
- Social services districts.
- Lead educational agencies
- Any other organization serving as the designated “intermediary” to bring together these stakeholders and staff the effort.

Allowable Activities:

- Convene partners and plan strategies.
- Develop additional sources of funding, such as foundations.
- Pay tuition costs for trainees when other public or private funds are insufficient or unavailable.
- Fund training organizations that are part of the collaboration to improve or enhance their curricula, add new instructors, make training more accessible, and other activities that support career pathway program outcomes.
- Finance supportive services, including soft skills, case management, mentoring, work supports, and other services designed to help trainees persist and succeed in training programs.
- Pay for stipends, internships or work release time for trainees.

Priorities: In awarding grants under this program, priority shall be given to applicants that demonstrate the ability to:

- Work collaboratively with all other relevant stakeholders in the regional economy, which may include local workforce investment boards, community or technical colleges, school districts and boards of cooperative education services, social services districts, local employers and employer associations, unions, economic development agencies, community-based organizations, and other local government entities.
- Use industry or labor market analysis to select industry sectors that demonstrate a demand for skilled workers and the availability of skill, wage, and occupational advancement opportunities for workers within those industry sectors.
- Link adult basic/remedial education with occupational skills training.
- Involve employers and, where applicable, unions in the validation of career pathways and the determination of relevant skills and competencies.
- Involve employers that allow release time, preferably paid, for workers to participate in training and/or provide on-the-job training (OJT) opportunities.

- Develop curricula in alternative formats (modularization, remote access, etc.) and deliver courses at alternative times (evenings and weekends) and sites most convenient and accessible to participants (including through distance/technology-assisted learning).
- Ensure that the education and training results in an industry-recognized certificate or credential, and/or credits, and/or a degree relevant to the targeted industry sector.
- Develop strategies for trainees to support themselves financially while enrolled in training and balance work, education and parenting responsibilities in a manner that allows for persistence and success.
- Develop strategies to serve hard-to-employ populations, including unemployed and underemployed welfare recipients.
- Leverage additional public resources to fund program partnership strategies, which may include WIA Title I and II, FFFS, Carl D. Perkins Career and Technical Education, Tuition Assistance Program, FSET, and Employment Preparation and Training Aid funds.
- Leverage additional private resources from foundations and participating employers and employer associations to fund program partnership strategies.
- Deliver wrap-around supportive services to participants. This may include re-granting to partners with more direct access and experience with the targeted population.
- Leverage the resources of other programs that provide supportive services, such as child care assistance for participants in training and transportation assistance.

## **Performance Outcomes**

Data on two types of performance measures should be collected to judge the effectiveness of career pathways programs: measures of participant success and measures of institutional partnership success.

Individual measures of success should include:

- Employment placement.
- Employment retention.
- Credential/degree attainment.
- Earnings change (short- and long-term).

Most of these are measures commonly used in assessing training and other services provided through other training programs, including WIA. These measures have also been tracked in the TANF program for determining state eligibility for “High Performance Bonus.”<sup>5</sup>

New York should also consider adopting some additional measures of success for participants, including:

- A “return-on-investment” measure to assess the cost-effectiveness of these strategies, including measuring increased tax revenue and decreased use of public programs (such as Medicaid and Food Stamps).

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<sup>5</sup> Although the bonus was eliminated under the DRA, ACF has indicated it will continue to require states to collect and report this information.

- The value of employee benefits received.
- The closing of TANF cash assistance cases due to increased wages and the receipt of transitional benefits and all work supports for which TANF exiters are eligible.

Measures of partnership success should try to assess:

- The effectiveness of the collaboration among partners.
- Achievement of sustained funding by institutional partners.

In addition, to reward success in implementing career pathways, New York should consider using a portion of the money to provide incentive/reward funding for institutions judged as especially effective in building and sustaining partnerships or in creating partnerships that show exemplary performance.

### **What It Builds On**

A number of states and localities, including New York City, have used career pathways effectively. These programs, whether funded through TANF or other sources, have had positive employment, employment retention, and earnings outcomes for participants.

#### New York City

*The program:* Using a combination of public (nearly \$4 million, including from WIA and TANF) and private funds (\$1.2 million), a group of local partners organized a career pathway program in the information technology sector. Working with local employers, agencies, and community and public colleges, the initiative supported a range of activities, including assessment, curriculum development, classroom instruction, other training services, supportive services, case management, and employment and retention services.

