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AVOIDING A LOST GENERATION: HOW TO MINIMIZE THE IMPACT OF THE GREAT RECESSION ON YOUNG WORKERS

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

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AVOIDING A LOST GENERATION: HOW TO MINIMIZE THE IMPACT OF THE GREAT RECESSION ON YOUNG WORKERS

WEDNESDAY, MAY 26, 2010

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to call, at 10:00 a.m., in Room 210, Cannon House Office Building, The Honorable Carolyn B. Maloney (Chair) presiding.

Representatives present: Maloney, Sanchez, Snyder, Cummings, Brady, and Burgess.

Senators present: Klobuchar.

Staff present: Andrea Camp, Gail Cohen, Colleen Healy, Jessica Knowles, Justin Ungson, Lydia Mashburn, Jeff Schlagenhauf, and Robert O'Quinn.

OPENING STATEMENT OF THE HONORABLE CAROLYN B. MALONEY, CHAIR, A U.S. REPRESENTATIVE FROM NEW YORK

Chair Maloney. Good morning. The meeting will come to order, and I will recognize myself for an opening statement and will be followed by the other members of the Committee with their opening statements. I welcome our panelists today. Thank you for coming.

Just over 1 year ago, the current Administration took office while the country was suffering from the worst economic crisis since the Great Depression. In fact, Council of Economic Advisers Chair, Christina Romer, testified to the Committee that the shocks we endured in the Great Recession were actually worse than those in the Great Depression. But today, it is clear that America is on a path toward economic recovery.

The most recent employment report showed that the economy has gained jobs for 4 straight months. In April, 290,000 jobs were created, bringing the total of jobs created since the start of 2010 to 573,000. After 4 straight quarters of negative growth, the economy has grown for 3 quarters. These improvements in our economy are proof that actions taken by this Congress and the Administration have put our economy back on track.

While we are making progress, the road to recovery will not be without bumps. Although we saw significant job creation in the past 2 months, we need stronger job creation to reduce unemployment. Some groups are suffering more than others. Today's hearing

focuses on younger workers who are facing extremely high rates of unemployment.

The JEC released a report today showing that one in five workers between the ages of 16 and 24 is unemployed, the highest rate of unemployment ever recorded for this age group. While 16- to 24-year-olds comprise 13 percent of the labor force, they make up 26 percent of the unemployed. The youngest workers, those aged from 16 to 17, experience the highest rates of unemployment. The unemployment rate for 16- to 17-year-olds was 29 percent in April 2010.

While education reduces the likelihood of being unemployed, the benefits of a college degree are not uniform among 16- to 24-year-olds. The unemployment rate for young black college graduates was 15.8 percent of April in 2010, nearly double the 8 percent unemployment rate for all young college graduates. These numbers will take on a stark reality as millions of new college graduates start knocking on doors looking for a job. And for teens looking for their first job, it will be even worse.

The scarring effect of unemployment among younger workers has lasting consequences for their attachment to the labor force, their productivity, and their future earnings. Dr. von Wachter testified before this Committee last month that these younger workers face reduced earnings even 10 to 15 years later. The cost to the economy in terms of lost output of these workers is great, which will have an impact on our debt and our deficit.

Today, the House began debate on H.R. 4213, the American Jobs and Closing Tax Loopholes Act, a bill to create jobs, support those without jobs, and lay the groundwork for new employment opportunities in the future. H.R. 4213 makes many key investments in our people and in our future. In addition to extending unemployment benefits and COBRA premium support through the end of the year, the bill finds summer jobs for more than 300,000 of our young people.

Job creation is critical, of course, but so are job training skills. We need to identify training and placement programs that are getting strong results and figure out how to scale them so that they reach more workers across the country. I look forward to hearing more creative solutions from today's panel on how to solve the unemployment problem for America's younger workers. And I thank everyone for coming, and recognize Mr. Brady.

[The prepared statement of Representative Maloney appears in the Submissions for the Record on page 36.]

OPENING STATEMENT OF THE HONORABLE KEVIN BRADY, A U.S. REPRESENTATIVE FROM TEXAS

Representative Brady. Madam Chairman, I am pleased to join in welcoming today's witnesses before the committee. I would like to thank you for holding the hearing this morning on this important topic.

The success in one's working life is largely path dependent; therefore, getting off to a good start is important to young people. That is one reason why a high level of youth unemployment is so troubling.

In January of last year, top Obama Administration economists Christina Romer and Jared Bernstein assured the country that if

Congress just passed the President's stimulus bill, the unemployment rate would remain below 8 percent, and payroll employment would increase to $137.6 million by the fourth quarter of this year.

Congress enacted President Obama's $1 trillion stimulus plan in February of 2009, but the results have been disappointing at best. Since then, the unemployment rate for all workers has never been below 8 percent. Today, it is 9.9 percent. So far, the Obama Administration is 7.4 million payroll jobs short of its fourth quarter promises. However, young American workers age 16 to 24 have fared even worse than their older counterparts. Since the stimulus passed, the number of unemployed workers ages 16 to 24 has increased by 707,000 to a total of 4.2 million in April of this year.

Moreover, the youth unemployment rates soared from 15.8 percent when the stimulus passed to 19.6 percent in April of this year, an all-time high for this data series. For many of our young people, hope from the stimulus has turned to despair.

Given the severity of this problem, I am very interested in what today's witnesses have to say about the high level of unemployment among young American workers. Like one of today's witnesses, Dr. Holzer, I want to find out what government job-related programs and private-sector initiatives actually help young Americans find and keep that important first job and what programs are wasteful and ineffective.

The cost of paying for inefficient and misdirected government programs through deficit spending will remain a debt burden on our children and grandchildren. For example, one of today's witnesses, James Sherk, observes the 2008 and 2009 bailout and stimulus packages will cost the average 22-year-old $145,900 during their working life, $280 a month. He goes on to say: That is the equivalent of requiring college graduates to buy and throw out a high-end I-pod each and every month of their life.

In conclusion, today's panelists offer different solutions to the problem of youth unemployment. Some advocate more government spending, while others emphasize the private sector where most jobs are created. Like Presidents Kennedy and Reagan, I believe that a rising tide lifts all boats. Instead of more wasteful government spending on ineffective job-related programs, we should promote entrepreneurship and business investment to increase job creation and reduce youth unemployment.

Madam Chair, I yield back.

[The prepared statement of Representative Brady appears in the Submissions for the Record on page 36.]

Chair Maloney. Thank you very much. Mr. Snyder, would you like an opening statement?

Representative Snyder. I will defer to the witnesses.

Chair Maloney. I then would like to introduce our witnesses, and we have a very distinguished panel.

First, we would like to welcome back Dr. Till M. von Wachter, who is a professor of economics at Columbia University, as well as a faculty research fellow of the Aging and Labor Groups at the National Bureau of Economic Research. His research focuses on the long-term impact of job loss on earnings, health, and retirement. He has also studied the effect of business cycles on career outcomes of younger and older workers.

I would also like to welcome back Dr. Harry Holzer, who is a professor of public policy at Georgetown University and a founding director of the new Georgetown Center on Poverty and Equality and Public Policy. He is currently a senior fellow at the Urban Institute and a senior affiliate of the National Poverty Center at the University of Michigan, among his many other affiliations. Prior to coming to Georgetown, Professor Holzer served as Chief Economist for the U.S. Department of Labor in 1999.

David Jones is from the District that I am very honored to represent, and we have had a long career of working together on programs that are important to the nation's youth. David Jones is the president and CEO of the Community Service Society of New York, or CSS, a nonpartisan, nonprofit organization that promotes economic advancement and full civic participation for low income New Yorkers. Mr. Jones was also a special adviser to Mayor Koch with responsibilities in race relations, urban development, immigration reform, and education.

Mr. Stephen Wing is director of workforce initiatives for CVS Caremark, the largest provider of prescriptions and related health care services in our Nation. In his position at CVS, Mr. Wing partners with government agencies, nontraditional employment organizations, and corporate colleagues, among others, to provide opportunities for employment and training. Since 1996, CVS Caremark has hired over 80,000 former welfare recipients. Congratulations. Mr. Wing has helped CVS Caremark develop cutting-edge programs that have earned the company many outstanding awards.

Finally, I would like to welcome Mr. James Sherk, whose previous appearance before this Committee was snowed out in February; so we are very pleased you were able to make it this time. He is a senior policy analyst in labor economics at the Heritage Foundation. He was previously the Bradley Fellow in labor policy at The Heritage Foundation. Mr. Sherk has written on the dynamics of rising unemployment and the recession, the economic consequences of extending unemployment benefits, card-check, and other labor policy issues.

I would like to welcome all of you, and begin with Dr. von Wachter and then go down the line. Thank you.

STATEMENT OF DR. TILL M. von WACHTER, ASSOCIATE PROFESSOR OF ECONOMICS, DEPARTMENT OF ECONOMICS, COLUMBIA UNIVERSITY

Dr. von Wachter. Thank you, Chairwoman Maloney. Chairwoman Maloney, and members of the committee, it is an honor to be with you today.

The labor market of the United States is recovering from the most severe recession since World War II. In my testimony, I will summarize the available evidence on the short- and long-term effects of entering the labor market in a recession on young workers' employment and earnings. I will also indicate which labor market entrants are most affected by such initial bad luck, and will summarize potential explanations of these effects. Finally, I would briefly offer some suggestions for policies from these findings.

The available evidence suggests that the consequences from entering the labor market in a recession are severe in both the short

and the long run. In the short run, labor market entrants and young workers suffer from larger increases in unemployment and layoffs than the average worker. Yet, even in the long run, young workers who enter with no prior employment history and are presumably the most flexible workers in the economy, can suffer from initial bad luck for a long period of time.

For example, entering the labor market in a recession such as the current one can lead to reduced earnings up to 10 to 15 years. During this period, younger workers are also exposed to higher incidents of nonemployment and job and earnings instability. The evidence suggests that these adverse effects are driven by labor market conditions in years immediately following entry into the labor market. As a result, a quick improvement in labor market conditions can speed up the recovery process, but it cannot eliminate significant long-term effects from entering the labor market in a recession.

Existing evidence suggests that part of the decline in earnings arises because young workers entering the labor market in a recess take jobs with worse employers than they otherwise would have had. This process is often termed cyclical downgrading. For the average labor market entrant, this initial fades over time, partly as workers search for better jobs, partly as they manage to move up the career ladder of this existing employer.

However, our findings suggest that the recovery process can take a long time, and that it involves mobility in occupations, industries, regions. As a result, some workers never recover from the initial shock as they settle down, buy a house, and start a family life. Not everybody can keep moving across the labor force for 10 to 15 years.

These effects differ by education groups. In the short run, lower educated workers experience larger increases in unemployment than more educated labor market entrants. However, in the long run, less educated individuals tend to recover faster. In fact, these workers in the middle of the education distribution who can suffer close to permanent earnings consequences from entering the labor market in a recession; on the other hand, those individuals at the bottom and at the very top of the education distribution recover more quickly from a bad initial start. Thus, more education, per se, does not yield full insulation against shocks occurring in the aggregate labor market. Yet, of course, more education is certainly beneficial as it raises the overall mean earnings and employment stability.

Entering the labor market in a recession also has impact on an individual's beliefs. The evidence suggests unlucky cohorts of labor market entrants tend to believe in a higher degree of income redistribution; at the same time, such unlucky generations tend to distrust public institutions. Similarly, available evidence suggests prolonged unemployment affects the age of marriage and family formation. Thus, a bad start can have significant and lasting effects on many aspects of both career prospects and lifetime outlook of affected individuals.

Some government policies may help to prevent long-term earnings losses from entry into the labor market in a recession and help unlucky young workers recover. Generally, the evidence suggests

that a faster macro-economic recovery will help improve the speed of the recovery from a bad initial start. However, the adjustment of individual workers lasts well into and beyond the recovery of the overall labor market.

So, a rising tide lifts some boats but definitely not all boats. Thus, it is worth considering cost-effective policies that directly aid recovery from starting to work in a recession. For example, to recover from beginning to work in a recession, younger workers have to reorient their career goals. The message here is: Something has got to give. As the economy improves, changes in occupation, industry, or region will speed the recovery of earnings. So raising awareness that the recovery process can take a long time and may involve continued mobility is important. This could be done with existing infrastructure providing job search help for the unemployed.

In addition, there, young workers could be given information that is routinely provided by the Bureau of Labor Statistics or the Census Bureau and that indicates which of the growing industries, occupations, or regions that will be providing more jobs.

To aid the reorientation of careers, retraining can also help to provide new skills appropriate for a changed labor market situation. Support for such retraining could take several forms. Subsidies for programs furthering on-the-job training could help these programs for provide work experience and direct contact with employers. Subsidies could also be given for enrollment in community college courses. Alternatively, vouchers could be provided that allow workers to choose ways themselves to upgrade their skills in the private market. In general spirit, not unlike personal reemployment accounts.

Finally, an important concern is that many young workers quit education in progress because they lack funds to continue to finance their training. Either their parents are laid off, or they themselves cannot find a job to support themselves during their studies. Such a recession-induced decline in completion of education could substantially raise the cost of recessions for young labor market entrants and the economy as a whole. As a result, providing subsidies or facilitate borrowing to allowing young individuals to continue their education would be worth considering.

An advantage of these policies or some of these policies is that they can be implemented or built on the existing infrastructure of existing programs. And this has the benefit that some of them have already been evaluated and shown to be cost effective. Moreover, they could be implemented relatively quickly.

Finally, the evidence that I have discussed reveals that there is a high degree of persistence of the effect of shocks in the U.S. labor market, and this persistence is likely to arise from the intrinsic working of the U.S. labor market. Thus, it is likely to be quite difficult to help unlucky labor market entrants after the fact. The best help might be prevention. This includes efforts to prevent shocks that can cost such large recessions. It also includes policies that help to prevent concentrated layoffs or continuing layoffs in the future, such as job sharing.

To conclude, our best evidence suggests that a strong recession, such as the current one, can lead to persistent scars for young labor market entrants. And the available research shows that en-

tering the labor market in a recession lowers earnings, raises career instability, affects individuals' beliefs and their family formation. And these scars, as I said, persist for over 10 years and are only partially mitigated by recovery of the aggregate labor market. The available evidence suggests that the recovery process involves increased mobility among employers, industry, or region, and thus any program directly aiding this long adjustment process is likely to lessen the effects of recessions for unlucky generations of younger workers. Thank you.

[The prepared statement of Dr. Till M. von Wachter appears in the Submissions for the Record on page 38.]

Chair Maloney. Thank you.

Dr. Holzer.

STATEMENT OF DR. HARRY HOLZER, PROFESSOR, GEORGETOWN PUBLIC POLICY INSTITUTE, GEORGETOWN UNIVERSITY

Dr. Holzer. Thank you. Good morning, Chairman Maloney, Mr. Brady, and other committee members. I would like to make four points today about the status of young people in the labor market, both in the Great Recession and beyond that.

My first point is that, even in the best of times, disadvantaged young people suffer from low levels of education, low rates of employment and earnings, and many disconnect altogether from the school and the labor markets. American youth drop out of high school at very high rates, on average 25 percent for the whole population. Many fail to get any postsecondary education. Of those who attend college, whether it is a 2-year or 4-year, a majority fail to obtain any credential, even an occupational certificate, within 6 years.

And outcomes for some groups, like young African American men, are worst of all. Their high school dropout rates remain well over 30 percent. When they do drop out, their employment and earnings rates are very low, unwed fatherhood is very high, and most become incarcerated before the age of 30. And this is all in the best of times.

My second point. Employment outcomes for youth have substantially worsened in this recession and will likely remain very weak for another 3 to 5 years. As previously indicated, employment and unemployment among teens in 2009 and 2010 are among the worst ever recorded by the Bureau of Labor Statistics.

For instance, right now teenagers overall only participate in the labor market at a rate of about 35 percent in any given month; and out of those participating, we have unemployment rates of 25 percent for those people. If we look at black teenagers, the numbers are much worse. Only 25 percent participate in the labor market at any time, and in that group the unemployment rate is about 40 percent. And these unemployment rates will likely remain elevated for some time as economists project high unemployment for several years to come. Long-term unemployment of 6 months or longer is already very high. Nearly half of the unemployed have been out of work for 6 months or longer, and that percentage will likely rise as well.

My third point. The high unemployment of youth over the next several years will cause not only short-term losses of income, but also some long-term scarring. And Professor von Wachter has just addressed this issue. We know, for instance, that among unemployed workers, long-term unemployment tends to erode their skills, especially if their old jobs have been permanently lost and they need to transition to new sectors of the economy.

But we also know, for young people transitioning out of school and into the labor market, there is evidence of scarring as well. We have very strong evidence for young people graduating from college in the early 1980s recession that they suffered long-term declines. And there is evidence of other groups of noncollege youth as well that we have just heard about.

Now, some young people take advantage of a recession and actually increase their school enrollment rates. And we certainly see this in evidence of graduate school applications and enrollments. But primarily, that is not where our disadvantaged young people end up, and we really have very little evidence that a downturn like this one will raise high school graduation rates or postsecondary enrollments among disadvantaged youth.

And then we have the issues of crime and poverty. So far, we have seen no evidence of rising crime in this downturn. In fact, the FBI released numbers yesterday suggesting that crime fell a bit in the year 2009. But there is some tendency for crime to rise during downturns. And if that occurs, both crime and incarceration will have scarring effects, major scarring effects both on the victims of crime and on the young people who will become even more incarcerated. Poverty rates are certain to keep rising over the next several years, and neighborhoods of concentrated poverty will become increasingly difficult places for young people trying to transition to adulthood.

My fourth point concerns policy. I think policy efforts should focus on some short-term job creation, but also on enhancing education and training efforts with some work experience components to improve the labor market status of young people over the long term.

I strongly support enhanced efforts to spur job creation right now both in the private sector and in the public sector, with the public sector jobs heavily targeted to low-income youth. I support extending summer youth employment programs, but actually, I much prefer year-round programs linked to schooling or other skill-building activities. High quality education and training options for young people also need to be enhanced at a range of levels. These options should be designed to address long-term problems, but they should be ramped up right now while unemployment for young people is so high. And, wherever possible, these efforts should include opportunities for them to gain some paid work experience, if necessary, subsidized by government.

A few examples. For young people in high school, we should be working not only on dropout prevention efforts, but on bolstering high quality career and technical education and subsidized internships and apprenticeships. For young people in college, a range of curriculum improvements, and support services could improve completion rates in certificate as well as degree programs. And, in gen-

eral, the States need to better integrate their education and their workforce development systems to generate a whole range of career pathways beyond what young people see today.

Special efforts need to be made for out-of-school youth who have already dropped out of high school or those who are floundering since graduation. Efforts here include service employment, sectoral training efforts like Gear Up and other programs that have been recently evaluated, high school dropout recovery and reconnection programs like the National Guard Challenge program and the Gateways Opportunity program, and efforts to build local youth employment systems like the Youth Opportunities program.

And I am happy to discuss the available evidence on their cost effectiveness during the Q and A period.

Now, all of these efforts will cost some Federal and State funds over time, but we know that the social and economic costs of not investing in our young people are very severe, and those will be much greater than the costs of making effective investments. Given the state of the economy right now and for the next several years, I think these efforts are quite urgently needed. Thank you.

[The prepared statement of Dr. Harry Holzer appears in the Submissions for the Record on page 45.]

Chair Maloney. Thank you. Mr. Jones.

STATEMENT OF MR. DAVID JONES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, COMMUNITY SERVICE SOCIETY

Mr. Jones. Good morning, Madam Chair. My name is David Jones. I am president of the Community Service Society. We have focused on poverty in the city of New York for 160 years, founded the Columbia School of Social Work and the Hospital of Special Surgery. We have been at this a long time, focused on some of the unique problems of poverty in the City of New York. I welcome this opportunity to talk to the panel.

We started work in this area focused on New York City almost 5 years ago. We looked at the problem of young people who were not in school or at work. We produced a report in 2005, Out of School, Out of Work, that showed that New York at that time was facing an unprecedented number of 16- to 24-year-olds who were neither enrolled in school nor working. The numbers then were approximately 200,000, almost a whole city of young people in this condition.

This represented nearly 20 percent of the New York City youth and young adult population. And although our rates were high compared to other areas, this wasn't unique to New York City. I welcome testifying here, because what we see New York as, regretfully, is sort of a canary in a mine. We see all across the Nation similar problems of disconnect. When we were looking then, there were nearly 5 million young people in this condition of all races across the country who were facing this thing.

Five years later in New York City, there is a little good news. More young people are returning to school in New York City than ever before. This is clearly a step forward. School reform efforts have kept young people from leaving school as well as created a new series of school environments to keep young people at risk of dropping out.

The bad news is, of course, the labor participation has gotten much worse for young people. We first reported on this trend as far back as 2006, when one of our regular labor market reports noted that the booming economy was helping everyone except young people who were of working age. So even though New York City and the country was adding jobs, young people were just not rising with those boats.

Our recent recession has exacerbated this whole dynamic. Since 2007, young adults have attained the highest unemployment rates on record, as has been mentioned before, 19 percent. The situation is much worse for young men, at nearly 23 percent, and for African Americans, 33 percent, and Latinos, 24 percent.

We think jobs are critical for young people. I think, as Dr. von Wachter mentioned, it has an enormous impact if young people do not participate in work and particularly going forward if they haven't had regular work by the time they are 25. We think this has enormous impacts on the likelihood of these young people ever participating actively in the economy.

