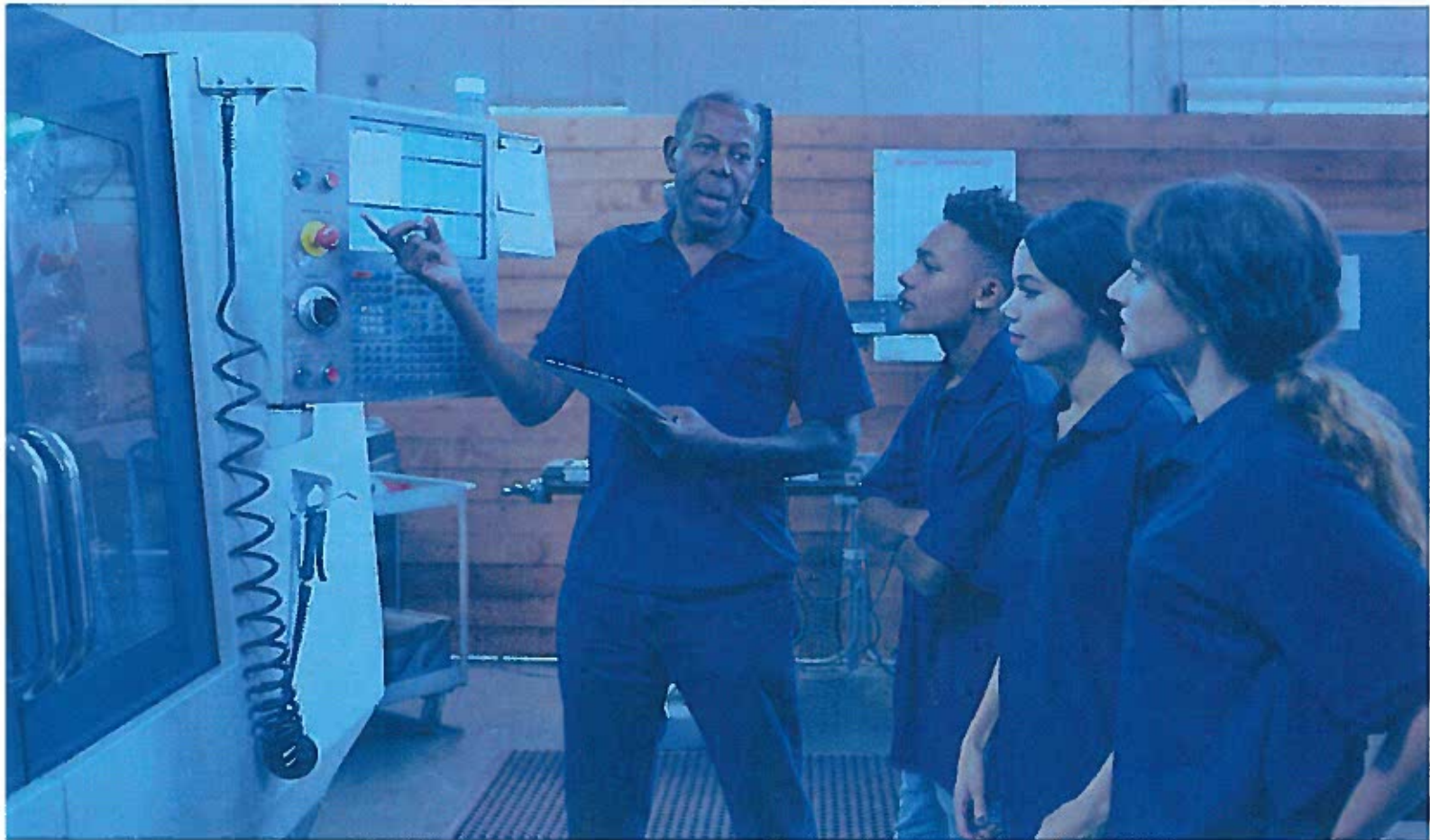

Sounding the Alarm:

New York's Young Adult Unemployment Crisis &
The Need for State-Based Reforms



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ABSTRACT:

Following the Great Recession, New York State faces high young adult unemployment. Nearly 14 percent of 16-to-24 year olds in New York State are out of school and out of work altogether. High young adult unemployment in an economy that increasingly requires some type of post-secondary credential or training should put policymakers on alert. To tackle this problem, the state has authorized \$50 million to fund the Urban Youth Jobs Program (UYJP), a small dollar tax credit to employers who hire and retain disadvantaged young adults across the state. This report argues that the resources dedicated to the UYJP—the state's single largest youth jobs investment—should be used instead to increase training opportunities for young workers in a way that responds directly to the needs of the employer and of young adults. Young Invincibles' research, conducted through a mix of surveys, focus groups, and interviews, shows that employers value skills training, over small dollar tax credits. Consequently, we recommend repurposing the authorized \$50 million in Urban Youth Jobs Program funding toward four distinct programs, each of which provides critically-needed and evidence-based skills training connected to and informed by the needs of employers: a \$10 million investment into a sectoral employment pilot, a \$10 million investment in pre-apprenticeship programs, a \$20 million investment to fund the Empire State Apprenticeship Program, and a \$10 million investment to fund competitive grants for workforce training programs linked to regional economic development councils.

I. Introduction

Unemployment has serious long-term consequences. One analysis found that a young person who is unemployed for six months can expect to earn \$22,000 less over the following ten-year period.¹ With more than 15 percent of 16-to-24-year-olds unemployed and looking for work, this could translate to a potential loss of about \$8.8 billion in earnings to New Yorkers over the course of the next decade.² Unfortunately, despite New York's economic gains since the Great Recession, disadvantaged young New Yorkers are getting left behind.

From the peak of the Great Recession in 2010 to 2015, New York businesses have added almost one million private-sector jobs, with sectors like leisure and hospitality experiencing nearly 30 percent growth, and construction experiencing nearly 20 percent growth.³ During that same period, the state increased its investment in economic development by more than 15 percent to \$8.1 billion in 2014.⁴ This investment continued to grow to 8.6 billion in 2015.⁵ New York has clearly made an investment in growing the economy. For some, it's paid off: unemployment for the entire state population has dropped to about five percent. Despite this, young adults in New York currently face double-digit unemployment rates. The young adult unemployment rate today is more than triple that for residents 35 years and older, and is even higher for young adults of color.

However, it's not all doom and gloom. The state has made a sizable financial commitment to curb high young adult unemployment. Furthermore, New York's middle skills gap presents an opportunity for policymakers to connect disconnected, unemployed young adults to a variety of well-paying careers to lead financially secure lives. These are jobs that require some college but not a four degree, and often have clear ladders for upward mobility. They include professions such as nurse, construction manager, computer support specialist, retail sales associate, and more.

In light of this high young adult unemployment, Young Invincibles (YI) launched an investigation to answer the following questions: *What is the efficacy of the state's largest youth jobs investment—Urban Youth Jobs Program—and how do we effectively encourage employers to hire and retain more disadvantaged young adults?* To answer these questions, YI conducted focus groups, interviews, surveys, and reviewed public documents and data requested from the New York Department of Labor specific to the program. A full methodology can be found at the end of this report.

