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# The Role of Sectoral Initiatives in Solving the Employment Problems of Opportunity Youth

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## Abstract

An estimated 6.7 million individuals in the United States are between the ages of 16 and 24 and are not employed, not in school, and have not earned a postsecondary credential. This paper examines the extent to which sectoral initiatives, which operate on the demand side of the labor market, can play a role in facilitating pathways into productive careers for these individuals, who we refer to in the paper as opportunity youth (OY).

It is mainly a review of the literature about the effectiveness of workforce development sectoral initiatives and other programs specifically focused on OY. It first reviews a number of sectoral initiatives in the United States. It then turns to (mainly supply-side) programs funded at the local, state, or federal level that involve employers and are aimed at improving employment opportunities for youth. Lastly, it reviews programs outside the United States. The final section of the paper presents policy recommendations about how sectoral initiatives may be involved in solving the workforce issues of OY.

**Key Words:** Opportunity youth, NEETs, sectoral initiatives, out-of-school youth programs, Job Corps, YouthBuild, Year Up, youth apprenticeships

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An estimated 6.7 million individuals in the United States are between the ages of 16 and 24 and are not employed, not in school, and have not earned a postsecondary credential. In this paper, we refer to these individuals as opportunity youth (OY). The purpose of this paper is to analyze the extent to which sectoral initiatives, which operate on the demand side of the labor market, can play a role in facilitating pathways for OY into productive careers.

### **Triage of Opportunity Youth**

I start out with an informal triage of the OY population. A significant share (as noted below, perhaps as many as 1 million individuals) of these OY are work ready—which I define to mean possessing the knowledge, soft skills, and hard skills to be productive in the labor market and to desire employment—but they are not employed.<sup>1</sup> Ironically, many employers decry the fact that they have job openings but cannot find individuals to hire.<sup>2</sup> A natural question is, why doesn't the labor market match job-ready youth to the job openings of employers?

The fact that the potential labor force entrants among the OY are not employed can likely be attributed to one or more market failures in the entry-level labor market. These market failures include information problems. The youth may be unaware of how to successfully market one's skills and talents; unaware of how to successfully search for a job; and unaware that career development is a lattice in which almost any job, no matter how seemingly meaningless, can lead to better and better opportunities. Information problems may also plague the demand side of the labor market for employers who do not know how to recruit from OY populations. Market

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<sup>1</sup> Bridgeland and Milano (2012) estimate that 3.3 million OY are “underattached” (defined as some education and limited work experience). Sum et al. (2014) report the 2011 unemployment of 16–24-year-olds in the 100 largest metropolitan areas numbered about 2.5 million. This extrapolates to about 3.5 million for the United States—remarkably similar to the Bridgeland and Milano estimate. Undoubtedly some of the individuals are near work-ready, as defined below, but even if the share of these estimates is as high as two-thirds, that implies that there are 800,000 to 1 million OY that are work ready.

<sup>2</sup> Cappelli (2014, Note 2) reports that a Google search for the phrase “skill gap” received over 330,000 references in 2013.

failures may also include statistical discrimination against youth, especially youth of color. This occurs when employers have had a bad experience or perceive that others have had a bad experience with a young employee, and then the employer does not even consider hiring other youth.

Another sizable share of OY may be characterized as near work-ready, which I define as willing and able to work but not yet possessing some of the soft or hard skills required to be productive. The question for this set of young individuals is, why have they not acquired the appropriate skills if they are motivated enough to be willing to work? Secondary education and public job training are typically costless to participants, and community colleges or other training institutions typically have considerable aid, such as Pell Grants, available to low-income individuals. Again, there may be information externalities. The youth may be unaware of education or training opportunities offered by public workforce development agencies. They may perceive such opportunities as nothing more than formal education, and they may have had bad experiences in that venue. Also, financial markets are imperfect because they, for the most part, do not allow individuals to borrow funds for investments in human capital. Student loans are an exception to this market imperfection, although they bring many issues of affordability and repayment difficulty with them (see Hershbein and Hollenbeck [2015]).