I come out of Crown Heights in Bedford Stuyvesant, one of the poorest neighborhoods in New York, and the notion of large numbers of young people concentrated in very poor neighborhoods who never have association with work is going to cut right through the fabric of these communities and endanger everyone there, both in terms of their earning power and their ability to really construct stable communities. We think this is a real danger that we have to recognize.

This is not going to be cost free. This is not something that has happened before, at least in my lifetime. When I was growing up in the 1950s and 1960s in Bedford Stuyvesant, virtually everyone was employed. The jobs weren't good; we were facing racial discrimination, but it was very rare not to find somebody who was working. The Bowery of New York really had very few African Americans or Latinos; it was all people who were having substance abuse problems, and it basically was not coming from these communities.

Now I can walk through blocks of my old neighborhood and see literally dozens, if not hundreds, of young people who are just not connected to the job market, and it is going to endanger my relatives, my young people, and my elderly, as well as being damaging to the entire city of New York.

I think it has been talked about. The remedy issue is, I think, the most critical one that we have to talk about. I think we have talked about summer jobs as a vital effort I need to stabilize, while we find longer-term solutions. We issued a report a couple of months ago showing that the passage rate for young people getting high school diplomas was appalling. We have about 1.3 million people in the City of New York of working age with no high school degree, and we have the worst GED, which is high school equivalency, passage rate in the Nation, worse than any other locality. We have issues here that are going to make it very difficult to get young people back on track.

We think reauthorization and increased funding for WIA is obviously another thing that is necessary.

We at CSS have been working on three other initiatives. One, a new tax credit for private business to incentivize them to essentially hire young people who fall into this category of being out of work and out of school for more than 6 months. The other is a focus on the bill with Congressman Nadler, looking at the new infrastructure transportation bill to add to it a specific focused WPA-like program that could actually have teams of young people working on infrastructure projects as at least a pilot in areas of high impact and high need.

The final thing is work with Congresswomen Nydia Velazquez and Maxine Waters and others to look at something called section 3, something I had no knowledge of before I started getting desperate for jobs for young people. But in the 1968 Act for public housing and other subsidized housing, there was a provision that best efforts be made to hire young people and others within housing authorities and in other subsidized developments. It was never enforced through Democrat and Republican administrations, so there is no ideological center here.

Now, we are seeing such high concentrations in public housing of young people without jobs and without skills that I am looking for strict enforcement of section 3. We spent $1.3 billion last year in capital and maintenance efforts in public housing in the city of New York. Virtually none of that went to hire people from those neighborhoods, far less young people from that neighborhood.

I am looking at recognizing the strict restrictions you are under in terms of money to start focusing resources that are already there and coming up with programs that can get people to work immediately. I have a crisis that is ballooning much faster than I think anyone recognized, certainly 3 or 4 years ago, for the young in the city of New York and, I think, the young across the Nation. Thank you very much.

[The prepared statement of Mr. David Jones appears in the Submissions for the Record on page 50.]

Chair Maloney. Thank you very much.

Mr. Wing.

STATEMENT OF MR. STEPHEN M. WING, DIRECTOR, WORKFORCE INITIATIVES, CVS CAREMARK CORPORATION

Mr. Wing. Good morning, Congresswoman Maloney, and the members of the Joint Economic Committee. Thank you for inviting me to speak to you today about CVS Caremarks' experiences developing programs to train disadvantaged youth for careers at our company.

But first, I would like to tell you about CVS Caremark. We are the leading pharmacy health care company in the United States and have more than 7,000 CVS/pharmacy stores and 211,000 employees across 44 States, the District of Columbia, and Puerto Rico.

CVS Caremark has built a track record not only as a great place to work, but as a company that has developed true specialties in the area of job creation and workforce development.

Partnering with Federal, State, and local officials, with local nonprofit groups focused on job training and with the deans of pharmacy schools, we have developed programs that are recognized na-

tionally as models for recruiting and training colleagues from all walks of life.

CVS Caremark is facing high demand for supervisory and management staff and pharmacists. But within our current national workforce an absence of key basic academic and workforce skills make it difficult for many entry-level employees to advance into a management position. With the training for advancement, we are creating "on ramps" to employment and helping employees develop essential workforce skills they need for promotion within the organization.

Through our Pathways to Pharmacy program, founded in partnership with the America's Promise Alliance of community groups and schools in 2000, Pathways to Pharmacy has surpassed its goal of introducing 1 million children to pharmacy as a potential career. We have also reached our goal of generating $4 million in summer internship wages for high school students.

Our summer internship serves more than 1,800 teenagers in more than 40 cities each year. The summer programs run 6 to 8 weeks, where high school students spend the first weeks learning about customer service and the field of pharmacy in classroom settings at colleges of pharmacy, and then the last weeks gaining hands-on experience while interning at CVS/pharmacy stores.

One example is 20-year-old Veronica Vergara, who participated in our Chicago Pathways to Pharmacy program 4 years ago. She fell in love with the profession and is currently a junior at the University of Illinois, Chicago, with definitive plans to enroll in a four-year pharmacy school after she graduates. She also continues to work at the same CVS/pharmacy since her internship. She started out as a pharmacy sales associate, and then studied to become a certified pharmacy technician. She now works 20 hours a week in between classes.

CVS Caremark has also recently piloted a Pathways to Retail Careers program in Boston and Detroit, focusing on high school dropouts, working with several partners including WorkSource Partners as well as our own CVS Regional Learning Centers. We provide 6 weeks of intensive training in classroom settings. The training was designed so that it incorporates critical workplace skills as well as CVS specific training. In addition, the young people have a mentor and social support to help ensure their success. Following the classroom training period, the young people apprentice at a CVS/pharmacy store.

In the second phase of the pilot, once the young person is an employee, we have designed a set of tools that can help them to continue their skill development with online training and on-the-job training. In Boston, the retention rate far exceeds the company's average. We developed this pilot with the support from the Kellogg Foundation's New Options Initiative. CVS Caremark plans to replicate this program nationally.

When scaling up our various workforce programs to other markets, CVS Caremark has found that the most difficult task is identifying key players. Given that they are not the same in each market, we have learned that it is critical to develop partnerships with a range of local government agencies, faith-based groups, community colleges, and other interested parties, and it is important to

develop a detailed corporate plan first and then share the plan with the potential partners so that they fully understand the program's details, what is expected and how the program may further their own objectives.

Lastly, I am on the board of directors of Corporate Voices for Working Families. Corporate Voices is a key player in working with businesses, and they have dedicated themselves to youth employment opportunities. They have compiled a case study on CVS's role in helping out-of-school-youth through our Pathways to Retail Careers pilot, and have also worked with us in Year Up, as Dr. Holzer talked about, to develop a pharmacy tech model. I would be happy to share this case study and the other Year Up work with anyone who is interested.

Thank you, Madam Chairman and the committee, for allowing me to testify today on our CVS story.

[The prepared statement of Mr. Stephen M. Wing appears in the Submissions for the Record on page 61.]

Chair Maloney. Thank you.

Mr. Sherk.

STATEMENT OF MR. JAMES SHERK, SENIOR POLICY ANALYST IN LABOR ECONOMICS, THE HERITAGE FOUNDATION

Mr. Sherk. Chairwoman Maloney, Congressman Brady, and members of the Joint Economic Committee, thank you for inviting me to testify this morning. My name is James Sherk. I am a Senior Policy analyst in Labor Economics at The Heritage Foundation. The views I express in this testimony are my own and they should not be construed as representing an official position at the Heritage Foundation.

As the other panelists have mentioned, today's youth face serious challenges. Congress should ensure that it addresses these challenges effectively. To do so, Congress should keep in mind several lessons from recent history about what does and does not work.

The first lesson that Congress should keep in mind is that most youth employment programs have been shown not to work. Congress has created several youth job training and work experience programs: the National Supported Work Demonstration, Youth Programs in the Job Training and Partnership Act, JOBSTART, and, of course, Job Corps. These programs were and are well intentioned. Unfortunately, evaluations show that they have accomplished little. Youth who have used these programs are not statistically more likely to have a job or to have higher earnings later in life.

To quote Nobel laureate James Heckman, the man who literally wrote the book on how to evaluate these programs, "Neither the experimental nor the nonexperimental literatures provide much evidence that employment and training programs improve U.S. youths' labor market prospects."

European nations have created far more extensive youth job programs than America has because they have much higher youth unemployment. Evaluations of these programs come to similar conclusions: Public training, wage subsidies, and direct government job creation have generally not worked.

The Swedish experience of the 1990s should provide a particularly important warning. The Swedish government responded to a large rise in youth unemployment by creating large-scale youth job training and employment subsidies. Hundreds of thousands of Swedish youth went through these programs.

Swedish youth who used these programs had no higher earnings and were no more likely to hold a job two years later than those who did not. Swedish taxpayers' large investment did little good for the Swedish youth.

Congress should carefully evaluate proposed expansions of youth job programs to ensure that the same does not happen to either American youth or American taxpayers.

The second lesson that Congress should remember is that a stronger overall labor market is the best way to help young and low-skilled workers. Employment among younger workers is procyclical. As you can see from the chart against the wall there, in recessions youth unemployment increases more, but also in good times it falls more, than unemployment among older and more skilled workers does. During the economic boom of the late 1990s, the employment prospects of low-skilled workers, including the young, improved substantially.

[The chart titled "Young Workers Face High Levels of Unemployment" appears in the Submissions for the Record on page 77.]

Now, Congress has no silver bullet policies to get us back to the strong job markets of the late 1990s. However, Congress can take steps in that direction by removing barriers to entrepreneurship, investment, and wealth creation. This will spur employers to hire as they take advantage of these new opportunities, increasing the demand for labor, including the labor of young workers.

Concrete measures towards this goal include eliminating regulations that do more economic harm than good, removing barriers to domestic energy production, and suspending the Davis-Bacon Act.

If Congress wants to take measures that would particularly target hiring of young workers, Congress could suspend the recent increase in the minimum wage. Half of minimum wage workers are between the ages of 16 and 24, and economic studies show that a 10 percent increase in the minimum wage decreases teenage unemployment by roughly 2 percent.

This suggests that the increase in the minimum wage from $5.15 an hour to $7.25 an hour has cost roughly 480,000 teenagers their jobs, with additional job losses among 20- to 24-year-olds. As the other panelists have discussed, these job losses mean lasting pain for these teens because the main value of a minimum wage job is not the rather low wage it pays today, but the training and the experience it provides for the future. Congress could put these youth back to work by returning the minimum wage to $5.15 an hour until youth unemployment falls back to pre-recession levels. This would create hundreds of thousands of youth jobs and provide them with valuable experience without costing taxpayers a dime.

The third lesson that Congress should keep in mind is that of the Greek crisis. Unsustainable government spending eventually means severe economic hardship. Today's youth face a far more serious challenge than even this painful recession. They face the bur-

den of paying for the baby boomers' retirement and the debts being accumulated today.

By 2050, Social Security, Medicare, and Medicaid will collectively consume one-sixth of the American economy, and paying for these entitlements will place a very heavy burden on America's workers—today's youth. To balance the budget without cutting spending, Federal taxes would have to nearly double.

Today's bailouts and stimulus packages are adding to this burden. Dr. Edward Stringham of Trinity College estimates that the 2008–2009 bailouts and stimulus packages will cost the average 22-year-old graduating from college today $145,900 during his working life. That is the equivalent of making him buy a high-end iPod and throw it in the trash every month for the rest of his working life.

Today's youth are set to become a debt-paying generation, working to pay off the debts of their parents and their grandparents, and this threatens their future far more than this painful recession. Congress should hesitate before adding to this burden. Thank you. I appreciate the opportunity to talk with you about how to avoid ineffective policies and pursue successful policies to help America's youth.

[The prepared statement of Mr. James Sherk appears in the Submissions for the Record on page 78.]

Chair Maloney. I want to thank all of the panelists for their insight and their testimony.

Dr. Holzer and Mr. Jones and Dr. von Wachter, you all mentioned the scarring effect that our young people experience when they are not able to get a job when they graduate from college or high school. And Dr. von Wachter, I found your testimony and research particularly riveting when you pointed out that the scarring effect lasts for 15 years in reduced earnings. I would like to point to this very troubling report that we just did that has the unemployment for our young people going through the roof, particularly the 16- through 24-year-old age group. Certainly with the seniors and mid-age employment, it is far less. And I would like to ask all of the panelists, what action can policymakers take to mitigate this effect of so-called "scarring" that affects not only the individual but their ability to contribute to the overall society and economy? Are there any initiatives or anything that we can take to mitigate this scarring effect? Dr. von Wachter, and then just go down the line if you have comments on it.

Dr. von Wachter. I am going to pick up one of the suggestions made in my testimony. It is important to raise awareness of what young workers can do to recover from a bad initial start. For example, in high school or in community college or in college, it is important to explain that the recovery process can take a long time; that it will involve hard choices; it will involve compromises; it is likely to involve continued investment and continued mobility. I think many young graduates don't realize that they have to fundamentally change their career plans. I think it is also important to point out where such information can be gotten, where information on jobs and growth in the occupation industry can be obtained. Such counseling and information, in addition with potentially a voucher for retraining or career building could be of significant help.

Chair Maloney. Where do you find the information on the sectors or areas that would be employing young people? Is there some central place that young people can go to see where jobs are for their age group?

Dr. von Wachter. Currently a lot of this information can be found on the Web site of the Bureau of Labor Statistics or the Census Bureau, but it is scattered and it could be much more effective if perhaps concentrated in one place. But in addition to this information, it is also important to teach young workers on how to use this information and to keep using it for a longer period of time. So this information could be provided in one-stop shopping centers that are used to help job search for unemployment workers. But then the awareness has to be raised that that is where the information is. Or it could be that a central Web site is provided that gives the various links to the various pieces of information. So the teaching aspect is important, because not everybody knows from the start how to read government statistics on unemployment trends. But they can be very useful.

Chair Maloney. Dr. Holzer and Mr. Jones, would you comment on the scarring effect and what we can do to alleviate it? And is the scarring effect on young workers more or less the same than on older workers? Or is it more severe with younger workers?

Dr. Holzer. Well, I think we know that the scarring effect is more severe because this is a more critical time for young workers when they pick up really key labor market experience that affects their long-term earnings. So when we talk about policies to remediate this, I think it important that anything we undertake and anything we spend public resources on target this group and have some track record for cost effectiveness.

Now, as I mentioned earlier, I think we could engage in well targeted job creation efforts, either through tax cuts for new hires and tax credits for hiring and on-the-job training much more robust than the recent payroll tax cut that Congress passed. And also, some public service employment that would be heavily targeted towards disadvantaged adults and especially disadvantaged youth. And I think we have evidence on those, and we know that those can be done in ways that are well targeted and relatively cost effective, and you can get quite substantial job creation, good bang for the buck.

But I also think another way to offset whatever scarring occurs is to have more robust education and training that is closely linked to labor market opportunities. And in different areas we know how to do that and we have evidence. We have evidence for young people still in high school on the power of a high quality career education, like career academies and tech prep that again combine strong academics with good workforce experience.

We have some evidence at community colleges on what works to not only improve completion rates, but make sure that what people learn is tied to labor market opportunities. And even for young people who have dropped out of high school—and I think this is the most challenging group—we do have evidence from programs that not only create employment but tie that employment creation to skill-building efforts, training targeted at key sectors of the economy. And there are several efforts there that we could discuss. But

all of these offer opportunities I think not only to create more jobs, but also to improve education and training.

Chair Maloney. My time has expired. Mr. Brady.

Representative Brady. Thank you, Madam Chair. We have had a lot of thoughtful testimony today. Thank you all for being here. How many separate Federal jobs training programs does the Federal Government have? Does anyone on the panel know? The reason I asked, I had served on job training programs at the local level for many years, 20 years ago, and it was a staggering number then. As you were talking, I just Googled that question myself, and in one city, Washington, D.C., if you go to the simply hired Site, it says here you can access at one point all 241 separate youth programs in Washington, D.C. They have training employment, youth experience training, youth exchange training, teen bridge, homeless youth jobs program, Latino jobs youth program, disadvantaged youth program, Job Corp, JOBSTART.

How do we know what works when we don't even know what the Federal Government offers? And, is anyone really examining the effectiveness of decades of programs layered on top of decades of youth programs? And how do we find out what has the best bang for the buck?

That is not your fault. My point is, I am not sure we know what is working because we don't know everything that we are pouring billions of dollars into. And I still am convinced that that first job a young person gets is a key turning point in their life. And getting them into that first job, whether it is through internships, that first minimum wage job makes a huge difference in creating a stronger economy and making it easier for small businesses to hire young people, as I think is probably the key, whether you are in New York City or Texas or rural America.

So my question is, how we make it easier for small businesses to bring on young people for that first training job, where they don't have experience but it puts them on the right path?

So Mr. Sherk, you sort of addressed this. And I will start with you. You talked about reducing the minimum wage for youth to, again, make it easier for small business to hire. In real life, increasing from $5.15 to more than $7, what that meant is small business has to come up with an extra $5,000 a year to bring that young person on the job.

What kind of impact has that had? You talked about it, but addressing that issue to bring on more youth, removing other barriers, how do we start making it easier for small businesses to hire?

Mr. Sherk. I think that reducing the minimum wage back to its previous level would be one of the most effective measures that we could take. Studies done in better economic times when businesses didn't have to be as conscious suggest that this increase in the minimum wage costs about half a million teenagers their jobs, and probably closer to 900,000 youth when you include young adults.

Now that we are in a recession, businesses and consumers have become extremely cost conscious. They are trying to save pennies. Businesses have very little room to pass those costs on to consumers. So the minimum wage has an even greater employment effect than those studies indicate.

Representative Brady. No one ever wants to lower wages for people. It is just counterintuitive for the country. But what I see are small businesses that normally see that as on-the-job-training, you know, plus the ability to assess the skills and the work ethic of that person, often with the opportunity to move them off it. The goal isn't to increase the minimum wage. It is to move people off of it. It is to get them trained and move them on to a path that is much more economically stronger for them.

So if you lower the minimum wage, does it set people back, or does it give more people an opportunity to move forward?

Mr. Sherk. Well, most people on the minimum wage are part-time workers, 64 percent. And it is exactly as you suggested, it is a training wage. It is a training job. Two-thirds of all workers who earn the minimum wage are earning more than the minimum wage a year later.

Representative Brady. Run that by me again.

Mr. Sherk. Two-thirds of workers who today earn a minimum wage, come back and look at them a year later; and if they are still working, they are earning above the minimum wage. They have earned a raise. What it does is allows workers who have very few skills to come in, get trained in very practical things like the discipline of showing up on time for work every day, skills that make you more productive and earn you a raise. It is not a lifetime job for very many workers at all.

Representative Brady. You talked about the domestic energy supply. Energy in America employs 2.2 million people directly. Many of them are high school graduates who earn, I know, from Texas, looking at some of our energy jobs, $60,000 to $80,000, many of them minority, many Hispanic, to be honest, and an opportunity to make—to raise a family to have that job.

You know, if we make it harder to produce, explore, energy in the United States, does that cut off or reduce the opportunity for well-paying jobs for people without necessarily a college degree?

Mr. Sherk. Absolutely. And it does it in two ways: First, we at Heritage have estimated that expanding domestic production of oil by 2 million barrels a day would create 270,000 new jobs. You have got the direct jobs in the energy sector itself, but then you have second, the overall effect on the economy. What happens when we have more oil being produced? Well, energy is less expensive. You gas up your car, and it is that much cheaper, which means you have that much more money to spend somewhere else in the economy.

So even if you do not have a job that has anything to do with energy, it means more money in your pocket, and it is better for the economy when energy is less expensive.

Representative Brady. Madam Chairman, at some point, too—Mr. Sherk, you talked about it. At some point, I would love to hear more about what other barriers there are for small businesses to hire young people.

Chair Maloney. The gentleman's time has expired. Senator Klobuchar.

Senator Klobuchar. Thank you very much. I appreciate it that the other members are letting me go ahead here, because I have got something to get back to in the Senate. Thank you very much.

And I really, listening to you this morning, it made me realize that the statistics support what I have been hearing at home. When I get back, I hear from so many young people who are having trouble getting work, either some summer jobs, but a lot of them are college graduates or high school graduates who, in other better times, would be able to get a job.

So this isn't my life growing up in the suburbs in the 1970s when it was simple to get the car hop job at the A&W or the Baker's Square Pie Shop, where I would tell you, Madam Chair, my career came to an abrupt end when I spilled 12 iced teas on one customer. That is when I decided to go to law school.

So my questions are, first of all, about how we get those that are in college right now, and even in high school to focus on some of these skills that were just being discussed in the energy area, or perhaps in the science in the area of health care, which I think there will still be more needs as our population ages. How should we target that skill development toward sectors of our economy that will generate demand in the coming years? Anyone can take it.

Mr. Wing. Thank you, Senator, for the question. I think one of the things that we are doing at CVS Caremark is in our Pathways to Pharmacy program, we go back into elementary schools and we start to talk to kids about pharmacy. Our pharmacists volunteer to go to career days and talk to kids about pharmacy and what a pharmacist does.

And then in middle school they actually, they come and shadow us at the store. They spend time with the pharmacist and the manager just to see if this is really something that they want to do. And then in high school, then they do an internship and then they really see. And just like I was talking about, Veronica, I mean there are hundreds or thousands of kids that we have around the country that are participating in that program. And they get excited about the opportunities and then they start to take the right courses that are going to get them into pharmacy so that they are getting prepared at an early age.

