Governance Studies
at BROOKINGS

May 2014

Twelve Ways to Fix the Youth Unemployment Crisis

Elisabeth Jacobs

INTRODUCTION

Elisabeth Jacobs is the Senior Director for Policy at the Center for Equitable Growth. She is a former fellow in Governance Studies at the Brookings Institution, where her research focused on economics, political science, and sociology in order to inform domestic social policy.

Young Americans are enduring staggeringly high rates of joblessness. The official unemployment rate for 16 to 24 year olds is 14.5 percent, and has been in the double-digits for seven straight years. Over three million young people are unemployed, and many more have dropped out of the labor market entirely.[1] While the unemployment rate for young workers has long been substantially higher than that of older workers, the severe job losses and anemic labor market recovery from the Great Recession have left millions of young workers in a particularly tough spot.[2] A quarter of the job losses for young workers came after the Great Recession was officially over.[3] Moreover, the rising number of young people connected to neither education nor the labor market is of particular concern. 5.8 million young adults, or nearly 15 percent of 16 to 24 year olds, are neither working nor in school.[4] The recession has made the crucial transition from school to work particularly difficult.[5] Youth unemployment is one of the most serious economic and social problems facing the United States today.

Today's labor market failures have long-term consequences for unemployed youth. A growing academic literature on the "scarring" effects of launching a career without a job suggests that young people who endure early spells of unemployment are likely to have lower wages and greater odds of future unemployment than those who don't. Studies indicate a 10 to 15 percent wage "scar" from early unemployment, and those earnings losses persist for at least 20 years.[6] These findings hold for individuals with a college degree, and the prognosis for individuals without a college degree is grimmer still.[7]

Youth unemployment impacts the health of the economy as a whole, too. One million young Americans experienced long-term unemployment during the worst of the recession, and research suggests that joblessness will account for a staggering $20 billion in lost earnings over the next decade. If the recession had not occurred then young Americans would have earned on average about $22,000 more per person.[8] Every year of high youth unemployment means lower tax revenue and higher safety net expenditures for federal and state governments. High youth unemployment costs $9 billion in foregone tax revenue and benefits paid out each year at the federal and state level, with the vast majority (93 percent) of the cost coming in the form of lost federal and FICA taxes.[9]

Today's high rates of youth unemployment are due, in part, to an economic recovery characterized by persistently weak demand. Expansionary fiscal policy solutions, such as large-scale ongoing public investments, would help all jobless workers. However, the current crisis demands a set of solutions aimed specifically at helping young workers. Below are 12 ideas for fixing the youth unemployment crisis:

1. **Double-down on community colleges.**
   America's community colleges represent the most promising pathway to high-quality employment for millions of American youths. Somewhere between a third and a half of American undergraduates are enrolled in community colleges today, yet community colleges receive only 20 percent of federal higher education funding.[10] The current system is heavily dependent on pro-cyclical state and local budgets such that funding decreases in down times, precisely when the demand for upgraded skills is highest. A long-overdue doubling-down on our nation's investment in "gateway higher education" should include the establishment of national goals and a related performance measurement system, coupled with the resources necessary for obtaining those goals, and policies designed to incentivize greater innovation in community college practices aimed at enhancing educational quality.[11] Policies should also focus squarely on incentivizing collaboration between community colleges and employers in order to develop training for fast-growing high-demand industry. Finally, policies ought to incentivize community colleges' focus on taking a "career pathway" perspective on curriculum development, offering students an integrated collection of programs and services intended to develop core academic, technical, and other job-related skills through continuous education and training resulting in employment in high-demand, high-opportunity jobs. For instance, new policies should encourage community colleges to develop stackable credentials, a sequence of credentials that accumulate over time to build up an individual's qualifications and help them move along a career pathway or up a career ladder.