The remaining share of OY likely has substantial barriers to overcome in order to become productive members of the labor force. They may be in the criminal justice system, may be pregnant or a single parent with limited child care options, may be extremely deficient in basic skills, may have substance abuse issues, or may have other significant challenges. Many worthwhile organizations target this share of the OY population and achieve success with many young individuals, but this paper focuses on the first two sets of OY—the work ready and the

near work ready. The market failures and information externalities briefly summarized suggest that there is a legitimate role for public policy in intervening in the market to assist those subsets of OY.

### **Workforce Development Sectoral Initiatives**

Workforce development sectoral initiatives have evolved from the seminal work of Michael Porter (1990, 1998, 2000) on the economic development advantages of industrial clusters. Such clusters involve collections of regionally based companies operating horizontally or vertically in the same industrial sector(s) in order to exploit localized agglomeration economies. Localized agglomeration economies are externalities that occur when firms locate in the same general area. These economies, or positive externalities, are at least threefold. First are the externalities that arise from an accessible labor pool with appropriate skills. Not only do incumbent workers possess the needed skills heightened by on-the-job training and experience, but training institutions in the region that are meeting the local demands are likely to offer to emerging workers the skills training that is suitable to the cluster. The second benefit is the development of supplier firms (second- and third-tier firms) that keep inputs available and presumably competitively priced. The third benefit may be referred to as network effects: proximity facilitates communication flows that may lead to innovation, business-to-business transactions, and increasing interdependence.

Workforce development entities, recognizing the need for involvement of private sector and other employers in order to be successful, have formed partnerships with some or all of the firms in a cluster. We refer to these partnerships as sectoral initiatives. A major purpose of these initiatives is to more effectively train and place the workforce systems' customers (see Conway and Giloth [2014]). From a workplace development perspective, sectoral initiatives narrow or

bound the occupation(s) that can be focused upon for training, and they are a convenient venue from which to derive employer input into training delivery and job development.

An important structural element of workforce development sectoral initiatives is the intermediary that organizes and convenes (in person or virtually) the participants. In general, employers are focused on their own production issues (inputs, throughputs, and outputs) and maintaining their customer base. Furthermore, employers are engaged in competition with other employers. Educators and workforce development agencies are typically focused on providing services to customers needing skill training and job search assistance. Often, the educational and workforce agencies consider themselves to be in competition as well. An intermediary organization (which sometimes may come from the education or workforce development side of the market) brings together employers, educators, and workforce development agencies to identify and exploit areas in which collaboration among the entities is possible and is beneficial. In some instances, the collaboration may bring in economic development agencies, philanthropic organizations, governmental agencies, or others with an interest in the economic or community development goals of the initiative.

It should be recognized that the intermediaries require funding in order to function effectively. On the supply side of the labor market, the intermediaries get involved in recruitment, provision of services such as training, provision of or referral to support services as necessary, placement, and follow-up assistance. On the demand side of the labor market, the intermediaries conduct job development, organize and communicate with the sectoral network of firms, and help them meet their labor market needs. All of these activities require funding and infrastructure.

The next section of this paper discusses evidence in the literature about the effectiveness of workforce development sectoral initiatives and other programs specifically focused on OY. It first reviews a number of sectoral initiatives in the United States. It then turns to (mainly supply-side) programs funded at the local, state, or federal level that involve employers and are aimed at improving employment opportunities of youth. Finally, the section reviews some evidence about programs outside the United States. The reviews of domestic and international programs and studies are not exhaustive, but rather are only representative. Omissions of programs or studies are not intentional. The final section of the paper presents some policy recommendations about how sectoral initiatives may be involved in solving the workforce issues for OY.

