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Welcome and Introductions:

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Roundtable: Promoting Smarter Occupational Licensing Practices:

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Discussants:

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Moderator:

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Roundtable: Improving Employment Outcomes for the Unemployed and Increasing Entrepreneurship Among Women and Minorities:

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P R O C E E D I N G S

MR. RUBIN: As many of you know I worked for President Clinton at one time so I'm accustomed to apologizing for being a little bit late. (Laughter) But as was true with President Clinton, we have a guest speaker of enormous substance and we all look forward to hearing him.

Let me start, however, by welcoming all of you on behalf of my colleagues at the Hamilton Foundation. Let me say one word about our institution. We are not an institution, but we are a partnership of policy experts, of former government officials, academics, business leaders, organized an advisory council. Since launching the Hamilton Project in 2006 the view at the heart of our activity that the objectives of economic policy should be growth, broad based participation in the growth, and economic security. We believe that these objectives can be mutually reinforcing rather than, as so often argued, antithetical. And just to exemplify the point widespread participation in the benefits of the economy are enormously important with respect to growth itself by increasing demand, by providing workers with the ability to access education, healthcare, and so much else that furthers productivity, and by increasing public and political support for growth enhancing policies.

And that takes us to today's discussion. In the broadest sense the key to expanding job opportunities in our view and improving wages is growth and tight labor markets. The two keys to growth, again in the broadest sense are increasing economic demand on one side of the equation, and promoting productivity and enlargement of the labor force on the other side of the equation. However, while growth is necessary, as all of you know it is not sufficient if we're going to achieve the objective of broadly inclusive economic growth.

The Hamilton Project has looked with a broad lens on both sides of the growth equation, and at job creation and wage improvement more broadly. And that scope has ranged from conventional matters to the economic imperative of combating poverty and the economic imperative of reducing the sentencing harshness and improving rehabilitation to re-entry with respect to our criminal justice system. In addition to large mega issues there are numerous more specific policies that are limited in their particular or specific effect, but in their aggregate can make a very large difference. And that is the focus of today's program with three particular proposals.

Let me make two brief observations before introducing our speaker. One, I think the discussion of economic policy with respect to job creation and wage improvement, both of which are massively important objectives, too often devolve to a false choice between what are treated as alternatives. In fact we need to operate on all fronts. Clearly we need to increase economic demand. And in my view at least, there are ways that can be done with fiscal policy that would both increase demand now through infrastructure and the like and also address our long-term counterproductive fiscal trajectory. And we need at the same time to move forward on education, training, collective bargaining reform, and so many other areas that would better equip and improve our workforce productivity and competitiveness. Secondly, our nation's most fundamental challenge is effective government. President Clinton used to say that all the good policy making in the world won't matter if the politics doesn't work because the policy will never be put into effect. With that in mind many of the proposals of the Hamilton Project is focused on are applicable not only at the federal level, but also at the state and local level.

Now, I am deeply honored to welcome our keynote speaker. He is a great public servant who has long been deeply and seriously engaged with the issues of job creation, wage stagnation, and the challenges facing middle income and lower income workers. He was a highly respected member of the Senate for many, many years, and exemplified the qualities that we need so badly today in Congress. He had a serious deeply committed sense of purpose and focus with respect to the policy issues that our country faces, and he had a deep commitment to governing and to working constructively to move forward to matters critical to our country. This is the second time that our speaker has appeared at a Hamilton Project event, and we are deeply grateful to him for sharing his insights, knowledge, and wisdom with us. With that I am honored and privileged to introduce the Vice President of the United States, Joe Biden. (Applause) It's all yours.

Keynote remarks of Vice President Biden have been removed until permission is granted to publish.

MS. KEARNEY: I'm Melissa Kearney with The Hamilton Project. I thank you for being with us this afternoon.

The Vice President's remarks remind us that indeed we have been on a steady pace of recovery. The economy has increased the number of jobs steadily for over 50 months now in a row, but there is still work to do.

We still have an unemployment rate of 5.5 percent, the share of the unemployed who have been out of work for over six months remains at a historic high, and the long term declines in labor force participation rates among working age individuals remains a cause for concern.

As economists and policy observers, we are excited about the pace of recovery. We do acknowledge there is still room for improvement and likely need for targeted, smart, well designed, effective policy reforms.

That brings us to the purpose of the remainder of our program this afternoon. The topic of the first panel is occupational licensing. Let's just be clear on what we're talking about. Occupational licensing is not certification or credentialing. It is literally the practice of workers needing a license from a government to perform their job.

If a would be worker doesn't satisfy the government requirements for specific training or passing an exam or in some cases paying a fee, that person is literally forbid from legally practicing that occupation or the tasks associated with that occupation.

So, this necessarily restricts employment and makes this an economic issue. In my view as an economist, this has received really just not sufficient attention from the public as an issue affecting labor markets and workers.

It's my privilege to convene this panel today, and we are delighted that Professor Morris Kleiner has written a paper for The Hamilton Project discussing ways that we might reform the practice of occupational licensing to limit the economic and employment costs while still maintaining necessary protections for consumers' health and safety.

Let me introduce briefly our panel. You have everyone's full bio in your program.

Morris Kleiner on the end is our author. He is a Professor of Labor Policy at the Humphrey School of Public Affairs at the University of Minnesota.

His interest in occupational licensing dates back to his time at the Department of Labor in the mid-1970s, and since then he has published prolifically in leading academic journals on the issue, while at the same time advising state, local, and Federal agencies on the topic.

To my left is Mike Monroe. Mike joins us from North America's Building Trades Union, where he is the Director of Government Affairs. The Building Trades represents the voice for workers in the construction industry and represents more than three million families. I will add that Mike is a proud fourth generation Union member.

Barbara Kelley is the Executive Director of the Colorado Department of Regulatory Agencies, the governing body that oversees multiple regulatory divisions in the State of Colorado, including occupational licensing. Her agency is held up as a model in the paper, so we are delighted to have Barbara here today to give us that regulatory perspective, and Barbara is a lawyer by training.

Between Barbara and Morris, we have Justin Wolfers, who is a Senior Fellow at the Peterson Institute for International Economics, where he is on leave from his post as a Professor of Economics and Professor of Policy at the University of Michigan.

Justin is a renown scholar and expert on many topics in economics, including labor economics, and I will assume many of you in the audience have heard Justin's colorful commentary on public radio, and you can follow him on Twitter.

With that, I am going to invite Morris to the podium to give us a brief overview of his paper and his proposal.

MR. KLEINER: Thank you, Melissa, and also thanks to the staff at the Brookings Institution and Hamilton Project, especially Brad Hirshbein and Alisha Dome. They were extremely helpful in the project.

One of my co-authors, who is not an economist, has told me that economists are people who are pretty good at math but don't quite have the personality to become accountants. (Laughter) In this case, hopefully we will move beyond that and present some interesting results.

My work, as Melissa mentioned, goes back to my days in the Department of Labor. I was working for the Brookings Institution, assigned to the

Department of Labor. My boss, who was Director of Research, told me go off and work on occupational licensing. I thought what had I done to deserve this boring topic.

I ended up really liking it. That may say something about my taste, but I really found it interesting, fascinating, and had some very important economic issues.

What I'm going to be doing is talking about the issue and why is it important. If you went out in front of this building and asked people walking by, aren't you glad that doctors, lawyers, dentists, interior designers, fortune tellers, rainmakers, and upholsterers are all licensed.

Some of you might say well, it's okay for some and not for others, but in fact, all these occupations are regulated. Is this really a small issue or is it one that might impact economic growth and prosperity.

Over the next few minutes, I may not convince you, but I hope to get you to rethink the issue. I'm going to talk about four questions very quickly. What is the issue, how did we get here, and what does it mean for access to service, quality, safety, and prices, and what are some potential policy recommendations.

As Melissa mentioned, when we talk about licensing, we're not talking about company licensing, like a Microsoft certified programmer, but really the role government plays in what is called a "right to practice." That's different from certification, which is a "right to title."

Individuals, for example, can be a chartered financial analyst, but other people can provide financial advice. In the case of licensing, you must have permission from government in order to do the work.

How do these occupations become licensed? Often times, people do similar types of work. They form a group. They tax their members. Then they go to the state legislature and the Governor and ask for licensing. Often times, they are the ones who really promote the practice.

There are a couple of different views of this. One, Associate Justice Robert Jackson, who served in the U.S. Supreme Court, made a number of decisions, "The state may have an interest in shielding the public against the untrustworthy, the incompetent, or the irresponsible." That certainly is a very important view.

Another view was held by University of Chicago economist and Nobel Prize winner, Milton Friedman, who really thought of licensing very similar to the Medieval Guilds. He thought that economic freedom really was in part a result when we moved away from those Medieval Guilds. Toward the end of his career, he thought there was a retrogression toward licensing, and in fact, there was a growth of occupational licensing.

I want to show you at least one graph that shows the trends in occupational licensing. In the 1950s, right after World War II, about five percent of the workforce was licensed. If you follow that trend outward, about 23 percent were still licensed at the state level, but almost 29 percent were licensed when you include state and local licenses.

When you add about six percent who were certified, remember that's right to title, and add individuals who eventually must become licensed, they are working for an accounting firm and they must have a CPA eventually, that gets you up to about 38 percent. That's a much higher percentage than belong to Unions or covered by other public policy issues such as the minimum wage, dramatically higher coverage.

In 2003, the Council of State Governments noted there were 800 occupations that were licensed in at least one state, and when you add in certification and registration, that is over 1,100 occupations.

Part of this growth is really due to the change in the industrial composition, the movement away from manufacturing towards service industries, manufacturing Unions tended to dominate, and the movement to service industries, there was an attempt to get to what is called a “web of rules.” When this happened, there was a very dramatic change in how those were occurring.

Licensing has some very important effects on the economy. For example, it raises wages, somewhere between 10 to 18 percent, depending on the time period. Also, it has some very important effects on the overall economy, about one percent of GNP is lost as a result of increases in prices due to licensing, and there is a reallocation of resources from consumers who tend to be relatively lower income to licensed practitioners who tend to be of higher incomes.