2. **Expand and revise the Registered Apprenticeships program at the Department of Labor.**
   Combining on-the-job training and classroom instruction through the apprenticeship model has a long history of success. Apprenticeships are a boon to both workers and employers, boosting wages for the employee and increasing productivity for the employer. Other countries, including Germany and the United Kingdom, have had great success with large, well-developed national apprenticeship policies. Indeed, if the United States had as many apprenticeships per capita as Germany, our system would support almost 7 million apprentices. The Department of Labor's Registered Apprenticeship program supports just 358,000.[12] In addition to a limited number of available slots, the current program is largely limited to the skilled trades, such as construction. The concept of a formal, paid training program that combines on-the-job and classroom instruction can be applied to virtually any field, including the rapidly expanding health care and business administration sectors.[13] Expanding the Registered Apprenticeship program in both number of participants and available occupations would create new pathways to work for young Americans scrambling to find a foothold in the economy.

3. **Establish a "Career Internship" standard in order to allow for a shorter-term alternative to the Registered Apprenticeship program.**
   The Registered Apprenticeship program is only one of several ways to bolster valuable on-the-job work experience for young Americans. High-quality internships are another. While many employers offer internship programs, the quality of these experiences vary dramatically. Young workers currently have no way of knowing whether an internship opportunity is a reasonable investment of their time. Employers have few effective ways of marketing their programs in order to attract the best possible candidates. A federally-administered "Career Internship" standard would create a set of parameters that employers would need to attain in order to participate, with eligible programs combining a long-term internship with a school-approved employer, where internship hours serve as a substitute for some classroom hours.[14] Schools would ensure that employers offer valuable training and experience beyond clerical work. Positions would pay at least minimum wage, but require a maximum number of hours per week in order to earn high school or college credit. A Career Internship standard would also include a component to allow out-of-school youth the opportunity to participate. The program would give youth necessary workplace experience while giving employers an opportunity to evaluate and retain future employees. Establishing a national standard for internships would provide a low-cost incentive for employers to improve their existing internship programs in order to attract top talent, while simultaneously generating valuable paid work experience to help youth on-ramp to employment.[15]

4. **Increase the financial incentive for employment through an expanded Earned Income Tax Credit (EITC) targeting childless adults, including younger workers.**
   The EITC provides a tax refund for low-income workers that has gone a long way toward making work pay, and is the nation's largest anti-poverty program.[16] But all childless workers under age 25 are ineligible for the EITC, which means that millions of young workers receive none of the program's proven benefits. Both the President's 2014 budget and several pending bills propose making more young, childless workers eligible for the EITC, and boosting the value of the credit to those eligible. Such proposals have the potential to incentivize employment for young people, and to reduce poverty amongst those who are working.[17]

5. **Ramp up AmeriCorps.**
   Founded in 1994 and run by the federal Corporation for National & Community Services, AmeriCorps places thousands of young adults into intensive service positions at non-profits, schools, public agencies, and community and faith-based groups across the country. Research suggests that program participation is strongly correlated with improved employment prospects for young people. Compared to non-volunteers, AmeriCorps members have a 27 percent higher likelihood of finding a job after being out of work. Amongst those without a high school degree, AmeriCorps boosts employment prospects even more strongly—volunteers had a 51 percent higher chance of finding a job compared to non-volunteers.[18] The demand for AmeriCorps slots far outstrips the supply, particularly at a time when non-profits are having trouble meeting people's needs. While the Edward M. Kennedy Serve America Act authorized the expansion of Americorps from 75,000 volunteers to 250,000 volunteers, Congress has repeatedly failed to appropriate the funds necessary for the expansion to go into effect. Indeed, House Republicans targeted the entire program for elimination in the 2011 budget negotiations.[19] Rather than paring back a program with a proven track record for helping young Americans on-ramp to employment, Congress should commit to funding the authorized expansion.

6. **Reinstate the Youth Opportunity Grant (YOG) program.**
   YOG ran for five successful years between 2000 and 2005, targeting resources in high poverty areas and incorporating research-backed strategies for improving education and employment opportunities for at-risk youth. YOG programs varied across the 36 localities that received program funds, but the wide array of services included education, occupational training, leadership development, intensive case management, and mentorship. Congress defunded the program in 2005 despite later evidence suggesting that communities with YOGs had significant success in reconnecting at-risk youth with the labor force compared to communities without grants.[20] At a time of high youth unemployment, a renewed commitment to evidence-backed, multi-pronged

strategies such as YOG makes sense.