This paper first highlights New York's crisis-level young adult unemployment, and argues that the state's skills gap presents an opportunity to address this challenge. Next, it examines the design and history of the Urban Youth Jobs Program, the state's leading attempt to tackle youth unemployment rates. It then addresses the disparities between what the UYJP provides and what employers and the workforce field as a whole say they need to employ disadvantaged young adults. We find that while employers value skills training highly, 93 percent of employers indicate that tax credits like the UYJP do not impact hiring decisions or retention. Finally, the paper makes four policy recommendations to target the resources dedicated to addressing high young adult unemployment more effectively by developing untapped human capital through skills training that meets the needs of employers.

Ultimately, YI recommends the state repurpose the funding currently used for the UYJP to focus on skills

by (1) piloting a sectoral employment strategy, (2) expanding the NYS Pre-Apprenticeship program, (3) passing the Empire State Apprenticeship Program for young adults, and (4) launching funding for grants connected to the Regional Economic Development Councils. With limited state resources for the young adult unemployment crisis, the stakes are too high to get it wrong.

New York's high young adult unemployment and the state's skills gap create an opportunity for lawmakers to make smart policy investments that connect young adults with training that matches employer needs, ultimately helping fill the middle skills gap. Leveraging the untapped talent pool of disadvantaged young adults and connecting them to middle skills careers is a smart long-term investment that will help put today's young adults on high growth career pathways.

II. Background: New York's Young Adult Unemployment Crisis

In this section, we first address the scope of New York's youth unemployment crisis, and then detail how the state's middle skills gap presents a compelling opportunity to address young adult unemployment for traditionally disadvantaged populations.

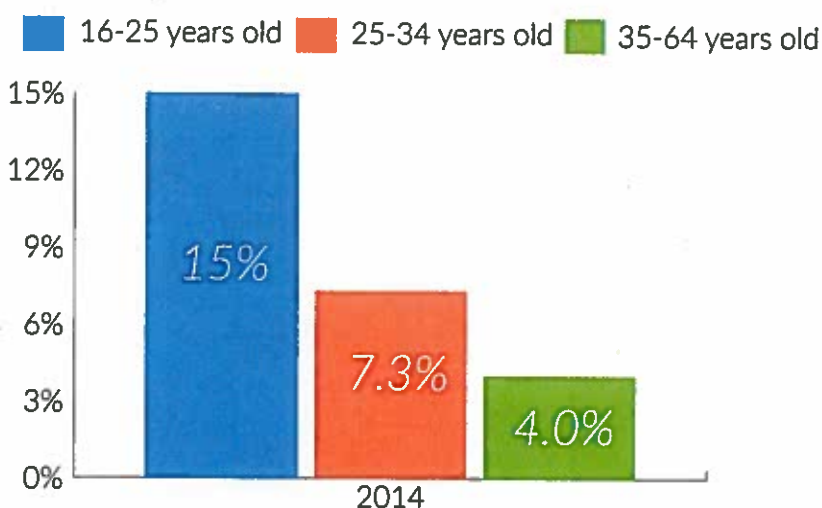
A. New York Faces Crisis-Level Young Adult Unemployment

The unemployment rate for young adults in New York is more than triple that for older adults. In New York State, the unemployment rate for residents 35 years and older is four percent, compared to a 15 percent statewide average unemployment rate for young adults between the ages of 16 and 24.⁶

Nearly 14 percent of 16-to-24 year olds in New York State are out of school and out of work altogether.⁷ This trend tends to move with the unemployment rate. This population is often referred to as 'Opportunity Youth' or "Disconnected Youth." The federal government has recently prioritized addressing the challenges facing disconnected youth: the Workforce Innovation and Opportunity Act requires at least 75 percent of funds be spent on out of school youth. This represents a substantial increase from the 30 percent required under the Workforce Innovation Act (WIA).⁸

The unemployment rate for young adults across the state is significantly higher in some areas of New York, ranging from a low of 10 percent in cities like Plattsburgh

Fig. 1: NY Unemployment Rate By Age Group

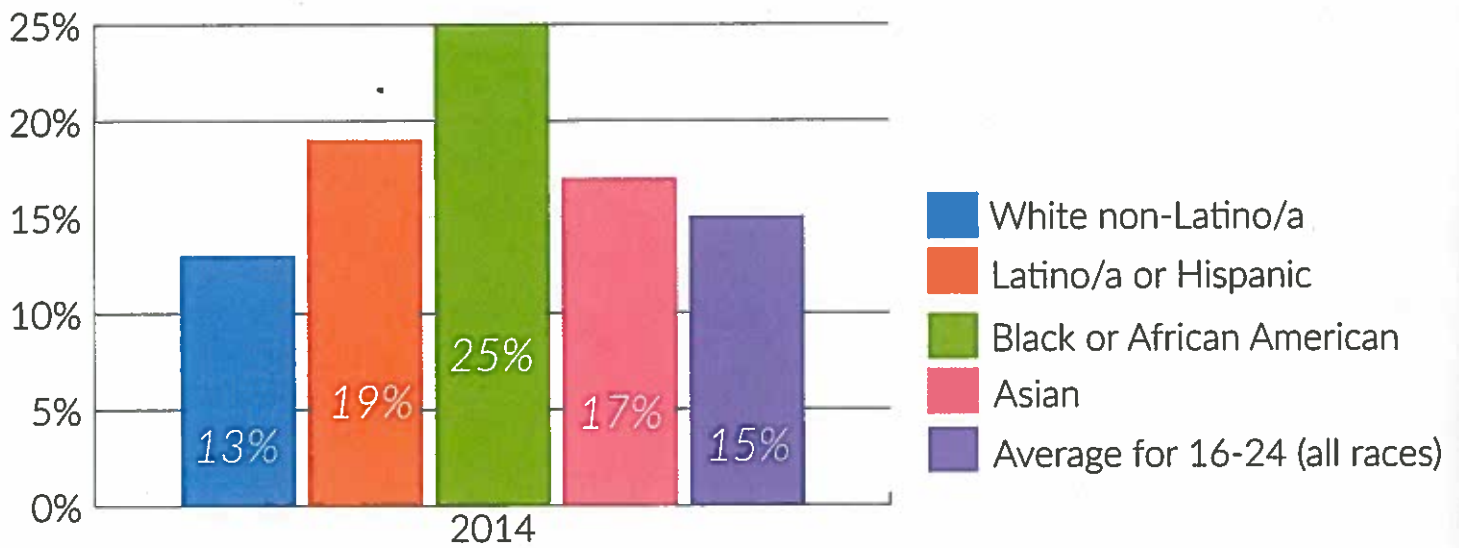


Source: YI's analysis of the American Community Survey

and Ithaca, to 18 percent in New York City, to a high of 21 percent in rural areas such as Hudson and Amsterdam. But even in the cities with the lowest rates of young adult unemployment, the young adult unemployment rate is more than double that of older adults. High young adult unemployment can be found in all rural, suburban, or urban communities.⁹