## **EVIDENCE ABOUT SECTORAL INITIATIVES AND PROGRAMS SPECIFICALLY FOCUSED ON OPPORTUNITY YOUTH**

The literature that has looked at the effectiveness of sectoral programs is large and burgeoning (see, for example, Conway and Giloth [2014]). In the first part of this section, I review a selected number of studies in which the sectoral initiative affected the employment of youth. I then review a number of programs, generally but not always with the assistance of government funding, that have been undertaken to facilitate the employment of youth. Finally, I review some studies of international programs. As noted, the programs and initiatives that are reviewed are illustrative and not exhaustive.

### **Domestic Workforce Development Sectoral Initiatives**

#### **Sectoral initiatives random assignment evaluation**

Maguire et al. (2010) is usually considered the most rigorous evaluation of sectoral initiatives. This study features a random assignment framework for evaluating the net impact of

sectoral initiatives on the employment and earnings of individuals at three fairly large, established workforce development programs: Wisconsin Regional Training Program (WRTP) in Milwaukee, Jewish Vocational Services (JVS-Boston), and Per Scholas in Brooklyn. These programs serve individuals of all ages with several different employment barriers, but in particular, around 30 percent of the clients are aged 18–24.

The programs included in the study operate in different sectors. The WRTP program provides short-term preemployment training in construction, manufacturing, and health care; JVS-Boston provides training in preparation for jobs in medical billing and accounting; and Per Scholas focuses on computer technician occupations. The study compares outcomes for randomly assigned entrants to these programs in 2003 to a control group of individuals who encountered the program but were not enrolled in the training services. The treatment and control groups were followed for two years. The services were shown to be quite effective for the overall population of participants—annual earnings increases of \$4,500 (about 18 percent), more months of employment, higher wage rates, and more likely to hold jobs with benefits. Most of the positive outcomes occurred in the second follow-up year.

For youth aged 18–24 in 2003, the statistically significant net impacts when data from all the sites were pooled were about \$3,100 in annual earnings in the second year, one month of extra employment in the second year, 237 hours of employment in the second year, 2.7 extra months in the first year with a wage rate over \$11 per hour, and 2.0 extra months in the second year with a wage rate over \$11 per hour.<sup>3</sup> Whereas the report does not break out the quantitative results by site for the youth subgroup, the text notes that youth at the JVS-Boston site did

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<sup>3</sup> The control group worked, on average, 7.4 months of the second year and averaged 1,095 hours for the year. The treatment group worked, on average, 8.4 months of the second years and averaged 1,332 hours of work for the year.



particularly well vis-à-vis the control group. The authors suggest that this may have occurred because of particularly effective supports at that site.<sup>4</sup>

### **Sector-focused Career Centers evaluation**

A recently completed evaluation that assesses the employment and earnings outcomes of individuals who participated at one of three Career Centers in New York City also finds statistically significant impacts for youth aged 18–24 (Gasper and Henderson 2014). The three sectoral initiatives are the Transportation Career Center, the Healthcare Career Center, and the Manufacturing Career Center. The study uses a quasi-experimental approach that statistically matches individuals who receive services from the sector-focused career centers to individuals who receive services at the Workforce 1 Career Centers in New York City (the City’s One-Stops). This study differs from the Sectoral Initiatives evaluation in a couple of ways. First, because it uses a matching methodology, it is not as rigorous as the random assignment methodology. Second, the percentage of participants in the 18–24-year-old age range is only about 12 percent compared to 30 percent.

Nevertheless, this study finds statistically significant employment and earnings impacts for youth aged 18–24 in the first year after program exit.<sup>5</sup> The net impact of the sector-focused career centers on employment in the fourth quarter after exit was 3.8 percentage points, or about 6 percent. This was statistically significant. Also statistically significant was the net impact on total earnings for the four quarters after exit—\$3,294, a percentage increase of about 30 percent.

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<sup>4</sup>The text notes that there were no statistically significant impacts at the WRTP or Per Scholas sites for youth, which means that positive results were not sizable enough relative to their standard errors to be statistically significant.