Really in middle school is where I think they, where we are seeing where it is really important that they start to take the right courses to get themselves prepared.

Senator Klobuchar. That is pretty early, having a 14-year-old myself. Dr. Holzer.

Dr. Holzer. Senator, I think there are—we have strong evidence of areas and programmatic efforts both for in school use and out of school that can successfully target growing sectors of the economy. I think this general statement that Mr. Sherk made before that nothing works for this population is simply incorrect when you read this evidence closely. There are a lot of programs that haven't worked. We have developed a better sense over several decades of research what does work, what gets people not only secondary and post secondary degrees, but targets towards growing sectors of the economy that good jobs.

For instance, the career academy's program for high school students has been rigorously evaluated and shown as much as 8 years later to have strong effects on earnings, especially for at-risk young men for whom other programs have more trouble working. Also

programs like tech prep that build pathways from high schools into community colleges.

Senator Klobuchar. And are these, like, one class that the kids take?

Dr. Holzer. No. For instance, the career academy is a high school within a broader high school that targets a sector of the economy. So there is a health services career academy or a financial services or an IT career academy, and people take a combination of academic courses to keep open their post secondary options as well as career oriented and occupational training.

And I think at the community college level, which is so important right now, we have strong evidence that getting certificates, even for a young person who didn't do that well in high school, if they get certificates in some of these key areas, health technology and some other areas, it has quite dramatic effects on their earnings.

Senator Klobuchar. Do you think there should be a bigger emphasis on trying to have targeted community colleges or even regular colleges having two-year degrees in certain areas?

Dr. Holzer. Two year degrees, certificate programs, I think the whole range, the labor market rewards the whole range. I think what we need is better coordination. It is not just necessarily throwing money at these sectors, but it is better coordination between our educational institutions and our workforce development efforts. I think the Workforce Investment Act needs to be advised in a way that improves this tie to the education system, and you can do things also through Perkins, through ESEA, I think to improve the coordination of those two sets of institutions and make them more responsive to the labor market.

Mr. Jones. One thing, Senator, you have to recognize, we have an extraordinarily low graduation rate out of our community colleges. I think it is 2.3 percent in 2 years in New York. And when you look at that and deconstruct it, it is basically about money. There is no money. We do surveys and find that most poor households have less than $100 in total reserves. When someone reaches that age of going to community college with no supports, it is very difficult to make it. It has nothing to do with intellectual capacity. It is the question of how can you survive. You have to be working two jobs and trying to do college level work at the same time.

So I think we have to look at subsidies if we want to have young people be able to succeed in community college technical programs.

Senator Klobuchar. Thank you. I note that The New York Times recent article, Plan B: Skip College, also talked about even with the bachelor's, only 50 percent of students get their degree within 6 years, so thank you very much.

Chair Maloney. Thank you. Mr. Cummings.

Representative Cummings. Thank you very much, Madam Chair. Mr. Jones, I was just listening to your testimony, and towards the end of your testimony you seemed to get very passionate, and I think it is because you had just gone through and talked about what you saw as a youngster and what you see now. And the point you just made is so significant. I sit on the board of a historically black college, Morgan State University, and sadly, we have to

let a lot of our kids go. Why? Because they don't have any money. It is not that they are not bright. They don't have the money.

I have another school where the graduation rate is 18 percent. Again, money. Then when I hear comments from people like Mr. Sherk, sometimes I wonder whether or not there is a disconnect with reality. Because when one of these young people can get $1,000, I mean in a job working, that $1,000 may very well be the link between them staying in school and leaving school. And what we have seen is that if they leave school the likelihood is they will never return. And so I don't know what you say to kids. And these kids want to work. A lot of times they cannot find the jobs. And so I was just wondering what you have to say. I will go to you Mr. Sherk in a minute, but what are your comments on that, Mr. Jones?

Mr. Jones. I want to echo the problem of dropping out and then trying to reconnect. We did a report on GED, which is your second chance if you drop out basically, across the country set up just after World War II for returning veterans who didn't have a high school diploma to come back into the system. Really a building block much to my shock for virtually any career now. You can't get into pre-apprenticeship programs in plumbing, electricians, carpenter, any more in the city of New York unless you have a high school diploma.

So this is almost a necessary requirement. The difficulty is once you drop out, the GED is considered sort of a second rate degree. We presented some of the GED math problems to the regions of the State of New York and 50 percent of the regions couldn't do the math problems because it has been too long. As the time goes on after you are in the rigor of school, trying to reconnect, it has nothing to do with your intellectual capacity, you lose those skills.

And that is why it is so important to hold young people in as best you can, because that is the best shot to get their high school diploma. But it is becoming money. When you turn 15 or 16 in the middle of the South Bronx or Brownsville, or I assume across America, and there is no money in the household, how can you sit around if there is no indication that there is going to be a job out there for you even if you get through the high school diploma and get into a community college with the family struggling with no resources?

I think we are sort of having this image of a middle class America and we are imposing that on working poor people across the country, and it is not fair. And I guess I do get emotional about this because I see deterioration from the time I was coming through. It was supposed to be progress forward, not backwards. And now when I visit my community it is backwards.

Representative Cummings. Mr. Sherk, I am going to get to you in a minute, but I am running out of time, and I wanted to ask Dr. von Wachter a question. You know, there was a recent article talking about the importance of childcare subsidies for the unemployed and lower income workers. Can you discuss the issue whereby it seems that younger workers are more reliant on these programs and exactly how do they affect the employment rates of these young people?

Dr. von Wachter. Just a question for clarification. These are subsidies for getting a job?

Representative Cummings. Yeah. If you can't answer it, can anyone else on the panel? Subsidies for childcare, very significant, because we have a lot of young women in particular who don't have childcare and they have gotten subsidies, now those subsidies, because of the economy, are being cut back or cut down substantially.

Dr. von Wachter. I think any subsidy that can keep young workers in a job or help them to obtain a job are crucial. So even paying a young worker, giving a bonus, a reemployment bonus, or paying the employer to hire young workers is worthwhile for the reasons we discussed, because getting a first job and keeping it is so important.

In fact, the point I wanted to make in the discussion of the minimum wage and of community colleges, it that it is important to bring employers back onto the table and discuss with employers what employers need, which type of training in young workers they want. This way the information of where young workers would be most needed, where the growth jobs might be will be provided automatically. And I just want to point out the most successful job training program in the world is the German apprenticeship program. These firms can effectively pay subminimum wages by giving a training guarantee. What that means is that successful firms choose to provide training. There is an active market where firms compete for high school graduates, providing direct information on where the most promising jobs are.

It could be happening right out of high school or again community college, that could be linked as effectively as another way of having a job subsidy, so allowing minimum wages for firms who guarantee training.

Representative Cummings. Thank you Madam Chair.

Chair Maloney. Thank you. Mr. Snyder.

Representative Snyder. Thank you, Madam Chair, and thank you for having this hearing. I want to continue a bit the discussion of Mr. Cummings. And he and I were talking back and forth about this issue of high school dropout rates. I mean, it really is a discouraging thing, I mean, when you look at the last several decades. I think 20 years ago, none of us would have predicted, I don't think, that in 2010 we would still be talking about 25 percent high school dropout rates in some populations. So I would like each of you to spend a little bit more time on that about what is it that we need to do. Where are we missing the boat? I mean, I think it is probably a combination of things. There is not one answer. You have got subsets of kids. But what do we need to do. Mr. Sherk, let's start with you.

Mr. Sherk. The problem with high school dropouts involves education reform much more than labor issues. One of the interesting things you saw in the economy of the late 1990s, a very good economy, but unfortunately you had a number of youth dropping out of high school to take jobs. At the time it was a very strong youth job market and they did not enjoy school so they were dropping out to take these jobs. Of course they were hurting themselves for the rest of their working lives because of a very shortsighted decision. I think it is much more a problem of how do we fix the school sys-

tem and reform education than it is an issue of what do we do about the labor market. But once you have these dropouts, it has very severe labor market consequences for them going forward.

Dr. Holzer. If I could address that, Mr. Snyder.

Representative Snyder. Why don't we just march down.

Mr. Wing. Do you know something, that is a great question. Because as I go around the country, I am appalled by that to see in the intercities that we see 60—50, 60, 70 percent dropout rates. It is unacceptable to see that in this country. And I think one of the things that we are trying to do through our Pathways program is really get those, and the pathways program is really designed for intercity rural kids, those are the ones we are trying to go after, and to find the minority candidates.

Because there, I think it was said earlier that there are some really bright kids, they just need some guidance there. And so that is what we do with our Pathways program is we get into the middle schools and start to encourage those kids. Not that they are going to become pharmacists, but to encourage them to take the math and science courses that are going to enable them then to get into high school and get excited.

And that has been working for us, and we have been—like I said, Veronica is one example, but we are seeing thousands of those kind of kids that are getting turned on to see that there is a career path. And then you have mentors, the pharmacists and the managers and folks become and people in the circuit become the mentors to help them.

Mr. Jones. I will be very brief. Obviously, as Mr. Sherk has said, there is a major educational reform problem here. We have this debate in New York City all at once. Many in the Department of Education feel that if children have not acquired basic reading and numeracy skills by the fourth grade, it is basically a long slide. I don't believe that. I couldn't read in the third grade. I managed to recover. But I think the issue becomes that—we have a couple of things. We have been spending, even in the city of New York much less on young people in very poor communities than we do not.

Examples of that are the Stuyvesant High School, one of the best in the country, the $13 million just spent on the bridge across the highway, I have no operating labs in many of my high schools in poor communities, so there is disproportion going there. But I also think there is something else which I think is more—actually I never thought I would be there. That we have to have a serious discussion on career and technical education. New York City has one of the poorest systems of that sort in the country, despite our enormous dropout rate. And this is, when we poll people at 200 percent of poverty or less, which we do every year, after they talk about better teachers, better paid teachers, smaller class size, the third thing they talk about is a focus on career and technical education for their kids, because they recognize to come out with a general diploma in this environment, in this global economy without real skills that can allow you to become independent is not the way to go.

That then education could build on that, but the finances have become so critically important for working families that this notion

of a long childhood where you can sort of lope along finding yourself just isn't available. And I think we have to start taking this seriously as early as junior high school. Summer employment should not be a generalized thing, it should start to link up with actual job skills and taking things along in an exciting way, but something that can actually give you a career when you are out of it and let you then decide how your educational progress will go from there.

Dr. Holzer. I want to echo the points about a career in technical education. I think when people start dropping out of high school, again in these low-income communities, 25 percent is the average nationwide and in some communities it is much, much higher, as Mr. Wing said. Some young people drop out because they are very far behind, but many drop out because they don't see the point. And they don't see any pathway to success in their schools, in their families and in their neighborhoods for people who look like themselves. And we have let those pathways erode.

Now historically, we had something called vocational education that was disliked in low-income and minority communities because it was viewed as a form of tracking; oh, you middle class kids get to go to college, but the low-income and minority kids get trapped into voc-ed.

And in many cases it was an academic backwater. That no longer has to be the case. And we have good examples of high quality career and technical education like the career academies, like tech prep, where the academic component is very strong and young people are still encouraged not just to get a high school diploma but to go beyond that and get good post secondary training, but at the same time, they get occupational training and good labor market experience and growing in high rate sectors, and the evaluation evidence on all those is very positive.

So we have to rebuild not old-fashioned voc-eds but high quality career technical education linked to strong sectors of the economy. There is other evidence of things like mentoring programs, certain kinds of case management that also tend to reduce dropout rates. But I think there are two ways to attack this. You can try to prevent dropping out early on, which we certainly do, and then you can try to reconnect the people that have dropped out.

Now, earlier, Mr. Brady counted up hundreds of employment programs of disadvantaged young people. And he is right, we have had this scattershot approach of a lot of tiny programs. If you add them all up, the resources in those programs are very, very small. As a percentage of GDP, this country actually spends very little compared to other industrialized countries on active job training and labor market programs. But we have efforts to reconnect high school dropouts that have proven to be successful. I will mention a couple.

The National Guard runs a program called the challenge program funded from the Department of Defense that has had remarkably strong effects in random assignment evaluations on getting young people not only their GEDs and their high school diplomas and then getting them into further education. So programs like that certainly need to be in hand. We also had a program started in the Clinton Administration called the Youth Opportuni-

ties program which targeted money to low-income neighborhoods both for schooling and employment with a lot of the money going to high school dropouts. That program was very quickly killed off in the Bush Administration, and, in fact, an evaluation report that was quite positive was embargoed for many years, perhaps because the results were quite positive in that evaluation. But we know ways to improve both enrollment and graduation rates and reconnection rates for these young people who have already dropped out as well as improving their labor market success.

Chair Maloney. Thank you.

Dr. von Wachter. Currently in most States, the compulsory schooling age is 16. There was a time where at 16 you could get a decent job in a factory in manufacturing. Those jobs are mostly gone because of the way the economy has changed and focused on more technical, more highly skilled jobs. One way of addressing the problem of youth unemployment is to force people to take some form of training until age 18. This is done for example in Germany, which has the highest youth labor force participant rate in the world. In this way, individuals would enter the labor market with more skills and have more opportunities. It is not surprising that people age 16 who are low skilled and think of dropping out of high school don't see many labor market opportunities, since there aren't that many opportunities for these people. So letting them enter the labor market later with a better skill set may allow them to better compete in the labor market.

Chair Maloney. Thank you. I would like to ask Mr. Wing and Mr. Jones: In April, the unemployment rate for our young people reached an all-time high of 19.6 percent in that age range of 16 to 24, which is truly a crisis number. Mr. Wing, you have run a successful job training program, and Mr. Jones, in your testimony, you talked about using HUD money in public housing projects as job training. There is one specific program that is moving through Congress now. It is $300 million for youth summer employment. Can you offer ideas of how we might target that program in a way that would give the career education opportunities that Dr. Holzer and Dr. von Wachter have been talking about? Is there a way we could tie it to successful programs and pharmacies, such as you have done, Mr. Wing, that at the end of the summer, there is an opportunity like the young woman you described who is now in college and has become very inspired with her experience in working in a pharmacy?

Is there a way we could use the program's funds in a more productive way to employ not only for the summer, but to inspire and give a vision for our young people in the future? And Mr. Jones, you have been running these programs or involved with them in many ways, and you might have some insight that might help us in directing these funds in a more productive way.

Mr. Wing. Well, I agree with what you are saying there. And I think one of the things that was mentioned earlier was talking about year round. I think that it is great to have a summer program, but I think these are things that need to be year round so that the kids really can learn all the different—there are different times and there are different things that happen during different times of the year. And I think one of the things that we have no-

ticed with these kids, that they are resilient, they really are dedicated. And when they get the opportunity to come to work they are going to stay to work. And even through going through school, several of these folks that we have examples of, that they are working two or three different jobs because they are helping to pay for their education, but they are also helping their parents because they are struggling.

So I think it is important that we look at not just summer programs, but that we make these and expand these into year round programs so that while they are in school, they can be taking the things that they are learning in school and then applying them at work and vice versa. And I think one of the things that we are seeing is that at the community colleges we are having our pharmacists and our managers, they are becoming volunteers to do teaching, do some of the classes. And even in the high schools too, we are doing that. So that the kids are really learning from and the managers and pharmacists are becoming mentors to them.

Mr. Jones. Just very briefly. I would tend to agree year round programs work much better. There is a problem with not having sort of rigor in summer youth employment jobs. It is an opportunity to start having certain skills provided so young people start to understand what the work life is. I mean, this is the first approach. And we never—I used to be head of youth services for the city of New York, and we never had the rigor back then. That was a long time ago, but it is still lacking. And if this is going to be the opportunity, a rare opportunity to connect young people to the world of work, we should you know require that they come to work on time, do they get evaluated at the end, no matter how you do this to make this a real work experience that can give people the structure of what the world of work is like.

And I think just the notion of here is your check, come here, but at the end of it there is no connection to another employer, whether private or public, there is no real definition of whether you did a good job or a bad job. I think it is a wasted opportunity with scarce money. So I do think we have to seek rigor. It may not be immediate. But as these jobs go on, it should be year round, it should hit out of school youth as well as in school youth and it should really start to look more like a real job so that young people can get a taste of what this is about.

Chair Maloney. Thank you very much. Mr. Brady.

Representative Brady. And I think this is a healthy discussion. I appreciate Mr. Snyder commenting about dropout rates that impact, how we address it. You know, I do think there is, and I don't know if Dr. Holzer made the point or Mr. Jones, but there are some real opportunities for kids who aren't going to college or choose not to. There seems to be, as a layman not in the education community, but there seems to be a disconnect between what the parents and I think students want and what the educational leaders want, in that technical vocational training is frowned upon as tracking, Dr. Holzer, I think used that word, almost giving up on kids if you do that.

Yet in southeast Texas, for example, you always know your own area better, but up until last year, our biggest labor problem is that we couldn't find 10,000 welders to work on the refinery expan-

sions, the new natural gas projects, everything that was going on. Now, obviously that has cooled down because of the economy.

But even this year we lost the Eastman project, $1.6 billion, 1,500 construction jobs, due both to the global economy and the fear of cap and trade. But the point was that we were having trouble finding those workers because education sort of frowns upon that. And that our curriculums at the State level, not necessarily the Federal, are really geared toward that college degree. You know, a welder in southeast Texas starts at $35,000 a year, not much in New York, but it is a start in Texas. You know, skilled welders are up to $80,000 to $90,000. You can raise a family on that. So my question is a general one. How do we reinstate, not for everyone, but for those who choose to, which require a lot of training in themselves, the vocational and technical job paths where dropout rates can be addressed, where there is an alternative? You know, this path is usable, it is workable, it creates real revenue for you and your family so you don't have to drop out. Let me just open it up, Madam Chairman, with your permission.

Dr. Holzer. Congressman, I agree with you very strongly. And I fear that some of the discussions of education reform that are occurring right now place too much of the emphasis is on academic—you know, academic skills are very important. The achievement gaps between middle class kids and low-income are very important issues. But sometimes the conversation becomes too narrow and we talk about an academics-only set of standards that I think is inappropriate and ignores these parts of the labor market that I think you accurately describe where there are good opportunities for non-college graduates, but they need to have something beyond usually just a high school diploma.

They need to have some significant on-the-job training or some significant career education. I think the way to counter this is to make the career technical education high quality, number one, to make sure that it combines strong enough academics so that people who want to go on to post secondary and should go on have the background to do that.

This should not be viewed as a dead end in and of itself. It needs to be one of many pathways that people can see when they are in high school. Some pathways lead into the labor market but they go back afterwards for post secondary. But there are good job opportunities that can be accessed right now with those skills. And I think young people need to see those. I think young people, even people in community college, often don't have a clue about what the labor markets are like in their areas and what I think information is. First of all, it is very important and very lacking. And I think young people need a sense of the range of careers out there. Good paying jobs for kids with no skills are disappearing. But, in fact, good paying jobs for folks with strong academic plus occupational skills and some post secondary certificates remain strong, and I think we have to rebuild the quality of those programs, the links to the labor market and the perceptions that they can matter that can be a viable alternative.

Mr. Wing. I would like to add to that too. I think that is a great question. Because I think it is not just looking at getting kids prepared for college. We also have to look at the kids that are going

to go to the community colleges or that they are going to go to technical schools, and I think really the program we have, the Pathways to—that is in Boston is a great example of getting kids that are dropouts. They get excited. They want to come to work.

And we really have seen a great increase in retention with those kids because they know that this is their chance to get ahead and have a career opportunity, and so they are really digging into it. And then at that point, they are going on to get additional education. So we see, you know, working together, and I think the important thing that I would want to say about all of this is that you have to have the partnerships, you have to develop those relationships with government agencies and the foundations and different organizations that are going to help you to bring all of the things that Dr. Holzer is talking about together. And that is what has helped us to be successful, especially in some of these tests that we have done.

Mr. Jones. Just a New York example, and I will be brief. The aviation high school which is one of the most successful of our voc-ed or technical education, even with the vagaries of the airline industry, those graduates are immediately picked up with really great paying jobs. And I think what has relieved me somewhat, because I come out of a generation where the notion of voc-ed was anathema, a no black child. My father wasn't even allowed to touch tools for fear he would not become a professional. But when I started—when we started polling and started talking directly to the constituencies we are trying to help, they got it, they don't want their young person to have to live with them or not be able to support themselves, they want good paying jobs with skills. And they recognize that the path we are going on, which is this generic education that is supposed to be leading to theoretically to a four-year college is not leading their kids to independence.

So I think you have to rest back on the base now of working people and the struggles they are up against and their hopes for their kids to be able to make it into the economy.

Representative Brady. Thank you all very much.

Chair Maloney. Thank you very, very much. Mr. Cummings.

Representative Cummings. Thank you. This has been a very interesting discussion. Let me ask you. First of all, a lot of this seems to be about vision, young people seeing their future. Several of you have mentioned that. And Mr. Wing, if you can answer me quickly, what caused CVS to do what you did.

Because I agree with Mr. Brady in one of our rare moments of agreement that this has to be not only do we spend dollars in the public, but the private folks like you all have to make a contribution too. So I am trying to figure out what is it that caused you all to say, wait a minute, was this a board decision, did somebody just come up and say, the government says can you do this, how did that come about?