The unemployment rate for young adults of color is significantly higher than for their white peers. Latino/a or Hispanic young adults have a 19 percent unemployment rate across the state, which is six percentage points higher than for White Non-Latino/a young adults. Black or African American young adults have the highest unemployment rate, which at 25 percent is 12 percent higher than for White non-Latino/a peers.¹⁰

Fig. 2: NYS Unemployment Rate for 16-24 Year Olds by Race



B. New York's Middle Skills Gap Presents an Opportunity

Middle-skill jobs make up the largest part of the workforce in New York.¹¹ These are jobs that mostly require more than a high school diploma but not a four-year degree. This includes electrician, sales manager, dental hygienist, technology specialist, web developer, welder, engineering technician, nurse, and many other well-paying careers that have opportunities for advancement. Middle-skill jobs account for 51 percent of New York's labor market. Through 2022, 46 percent of job openings will be at a middle-skill level.¹² Unfortunately, the state is facing a 12 percent gap in the number of workers who are trained at the middle-skill level to meet the available job openings. This creates a clear opportunity for young adults who face high unemployment to fill the middle skills gap.¹³

Despite the increased need for post-secondary credentials, state disinvestment in higher education has caused average tuition, fees, and room and board costs to rise by nearly 55 percent for state residents. This has, in part, driven student loan debt in New York to an all-time high of \$29,700 on average, further threatening the perceived or actual barriers for low-income, disadvantaged young adults to enter and be successful in higher education.¹⁴ Increasing costs and restricted access to higher education makes building workforce development strategies for the most at-need even more critical to closing the middle-skills gap and providing meaningful career opportunities to disadvantaged young adults but should not be used as

an excuse to continue state disinvestment from public higher education.

The skills gap is not unique to any one part of the state. A year-long study by the Onondaga Citizens League found that a lack of specialized training (hard skills) as well as the lack of soft skills were the top barriers for connecting the unemployed to jobs in the Central New York region.¹⁵ Long Island's largest employer, North Shore-LIJ Health System, has struggled to fill about 1,000 technical positions because there weren't enough qualified applicants. This isn't surprising considering only five percent of college graduates on Long Island graduate with Science, Technology, Engineering, and Mathematics (STEM) degrees that would prepare them for such jobs.¹⁶ In New York City, there are more than one million middle-skill jobs with an estimated 44,000 projected job openings every year for the next five years.¹⁷ Yet, 35 percent of all 18-to-24 year olds in New York City are either unemployed or underemployed.¹⁸ These examples from across the state demonstrate how the skills gap is impacting a wide range of employers across sectors, occupations, and regions.

The hundreds of thousands of young adults out of work, coupled with New York's middle skills jobs gap, presents an opportunity for state lawmakers to make timely investments to train today's young adults to fill the middle skills gap. Instead, however, New York has prioritized small-dollar tax credits without skills training attached.

III. New York's Solution: Small Dollar Tax Credits without Skills Training

In 2012, New York State launched the New York Youth Works program, designed to support workforce development providers and to reward employers with tax credits for hiring disadvantaged young adults. New York later reformed the program and renamed it the Urban Youth Jobs Program. Today the Urban Youth Jobs Program is strictly a tax credit to employers. The state has rapidly increased funding to the UYJP, despite a number of indicators suggesting that the tax credit model is not effective.

A. History of the New York Youth Works Program

In response to high young adult unemployment, New York State enacted New York Youth Works (NYYW) in 2012. NYYW was three-pronged strategy to promote young adult skill acquisition and job placement for disadvantaged young adults by providing employers with tax credits, providing stipends directly to young adults to participate in training, and giving grants to non-profit providers to facilitate the program and to provide training. One participant from an employer focus group in Rochester that Young Invincibles facilitated described this as a "win, win, win" scenario highlighting that young adults got paid to get trained, employers got a tax credit and a trained worker, and workforce development providers were given resources to support their work.

The NYYW started in 2012 as a \$25 million initiative over two years that targeted high-poverty cities across the state. Employers were eligible to claim as much as \$4,000 over a one-year period for a full-time young adult worker between the ages of 16 and 24.¹⁹ The program initially included as much as a \$900 stipend given directly to young adults participating in an approved New York Youth Works training to help offset their costs associated with training, such as childcare and transportation. The program also included

\$50,000-to-\$200,000 grants to non-profit workforce development organizations to recruit and certify young adults in the program, provide work readiness training, offer career exploration opportunities, and provide specific occupational and technical skills training.²⁰ Funding to workforce entities was a pay-for-performance model. Grantees received \$700 per participant for eight weeks of training, as much as \$400 for job placement, and \$200 for every young adult who earned the National Work Readiness Credential (NWRC).²¹ However, the state dismantled this three-pronged strategy with little justification and without doing a full evaluation, in order to make way for the Urban Youth Jobs Program.

B. The Urban Youth Jobs Program Today

In 2014, the state renamed the NYYW the "Urban Youth Jobs Program"²² (UYJP) and restructured the program to become strictly a tax credit to employers who hire and retain low-income young adults. The state removed the young adult stipends and training grants that were formerly available to workforce organizations. New York made the changes from the NYYW to the UYJP without any evaluation, public hearing, or transparent rationale for why these substantial changes were necessary or justified.

Under the reformed Urban Youth Jobs Program tax credit, employers become eligible for \$500 per month for a full-time employee for the first six months, then \$1,000 total after the second six months, and another \$1,000 after the second year of employing a full-time participating certified young adult, for a total of \$5,000 available for every full-time young adult employed for two years.²³ For part-time employment, employers are eligible to receive \$250 per month for the first six months (totaling \$1,500), then \$500 for the next six months, and \$500 after the second full year of employment, for a total of \$2,500 available for every part-time young adult employed after two years. The incremental payment is designed to incentivize retention. To date, the NYYW and the UYJP have together provided 1,541 New York businesses with tax credits. The state claims that 27,133 youth have gotten jobs through the program across New York.²⁴ Part-time credits made up for 75 percent of total credits claimed in 2015.²⁵ However, little is known about those young adults, the jobs they get, and the long-term opportunities offered through the tax credit. Additionally, it's unclear if these young adults would have been hired anyway without the tax credit bringing to question the efficacy of the program.

C. The State Has Rapidly Increased Spending on the UYJP, Despite Early Warning Signs

The FY17 state budget expanded funding for the Urban Youth Jobs Program from \$20 million to \$50 million, and made \$20 million available anywhere in the state. Today the UYJP is authorized to distribute \$50 million annually, with \$30 million geographically targeted to New York cities with the highest poverty rates. The table below shows the authorized spending for the NYYW and UYJP since 2012. The first two years of the program (under NYYW) were authorized in one funding group. Doubling down on funding for the tax credit component, rather

Figure 3. AUTHORIZED STATE FUNDING FOR UYJP (in millions)²⁶

NYYW: 2012 & 2013	25
2014	10
2015	20
2016	50
2017	50

than the stipends or training grants also covered by the initial model, contradicts what little evidence the state had on the efficacy of the tax credit at the time. A report published in November of 2013 by the New York State Tax Reform and Fairness Commission chaired by H. Carl McCall (former NYS Comptroller and current Chair of SUNY Board of Trustees) and Pete J. Solomon (private investor) called for repeal of the tax credit program because it was "rarely used."²⁷ In fact, employers claimed only \$2.3 million of the \$25 million available for tax credits under NYYW, accounting for only 9.2 percent of the total amount available.²⁸

Similarly, the annual New York State Tax Expenditures report by the New York State Division of the Budget and the New York State Department of Taxation and Finance shows that less than half of the total amount available would be claimed for each year of the program's existence forecasted.²⁹ Although annual forecasts are estimates, and shouldn't be the only tool to make spending decisions year to year, they do not support the expansion of the tax credit program at the time.