7. **Create pathways to success for out-of-school, out-of-work youth by overhauling school dropout prevention policies.**
   Just 78 percent of U.S. students graduate from high school in four years. Graduation rates for African-Americans and Hispanics are even lower, at 66 percent and 71 percent, respectively.[21] Amongst young full-time, full-year workers, high school dropouts earn about 25 percent less than their peers with a high school diploma or equivalent, and that gap grows over the course of a career.[22] High school graduates have consistently lower unemployment rates than drop-outs.[23] Specific proposals for drop-out prevention include replacing the current School Dropout Prevention program under No Child Left Behind (the current incarnation of the Elementary and Secondary Education Act of 1965) with a competitive grants program to school districts and non-profit organizations for comprehensive programs with wrap-around services designed to increase the high school graduation rate in high-poverty high schools, enable students who have left high school to return to obtain their diplomas, and facilitate the entry of graduates of these high schools into institutions of higher education.[24] The Workforce Investment Act of 1998, the main federal vehicle for workforce development policy that is up for reauthorization, provides a second window of opportunity for more effective drop-out prevention policy. WIA reauthorization should amend the definition of "eligible youth" to include students at risk of dropping out, and direct WIA funding toward programs and services that meet the above criteria defined in the context of the Pathways program.

8. **Reauthorize and reform federal policies to improve Career and Technical Education (CTE).**
   CTE provides career education at the high school level, a critical investment in the future American workforce. An effective reauthorized Perkins Act, the main federal vehicle for CTE programming, would include a substantial financial investment in a system that focuses on aligning the skills taught in CTE programs with the skills demanded by high-growth industries in the local labor market and beyond; incentivizing a collaborative approach between secondary schools, community colleges and other institutions of higher education, employers, and industry groups; requiring accountability and data collection to allow for the evaluation of CTE approaches in order to consistently hone policies toward best practice approaches; and promoting mechanisms to incentivize state-level reforms that move policies at the state and local level toward evidence-based best-practice approaches.

9. **Boost mentoring.**
   Mentors have the power to boost young people's career prospects in a variety of

ways. Data shows that effective mentoring results in improved academic performance, reduced truancy, better health outcomes, reduced juvenile crime, reduced adult crime, and reduced need for social services.[25] Taken together, these findings suggest that the grit and character fostered through mentoring programs can have a meaningful, long-lasting impact on young people's lives, and on their employment prospects. Currently, 18 million kids in the United States want and need a mentor, but just three million have one.[26] Public investment in mentoring programs returns about $2.72 in benefits for every dollar spent.[27] Employers, non-profits, and government should back bold efforts to recruit millions of new mentors in order to transform the lives of youth.

10. Encourage partnerships to improve impact.

Wherever possible, policies should aggressively incentivize collaboration between the workforce development system, higher education, and employers to encourage opportunities for students to simultaneously earn credit for work-based learning. The Community College to Career Fund Act (S. 1269, introduced by Senators Franken, Schatz, and Durbin) is a fantastic example of such an approach. The proposed legislation authorizes competitive grants to partnerships between employers, higher education institutions, and community-based organizations to support job training-related efforts such as registered apprenticeships, on-the-job-training opportunities, and paid internships for low-income students that allow them to simultaneously earn credit for work-based learning in a high-skill field.[28]

11. Engage employers in building a solution.

Surveys of employers large and small suggest that businesses believe they cannot find qualified workers to fill their non-managerial ranks.[29] Businesses already engaged in youth talent development work report seeing a range of positive outcomes, including increases in employee engagement, customer loyalty, and employee retention.[30] The White House Council for Community Solutions has developed an Employer Toolkit, which provides tools for employers helping them engage in soft skills development and work-ready skills training for youth as well as a toolkit helping employers design "earning-and-learn" programs for youth. Employers should be involved from start-to-finish in the design of new programs and policy around workforce development for youth, and the White House Toolkit provides a good example of a policy effort to integrate these valuable partners.