Mr. Wing. It is very simple. It is a business decision, we need good people. And so it is hard to find people. And so this was one of, this is one of our main sources of getting people, is to be actively recruiting people and developing those partnerships. So we put money into it and the agencies put money into it. It is a partnership.

Representative Cummings. When I listened to the discussion, I couldn't help but think about a program that I, along with the University of Maryland in Baltimore, our professional school, put together about 5 years ago where they joined in with our career medical, allied medical high school. They brought in 25 every summer and spend about $1,600 for eight weeks. And what they do is they put them alongside scientists. I mean literally for a whole summer. It is a wonderful program. And these are intercity kids. And what we discovered, I always go to the graduation and it always sort of makes me feel so emotional, Mr. Jones, because I find that these kids say, for example, one will be working with a scientist that is dealing with breast cancer, and then they will get up and they will talk at the graduation and say, do you know what, I was so interested in this because my aunt had breast cancer or my cousin, and now I think I can do something about it, and AIDS and all kinds of things.

It is just amazing. And to hear them, the vocabulary that they then acquire. I mean, I have to go back and get a dictionary. But they don't realize that they are getting really excited about this. Then the other piece that we did was that we went in the community college so that those kids would have a pathway to come out of high school and go to a community college. Another program—and then we hooked them up with the University of Maryland again so they could go on for a 4-year degree.

I think that you all are right, not every kid needs to go to college, but I also believe that kids need a vision. And I think that, and when I think about my own experiences growing up, a lot of my vision came from my various jobs. But there is one other thing Dr. von Wachter, that you did not talk about.

What a job also does is it gives kids another family. You know another group of adults looking over their shoulder. I tell my own kids, I say, look, if you go out there and you do the best you can at what you are doing, I promise you an adult will come by, some adults will come by and help you. And I find that to be very key. Is that a factor, Dr. von Wachter?

Dr. von Wachter. It is a very important point, so I agree with the things that you and Mr. Brady said. Kids need a perspective, so it is important to create pathways for partnerships between community colleges and four-year colleges, or high schools and community colleges, to show that if somebody takes a vocational degree, he knows he can then move on to community college and possibly a 4-year college. The way other countries do that is they have specialized degrees that allow people to improve their specialized training at increasing levels. For example, if you are a welder then you can do certain types of technical community college degrees, but you can't major in English.

To create an environment fostering skills at all levels, in some sense a family, the important thing is to get business on board. Yet, many small businesses probably can't afford a training program of their own. And so it is important to forge partnerships with community colleges or high schools, where the high school or the community college provides some of the formal training and then the smaller business complements that training. This represents again to small businesses, it gives the individual sort of a

family, as you are saying, and then it creates possibly a lasting partnership.

Dr. Holzer. If I can also say, so this is the key question. Mr. Wing said CVS does it because it is in their best interest, so the question is why then don't more companies see it as being in their best interest. And I think Mr. von Wachter is correct that for small companies the costs are very high. But I think there is a couple of other things we know. Number one, a lot of businesses are simply distrustful of the quality of young people in the basic skills. Nobody wants to invest in folks who don't have the basic skills to build on that investment to make the investment successful.

And, of course, their other concern is that they will make the investment and then the young person will disappear and go to their competitor or go somewhere else. I think it is an important role for these partnerships, but also for, number one, making sure that the quality of these kids coming out of these CTE programs in high schools and community colleges, make sure that the quality of their training is strong and then the businesses will be more comfortable with it.

Then I think number two is there has to be some government resources and technical assistance to make this happen because otherwise firms don't want to invest their own resources even in successful kids that might want to disappear on them. So I think it has got to be an effort where government makes some investments, does some coordinating, brings along industry partnerships, connects them with the schools, and all those pieces I think have to work for businesses to want to invest their very scarce resources in these young people.

Mr. Wing. I just have one other thing to add to, Mr. Cummings, what you were saying. I think when you described that experience, that summer experience, I mean, I want to echo that. We see that same thing. That these kids—I mean, the parents come to a dinner at the end of the—when they graduate or when they finish up they come to a dinner and the parents are saying to us, oh my gosh, I didn't know my kids would know all these things, and they are so proud and they can't imagine what they went through.

And I think the child doesn't realize what they went through. And the things that they have studied, they are looking at cancer research and things that are really turning them on. And I think that is important. I think we have got to continue to encourage that. And I think that is one of the things that I would say from Dr. Holzer's comments is that I mean we are committed to that and we would help to get other companies to get involved.

Chair Maloney. Mr. Snyder.

Representative Snyder. Thank you, Madam Chair, and thank you all for being here today. Madam Chairman, my guess is that this hearing has taken a little bit different attack than maybe I thought it was going to because you rightfully have called a hearing to talk about where we are with this sky high number in youth employment. And yet, what we are all now discussing is the chronic challenges that we all have. I think, Mr. Wing, you talked about the black, the high school dropout rate for minorities as being unacceptable. The reality is we have all accepted this for several dec-

ades. We are outraged by it, but we haven't figured out how do deal with it. We as a society have accepted it.

And that number is going to go back down once we go through this recession, but the reality is we are still going to be grappling with what Mr. Sherk is talking about, education reform, we are still going to figure out how to get Mr. Brady his welders and the same in Arkansas with our natural gas plague that is going on. We are still going to be grappling with the problems of parenting skills and addiction and the terrible things that young kids can get tempted.

And we are grappling, I think, with the very real issues of the chronic challenges in America, the greatest opportunity society in the world, and yet we still have these chronic challenges that are really exacerbated when we have the recession like we have had.

Mr. Cummings is one of my heroes. And I have a picture of him on a big poster board back home. And I talk about him during my speeches. I have got 3½ minutes left, Mr. Cummings. I suspect these folks would be interested in hearing your story about being a child of sharecropper parents. Do you want to take a few minutes to tell your story?

Representative Cummings. Very briefly, back in the 1940s my parents moved from South Carolina to Baltimore before six of their seven children were born and they moved for one reason, to get them a decent education. Mom and dad only had a second grade education, but they knew that they wanted their kids to do better. And so when I got in school, they put me in the third group, which was basically our special ed group, told me I would never be able to read much over fifth grade level or sixth grade level.

Representative Snyder. How old were you then?

Representative Cummings. I was about 10 or 11. I went to the counselor and told him I wanted to be a lawyer and he said you must be kidding. And he said some words that have echoed in my mind ever since. He asked me this question. He said, "Who do you think you are?" And that question has haunted me all my life.

So anyway, I was determined that I was going to get out of there. And so there was a gentleman, a fellow named Mr. Posey, my sixth grade teacher that worked with me and sent me to the library every day, and eventually I got out of special ed, went on to become phi beta kappa to go onto law school, passed the bar the first time, and become a member of the Maryland legislature and now a Member of Congress of the United States of America.

And I say only in America. But when we talk about these, for example, these teenage jobs, one of the first jobs I had was a pot washer in the Baltimore Country Club. I washed pots, I scrubbed them with Brillo, and I got a lot out of that job. I was happy to get it. I mean, I was getting about a dollar an hour. But I met a lot of very interesting people who influenced my life, members of the club.

So when I look at our young people, and I watched you, Mr. Jones, I could understand your frustration. We begin to ask ourselves what is going to happen to all these kids? We have got about 50 in Baltimore, but I imagine the black male dropout rate is probably around 60 percent. That is a lot of folks. And then the question becomes what happens to them? And I want to yield back.

Mr. Jones. May I just say this isn't business as usual, that is what I am afraid of. And I want to impress upon people, this is not what it has been. To drop out in my childhood wasn't the end of the road if you were willing to work. Actually, I think a former head of Con Edison in New York never got his high school diploma. The trouble is things have moved on. And we had a panel that Mayor Bloomberg put together that I participated in and did some of the research for looking at the construction trades. That was construction trades with a point in. Okay, you drop out, Joe, or whatever, and you will go work construction and move yourself up through that rank.

When they told me don't bother to apply to preapprenticeship unless you have a high school diploma, and the fact that Starbucks now is looking for a couple of years of college, because they can get it with six people applying for every one low wage job, this is not going to revert to where we were. And that is why I think this is much more dangerous than anything I have ever seen, and that is why I am getting a little crazed here, because I don't think we are going to have the same kind of opportunities, as the economy begins to improve, we have already seen signs that young people without credential were not riding the last wave up.

Now I am worried that we are going to have steady State rates of higher unemployment and literally no place in the economy whatsoever for this kind of young person.

Representative Cummings. Thank you.

Dr. Holzer. Can I also just say something about that. We have one very, very large and very expensive program in America for young high school dropouts. It is called incarceration. And we incarcerate more young people than any other country in the industrial world. If you are a young black male who drops out of high school, your odds of becoming incarcerated are 70 percent nationwide by the time you are 30. And that incarceration is not only enormously expensive in a budgetary sense, tens and tens of billions of state—mostly state dollars spent every year. Then these young men come out and they are essentially unemployable because this marker of having a criminal record makes other employers not want to touch them.

There is a whole range besides the education and training programs we talked about, there is a whole range of other policies. Extending the earned income tax credit to young men who don't have custody of children, for instance, that would make even low wage jobs more attractive. Trying to convince States not to pass laws that bar these people from so many areas of employment. Child support reforms that would not drive these young men out of the labor market if they were in arrears.

There is a whole range of other things that make it almost impossible for these young men to find even low wage jobs. And all of those, I think, need to be rethought if we want to reduce those terrible costs that incarceration imposes on us.

Chair Maloney. Thank you. I have been informed that we will be having votes shortly, so all good things must come to an end. I do want to thank my colleagues, and all the witnesses for your enlightened testimony and your ideas on a really huge challenge facing unemployed young people in our country. The truth is, it is

going to be a slow, long climb to get us where we need to be in terms of creating jobs in the economy. This is the fourth hearing the Committee has had on long-term unemployment in different sectors of our economy, and you have all given us wonderful insights and wonderful ideas to work on and follow up on and I want to thank all of you for your testimony today. It is truly appreciated and insightful. Thank you. The Committee is adjourned.

[Whereupon, at 11:54 a.m., the Committee was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF CAROLYN MALONEY, CHAIR, JOINT ECONOMIC COMMITTEE

Just over one year ago, the current Administration took office while the country was suffering from the worst economic crisis since the Great Depression.

In fact, Council of Economic Advisers Chair Christina Romer testified to this committee that the shocks we endured in the "Great Recession" were actually worse than those of the Great Depression.

But today, it is clear that America is on a path toward economic recovery:

- The most recent employment report showed that the economy has gained jobs for 4 months in a row. In April, 290,000 jobs were created—with a total of 573,000 jobs created since the start of 2010.
- After 4 straight quarters of negative growth, the economy has grown for three quarters.

These improvements in our economy are proof that actions taken by this Congress and the Administration have put our economy back on track.

While we are making progress, the road to recovery will not be without bumps.

Although we saw significant job creation in the past two months, we need stronger job creation to reduce unemployment.

Some groups are suffering more than others. Today's hearing focuses on younger workers who are facing extremely high rates of unemployment.

The JEC released a report today showing that one-in-five workers between 16 and 24 is unemployed—the highest rate of unemployment ever recorded for this age group.

While 16–24 year olds comprise 13 percent of the labor force, they make up 26 percent of the unemployed.

The youngest workers, those ages 16–17, experience the highest rates of unemployment.

The unemployment rate for 16–17 year olds was 29 percent in April 2010.

While education reduces the likelihood of being unemployed, the benefits of a college degree are not uniform among 16–24 year olds.

The unemployment rate for young black college graduates was 15.8 percent in April 2010, nearly double the 8.0 percent unemployment rate for all young college graduates.

These numbers will take on a stark reality as millions of new college graduates start knocking on doors looking for a job. And for teens looking for their first job, it will be even worse.

The scarring effect of unemployment among younger workers has lasting consequences for their attachment to the labor force, their productivity and their future earnings.

As Dr. von Wachter testified before this Committee last month, these younger workers face reduced earnings even 10 to 15 years later.

The costs to the economy in terms of lost output for these workers are great, which will have an impact on our debt and deficit.

Today, the House began debate on H.R. 4213, the American Jobs and Closing Tax Loopholes Act, a bill to create jobs, support those without jobs, and lay the groundwork for new employment opportunities in the future.

H.R. 4213 makes many key investments in our people and in our future.

In addition to extending unemployment benefits and COBRA premium support through the end of the year, the bill funds summer jobs for more than 300,000 young people.

Job creation is critical, of course, but so are job training and skill building. We need to identify training and placement programs that are getting strong results and figure out how to scale them so they reach more workers across the country.

I look forward to hearing more creative solutions from today's panel on how to solve the unemployment problem for America's younger workers.

PREPARED STATEMENT OF REPRESENTATIVE KEVIN BRADY

I am pleased to join in welcoming today's witnesses before the Committee, and I would like to thank the Chair for holding a hearing this morning on this important topic.

The success in one's working life is largely path-dependent. Therefore, getting off to a good start is important for young people. That is one reason why a high level of youth unemployment is so troubling.

In January 2009, top Obama Administration economists, Christina Romer and Jared Bernstein, forecast that if Congress passed the President's stimulus plan, the

unemployment rate would remain below 8.0 percent, and payroll employment would increase to 137.6 million by the fourth quarter of 2010.

Congress enacted Obama's stimulus plan in February 2009, but the results have been disappointing. Since then, the unemployment for all workers has never been below 8.0 percent, and today it is 9.9 percent. So far, the Obama Administration is 7.4 million payroll jobs short of its fourth quarter forecast.

However, young American workers age 16 to 24 have fared worse than their older counterparts. Since February 2009, the number of unemployed workers ages 16 to 24 has increased by 707,000 to a total of 4.2 million in April 2010. Moreover, the youth unemployment rate soared from 15.8 percent in February 2009 to 19.6 percent in April 2010, an all-time high for this data series.

Given the severity of this problem, I am very interested in what today's witnesses have to say about the high level of unemployment among young American workers. Like one of today's witnesses, Harry Holzer, I want to find what government job-related programs and private sector initiatives actually help young Americans find and keep that important first job and what programs are wasteful and ineffective.

The cost of paying for inefficient and misdirected government programs through deficit spending will remain a debt burden on our children and grandchildren. For example, one of today's witnesses, James Sherk, observes:

> [T]he 2008–2009 bailouts and stimulus packages will cost the average 22 year old $145,900 during his working life—$280 a month. That is the equivalent of requiring college graduates to buy and throw out a high end iPod every month.

In conclusion, today's panelists offer different solutions to the problem of youth unemployment. Some advocate more government spending, while others emphasize the private sector. Like Presidents Kennedy and Reagan, I believe that a rising tide lifts all boats. Instead of more wasteful government spending on ineffective job-related programs, we should promote entrepreneurship and business investment to increase job creation and reduce youth unemployment.

Testimony before the Joint Economic Committee of U.S. Congress on "Avoiding a Lost Generation: How to Minimize the Impact of the Great Recession on Young Workers"

May 26th 2010

Till von Wachter
Associate Professor of Economics
Columbia University

Chair Maloney, Vice Chairman Schumer, Ranking Members Brady and Brownback, and members of the Committee, it is an honor to be with you today. The labor market in the United States is recovering from the most severe recession since World War II. Today we meet to discuss how this recession may affect the long-term outlook of a particularly vulnerable group in the labor market, labor market entrants and young workers.

In my testimony I will summarize the available evidence on the short and long term effects of entering the labor market in a recession on young workers' employment and earnings. I will also indicate which labor market entrants are most affected by such initial bad luck, and will summarize potential explanations of these effects. Finally, I will briefly offer some implications for policy from these findings.

The available evidence suggests that the consequences from entering the labor market in a recession are severe in both the short and the long run.[1] In the short run, labor market entrants and young workers suffer from larger increases in unemployment and layoffs than the average worker. Yet, even in the long-run young workers – who enter with no prior employment history and are presumably most flexible – can suffer from initial bad luck for a long period of time.[2]

[1] Several recent papers analyze the long-term effects of entering the labor market in a recession (e.g., Oreopoulos, von Wachter, and Heisz 2008, Oyer 2008, Kondo 2008a, Kahn 2010). A separate literature has examined the differential contemporaneous effect of recessions for young workers (e.g., Clark and Summers 1981, Blanchflower and Oswald 1994), and the general effect of career instability at labor market entrance (e.g., Gardecki and Neumark 1998).
[2] The following paragraphs summarize findings from Oreopoulos, von Wachter, and Heisz (2008).

Entering the labor market in a large recession such as the current one can lead to reduced earnings for up to 10 to 15 years. During this period younger workers are also exposed to higher incidence of non-employment and job and earnings instability. The evidence suggests that these adverse effects are driven by labor market conditions in years immediately following entry into the labor market. As a result, a quick improvement in labor market conditions can speed up the recovery process, but it can not eliminate significant long term effects from entering the labor market in a recession.[3]

Existing evidence suggests that part of the decline in earnings arises because young workers entering the labor market in a recession take jobs at worse employers than they otherwise would have had. This process is often referred to as cyclical downgrading.[4] For the average labor market entrant, this initial effect fades over time, partly as workers search for better jobs, partly as they manage to move up the job ladder at their existing employers. However, our findings suggest that the recovery process can take a long time and that it can involve continued mobility between occupations, sectors, employers or regions. As a result, some individuals never recover from the initial shock, as they settle down, buy a house, and start family life.[5]

These effects differ by education group.[6] In the short run, lower educated workers experience larger increases in unemployment than more educated labor market entrants. However, in the long run less educated individuals tend to recover faster. In fact, it is workers in the middle of the education distribution who can suffer close to permanent earnings consequences from entering the labor market in a recession; those individuals at the bottom and the top of the education distribution recover more quickly from a bad initial start.[7] Thus, more education in itself does not yield full insulation against shocks occurring in the aggregate labor market. Yet, more education is certainly beneficial as it still raises overall mean earnings and employment stability.

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[3] For an elaboration, see the sensitivity analysis and the supplementary appendix of Oreopoulos et al. (2008).
[4] E.g., Reynolds (1951), Reeder (1955), Okun (1973), McLaughlin and Bils (2001).
[5] For a more extensive discussion see Oreopoulos et al. (2008).
[6] Oreopoulos, von Wachter, and Heisz (2008), Kondo (2008a), Genda, Kondo and Ohta (2010).
[7] A similar hump-shaped pattern in the cost of economic shocks is found for displaced workers in von Wachter and Handwerker (2009).

Entering the labor market in a recession also has impacts on individuals' beliefs and other lifetime outcomes. The evidence suggests unlucky cohorts of labor market entrants tend to believe in a higher degree of income redistribution; at the same time they tend to mistrust public institutions.[8] Similarly, available evidence suggests prolonged unemployment affects the age of marriage and family formation.[9] Thus, a bad initial start can have significant and lasting effect on both career prospects and lifetime outlook of affected individuals.

Some government policies may help prevent long term earnings losses from entry in the labor market in a recession and help unlucky young individuals recover.

Generally, the evidence suggests that a faster macro economic recovery will help improve the speed of the recovery from a bad initial start. However, the adjustment of individual workers lasts well into and beyond the recovery of the overall labor market. A rising tide lifts some, but not all boats. Thus it is worth to consider cost-effective policies that directly aid recovery from starting to work in a recession.

To recover from beginning to work in a recession younger workers have to reorient their career goals. As the economy improves, changes in occupation, industry, or region will speed the recovery of earnings from a lower initial level. It is important to raise awareness among young workers that the recovery process can take a long time and may involve continued mobility. This could be done within existing infrastructure providing job search help for the unemployed, such as One-Stop Career Centers.[10] Such information could also be provided through career counselors or curricula at school, community college, and universities. In this context, young workers could also be provided with information on growing industries, occupations, or regions that is routinely generated by the Bureau of Labor Statistics or the Census Bureau.

To further aid reorientation of careers, retraining can help to provide new skills appropriate for a changed labor market situation. Support for such retraining could take several forms. Subsidies

[8] Giuliano and Spilimbergo (2009).
[9] For an overview of the literature and analysis of the long-term effects of labor market conditions on marriage and fertility, see Kondo (2008b). For additional evidence on displaced workers, see Del Bono, Weber, and Winter-Ebmer (2008).

could be given for programs involving on-the-job training, which provide work experience and direct contact with employers;[11] subsidies could be given for enrollment in Community College courses;[12] or vouchers could be provided that allow workers to choose ways to up-grade skills on the private markets – in spirit not unlike Personal Reemployment Accounts.

Finally, an important concern is that many young workers quit education in progress because they lack funds to continue to finance their training. Either parents are laid-off, or they themselves cannot find jobs to support themselves during their studies. Such a recession-induced decline in completion of education could substantially raise the cost of recessions for young labor market entrants and the economy as a whole. As a result, providing subsidies or facilitate borrowing to allowing young individuals to continue their education would be worth considering.

An advantage of some of these policies is that they can be implemented or build on within the infrastructure of existing programs. This has the benefit that some of them have already been shown to be cost-effective in existing evaluations. Moreover, they could be implemented relatively quickly.