<sup>5</sup>At first blush, it appears as though the timing of the positive outcomes for the two evaluations differs. However, the difference is likely due to baseline starting point. The Maguire et al. (2010) random assignment evaluation measures outcomes relative to the *start date*, whereas the Gasper and Henderson (2014) evaluation measures outcomes relative to the program’s *exit date*.

In short, this evaluation presents quite strong evidence that a sectoral initiative can have positive employment and earnings impacts on young people between the ages of 18 and 24. The results for the youth subgroup are not broken out by sector, but the report suggests that overall results are slightly stronger for the Healthcare Career Center than for the other two.

### **Project Quest**

This initiative, funded mainly by the city of San Antonio, has been shown in two studies to be an effective sectoral initiative. Osterman and Lautsch (1996) examine the program in its earliest stages (the program began in 1993). This study uses program data supplemented by personal interviews but does not have any sort of comparison group, so it does not attempt to provide net impact estimates. The study does not provide a full descriptive distribution of the age of participants, but it does note that the program served individuals between the ages of 17 and 55 and the mean age was 30, which suggests that many of the participants were between 17 and 24. While this study is quite dated, it points out two interesting aspects about the program that likely translate to the start-up of any sectoral initiative intended to serve youth. First, at its start-up, Project Quest had a commitment by employers to hire a large number of program participants after their training. Second, because the basic skill levels of many of the participants were not adequate to succeed at the skill training offered at the local community college, Project Quest staff worked with some employers to reshape the tasks and responsibilities of jobs so that program participants could be hired and retained.

Rademacher, Bear, and Conway (2001) conduct a second study of Project Quest. They note that the target sectors (at the time) were health services and business systems/information technology. The authors conclude that Quest succeeded because of its participant supports and because of aggressive job development by staff members. For individuals with low basic skills,

Project Quest had a course called Basic Education Training that raised reading and math skills to the 9th grade level and a Workforce Development Academy that raised skills to the 12th grade level. The program did not provide a stipend to participants, but it did pay for training, books and supplies, transportation, child care, and other assistance. Finally, Quest had individual counselors whose self-defined mission was to do whatever was possible to help participants stay in school and complete training.

### **Center for Employment Training**

In the 1980s, two evaluations of a youth employment program operated by the Center for Employment Training (CET) in San Jose, California, found labor market outcomes (employment, wages, and earnings) that were sizable and statistically significant (Cave et al. 1993; Zambrowski, Gordon, and Berenson 1993).<sup>6</sup> The studies suggest that CET was successful, even though it did not screen a lot of trainees, because it provided training in a work-like setting, required a full-time commitment from trainees, involved employers in the design and delivery of training, integrated instruction in basic skills into the training, and allowed trainees to progress as they mastered competencies, without any fixed schedule.

CET is often hailed as a model youth program, so the Employment and Training Administration (ETA) of the U.S. Department of Labor (USDOL) tried to replicate its success at 12 other sites. Miller et al. (2005) evaluates the CET Program Replication and unfortunately finds that across the sites, there are no positive employment or earnings impacts for the youth.

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<sup>6</sup> San Jose was a site in random assignment evaluations of two national initiatives. The Cave et al. (1993) study was evaluating the JOBSTART Demonstration. JOBSTART provided comprehensive employment-related services to 17- to 21-year-old economically disadvantaged youth who had dropped out of school and whose reading skills were below the 8th grade level. JOBSTART was implemented at 13 sites, including San Jose. Zambrowski, Gordon, and Berenson (1993) evaluated the Minority Female Single Parent (MFSP) Demonstration. This demonstration program was implemented at four sites, including San Jose. It provided comprehensive employment-related services plus supports in the form of child care assistance, basic education, occupational skills training, and job placement assistance to the target population.

The most positive finding from the Replication Sites is that in the four sites that demonstrated the highest level of fidelity to the San Jose program, the youthful participants engage in higher levels of education and training.

