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U.S. HOUSE OF REPRESENTATIVES

"Ensuring Economic Opportunities for Young Americans"

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Chairman Miller, Ranking Member Kline, and distinguished members of the Committee:

The current state of the labor market for young Americans is dismal. The labor force participation rate for 16 to 24 year olds is at its lowest level since the Vietnam War and the employment rate is at an historic low of 47.2 percent. In August, the unemployment rate for this group stood at 18.2 percent, its highest level since 1983, and close to the record high of 19.0 percent set in 1982. Over the past four months (May to August), young Americans have lost an average of 165,000 jobs per month, compared to a loss of 94,000 jobs per month from January to April. About the only good thing you can say is that this group typically has a shorter duration of unemployment than older workers and over time these numbers will improve.

Serious Problems with the Stimulus Package:

Although the Workforce Investment Act (WIA) Youth Program requires state and local workforce investment boards to include a summer employment component in their year-round programs, after the stimulus package was enacted the Department of Labor issued guidance indicating that local areas could implement *stand-alone* summer youth employment activities with the $1.2 billion provided in the bill. According to a recent Government Accountability Office report this unnecessary and costly duplication led to a number of start-up problems. For example, many states and local areas that no longer offered a stand-alone summer program had difficulty determining and documenting youth eligibility, particularly for older youth, and some local areas did not always verify participants' eligibility or collect the necessary documentation. Moreover, in one state the GAO found that less than 42 percent of participants were placed in summer employment activities, and in one city none of the youth received academic training through the summer youth employment programs funded by the Recovery Act.

Perhaps most troubling, the GAO also found that one city had significant internal control problems with paying youth and 20 percent of the participants in its summer youth program were owed a paycheck or were not paid on time. The GAO also found problems with employers when participants reported to work for the first time. Some participants were left stranded because their prospective employers had pulled out of the program, others employers had asked for more workers than they needed and sent participants back to the workforce board.

Finally, the stimulus package only required that a work readiness measure be used to assess the effects of the summer-only youth employment activities, and under DOL's guidelines, states and local areas were permitted to determine their own methodology to make this assessment. The GAO found that the methodologies used to measure work readiness varied widely, calling into question the comparability and the usefulness of the performance measure when rolled up to the national level. While many program officials, employers, and participants GAO spoke with believe the summer youth activities were successful, measuring actual outcomes has proven challenging and may reveal little about what the summer activities actually achieved.

Increasing The Minimum Wage Reduced Economic Opportunities for Young Americans:

A decade after Card and Krueger's book, Myth and Measurement: The New Economics of the Minimum Wage, the preponderance of economic research on the minimum wage supports the consensus view held prior to 1995 that a 10 percent minimum wage increase reduces the employment of teenagers and other low-skilled workers by 1 to 3 percent. This research suggests that the 40.8 percent increase in the minimum wage over the past three years, from $5.15 to $7.25 per hour, has reduced the job opportunities for teenagers by 12.2 percent, or 746,000 jobs; with the last increase in July 2009 leading to further reductions in the hiring rate for teenagers this past summer.

Young minimum wage workers usually earn low wages because they lack skills and experience. When the minimum wage forces employers to pay higher wages, they are more likely to substitute higher-skilled and productive workers for lower-skill workers, particularly when labor markets are very weak.

When young Americans become less employable because the minimum wage rises, their loss goes beyond the wages they are not earning. They also lose the opportunity to gain the skills that would allow them to move up the career ladder. Minimum-wage jobs are often entry-level positions that teach inexperienced workers the skills that make them more productive employees and enable them to earn more, without the need for job training programs. Skills like how to interact with coworkers and customers have to be learned on the job, and minimum-wage jobs provide young workers the opportunity to learn these skills.

If Congress is really interested in ensuring economic opportunities for young Americans, it will refrain from raising the minimum wage for quite some time.

Federally Funded Job Training Programs Are Expensive:

Increasing job training programs can be a costly way to train young adults. For example, this past summer's job training program cost an average of $4,000 per participant compared to an average of $2,400 for one year of community college classes. On average, the WIA youth programs cost an average of $3,700 compared to an average of $6,200 for one year at a public university. And the most intensive youth program, Job Corps, costs more than some four-year private schools.

Reauthorize and Fix WIA Before Expanding Job Training Programs:

The purpose of the WIA youth program is to provide eligible low-income youth with services that lead to successful employment and higher earnings. However, previous studies of job training programs raise serious questions about their effectiveness. For example, a 2003 evaluation of the Quantum Opportunity Program found it did not increase the likelihood of graduating from high school, going on to college, entering an apprenticeship, or going into the military. Nor did the program increase employment and earnings outcomes. And the Summer Training and Education Program had no lasting effects on the educational attainment, employment, or welfare participation of participants 2 to 3 years after the program.

Moreover, an evaluation of this summer jobs program is not expected to be completed until 2011, and a rigorous evaluation of the WIA youth program is not expected to be completed until 2015. Before Congress further expands these programs with large funding increases or enacts new programs, it should reauthorize WIA and address the issues that have arisen since its enactment. Without knowing how effective the current WIA youth programs are Congress should proceed very cautiously.

The Long-Term Solution:

In the long-run, the best way to ensure economic opportunities for young Americans is to improve the quality and rigor of K-12 education, which will reduce the need for remedial education and job training programs in the future and provide a better basic skill-set for the future workforce. Policymakers at all levels should be promoting the value, dignity, and importance of the trade occupations; and our current job training system should encourage community colleges to work very closely with all employers in their area. Finally, reducing marginal income tax rates and payroll tax rates and keeping them as low as possible at both the corporate and individual levels will increase economic growth and create more private sector jobs for all Americans both young and old.

Mister Chairman, this concludes my prepared remarks. I will be happy to answer any questions that you or the Members of the Committee may have.