How did we get here? Part of the issue is this has really become a state issue. Licensing, as a result of the Supreme Court case, Dent vs. West Virginia, there has been a rather significant variation in the number of percentage of the workforce covered by licensing, but some states like Iowa, due to insurance, Nevada, due to gambling, having twice as many licensed workers as a state like South Carolina.

One can think of this in a couple of ways. One is what happens in terms of access. Just to give you an example, my co-author, Alan Krueger, who recently served with President Obama on the Council of Economic Advisors, and is a very distinguished academic, has written a very important and well received high school textbook.

If he were to teach from that textbook in Princeton, he could be fined or arrested. Not only would he have lack of access to employment but his students would have lack of access to one of the top economists.

If you were to go back 60 years, Albert Einstein walked the streets of Princeton, and he could teach students all sorts of things about physics, but if he were paid to teach those same ideas in the Princeton Public Schools, he could also lose or be arrested or fined as a result.

Consumer prices, what are sort of the effects? Has licensing increased quality? Some studies that I've done with a colleague at the University of Minnesota have shown no effect for dental quality. Other work that I've done with people at the Federal Reserve Bank of Minneapolis on loan quality shows licensing doesn't improve the quality of loans.

The Federal Trade Commission has done quite a bit of work in this area for blue collar occupations, and has shown it really doesn't have much effect on quality but raises prices.

What does this matter for policy? George Shultz, who has probably held more Cabinet positions than anyone else in the last 50 years, said that policy makers and politicians want immediate solutions but that policy takes time.

This is especially true with occupational licensing. Typically, it takes up to about 10 years for the full effects of licensing on wages, reallocation of resources, to take place.

What are the solutions? In the policy proposals for the Hamilton Project, I not only posed the problem but tried to present some solutions. There are four that I will quickly state, and the distinguished panel will have an opportunity to say what's wrong with them.

First, state agencies should use cost/benefit analysis to determine whether additional licensing is required. Second, given the interstate commerce issue, it is best that the Federal Government would promote the determination and adoption of best practices through financial incentives and better information. Third is state licensing standards would allow workers to move across state lines with a minimal cost for retraining or residency requirements. Fourth, where politically feasible, certain occupations that are currently licensed, from upholsterers to tour guides, people who provide tours, might be deregulated, certified, or have no licensing.

If the Federal, state, and local governments were to undertake these proposals, evidence suggests that employment in these regulated occupations would grow, consumer access to goods and services would expand, and prices would fall.

That's the nutshell of that paper for the Hamilton Project.

MS. KEARNEY: Great. Thank you so much, Morris. I'm going to open this up first with a question to Barbara Kelley. As Morris briefly described, his first proposal calls on regulatory bodies to be more discerning in granting licenses or maintaining licenses for certain occupations.

In the paper, your agency in the State of Colorado is held up as a model of an agency that seems to do this well. Describe for us how you all go about evaluating a request from a group for an occupational license or a request from a group to have that license maintained.

MS. KELLEY: Thank you. First, I'd like to say I really am very honored at the opportunity to participate in the panel this afternoon. This is a really critical issue for us, and I am thrilled with the opportunity to contribute to the body of work of the Hamilton Project, so thank you.

What you have asked about is probably one of the most distinct responsibilities of my office at the Department of Regulatory Agencies, which we affectionately call "DORA," but it's not the other Dora.

Back in 1976, Colorado, I am told, was the first state that set in place a non-partisan pre-schedule process for sunset review and analyses to continue regulatory programs on a scheduled basis.

Starting then with every enactment or review of a regulatory program, part of the statute included a provision that said this program shall continue until October 15, 2016 unless the legislature shall have enacted a bill to continue the program pursuant to a prescribed sunset review by my office.

We are given the year prior to that sunset date, so every regulatory program that is now effective in the state has its own schedule date. We will go through a process of having a set of analysts who are professionals, have been doing this for a very long time, who will break down the implementation of that program.

They will talk to the administrators. They will talk to the practitioners. They will talk to the stakeholders in the community. They will talk to regulators of like programs and other states that have similarly conducted a structured program. They will talk and actually go to Board meetings. They will look, to the extent the information is available on a non-confidential basis, at files.

One case I will share with you, they actually shadowed a radiologist assistant as that person went through his or her rounds at a prominent hospital in the city.

After looking at all of this and getting the information, we will go through and make a determination of whether that program has worked effectively, whether there is still a need for protection of the public, has there been evidence of harm, what has been the nature of complaints, what has been the nature of the disciplinary actions that the implementing agency has undertaken against that particular profession.

Has it related to practice standards or has it related to people telling on each other. A lot of our complaints come from one practitioner telling that the other practitioner isn't licensed or the license has not been properly renewed.

Then we will make an overall decision about how to write this up and what should be recommendations, should there be changes in the program, should there be a lesser level of regulatory framework. Would there be things that would make that program work better. Are there sufficient resources committed to it.

We will submit that report over my signature to our legislative review committee. I brought you an example of what we have done for 2014. In 2014, my office had 19 sunset and sunrise reports that we submitted to the Colorado Legislative Review Council. This one happens to address the Respiratory Therapy Practice Act.

We will have a presentation to a committee where we present the report. Then the legislative body, the committee, will have the determination to actually make that report into a bill that will be subject to the legislative process as any other bill might.

What we find is once that report is entered into the political process of the legislature, it is subject to the nuances that every other bill and every other proposal is subject to. There are stakeholders with interests that they see are not being properly reflected in the report.

There are people who would like to change the standard in the statute, which for us in making our review and recommendation is the least restrictive regulatory program necessary to protect the identified consumer from risk or harm.

Obviously, we have something less than licensure, which as Morris said, is the most interesting. You will have licensure, you will have a registration program, you will have a certification program, and we have something that is called "Title protection."

All that does is that unless you're on a list maintained by some agency in the state, you cannot have a card with initials behind your name, such as Topiary Sculpture. (Laughter) If that was a title protected activity, you could be fined, but I'm not sure if there is much else we could do to you if you distributed cards that advertised your entitlement to carry those names.

What we will have is a process of reviewing those. The other side of that is what is called a "sunrise process." Under Colorado law, before there can be a bill proposing the regulation of any new profession or activity that is not currently regulated, a sunrise report must be prepared by my office and submitted to the legislature as a condition to any introduction of a bill for regulation of a new body.

MS. KEARNEY: I want to come back to when we talk as a panel the issue you raised of different stakeholders and how this plays out politically. I will say this will be a fun activity for anyone on your Metro ride home.

Our staff has had fun looking up the occupations that have been brought to your group and debating among ourselves whether we thought athletic trainers -- you guys recommended they need not be licensed, but D.C. is now talking about licensing them.

This is the new pastime game. You guys can go and see whether you think things should be licensed or certified, and it's quite fascinating and a daunting task, but encouraging that your agency is doing this and doing it so deliberately.

Let's come back to the stakeholder issue. So we are all on the same page, I'd like to hear from you, Mike, about how Unions fit into this landscape. You can speak as broadly or narrowly as you want, in terms of representing the Union voice, on how Unions experience and view the issue of occupational licensing.

MR. MONROE: Sure. Again, thank you, Melissa, and the Hamilton Project and Brookings for allowing me the opportunity to speak here, be a discussant on the panel, and share our views.

As mentioned, I work for the Building Trades, which is a federation of construction Unions. We cover North America, but we will talk about the United States for the purposes of this conversation, obviously. It ranges from licensed occupations to unlicensed crafts, 14 different Unions, 15 sometimes. I'll spare you those details.

Our experience with this is we are always constantly trying to provide the best service to our end users, which are construction owners and contractors. In essence, we are a vendor supplier of skilled labor in effect. Our dedication to and commitment to skilled training is unparalleled.

I was fortunate to participate on a prior panel with Brookings and Hamilton Project where we talked in depth about apprenticeship and craft training. This is where collective bargaining can be part of the solution, believe it or not, for folks who are skeptical. This is a private solution.

This is collective bargaining between the Union side and our contractor counterparts, and there is private dollars committed to ongoing craft and skill development, to the tune of $1 billion annually.

Once those folks reach a certain journey person status, as it's called, there is portability, and there is reciprocity and recognition of those skills and skill sets across the states, particularly with the licensed craft.

Where there is variation among some of the licensed craft, and when we are talking about licensed craft, you are primarily talking electricians, plumbers, the skilled training and development we have invested heavily in, again, with our contractor counterparts, and through collective bargaining, allows them to ply their craft, if you will, in another state without some of the barriers that some of these other occupations that the Professor has outlined.

MS. KEARNEY: Who negotiated those reciprocity agreements?

MR. MONROE: Again, there are certain levels of certifications and licensure that maybe a state dictates, but through that accredited training program, you can meet the needs of the industry, you can constantly adapt to new technology, make sure the workforce can meet the needs.

Again, some of what we discuss here and some of the other occupations, it certainly is up for debate whether or not licensure is valid, right, and is an entry into the market or for employment. It is not theoretical when it comes to construction, it really is not.

You are hearing constantly Congress has recognized this recently in legislation, the Federal Building Personnel Training Act recognized the need for skilled workers, not only on the construction side but on the service and operation side.

WIOA, has obviously recognized the need for apprenticeship and skilled training. The President and the Vice President has reflected that because there is a real need out there for a skilled workforce.

At the root of this conversation and licensure is whether or not the labor market can effectively regulate core competencies while also promoting skill development, so what occupations fall in that are certainly up for debate, and I think in construction, we would think we want to constantly push up those skills, not push down.

There is a consumer confidence element here and a public safety element here. Licensing electricians and plumbers predates OSHA, for instance. There is a consumer confidence on one end.

Again, just to make the point, where we have recognized barriers, particularly for people of color and veterans and women, we work with public and private institutions to reach out to give them sort of basic skills that then get them through the rigors of the full apprenticeship program.

Within our system, we identify barriers to that and we try to reduce them all the while raising standards.

