

Testimony Regarding HB 2196

Submitted for the Record

**By Susan McGalla, CEO and Chief Merchandising Officer
American Eagle Outfitters
77 Hot Metal Street
Pittsburgh, PA 15203**

**Board Member and Co-Chair of the Workforce Quality Committee
Allegheny Conference on Community Development
425 Sixth Avenue, Suite 1100
Pittsburgh, PA 15219**

Tuesday March 4, 2008

Dear Chair and Members of the House Finance Committee:

I am pleased to submit testimony in support of House Bill 2196, the "Youth Employment Incentive Tax Credit," on behalf of the Allegheny Conference on Community Development. The Allegheny Conference on Community Development and 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.

HB 2196 provides a workable incentive for employers to be engaged in training the next generation of Pennsylvania's and the nation's workforce. Internships, career exposure and experiential career education are effective methods to realistically guide students into life-long career paths. In order for these learning methods to succeed, employers must become participants in the process, just as they are doing through the Pittsburgh Regional Compact. Experience in an actual workplace provides two major beneficial outcomes for students:

- It allows them to see what skills are really needed in careers that they are considering.
- It gives them first hand experience with the soft skills that are needed to succeed in an upwardly mobile career.

Adults who are engaged in the daily operation of their businesses are not focused on the possibility that they may need to prepare younger people with skills to become their future employees. In order to get more employers to see the benefits of short-term employment, internships and career development education, it may be necessary to provide some initial incentives. HB 2196 provides tax credits, which can be a successful attention-getting mechanism for employers who otherwise might not see the benefit of

early career training to their companies. Tax incentives can be one of the earliest positive experiences that employers will have as they learn to participate in career development for younger people.

Ultimately, employers are more likely to hire people who have worked successfully for them as interns. In some cases, they are willing to make long-term commitments to their education so they can become their employees in a few years. Short-term employment and internships are the best way to establish connections between potential employers and future employees. They also provide an excellent trial period for both the employer and the student. Both can learn valuable lessons from the experience and students can make realistic decisions about career choices when they have had experience with the daily work unique to real careers. Many of us have heard stories about people who spent years (and large amounts of money) on career preparation to be teachers, lawyers or physicians, only to find out that they did not like the actual day-to-day work when they completed training. Early experience as a hands-on employee or intern could have redirected them to another career field and prevented wasted time and resources by the student and the training institution. Any incentive for employers to provide such early opportunities is a good thing. HB 2196 provides some of the necessary incentives for employers to participate.

HB 2196 provides some things that enhance the attractiveness of hiring young people from the target age and income population:

- 70% of total qualified youth employment expenses are eligible for tax credits.
- There is a generous carryover provision in the event that the employer cannot use the entire tax credit in the year in which it was earned.
- There is no educational limitation on who may be hired under this bill. It is open to high school, college and out of school young people between 14 and 21 years of age.
- It expands the eligibility for participation to young people with incomes at 235% of the federal poverty level.
- It allows the sale of tax credits by nonprofit employers.

I also encourage everybody who will be part of the administration of this effort to keep regulation, restriction and paperwork to a minimum. Older summer job programs often strangled on the amount of administrative detail that was required and alienated potential employers to such a degree that many of them are still unwilling to participate in any program. For this reason it is essential that employers be able to train students in real on-the-job work and have a minimum of unnecessary reporting. Nobody should confuse this request with a desire to lower worker protections or decrease employer responsibilities. But every effort should be made to see that programs such as this do not die under their own administrative burdens.

The job opportunities that can grow from HB 2196 are very different from the old workfare models that date back to the federal jobs programs of the 1970s and 1980s. They are based on employers' identification of real skills needed to prepare for real

careers. They allow young people to experience the real work environment and make informed choices about their own future. Ultimately, initiatives such as HB 2196 can help to address the growing economic development emphasis on creating a skilled workforce.

The training opportunities that can result from initiatives such as the Youth Employment Incentive Tax Credit are a necessary element in addressing one of today's major economic development problems – finding an adequately prepared workforce for the skilled jobs that are available. In the past, land, buildings and tax packages were the only elements of discussion when trying to bring a new company to southwestern Pennsylvania. Increasingly, the Allegheny Conference finds that having an available and skilled workforce is heading the list of concerns for companies considering moving into the region and for decisions by existing companies about staying in the region. It is essential for the long-term economic health of Pennsylvania that we provide whatever incentives are necessary to help employers to work with educators for targeted, successful career education for our young people. We need to see new models of training for work. HB 2196 takes this initiative one step further and allows employers to participate directly as educators for our future workforce. If internships and job opportunities that grow from HB 2196 are successful, there is no reason why educators should not begin to use this model of experiential education more successfully and pervasively. It is not just a financial incentive for short-term jobs. It is an incentive to create a new paradigm for how we train young people for careers, and how we provide opportunity for younger Pennsylvanians to work, stay and succeed economically in Pennsylvania.

Thank you for your consideration of my testimony.