The sizable investment committed to this program demonstrates that lawmakers have made a substantial and commendable commitment to tackling high young adult unemployment. However, the state's demand-side focus doesn't adequately address the true demand, which is for a better-trained young adult workforce. The next section of this report shares Young Invincibles' research, which clearly demonstrates that employers value skills training over tax credits when considering hiring disadvantaged young adults.

IV. The Need to Put Skills Training First

New York's decision to invest \$50 million toward a demand-side approach to tackling high young adult unemployment requires a focus on actually meeting demand. However, our research shows that what employers value most is skills training, not small dollar tax credits. Additionally, our research shows that the workforce development field echoes these employer sentiments, further highlighting the need to invest in the skill development of young adults.

A. *Employers Need Skilled Workers over Small Dollar Tax Credits*

YI's investigation set out to understand employers' perspectives on hiring and retaining low-income, disadvantaged young adults. We facilitated focus groups across the state with employers, surveyed focus group participants, conducted employer and stakeholder interviews, and undertook a comprehensive literature review. Across all these methods, we found that employers prioritize having a skilled workforce over small dollar tax credits.

The Urban Youth Jobs Program is the state's single largest investment in helping disconnected young adults find work, but does not explicitly address the need to prepare and train young adults for an economy that increasingly demands some type of training or credential. In an interview with Young Invincibles about the Urban Youth Jobs Program, Stanley Litow, Vice President of IBM Corporate Citizenship and Corporate Affairs & President of IBM International Foundation, said that, "Tax credit programs like this don't address the skills deficit that exists among the hardest to serve." This sentiment directly aligns with what other employers said during focus groups that YI facilitated in Brooklyn, Buffalo, Rochester, and Manhattan.

In a survey that focus group participants took across the state, **73 percent of participants indicated that the top two challenges they face when hiring young adults are:**

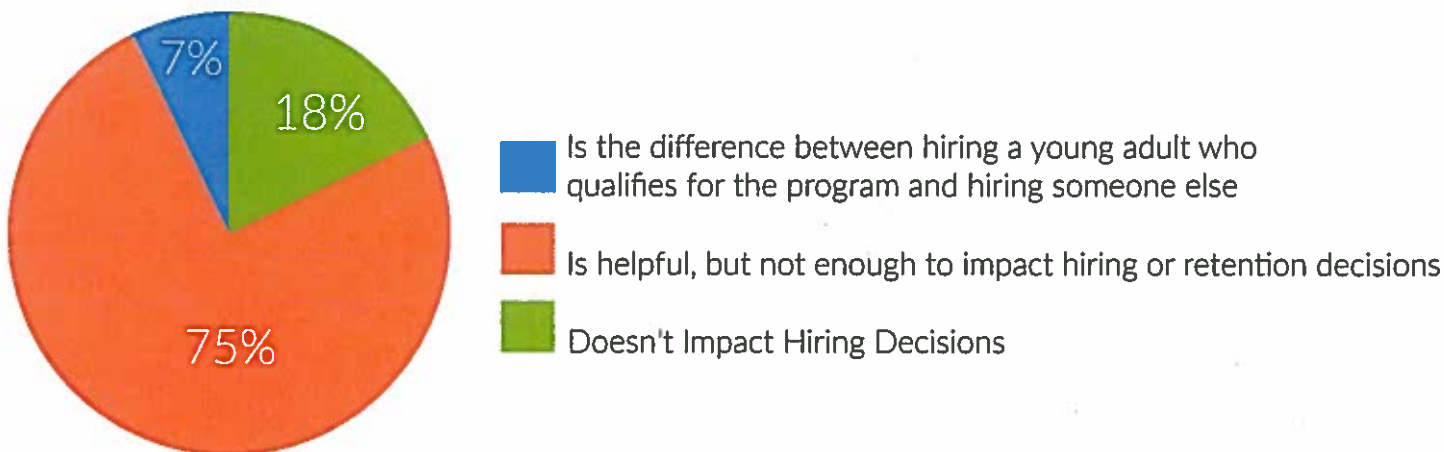
- 1. Young adults do not possess the hard or technical skills specific to the job; and**
- 2. Young adults lack "soft skills" (professionalism, time management, etc.).**

The other challenges employers indicated they face when hiring and retaining these young adults include "lack of necessary credentials," "not being able to identify young adults to apply for positions," and "lack of mentors available." Employers placed "can't afford to hire an inexperienced worker" at the very bottom of their list of concerns. This strongly indicates that small dollar tax credits alone are not nearly as valuable to employers as access to trained workers.

Nearly 93 percent of focus group participants from across the state indicated that a \$5,000 tax credit spread over the course of two years to hire a full-time disadvantaged young adult employee either "doesn't impact anything we do" or is "helpful but not enough to impact hiring or retention decisions." Only about seven percent indicated that the program "is the difference between hiring a young adult who qualifies for the program or hiring someone else."

Individual employer perspectives shared in focus groups and one-on-one interviews are consistent with these general findings. In a focus group YI conducted in Rochester, the president of a machining company said, "our biggest problem is they [young adults] don't have the basic math skills needed to train them." He referenced the decline of apprenticeship programs one of the challenges the machinery industry is facing with an aging workforce, and stressed the need to ensure that "young adults are properly trained, have the proper etiquette, and the proper soft skills so [we] can use them."

Fig. 4: FOCUS GROUP QUESTION: Finish the sentence: A total of \$5,000 tax credit spread over the course of two years to hire a full-time disadvantaged young adult employee:



Andrea Madho, Founder and CEO of Lab141 Inc., a small start-up fashion manufacturing company, stated in a Brooklyn focus group that one of the biggest challenges they are facing is that "there are no skilled sewers anymore so we've found that there's a real effort to teach younger people apprentice skills because those don't exist anymore. We don't need [young adults] to go college but we are now tasked with creating our own sewing school and there's a real effort to teach young people apprentice skills." Madho also

shared their strategy of investing in today's disadvantaged young adult workforce by saying, "We think one of the biggest opportunities for us is to start with youth and give them an alternative because you are talking about high skill, high quality manufacturing where you would need to apprentice right out of high school." Lab141 Inc.'s strategy of leveraging young adults as an untapped labor pool by offering specific skill development through their own apprenticeship program is a consistent finding throughout focus groups YI facilitated.

A human resource manager of a grocery store with more than 15,000 employees said, in a focus group YI facilitated in Buffalo, "we train young adults differently based on where they want to be and where they see themselves in the company." The manager went on to share that their strategy to keep disadvantaged young adults is centered around exposing them to different departments and opportunities within the company so they can eventually become an apprentice to develop a real skill and career track within the company.