MS. KEARNEY: Let me ask you one follow up question. Sometimes economists will think about occupational licensing as an alternative to Unions, to the extent that Unions serve to increase the wages of their workers, and occupational licensing does the same thing through a different means.

As Morris pointed out, occupational licensing increases returns to workers largely by increasing prices to consumers, where the standard view of Unions is that wages for workers increase at the expense of profits to the employers.

Do Unions recognize that tension? Do you think of these as complimentary, as substitutes?

MR. MONROE: We absolutely see the need, and particularly in construction, there is a close relationship to the owner and the contractor and their profitability. There is no unionized workforce without a profitable contractor. There is always trying to find that balance, and that is where productivity and skill training goes in. When we say we do it right the first time, if you're having to repeat these things or you have to go back and rewire a home or office building because it was done in an unskilled manner, you're not saving any money on the back end.

We're obviously always cognizant of that, and again, that's where collective bargaining plays a significant role. Absent collective bargaining, which of course, we think is preferred, I think in terms of skill development and consumer confidence, licensure certainly fills some void. I wouldn't say it's either/or.

Obviously, we would encourage collective bargaining, but in the absence of it, I think licensure in certainly some of these occupations where public health could be at risk is a better substitute than nothing.

MS. KEARNEY: Thank you. Justin, what is your economist reaction to all this? How did Morris do on the economics?

MR. WOLFERS: Two great occupations that are currently licensed, first, fertilizer applications, which means you need a license to spread manure, and the second is fortune teller. For both of those, you learn that in many states, you need a license to spread shit. (Laughter)

I'm an economist. Economics is not licensed. I don't need a license and I can continue to spread. (Laughter)

Let me tell you why Morris is one of my heroes. What he has done is he's taken an issue that virtually no one was studying. He's figured out it's of first order importance, affects about a third of the labor force. Where there wasn't existing data, he went out and collected it. He interprets those data in the context of simple price theory and economics, and then he pushes it through to -- this is what he is doing today -- specific sets of policy conclusions.

He's willing to come to Washington with very concrete examples of what legislators should do, and then when states take him seriously, he jumps on a plane, and he has been jumping on planes all around the country, to talk to people like Barbara about whether or not they should be licensing fertilizer application.

I think this is how you do economics. In the way that he has done it, I think there are three big things he gets right. One, he gets the economics right. He shows that licenses increase prices, they decrease employment. In terms of quality, which is a thing they are meant to try to protect, or safety, they have no effect whatsoever. In terms of other things you might care about, there is no real effect on inequality that he can find at all.

The second thing he gets right, I think, is the macroeconomics. One of the great things about the American labor market is we have an incredibly fluid labor market, by which I mean we all have many opportunities to reinvent ourselves. We change occupations many times during our career, many more times for our European friends. We move across state lines and go in different jurisdictions.

This fluidity has been declining through time, and Morris rightly says that licenses are one of the things that are preventing us from crossing occupational lines or alternatively from crossing state borders as well.

More than that, licenses are a barrier to global trade and gathering intellectual capital from overseas. They prevent specific kinds of professionals from being able to come over here and ply their craft. They block off important pathways to the labor force.

The example I just used about is some prisons are providing education for inmates, training them to become barbers, but it turns out to become a barber, you have to get licensed, and they are not going to issue you a license if you're guilty of a felony. You can see how this is going to block up pathways into the labor market.

I think the third thing that Morris gets right is the political economy, which is beyond the economics. He understands this is a question of interest group politics. It is easy to take the view this is an issue just for labor economists and thinking about labor markets, but he rightly positions this as a consumer issue as much as a labor issue.

I think he gets just about everything right here. It leads me to an uncomfortable conclusion, and it's one I'm still battling with in my head. You can probably tell, I have long hair, so that means I'm sciolist. (Laughter)

If you told a typical sciolist economist that there was a way in which you could get groups of workers together, get them to organize, use their monopoly power in order to raise wages, well, I read last week that Bob Rubin was saying we should have more collective bargaining. I read Larry Summers saying the same thing, and I have heard Morris' frequent co-author, Alan Krueger, say the same thing.

If we did all that but we called it "occupational licensing" instead of Unions, all of a sudden the same coalition seems to think this is a bad idea.

I think I'm drawn to Morris' conclusions that this probably does rip most of us off, and probably on average, certainly there are a lot of excises in the system that cost you and I, but I'm still not quite sure how I see how I can be against licensing and at the same time be vehemently pro-Union.

MS. KEARNEY: This is what I think is so useful and helpful about what Morris has done, take this issue out of the libertarian camp and remind us all and point out very clearly this is an economic issue, and that is why we have taken this up at the Hamilton Project as an economic policy group, there are economics involved here. In fact, as Morris has pointed out, 30 percent of workers in this country need a license to work.

This isn't a political issue and it shouldn't be a political issue. This should be an issue for people who care about employment opportunities.

The one point you made was on labor market fluidity. I was surprised to learn, Morris, from your paper, that in fact we license a larger share of our workforce than

Europe, so the perception that we're a more fluid less regulated labor market. I found that surprising.

Is there a lesson there or is Europe just behind us in the trend growth towards more licensing?

MR. KLEINER: I think in the U.S., licensing is state by state, and in Europe, it's country by country, although as part of the European Union Compact, you are supposed to be able to move from one country to another without restrictions. Although in Europe, there are structural issues, language barriers, cultural issues, so that geographic mobility is dramatically lower in Europe than in the U.S.

When we estimated the coverage, it's much lower in Europe, but it's very interesting, and this is in the report, they seem to at least take the economics, at least one country, Poland, has deregulated dozens of occupations. I guess they looked at my report before I wrote it. (Laughter)

They went ahead and are reducing regulations for a wide variety of occupations.

It's very difficult to do that in the U.S. It's very rare that an occupation goes from more to less. It's sort of like growing older. There is only one direction with licensing, and that is from less to more.

Also, the issue of increasing requirements, so that it takes a while, as I briefly mentioned, once an occupation becomes licensed, you have individuals who are grandparented in. As a grandfather, I feel that pain. What happens is it takes a while for the older workers to retire, move out of the occupation, and the new workers have to work the higher standard.

This raises the standard but the other issue is access. There are funds in terms of reallocation -- I wanted to briefly address Justin's very appropriate comment -- you do have a reallocation from relatively lower wage consumers to relatively higher wage licensed workers, and at least in the work that has been done so far, there is no effect of licensing on reducing inequality, which is a big plus of Unions. Unions tend to reduce inequality, especially within the Union sector. To the extent that is a big policy issue, Unions are a real plus, but licensing is not.

MS. KELLEY: If I may, one of the issues that I think is really important and I'd like to make sure we don't lose sight of is the incentive and the motivation for a lot of additional licensing comes from the practitioners themselves. What you have and what I've seen over the last several years is greater fragmentation and subspecialization, so you start off with a licensure of physicians. We all agree that full licensure of a doctor is necessary. Then you have the doctor's assistant. You have a physician assistant. Then you have an assistant to the physician assistant.

Each of those layers of subspecialization, for lots of reasons that they perceive as legitimate, mainly in the health care industry, independent billing authorization, will provide incentives and motivation for the request for licensure.

We had a request this year or sunrise with respect to radiologist assistants. Those are the folk who will go through and deal with the machines and read the equipment.

When my staff did their investigations, they found that there were in fact some serious independent judgments and decisions these people were being asked to make, but ostensibly, they were supposed to work under the supervision of a physician.

At the end of the day, looking at what the potential for risk to a patient was, we decided there needed to be some state oversight, but we decided it did not have to be a full licensure program, because those people were already subject to the oversight of the physician, and they were subject to the oversight of the responsibility of the facility at which they operated that equipment, so there were layers of existing supervision, oversight, and protections for the public that we didn't need to impose another full spectrum of licensure/regulations.

What we did find was that there was some need to have these people be minimally qualified and competent in the operation, in the reading, in the diagnosis, and being able to understand the language to communicate with the physician the impact of the findings.

We then recommended there be either a certification or a registration, but full licensure was not necessary.

MS. KEARNEY: There is so much in what you just mentioned. There are two themes that I want to bring back up. The first is where the call for licensing is coming from, the practitioners themselves. Let's stay on that for a moment. I can't help myself but bring up the case of Uber, right. I can't imagine there is anyone in this room who doesn't love Uber, right?

In D.C., we all love it. I don't see anyone who uses Uber saying to the D.C. Government please help us, we need these guys to be more heavily regulated, but certainly the taxi cabs and the holders of the medallions don't like them.

Before Uber came, it was virtually impossible to get a cab even if I booked it, up to Northwest, D.C. to take me to the train station. Now, I just go on my IPhone and in five minutes, no matter where I am, like a shiny black car miraculously appears from out of the bushes with mints and water and a nice driver.

The D.C. Government didn't have to assure that for me, but there is this amazing thing where after a ride, consumers get to rate the drivers. We are relying on the marketplace and consumers, and driver's reputations, to sort of regulate, if you will, the quality of service provided.

This raises an interesting question, I think, whether these disruptive business models and this more easily flowing information across consumers is going to make it a lot harder for the practitioners themselves to make the case that regulation is needed to protect consumers.

MS. KELLEY: I will tell you, Colorado is first for lots of things. We were the first state to regulate what we call transportation network companies this last session. It was to address exactly the very question of Uber, UberX, and Lyft. Uber Black, which is the high end of that service, doesn't raise a problem because they use already licensed limo services.

It's UberX and Lyft that really challenged the underlying rationale and concepts that municipalities have used to regulate taxi cabs for the last 50 years. What UberX is raising to the forefront is the continued efficacy of the kinds of monopolistic destructive theories, the kind of public convenience and necessity, that was the rule of the day 25 years ago, if that really pertains.

I am not a particular fan of Uber, but that's okay. (Laughter) There is an underside to UberX and Lyft that you as a consumer may not recognize as being a problem until you are in the middle of it, like not having sufficient insurance coverage. Not having background checks, so you don't know who that driver is, and unfortunately, there have been some real tragic consequences of people who should not be driving Uber and the experience of women who have gotten in the car.