Finally, the evidence reveals a high degree of persistence of the effect of shocks in the U.S. labor market. This persistence is likely to arise from the intrinsic working of the labor market itself. It stems, among others, from the need to accumulate job-specific skills; the time-intensive process of search for a good job match; and the presence of long-term contracting.[13] Thus, it is likely to be difficult to help unlucky young labor market entrants after the fact. The best help might be prevention. This includes efforts to prevent shocks that can cause large recessions; it also includes policies that help to prevent concentrated layoffs in the future, such as job sharing.[14]

To conclude, our best evidence suggests that strong recessions such as the current one can lead to

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[10] E.g., see Jacobson (2009).
[11] E.g., see Department of Labor (1995).
[12] E.g., see Jacobson, Lalonde, and Sullivan (2005).
[13] E.g., see, respectively Neal (1995), Parent (2000), and Pletaev and Robinson (2008); Topel and Ward (1992) and Neal (1999); and Beaudry and DiNardo (1991) and Schmieder and von Wachter (2010).
[14] See, e.g., testimonies before the U.S. Congress by Hassett (2010) and von Wachter (2010).

persistent scars for young labor market entrants. Available research shows that entering the labor market in a recession lowers earnings, raises career instability, affects individuals' believes and their family formation. These scars persist for over ten or more years, and are only partially mitigated by recovery in the aggregate labor market.

The available evidence suggests that the recovery process involves increased mobility among employers, industries, or regions. Any program aiding this adjustment process is likely to lessen the lasting effects of recessions for unlucky generations of younger workers.

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Testimony Before the Joint Economic Committee of the U.S. Congress

Avoiding a Lost Generation: How to Minimize the Impact of the Great Recession on Young Workers

Harry J. Holzer
May 26, 2010

Good morning. I would like to make four points today regarding the status of youth in the labor market, both in the "Great Recession" in which we find ourselves and beyond.

- *Even in the best of times, disadvantaged and less-educated youth suffer from low levels of education and academic achievement as well as low rates of employment and earnings, with many "disconnecting" from both school and the labor market altogether.*

American youth continue to drop out of high school at high rates, and many fail to obtain any postsecondary education. For instance, our best estimates are that about 25 percent of all American youth still drop out of high school and that another 25 percent (or a third of high school graduates) obtain no postsecondary education. Of those who attend college (2-year or 4-year), a majority fail to obtain any credential – even an occupational certificate – within six years. And all of these numbers are considerably worse among minorities and low-income youth.[1]

Employment outcomes for less-educated youth, especially high school dropouts, are very weak. In a typical month, fewer than half of adult high school dropouts are employed at all, and large percentages do not participate in the labor market. Employment rates among teens have also declined dramatically since 2000, though their school enrollment rates have not improved so much in that time period. When they do work, the earnings of high school graduates and dropouts with no postsecondary credential are quite low and have stagnated over time.

And outcomes for young African Americans, especially young men, are very discouraging. Their high school dropout rates remain well over 30 percent. Of those who drop out, employment rates and earnings are very low, unwed fatherhood is very high, and most become incarcerated before they reach age 30.[2]

- *Employment outcomes for youth have substantially worsened during this recession, and will likely remain very weak for the next 3-5 years.*

Employment and unemployment rates among teens in 2009 and 2010 have been among the worst ever recorded. Monthly employment reports from the Bureau of Labor Statistics now show teen unemployment rates average about 25 percent most months, with only about 35 percent of the population in the labor force and about 25 percent of

[1] See Heckman and LaFontaine (2007) and Bailey et al. (2005).
[2] See Hill et al. (2009) and Raphael (2010).

the population employed. Among black teens, these numbers are substantially worse - with unemployment at about 40 percent, labor force participation at 25 percent, and just 15 percent of the population employed.

Employment rates for those aged 20-24 and 25-29 are also substantially lower than in 2007, though the declines for these groups are not quite as severe as for teens.[3]

And these unemployment rates will likely remain elevated for some time. Economists project high unemployment rates for years to come.[4] Long-term unemployment is already very high, with nearly half of the unemployed having been out of work for six months or longer, and this percentage will likely rise over the next several years.

- *The high unemployment of youth over the next several years will cause not only short-term losses of income but also long-term "scarring," in terms of lost earnings capacity.*

Long-term unemployment tends to cause some erosion in worker skills, especially if their old jobs have been permanently eliminated and they need to transition to new sectors of the economy for employment.

Prof. Lisa Kahn of Yale has demonstrated that young people who graduated from college during the serious recession of the early 1980s suffered permanent earnings declines over time. While the evidence of long-term "scarring" for less-educated younger workers is not as clear, some evidence certainly exists for these groups as well.[5]

Some young people will no doubt take advantage of the recession and choose to enroll in school, understanding that the "opportunity cost" of reduced earnings while they study is lower in a recession. Indeed, graduate school applications and enrollments have a well-known countercyclical pattern. There also appears to be a large spike right now in community college enrollments, especially among unemployed adults who can return to school while they collect unemployment insurance (and maybe have Pell grants as well).

But whether this broader pattern will be observed among lower-income youth remains to be seen; and whether completion rates at both the high school and postsecondary levels will improve at all, even with rising enrollment, is unclear as well.

Finally, we have no evidence yet of higher crime rates among disconnected low-income men. Indeed, the drop in crime that has occurred nationally since the mid-1990s seems to have persisted so far. But we do have some evidence of mildly countercyclical crime rates; and, if both crime and incarceration rates begin to rise over the next several years, the "scarring" effects on victims and also on those youth who become incarcerated will be quite severe. With rising poverty rates that will also persist for many years,

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[3] See Sum et al. (2010).

[4] The Obama Administration forecasts annual unemployment rates of 10.0, 9.2, 8.2, 7.3, 6.5 and 5.9 percent over the years 2010-15 (Council of Economic Advisers, 2010).

[5] See Kahn (2009) and Gardecki and Neumark (1998).

neighborhoods of concentrated poverty may become increasingly difficult places for youth who are trying to transition to adulthood.[6]

- *Policy efforts should focus on some short-term job creation, but especially on enhancing education and training efforts(with work experience components) that will improve their labor market status over the longer-term.*

I strongly support enhanced efforts to spur additional job creation, in both the private and public sectors, with the latter heavily targeted to low-income youth.[7] I also support extensions of summer youth employment programs, but much prefer year-round programs linked to schooling or other skill-building components attached. And publicly paid "transitional jobs" for hard-to-employ groups should be expanded as well.

But high-quality education and training options for youth, and especially those who are disadvantaged, should also be enhanced. These options should be designed to address longer-term problems, but should be ramped up now while unemployment for young people is so high. And, wherever possible, these efforts should include opportunities for them to gain some type of paid work experience, at least partly subsidized by government.

For young people in high school, this means dropout prevention efforts, high-quality career and technical education options, and subsidized internships and apprenticeships. Programs that create pathways for high school students into postsecondary programs should be further developed.[8]

For young people in college – both at 2-year and 4-year institutions – a range of curricula improvements and support services could improve completion rates in both certificate and degree programs. More information and counseling about labor market opportunities need to be generated, so they wisely pick areas of concentration. In general, states need to better integrate their education and workforce development systems, and actively develop a wide range of "career pathways" based on data of which economic sectors are likely to generate strong employment demand over the coming years.[9]

Special efforts should also be made for out-of-school youth, especially those who have dropped out. These efforts might include more funding for: 1) Service employment, such as YouthBuild and the Youth Service and Conservation Corps; 2) Sectoral training efforts, like Year Up and other programs recently evaluated so positively by PPV; 3) Dropout recovery and reconnection efforts, like the National Guard ChalleNGe and the Gateways programs; and 4) Efforts to build local youth systems, like the Youth Opportunities program in low-income neighborhoods and some larger efforts like the Philadelphia Youth Network. [10]

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[6] See Raphael and Winter-Ebmer (2001) and Raphael, op. cit.
[7] See Bartik (2010) and Holzer and Lerman (2009).
[8] See Lerman (2007).
[9] See Holzer and Nightingale (2009).
[10] See Heinrich and Holzer (2010).

Several federal legislative vehicles already exist through which these efforts. President Obama's American Graduation Initiative provides grants to community colleges, which could be broadened (according to his original vision) with grants to states as well. The Elementary and Secondary Education Act (ESEA) and Perkins Act provide opportunities for programs that enhance graduation rates and labor market preparation for in-school youth, while the Workforce Investment Act could do more for those out of school.

And, while these efforts would cost some federal funds over time, the social and costs of *not* investing in our most vulnerable young people will be far greater over time. Sensible and cost-effective investments based on evidence of success, and with incentives for performance, should be made even in difficult fiscal environments. Given the state of the economy now and for the next several years, these efforts are quite urgently needed.

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Community Service Society | Fighting Poverty Strengthening New York

Testimony to the Joint Economic Committee of the United States Congress

Avoiding a Lost Generation: How to Minimize the Impact of the Great Recession on Young Workers

Presented by David R. Jones, Esq.
President and CEO
Community Service Society
May 26, 2010

Community Service Society of New York
Testimony of David R. Jones, Esq.
President and CEO

Testimony to the Joint Economic Committee
of the United States Congress
May 26, 2010

Good morning. My name is David Jones. I am President and CEO of the Community Service Society of New York, an organization that has been battling the causes of poverty for over 160 years. About five years ago, we started to turn much of our attention to the issue of young people who were not successful in school or work. We produced a report in 2005, *Out of School, Out of Work... Out of Luck?* that showed that at the nadir of the mid-aughts recession, New York City was facing an unprecedented and staggering number of 16 to 24 year olds who were neither enrolled in school, nor working: nearly 200,000 in our city alone. This represented nearly 20 percent of the youth and young adult population. And although our rates were high compared to other areas, this trend toward youth disconnection was not unique to New York City, with some reports estimating a figure of nearly 5 million young people out of work and out of school across the country.

Five years later, I have both good and bad news to report. First, the good news: more young people are returning to school in New York City. This is an unequivocal step forward. School reform efforts kept young people from leaving school, as well created a series of new school environments specifically designed for young people already at risk of dropping out – these are the programs known as Multiple Pathways to Graduation.

Now the bad news: labor market participation has only gotten worse for young people. We first reported on this trend in 2006, when one of our regular labor market reports noted that the then booming economy in New York City was helping everyone – except young people. Even though New York City (and the country) was adding jobs, young people were not just not part of the upturn, they were continuing to lose jobs.

Our recent recession has only exacerbated this dynamic, which must be viewed as a full blown crisis. Since December 2007, young adults have attained the highest unemployment rates on record: 19 percent. The situation is worse for young men (at nearly 23%), African-Americans (33%) and Latinos (24%). As the economist Andrew Sum has said: "If this happened to any other group of people, we would call it a national disaster."

Remember when I said that school enrollment was increasing? Sadly, it is not nearly proportionate to make up for the numbers of young people who are out of work. And let us remember that many young people need to work and attend school at the same time, particularly when we are talking about college. And the unemployment rates do not even show the complete picture of this crisis, in that they only show those who are actively seeking work. Far more young people have become discouraged in this labor market, and are even further on the sidelines.

Why are jobs for young people important? Considerable research has shown that workforce success is "path-dependent": having a job at an early age, makes you more likely to have it at a later age. Furthermore, studies have shown tipping points for young adults; not having a positive workforce experience by age 25 can have severely negative impacts on an

individual's chances over their lifetimes. We need to invest in helping our young people get workforce experiences now, so they can help our economy now *and* in the future.

So, what can we do? We need serious action and investment in "tried-and-true" efforts for which considerable infrastructure and expertise exists, as well as new initiatives. I will start with what we know works:

- **Fund a federal summer jobs program.** Summer youth employment is the best complement to school for young people. It gives them skills, money in their pocket, and a way to help their families. The best way to make this happen is a $1.3 billion federal summer jobs program that exists separate from other Workforce Investment ACT (WIA) funding. If we allow summer jobs to be part of the WIA youth formula, then other important WIA activities, particularly those for out-of-school youth, will suffer.

- **Reauthorize and increase funding for WIA, with a focus on expansion of initiatives for Out of School Youth (OSYs).** WIA funding, which represents one of the few resources for comprehensive workforce development programs for this population, has decreased dramatically since the inception of WIA. We should fund it at a much higher level, and turn its focus to out of school youth – far too many WIA funds are spent on in-school youth, who are best served by education funding. With the proper funding and support, OSY programs that are already in place across the country would be able to ramp up to implement such a jobs program and provide the education, training, and supports that this population needs.

CSS is part of the *Campaign for Tomorrow's Workforce*, which has developed recommendations for WIA reauthorization focused on Title I Formula Funds for Youth, particularly out-of-school youth. The recommendations come from leading organizations with experience engaging young people and implementing local WIA youth programs. These recommendations have been attached to my testimony.

I now want to discuss two new initiatives that my organization believes could have a strong impact on young people's labor market outcomes. Congress should:

- **Invest in Transportation Infrastructure Projects that Target Employment of Young People.** CSS has worked with Representative Jerrold Nadler on HR 2497, the Transportation Job Corps of 2009, a bill that would specifically target disconnected youth for basic skills training and pre-apprenticeship programs for jobs in the transit industry. The Act would create a career-ladder grant program within the Federal Transit Administration to help existing workers retain jobs in the public transportation industry, while also recruiting and preparing young adults across the nation for jobs in the transit sector. The bill already has 23 co-sponsors in the House of Representatives. The current jobs legislation that is under discussion represents the ideal opportunity to pass HR 2497. Similar programs, such as those operated by our nation's network of Service Corps, have shown strong outcomes for young people in rigorous evaluations.

- **Use HUD Funding Streams for Housing and Community Development to Maximize Job and Training Opportunities for Low-Income Individuals.** Section 3 of the 1968 Housing Act requires that HUD funds be used to leverage such opportunities. It needs to be more strenuously enforced by HUD and by local housing authorities and agencies. The

Earnings and Living Opportunities Act, now being drafted by Representative Nydia Velazquez, will strengthen Section 3 implementation and should be rapidly enacted by Congress. CSS has worked with Youthbuild, a national youth employment organization with a strong record of success, to develop a proposal for how Section 3 and other funds could support a targeted effort to provide employment programming for young adults in public housing.

I want to thank you for giving me the opportunity to speak about these issues. Please consider me and my organization a resource to your efforts moving forward. Above all, I urge you to take dramatic action on the part of our nation's young people, particularly those who have already been left behind.

Thank you very much.

Recommendations for Reauthorization of WIA Title I Formula Funds for Youth Activities
July 2009

The *Campaign for Tomorrow's Workforce* (www.campaignfortomorrowsworkforce.org) is a coalition of over 40 New York based organizations and stakeholders interested in advancing solutions to reconnect our young people to education and career opportunities that support their livelihood and contribute to our economy. Nationally, there are approximately 5 million 16 to 24 year olds across the country who are neither in school, nor working. Nearly one million young people drop out of high school each year and face limited chances of success. These youth and young adults are disproportionately low-income and of color and come from communities where their early experiences in public education are considerably weaker than what they deserve.

This is unfair to the young people who do not get equal chances to succeed; it also imposes a huge *social and economic cost* on the U.S. in terms of crime, lost economic output, and increased public expenditures. While millions of youth lack employment, employers often have difficulty finding skilled workers to fill jobs in key economic sectors, resulting in higher costs and reduced economic productivity. The issue is preparing young people for the emerging economy, building their skills and readiness. In the coming decades, the combination of industry growth and an aging workforce will produce sizeable new labor market openings in industries such as healthcare and green jobs. Young adults with the skills to compete for these jobs will be well-positioned to become "tomorrow's workforce". With a national youth investment strategy, we can make this a reality.

This document offers recommendations from youth service providers about how the Workforce Investment Act (WIA) can best support out-of-school youth and young adults to succeed in tomorrow's workforce. Other approaches – including early childhood and K-12 reforms – are necessary but not sufficient for addressing the challenge. Too many young people are already alienated from high school or have aged out of their eligibility to return to the K-12 system. While much of youth service delivery is and should be local in nature, the federal government has a key role to play in creating a vision for the system; providing resources; spurring coordination, planning, systems development, and innovation; and providing technical assistance and promoting proven and promising practices. The challenge is a national one, and it calls for a strong federal response.

Reauthorization of the Workforce Investment Act should target a goal of reconnecting 50% of out-of-school youth ages 16 to 24 to education and careers by 2015. Reconnecting millions of young people will demand vigorous efforts and coordinated investment in both the education and workforce systems for youth. It is important to continue efforts within the K-12 education system to prevent young people from dropping out and re-engage those who do, and to expand programs operated by community-based organizations that offer pathways for youth who are already out of school and unlikely to return. While our recommendations focus specifically on WIA Youth formula funds, we also support the continuation and growth of other Youth Activities funding streams under WIA Title I that contribute to a comprehensive approach to preparing youth for the workforce.

The reauthorization of WIA Title I Formula Funds for Youth Activities should achieve the following:

- **An increased overall investment** in youth workforce development and education;
- **Support for the transition to post-secondary education;**
- **A higher target for out-of-school youth** as a percentage of WIA participants;
- **Streamlined and more appropriate eligibility standards, program design guidelines, and required outcomes** that best support young people's education and development, providers' ability to achieve core goals, and offer incentives to serve those with the greatest barriers; and
- **Support for youth system performance**, including better data systems, pathways for youth, cross-system coordination, and innovation.

Our detailed recommendations for WIA Title I Formula Funds for Youth Activities are as follows:

1. **Increase Overall Investment**
   Overall WIA youth funding has dropped by more than a third since original WIA authorization over ten years ago. This has represented a corresponding cut in funding for out-of-school youth, despite the fact that the numbers in this population have increased over this period. We must make a renewed investment to serve the out-of-school youth population. Given that so many young adults ages 22-24 are ineligible to receive youth services, yet are often served by "adult" programs that are not designed for younger participants, this age group should be included in WIA youth services. This expanded target population will also require a greater overall service investment.

   We recommend an increase in the overall investment in youth workforce development and education, through a steady growth plan that reaches the goal of reconnecting 50% of disconnected youth nationally by 2015. WIA reauthorization should authorize appropriation levels of *at least $3 billion* for youth activities as follows:

   a. At least $2 billion in WIA Title I formula funds to serve youth ages 14-24; plus
   b. At least $1 billion for summer jobs program for individuals 14-24.

2. **Target More Out-of-School Youth**
   Given the high numbers of young people who are out of school and the shortage of other funding available to serve this population, we recommend increasing the portion of WIA funds targeted for out-of-school youth and high school non-completers:

   a. Require that *at least 60 percent of WIA Youth funds be used to engage out-of-school youth*, with at least half of this amount (30 percent of the total) for young people without a high school diploma or GED.
   b. In localities where the high school graduation rate is lower than the national average of 70 percent, the required portion of WIA spending on out-of-school youth should be set even higher.
   c. Create incentives, including increased per-participant funding, for engaging "hardest-to-serve" young people (e.g. high school non-completers, those with low skills, foster care youth, court-involved youth, pregnant/parenting teens and young adults, etc.).

3. **Expand and Simplify Participant Eligibility**
   The current system to determine participant eligibility is overly complex. It has resulted in the exclusion of young people who need opportunities and has become a drain on time and resources of providers at the expense of service. Eligibility certification should be effective and user-friendly for both participants and providers. We recommend:

   a. Expand eligibility to age 24.
   b. Automatic eligibility for the following groups: young people without a high school diploma, court-involved youth, individuals from the foster care system, youth with disabilities, those who qualify for TANF, free/reduced lunch, who attend/attended Title I school, or live in high poverty areas. Ensure that the systems and institutions with information that can certify a participant's eligibility in these categories can share the necessary information with each other and with service providers in a confidential manner.
   c. Increase the income eligibility to at least 200 percent of the federal poverty guidelines.
   d. Increase the waiver of income eligibility from 5% to at least 15% of participants, giving providers more flexibility in engaging young people who need opportunities. A successful precedent is the 25% eligibility waiver that has been effective for YouthBuild programs, also under WIA.
   e. Allow self-certification as an acceptable method of documenting eligibility.

4. **Improve Career and College Pathways**
Ensure that the road on which young people can reconnect to success is coherent and continuous. WIA should support the development of career pathways and bridge programs that can support young people from wherever they are on the skills continuum to college and careers.

   a. Develop clearer WIA-funded pathways/pipelines that move young people from low literacy to secondary and post-secondary education credentials and opportunities, and to family-supporting careers.
   b. Include opportunities for older, out-of-school youth to reconnect to education and training through *multiple education pathways.*
   c. Connect education/career pipelines to labor market trends and emerging sectors.
   d. Engage colleges to collaborate with CBOs to actively support young people in the transition to and through post-secondary education. Examples of the types of support needed include financial aid, and academic and career counseling.

5. **Differentiate Services and Funding to Align with Varying Needs of Youth**
It is important that organizations that engage youth are incentivized to provide appropriate services to youth with distinct needs. Providers should be able to offer comprehensive programs that combine education, training, work experience, leadership development and community service, stipends, support services, and meaningful follow-up services. Programs should have the flexibility to cater their services to particular groups or a range of young people, as long as they meet required outcomes. WIA reauthorization must support program design as follows:

   a. For out-of-school youth, there are different service options for young people with distinct needs, skills, and developmental stages, for example:
      - Youth without a high school diploma or GED with low skills levels (below 8th grade)
      - Youth without a high school diploma or GED with skill levels of 8th grade or above
      - Youth with a high school diploma or GED with varying skill levels
   b. Providers should receive more funding to serve low-skilled youth and have the option to engage them for up to 2 years. WIA should strongly encourage states and localities to allow for service length as needed and not require program exit after only one year. To justify continued service, participants should demonstrate progress during year one. Allowing for a flexible period of engagement while tracking progress will ensure that participants at any level are able to achieve the outcomes needed to be successful in the workforce.
   c. Allow for individualized sequencing of program components and outcomes, without any prescribed order. Providers need flexibility to assist youth to achieve outcomes in the way that best meets their particular needs and interests. For example, some young people will need to increase basic skills before working, while others will need to work immediately and still others will pursue several program components at once.
   d. Allow for funding levels that support follow-up and transitional support after participants complete the program, as determined by providers. Participants should also be able to transfer between programs without service providers being penalized.
   e. Programs that work with the lowest skilled youth (below 8th grade levels) should be rewarded with a bonus payment of 25% of the cost per participant for each participant that achieves an education or workforce outcome. This strengthens a program's financial incentive to help youth and young adults most in need of services.

