

Janet Yellen's fight for \$50,000 jobs

By: *Alfredo Ortiz*

In today's highly politicized environment where lawmakers and commentators are judged more by their political affiliation than their ideas, it's difficult for policy proposals to make an impact.

That's why the recent remarks made by Federal Reserve Chair Janet Yellen, one of the few public leaders who stands above the fray, can have a major impact. Her recent speech before the National Community Reinvestment Coalition offers commonsense solutions for overcoming the lingering hurdles facing jobseekers in today's labor market.

She points out that while the topline unemployment rate is low, unemployment rates for low- and moderate-income communities remain in the teens. Median incomes have stagnated over the past 20 years. And for young people, fewer than one-in-three currently have a job. This number falls to fewer than one in four in states like California, and one in five in cities like Baltimore.

How can policymakers address this persistent labor market slack and increase earnings among disadvantaged populations? Yellen cites three priorities: 1) entry-level jobs, 2) education & training, and 3) entrepreneurship.

Academic research shows a clear link between entry-level jobs and career outcomes. According to a study by economists at University of Virginia and Middle Tennessee State University, those with part-time work experience in their senior year of high-school – including summer jobs – earn roughly 20 percent more throughout their careers. People with early work experience are also more resilient to recessions and more integrated into their communities.

To prioritize entry-level jobs as Yellen suggests, policymakers must protect them. That means ignoring calls to raise the minimum wage which eliminates some of these opportunities for young employees to learn skills that go beyond a paycheck -- what Yellen calls "soft-skills" such as "punctuality and effective communication." These entry-level jobs should be thought of as training jobs paying a training wage – a place where young jobseekers can get their foot on the career job ladder and learn skills to quickly move up it.

Yellen also calls out the current education system for failing low-income and minority communities. Beyond improving the quality of primary and secondary education, she

calls for the return of vocational and technical training opportunities like shop class. She points out how such training is "an effective way to help non-college-bound workers gain valuable skills and obtain a foothold in a labor market that increasingly requires technical proficiency."

Training programs and apprenticeships that provide "in-demand skills and industry-recognized certifications," should also be expanded, says Yellen, to help those overlooked by the economic recovery.

Lastly, Yellen highlights the importance of entrepreneurship and a strong small business community to increasing opportunity for everyone. Small businesses are the job creation engine of the economy providing two-thirds of new jobs and half of existing jobs. But they are sputtering, with the start-up rate half that of previous decades. Yellen identifies the lack of access to credit as a major hurdle in small business creation. According to a recent nationwide poll, small business owners also identified over-taxation and over-regulation as additional factors preventing them from growing and hiring.

Yellen's doctrine to help the forgotten men and women of the economic recovery overlaps with the Job Creators Network's Fight for \$50 campaign which calls on policymakers to fight to raise the wage ceiling for average workers rather than the wage floor. Fighting to expand \$50,000 a year jobs, millions of which already exist and are currently unfilled, is an initiative that can unite the political divide.

To win the fight for \$50, we must follow Yellen's advice: Prioritize entry-level jobs, reform education, and bring small businesses back. In practice, this means protecting entry-level jobs where young employees can learn necessary soft skills by avoiding calls to raise the minimum wage. It means bringing back shop class and expanded training and apprentice programs where employees can learn necessary technical skills. And it means addressing the over-regulation, over-taxation, and lack of access to credit that are holding back the small businesses that create these \$50,000 a year jobs.

Yellen's position above the political fray can help amplify this message and turn this rhetoric into reality.

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