You face that across the board. The question is what kinds of similar regulatory frameworks should we bring to new business models, should we try to impose, a regulatory concept on a new 24th Century system that is more technologically driven.

I think that is a challenge for regulators like my Public Utilities Commission.

MS. KEARNEY: You're so forward looking, so encouraging.

MS. KELLEY: Yes. (Laughter) We try to be.

MR. WOLFERS: Uber is a good news story and I like your optimism, Melissa. The state of probably all these things is there is something that would help consumers and consumers can never get adequately organized to be politically represented.

Somehow this happened with Uber, right? Two things happened. One was the unique regulatory strategy, which was called -- I'm going to trample over the regulations and apologize later -- the other is this is an innovation from a monopolist.

Consumers aren't being represented, but we have a monopolist who is getting all the profit, who is going to go out there and be doing the hard regulatory yak. If this was instead an innovation that was going to be in a competitive market, they are not going to be organized either, so I think the chances of regulatory relief would be substantially lower.

MS. KEARNEY: Great. The other issue, Barbara, your example of the technicians raises is the point that even in the health care industry, which I think most of us would agree should have a higher degree of licensing, there are different tasks along the way. Occupational licensing is a practice of not just defining who is permitted to work, but also establishing what tasks can be performed by people without that license.

We see now a movement in many states to allow nurse practitioners, for example, to do more. We just saw this in Morris' paper, he talks about the case of teeth whiteners. Morris, do you want to talk a little bit about how that plays out with all this?

MR. KLEINER: Yes. There was a recent Supreme Court case involving the Federal Trade Commission in the State of North Carolina in which the members of the Dental Board had to be practicing dentists. It is surprising the practicing dentists thought people who were providing teeth whitening were practicing dentistry without a license. In fact, that was a high margin profit for the dentists.

They basically sent cease and desist orders to individuals who were selling teeth whitening kits in malls and spas. The Federal Trade Commission thought this was a violation and restraint of trade under the Sherman Antitrust Act, and sued the Dental Board saying they were just acting in their own interests.

On a 6-3 decision within the last couple of weeks, in fact, there were a number of write-ups in the major national papers, that the Court ruled yes, in fact, this Board was acting in their own self interest and not looking after the interests of the consumer, that is individuals who wanted to buy these teeth whitening kits.

In fact, individuals who were on these boards were really acting in their own self interest and not in the interest of consumers, and the Federal Trade Commission ended up winning that case.

In the report, I really develop some differences between North Carolina and how they set up their boards, and sort of the paragon of virtue, the State of Colorado, and how they set up their boards, which is very different, and it can lead to some very different outcomes, in the case of the Federal Trade Commission saying that there are potential violations of antitrust.

You get, as was pointed out earlier, and as I mentioned in my statements, there are over 800 occupations that are licensed, and what happens is not only as in the case of North Carolina and the teeth whiteners, licensed versus unlicensed, you also get lots of battles.

I call them battles of the licensed occupations, between doctors and nurse practitioners, dentists and dental hygienists, architects and interior designers, physical therapists and occupational therapists. Those decisions on who can provide tasks are not determined in the marketplace but rather they are determined in the legislature. These perhaps would be better decided by consumers rather than in the legislature.

MS. KEARNEY: Can we talk, and Barbara, maybe you can clarify this, what is the role of agencies such as yours and state legislatures, and how do those different bodies interact in this area?

MS. KELLEY: I think that's quite frankly one of the most interesting aspects of this whole sunset/sunrise review process. The legislature is clearly a big part of the whole three legged stool, if you will.

What you find is we will submit --

MS. KEARNEY: What is the first leg?

MS. KELLEY: The first leg is the statutory review of the program. The second leg is the actual report through the Executive Branch and my office, and the third is the legislature in terms of implementing or executing on the recommendations in the report.

What you find is once the report gets into the political arena, we lose control of that process and you have lots of other influences that will come to the table.

Morris will appreciate this. One of these is a classic example of what I call the "astounding saga of occupational therapists" in Colorado. Going back to 1996, my office, and I was not there then, had the same functions. They recommended initially that there was not a demonstrated need to regulate and license occupational therapists. Therapists didn't like that. They came back again in 2006 with another sunrise request. We said again we didn't see the need for regulations, no demonstration of consumer harm.

Notwithstanding that, they were able to get a group of legislators together and in the 2008 session, they implemented a registration program for occupational therapists. They set up a short time for the first sunset review, which is in 2012. We reviewed it.

We had 17 complaints during the entirety of this regulation program, none of which had to do with competency. We don't think this program is necessary, let's sunset it. Legislature said oh, no, pursuant to the industry and constituent groups.

Not only did they say no, we're going to keep the program, we're going to move it from a registration program to a full licensure program, and we're not only going to include occupational therapists -- I mean no disrespect to anyone in the room or watching who has this occupation -- they included in the regulatory scheme the occupational therapy assistants.

In Colorado, it is a program -- these are really important people. They provide very serious services to patients who are in pain and need pain relief, et cetera. This is not a comment on their quality but it's just showing some of the insanity in a regulatory process that is getting a little out of hand.

The assistant designation can be very quickly acquired, I think after a couple of months or so, studying for credentials. The new legislation, which the General Assembly passed in 2013, imposed what is now a continuing competency requirement for not only the occupational therapists but for their assistants.

They have to do more work to maintain their certification than it took to acquire the certification in the first place.

This was all against the recognition of the regulators, my office, in effect, but it was recognizing that the legislative process is still its own independent body, and of course, we fully respect the decision that was made, but it was just a little out of sync experience, that we ended up with a more enhanced regulatory program for a professional occupation that we thought really didn't need it in the first place.

MS. KEARNEY: What is the average wage of someone in that assistant position?

MS. KELLEY: I really don't know.

MS. KEARNEY: Morris, how should we think about this in terms of licensing and up the wage distribution? Your story doesn't sound to me like one that protects low wage workers.

MR. KLEINER: Right. For example, I looked at physicians and nurse practitioners, and doctors make about twice as much as nurse practitioners. Dentists make almost three times as much per hour as a dental hygienist.

These battles take place over who can first open up an office. In Colorado, which again is the paragon of virtue, dental hygienists can open up their own offices. That is very unusual. They don't have to have a licensed dentist on the premises, which they do in most states. California is also moving in that direction.

Nurse practitioners in the past couldn't prescribe drugs, and this dramatically raised the price, for example, of well child visits, that could be done by nurse practitioners, where they are not allowed to provide lots of services, the prices of those services go up about $10 per visit, and on average, it costs about $100 to take your kid in to see are they doing fine, are they growing fine, what is their weight.

When you multiply that $10 by the 60 million well child visits that take place every year, for just the one procedure, you're talking about a potential cost saving of $600 million.

In terms of health care, the Affordable Care Act, these all have very large implications for what consumers have to pay, and the ability to allocate resources, who should provide these services, are largely determined again not by who do you want your kid to see but what are different occupations allowed to do by the legislature or the professional associations.

MS. KEARNEY: Mike, your illustration of this issue from the construction sets up a good contract, which I think most of us would want a licensed electrician wiring a building, but we probably don’t need a master electrician licensed to do the demolition.

MR. MOORE: Well, the electrician wouldn’t be doing that.

MS. KEARNEY: Right, but it’s sort of like a dentist doing teeth whitening.

MR. MOORE: I think there is some variation, but again, our model suggests that you can arrive at some portability of skills and standards and accreditation, if you will, recognition, and I think we would look to harmonize that throughout the states.

We don’t have this, as the Professor pointed out in his paper, there is a patchwork sort of regulations and licensure and what is, and Barbara has accurately described her one experience which may vary from other states, so I think harmonizing them so there is portability.

Understanding the access point barriers there are. Maybe there could be other solutions to alleviate some of the expenditures necessary for these folks to enter some of these occupations whereas throughout the collective bargaining process, those are essentially deferred wages, in hopes of further skill attainment, that you are going to receive better wages on the back end.

So, harmonizing across states, and even for other occupations, if you’re looking for experts from other countries outside the United States, it seems to me that we would have to harmonize our own standards before we could allow some professionals or even practitioners from overseas to come practice here, particularly in occupations like medicine, security brokers, things like this.

Our model suggests that you can harmonize this in a way, but again it is through collective bargaining and a commitment to skilled development all throughout.

MS. KEARNEY: Justin?

MR. WOLFERS: I was just going to say it's not as simple as like licensing good, licensing bad. It depends on a lot on who is issuing the license, what the licensing boards are, who is setting the standards.

I agree, Melissa, it is probably a good thing that electricians are licensed, and we should elect Morris to be the person who issues the licenses, and I'm sure he would do so in an economically coherent and honest way. I'm not sure I want the head of the Electricians Union to decide what the standards are to become an electrician, because he effectively gets to decide how many electricians there are in the country, thereby setting his own wage, which is going to cost me a whole lot more the next time --

MR. MONROE: Not to interrupt, I assure you he's not the one making that decision in a vacuum.

MR. WOLFERS: These boards generally are staffed by the insiders, they represent the workers when it should be a consumer issue. The people who should be on the electrician licensing board should be the people that are scared of being electrocuted. (Laughter) The consumer.

MR. MONROE: Our consumer is the end user, the contractor and owner, who doesn't want the liability associated with faulty wiring, right.

MS. KEARNEY: This is a really important question from someone in the crowd. Morris, I think this is for you. Can you expand on the difference between certification and licensing, and the effects on quantity versus safety, and how your policy solutions address this.

MR. KLEINER: In terms of licensing, again, licensing is a monopoly, so it's like an utility. Only one company, in this case, only one occupation, can provide that service or nothing at all.

Certification is a right to title, which again is a chartered financial analyst, other individuals can provide those services as long as they don't use that title.

You can go to others to provide you financial advice but they cannot use the title "chartered financial analyst" because that title can only be provided.

