

Testimony Supporting HB 2196, Youth Employment Incentive Tax Credit

By Katie Klaber, Executive Vice President, Allegheny Conference on Community Development; Executive Director, Pennsylvania Economy League, Western Division

Allegheny Conference on Community Development
425 Sixth Avenue
Pittsburgh, PA 15219

Tuesday March 4, 2008

Good morning. I am Katie Klaber, Executive Vice President of the Allegheny Conference on Community Development. I am also Executive Director of the Pennsylvania Economy League, Western Division, which is an affiliate organization of the Allegheny Conference. The Allegheny Conference on Community Development and its Affiliates – the Greater Pittsburgh Chamber of Commerce, the Pennsylvania Economy League of Southwestern Pennsylvania and the Pittsburgh Regional Alliance – work in collaboration with public and private sector partners to stimulate economic growth and improve the quality of life in southwestern Pennsylvania.

I am pleased to testify on behalf of the Allegheny Conference in favor of HB 2196, the “Youth Employment Incentive Tax Credit” bill.

First, let me congratulate the bill’s sponsors and supporters on their farsightedness. While HB 2196 appears to be a relatively simple approach to expanding the number of summer jobs, it is actually a more sophisticated response to a growing economic development issue – that being the mismatch between jobs that are available and the skills of the applicants for those jobs.

Unemployment figures in the Pittsburgh region are below five percent. But large numbers of high school and college students still do not find jobs over the summer or as interns in companies where they might consider a career. Young people who are out of school and who do not have the skills required for most 21st century jobs may find

themselves at a lifelong disadvantage for a career unless they can get some practical experience – the kind provided by internships and short term employment.

The employment problems of young job-seekers are only one side of the workforce problem. Today a new crisis is looming – a lack of supply of trained people for the jobs that actually exist in our region. On one hand we have job seekers willing and able to work, and on the other hand we have employers who cannot drive their businesses at full capacity because they cannot find workers with appropriate skills. This leads to two unacceptable results:

- Youth flight and brain drain from the Pennsylvania region to find jobs elsewhere; and
- Movement of business enterprises to areas where they believe they can find a qualified, skilled workforce.

Both of these outcomes can have long-term devastating effects on Pennsylvania and both can be addressed through a well-planned career development program that includes short-term jobs and internships as an essential training element.

Employers, such as those who make up the board of the Allegheny Conference and its Regional Investors' Council, want to see a change in the way we prepare people for careers and work, but they are often distracted from how to do this by the daily responsibilities of running their companies. And educators sometimes design training without sufficient input from employers about what is required to be successful in the workplace because they are focused on compliance with mandates. A smoothly functioning short-term work program would allow educators and business leaders to begin a dialogue about what is needed to prepare students for the workplace – for the jobs that actually exist, but that might go unfilled, right here in Pennsylvania. Real work experience also allows students to see what the actual daily work is like in a variety of possible professions and helps them make realistic choices about what kind of training to pursue.

In Pittsburgh, the Allegheny Conference has created the Pittsburgh Regional Compact – an agreement to bring employers and educators together in a partnership to develop the regional workforce for the 21st century. Exposure to real-life employment experience is a major activity under the Compact. Employers need encouragement to take high school students and other young people into their workplaces to test drive possible careers. This can be a benefit to both the employer and to the young person. Internships and short-term employment allow young people to see what careers are available to them and employers can direct the students into the training needed to become full time employees. A tax credit for providing real, education-linked job experiences can make internships more attractive for employers and increase the number of career education opportunities available to students. Your tax credit legislation helps support the outcomes of the Pittsburgh Regional Compact – to show students what jobs are available and to let them know what training they must have to get them.

High school and college can provide good general content and skills development, but they often do that in the abstract. A real job as an intern with a major employer is the best way to let students see the concrete application of the theory they learn in the classroom. It is only through the combination of practical and abstract learning that students can make realistic career choices. HB 2196 provides incentives to make all of this happen.

Today's jobs are different than they were a generation ago. In the 1950s, 70% of jobs were considered "unskilled" and could be learned quickly in the workplace. In today's workplace, more than 50% of jobs are considered "skilled" and are not available to people without specific skills training. And the number of unskilled jobs is expected to drop to about 10% of the workforce within 20 years in recent research by the Educational Testing Service (ETS). Unfortunately, ETS expects 30% of the available workforce to remain "unskilled." Increasingly, job exposure through short-term jobs and internships will be a major factor in convincing students that skills education is necessary. The young people most likely to benefit from HB 2196 are also the most likely to end up in the "unskilled" category. So this bill not only addresses an economic development issue.

It also addresses the problem of unequal preparation for work among Pennsylvania's young people.

Young people must begin thinking about careers at a much younger age and 14 is not too early for targeted career education. In the 10 county southwestern Pennsylvania region, there are approximately 275,000 people between 14 and 21 years of age. Approximately 90,000 of them could be eligible to take advantage of jobs inspired by HB 2196. But this bill is not a budget breaker. It is an investment. The small revenue losses might actually be replaced fairly soon by the number of young people who are hired at the companies where they worked as interns.

Research by the Southwestern Pennsylvania Regional Internship Center in Pittsburgh showed that 40% of college age interns are offered jobs at the place where they interned and half of them accept.

Thank you, Representative Shapiro, for incorporating items into this bill that will make it applicable to a larger number of young people. Extending the eligibility to young people who have incomes up to 235% of the federal poverty level increases the number who can be offered covered jobs. And permitting the sale of tax credits by nonprofits allows young people to be hired in the nonprofit sector, which now employs large portions of the population in areas such as healthcare and education.

Job exposure programs such as internships are critical to preparing young people for opportunities and for attracting new businesses to Pennsylvania. But incentives are needed to help employers to participate in the education of our young people for a life of work. HB 2196 provides one such incentive for employers to participate in the career education of young Pennsylvanians. By providing tax credits for the expenses of hiring interns, the state makes a major commitment to the career future of our young people as well as a commitment to 21st century economic development. Increasingly, economic development is dependent on human resources issues, and career education through real-world work will increase our ability to compete in this new arena.

HB 2196 has certain great advantages over old-fashioned summer jobs programs.

- First, it is not specific about program design. It allows local design of the young person's work experience. For example, Philadelphia has designed a partnership program to create summer internship-type jobs. The southwestern Pennsylvania region has created the Pittsburgh Regional Compact, which would encourage a wide array of career education opportunities, including short-term jobs. HB 2196 supports both of these approaches and allows creativity at the local level statewide.
- Second, the bill does not create a heavy burden of regulation, reporting and paperwork. Thank you.

The long-term solution to the economic development problem of creating the new workforce will not be solved by any single program or piece of legislation. It is spread over too many responsible parties. Instead, the problem is likely to be solved by a lot of smaller initiatives that will combine into a power greater than their sum. Forward-looking measures like House Bill 2196 are important pieces in the overall solution. The Allegheny Conference encourages the Legislature to pass this bill in time for this summer's hiring season, and to continue it in place year round as a support to workforce initiatives like the Pittsburgh Regional Compact.

On behalf of the Allegheny Conference on Community Development, thank you for considering my testimony. I am happy to take any questions.