



## Consortium For Worker Education

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### **The Neighborhood Spending Impact of the CWE Jobs to Build On (JtBO) Program**

**Prepared by the Fiscal Policy Institute for the Consortium for Worker Education**

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#### **Introduction**

The New York City Council's commitment to workforce development and viable employment opportunities for New Yorkers is exemplified in its early adoption and sustaining support for the Jobs to Build On (JtBO) Network program directed by the Consortium for Worker Education, Inc. Since 2007, the Council's allocation of NYC tax levy resources has funded this initiative to specifically target disadvantaged workers in NYC's low income communities. JtBO has registered over 38,000 job seekers through June, 2014. Across New York City's low and moderate income neighborhoods, the skills training and workforce preparation services delivered through the JtBO program network have been vital to thousands of disadvantaged workers' access to no-cost skills training in growth sectors and assistance in successfully securing and retaining viable employment.

In examining the economic value of the JtBO program, there is concrete evidence of the essential economic impact on these unemployed and underemployed residents and their communities. **This report focuses on the earnings and spending impacts of JtBO skills training graduates at a neighborhood level around New York City.**

#### **Focus on Neighborhood Earnings and Spending Impact**

##### Economic Impact Finding Highlights:

- **Average Starting and 12 month Retention Wages:** For the **3-year period** covered by this report (FY 12-14), the **average starting wage** for workers completing JtBO training was **\$12.50** (in 2013 constant dollars.) Of those retaining employment **after 12 months**, the **average wage was \$13.55** a hour. (This represents the average wage for the FY 12 and 13 years. The 12-month milestone had not been reached for most workers in the FY 2014 cohort when this report was prepared.) This was 8.3 percent greater than the starting wage immediately following program completion.
- **Average Starting and 12 month Retention Earnings:** **On an annualized basis, graduates earned an average \$22,075** per year fresh out of the JtBO program. Annualizing the mean 12-month retention wage would put annual earnings at **\$23,916** (in 2013 constant dollars). **For participants with children**, most of whom are single parents, average annual earnings immediately following program completion were **\$22,014**.
- The **overwhelming majority** (94 percent) of the program participants were parents who **lived in low- and moderate-income neighborhoods**, underscoring the fact that the JtBO program is well-targeted to reach workers in greatest need of employment assistance.
- **EITC Benefits:** On average, JtBO program graduates who are parents would **receive an estimated \$3,426 in Earned Income Tax Credit (EITC) tax benefits annually**, based on their family status. This effectively raises their spending capacity by nearly **16 percent** above their

wage earning level. The EITC is a federal income tax credit with New York State and City counterparts that provides a refundable tax credit geared to assisting families with children.

- **Post training Wage Values:** The total annual post-training wages for the cohort of 1,427 employed participants over the three program years was over **\$32 million**. While our pre-training participant income information is less complete, the annual pre-service reported wages totaled just under \$19 million. Over ninety percent (90%) of JtBO participants were unemployed when they began the training. It is then estimated that there was at least an **estimated \$10 million increase in income from the program's employed participants**.
- **Community Economic Impact:** Low-income workers have little choice but to spend every dollar of their income trying to make ends meet. They also tend to spend locally in New York City, with much of that occurring in the neighborhoods where they live. Using the *IMPLAN* economic impact model, we estimate that this additional **\$10 million** in spending resulted in an increase of about **\$4.6 million in additional local economic activity**, including **\$2 million** in additional income for local workers and small businesses. Much of this added economic benefit will occur in the neighborhoods and boroughs where these workers live.
- **Government's Direct Fiscal Benefit:** Programs like JtBO have a **strongly positive fiscal benefit to government**. A recent in-depth Urban Institute report on poverty-fighting strategies in New York City illustrates the very positive effect of raising wages for low-wage workers as demonstrated by JtBO program results. The Urban Institute analysis found that for every additional dollar of earnings received by a low-wage worker, payroll and income tax payments to all levels of government rise by 36 cents, and government saves 10 cents from the reduced need for various forms of public assistance such as food stamps and cash assistance.<sup>1</sup>

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<sup>1</sup> Linda Giannarelli, Laura Wheaton, and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, February, 2015. Note: The Urban Institute analysis modeled the effect on taxes and public benefit usage of increasing the minimum wage to \$13 an hour for workers making less than that, but can be interpreted as above as resulting from additional wage earnings for low-income workers since the effects are conceptually similar. Linda Giannarelli, Laura Wheaton, and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, February, 2015.