In terms of insurance companies, there was a study done that looked at what do insurance companies do, their job is to assess risk. In states where certain occupations are licensed and in other states, they are not, insurance companies aren't willing to provide lower malpractice rates in those states that are licensed versus the ones that are not.

When I called the insurance companies, why is that, well, part of it is due to structure, once an occupation becomes licensed, the rules are set, lawyers can see if someone violated that, so they are more likely to go after practitioners, incompetent or unscrupulous practitioners, who may have violated the law, so insurance companies aren't willing to give a break to those states relative to others.

At least as a basic measure, insurance companies really don't see providing lower malpractice rates in those states that don't license certain occupations.

The quality effects are unclear, they are murky, but there are very clear price effects and very clear wage effects.

MS. KEARNEY: Thank you. I am sorry we don't have time for more questions. We do want to move the program along since we got started a bit late.

Please join me in thanking our panelists, and you all have a few minutes to get a snack. (Applause) Panel two will begin promptly in five minutes.

(Recess)

MR. HUTCHINS: Ready to go? All right. Let's go. We're going to get started.

We are going to end today promptly at 4:45, for those of you who are wondering what our timing is, given the fact that we're operating on Joe Biden time now.

My name is Glenn Hutchins. I'm very pleased to be the moderator of this panel. I'm going to introduce the people on the panel first, and then we're going to hear from the two papers we have being presented, and then we're going to talk, debate the two papers, and then we'll take some quick questions from people in the audience.

Sitting to my left here is Jared Bernstein. He's the senior fellow of the Center on Budget and Policy Priorities, which job he took after serving as chief economist and economic advisor to the vice president, Joe Biden.

Are you responsible for his punctuality today?

MR. BERNSTEIN: I'm always on Biden time.

MR. HUTCHINS: Jared's areas of expertise include federal and state economic and fiscal policies, income and equality mobility, transit employment and earnings, international comparisons, and financial and housing markets. He is a prolific author most notably of the forthcoming book -- go out and buy it as soon as it comes out -- The Reconnection Agenda: Reuniting Growth and Prosperity.

To his left is Chanelle Hardy, senior vice president for Policy at the National Urban League and executive director of its Washington Bureau. Her policy work focuses on civil rights and urban economic policy with a focus, among other things, on job creation and entrepreneurship. Perfect for today. Prior to her joining the league, she worked in Congress as chief-of-staff and counsel, and among her many other roles, one of my favorites, she was a fifth grade Teach for America teacher here in Washington, D.C. Bravo. Good for you.

To her left is Adriana Kugler, professor at Georgetown, where she is the vice president -- vice-provost, pardon me -- for faculty. She previously served as chief economist, U.S. Department of Labor. Her research interests include labor markets and policy evaluation of both developed and developing countries, and her work evaluating the impact of labor policies and regulations was recognized in 2007 with the prestigious John T. Dunlop Outstanding Scholar Award.

Finally, to her left, our author -- I think, Michael, you're going to go first -- our first author, Michael Barr, professor of Law at the University of Michigan Law School, where he teaches domestic and international financial regulation. He's also professor at the Ford School of Public Policy. He served in 2009-2010 as the U.S. Department of Treasury's assistant secretary for financial institutions, where he takes credit for being a key architect of Dodd-Frank, something you can say more openly in Washington than in New York, where I'm from, and the Consumer Protection Act -- maybe that's why he went out to Michigan to work -- the Protect Act of 2010. Among his other government roles, of which he's had many, most notably, he served, according to a person in the room here with us, as Bob Rubin's special assistant and deputy assistant secretary.

So Michael, why don't you launch into telling us about your paper?

MR. BARR: Thanks very much, Glenn, for that, I believe, warm introduction. And to the Hamilton Project for inviting me here today.

I think that the conversation we had this morning and over lunch and then with Vice President Biden and the panel just now are really important parts of a conversation that the country is engaged in, I think, on a serious level for the first time in quite a while about how to make the economy work better for everybody. And I think that's a welcomed and needed change from the past. My paper I situate in that broader context of thinking about how to make the economy more inclusive, how to deal with inequality in the country, how to encourage the creation of more jobs, and how to make finance safer and fairer and work better for the real economy. And I think that's a challenging task, and the paper that I've done here is obviously only one very small part of that piece.

I'm focused, in particular, on the needs of the entrepreneurial community, particularly expanding inclusiveness of entrepreneurship for minorities and for women. We have a very strong and vital entrepreneurial culture in the United States. We have a very vibrant capital market that in general is terrific at expanding the ability of businesses to form and to grow and to create jobs and to promote innovation at bottom to increase economic growth. But at the same time, we don't do a good enough job, in my view, in making sure that that growth is inclusive and making sure that minority entrepreneurs and women entrepreneurs have the same opportunities to get ahead as others do. And I think given the need of our country to grow and to create more jobs and to increase our entrepreneurial activity to increase the peace of business formation, we're going to need to develop strategies that do better at making sure the talents of everybody in our society are used to achieve those aims. And in particular, in the paper I talk about some of the barriers that women entrepreneurs and minority entrepreneurs face in getting access to capital and getting access to the connections needed to succeed, getting access to skills that are required to start a business and to grow a business.

And if you look at both women and minority entrepreneurs, and of course, women minority entrepreneurs, there is a big gap in the ability of those individuals to succeed. Some of it has to do with starting out levels of net worth. As everybody knows, there is a large black-white wealth gap in the United States. There's a very large male-female wealth gap in the United States. And that wealth gap flows through to the ability to start a business, raise funds, and succeed.

Some of it has to do with isolation, both geographic isolation or cultural isolation or network isolation. Access to business networks that are required to succeed, access to connections that can give you business opportunities are quite important, and there is some evidence that there is continued discrimination in our credit markets even in today's quite competitive field.

So I suggest that there are three key areas that we need to do work on -- capital, skills, and networks. I should say that these three areas -- capital, skills, and networks -- are needed for lots of different kinds of businesses, and I think it's important that our policies recognize there are some kinds of businesses, you know, that people sometimes call gazelles, that are going to start out small but grow big and create enormous quantities of jobs, and the other small business are going to stay small, but they can grow somewhat, and they can employ people, and they are important for our job markets and our communities as well, and we need policies that are flexible enough and different enough, adaptable enough at the local level to meet the needs of gazelles and also meet the needs of small businesses that are going to stay small.

So what are the three policy areas that I suggest? The first on access to capital, expansion of and building on two existing programs -- the State Small Business Credit Initiative (SSBCI) and the New Markets Tax Credit (NMTC) that you heard Vice President Biden talk about earlier today. The SSBCI works through states and local governments to provide resources that help the private sector lend more efficiently to growing small businesses. SSBCI had been operating at about a billion and a half in total funds, and I suggest it's time to move that up to three billion and to reauthorize the program.

I also suggest some modest changes to the New Markets Tax Credit to make it easier to use and better at meeting the needs of small businesses and minority small businesses, and I suggest authorizing that program at a level of five billion a year and making that program permanent.

In the area of networks, I suggest that SSBCI funding be expanded to include $500 million for local initiatives to expand networks that help connect minority and women entrepreneurs to business opportunities, to peer support, and the like. And lastly, a skills initiative of also a $500 million add-on to the SSBCI program to promote the skills acquisition by entrepreneurs, whether that's through online apps or training programs or helping small businesses hire the workers they need or use consultants to get the mix of skills that they need to succeed at the local level.

I think there is a lot of enormous potential in each of these three areas in capital, skills, and networks. This is primarily and fundamentally a matter for the private sector, but I think the government does have a role to play in catalyzing the ability of the private sector to better serve these markets, and I very much look forward to the conversation we're going to have this afternoon. Thank you.

MR. HUTCHINS: Thank you, sir. Well done.

Adriana, do you want to come up next?

MS. KUGLER: Sure. Thank you so much to the Hamilton Project and to the organizers for this great opportunity. It's really a super team.

I'm very excited to talk about strengthening the employment in the unemployment insurance system. So I want to put this in a little bit of context. As you all know, the efforts to help the unemployed get back on their feet and get back into work have long been a policy priority. In fact, since at least the 1930s. In 1933, we introduced the Wagner-Peyser, which introduced employment services across the country. In 1935, the Social Security Act introduced unemployment insurance across the country. So this goes way back to the Great Recession -- Depression in that time.

More recently, this has regained importance precisely because of the Great Recession -- I mean, the aftermath of the Great Recession simply because the number of long-term unemployed has remained very, very high, even after we know that we have actually undergone a recession and we are already on the way to a recovery, as we heard from Vice President Biden.

For example, at the height of the Great Recession, we know that about 45 percent of the unemployed were long-term unemployed, and unfortunately, that number hasn't fallen very much. In fact, it has fallen to 30 percent, which is still way above what it was during the post-World War II period during all those decades that remained roughly at 10-20 percent. So that's really a big concern, mainly because the long-term unemployed have a harder time getting back jobs. So once you remain unemployed for a period of time, it becomes harder and harder to get a job because the long-term unemployed see their earnings fall by about 40 percent. They're four times more likely to fall into poverty, and they're much more likely to suffer from physical and mental health issues. So there are lots of social problems that come into this. This means that basically, we want to get people back into jobs sooner, rather than later.

The unemployment insurance system has long been helpful in providing income support to the unemployed, and in particular, it does help to avoid people from falling into poverty. It does help in avoiding big falls in terms of consumption. But at the same time, paradoxically, the unemployment insurance system imposes many barriers to actually getting back into jobs. And let me clarify this. Basically, there are so many requirements within the UI system, and so many restrictive requirements within the UI system that it becomes very hard for the unemployed to, on the one hand, qualify to get UI benefits, and secondly, to try to take the steps and take the actions that will actually allow them to get back into jobs.