### **Regional innovation clusters and grant programs**

Over the last decade or so, the federal government, mainly through USDOL/ETA, has funded a number of initiatives that might be considered workforce development sectoral initiatives. In almost all of the cases, the government's approach has been to provide funds to regions across the country that have identified activities to develop and grow sectoral partnerships among employers, educational entities, economic development agencies, and workforce development agencies. The general purposes of these activities have been to promote job creation and regional economic development. Inevitably, some of these activities have served disadvantaged youth, but that has not been their primary, or even stated, objective.<sup>7</sup> These activities include the following:

- **Workforce Innovation in Regional Economic Development (WIRED).** Initiated in November 2005, WIRED invested over \$300 million in grants to 39 regions across the country over the period from 2006 to 2011 to develop partnerships and undertake activities at the local level that would engender “regionalism”; that is, having institutions work together toward a common vision that would result in enhanced regional economic development.
- **High Growth Job Training Initiative.** Also funded at around \$300 million, the initiative (2001–2007) differed from WIRED in that the government identified 14 sectors for which it solicited grants.<sup>8</sup> It awarded approximately 160 grants, mainly to state workforce agencies, community colleges, and national trade associations. The stated purpose was to make the workforce development system more demand-driven (i.e., focused on the needs of growing and high-demand industries) by engaging business, industry, and education partners to identify workforce challenges and solutions.

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<sup>7</sup> The data system for the H-1B Technical Skills Training Grants, for example, does not even track participant age. See USDOL/ETA (2013).

<sup>8</sup> The sectors include advanced manufacturing, aerospace, automotive, biotechnology, construction, energy, financial services, geospatial technology, health care, hospitality, information technology, retail, and transportation.

- Community-Based Job Training Grant Program. ETA funded 279 initiatives in 49 states between 2005 and 2009 through four rounds of competitive funding totaling \$250 million. The grants went mainly to community and technical colleges to design and implement training programs to provide workers with skills needed in high-wage, high-demand jobs. The grantees were required to form strategic partnerships with employers and industry, workforce investment boards, school districts, and other community entities to ensure that the training programs were linked to industry needs.
- Trade Adjustment Assistance Community College and Career Training Grants (TAACCCT). This program is very similar to the Community-Based Job Training Grants. It provides community colleges with funds to expand and improve programs that can be completed in two years or less, that are suited for workers eligible for training through the TAA for Workers program, and that prepare program participants for high-wage, high-skill occupations. Approximately \$500 million of grants have been awarded annually over a four-year period starting in 2011.
- H-1B Technical Skills Training Grants. This grant program again targets high-growth industries and occupations. Totalling over \$340 million, 79 grants were awarded in 2011 and 2012 that were intended to raise the skill levels of American workers so that they can obtain or upgrade their employment in high-growth industries. About half of the grants went to organizations providing on-the-job training contracts to participants.
- Jobs and Innovation Accelerator Challenge Grants. The stated purpose of these grants is to help regions achieve the benefits of collaborative, cluster-based regional development. Several government agencies have combined to invest slightly over \$60 million at 30 sites across the country. These grants were awarded in two rounds of solicitations in 2011 and 2012.

The federal government, mainly through ETA, has provided a substantial level of resources to sectoral initiatives with workforce development agendas across the country. As noted, this investment was usually targeted at high-growth industries and technical occupations, so it may not have assisted many OY. It is doubtful that the performance goals of many of the grantees even mentioned OY. However, since much of the funding went to community colleges or to K-12 educational systems, it is likely that some jobs were created for or some training was received by OY.

## Domestic Youth Programs

### Job Corps

Job Corps is the largest program in the United States to serve OY.<sup>9</sup> It is, however, mainly a supply-side intervention, and so we will summarize it briefly. Started in 1964, it serves disadvantaged youth between the ages of 16 and 24, primarily in a residential setting. The program's goal is to help youth become more responsible, employable, and productive citizens. According to USDOL (2007), students at a Job Corps center participate in comprehensive, career-oriented training. They may participate in work-based learning experiences with local employers. For graduates and former enrollees, Job Corps provides placement assistance for employment, education programs, and the military, as well as transitional services and follow-up support.

