

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members, Subcommittee on Innovation, Entrepreneurship, and Workforce Development
FROM: Jason Crow, Chairman
DATE: September 15, 2022
RE: Subcommittee Hybrid Hearing: “Back to School, Back to Startups: Supporting Youth Apprenticeships, Entrepreneurship, and Workforce Development”

The Committee on Small Business Subcommittee on Innovation, Entrepreneurship, and Workforce Development will meet for a hybrid hearing titled “Back to School, Back to Startups: Supporting Youth Apprenticeships, Entrepreneurship, and Workforce Development.” The hearing is scheduled to begin at **10:00 A.M. on Thursday, September 15, 2022, in person in 2360 Rayburn House Office Building and via the Zoom platform.**

Small firms are among the hardest hit by an ongoing shortage in skilled workers that predates the pandemic. In response, firms are exploring new ways to attract and retain a steady pipeline of workers. One strategy is through direct investment in workforce development, where businesses can help train workers by partnering with educational institutions to attract young people and improve their long-term viability. This hearing will explore innovative workforce development strategies targeted at young people that strengthen the labor force and expand opportunities. Members will hear from experts, program leaders, and educational institutions about strategies to invest in youth workforce development.

Panel

- Mr. Noel Ginsburg, Founder & CEO, CareerWise USA, Denver, CO.
- Ms. Debroah Kobes, Executive Director, Jobs for the Future, Washington, DC.
- Ms. Shani Watkins, Director, West Sound Technical Skills Center, Bremerton, WA.
- Mr. Jared Ebbing, Economic Development Director for Mercer County, OH Mercer County, OH.

Background

Throughout the past decade, students and families have sought an alternative to four-year college degrees. As costs rise for individuals and the country’s student debt burden now exceeds \$1.9 trillion, young people are becoming reluctant to enroll in a four-year college degree program. In fact, more than half (51 percent) of U.S. adults agree that the costs associated with higher education

limited their ability to pursue education after high school.¹ The COVID-19 pandemic further compounded this issue, as enrollment in public four-year colleges by incoming freshmen declined 5.3 percent between fall 2019 and fall 2021,² while total enrollment dropped by nearly 1.4 million.³

At the same time, businesses are continuing to struggle with hiring new workers as the economy recovers from the COVID-19 pandemic. While some larger companies have announced layoffs in response to tightening monetary conditions, the labor market continues to experience a workforce shortage. As of July 2022, the total number of unemployed individuals was roughly 5.9 million⁴ while the number of job openings stood at 11.2 million, far above expected levels.⁵

Small businesses have felt this acutely. According to the Bureau of Labor Statistics' April 2022 Job Opening and Labor Turnover Survey, small businesses with 10 to 49 employees have been hardest hit by this shortage – accounting for the highest number of job openings, the highest number of quits, and the lowest number of involuntary layoffs in the history of the survey since 2000.⁶ According to a survey from the U.S. Chamber of Commerce, over half of small businesses (56 percent) say they are concerned about recruiting enough employees to fill open positions and 57 percent are concerned about employee retention.⁷ As a result, workforce development has emerged as a long-term solution to the current shortage of skilled workers that businesses are seeing.

Small Businesses and Workforce Development

Small businesses generally face greater workforce barriers than do larger businesses. Fundamental barriers include limited financial and staff resources to assist in filling vacancies, retaining employees, and developing advanced skills. In addition, they may lack the resources, such as information, understanding, and financial resources necessary to benefit from federal, state, and local workforce development programs. In recent years and in response to the current labor shortage, small businesses are investing greater resources into attracting and retaining workers. Sixty percent of small businesses say they have implemented new changes over the past year to improve employee retention, including increasing work schedule flexibility, increasing wages, and providing employees with more opportunities to learn and grow.⁸

¹ HARRIS POLL, *Parents Still Struggle to Save for College*, January 5, 2022. <https://theharrispoll.com/briefs/parents-saving-for-college/>

² Wenhua Di and Mytiah Caldwell, *Students Cut College During Pandemic; Their Return is Uncertain*, FEDERAL RESERVE BANK OF DALLAS, Q1 2022. <https://www.dallasfed.org/research/swe/2022/swe2201/swe2201b.aspx>

³ Stephanie Saul, *College Enrollment Drops, Even as the Pandemic's Effects Ebb*, NEW YORK TIMES, May 26, 2022. <https://www.nytimes.com/2022/05/26/us/college-enrollment.html>

⁴ U.S. BLS, *The Employment Situation – July 2022*, August 5, 2022. <https://www.bls.gov/news.release/pdf/empisit.pdf>

⁵ U.S. BLS, *Job Openings and Labor Turnover Survey – July 2022*, August 30, 2022. <https://www.bls.gov/news.release/pdf/jolts.pdf>

⁶ The Small Business Workforce Challenge: Causes, Impacts, and Solutions, Testimony before Senate Committee on Small Business and Entrepreneurship, 117th Cong. (Statement of Annelies Goger). <https://www.brookings.edu/wp-content/uploads/2022/06/Goger-Testimony-June-8-2022-Senate-Small-Business.pdf>