6. **Apply Interim Measures to Recognize Progress and Engage Lowest Skilled Youth**
WIA should apply outcome measures that recognize that educational skills are essential to workforce preparation and that encourage providers to serve youth with the greatest skills deficiencies. The system should recognize that young people need educational advancement, starting with basic literacy and numeracy skills as well as soft skills and work experience, in order to succeed in the labor market. A sensible evaluation structure would allow providers the flexibility to: 1) determine the appropriate sequence of activities and outcomes to match the needs and interests of each individual young person; 2) demonstrate participant success and progress toward education and/or employment outcomes, recognizing the value of both.

Many states have adopted the federal Common Measures. While the Common Measures reflect outcomes that all participants should achieve, lower skilled individuals will require more time to reach them. Programs should be able to offer services for more than one year to help low-skilled participants reach the common measure outcomes. Therefore, we recommend the following measures as indicators of progress and skills building attainment. This will encourage states/localities to pay/reimburse providers for attainment of certain interim educational outcomes.

Population	Interim Education Outcomes	Interim Workforce Outcomes
Out-of-school youth without a high school diploma or GED, with reading and math levels **below** 8th grade	Any of the following: a) Demonstrate literacy and or numeracy gains by at least one educational level at the end of the first year of WIA-funded programs and services. b) Re-enroll in high school for at least one academic year. c) Enroll in GED classes (if one has shown necessary literacy and/or numeracy gains). d) Attain an industry recognized credential.	Participate in an internship or job (part-time or full-time) for at least 3 months; and Prepare a portfolio for use with employers in job attainment.
Out-of-school youth without a high school diploma or GED, with reading and math levels **above** 8th grade	Any of the following: a) Demonstrate literacy and or numeracy gains by at least one educational level at the end of the first year of WIA funded programs and services. b) Re-enroll in high school for at least one academic year. c) Attain a GED diploma within the first year of services. d) Attain an industry recognized credential.	Participate in an internship or job (part-time or full-time) for at least 3 months; and Prepare a portfolio for use with employers in job attainment.
Out-of-school youth entering *with* a high school diploma or GED	Common Measures, redefined as follows: a) Retention in paid employment or advanced/occupational skills training for at least 6 months; OR b) Retention in post-secondary education for at least two full semesters.	

7. **Develop Geographic Strategies**
   Provide for some (but not exclusive) focus on developing geographic models that saturate high-poverty areas with enough resources and a coordinated approach to significantly increase employment and education levels in these communities.

8. **Support Innovation**
   A national fund (or a portion of each State allocation) should be earmarked to target and support programs models developed by providers to reach populations with exceptional barriers to success (e.g. youth in foster care), and which are not prescribed by State and local government. This offers flexibility in achieving desired program outcomes, while being attentive to the particular circumstances of young adults.

9. **Strengthen Governance and Increase Coordination**
WIA should continue to bring various actors together for local decision-making. Reauthorization should also incorporate stronger youth representation and more emphasis on combining usage of WIA Title I and Title II funds to support comprehensive programs. We support the following elements of WIA oversight:

   a. Youth Councils to coordinate cross-sector approach to youth system.
   b. Involve business, secondary education, and post-secondary education as core partners in the WIA youth system.
   c. Ensure youth participation in governance structure. Require Youth Councils to have several youth representatives with full membership.
   d. Examine how to coordinate and/or blend WIA Title I youth funding with WIA Title II (adult education) to allow for intensive literacy components to be part of young adult workforce programs.

10. **Link Summer Jobs to Year-Round Engagement**
WIA should include a summer youth employment program designed to work for older out-of-school youth by structuring it as a bridge to longer term engagement in employment, skills development and pathways to continuing education and careers. Out-of-school youth who participate in the summer jobs program should be able to transition to a year-round program at the end of their summer job experience, where they can remain engaged and continue to build their skills. Proper planning must occur to ensure that there are enough year round slots for older out-of-school youth to transition into after their summer job experience.

Campaign for Tomorrow's Workforce Endorsers

The following organizations are formal endorsers of the *Campaign for Tomorrow's Workforce*:

Arbor E&T
Building Blocs Foundation
CAMBA
Center for Employment Opportunities
Center for an Urban Future
Children's Aid Society
Children's Defense Fund - NY
Civic Strategies, Inc.
Claremont Neighborhood Center
Coalition for Asian-American Children and Families
Coalition of Behavioral Health Agencies, Inc.
Community Service Society of New York
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FEGS Health and Human Services System
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JFK, Jr. Institute for Worker Education, City University of New York
JobsFirst NYC
Neighborhood Family Services Coalition
New Heights Neighborhood Center
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New York Immigration Coalition
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Queens Community House
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St. Nicholas Neighborhood Preservation Corporation
Turning Point
United Neighborhood Houses
University Settlement
Workforce Professionals Training Institute
Year Up, Inc.
Young Gents Society
Youth Action Programs and Homes, Inc.
The Youth Development Institute

The Campaign for Tomorrow's Workforce is coordinated by United Neighborhood Houses, Neighborhood Family Services Coalition, and the Community Services Society. For more information, contact Anthony Ng, UNH at 212-967-0322, x329, ang@unhny.org; Sierra Stoneman-Bell, NFSC at 212-619-1666, sierra@nfsc-nyc.org; Lazar Treschan, CSS at 212-614-5396, ltreschan@cssnyc.org.

"Avoiding a Lost Generation: How to Minimize the Impact of the Great Recession on Young Workers"
CVS Caremark Testimony at the Hearing of the Joint Economic Committee (JEC)
May 26, 2010

Good morning Chairwoman Maloney, Senator Schumer and members of the Joint Economic Committee. I am Steve Wing, Director of Workforce Initiatives for CVS Caremark. Thank you for inviting me to speak to you today about CVS Caremark's experience developing programs to train disadvantaged youth for careers at our company.

But first, I'd like to tell you a little about CVS Caremark. We are the leading pharmacy health care company in the United States, and have more than 7,000 CVS/pharmacy stores and 211,000 employees across 44 states, the District of Colombia and Puerto Rico. Our colleagues demonstrate a shared passion for customer service and a commitment to creating a better future for health care in America. The various job positions at CVS/pharmacy stores range from pharmacist and pharmacy technician to store manager, photo lab technician, beauty advisor, store greeter and cashier.

An integral part of our mission is our investment in our workforce and the communities we serve. CVS Caremark has built a track record not only as a great place to work, but as a company that has developed a true specialty in the area of job creation and workforce development. Partnering with federal, state and local officials, with local nonprofit groups focused on job training and with the deans of pharmacy schools and others in higher education, we have developed programs that are recognized nationally as models for recruiting and training

colleagues from all walks of life and for building true career paths in the communities where our facilities are located.

Our investment in training is especially critical now as we, along with many others in the retail industry, feel the pinch of two seemingly contradictory labor trends. With the retiring of Baby Boomers, and a growth in demand for health care as the U.S. population ages, CVS Caremark is facing high demand for supervisory and management staff and pharmacists. But within our current national workforce, an absence of key basic academic and workforce skills makes it difficult for many entry-level employees to advance to management positions and build rewarding careers. By enabling both our new hires and our current colleagues to gain these critical skills while they train for advancement, we are creating "on ramps" to employment and helping employees develop essential workforce skills they need for promotion within the organization – whether for management positions or to become pharmacy technicians and pharmacists.

Pathways to Pharmacy

We are also reaching out to disadvantaged youth to help them take their first step toward a career in pharmacy, through our Pathways to Pharmacy program. Founded in partnership with the America's Promise Alliance of community groups and schools in 2000, Pathways to Pharmacy has surpassed its goal of introducing 1 million children to pharmacy as a potential career. We have also reached our goal of generating $4 million in summer internship wages for high school students. Our summer internship component of Pathways to Pharmacy serves more than 1,800 teenagers in more than 40 cities each year – and last year we expanded the program to include

new markets in Tennessee, North Carolina, Ohio, Texas and Indiana. The summer programs across the country run six to eight weeks, where high school students spend the first weeks learning about customer service and the field of pharmacy in a classroom setting, and the last weeks gaining hands-on experience while interning at CVS/pharmacy stores. In many cities, the program also partners with professors at the local college of pharmacy so that students may get a glimpse of what pharmacy school is like, and the practical steps that are necessary to get there. Following their paid internships, students are eligible to continue working at CVS/pharmacy and to work toward a national certification to become a pharmacy technician. CVS/pharmacy also offers various training opportunities to help its employee's progress in their pharmacy careers to become pharmacy technicians and pharmacists. Ultimately, the program creates opportunities for future employment with CVS Caremark.

In fact, many graduates of the Pathways to Pharmacy summer internship program are pursuing degrees in pharmacy and/or are currently working at CVS/pharmacy stores. One example is 20-year-old Veronica Vergara, who participated in Pathways to Pharmacy in Chicago four years ago, the summer before her senior year in high school. While interning at a CVS/pharmacy store, she says the pharmacists went out of their way to teach her about pharmacy, mentor her, and answer her questions about pharmacy school. She fell in love with the profession, and is currently a junior at the University of Illinois at Chicago, with definitive plans to enroll in a four-year pharmacy school after she graduates. She has also continued working at the same CVS/pharmacy store since her internship; she started as a pharmacy sales associate and then studied to become a certified pharmacy technician, her current position, and she works 20 hours a week in between classes.

Veronica says that before her internship at CVS/pharmacy, she never would have even thought of becoming a pharmacist, but now thanks to the mentoring and support from CVS she finds herself on a solid career path in a profession she loves, where she is able to interact with and help many people in her community every day.

Pathways to Retail Careers

CVS Caremark has also recently piloted a "Pathways to Retail Careers" program in Boston and Detroit focusing on high school dropouts and people who have obtained a GED. Working with several partners including WorkSource Partners, as well as our own CVS Caremark Regional Learning Centers, we provide six weeks of intensive training in a classroom setting. The training was designed so that it incorporates critical workplace skills as well as CVS-specific training. In addition, the young people have a mentor and social supports to help ensure their success. Following the classroom-training period, the young people apprentice in a CVS store, where they have the chance to practice what they have learned. At the same time, the managers have the chance to see what kind of employee the young person will be before making a hiring decision. In the second phase of the pilot, once the young person is an employee, we have designed a set of tools that they can use to continue their skill development (online training and on-the-job training) so that in conjunction with their manager they can continue on a career path. The mentor continues to check in with them and help them trouble shoot any challenges that may arise.

The Pathways to Retail Careers pilot program is showing early promise, with young adults making successful transitions to work in both Boston and Detroit. In Boston, for example, among those successfully completing the pre-employment training, 86 percent have secured jobs, and 79 percent of those remain employed. That retention rate far exceeds the company's average. And from the important perspective of CVS/pharmacy store managers, the investment is paying early dividends. Almost uniformly, company officials report that youth from the pilot program are much better prepared for entry-level positions than other job candidates. We developed this pilot with support from the Kellogg Foundation's New Options Initiative. CVS Caremark plans to work out the kinks in these first two markets, and roll out the program regionally and ultimately nationally.

CVS Caremark Regional Learning Centers

Supporting this and many other workforce programs are our CVS Caremark Regional Learning Centers. In partnership with local One-Stop centers, we have developed a training program for new entry-level employees and first-level managers that simulates on-the-job roles and responsibilities in a replica of a CVS/pharmacy store. At the seven CVS Caremark Regional Learning Centers in six cities, employees are trained on curriculum developed by the National Retail Federation (NRF) with an emphasis on customer service and skills that prepare them for a career path ranging from entry-level to pharmacy assistance and technician positions. Incumbent workers receive training to help them move up the career ladder. A recent study found that the learning centers have a positive impact on employee retention, advancement, completion of certifications, and sales.

For example, CVS/pharmacy partnered with the District of Columbia Department of Employment Services to open the South Capitol Learning Center here in Washington, DC in 2001. The Learning Center features a One-Stop job center for unemployed D.C. residents and a training center for CVS employees. CVS offers the ultimate recruitment incentive to local job seekers that visit the Learning Center – a guaranteed job if they qualify for public assistance funds and complete one of the on-site training programs.

The training prepares entry-level employees for their first jobs at CVS stores and helps current employees improve their skills and obtain higher-paying jobs within the company. At the training center, employees learn to use a cash register, develop photographs, shelve merchandise, and assist in the pharmacy at the center's freestanding mock store. Program costs are shared by CVS Caremark and the District of Columbia through public Welfare to Work funds and workforce investment dollars.

When scaling up our various workforce programs to other markets, CVS Caremark has found that the most difficult task is identifying the key players, given that they are not the same in each market. We have learned that it is critical to develop partnerships with a range of local government agencies, faith-based groups, community colleges and other interested parties. And it is important to develop a detailed corporate plan first, and then share the plan with potential partners so that they fully understand a program's details, what is expected of them, and how the program may further their own objectives.

We feel that Congress needs to pass the Workforce Investment Act while focusing on the largest areas of youth unemployment, and concentrate on developing employment opportunities in those markets. I am on the board of directors at Corporate Voices for Working Families. Corporate Voices is a key player in working with businesses, and they have dedicated themselves to youth employment opportunities. They have completed a case study on CVS Caremark's role in helping out-of-school youth through our Pathways to Retail Careers pilot, and I'd be happy to share this case study with anyone who's interested.

Thank you Chairwoman Maloney, Senator Schumer and members of the Committee. We appreciate this opportunity to tell you about our experience recruiting and training young adults from all backgrounds for careers at CVS Caremark.

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CASE STUDY
CVS/Caremark

CVS/Caremark *Pathways to Retail Careers*

A Pilot Program of New Options@Work

A Complicated Labor Market

The retail sector has long been a driving force of our nation's economy and its largest employer, with more than 15 million jobs in 2009. Despite the far-reaching economic slowdown of the last two years, the retail trade and sales fields are projected to grow by between 4 and 8 percent in coming years, adding an estimated 1.6 million new jobs by 2018. Together, they will remain a dominant source of employment and a significant source of employment growth in the United States.

At the same time that retailers and other employers need reliable workers, young Americans in need of jobs have seen their employment prospects collapse. Young adults (aged 16 to 24) have been among the hardest hit during the recent recession. Labor participation for this age group — already lower than for any other cohort of Americans — has dropped to 54 percent in the last two years, the lowest level since just after World War II.

Within this population is a large cohort of so-called "disconnected" youth — young people between 16 and 24 who have no meaningful attachment to school *or* the labor force and typically few family supports to help them navigate the transition to adulthood. Troubling in the short term, the cost of this lost work experience is compounded over time as these individuals lose out on both future earnings and the chance to take the first step up a career ladder.

And broader trends are complicating the picture. Not only are there far fewer young people entering the workforce to fill the gap left as Baby Boomers start to retire, but also millions of those in line are ill-prepared for the demands of productive and rewarding work. In research by Corporate Voices and others, employers reported that 42 percent of their newly hired high school graduates lacked the basic skills they need to succeed in the 21st-century economy. Even among recent college graduates, only 24 percent had an "excellent" grasp of basic knowledge and applied skills. It's surely no surprise that younger Americans who fall short of employers' expectations will fare the worst and be in the least favorable position once the U.S. economy rebounds.

As one of the nation's leading retailers, CVS/Caremark is feeling the pinch of these seemingly contradictory labor trends. The company is facing critical shortages of supervisory and management staff to address the projected growth in demand. But within its current workforce, an absence of key basic academic and workforce skills makes it difficult for too many entry-level employees to advance to management positions and build rewarding careers. By enabling both its new hires and its current associates to gain these critical skills while they train for advancement, CVS believes it can create "on ramps" to employment and help employees develop essential workforce skills they will need for promotion within the organization.

One Innovative Solution

CVS/Caremark and WorkSource Partners, Inc., with generous support from the W.K. Kellogg Foundation's New Options@Work project (formerly the New Options Initiative), have designed an innovative training "pathway" to help disconnected

> "It is clear that we are facing near- and long-term talent shortages, and, as a result, we cannot afford to waste any potential resources. 'Disconnected' young adults represent a great untapped source of talent — and with support and appropriate training they will become resources for our company, our communities and our country."
>
> *Steve Wing, Director of Workforce Initiatives, CVS/Caremark*

Corporate Voices for Working Families

young adults and other employees enter the retail field and build a rewarding career. The ***Pathways to Retail Careers*** program represents an early but promising model, one that is achieving demonstrable success helping a small group of young adults overcome serious and varied barriers to steady employment. Significantly, this program closely reflects a model alternative career pathway (illustrated on page 3), which was developed by Corporate Voices for Working Families and its partner companies, including both CVS and Worksource Partners, in collaboration with the New Options Employer Stakeholder team.

The approach combines academic and workforce skill development so critical for entering the workforce as well as career advancement. It integrates job training, mentoring and post-placement career development supports with a work-based learning curriculum — a combination designed to give young adults both the workplace skills and academic competencies required to thrive as employees at CVS or elsewhere in the working world. At this writing, the program is being piloted in two major metropolitan markets: Boston and Detroit. **This case study focuses on the on-ramping phase of the pilot, providing an overview of the range of activities during pre-employment up through job placement.**

In Boston, that effort builds on a longstanding collaboration between CVS and Jewish Vocational Service (JVS), with WorkSource Partners playing an invaluable role coordinating all aspects of the pilot. JVS, a highly respected provider of career training and support for diverse workers, is the lead academic partner, taking primary responsibility for job-readiness training instruction and academic remediation as students progress through the program and once they land jobs. WorkSource Partners has been engaged each step of the way: designing the initial pilot, working with CVS and JVS to develop a curriculum that integrates CVS goals into skill training, coordinating outreach to community-based organizations to recruit young adults, heading up the important assessment process, and serving as a liaison between participants and the local CVS managers. Moreover, WorkSource Partners guides overall program management, providing constant oversight and steering course corrections as the partners learn which program elements are working and which need refinement.

In Detroit, a similarly strong partnership has been forged between CVS, WorkSource Partners and The Guidance Center, a prominent social service provider with a track record of collaboration with CVS in the Detroit metropolitan area.

Boston and Detroit were chosen as pilot locations in part because CVS/Caremark operates two of its most active Regional Learning Centers in these markets. In both communities, the existing infrastructure and the expertise of the centers' staff and managers represent invaluable resources that can be leveraged for the *Pathways to Retail Careers* pilot. Considered a "touch point" in the pipeline, the Regional Learning Centers coordinate all communication between the young program participants and dozens of CVS store managers in each region. More information on these innovative training hubs run by CVS and on the numerous other resources the company has committed to the pilot program is contained in this case study.

Who It Is Serving

By design and intent, the retail training program has targeted a population of young adults with very significant life challenges and barriers to success in a traditional work environment. Phase One of the pilot has focused on out-of-school youth in Boston and Detroit. About a quarter of the participants dropped out of high school; 71 percent earned a high school diploma or GED. In addition, a number have been or are currently homeless, living in shelters or on a relative's couch. Others are young single mothers, struggling to balance work and child care with few financial resources. At least one participant in each city is a transgendered youth with multiple social and economic barriers.

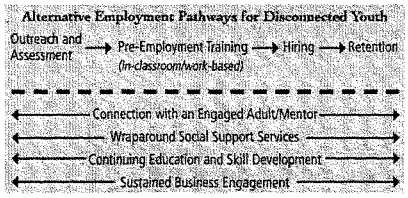
The program is committed to serving some of the neediest members of a broader population of disconnected youth. While that makes success all the more important, it also means that those involved in implementing the effort have had to be realistic about what it will take for participants to make progress — and about how to measure "success."

> "As an employer, we see *Pathways* programs as a way to hire and train an underutilized pool of entry-level applicants that we can grow through our company to meet future staffing demands. We are also committed to hiring from the neighborhoods where we do business and training individuals not just for jobs, but for long-term careers in retail and pharmacy."
>
> *Steve Wing, Director of Workforce Initiatives, CVS/Caremark*

How It Works: Progress along a Pathway

The *Pathways to Retail Careers* program comprises two main phases: a pre-employment stage and a post-placement stage. Though this case study focuses on the key steps leading up to employment, it is important to consider these steps as part of the full continuum of supports envisioned by the program model. That model is the outgrowth of careful consideration by a group of employers convened by Corporate Voices for Working Families to participate in the New Options Employer Stakeholder team. The working group included senior representatives from CVS/Caremark and WorkSource Partners, as well as Accenture, Bright Horizons, Connect EDU, Deloitte, HEB Groceries, Marriott and the TJX Companies.

The employers were asked to design a strategy that would provide a bridge between disconnected young adults and employers with career path employment opportunities. Companies identified some of the biggest barriers that young people face entering and advancing in today's workforce. Those barriers included their limited skill levels (both academic and workforce), perceptions about their interest in and capacity to fit in the corporate culture, and a range of life challenges interfering with a young adult's ability to be a reliable employee, among others. They then agreed on key strategies to address those challenges, including a set of critical supports that could ideally be provided by community partners with select expertise. The schematic below depicts the four main stages of the pathway (above the dotted line) and the four critical areas of support (below the dotted line) that must be provided to maximize success.