12. Invest in the existing high-quality programs that reconnect young adults to education and employment opportunities.

Community colleges, youth programs funded through the Workforce Investment Act, and Career and Technical Education through the Perkins Act are just a few examples of the many existing funding streams that are currently well below the amounts needed to meet the demands on today's system. Community colleges represent the fastest-growing sector in higher education and a vital pathway to employment and upward mobility for millions of young workers. Yet the community college system is woefully underfunded, receiving less than one-third the level of direct federal support than public four-year colleges.[31] Formula funding for WIA has decreased by more than 30 percent over the last decade, and many training providers are struggling to keep their doors open despite record demand for services. The share of individuals who receive federal workforce development funding and exit the system with some form of credential has declined to the extent that nearly half of those leaving the system have not received training resulting in a recognized credential such as an occupational certificate or an associate's degree.[32] Investing appropriately in today's programs so that service providers can truly meet the needs of their clients is critical to paving the way to a vibrant labor market for the next generation of American workers.

ENDNOTES

1 Bureau of Labor Statistics/Haver Analytics.

2 Shierholz, Heidi, et. al. 2012. "The Class of 2012: Labor Market for Young Graduates Remains Grim." Washington, DC: Economic Policy Institute. http://www.epi.org/publication/bp340-labor-market-young-graduates/.

3 O'Sullivan, Rory, et. al. 2014. "In This Together: The Hidden Cost of Young Adult Unemployment." Washington, DC: Young Invincibles. http://younginvincibles.org/wp-content/uploads/2014/01/In-This-Together-The-Hidden-Cost-of-Young-Adult-Unemployment.pdf.

4 Opportunity Nation. The Opportunity Index 2013.Boston, MA: Opportunity Nation. http://opportunityindex.org/national-trends/.

5 Bell, David N. F. and David G. Blanchflower. 2011. "Youth Unemployment in Europe and the United States." IZA Discussion Paper No. 5673. http://ftp.iza.org/dp5673.pdf.

6 Gregg, Paul and Emma Tominey. 2004. "The Wage Scar from Youth Unemployment." CMPO Working Paper Series No. 04/097. http://www.bris.ac.uk/cmpo/publications/papers/2004/wp97.pdf.

7 Kahn, Lisa B. 2010. "The Long-Term Market Consequences of Graduating from College in a Bad Economy." Labour Economics 17(2): 303-316; Burgess, Simon, et. al. "The Class of 1981: The Effects of Early Career Unemployment on Subsequent Unemployment Experiences." Labour Economics 10(3): 291-309.

8 Ayers, Sarah. 2013. "The High Cost of Youth Unemployment." Washington, DC: Center for American Progress. http://www.americanprogress.org/wp-content/uploads/2013/04/AyresYouthUnemployment1.pdf.

9 O'Sullivan, et. al.

10 Baum, Sandy et. al. 2011. "Trends in Community College Education: Enrollment, Prices, Student Aid, and Debt Levels." New York, NY: The College Board Advocacy & Policy Center. http://www.cgsnet.org/ckfinder/userfiles/files/trends-2011-community-colleges-ed-enrollment-debt-brief.pdf.

11 Goldrick-Rab, Sara et. al. 2009. "Transformining America's Community Colleges: A Federal Policy Proposal to Expand Opportunity and Promote Economic Prosperity." Washington, DC: The Brookings Institution. http://www.brookings.edu/research/reports/2009/05/07-community-college-goldrick-rab.

12 Olinksy, Ben and Sarah Ayres. 2013. "Training for Success: A Policy to Expand Apprenticeship in the United States." Washington, DC: Center for American Progress. http://www.americanprogress.org/issues/labor/report/2013/12/02/79991/training-for-success-a-policy-to-expand-apprenticeships-in-the-united-states/.

13 See Olinksy and Ayres for a description of the United Kingdom's successful expansion of apprenticeships in the service sector.

14 See O'Sullivan, et. al. for a description of one model for a Career Internship standard.

15 O'Sullivan, et. al.

16 Meyer, Bruce and Douglas Holtz-Eakin. 2002. *Making Work Pay: The Earned Income Tax Credit and Its Impact on American Families. New York, NY: Russell Sage Foundation.*

17 Marr, Chuck et. al. 2014. "Strengthenign the EITC for Childless Workers Would Promote Work and Reduce Poverty." Washington, DC: Center on Budget and Policy Priorities. http://www.cbpp.org/cms/?fa=view&id=3991.