*Results:* Between 2001 and 2004, program participants achieved a 56 percent employment placement rate (despite an economic slowdown after the September 2001 terrorist attack), with an average wage of \$11.75 at placement.

*More information:* [www.workforcestrategy.org/publications/WSCstrength\\_6.23.06.pdf](http://www.workforcestrategy.org/publications/WSCstrength_6.23.06.pdf)

#### Albany, New York

*The program:* Responding to a loss of manufacturing jobs in the area, the “Greater Capital Region Career Pathways Initiative” brought together local workforce investment boards, community colleges, and local companies and other organizations to build career pathways in the biotechnology industry. The project, begun in 2003, grew out of a state Department of Labor effort to map career ladders in growing sectors.

*Results:* The partnerships created have developed curricula, built programs, and trained and placed workers in high-demand occupations across the region’s biotechnology sector.

*More information:*

[http://www.workforcestrategy.org/publications/Greater\\_Capital\\_Region\\_CP\\_Report.pdf](http://www.workforcestrategy.org/publications/Greater_Capital_Region_CP_Report.pdf)

### Arkansas

*The program:* The program, funded by TANF, provides support through the Arkansas Department of Higher Education to 11 of Arkansas's 22 two-year colleges to develop and implement career pathway initiatives on their campuses. The initiative connects post-secondary training to local labor market and employer needs and includes remedial curriculum redesign, a comprehensive student support services system, and supplemental support services (including childcare and transportation).

*Results:* The program has annually placed between 76 and 88 percent of graduates either in jobs or the next step on the pathway, achieved employment retention rates of between 64 and 81 percent, and placed participants in jobs paying an average starting wage of between \$7.43 (nursing assistants) and \$18.84 (registered nurses) per hour.

*More information:* [www.southerngoodfaithfund.org/pdf/pub\\_pp/pp\\_v27\\_6\\_06.pdf](http://www.southerngoodfaithfund.org/pdf/pub_pp/pp_v27_6_06.pdf) and [www.southernngff.org/pdf/pub\\_ipe/cp\\_impact\\_4\\_07.pdf](http://www.southernngff.org/pdf/pub_ipe/cp_impact_4_07.pdf)

### Washington

*The program:* The state established the initiative in 1998, using community colleges to help low-income families move out of poverty through the state TANF program and targeting the information technology, health care, construction, and aviation manufacturing and machining sectors. From July 1998 to June 2002, the state spent \$75 million in TANF funds on the initiative, administered through the Governor's Office, to provide short-term pre-employment training (12-22 weeks), financial assistance, workplace basic skills, and parenting/literacy skills training.

*Results:* After two years, the state's community colleges trained more than 1,500 welfare recipients and other low-income adults. Two-thirds (66%) of welfare recipients who completed a pre-employment training program started a job earning more than \$7.50 an hour, compared to a little more than one-quarter (28%) of all other welfare recipients placed in employment. More than two-thirds (68%) of welfare recipients who completed training in 1998-1999 stayed employed for one year, while only half (51%) of the overall caseload did.

*More information:* [www.workforcestrategy.org/publications/Career\\_Pathways.pdf](http://www.workforcestrategy.org/publications/Career_Pathways.pdf)

### Kentucky

*The program:* With a grant from the Ford Foundation, the Kentucky Community and Technical College System (KCTCS) offered funding in 2003 to all 16 colleges in the system to work with other partners and build career pathways in their regions. From 2003-2006, KCTCS granted \$3.5 million, with an additional \$4.0 million of in-kind support from employers, agency partners, and the federal government.

*Results:* More than 5,000 students participated in career pathways in Kentucky community colleges between fall 2004 and spring 2007. They earned 573 credentials, including 155 associate's degrees, 91 diplomas, and 327 certificates. In addition, according to the most recent analysis (findings are preliminary), they had higher retention rates (71%) than other Kentucky community college students (46%).

*More information:*

[www.kctcs.edu/student/careerpathways/CCTI%20New%20Orleans%200307.ppt](http://www.kctcs.edu/student/careerpathways/CCTI%20New%20Orleans%200307.ppt) and  
[www.kctcs.edu/student/careerpathways/About%20KCTCS%20CP.cfm#History](http://www.kctcs.edu/student/careerpathways/About%20KCTCS%20CP.cfm#History)