The CVS *Pathways to Retail Careers* training program was designed to address key challenges including actual skill level of the young adults as well as *perceptions* about their ability to integrate into the workplace and perform on the job and to provide necessary supports at each important step along the way. Efforts to date are discussed in the next section.

Outreach and Assessment

In early 2009, WorkSource Partners began by identifying potential referral sources for recruiting program candidates. The organization developed program fact sheets, flyers and other promotional materials to distribute to a wide range of programs in the greater Boston area where older teens and young adults might be looking for work. The process continued as WorkSource Partners staff made contact with more than 100 community-based organizations, out-of-school youth programs, adult education and training programs, and one-stop career centers. As these numbers suggest, this task has been more challenging than anticipated. WorkSource Partners reports that its recruiters have had to cast a very wide net across community partners to find the "right" cohort of youth for the pilot program. Although early outreach was slower than expected, the task has become easier as the program established credibility and the first class of participants quickly secured job placements. "Our success is breeding more community engagement," report WorkSource Partners staff, who believe that word-of-mouth endorsements of the program have helped raise interest among two key audiences: social service agencies who can refer likely candidates and the program candidates themselves.

> "Employers are increasingly critical of the lack of employability skills among young workers and their poor work behavior, but they can only gain such skills through work itself. No demographic group is in more need of immediate job opportunities than teens and young adults."
>
> *Andrew Sum and Joseph McLaughlin, Center for Labor Market Studies, Northeastern University*

After initial outreach was made, a more formal *recruitment* process has involved individual efforts by WorkSource Partners staff to select candidates for the *Pathways to Retail Careers* pilot. Key activities have included conducting information sessions, leading presentations for Workforce Investment Board youth program coordinators and following up with each organization for referrals.

When program managers identify participants, each one has undergone several levels of *assessment* before final admission to the program. First, an in-person interview with WorkSource Partners is designed to evaluate overall behavior and suitability for the training program. The interview is usually followed by CVS's standard employment eligibility test, UniCru, meant to identify other risk factors. Only after candidates meet these two hurdles are they sent on to CVS's Regional Learning Center in Boston or Detroit, where they face a final job interview with one or more CVS hiring managers.

> "Our job was not just to put together another pre-employment program. What's different about this effort is we're working to disrupt the systems that have long served as barriers to success for these aspiring young adults."
>
> *Neil Silverstein, WorkSource Partners, Inc.*

Pre-Employment Training

Beginning in March 2009, the first cohort of young adults enrolled in the pilot program and then began a six-week work readiness program centered on a *contextualized retail training curriculum*, overseen and conducted in Boston by JVS and in Detroit by The Guidance Center. In both cases, the training experts work very closely with CVS staff, again through its Regional Learning Centers, whose intensive input has informed every part of the program design.

The curriculum — which has been evolving in response to feedback from CVS managers — blends company-specific, entry-level training and applied academic instruction. Each participant works at his or her own pace under the guidance

of a learning coach. And each pursues a range of basic academic competencies he or she is likely to need on the job — including reading comprehension and computational math — through an academic software program called KeyTrain. Along the way, progress is assessed using a related tool called WorkKeys, and more work or remediation is provided where gaps are seen. At the end of the classroom-based training period, students who successfully complete the WorkKeys assessment earn the WorkKeys Career Readiness certificate — a kind of "seal of approval" demonstrating to CVS or other employers that they have mastered the skills needed to succeed in the workplace.

The classroom-based training modules, delivered through CVS's internal e-learning system for job training and promotion called LearnNet, include a combination of the following:

- Workplace skills for the 21st century;
- Team building, communication and professionalism;
- Problem solving;
- Computer literacy;
- Financial literacy;
- "The World of Work" — importance of punctuality and reliability; and
- Career development workshops.

Students also are introduced to requisite CVS customer service, cash register and photo lab skills throughout the training, with real-world examples integrated into written assignments, case studies, simulations and group projects.

Toward the end of the training program, each participant secures a short-term, unpaid internship at a CVS store. Interns are expected to "shadow" store associates and managers to observe all functions of the retail and pharmacy operations. Boston and Detroit have been experimenting with the internship schedule; currently, managers believe a part-time internship of two full days each week for several weeks — while classroom training continues — is the most successful approach.

Learning and Training in Context

Students in the CVS *Pathways to Retail Careers* pilot benefit from a specialized training program with these key characteristics:

- **Contextual** — Classroom and online exercises are grounded in the real-life demands of CVS employees as articulated by managers in the curriculum design.
- **Relevant** — The classroom training was intentionally designed to translate to academic credits to help students onto a path of academic advancement. Some participants are working toward a GED. Those with high school credentials will have the option of securing college course credits through a new partnership with Bunker Hill Community College.

Hiring and Retention

Once they have successfully completed this pre-employment preparation, participants in the pilot program have begun moving into part- and full-time employment at CVS. While the hiring and retention phases of the *Pathways to Retail Careers* pilot will be documented in a future case study, it is worth noting that the program envisions an ambitious array of supports to ensure success for disconnected youth once they are employed. For the early cohorts of program participants, these already include the following:

- **Post-placement support, coaching and education** — After job placement, new hires will continue to work under the close supervision of their learning coach and a job mentor, typically a CVS store manager who remains their primary point of contact in the workplace.
- **Individual post-placement career development** — The new employees also will be encouraged to set and pursue career and educational goals they have identified in an individual development plan (IDP). They'll be offered work-based learning opportunities to prepare them for managerial training as well as college-level coursework.
- **Opportunity to earn college credit** — As individuals gain work experience and follow their IDPs, they will qualify to earn college credits toward an associate degree at Bunker Hill Community College.

Underpinning the Pathway: Needed Supports

The CVS/WorkSource Partners pilot intentionally addresses each of the key challenges to workplace success that were articulated by employers over time. Similarly, the program strives to address the important supports — the structural beams — that employers determined were needed to increase the odds of success.

Connection with an Engaged Adult/Mentor

From the beginning of the pre-employment process through the internship and hiring phase, each young participant is assigned a career coach who helps resolve barriers that often arise in the students' homes, in their social circles or at work. At other stages along the way, students work closely with a learning coach, as well as with a workplace mentor assigned by CVS. Even in the early pilot phase, the experts at WorkSource Partners and in the CVS stores alike agree that

this dedicated, one-on-one coaching is critical to the success of the new students.

Wraparound Social Support Services

Recognizing the range of barriers facing many of its young program participants, WorkSource Partners regularly steps in to help students with social supports including child care and emergency financial support. This kind of backup problem-solving is critically important to CVS supervisors and store managers, who don't want to be reminded that they are taking a potential risk by hiring from the disconnected youth population. Students have virtual round-the-clock access to a program director at WorkSource Partners, who is their first point of contact when an urgent need arises. They can reach the director by cell phone at any time while she monitors them — and she intervenes immediately if they stumble or stray from their pathway.

Key Support for Disconnected Young Adults

- One-on-one mentoring during pre-employment training and post-placement
- Broad case management to help students resolve barriers at home as well as at work
- Help navigating the social service system to access child care, housing, transportation and tax credits for which they are eligible
- Direct assistance (e.g., transportation vouchers or child care referral, if provided by employer)
- Proactive check-ins by mentor or coach if student misses training or work

Continuing Education and Skill Development

As the *Pathways to Retail Careers* program moves into its second phase, Corporate Voices intends to document the important area of support of continuing education and skill development. At this juncture, however, there is no question that CVS and WorkSource Partners share a strong commitment to creating a pathway for young participants that advances both their career options *and* postsecondary success. Once a participant is successfully placed in a job, the program offers continued career development, academic coursework and other learning activities. These efforts are customized to each young person's needs and guided by an IDP. Working toward clear milestones written into his or her IDP, the new employee will demonstrate core workplace and retail skills and an overall readiness to advance within CVS. The ultimate goal is to create a portfolio of on-the-job experience and skills that translate into 12 college credits, to be applied toward an associate degree program at Bunker Hill Community College.

> "Going into this, we weren't really sure what to expect, but the program has been a great success because we've been able to source candidates who we really impressed our store managers. That's been a really pleasant surprise."
>
> *Richard Lafferty, CVS Regional Learning Center, Boston*

Sustained Business Engagement

It should be no surprise that employer engagement is an essential determinant of success in any program of this kind. From the earliest conceptual stage of the pilot program through its current practice, CVS managers have been leaders in this effort — helping with program and curriculum design; leveraging the resources of their Regional Learning Centers; working closely with WorkSource Partners, JVS in Boston and The Guidance Center in Detroit; and devoting considerable personal time to everything from on-the-job mentoring to attending graduation ceremonies for incoming associates. In this case, the leadership team has included CVS's national director of workforce initiatives, the manager of workforce initiatives for the Northeast Region, staff from the company's Government Programs team, managers of the Boston and Detroit Regional Learning Centers, and their fellow directors of human resources. From the company's perspective, this level of corporate and individual engagement is justified by the anticipated payoff over the long term.

Conclusion

The CVS *Pathways to Retail Careers* pilot program is showing early promise, with young adults making successful transitions to work in both Boston and Detroit. CVS, in partnership with WorkSource Partners as the intermediary and JVS and The Guidance Center as training partners, has developed an employer-led, alternative pathway approach demonstrating that with the right set of training, supports and business engagement, it is possible to tap valuable talent from the most vulnerable among the young adult population.

Of the 65 young people who have begun the first three cohorts, 71 percent have successfully completed the training, and approximately two-thirds have been successfully placed in part- or full-time jobs in Boston or Detroit CVS stores to date. (Initial placement is ongoing in Detroit, so those numbers will increase.) In Boston, the preliminary results are most encouraging: Among those successfully completing the pre-employment training, 86 percent have secured jobs, and 79 percent of those remain employed at this writing. That retention rate far exceeds the company's average.

And from the important perspective of CVS store managers and Regional Learning Center staff, the investment is paying early dividends. Almost uniformly, company officials report that youth from the pilot program are much better prepared for entry-level positions than other job candidates. They credit WorkSource Partners and its training providers for "really understanding the kind of people we're looking for" and sending only the best-suited candidates to store managers for consideration.

CVS and WorkSource Partners are already exploring how to take the lessons learned from this pilot program and translate them into scalable strategies to provide on-ramp opportunities for disconnected young adults and new talent streams for the company. In addition, the partners are continuing work to integrate on-the-job training and work-based learning with educational opportunities so that the young adults acquire critical skills and postsecondary credits that are essential for career advancement.

Employers: A Starring Role

The success of the *Pathways to Retail Careers* pilot will depend greatly on the commitment of its founding employer partner, CVS/Caremark. By extension, any successful effort to assist disconnected youth seeking a pathway to advancement will require a sustained commitment from other employers hoping to access a new talent pool. Here are a few of the many ways that CVS has engaged its staff, corporate resources and time in this effort to date:

- Collaborate with training providers to shape curriculum to meet company's hiring expectations, standards and workforce needs;
- Provide individual mentors for each participant, either a store manager or Regional Learning Center supervisor;
- Commit to providing job internships for any participant who successfully completes the training program;
- Supervise and assess interns and provide daily feedback;
- Work with individual store managers to create buy-in for the program's goals and for hiring its graduates;
- Engage with community colleges of trade to secure recognition/credentialing of the training program; and
- Generally promote, recognize and champion program successes among fellow employers and across the broader community.

About CVS/Caremark

http://info.cvscaremark.com/community/building-futures

Through its unmatched breadth of service offerings, CVS/Caremark is transforming the delivery of health care services in the United States. The company is uniquely positioned to effectively manage costs and improve health care outcomes through its 6,500 CVS/pharmacy stores; its pharmacy benefit management, mail order and specialty pharmacy division, Caremark Pharmacy Services; its retail-based health clinic subsidiary, MinuteClinic; and its online pharmacy, CVS.com.

About CVS's Regional Learning Centers

In 2001, CVS/pharmacy joined forces with a one-stop career center in Washington, DC by adding a CVS Regional Learning Center inside the center — creating the first government/corporate one-stop partnership in the nation. Since then, the company has opened eight more Regional Learning Centers in major cities and installed in each one mock CVS stores, in which specialized training is delivered to both new hires and current company associates. The Regional Learning Centers match job seekers with permanent employment opportunities at CVS retail stores and elsewhere in the communities they serve. CVS documents several important benefits from its investment in the centers, including a better-trained workforce, higher employee retention, greater diversity within its workforce, improved customer service and an enhanced reputation as a good corporate citizen.

About WorkSource Partners, Inc.

http://worksourcepartners.sharepointspace.com

WorkSource Partners' mission is to invest in the enormous potential of entry-level workers, enabling individuals and companies to achieve extraordinary growth. We seek fundamental change in the way companies invest in and develop their employees. We believe that investing in human capital can yield significant business returns. Excellent companies will set new standards as learning and teaching organizations in which education is embedded in the workplace and every individual has the opportunity to grow, and in which managers and employees are jointly engaged in individual and organizational success.

About New Options@Work

www.wkkf.org

New Options was launched to address the problem of how the more than 4 million disconnected young adults in the United States can access new pathways that will lead them to living wage jobs and careers. New Options is an initiative of the W.K. Kellogg Foundation that establishes a new platform for disruptive, positive change in the Work Force Development/Youth Development space.

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Corporate Voices for Working Families

About Corporate Voices for Working Families

Corporate Voices for Working Families is the leading national business membership organization representing the private sector on public and corporate policy issues involving working families. A nonprofit, nonpartisan organization, we improve the lives of working families by developing and advancing innovative policies that reflect collaboration among the private sector, government and other stakeholders.

Find Out More

Publications, research studies and toolkits on a host of workforce readiness, flexibility, family economic stability, and work and family balance issues are available on the Corporate Voices Web site at **www.corporatevoices.org.**

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year up

empowering urban talent to reach their potential

"Before attending Year Up, I was a completely different person from who I am now. I didn't have the necessary professional skills to work in a corporate environment and my English skills were very poor. My experience at Year Up made an enormous impact on my life. I now have the skills to work at a great company and am able to speak English fluently. More importantly, I have clear goals for my future. I want to keep growing in my career and become the first member in my family to earn a college degree."

Wilson Correa, Year Up Graduate
Financial Coordinator
Partners HealthCare

Challenges Facing Urban Youth

More than 70% of low-income, young adults leave high school without a path toward either a post-secondary degree or a livable-wage job, all but guaranteeing they will struggle to earn a family-supporting income in today's economy. Without the proper guidance and opportunities, these young adults will continue to face enormous challenges in finding a viable path to economic self-sufficiency.

Meeting the Challenges

Founded in 2000, Year Up believes that a well-designed training and support program can make an incredible difference in young peoples' lives. Our mission is to close the opportunity divide by providing urban young adults with the skills, experience and support that will empower them to reach their potential through professional careers and higher education. Our intensive one-year program serves low-income high school graduates and GED recipients between the ages of 18-24 from urban neighborhoods. In 2009, Year Up will serve more than 800 students within 6 sites located in Atlanta, Boston, New York City, Providence, San Francisco and Washington D.C.

An Innovative Approach

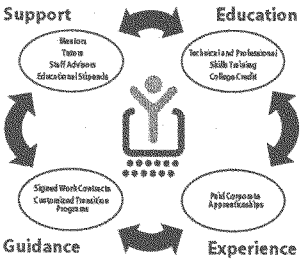
Year Up's high-expectation, high-support program combines marketable job skills, stipends, paid internships, college credit, a behavior guidance system and several levels of support to place these young adults on a viable path to economic self-sufficiency. During the first six months, students attend classes at Year Up, learning technical skills that allow them to succeed in entry-level IT positions without a college degree. During the second six months, Year Up students gain experience in internships at leading companies such as State Street Corporation and Partners HealthCare. After graduation, students continue to receive support and build their professional networks through Year Up's Alumni Association. Over the next few years, Year Up will create a network of sites with an explicit goal of serving more than 10,000 urban young adults by 2016. Ultimately, Year Up's goal is to create and implement a replication model that will enable us to effectively serve tens of thousands of urban young adults across the country.

ORGANIZATIONAL IMPACT

- 2,776 Students Served
- 100% Students Placement into Internships
- 75% Retention of Students
- 85% of Students Employed within 4 Months of Graduation
- 21% Full/Part-Time College Attendance
- $30,000 Average Starting Salary
- 98 Partners Funding more than 50% of Operating Costs
- 6 Locations:
  Atlanta, GA — *Providence, RI*
  Boston, MA — *San Francisco, CA*
  New York, NY — *Washington, DC*
- 8 Sites Operating in 2011

INTERNSHIP PARTNERS INCLUDE

Education/Government/Non-Profit
Media & Technology
Financial Services
Retail/Manufacturing
Healthcare & Biotech
Professional Services



617.542.1533 • 93 Summer Street, Boston, MA 02110 • www.yearup.org
Atlanta • Boston • New York City • Providence • San Francisco • Washington, D.C.

year up

empowering urban talent to reach their potential

How To Reach Us:
Year Up
National Headquarters
93 Summer Street
Boston, MA 02110
617.542.1533

STUDENT SUCCESSES

Shirley Torres
Year Up Graduate

"Before I came to Year Up, I didn't think I was going to have much of a future. I had two kids and believed I didn't have the freedom to develop a career. I was constantly asking myself, How can I give my kids a better life when it takes so much energy and time just to be a good mother? Attending Year Up made me realize that everything is possible—that once I set a goal for myself, I can achieve it. I learned that I can have a successful career and follow my dreams, as well as be a mom. My goal now is to be a role model for other young women, to show them what Year Up taught me—that you can have a successful life and reach your potential."

"Born and raised in Brooklyn, NYC, my mother moved to Boston when I was 16 to provide a better life for me and my sister. While at East Boston High School, I struggled to figure out what to do with my future. My wonderful guidance counselor, Ms. Thomas, told me about Year Up. Even though I didn't believe that I could be accepted into the program, she had faith in me. At Year Up, I was amazed at how much people could care about me and my hopes for the future. I learned what was needed to succeed in a career and was given the opportunity to execute what I learned. The faith that others had in me, along with the skills and incredible support I received at Year Up has taught me to have faith in myself. I am now doing what I love—working full-time as an IT professional.

Michael Hurblin
Year Up Graduate

WHAT PEOPLE ARE SAYING ABOUT YEAR UP

"As a technology service provider, our IT staff is the face of our company. It is critical that we attract and retain the best-qualified people for these jobs. Year Up provides the training and pipeline of talent to address this critical need while offering unparalleled opportunities to their students."

John King, Co-Founder
Perot Systems Corporation

"State Street's partnership with Year Up has become an integral component of our strategic plan to grow a pipeline of future IT employees. Year Up's program brings enormous value to its corporate partners and has a measurable impact on the lives of urban young adults."

Joseph Antonellis, Vice Chairman
State Street Corporation

"We salute Year Up for being the premiere alternative pathway program that successfully prepares low income young adults for professional careers. At the same time, Year Up helps employers access highly motivated, skilled talent for entry level professional positions. With more than 80 employer partners, including at least 10 Corporate Voices partner companies, Year Up is a workforce training model that clearly meets the needs of both employers and young adults."

Donna Klein, President and Founder
Corporate Voices for Working Families

"The best investment we can make for Boston's future is to create the skilled workforce employers need and to invest in our young people so that they can compete for the jobs of tomorrow. That's why programs like Year Up are critical."

Thomas M. Menino, Mayor
City of Boston

"Year Up has demonstrated that it has the ability to deliver a high-quality program that makes an enormous impact of the lives of our urban youth and provides immense value for corporations. We are committed to our relationship with them and look forward to their continued growth."