While participants clearly valued hard and soft skills training, small dollar tax credits did not receive the same levels of support. A focus group participant from Buffalo who manages a store for a major nationwide Fortune 500 retail company said, "Tax incentives make no difference to us, we don't pursue them." Similarly, a focus group participant in Rochester named Glen Jeter, who owns a McDonald's franchise with about 60 employees—many of whom are young adults—said that the incentives provided by the UYJP "are too far off and aren't realistic to retain somebody for two years." Although employers like Glen Jeter may take advantage of the tax credit because they already hire a number of workers who qualify for it, the credit is generally not enough to impact the decisions they make when hiring and retaining staff members.

External research reinforces these findings. A survey of 500 U.S. business executives conducted by Adecco in July of 2016 found that 92 percent of respondents thought Americans aren't as skilled as they need to be and 44 percent thought workers lack soft skills.³⁰ Another survey conducted by LinkedIn of more than 1,400 hiring managers at Fortune 500 companies found that the two most important skills employers look for are problem-solving (65 percent) and being a good learner (64 percent), reinforcing the premium that employers place on hiring workers who have soft skills.³¹ These findings are unsurprising in light of larger national trends. The United States economy increasingly requires post-secondary credentials, further widening the inequality gap between those who have access to opportunity and those who do not. This is coupled with a growing decline in employer-led training. In 1996, 19.4 percent of workers received employer training compared to 11.2 percent in 2008.³²

YI's research makes clear that employers believe that a state program focused on small dollar tax credits rather than training does not directly address their underlying needs.

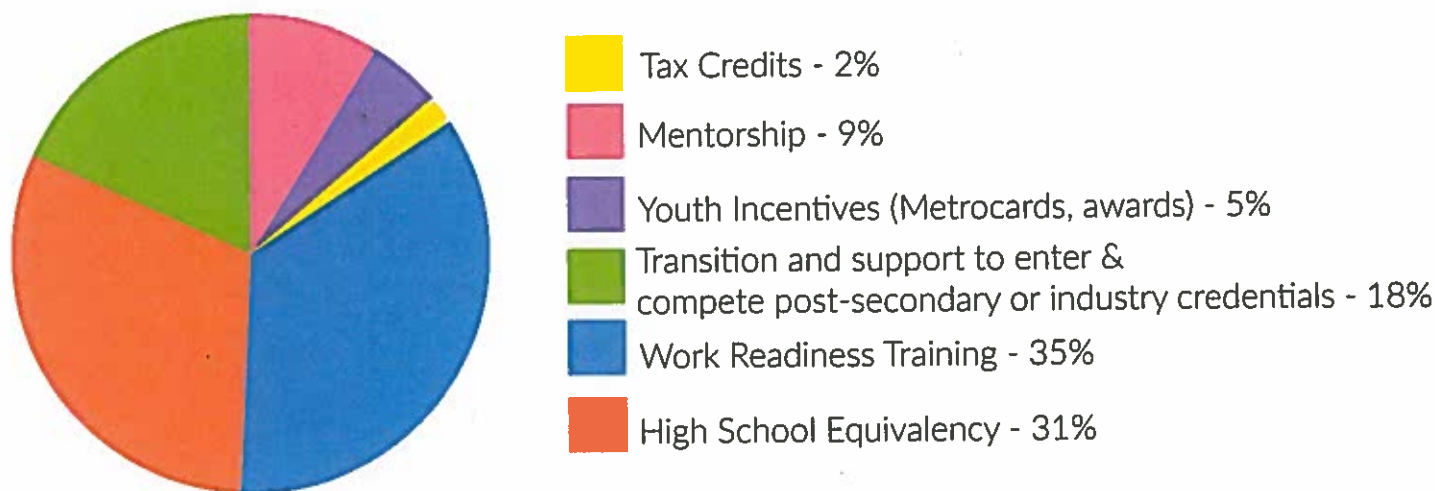
C. The Workforce Development Field Prioritizes Training over Tax Credits

Workforce development professionals—the frontline staff working directly to train and place young adults into programs with a path to employment—echo employer sentiments and value skills training over tax credits. YI conducted dozens of interviews and surveyed nearly 100 workforce development professionals across the state to understand how they engage with tax credits like the Urban Youth Jobs Program and what challenges they see in working to train young adults in order to help them find and keep jobs. Our

research found that this community is not familiar with the Urban Youth Jobs Program and generally do not value tax credits as an effective incentive to engage employers who would hire young adult workers.

Survey participants were asked to "rank in order what you believe are the most effective tools in helping low-income 16-24 year olds get and keep a job." Respondents indicated "work readiness training" and "high school equivalency" as the two most effective strategies in helping low-income young adults get and keep a job. Respondents indicated that "tax credits to businesses hiring young adults" were the least effective tool.

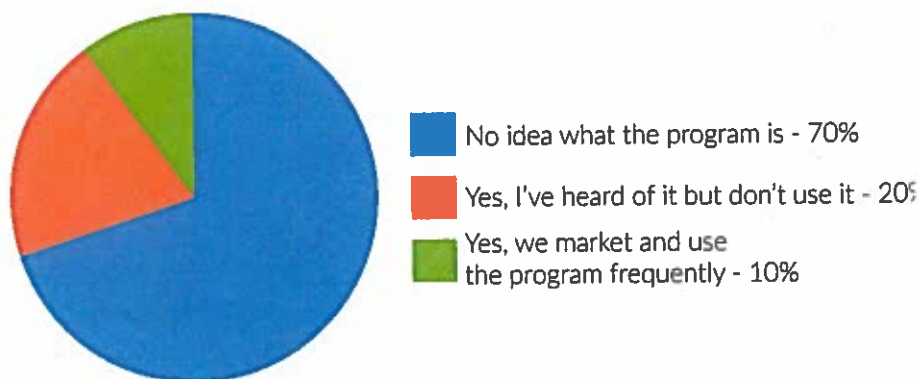
Fig. 5: Workforce Field Ranking of Most Effective Strategy



Survey respondents identified "critical thinking and problem solving" as the number one skill that young adults need help on, with "communication and conflict resolution" as a close second. This further reinforces the need to develop the soft skills of young adults to get them ready for employers. This is especially true of those employers who do not have capacity or expertise to develop the soft skills of these young adults.

In that same survey, 70 percent of respondents indicated that they had never heard of the tax credit, while 20 percent of respondents said they heard of it but do not use it. Only 10 percent indicated they use and market the program frequently. This is a missed opportunity as the workforce development field is charged with recruiting, training, and placing young adults into jobs, all of which should be connected to the needs of employers in their respective communities

Fig. 6: Survey on Knowledge & Usage of UYJP



YI's interviews with stakeholders also reinforce what the survey shows: that small dollar tax credits aren't perceived as an effective incentive. "There is no incentive for the field to work to identify employers to participate in the program. It would be great to incentivize a relationship [with] a CBO [community based organization] to provide programming the employer doesn't have capacity to," said the director of a Workforce Development Board from Central New York in an interview with Young Invincibles.

