Testimony before the Joint Legislative Budget Hearing on Workforce Development

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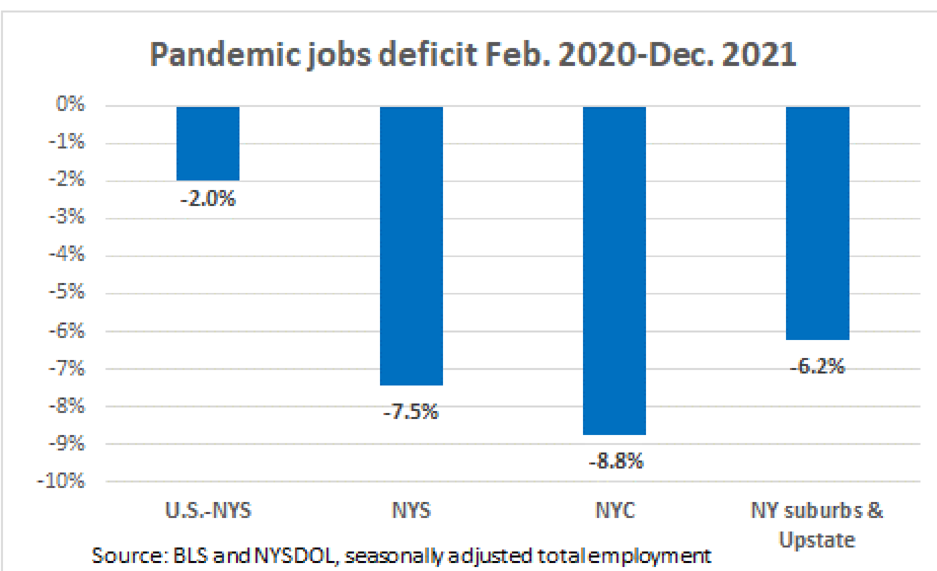
Good afternoon distinguished chairpersons and members of these committees. My name is James Parrott, Director of Economic and Fiscal Policies at the Center for New York City Affairs at The New School. Thank you for the opportunity to testify on Workforce Development issues in the FY 2023 New York State Budget.

I have studied extensively the New York State and New York City economies and labor policies for the past 30 years. I would like to focus on four issues today. First, the Empire State's 7.5 percent pandemic jobs deficit is the most severe in 80 years. This chart shows this staggering job loss is more than three times that of the rest of the country (two percent). While New York City's jobs deficit is 8.8 percent, the jobs deficit is 6.2 percent in the Downstate suburbs and Upstate. New York State has 734,000 fewer jobs than it did two years ago.



The pandemic has changed the economy and it has changed workers. Many businesses and jobs are not coming back, and many others are changing in response to health concerns, worker preferences, technology, and the ways that other businesses are adapting. Some industries will expand faster than they were previously, and in different ways. The nature of employer demands for worker skills is changing and workers are reassessing their employment options and opportunities on a scale not previously seen. And yet our labor and re-employment policy nationally and in New York essentially comes down to: "Everything will sort itself out just fine, it's only a matter of time." That mindset is risky at the national level; for New York, it is a recipe for a prolonged and racially disparate unemployment crisis. New York's economic history and the current reality are pretty clear on that score.

The pandemic's economic effects have been fundamentally lopsided. While hundreds of thousands of low-paid workers and small business owners in face-to-face service industries lost their livelihoods to protect public health, incomes have risen for the great majority of high-income earners not losing jobs. More than seven out of every 10 jobs lost in New York have occurred among the low-paid face-to-face industries where annual wages are about one-third of the $153,000 average for workers in finance, tech, information, and professional services where most workers continue to work (safely and conveniently) on a remote basis. Wall Street and big tech companies are flourishing. On the other hand, those without a four-year college degree suffered more than two-thirds of pandemic job losses. Workers ages 18-24 were affected disproportionately, and dislocated workers were much more likely to be workers of color.[1] For the fourth quarter of 2021, the unemployment rate for Blacks in New York City was an astounding 15.2 percent, more than twice the 6.3 percent rate for Whites.

The Division of the Budget projects that New York State will not reach its pre-pandemic employment level until 2024. New York City's Independent Budget Office projects that the city will not return to its pre-pandemic jobs level until late 2025.[2] That would consign low-income workers, workers of color, and young workers who have borne the brunt of pandemic job dislocations to unemployment rates in the 10-14 percent range for at least another two to four years. Following the past three most recent economic downturns, New York City's Black and Latinx workers endured several years of double-digit unemployment rates.