⁷ Thaddeus Swanek, *Report Finds Small Businesses Offering More Flexibility, Higher Wages, New Benefits to Find and Keep Workers*, U.S. Chamber of Commerce, March 29, 2022. <https://www.uschamber.com/small-business/report-finds-small-businesses-offering-more-flexibility-higher-wages-new-benefits-to-find-and-keep-workers>

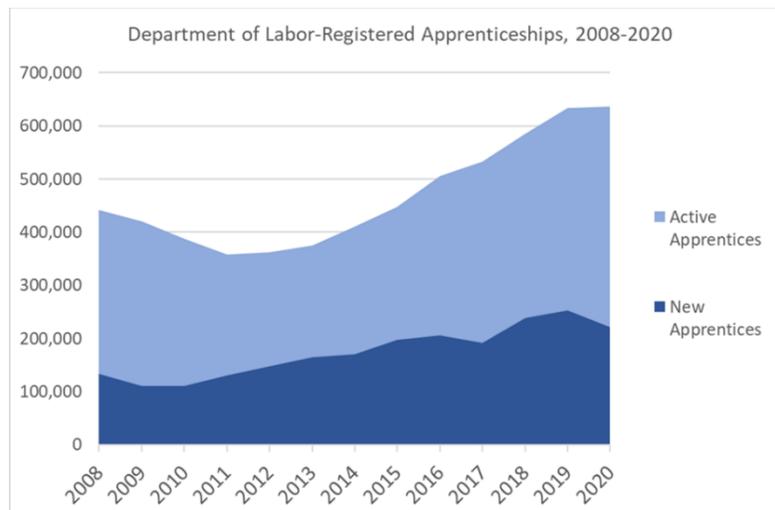
⁸ *Id.*

Apprenticeships

Apprenticeships are a workforce development strategy registered with the Department of Labor (DOL) that combine on-the-job training with related classroom instruction. The appeal of registered apprenticeships is that they are based on an earn-while-you-learn model, allowing apprentices to maintain an income throughout their training. Moreover, the outcomes of registered apprenticeships are highly successful. According to the DOL, 92 percent of apprentices retain employment after completing a Registered Apprenticeship and earn an average starting salary of \$72,000 per year.⁹ According to a 2012 study, apprenticeships yield nearly \$250,000 in additional lifetime income.¹⁰

Increased Adoption of Apprenticeships

Apprenticeships have gained significant popularity in recent years as a method of workforce development. While largely popular in Europe and in certain trades in America, they have not been widely adopted in other industries until recently. According to the DOL, 3,143 new apprenticeship programs were established in 2020, representing a 73 percent increase from 2009.¹¹ Moreover, the number of Registered Apprentices grew by 51 percent since 2009. Similarly, Forbes reported a 64 percent increase apprentices registered with the DOL since 2010.¹² In 2017, Harvard researchers estimated they could be expanded from 27 to 74 occupations and 3.2 million job openings could be filled with apprenticeships.¹³



⁹ Janelle Jones, Alexander Hertel-Fernandez, and Christopher DeCarlo, *Equity Snapshot: Apprenticeships in America*, U.S. DEPT. OF LABOR BLOG, Nov. 4, 2021.

¹⁰ Reed et al., *An Effectiveness Assessment and Cost-Benefit analysis of Registered Apprenticeship in 10 States*, MATHEMATICA, July 25, 2012. https://wdr.doleta.gov/research/fulltext_documents/etaop_2012_10.pdf

¹¹ *Supra* note 7.

¹² Preston Cooper, *Apprenticeships Have Risen 64% Since 2010. How Should Policymakers Support Them?* FORBES, May 7, 2021. <https://www.forbes.com/sites/prestoncooper2/2021/05/07/apprenticeships-have-risen-64-since-2010-how-should-policymakers-support-them/?sh=6e1238ae38e0>

¹³ Joseph B. Fuller and Matthew Sigelman, *Room to Grow: Identifying New Frontiers for Apprenticeships*, HARVARD BUSINESS SCHOOL, November 2017. <https://www.hbs.edu/managing-the-future-of-work/Documents/room-to-grow.pdf>

Youth Apprenticeships

As the cost of higher education has increased, many students have sought alternatives to four-year schools that will give them more direct experience in the workforce. As a result, youth apprenticeship programs have emerged across the country creating a myriad of advantages for both businesses and young workers. For instance, it can provide young people a direct connection between what they are learning in school and what they are doing at work. This can be both motivating and rewarding. They are also affordable, allowing young people to earn money and avoid amassing student debt. For businesses, the upfront cost to join a youth apprenticeship program can be significant, but these costs are often recouped during the training period itself.¹⁴ In a study of 4,000 businesses, nearly 3 in 4 mentioned that it improved productivity and 4 in 10 said it helped them secure new business.¹⁵ Apprenticeships can also help save employers money on recruitment and training.¹⁶