Many other workforce development policy stakeholders agree that more work readiness programs are necessary in order to get the hardest to serve young adults ready to meet the basic needs of employers. Lazar Treschan, Director of Youth Policy at the Community Service Society of New York, said in an interview with Young Invincibles about the Urban Youth Jobs Program, "the dollars don't go towards any type of development or training program that these young adults really need. A \$50 million budget allocation would be better used to support community based organizations that provide youth with meaningful skills training and workforce readiness programs."

Lou Miceli, Executive Director of JobsFirstNYC—a leading intermediary between employers and providers on young adult workforce development strategies—said in an interview with Young Invincibles, "Most employers would likely support a plan that includes concrete, industry-valued skills training and credential conferment over modest tax credit programs that have historically shown a limited uptake rate both here and throughout the country among private employers."

Understanding the perspectives and needs of the workforce development community is critical to aligning this work with the needs of employers who are the ones that train and hire young adults. YI's research establishes that employers and workforce development professionals—both needed to combat high young adult unemployment—value skill development over small tax credits.

The core of the state's young adult workforce development strategy should be to connect young adults to opportunities that help them develop transferable skills directly linked to long-term career opportunities. Given the sizable skills gap and the consequences of persistently high young adult unemployment in a transitioning economy, the UYJP – the state's single largest investment to reduce high unemployment among young adults – should remain a demand-side strategy, informed by the needs of employers, but should focus explicitly on developing skills to fill the state's skills gap.

V. Policy Recommendations: Repurpose the Funding Supporting the Urban Youth Jobs Program to Fill the Skills Gap Using Four Evidence-Based Strategies

The \$50 million authorized investment into the Urban Youth Jobs Program is a promising commitment from the state toward tackling youth unemployment. The UYJP resources should remain focused on the target population of disadvantaged youth, but should be retooled to support four evidence-based approaches that provide skills training to young adults.

The state should allocate an initial \$1 million of the authorized \$50 million to pilot a young adult sectoral employment initiative with plans to scale the program with an additional \$9 million investment. The state should build on the pre-apprenticeship program launched at the start of 2016 by allocating \$10 million in UYJP resources to expand the program to growing sectors across the state to help fill the middle skills gap, and ultimately connecting 1,000 disadvantaged young adults to apprenticeship opportunities. The state should use \$20 million of the authorized UYJP resources to immediately fund the bi-partisan Empire State Apprenticeship Program (ESAP) proposed by Assemblyman Bronson and Senator Gallivan. Finally, the state should use the remaining \$10 million to fund a young adult "Skilled New York Challenge" initiative, which would be informed by the needs of the Regional Economic Development Councils. Collectively, implementing these four new approaches will ensure that the funding for the Urban Youth Jobs Program meets the employer need for increased skills training.

An effective approach to training young New Yorkers needs to engage the workforce development community, young adults, Workforce Investment Boards, community colleges, and Regional Economic Development Councils (REDC), and it also needs to support employers directly in implementing effective training. Each of these strategies takes a different approach to building the collaboration needed to ensure effective skills training for young adult workers that is connected to the needs of employers. The sectoral strategy and the grant challenge take complementary approaches to establishing official collaboration between workforce development groups, Regional Economic Development Councils, employers, and other key players. While the sectoral employment strategy focuses on individual employers in growing sectors, the grant challenge focuses on the broader needs of employers in particular regions informed by the REDCs. Expanding pre-apprenticeship and apprenticeship opportunities for young adults provides the employers themselves with the direct support needed to train workers for success in growing sectors and can be easily implemented using the states already existing and time-tested apprenticeship infrastructure. Together, these strategies prioritize spending resources on strategies that are proven to work and are connected to both the needs of employers and the needs of young adults while also offering a number of options for employers to leverage and for young adults to access training.

A. Launch New York Youth Works Sector-Driven Pilot

New York should launch a sector-driven pilot program that combines the tax-credit component of the current UYJP with redirected resources to third party workforce intermediaries and workforce development trainers. Sector-driven strategies focus on meeting the needs of individual employers in specific growing industries. A core component of these strategies is an investment in untapped human capital through specialized job training to ensure that prospective employees are adequately prepared to be successful in the job during and after training. Another key element of sector-driven strategies is the role that third-party intermediary plays. These are entities that have developed in-depth knowledge of the specific industry, conduct research to understand the future of the industry, build and leverage relationships with employers, and coordinate community resources. Intermediaries lead a taskforce of stakeholders to oversee the project. In New York State, this would include local Workforce Investment Boards, Regional Economic Development Councils, employers, workforce development providers, community colleges, and others depending on the industry and the project.

The state should spend an initial \$1 million (and later \$9 million to bring the pilot to scale) of the authorized \$50 million investment to run three two-year pilot programs. In order to ensure geographic diversity, New York should run the pilot program in three locations – one in each an urban area, a suburban region, and a rural region. The pilot would continue to use part of the UYJP tax credit model by rewarding employers for their participation, but would redirect other UYJP resources to fund workforce development professionals to conduct training and to lead stakeholder taskforces.

The Public/Private Venture's Sectoral Employment Impact Study—the leading research on sectoral employment—analyzed three different models across the country to find that participants in sector-focused programs had higher wages and earned nearly 20 percent more than non-participating peers. Additionally, participants in sectoral employment programs were more likely to be employed and to work in jobs that offered benefits within two years of participating in the program.³³ Sector-driven strategies are clear, evidence based models that are ready to be brought to scale by New York State policy makers. The current construct of the UYJP is not focused on evidence, skill building, or growing sectors, further supporting the need to launch the New York Youth Works Sector-Driven Pilot.

MODEL 1: JobsFirstNYC's Young Adult Sectoral Employment Project is Working

Started in 2013, the Young Adult Sectoral Employment Project (YASEP), an evidence-based approach built on the findings from Public/Private Ventures' Sectoral Employment Impact Study, has emerged as an early example of adapting sector strategies to serve young adults more effectively. The YASEP community, comprised of 11 partnerships that have honed in on seven distinct sectors, prepares out-of-school, out-of-work young adults to meet the hiring needs of their employer partners.

The partners received planning grants to collaborate and become members of a JobsFirstNYC-supported and facilitated learning community, where all participants share lessons learned and JobsFirstNYC distributes information and resources. The curriculum flexes to members' needs, and JobsFirstNYC facilitators are careful to reevaluate continually to ensure technical support is customized to address individual concerns.

Early YASEP results shared with Young Invincibles are promising. This indicates that policymakers and funders can help young people find alternative pathways to jobs, job stability, and job advancement by expanding and deepening access to sectoral employment initiatives for young people. It also suggests that community-based, young-adult-serving organizations can play a critical role in connecting young jobseekers to employment, and that collaboration across organizations is essential. This strongly indicates that financial incentives to support partnerships should be built into future efforts.

JobsFirstNYC's Young Adult Sectoral Employment Project (YASEP), described in Model 1, is a nationally recognized model of how the state should think about designing a sectoral employment pilot program. The core elements of collaboration, diligent planning, targeted training, customized technical support, financial incentives, and evaluations are what makes sector-driven strategies effective, and should be core to the pilot initiative that will eventually be brought to greater scale.