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[1] For details on the demographic and industry characteristics of Covid-19 job displacements, see James A. Parrott, *New York State's Lagging Recover*y from the Covid-19 Pandemic, Center for New York City Affairs at The New School, December 14, 2021.
[2] New York City Independent Budget Office, *Modest Budget Shortfalls Projected, But Risks to Outlook Increase as Infections Surge*, January 2022.

To address New York State's lagging Covid-19 recovery, I proposed in a policy brief released two weeks ago that the State use some of the federal Covid-19 fiscal relief to fund a massive wage subsidy and workforce redeployment effort. [3]

The second issue I'd like to address is the need for the State to do a more effective job in enforcing against pervasive misclassification of workers as independent contractors. Our preliminary estimates are that there are at least 350,000 workers whose primary job is as an independent contractor in a low-paying industry, clearly suggesting that they are misclassified when they should be employees. Our research shows that these workers earn significantly less than their counterparts in the same industries who are properly classified as employees. These workers are denied coverage by unemployment insurance, workers' compensation, Social Security, short-disability, family and medical leave, health and safety and anti-discrimination laws.

Given this, it is very disconcerting that the State has not issued an annual report on the activities of the Joint Enforcement Task Force on Employee Misclassification since 2015.

New York City has led the way in establishing minimum compensation standards and other protections for for-hire vehicle drivers and food service delivery workers. Not all low-paid misclassified contractors are gig workers, as the situation of nail salon workers demonstrates. More effective State enforcement is clearly needed for these workers given the extent to which many businesses continue to misclassify them as contractors, denying them the required minimum wage and other protections.

Regarding unemployment insurance, my third issue, I would urge that New York consider a tax credit for unemployment insurance benefits received in 2020 or 2021 by still-unemployed workers whose 2019 incomes were below $35,000 (or some other moderate income threshold.) I think this would help respond to growing levels of hardship across the state given that there are still hundreds of thousands of dislocated workers who have exhausted state and federal unemployment benefits and that most other forms of economic assistance have ended. Nearly half of all unemployed New Yorkers have been without work for more than six months.[4]

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[3] James A. Parrott, *New York State's Unprecedented Covid-19 Unemployment Crisis Warrants a Comprehensive Active Labor Market Response*, Center for New York City Affairs at The New School, January 13, 2022. . http://www.centernyc.org/reports-briefs/new-york-states-unprecedented-covid-19-unemployment-crisis-requires-a-comprehensive-immediate-active-labor-market-response?mc_cid=0bd93eb565&mc_eid=3ce0b656b0

[4] CNYCA analysis of Current Population Survey data, 4th quarter 2021.

For such a high-wage state, New York has some of the lowest unemployment benefits in the country, and our maximum weekly benefit trails all of five of our neighboring states. On the eve of the pandemic, the U.S. Department of Labor noted that New York's trust fund was precarious because of our unusually low taxable wage base. It is also a cause for concern that large employers like Uber and Lyft do not report the earnings of their workers to the State Labor Department despite the fact that they have been found to be employers for purposes of New York's state unemployment law. This severely complicated the ability of unemployed drivers to access benefits during the pandemic and resulted in many receiving federal Pandemic Unemployment Assistance at much lower benefit levels.[5]

My final issue: Despite being the first state in the nation to authorize a $15 minimum wage, the lack of indexing has meant that workers in New York City have fallen behind their peers in other large cities such as Seattle, San Francisco and Washington, D.C. Given the rise in consumer inflation, the purchasing power of the state minimum wage in New York City is now only $13.75, compared to $15 at the end of 2018. It is time for New York to index the minimum wage and to provide for a "catch-up" increase to make up for the erosion in purchasing power over the past three years. Indexation is particularly urgent considering the high inflation environment we're currently in, with a six percent increase in the consumer price index over the past year.

I would like to take this opportunity to also express support for extending benefits under the Excluded Worker Fund, funding the implementation of the NY HERO Act, and enacting the SWEAT bill and the Empire Worker Protection Act to resoundingly combat wage theft.

Thank you for the opportunity to testify today.

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[5] See *Islam v. Cuomo*, U.S. District Court, Eastern District of New York, July 28, 2020, 20-CV-2328 (LDH).