18 Spera, Christopher et. al. 2013. "Volunteering as a Pathway to Employment: Does Volunteering Increase the Odds

of Finding a Job for the Out of Work?" Washington, DC: Corporation for National & Community Service. http://www.nationalservice.gov/sites/default/files/upload/employment_research_report.pdf.

19 See Stanley, Tiffany. "The Least Defensible Budget Cut." *The New Republic. April 5, 2011.* http://www.newrepublic.com/article/politics/86230/americorps-obama-bush-republican-budget-cuts.

20 Jacson, Russell H. et. al. 2007. "Youth Opportunity Grant Initiative: Impact and Synthesis Report." Washington, DC: Department of Labor Employment and Training Administration. http://wdr.doleta.gov/research/FullText_Documents/YO%20Impact%20and%20Synthesis%20Report.pdf.

21 Opportunity Nation. 2013. "Increase Pathways to Success for All Youth." http://www.opportunitynation.org/page/-/-opportunity_nation/2012_Summit/downloads/ONFactSheet_IncreasePathwaystoSuccess.pdf.

22 U.S. Department of Education, National Center for Education Statistics. 2013. "Annual Earnings of Young Adults." *The Condition of Education 2013.* http://nces.ed.gov/programs/coe/indicator_cba.asp.

23 Bureau of Labor Statistics/Haver Analytics.

24 See the Pathways to Secondary and Postsecondary Success program proposed by Opportunity Nation in Opportunity Nation. 2013. "Increase Pathways to Success for All Youth." http://www.opportunitynation.org/page/-/-opportunity_nation/2012_Summit/downloads/ONFactSheet_IncreasePathwaystoSuccess.pdf.

25 Heckman, James and Stefano Mosso. 2014. "The Economics of Human Development and Social Mobility." IZA Discussion Paper No. 8000. Bonn, Germany: IZA. http://ftp.iza.org/dp8000.pdf.

26 Susan Jekielek, Kristin Moore, Elizabeth Hair and Harriet Scarupa. 2002. "Mentoring: A Promising Strategy for Youth Development." *Child Trends Research Brief, February 2002; Bruce, Mary and John Bridgeland. 2014. "The Mentoring Effect: Young People's Perspectives on the Outcomes and Availability of Mentoring."* http://www.mentoring.org/images/uploads/Report_TheMentoringEffect.pdf.

27 Anton, Paul and Judy Temple. 2007. "Analyzing Social Return on Investment in Youth Mentoring Programs." Saint Paul, MN: Wilder Research. http://www.mpmn.org/Files/SROI%20Mentoring%20Report%204-07.pdf.

28 See Opportunity Nation. 2013. "Reauthorization of the Workforce Investment Act." http://www.opportunitynation.org/page/-/-opportunity_nation/2012_Summit/downloads/WIAFactSheetOpportunityNation.pdf.

29 Manyika, James et. al. 2012. "Help Wanted: The Future of Work in Advanced Economies. Washington, DC: McKinsey Global Institute. http://www.mckinsey.com/insights/employment_and_growth/future_of_work_in_advanced_economies.

30 Deloitte. 2011. "Deloitte Volunteer IMPACT Study." http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_2011DeloitteVolunteerIMPACTSurvey_ExecutiveSummary_060311.pdf.

31 Goldrick-Rab, Sara et. al. 2009. "Transformining America's Community Colleges: A Federal Policy Proposal to Expand Opportunity and Promote Economic Prosperity." Washington, DC: The Brookings Institution. http://www.brookings.edu/research/reports/2009/05/07-community-college-goldrick-rab.

32 Oates, Jane. 2010. "Training and Employment Guidance Letter No. 15-10: Increasing Credential, Degree, and Certificate Attainment by Participants in the Public Workforce System." Washington, DC: Employment and Training Administration, United States Department of Labor. http://wdr.doleta.gov/directives/attach/TEGL15-10.pdf.

Governance Studies
The Brookings Institution
1775 Massachusetts Ave., NW
Washington, DC 20036
Tel: 202.797.6090
Fax: 202.797.6144
brookings.edu/governance.aspx

Editor
Joshua Bleiberg

Production & Layout
Beth Stone

EMAIL YOUR COMMENTS TO GSCOMMENTS@BROOKINGS.EDU