Mary Finlay, Deputy Chief Information Officer
Partners HealthCare

AWARDS

Associated Industries of Massachusetts (AIM)
"John Gould Education & Workforce" Award
May 2009

Corporate Voices for Working Families
"Nonprofit Partner of the Year" Award
May 2009

Fast Company
"Social Capitalist" Award
2008, 2007, 2005

Robin Hood Foundation
"Heroes" Award
December 2008

Smaller Business Association of New England (SBANE)
"Circle of Excellence" Award
May 2008

International Ashoka Fellowship
February 2008

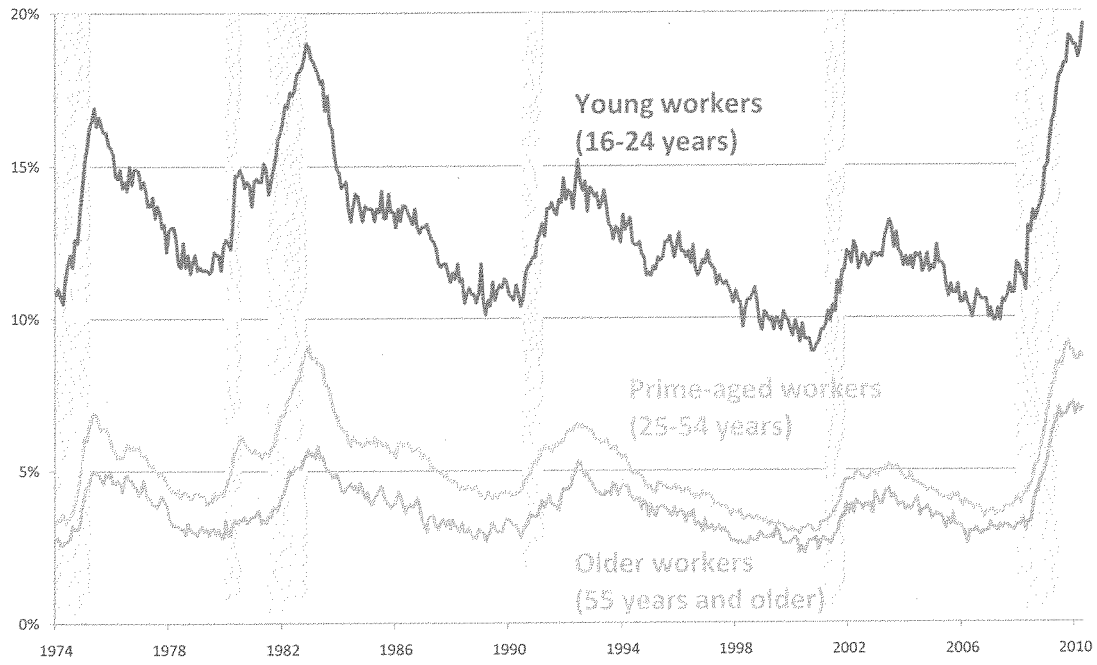
Freedom House
"Archie R. Williams Technology" Award
May 2005

Commonwealth Corporation
"Excellence in Partnership: Dr. Stanley Z. Koplik Commitment to Learning" Award
June, 2004

The Manhattan Institute
"Social Entrepreneurship"
Fall 2003

Young Workers Face High Levels of Unemployment

Unemployment Rate by Age, 1974 to 2010 (Seasonally Adjusted)



Note: Shaded areas indicate recessions as classified by NBER. Although GDP began to expand in July 2009, NBER has not dated the end of the current recession.
Source: Bureau of Labor Statistics, Household Survey.

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CONGRESSIONAL TESTIMONY

Avoiding a Lost Generation: How to Minimize the Impact of the Great Recession on Young Workers

Testimony before
Joint Economic Committee
United States Congress

May 26th, 2010

James Sherk
Senior Policy Analyst in Labor Economics
The Heritage Foundation

My name is James Sherk. I am a Senior Policy Analyst in Labor Economics at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

The current recession has harmed Americans in almost all walks of life. It has particularly hit America's youth, for whom joblessness has increased far more than for the population as a whole. This has serious long-term consequences for today's youth future employment and earnings and will affect many of them throughout their working lives.

Unfortunately, there are no simple policy solutions to this problem. Congress has spent billions on job and job-training programs for youth. Evaluations of these programs consistently find that they accomplish little. Evaluations of European youth employment programs have come to the same pessimistic conclusion. Congress should be realistic about the utility of youth employment programs as a policy response.

The best way to improve the job market for youth is to improve the job market overall. The job prospects of less skilled workers improve substantially when labor demand improves. Measures to promote entrepreneurship, business investment, and overall job creation are the best ways to help America's youth find work.

One policy that would specifically improve youth employment would be lowering the minimum wage. The recent minimum wage increase has priced many unskilled teens out of the labor market – depriving them of the opportunity to gain important on-the-job training that would make them more valuable employees. Temporarily reducing the minimum wage to $5.15 an hour would spur hiring of unskilled youth.

The consequences of this recession for youth today pale in comparison to what they will face in the future. The taxes necessary to pay the debts accumulated today will impose a crippling burden on future workers. Today's youth face the prospect of becoming a debt-paying generation who spend their working lives paying off the debt incurred by their parents and grandparents – truly a lost generation.

Difficult Youth Job Prospects

Unemployment has risen across all demographic groups in the recession, and especially for youth. In December 2007 the seasonally adjusted unemployment rate for workers between the ages of 16 and 24 stood at 11.8 percent. By April 2010 it had risen 7.8 percentage points to 19.6 percent: roughly 60 percent greater than the increase in overall unemployment. The figures are worse for teenagers: 25.4 percent of teenagers who want jobs cannot find them.

Disproportionately high youth joblessness is not surprising in a recession. Youth unemployment usually rises more than overall unemployment during economic downturns.[1]

Recessions hit younger workers harder because they have relatively few skills and less experience, making them less productive employees. Employers looking to cut back on their workforces target lower-skilled workers first, both because they contribute less to the enterprises' success and because they are easier to replace when the economy picks up.

New entrants to the labor force face an added difficulty: hiring has dropped sharply in this recession.[2] Many businesses responded to the economic uncertainty by freezing planned expansions. Layoffs also rose substantially as companies struggled to stay afloat but they have now returned to pre-recessionary levels. Hiring has not.[3] This disproportionately hurts young workers looking for work after finishing their education – there are fewer new jobs for them to find.

Long Term Consequences

High youth unemployment has serious long-term consequences. Workers who start their careers during a recession have less bargaining power to ask for higher wages. Studies show that such wage differences persist throughout their careers.[4]

Workers who begin their careers in a recession are also more likely to wind up in jobs they are less suited for; they take the best job they can find. Unfortunately this permanently affects their careers. A study of college graduates before, during, and after the 1981-82 recession – the last recession as deep as the current downturn – found that workers who graduated in the recession had lower earnings 15 years later and were less likely to work in desirable occupations.[5]

Other studies point to the same conclusion. Higher minimum wages disproportionately reduce teenage employment. An examination of teenagers in states that raised their minimum wages above the federal rate found they earned lower wages

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[1] M. Elsby, B. Hobjin, and A. Sahin, 2010 "The Labor Market in the Great Recession" Brookings Papers on Economic Activity, Table 1 at http://www.brookings.edu/~/media/Files/Programs/ES/BPEA/2010_spring_bpea_papers/spring2010_elsby.pdf

[2] James Sherk, "The Cause of High Unemployment: Still Due to Dwindling Job Creation," Heritage Foundation Backgrounder #2392, March 24, 2010 at http://www.heritage.org/Research/Reports/2010/03/The-Cause-of-High-Unemployment-Still-Due-to-Dwindling-Job-Creation

[3] *Ibid.*

[4] George Baker, Michael Gibbs & Bengt Holmstrom, 1994. "The Internal Economics of the Firm: Evidence from Personnel Data," *The Quarterly Journal of Economics*, MIT Press, vol. 109(4), pages 881-919, November

[5] Lisa Kahn, 2010, "The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy," *Labour Economics*, Volume 17, Issue 2, Pages 303-316

and held fewer jobs up to a decade later.[6] Youth pay a lasting price for forgone experience.

The long-term effects of recessions on youth are not entirely negative. Poor employment prospects spur some students to go to college who would not have otherwise done so. Each percentage point increase in the unemployment rate increases the youth probability of completing college by approximately one percent.[7] However the benefits of this additional schooling do not outweigh the costs on future employment prospects.

Youth Employment Programs Ineffective

Congress should resist the urge to respond to the recession by expanding youth employment or training programs. These programs are well intentioned. Unfortunately evaluations show that they accomplish little.

Evaluation studies that randomly assign some workers to "treatment" groups that receive job training or employment subsidies and put other workers in "control" groups that do not provide the strongest statistical evidence on whether programs work or not. Program evaluations show that such measures sometimes raise adult earnings and help adult workers find jobs. However, program evaluations almost universally conclude that U.S. youth employment programs accomplish little.

The youth programs in the National Supported Work Demonstration, the Job Training and Partnership Act, and the JOBSTART program all failed to increase in youth employment or earnings. In some cases the estimated effects were actually negative – youth were worse off with the training than without it.[8]

The best known American youth employment and training program is Job Corps. Job Corps also provides little long-term benefit to the youth it serves. Four years after Job Corps youth who went through the program earn average wages of just $0.22 an hour more than their peers who did not. By year five even these modest gains have disappeared. Job Corps only improves job finding in the short term. In the long term Job Corps participants have no greater likelihood of working than youth who did not attend. Some data sources even show Job Corps slightly hurts long-term chances of holding a job.[9] At a cost to taxpayers of over $16,000 a participant and $1 billion a year, Job Corps has been a costly failure.

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[6] David Neumark and Olena Nizalova, 2007. "Minimum Wage Effects in the Longer Run," Journal of Human Resources, University of Wisconsin Press, vol. 42(2)

[7] Lisa Kahn, 2010, "The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy," *Labour Economics*, Volume 17, Issue 2, Pages 303-316

[8] James Heckman, Robert Lalonde, and Jeffrey Smith, 1999. "The economics and econometrics of active labor market programs," Handbook of Labor Economics, in: O. Ashenfelter & D. Card (ed.), Handbook of Labor Economics, edition 1, volume 3, chapter 31, page 2056.

[9] Peter Schochet, John Burghardt, and Sheena McConnell, 2008. "Does Job Corps Work? Impact Findings from the National Job Corps Study," American Economic Review, American Economic Association, vol. 98(5), pages 1864-86, December

The billions that Congress has spent on youth employment programs have done little to help those youth succeed later in life. As Nobel laureate James Heckman summarized the research, "we believe that neither the experimental nor non-experimental literatures provide much evidence that employment and training programs improve US youths' labor market prospects."[10]

The European experience provides little more encouragement. Europe has had higher unemployment – and especially youth unemployment – than the United States for most of the past 30 years. Measures to reduce youth unemployment have thus been a particular concern for European policymakers. Evaluations of these programs find them similarly ineffective: public training, wage subsidies, and direct government job creation all fail to improve European youth labor market prospects.[11]

The Swedish experience provides a particularly important lesson for Congress. In the early 1990s Sweden went through a severe downturn and unemployment among 20-24 year olds increased from 3 percent to 18 percent in just three years. The Swedish government responded by creating new large scale programs to help youth find jobs. The youth practice (*ungdomspraktik*) program provided employment subsidies for unemployed youth where the government paid part of the cost of their wages. Sweden also created large new job training programs to improve unemployed youths' skills. Hundreds of thousands of Swedish youth utilized these programs in the early 1990s.

How much did these programs help Swedish youth? Those who went through these programs had lower earnings and a smaller probability of holding a job a year later than those who did not. By the second year the situation improved – program participants had no better or worse wages or job prospects than non-participants.[12]

Program evaluations consistently find that government funded youth employment measures do little to improve the labor market outcomes of disadvantaged youth. Congress should carefully examine any proposed expansions of youth employment programs to ensure they do not waste taxpayer funds.

Strong Labor Market the Best Solution

The best way for Congress to improve the job prospects of America's youth is to focus on improving overall unemployment. Recent economic research confirms President Kennedy's argument that "A rising tide lifts all boats" – the employment prospects of young workers are strongly pro-cyclical. Unemployment among less skilled workers rises much faster than the overall unemployment rate in recessions. When the economy recovers, however, unemployment among less skilled workers recovers at a faster rate as

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[10] James Heckman, Robert Lalonde, and Jeffrey Smith, 1999. "The economics and econometrics of active labor market programs," Handbook of Labor Economics, in: O. Ashenfelter & D. Card (ed.), Handbook of Labor Economics, edition 1, volume 3, chapter 31, page 2068.

[11] Paul Martin and David Grubb, 2001. "What works and for whom: A review of OECD countries experiences with active labour market policies", *Swedish Economic Policy Review*, Vol. 8 pp. 9 - 56.

[12] Laura Larsson, 2003. "Evaluation of Swedish Youth Labour Market Programs." *The Journal* of. *Human Resources*. Vol. 38, No. 4., pp. 891-927.

well.[13] During the economic boom of the late 1990s the employment prospects of most groups of low-skilled workers – including youth – improved substantially.

Congress should focus on policies that will encourage entrepreneurship, investment, and wealth creation. This will spur employers to create jobs as they take advantage of these opportunities, increasing the demand for labor and giving them more reason to hire less skilled workers.

Congress has no silver bullet policies that will improve the labor market overnight. However, Congress can take several concrete steps to encourage private sector investment and job creation:

- **Eliminate Costly Regulations.** Many government regulations raise business costs while providing little benefit. For example, Section 404 of the Sarbanes–Oxley Act requires publicly traded firms to have an annual external audit of their financial controls. This regulation provides little benefit to shareholders, but it costs an average 0.5 percent of revenues ($1.5 million a year) for small- to medium-sized companies. Nationally, Section 404 costs the economy $35 billion a year.[14] Eliminating such regulations would reduce business operating costs, raise profits, and spur new investment.

- **Domestic Energy Development.** Federal law and regulations heavily restrict domestic energy production. Congress could ease these restrictions and spur energy investment. Congress should consider permitting environmentally responsible oil and natural gas production in the Alaska National Wildlife Refuge, permitting oil shale development, and streamlining the licensing of nuclear power plants and the awarding of construction permits on federal lands. The Heritage Foundation has estimated that increasing domestic oil production by 2 million barrels a day would create 270,000 jobs.[15]

- **Suspend the Davis–Bacon Act (DBA).** Congress can better leverage the funds it spends by suspending an antiquated labor law. The DBA requires federal construction contractors to pay "prevailing wage" rates that average 22 percent above market rates. Under DBA, the government hires four construction workers for the price of five. Suspending DBA would allow the government to build more for the same amount of money, employing 160,000 additional workers in the process.[16]

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[13] James Hines, Hilary Hoynes and Alan Krueger. 2001. "Another Look at Whether a Rising Tide Lifts All Boats." In A. Krueger and R. Solow eds. *The Roaring Nineties: Can Full Employment Be Sustained?* New York: Russell Sage Foundation

[14] Jiamin Wang, "Sarbanes-Oxley Section 404 Places Disproportionate Burden on Smaller Public Companies," Heritage Foundation Center for Data Analysis, August 2008, at *http://www.heritage.org/CDA/upload/SOX-CDA-edited-3.pdf*

[15] David Kreutzer, "The Economic Case for Drilling Oil Reserves," Heritage Foundation *WebMemo* No. 2093, October 1, 2008, at *http://www.heritage.org/Research/EnergyandEnvironment/wm2093.cfm*

[16] James Sherk "Davis-Bacon Suspension Would Fund 160,000 New Construction Jobs," Heritage Foundation WebMemo #2782, January 27th, 2010 at

Measures like these – which spur investment and economic growth – would do more to help low-skilled workers succeed than new youth programs.

Reduce the Minimum Wage to Spur Youth Employment

Congress has one straightforward and effective policy measure it can take to specifically target youth employment. Congress could suspend the recent minimum wage increase.

Businesses do not hire workers whose labor produces less than the cost of hiring them. Most economic studies unsurprisingly find that increasing the minimum wage reduces employment among low-skilled workers – it prices them out of work.[17] Although individual studies give different estimates, the typical results suggest that in normal economic times a 10 percent increase in the minimum wage reduces employment among heavily affected groups of workers by roughly 2 percent.[18]

The minimum wage disproportionately harms youth employment because many younger workers lack the productivity to command higher wages. About half of minimum wage workers are between the ages of 16 and 24.[19]

Businesses are especially sensitive to higher costs now; few businesses have the profits to pay higher wages out of. So they have responded to this minimum wage hike by reducing their overall payroll costs as much as possible. That has meant hundreds of thousands of fewer jobs for youth and has contributed to the overall increase in youth unemployment.

Putting these youth out of work causes lasting pain because the main value of a minimum wage job is as on-the-job training, not the low wage it pays. Few workers start at the minimum wage and stay there for decades. Rather, most workers take minimum-wage jobs as entry-level positions.[20] Minimum-wage jobs teach unskilled youth valuable job skills, such as how to interact with customers and co-workers or accept direction from

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http://www.heritage.org/Research/Reports/2010/01/Davis-Bacon-Suspension-Would-Fund-160000-New-Construction-Jobs

[17] David Neumark and William Wascher, 2007 "Minimum Wages and Employment," *Foundations and Trends in Microeconomics*, vol. 3, no. 1+2, pp 1-182.

[18] See for example David Neumark, Mark Schweitzer, and William Wascher, "The Effects of Minimum Wages throughout the Wage Distribution," *The Journal of Human Resources*, Spring 2004, pp. 425-450; Stephen Bazen and Velayoudom Marimoutou, "Looking for a Needle in a Haystack? A Re-Examination of the Time Series Relationship between Teenage Employment and Minimum Wages in the United States," *Oxford Bulletin of Economics and Statistics*, Vol. 64, Supplement (2002), pp. 699-725.

[19] Department of Labor, Bureau of Labor Statistics, "Characteristics of Minimum Wage Workers: 2009," March 1st, 2010 at http://www.bls.gov/cps/minwage2009.pdf

[20] David Macpherson and William Even, "Wage Growth among Minimum Wage Workers," Employment Policies Institute, June 2004, p. 3, at *www.epionline.org/studies/macpherson_06-2004.pdf*

a boss. Once workers have gained these skills, they become more productive and earn higher wages. Two-thirds of minimum wage workers earn a raise within a year.[21]

The minimum wage increase from $5.15 to $7.25 an hour has sawed off the bottom rung of many unskilled workers career ladders – higher minimum wages measurably hurt workers' job prospects up to a decade later.[22]

Congress could put these youth back to work by returning the minimum wage to $5.15 an hour until youth unemployment falls below 12 percent. This would spur employers to hire unskilled workers, creating hundreds of thousands of jobs without costing taxpayers a dime. It would provide youth with valuable on-the-job training and experience that will help them earn raises in the future.

Temporarily reducing the minimum wage would mean less pay for some minimum wage workers. However, relatively few of these workers rely on minimum wage jobs to support themselves – almost two-thirds of minimum wage workers work part-time.[23] The benefits of jobs and job training for hundreds of thousand of young workers outweigh these costs.

Debt-Paying Generation

The current recession and joblessness will do lasting harm to the careers of today's youth. However, it does not threaten to turn America's youth into a lost generation. Youth unemployment rose nearly as high as today in the 1981-82 recession but that did not consign the baby boomers to permanent poverty.

Today's youth could nonetheless become a lost generation for a completely different reason: because the burden of paying for this spending surge and the baby boomer's retirement will fall on them.

Federal spending is projected to grow dramatically as the baby boomers retire and draw on Social Security and Medicare. By 2050 the government will spend 17.9 percent of GDP on Social Security, Medicare, and Medicaid – an 83 percent increase over current levels.[24]

Paying for these entitlements will place a heavy burden on American workers. To balance the budget without reducing spending federal taxes would have to almost double. The bottom tax rate would rise from 10 percent to 19 percent, the 25 percent tax bracket

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[21] *Ibid.*, pp. 3 and 5, Table 1. Wage figures are adjusted for inflation.

[22] David Neumark and Olena Nizalova, 2007. "Minimum Wage Effects in the Longer Run," Journal of Human Resources, University of Wisconsin Press, vol. 42(2)

[23] Department of Labor, Bureau of Labor Statistics, "Characteristics of Minimum Wage Workers: 2009," March 1st, 2010, Table 1 at http://www.bls.gov/cps/minwage2009.pdf

26. The Budget Chart Book, the Heritage Foundation, Heritage Foundation calculations using data from the Congressional Budget Office, at http://www.heritage.org/budgetchartbook/entitlements-consume-economy

would rise to 47 percent, and the top tax rate increase to 66 percent. Business taxes would rise from 35 percent to 66 percent.[25] State and local taxes would add to this burden.

The cost of paying for today's stimulus and bailouts adds to this entitlement burden. Dr. Edward Stringham of Trinity College estimates that the 2008-2009 bailouts and stimulus packages will cost the average 22 year old $145,900 during his working life -- $280 a month.[26] That is the equivalent of requiring college graduates to buy and throw out a high end iPod every month.

Today's youth will become a debt paying generation. They will spend their adult lives working not to get ahead but to pay off the debts of their parents and Grandparents. The Congressional Budget Office projects that – absent serious reforms – the debt burden will cause the growth in real GNP per person to slow in the coming decades and then start shrinking in the 2040s.[27]

Today's youth could become the first generation in American history to have a lower standard of living than their parents. The federal spending crisis – not the recession – most threatens the future of today's youth. Congress should hesitate before adding more spending to their burden.

Conclusion

The recession has badly hurt today's youth – unemployment has risen much more for workers aged 16 to 24 than for the overall economy. This will leave many workers with worse job prospects and lower earnings throughout their working lives. Unfortunately evaluation studies show that youth employment programs do not to improve youth job prospects. Increased funding for youth jobs programs would accomplish little beyond adding to the national debt.

The best way for Congress to improve the job prospects for youth and other low-skilled workers is to pass policies promoting entrepreneurship and investment that increase business demand for new workers. To specifically boost youth employment Congress could return the minimum wage to $5.15 an hour. This would spur business to hire hundreds of thousands of young employees and provide them with important experience and skills.

Fortunately, despite its costs, this recession does not threaten to turn today's youth into a "lost generation." Unfortunately the looming federal spending crisis does. Paying for the baby boomer's retirements without cutting spending would require raising middle-

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[25] Peter R. Orszag, Director, Congressional Budget Office, letter to Rep. Paul Ryan (R-WI), May 19, 2008 at http://www.cbo.gov/ftpdocs/92xx/doc9216/05-19-LongtermBudget_Letter-to-Ryan.pdf

[26] Dr. Edward Stringham and Gavin Romm, Trinity College "Generational Theft Calculator," using default assumptions

[27] Peter R. Orszag, Director, Congressional Budget Office, letter to Rep. Paul Ryan (R-WI), May 19, 2008 at http://www.cbo.gov/ftpdocs/92xx/doc9216/05-19-LongtermBudget_Letter-to-Ryan.pdf

class income tax rate to 47 percent. Unless Congress acts today's youth will become a debt-paying generation.

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