The proposed sector-driven pilot would develop an inclusive taskforce of leading stakeholders from the private sector, labor unions, members of the workforce development community, young adults, and government representatives. The taskforce would be charged with developing the details of the pilot, monitoring and evaluating progress based on already identified metrics from previous models, and submitting a detailed plan to policymakers within the first 18 months to bring the program to scale. The taskforce would also be charged with building out a comprehensive data collection and evaluation strategy to ensure that the state collects enough data to make conclusive decisions, but does so in a way that does not deter employers from participating.

B. Expand the State's Pre-Apprenticeship Program

New York launched a pre-apprenticeship program at the start of 2016, which provides apprenticeship training to disadvantaged* out of school 18-to-24 year olds. This state-run program gives grants to non-profits or community groups to facilitate classroom training and on-the-job experience helping to prepare historically underrepresented communities to enter into apprenticeship programs.

The goal of the Pre-Apprenticeship Program is to couple industry-based training with classroom instruction to help the most disadvantaged young adults who often lack the skills criteria to be considered for a Registered Apprenticeship program. In order to set pre-apprentices up for success in Registered Apprenticeships, the program requires all grantees to partner with a New York State Registered Apprenticeship program tied to a Direct Entry provider. These programs are able to accept apprentices after they have graduated from their pre-apprentice training program.

The Pre-Apprenticeship Program is primarily funded through the federal Workforce Innovation and Opportunity Act. The Program is designed to distribute up to \$1.1 million in grants to fund almost 200 young adults living in poverty.³⁴ The state should invest \$10 million of the UYJP resources to expand this opportunity to help more low-income, disadvantaged young adults access meaningful careers and economic security, and also to help give employers the trained workforce they need to fill New York's skills gap. The increase in funding should also be used to ensure that participants get paid during training, and should allow for an increase in the number pre-apprenticeship worksites beyond the current mandate of state-funded sites. An expanded program should also prioritize expanding pre-apprenticeship opportunities in growing sectors.

C. Fund the Empire State Apprenticeship Program

The state should also repurpose \$20 million of the authorized \$50 million UYJP investment to launch an apprenticeship program in line with the bi-partisan Empire State Apprenticeship Program (ESAP) co-sponsored by Assembly Member Harry Bronson and Senator Patrick Gallivan.³⁵ The repurposed \$20 million would go directly to funding young adult ESAP spots.

Apprenticeships are a cost-effective use of state dollars. One study found that the tax payer return on investment of apprenticeship programs was \$27 for every dollar spent.³⁶ Over the course of their

lifetimes, individuals who participate in Registered Apprenticeship programs can expect to earn an average of \$300,000 more, including benefits, than their peers.³⁷

Under the current proposed legislation, the ESAP would provide a tax credit to employers for each apprentice they employ, with annual increases in the credit as the apprentice advances in his or her training. Employers would be able to claim credits starting at \$2,000 a year and increasing by an additional \$1,000 a year, ultimately capping at \$4,500 a year. The ESAP also provides an enhanced credit of an additional \$500 each year for a dedicated mentor, who would help apprentices overcome hurdles so they complete their apprenticeships and land quality jobs. Although both this program and the UYJP involve small dollar tax credits, this program provides explicit and carefully-regulated training requirements, ties in to a data-driven strategy, and provides industry-recognized credentials to all participants.

MODEL 2: Apprenticeship Carolina, More than a Tax Credit

South Carolina launched Apprenticeship Carolina in 2007, which is a three-pronged strategy of technical and administrative support, access to the state's technical colleges, and a tax credit to participating employers.

Apprenticeship Carolina has been a model for state and federal policy leaders because of its rapid success. Although the state started with a significantly lower base of apprenticeship programs than New York State, its growth rate is worth noting. South Carolina saw a 798 percent increase in Registered Apprenticeship programs and a 717 percent increase in the number of apprentices since 2007.

Although participating employers are able to claim a tax credit of \$1,000 per apprentice per year for up to four years, its administrative support and connection to higher education separate it from other models, suggesting these elements are critical to the success of a stand-alone tax credit.

Apprenticeship Carolina includes administrative assistance to employers from trained Apprenticeship Consultants, who help guide employers through the process and serve as their single point of contact. These consultants help identify the skills gaps employers may be facing and help support the development of new programs. They are also responsible for conducting annual performance evaluations.

Additionally, participating employers have access to the state's technical college system as a core part Apprenticeship Carolina, which operates as an affiliate of the Division of Economic Development within the technical college system. Participating apprentices receive related instruction and credentials directly connected to the needs of the sponsoring employer.³⁸

The ESAP would also include a grant program to help support apprenticeships in non-profits, such as those in health care, higher education, or social services, as well as in small businesses with 25 or fewer employees. This grant program would make launching new RA programs easier for employers that might otherwise struggle with start-up expenses by covering some of the costs associated with beginning new

RA programs. Grants would be up to \$50,000 and would have to be matched one-to-one by the grantee.

To help facilitate this process and reduce the perceived and actual burdensome paperwork that employers may be responsible for, the state should provide case management and technical support to potential employers who want to establish an apprenticeship program. This was one of the core components that made Apprenticeship Carolina so successful in South Carolina, described in Model 2.

D. Launch a Young Adult Skills Grant Fund

Finally, YI supports the establishment of a “Skilled New York Challenge” and recommends the state repurpose \$10 million of UYJP resources to fund grants specifically dedicated to providing training opportunities for young adults who meet the current definition of “disadvantaged” under the Urban Youth Jobs Program. This could include grants to support targeted internships, work readiness programming, on-the-job training, and more. Workforce development providers would be responsible for submitting grant applications and bottom-lining grant management, and would need to include partnerships between providers, Regional Economic Development Councils (REDC), local Workforce Boards, and employers. Each proposal would need to include a detailed plan that would require adequate data collection throughout the program to help inform a mandated evaluation. Training programs would include specific REDC needs and be tied to growing sectors in the region.

MODEL 3: Manufacturing Careers Internship Program (MCIP)

The MCIP is a paid manufacturing internship program for young adults between the ages of 18 and 24 run by Business and Career Services, Inc. (BCS) in Northeast Illinois.³⁹ BCS served as an intermediary and brought on a training provider to run an eight-week internship program with a four-week, boot camp-like training program. This gave the businesses in the community exposure to potential workers before hiring them and gave young adults paid professional work experience and an opportunity to test out a career track.

This program has experienced success with 75 percent of interns placed in manufacturing job or continued education after completion. Additionally, nearly 85 percent of participants retained their job for at least six months.⁴⁰

This fund would increase job training that is directly aligned with the state’s economic development strategy, ultimately helping to fill New York’s skills gap. These grants would allow for workforce development providers to work directly with employers to identify the types of supports needed to strengthen the pipeline from training to employment. Model 3 is one example of the sort of initiative that these grants could support. It was founded as a response to the needs of employers, facilitated by a workforce development intermediary, and has a high placement rate of helping young adults enter career tracks they can make a decent living in.

Sectoral-based employment, apprenticeships, and skills grants are evidence-based models, informed by the needs of the labor market, that have been proven to combat high unemployment and to help skill-up

young adults, ultimately connecting them to long-term careers. Unlike most tax credit programs, including the Urban Youth Jobs Program, they have an evidence-base to prove their return on investment, and place a clear emphasis on meeting the employer need for skills training.