So there are basically four different requirements that UI systems across the country impose, and these vary across states and there are different variations, but they mainly are monetary requirements, which mean that workers have to work at least two quarters out of the four or five quarters before they file a claim. It also means they have to earn a minimum amount so they qualify for actually getting UI benefits. It also means that there is a job separation requirement. The job separation requirement means that you have to have lost your job, been dismissed, or been laid off at no fault of your own. And there are a few exceptions, few states that were introduced during the Recovery Act through the UI modernization efforts that only allow for quids or quids due to job reallocation because of your spouse, or quids due to illness to qualify for UI claims. But these are basically very, very rare exceptions and they apply only in about half of the states.

The third requirement is work-search requirement. The work-search requirement, although it makes a lot of sense, turns out to be extremely restrictive on many occasions. So the job-search requirement means that you have to go in, you have to try and register into the EAS as soon as possible. In some states, your claimants are given three days, like in Texas. In other states, like in my state, Maryland, you actually get about four weeks. But it varies a lot. But in some states, it's really a very short window. That means that you would be disqualified from getting UI claims all at once.

There is also a minimum number of jobs that you have to apply for per week, and these vary from one to five jobs. And it goes from one in Delaware and Louisiana and a few states like that. It's two in D.C., Maryland, and Pennsylvania, but it goes to four and five in states like Wisconsin, like Utah, like Texas, like some other states, which make it really, really demanding for the unemployed to actually continue to claim benefits. And if they don't apply for this many jobs per week, they lose their benefits.

And finally, the ability and availability of the requirements is also pretty restrictive. It basically means that you have to be ready to take a full-time job the minute you get an offer. It means that you have to have transportation and childcare requirements worked for, and you have to have everything ready and set to go the minute you get a job offer; that you have to accept the prevailing wage in many states; and in some states, there is even the requirement that you have to accept a pay cut after a given number of weeks claimed in order to be able to continue to qualify. So, for example, in Texas, this means that after eight weeks you have to accept a pay cut of about 25 percent. In other states, like Iowa, it means a pay cut of 35 percent by 18 weeks, so it becomes very restrictive.

The bottom line is that these work-search requirements, the availability requirements become very restrictive. It means that if you wanted to take an internship, if you wanted to do volunteer work, if you wanted to set up your own business, if you wanted to take part-time work, you would not be able to qualify for benefits anymore and you would lose your benefits. And that means that only 27 percent of all unemployed actually qualify for benefits and that many others lose their benefits along the way. And that those that keep them find it very hard to take the right steps to actually get a job.

So what this proposal today does is basically to propose ways to eliminate these barriers, to eliminate many of these barriers that make it very hard for the unemployed and claimants to actually take the right steps to take jobs. So to relax some of these work-search requirements, to relax some of these availability requirements and some other things that are getting in the way of actually people getting jobs.

And there are basically three proposals that I've put on the table. The first one is the Self-employment Assistance Program, which allows the unemployed to get benefits while setting up their own business. It relaxes or waives the work-search requirement and it provides entrepreneurship training, which was just mentioned by Mike. The Bridge-to-Work program is a program that offers benefits for those who are engaged in employment-based opportunities and employment-based experiences. It also waives the work-search requirement, and it introduces transportation and child care assistance, because as we know, that's another of the requirements that gets in the way. And finally, another employment assistance program is one that actually allows people to take part-time employment. It waives the work-search requirement for those who get part-time employment, and it reduces -- it increases in this regard the amount that is not going to be taken out of your unemployment benefits while you are part-time employed.

So all of these requirements are relaxed in several ways by these programs. And I won't go through the details, but the cost is relatively small because what I'm proposing here is to do five pilots for each of these programs, and five randomized pilots that would allow us to do rigorous evaluations of whether these programs work or don't work before we actually scale them up at a larger level.

So $60 million for the Self-employment Assistance Program, which would pretty much pay for itself, because from past evidence that we have in the Massachusetts Enterprise Program from the late 1980s, early 1990s, we know that this program actually reduced the number of weeks claimed by about eight weeks, and this is what would be required basically to cover this, $60 million.

The Bridge-to-Work program is the more costly one. It would cost about $173 million, and that's because it includes a transportation stipend, a childcare stipend, and a hiring bonus. But again, this is not realistic simply because the hiring bonus we know reduces weeks claimed by about a week, and the other component, which is putting people in employment-based opportunities from the Work First program that was evaluated by David Autor and Susan Houseman in Detroit, shows us that it's nonrealistic to think that this is going to reduce weeks claimed for people in this group by about eight weeks as well.

And finally, the Underemployment Assistance Program would cost about $17.2 million. This is actually a budget neutral proposal because this actually requires that these people who are part-time employed would only be able to claim up to 24 weeks, and that essentially means that the $17 million could be recouped through the savings from reduced weeks claimed from those who are part-time employed.

So basically, some of them are budget neutral. Many of the others are expected to be budget neutral. And if enlarged and if scaled down, these would cover about 1.8 million. It would cost only about $2,000 per person, which is really a reasonable amount to spend on any program that gets people back into work, and it would reduce the unemployment rate yearly by two-tenths of a percentage point. So every year that these programs are going on, basically, two-tenths of a percentage point could be shaved off the unemployment rate of 5.5 percent that we currently have.

So these are the proposals, and I look forward to the comments.

MR. HUTCHINS: Thank you, Adriana. Well done. Both papers, terrific. Thank you.

I think what we're going to do first is have our two discussants here talk about Michael's paper, react to that, ask a few questions, maybe give Michael -- give you a chance to respond to that, and then we'll come back to you, Adriana, and then we'll have a broader conversation.

Jared, do you want to go first?

MR. BERNSTEIN: Okay.

Let me find my Michael notes.

Okay. So I think -- well, both papers strike me as important in terms of -- I think it was Adriana who said "taking down barriers," but of course, you could view Michael's paper in the same way as well. Barriers in this case to access to credit, to equal opportunity and entrepreneurial settings. And so it's hard. I think I wrote to the folks in the group, you know, it's sort of a "what's not to like?" Especially when you start making arguments that they'll pay for themselves, you kind of have to ask yourself, well, why aren't we doing more of this already?

So I want to start off by endorsing much of what you've heard. I just have a number of questions about some details. First of all, there's one point -- this is not detail; this is more of a macro point, and it's one that I'll get off quickly because it's not really relevant to the kind of micro ideas that we're talking about today, but we do have to mindful of that. As long as we continue to have a real shortfall of demand in our economy, whether it's consumer demand or labor demand, it's very hard for these programs to really be as effective as they could be and should be. Sometimes people like to say, well, programs like this are complementary to a more demand-side approach." Ideas that help to stimulate a greater macroeconomic demand in the near term fiscal or monetary policy. We've talked about infrastructure. And I actually think that that's a little too facile in the sense that there's kind of an ordering. That is, you could do everything that Michael and Adriana want us to do, and if there aren't the job slots there, everyone would kind of be all dressed up with nowhere to go. So it's not just a matter of, well, we need to do both; it's actually a matter, in my view, of sequencing. That it's harder for these programs to reap the kind of benefits that I think Michael and Adriana correctly identify as long as we are still facing insufficient demand.

Just a couple of quick questions for Michael and then I'll back off. One is on SSBCI. So this is the State Small Business Credit Initiative. Reading your paper I was convinced that it should be reauthorized. I wasn't convinced it should be double. And I want to know what gives you the confidence that doubling the program while -- before we learn more about its effectiveness, is a good idea. And I would argue, and you know far more about this than me and probably anyone else in this room -- I think you were instrumental in its origin -- you know far more about this than any of us, but I would argue, at least from a person who tries to focus on these kinds of things, that we really don't know how well it works yet. We just haven't seen the kinds of evaluations that we need to see, and one might think more in terms of pilots than a doubling at this point in time. I also think that interest rates are very low. They've been very low. They're going to stay very low. Well, actually, you may have other views about that yourself. Those in financial markets might have other things to tell us.

MR. BARR: That will cost you though. You don't get that for free.

MR. BERNSTEIN: The forward markets say they're going to stay very low for what it's worth. And so, again, is it obvious that we need a doubling in this climate?

On the New Markets Tax Credit, I have a different question. That I know a little bit more about because I've played in that sandbox a little. More than half -- it's my understanding, and I think you said this in your paper, that more than half of the lending and the projects in the NMTC are in real state. And I wonder if that's optimal. I kind of think it's maybe not. I don't have anything more than sort of gut to go on. I don't think that has the biggest job multipliers. I'm not sure that that breaks the kind of entrepreneurial barriers that at least I'm envisioning in terms of allowing a kind of more creative scope of opportunities, and I wonder if part of the fact that so much of this tax credit ends up in real estate has to do with the structure, which you didn't get into, and maybe you shouldn't get into, but it has to do -- it's very patient lending. It has to be -- it's a seven year loan. Is that something that you think is a feature or a bug? It feels a little buggy to me.

MR. HUTCHINS: Chanelle, before Michael responds, do you want to pile on?

MS. HARDY: Sure. So, again, I agree with all of Jared's comments. Excellent papers, and I appreciate the particular emphasis on minority entrepreneurs, women entrepreneurs, and minority women entrepreneurs. I definitely caught that.

So working for the National Urban League, which represents anyone in need, but in particular, African-Americans, a key thought that I had throughout my reading of the paper was around just how very small the majority of these businesses are. So as you point out in the paper, 95 percent of African-American owned small businesses are owner-operator. And receipts, you know, annual receipts are around $50,000. You know, just extremely small businesses. And so I'm wondering how do we ensure that a program like the New Market Tax Credit Program where minimum loan amounts are significantly higher than that are actually able to be accessible by these very, very small business owners?

And in looking at the way in which the credits have been successfully invested in low income communities, definitely the real estate investments, but other investments that certainly have a job creation result also I would add to the question about what is the entrepreneurship result? We kind of use the New Market Tax Credit Program in a very roundabout way by using it as being able to actually consult on how investors are sure that they're picking projects that will have a significant community impact, and being able to take those fees and use them to fund our entrepreneurship centers. So it's very roundabout, but it is having a result for us.