Students may remain enrolled for up to two years, and while the average length of stay is nearly eight months for all students, graduates remain an average of 11.6 months. An optional third year is granted for students who qualify for advanced training.

The latest available performance report (USDOL 2013) noted that the Job Corps achieved the following outcomes for program year 2011 (October 1, 2011–September 30, 2012):

• Attained GED or HS diploma	57.4%
• Completed career technical training	61.8%
• Both GED or HSD and career training certificate	48.4%
• Ave. literacy gain (grade-level equivalents)	2.58
• Ave. numeracy gain (grade-level equivalents)	2.48
• Attained industry-recognized credential	77.3%
• Placement related to career technical training, in military, or postsecondary enrollment	68.6%
• Former enrollee placement	44.6%
• Graduate initial placement rate	81.7%
• Graduate average wage	\$9.60
• Graduate full-time placement	62.1%

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<sup>9</sup> It serves approximately 60,000 youth per year.

- Graduate 6-month follow-up placement 71.1%
- Graduate 6-month average weekly earnings \$408.60
- Graduate 12-month follow-up placement 67.5%

Since Job Corps is such a prominent part of USDOL’s youth activities, the department has invested in a sophisticated and long-term evaluation to determine how outcomes compare to what youth might accomplish absent their participation in Job Corps. Schochet et al. (2006) has, for the most part, found positive educational and criminal justice system involvement outcomes in its long-term follow-ups of a random assignment study, but less sanguine labor market returns or other outcomes. The main findings are as follows:

- Increased education and job training. Relative to the control group, Job Corps participants received about 1,000 more hours of education and training, and increased their receipt of GED and vocational certificates by 20 percentage points.
- Short-term earnings gains. In the first two years after the program, the earnings gains per participant were about \$1,150 (12 percent). However, except for the older youth (20–24 at the time of application—about 25 percent of participants), the earnings gains disappear by the fifth year after the program.
- Reduced involvement in the criminal justice system. The rates of arrests, convictions, and incarceration were all lower for participants than controls.
- Modest or no impacts on other outcomes. Job Corps had small beneficial impacts on receipt of public assistance and on self-assessed health status, but no impacts on illegal drug use or fertility. It had small positive impacts on the percentage married or living with a partner and on the percentage living on their own.

### **Youth apprenticeships**

Wisconsin has been active in promoting youth apprenticeships for high school students. In addition to being enrolled in their normal high school academic classes, youth apprentices are simultaneously in an apprenticeship-related class and are employed by a participating employer under the supervision of a skilled mentor. Students in one-year programs complete 450 hours of mentored worksite learning, while the two-year certificate students obtain 900 hours in work-

based learning, which complies with federal and state child labor laws. Formal apprenticeships have been established in 14 programs: printing, auto collision, drafting and design (2), information technology (2), logistics, manufacturing (2), agriculture production (2), tourism, welding, and industrial equipment.

Since 1998, enrollment and state support for the Youth Apprenticeship program ebbed and flowed from around 1,800 students in 1998 to over 3,300 in 2002. Phelps (2012) reports that Youth Apprenticeship enrollment declined slightly, to 1,697 students and 879 graduates in 2011–2012. He notes that in spite of the difficult economic times recently, about 1,200 employers and 230 high schools operated programs in 2011–2012. Since 1994, nearly 16,000 youth apprentices have received certificates from the Department of Workforce Development. In the prerecession era (2005–2008), the program served roughly 1–2 percent of high school graduates annually.