In 2022, roughly 214,000 people aged 16 to 24 were in an apprenticeship.¹⁷ This is double the number of that demographic a decade ago. For younger people, 87 percent of apprentices find jobs after completing the program, with an average starting salary of \$50,000.¹⁸ By comparison, only about 75 percent of 20- to 29-year-olds who earned a bachelor's degree in 2021 were employed in October.¹⁹

Programs like Careerwise have brought youth apprenticeships into the mainstream in cities across the U.S. Originally founded in Colorado in 2016, this program has expanded into Indiana, New York City, Michigan's upper peninsula, and Washington, D.C. It has also expanded what industries utilize apprenticeships to include healthcare, finance, hospitality, information technology, advanced manufacturing, and real estate management. Expanding the industries that utilize apprenticeships can help more small firms participate in them and targeting them at younger workers can help decrease the costs for small firms.

Increasing Equity

Apprenticeship demographics have been traditionally white. From 2010 to 2019, 77.5 percent of apprentices were white, 18.3 percent were Hispanic, 15.3 percent were black, 2.9 percent were American Indian or Alaska Native, 2.1 percent were Asian.²⁰ However, these demographics have grown more diverse over time, with African American apprentice representation higher in 2019 than their overall workforce representation.²¹ Moreover, apprenticeships provide greater opportunities to lower income Americans, as the burden of payment is not on the apprentice, and they are able to earn income while participating. Finally, rural youth apprenticeships have been shown to benefit both workers and businesses in those areas. Research has found it can expand

¹⁴ Robert I. Lerman, *Apprenticeships: Helping Youth Develop the Skills Needed by Today's Employers*, PURDUE UNIVERSITY, December 2015. <https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/12/Lerman.pdf>

¹⁵ <https://wol.iza.org/articles/do-firms-benefit-from-apprenticeship-investments>

¹⁶ *Supra* note 12.

¹⁷ Molly Smith and Nic Querolo, *We're Hiring, Especially If You're in High School and Want an Apprenticeship*, BLOOMBERG, August 3, 2022. <https://www.bloomberg.com/news/articles/2022-08-03/apprenticeship-programs-grow-during-high-us-employment-rate>

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Supra* note 8.

²¹ *Id.*

opportunities and reduce brain drain in rural communities while helping smaller firms gain access to high quality talent.²²

Career and Technical Education and Community Colleges

The more traditional classroom setting workforce development strategies are those of Community College or Career & Technical Education (CTE). Community colleges are often thought of as a stepping-stone to a four-year degree, however they provide more than just the coursework requirements for an associate degree. Often, they also offer professional credentials as well as the classroom portion of local apprenticeship programs. Moreover, community colleges are dispersed throughout the country and more easily accessible than a four-year program. They work with businesses and workforce boards to determine workforce needs and can even partner with businesses in curriculum development.

CTE is funded by the Carl D. Perkins Career and Technical Education Act and is often targeted to high schoolers looking for a more practical, career centered education, rather than the college preparation material taught at most high schools.²³ This often means more focus on STEM curriculum, as well as hands-on learning to prepare students for a career and increase their engagement with schoolwork. It can also help younger students obtain industry recognized credentials without the need for post-secondary education. Some students are even given a pathway toward earn-as-you-learn programs before graduation.

Like apprenticeships, CTE programs are also highly successful in preparing young people for the workforce. For instance, 94 percent of students concentrating in CTE graduate high school. This is 9 percentage points higher than the overall U.S. graduation rate. They also earn just as much over their lifetimes as those with bachelor's degrees, roughly \$2.8 million. Moreover, these programs are becoming increasingly popular at U.S. high schools.²⁴ Roughly 77 percent of students in America participated in at least one CTE course by 2013.²⁵ However, in that same cohort, only 37 percent of high school students chose to concentrate in CTE.²⁶

Conclusion

As small firms continue to struggle with recruiting and retaining high-quality talent, they can leverage new and innovative programs aimed at training young people. While programs like youth apprenticeships and CTE can help expand opportunities for young people that may not want to attend a four-year university, they can also help small firms gain access to a high-quality workforce. Congress can help by expanding these programs working to make them more accessible small firms, particular in industries that have not traditionally utilized them.

²² Boren et al., *Rural Apprenticeships for Young People: Challenges and Strategies for Success*, URBAN INSTITUTE, August 2021. <https://www.urban.org/sites/default/files/publication/104634/rural-apprenticeships-for-young-people.pdf>

²³ Boris Granovskiy, CONG. RESEARCH SERV., R45446, *Reauthorization of the Perkins Act in the 115th Congress: The Strengthening Career and Technical Education for the 21st Century Act*, Dec. 2018. <https://crsreports.congress.gov/product/pdf/R/R45446>

²⁴ U.S. DEPT. OF ED., *Bridging the Skills Gap: Career and Technical Education in High School*, Sept. 2019. <https://www2.ed.gov/datastory/cte/index.html>

²⁵ *Id.*

²⁶ *Id.*