And then in terms of SSBCI, my question was more around if you're going to double it, which we always are like more is good, how do you ensure that the programs that you alluded to in the paper that are having an impact for targeting dollars to minority-owned businesses, how do you ensure that that happens? So, you know, as I was reading I was thinking about "Race to the Top" with the Department of Education and really being able to drive some rapid change by requiring, really incentivizing with this big pot of dollars, states to strive for best practices, even though, of course, anytime we ask for more money we recognize political realities are challenging. So that's my piling on.

MR. BARR: Great. These are incredible helpful comments, and I really appreciate them very much.

You know, just on the macro point, I mean, obviously, Jared, you know I agree with you. We need to be doing more to get the economy going still, and particularly infrastructure would be, I think, a very wise investment at this point.

In terms of the SSBCI program, I don't think there's any evidence that we're -- you know, sometimes you get to a program and you're kind of worried -- you're close to the demand frontier -- and you're worried that if you increase it too much you're going to get a lower quality of production. I don't think we're anywhere close to that in the SSBCI program, so you could double it and there's still this very large untapped space in front of you. So the reason for doubling it is I think we need to hit enough scale to actually try out a bunch of things on the ground in states and localities. It's very hard for states to run small programs. It's extremely expensive for them to run small programs, so I think increasing the size will also increase the efficiency of the program and give us space to experiment with different approaches. I do think that we need to not just have an approach that spreads the money around according to a formula, which was in its first round, but to use the new funding primarily for competitive rounds that involve demonstrated success in reaching target markets, including minority and women entrepreneurs, and for programs that have built into their design very rigorous experimental design approaches to analytics, which was not possible to do in the first round. So that's the basic rationale on SSBCI.

In terms of New Markets Tax Credit, there has been, I think, quite an emphasis in the past in programs that are real estate based, and I mention this in the bowels of my paper, but it is very much rooted in the seven-year compliance period and the need for patient capital. And if you have small operating businesses, investors were worried about early exits and what to do with that. The IRS has quite recently changed the rules for compliance under that program so that you can reinvest the exited funds into a community development financial institution without violating the compliance rules, and I think that will open up the space for small business operating businesses much more. And I suggest also in the paper that there are further refinements the CDFI Fund can do in its application process to emphasize and reward program applicants that are serving operating business.

I should also just say that the real estate stuff is good, so I'm not -- I don't want to be critical of that. It's mostly commercial real estate that is mostly helping small businesses in economically-distressed communities find spaces to operate at lower costs. So it is having an impact on operating firms, but I do think there is space for more in the operating business space.

And lastly, with respect to the size of businesses, I do think we need to worry both about, as I mentioned very, very briefly in my remarks, about small firms that are going to grow into big firms that are quite successful. We need to have strategies that help them. But it's almost important for communities and for job growth and low income communities in particular, to worry about and help small businesses that are just small -- small retail businesses, lifestyle businesses. I've been working in Detroit for the last -- well, quite a while, to try and help small business formation in the city, and a lot of that is about how to get access to capital for neighborhood-based businesses that don't get access to the wonderful revitalization that's going on in downtown Detroit, so I think both those strategies are really important, both for economic development reasons and for entrepreneurship support and job creation reasons.

MR. HUTCHINS: Thank you.

Now let's train our focus on Adriana.

Jared, go ahead.

MR. BERNSTEIN: Okay. So I thought Adriana approached this very smartly in the following sense. We have, as you've seen -- I think you saw on her first graph, just a mountain of long-term unemployment that we've seen nothing like in the recorded data going back to the late 1940s. And you look at that and you think that's worrisome just because long-term unemployment has got to be a bad thing. Most people of working age depend on their paychecks, and that can't be good for them. But it actually is even worse than that. There's a problem economists worry about. It's called hysteresis, which sounds like, you know, some medical disease, and to some extent it sort of is. It's the economy getting sick in the following sense. It's when a cyclical problem morphs into a structural problem. So something that would be a temporary problem if people were able to get back to work becomes a permanent one where they become deeply estranged from the job market and unable to find their way back in.

Now, those of you who follow these numbers know that we've had a decline in labor force participation. Some of that is demographic, but some of it is related to the problems that Adriana is trying to attack here. In that sense, this is not just good micro as I was talking about earlier; it's also good macro because to the extent that you reconnect people to the job market who would otherwise kind of fade away from it, you're increasing our potential growth rates down the road.

So I think that when you look at that stock of long-term unemployed, you can see a couple of things. A lot of it, I must say, or at least in this town, seems to have to do with whether you're wearing red or blue glasses. You can look at the unemployed and see a bunch of lazy people who need to be cut off of unemployment, and so your solution to the problem that Adriana is dealing with here is to cut benefits. And many states have done so. North Carolina has had a particularly sharp cut in the amount of eligible benefits for people on the UI roles. But she's coming at it from a different angle, which is to say, look at that stock as an opportunity. People that we can help get back into the job market if we apply the right ideas, and she's suggesting some pilots to see which are the right ideas.

Of the three ideas that she proposed, the one I like best is partial part-time work, or basically increasing the disregard so people on unemployment insurance can work part-time, get themselves back into the job market while they're still claiming some UI benefits. I worry that the self-employment piece is going to be a real tricky one to work, and I was actually a little surprised by the success that Adriana told us about in the earlier programs. So I could easily be wrong here. But my sense is that one thing that she didn't mention because it's a very nuanced piece of this is that the people who she's targeting with these programs are people who are expected to exhaust their benefits; right?

MS. KUGLER: That's right.

MR. BERNSTEIN: So that -- when you exhaust your benefits, 26 weeks is the usual amount, although as I mentioned, some states are cutting back to 20 and even less, but of course, in recessions that gets extended by federal programs. When you exhaust your benefits, then you have a real problem. So in a sense, it makes sense to go after the potential exhausters because they're the ones who will have the most trouble getting back to work and they're also the ones who would generate the most savings for you if you can get them into the labor market, and she takes those savings, as you heard, and applies them back into the program.

However, it seems to me, and I don't know exaclty the model that identifies the exhausters -- you know, the statistical model that says you're an exhauster, you're a potential exhauster, you're not -- I would worry that many of the folks with those characteristics may not be optimal folks to set up their own businesses. Michael worries a little bit about this, too, in his paper, and I think it's a valid concern.

On the back-to-work stuff, I have some concerns about displacement. I won't get into that right now. I'll just say this. I think that the partial part-time extension seems to me like a really, really good idea, and I would hope that we could do more of that. I was scratching my head a little bit to try to figure out why we're not doing more of it already. Not to be a Chicago economist, but if it's so great, you know, why aren't we doing it? In fact, we're not doing a lot of stuff that's great, so Chicago economists tend to be wrong about certain things.

But I would like to hear your thoughts on why you think we're not doing more of that already. I have some of my own in terms of some incentive issues that administrators might worry about, and maybe I can circle back to them if need be. But that to me is an important question.

MS. HUTCHINS: Great.

Chanelle?

MS. HARDY: So I think that part of what I just wanted to note is I think that we rightly celebrated at the beginning of the conversation with the vice president's comments real improvement in the job market. But I think it's worth nothing how bad it is for certain segments of our population, particularly African-Americans. Literally, there is no state in this country where the African-American unemployment rate is not in double digits.

So when we talk about strategies that reemploy people, I think we have to really grapple with the fact that there's a segment of the population that's going to really, really struggle. And while I'm not an expert in unemployment experience, as I was reading Adriana's paper, I thought a lot about some of the programs that our affiliates run and some things that we see are beneficial, and then some of the limitations to those.

I thought it was extremely important that in the Bridge-to-Work proposal there was consideration given to child care expenses and transportation expenses. So for many of our -- if I were the president of a local urban league sitting here I would say the way our model works is we provide wraparound services. Somebody comes in, they express a need, we sit down and evaluate them for everything they need because often, if someone is coming in looking for a job, they may have housing issues, they may have -- they probably have transportation issues. They probably have childcare issues. And so even to allow people the luxury of participating in a program, providing financial assistance is critical. So, really connecting reemployment efforts and unemployment benefits I think is a no-brainer. And then adding those additional supports is really, really crucial to helping those programs to be successful. So kind of there might be like a hodge-podge of the way these different proposals pull great ideas together. I think that another thing that we've noticed is that because of the challenges that Jared talked about on the demand side, even when we're able to have really great success with training people and giving them a stipend, such as the Mature Workers Program where you put individuals who have lost their job and they've been unemployed for a particular amount of time and they've of a certain age, giving them access to skills retaining and community service-based stipend-supported work, the placement rate is only about 13 percent, and that's not just for us. So it's very challenging to get people back into the workforce. So while they're benefitting from this program during that time, they're still in a challenging place when the period comes to an end. And so definitely the limitations on the unemployment insurance program timeline still raised challenges for me.

And then thinking about the entrepreneurship piece as well. Obviously, I think that there's some real interesting potential to helping people to hang out their shingle, but I think that again, 26 weeks is going to be a really short period of time to try to get people to be able to launch something, and it seems that it would need something on the backend that's kind of like a feeder. So once you've exhausted your 20 weeks or your 26 weeks, you're now set up and eligible to apply for the programs that Michael references.

So I'll stop there.

MS. KUGLER: Thank you so much. These are really great comments.

So I wanted to start going back to the demand issue because I think that is pretty crucial. In fact, the whole idea behind this SEA, the Self-employment Assistance Program, is, well, they're job hunters. Let's create those jobs. And in fact, when this was tried out in Washington State, in Massachusetts back in the '80s and early '90s, it was very effectively precisely in a very weak labor market. So it is a very viable alternative given even the current recovery that we're facing.

The Bridge-to-Work program actually does introduce hiring incentives and hiring bonuses. We try to incentive employers actually to create jobs, and if they're on the fence about creating a job or not, to jump in the pool and say I'm going to hire this person. So while I agree that we need to continue working on both fronts, the work components in each of these proposals that I included that actually do target the issue of demand as well.

I love the way you put in the history questions. I actually think my proposal challenges the conventional wisdom of what economies think about why people who claim UI remain unemployed for so long. So the conventional wisdom that economies have is, well, benefits are too high. The reservation wages are too high, and precisely if the reservation wages are too high, they're being unrealistic about what types of jobs they can get out there. They're not accepting jobs and that's why they remain unemployed.