Conclusion

Today's young adult generation faces historic challenges with stubbornly high unemployment rates, high poverty rates, and a number of other unfavorable indicators that threaten the future of an entire generation. Increased globalization, a steady decline in manufacturing, the rise of technology in the workplace, and an increase in supply of educated workers have made access to quality jobs that pay living wages increasingly out of reach for the most disadvantaged. That's why New York's leadership needs to redirect its investment in youth employment toward strategies we know will work, with a clear emphasis on providing workers with the hard and soft skills training they need to meet employer needs. Failing to act strategically will only deepen the generational inequality that continues to persist throughout the state.

The proposed reforms to the Urban Youth Jobs Program in this report should be seen as a small piece of the missing strategic, political, and financial investment necessary to tackle New York's young adult unemployment crisis. The Urban Youth Jobs Program, even if fully reformed, shouldn't be seen as the strategy but rather a part of a comprehensive strategy that the state needs to develop without delay.

Appendix: Research Methods and Survey Results

YI analyzed state documents, testimonies from public hearings, statewide plans, legislation, budget documents, and data requested from the Department of Labor on the Urban Youth Jobs Program.

YI analyzed documents from Minnesota, North Dakota, Maryland, and Missouri about their respective tax credit programs with a similar mission. YI reviewed independent evaluations and studies as well as documents from the federal government on the Work Opportunity Tax Credit.

YI interviewed more than 60 stakeholders offering a variety of perspectives from policy research, government, non-profit / program delivery, professional associations, workforce boards, private sector consultants, academia, and more.

The unemployment rates and poverty rates used throughout the report and outlined in the Appendix are YI's analysis from the 2014 American Community Survey.

YI conducted four focus groups engaging 31 participants. Most participants were employers who have hired and currently employ young adults.

1. New York City Employment & Training Coalition, August 2nd, 2016
2. Brooklyn Chamber of Commerce, August 23rd, 2016
3. RochesterWorks! Friday August 26th, 2016
4. Buffalo Urban League, Wednesday September 21st, 2016

When asked, **"What are the top three challenges to hiring young adults?"** participants indicated that the top three challenges were:

1. Young adults lack "soft skills" (professionalism, time management, etc.).
2. Young adults do not possess the hard/technical skills specific to the job.
3. Young adults lack the necessary credentials (like a certificate or college degree).

When participants were asked to finish the sentence: **A total of \$5,000 tax credit spread over the course of two years to hire a full-time disadvantaged young adult employee is: _____.**

- 75 percent of participants said it is "helpful but not enough to impact hiring or retention decision;
- 18 percent of participants said it doesn't impact anything they do; and
- 7 percent said it's the difference between hiring a young adult who qualifies for the program or hiring someone else.

When asked to **"rank the greatest challenges to accessing state incentives like tax credits to hire and retain disadvantaged employees?"** participants ranked the top four challenges as:

1. Knowing which ones my business qualifies for or should participate in.
2. The need to register with the Department of Labor
3. Filling out extra paperwork
4. Identifying if an employee qualifies us for something.

SURVEY:

YI's workforce development field survey was an online Survey Monkey with 94 respondents. The survey was electronically distributed through the email list serves of JobstFirstNYC, NYCETC, and NYATEP. Paper

copies of the survey were also distributed and collected at NYATEP's 2016 Youth Academy as well as the policy forum hosted by the New York City Employment & Training Coalition.

When asked to **"rank in order what you believe are the most effective tools in helping low-income, 16-24 year olds get and keep a job,"** survey participants priorities were as follows (with "1" being the most effective and "6" being the least effective):

1. Work readiness training
2. High school equivalency
3. Transition and support to enter and complete post-secondary or industry recognized credentials
4. Mentorship
5. Youth incentives (metro cards, stipends, etc.)
6. Tax credits to businesses hiring young adults

When asked, **"as a provider of youth services, or as an entity that will contract out WIOA youth services, what do you see as the top three challenges to effectively serving youth under WIOA?"**

1. Retention, keeping contact with and engaging youth for a year or more.
2. Business recruitment for youth work experience.
3. Outreach and recruitment of out of school youth into programs.

When asked to **"Rank in order the five most common skills young adults need the most support on?,"** participants provided the following ranking (with 1 being the greatest skill deficit and 5 being less of a priority area):

1. Critical thinking and problem solving
2. Communication and problem solving
3. Time management and organizational skills
4. Financial Literacy
5. Leadership Development

WHO THEY ARE

Youth Placement / Direct Service	55 %
Young Adult	8 %
Employer	3 %
Government	3 %
Research / Policy	3 %

WHERE THEY WORK

Community Based Program	23 %
One-stop Operator	22 %
Workforce Board	12 %
Local government	12 %
College	3 %
Other	28 %

When asked **"do you utilize the NYS Urban Youth Jobs Program?"**

No, but I do work for an urban serving organization but I have no idea what that is	70%
I work for an urban serving organization and I have heard of it but don't use the program	20%
Yes, we market and use the program frequently	10%

WHAT REGION OF THE STATE THEY'RE FROM

NYC	29 %
Central	16 %
Capital Region	14 %
Western	13 %
Hudson Valley	7 %
North Country	5 %
Long Island	2 %
Other	3 %

Lack of available data presented challenges for this research. There is no company-level data made available to understand how these tax credits are being used across the state by every benefitting employer, especially large employers who benefit greatly from these programs. Furthermore, because this program can be claimed for up until three years, the Department of Taxation and Finance do not report data on the program until three years later. This limits the available data from the Department of Taxation and Finance and the Department of Labor who have indicated they cannot report the yearly outcomes of the program and offered that it wouldn't be an accurate snapshot of the program.

Data on who participates in the UYJP program is limited because the certification process does not require participants to fill out information beyond generally certifying that they are eligible to participate. Further, there is no connection to unemployment insurance that would allow us to look at the longer-term outcomes for young adults who participate.

UNEMPLOYMENT RATE BY NY CITY

City	Unemployment Rate % (16-24)
Amsterdam	21
Hudson	21
Kingston	20
Ogdensburg	18
Gloversville	18
New York	18
Glens Falls	17
Olean	16
Utica	16
Auburn	16
Corning	16
Syracuse	15
Jamestown	15
Batavia	14
Rochester	13
Binghamton	13
Oneonta	13
Albany	13
Buffalo	13
Malone	12
Watertown	12
Cortland	11
Elmira	10
Seneca Falls	10
Plattsburgh	10
Ithaca	10

NY POVERTY RATE BY CITY

City	Poverty Rate For 16-24 Year Olds
Jamestown	27
Olean	26
Amsterdam	26
Elmira	25
Binghamton	24
Plattsburgh	24
Batavia	23
Ithaca	23
Corning	23
New York City	22
Syracuse	22
Rochester	22
Cortland	22
Oneonta	22
Utica	22
Malone	21
Buffalo	21
Kingston	20
Gloversville	20
Seneca Falls	20
Ogdensburg	20
Watertown	19
Glens Falls	19
Auburn	17
Albany	17
Hudson	16

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