And then the other alternative conventional wisdom is, well, wages are too high. People are not searching hard enough. There's this moral hazard problem. And so they're not getting jobs. Right? And so what's the solution to that? The solution to that is let's lower benefits and let's make things even more restrict. Right? Let's do what Texas and Iowa do, which is to force people to accept that wage cut. Or let's actually put -- like, really carry on the number of job applications they need to do per week because they're just, you know, they must be shirking. They're just not doing their job and searching hard enough. So this actually turns that conventional wisdom around, and that's what I like about these proposals. It's saying actually it's not. That's not the problem. We're just not allowing enough flexibility within the system to let people do the types of things that will help them get back into work.

I wanted to talk about the partial time work, why not more of this is happening. Some of it is happening. The problem is that these regards are so low that in effective terms they're not working. I think what I propose here, this issue of allowing people to apply for these up until the 24^{th} week, would make it very palatable to many states because it would make it budget neutral. And I think it's a very simple thing of reducing by just two weeks, right, which is exactly what you expect the fact of the program to be, to increase by two weeks the speed with which people get back to work. So I think that would be a very good solution, and maybe that's one reason why this has not been take up with more efforts.

With regards to Bridge-to-Work, I think displacement could be an issue. I thought I had addressed that as much as I could, compared to say, Georgia Works or Back to Work Programs in Texas and Utah that were introduced during the Great Recession. I, in fact, put a lot of caution there in determining that this could not replace people who have been on layoffs. This could not replace people on strike and lockout. Right? That these jobs had to be created out there. So there was enough character that we wouldn't expect these to have the same sort of effect, say, that the mini-jobs had in Germany where you had a whole lot of people floating in temporary jobs that were not permanent, that were not directly created by employers, and where you had minimum protections in terms of minimum wages, in terms of workers' compensation, that are built into the program.

So while one may worry about pay cap of the program, precisely because there are actually quite a few restrictions to qualify, I do not worry as much about displacement. I think one needs to find the right balance to avoid displacement, but not to discourage people from taking up a program like this.

MR. BERNSTEIN: Can I respond a little?

First of all, so everybody knows, just to make sure everyone knows what we're talking about, this displacement concern is the idea that in her Bridge-to-Work Program she suggests that we incentivize employers to create a job for someone who is subsidized temporarily while they're on UI. And the idea that we worry about is that the employer will say, great, I'll take subsidized worker X and lay off unsubsidized worker Y, and so we're not created a net new job. And so that is concerning, and you're absolutely right. You have various measures in there to try to avoid that. I mean, my personal experience in this is that the tougher you make it for employers to have to follow rules around this sort of thing, the less likely they are to use the program.

But secondly --

MR. BARR: By the way, I counted up the Bridge-to-Work Program has nine separate design requirements.

MR. BERNSTEIN: Yeah. So that kind of underscores my point.

MR. BARR: I suppose that's what HR people are made for, but it would be very hard.

MS. KUGLER: So let me say actually that I just finished an evaluation of the Hire Act that was introduced in 2010, which introduced many similar of these requirements. I find today, you know, five years later, that in fact, the impact of the Hire Act was quite substantial. So even though we were very worried at the time that there wasn't enough take up and this wasn't going to have any effect, I can tell you five years later that we're finding (inaudible).

MR. BERNSTEIN: I think that's very good to know, and I didn't know that you'd done that. And I think we don't know enough about that, and so that's very helpful information.

The only other point I was going to make -- oh, about the partial -- so again, to make sure we're all on the same page here, what Adriana is suggesting is that we allow part-time workers to disregard more of their earnings instead of subtracting those earnings out of their benefits so that they end up better off from working part time while they're still on UI. NELP has written a little bit about this and done some nice work, and I think one of the things that they've suggested is that one of the problems that UI administrators have is that they're worried that if they cut -- if they disregard too much of the part-time earnings, somebody can make pretty much what they would make working full time by working part time. And that is something that the administrators worry about, and so that's a balancing act that they're trying to do. So I would argue that while we certainly need to extend, increase those exemptions -- when I was trying to figure out why they're not doing more of it, I did run into that.

MS. KUGLER: Yeah. No, that's a very good point.

Let me also answer the last one on self-employment assistance and targeting (inaudible)

So, in fact, it is true that not everybody is going to be an entrepreneur. Right? Not everybody is going to be a good person who is going to go and set up their own business. But we do know that there is one out of 10 Americans who is self-employed and sets up their own business. Right? So it's not a trivial number of people that actually choose this path. In fact, the targeting exostise (?)is not as bad as it seems because it does also have this requirement that there would be a business proposal that has to be written and that allows people to self-select right into the program.

So what are the things used to determine whether people are more or less likely to excel? This is the Worker Profiling and Reemployment System. It's demographic characteristics. It's previous work history. All sorts of things like that. So it is certainly a concern, but it's not something --

MR. BERNSTEIN: Well, that's why you do a pilot.

MR. HUTCHINS: Let me address a question to Michael. We have a question from the audience.

MS. KUGLER: I have an answer for Chanelle, also. I don't want to ignore that.

MR. HUTCHINS: Okay. All right. We'll come back to that. But I'm going to dig in a little bit to the issue you were just also talking about, which is -- the audience question is, both proposals call for assistance to help people start their own businesses. Many businesses fail. For people already with low assets, what happens to those whose businesses fail, especially if they have debt? Not just the average, but tail risk.

But let me throw something into this from my life as an entrepreneur. It's really hard. I've funded, you know, hundreds of entrepreneurial businesses. A lot of them failed. It's really hard. And so the notion that you go from unemployment insurance to be an entrepreneur seems to me to be pretty far-fetched. And why aren't we instead talking about -- but entrepreneurial businesses are really important -- and so why aren't we instead talking about the skills necessary to help to be successful as an employee or a partner in an entrepreneurial businesses, whether that's bookkeeping or sales and marketing or customer service or whatever it might be, so that you can work your way into the entrepreneurial world rather than leap right from unemployment insurance to a business plan, debt, funding, and, you know, Facebook.

MR. BARR: Do you want to start?

MR. HUTCHINS: Michael hasn't had much chance to jump in here yet, so we'll let Michael go first and then Adriana.

MS. KUGLER: I just want to make clear --

MR. HUTCHINS: And Chanelle, I know you have a point of view about this, too, from the community organization work. Would you go after that, too, please?

MR. BARR: So, you know, my proposal is not focused on unemployed workers, just to be absolutely clear. So my proposal is about people like you but who are not quite as connected to networks, may not have quite the educational background or the network to start. I totally agree, Glenn, that this is just a brutally hard thing to do. I mean, being an entrepreneur is incredibly difficult. Most of the time entrepreneurs fail. Most successful entrepreneurs have failed many times and will fail again many times, and that's sort of the baseline.

But I do think we can do exactly what you said. We can help connect people with the skills they need to be successful. Sometimes that means some training program, but sometimes it means helping them hire the right consultant or hire the right worker to work with them. We can help connect them to networks that are going to help them to succeed, networks of their peers and networks of business opportunities, and we can improve their access to capital. And with each of those three elements, you're increasing the odds that doing this very, very hard thing is going to have a slightly better outcome than it otherwise would. But it is by no means a guarantee of success. I mean, most, as you said, most small businesses fail, most entrepreneurs fail, most successful entrepreneurs fail many times. And this is not going to change the fundamental nature of that part of our economy which is great and cool and works really well. It's going to help more people get into it who could be successful if they had a little bit more of these kind of elements to succeed.

MR. HUTCHINS: So let me ask the same question to Adriana in a slightly different way before we get to Chanelle, which is all three of your proposals waive the work-search requirement. Waive the work-search requirement, which is one of the requirements for UI that you say makes it very hard for people to get back in the labor force. Why isn't a better proposal to waive the work-search requirement in favor of a skills and training requirement than these kinds of programs?

MS. KUGLER: I mean, I'm not against that either. And there are states that actually allow that. They allow for people who are undergoing training to waive the work-search requirement. So those exist, and they could be expanded, granted, but I'm not against that.

With regards to entrepreneurship training though, I do very much outline this idea there needs to be workshops, that the skills need to be built to be a good entrepreneur, finding out about accounting, about finance, about HR, right, about taxes, about regulations and permits that need to be completed, all sorts of things that an entrepreneur needs to know about.

But let me tell you something about these earlier studies that were done during the early 1990s. Even though it seems a little far-fetched to move people from the UI into self-employment and entrepreneurship, what these studies show is that people who engaged in these SEA programs back then increased their probability of employment by something like 9 percent. And moreover, and this goes back to Chanelle's question, too, not only are they more likely to be self-employed; there's also a group that is more likely to be employed. So this is all against being unemployed. Right?

So there's one of two channels. You go, you succeed, you stay with your business. The other channel, and granted, the failure rate is very high for many small businesses, they fail. This actually helps them, and the skills they accumulate during this time period actually helps them to get another job. Plus, they don't have that emptiness in their curriculum and their work experience that stigmatizes them and doesn't allow them to get the next job.

MR. HUTCHINS: Chanelle, last comment of the day for you.

MS. HARDY: Oh, great. I will be quick.

I mean, I think that training is critical. We have been kind of adding an entrepreneurship center or two every year because we really see them being successful, and so I think that we have to define success. When we're talking about the types of unemployment numbers that we're facing, I think it's a mistake to say that because a small business fails it wasn't successful. If the goal is to provide an individual with employment and income for a period of time, and then at that period of time you transition into being an employee again, that's been a real success for you.

And then finally, just the -- I think remembering what the aspiration is. We know that most hiring is done by small businesses, and we know that most minority hiring is done by minority-owned small businesses. So to the extent that we can invest in individuals starting these businesses, it's worth it.

MR. HUTCHINS: Great. Thank you very much. Congratulations on such fine work. Thank you all for being here so late in the day.

(Applause)

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