### **YouthBuild**

In local YouthBuild programs, about 10,000 low-income young people aged 16–24 work toward their GEDs or high school diplomas each year while learning job skills by building affordable housing for homeless and low-income people and participating in leadership development activities in their communities. Tomberg (2013) cites the history of this program. YouthBuild began in 1978 as a New York City program to provide youth with educational opportunities, job training, and leadership development through community improvement and revitalization projects. By 1992, the program had grown considerably, both in number of program sites and in funding, and was replicated in 20 cities across the country. Federal funding from the U.S. Department of Housing and Urban Development (HUD) was granted to local programs in 1994 through a competitive process. In 2007, USDOL took over the funding of YouthBuild. As of 2013, more than 110,000 students had participated in YouthBuild, and there



were 273 YouthBuild programs across 46 states, Washington, D.C., and the Virgin Islands. Since the program began to receive HUD funding, YouthBuild students have built 21,000 units of affordable housing.

A rigorous evaluation of YouthBuild as funded by USDOL is in process (MDRC 2013). So the only rigorous evidence about its outcomes can be found in an evaluation done for HUD (Mitchell et al. 2003). That evaluation compared YouthBuild participants at 20 sites to data from the random assignment evaluation of Job Corps, JOBSTART (see footnote 6), youth components of the Supported Work Demonstration, and JTPA Youth. The primary findings are as follows:

- Relatively high costs. The report indicates that per participant costs, excluding construction costs, were about \$15,000 (presumably nominal). These costs were 2½ to 4 times greater than JTPA or JOBSTART, slightly more than Supported Work, and slightly less than Job Corps, although if construction costs were added in, the cost exceeded Job Corps.
- Similar academic achievements. Only 29 percent of enrollees without a high school diploma earned a GED or diploma. This is approximately the same as the *control* groups for Job Corps and JOBSTART, and less than participants.
- Limited employment outcomes. Upon leaving the program, only 36 percent of the participants became employed—far less than any of the other programs or control groups.
- Pursuit of higher education. YouthBuild did have relatively high enrollment into higher education—about 12 percent. This far exceeded the comparable outcome for Job Corps.

YouthBuild (2014) lists the following activities available to participants at its sites around the country:

- Alternative school, in which young people attend a YouthBuild school full time on alternate weeks, studying for their GEDs or high school diplomas. Classes are small, allowing one-on-one attention to students.
- Job Training and preapprenticeship program, in which young people get close supervision and training in construction skills full time on alternate weeks from qualified instructors.

- Community service program, in which young people build housing for homeless and other low-income people, providing a valuable and visible commodity for their hard-pressed communities.
- Leadership development and civic engagement program, in which young people share in the governance of their own program through an elected policy committee.
- Youth development program, in which young people participate in personal counseling, peer support groups, and life-planning processes that assist them in healing from past hurts, overcoming negative habits and attitudes, and achieving goals that will establish a productive life.

## **Year Up**

Year Up, a 501(c)3 organization, started in Boston in 2000 and now operates in 11 sites across the nation. It offers 18–24-year-olds a comprehensive set of services, including 21 weeks of occupational training, classes in professional skills and business communications, guidance and supports, and job development that includes a six-month internship. Year Up is intended for disadvantaged urban youth. The services are provided at no cost to the students, and furthermore, students are provided with a weekly stipend on the order of \$150–\$190 during the first phase of participation, called Learning and Development, and \$190–\$260 during the internship.

Year Up enrolls participants in cohorts of around 40 individuals in March and September of each year. During the first half of the program, students attend classes 4.5 days per week, and in the second half of the program students participate in a six-month internship. According to Engstrom, Fein, and Gardiner (2014), Year Up’s internal data show that it has placed more than 6,600 students in internships since 2001 and maintains active relationships with more than 350 employers.

An early impact evaluation of Year Up shows positive earnings outcomes. Roder and Elliott (2011) are cautious with their findings because of modest sample sizes. But in a random assignment-type study, they find that Year Up participants had annual earnings that were 30

percent greater than controls in the second year due to higher wage rates, rather than higher employment rates, which were only marginally greater. Abt Associates, Inc., is conducting a much larger and longer-term evaluation of Year Up.

## **International**

### **Organisation for Economic Co-Operation and Development (OECD) Action Plan**

Opportunity youth are not just an issue for the United States. OECD held a Ministerial Council Meeting in May 2013, in which the OECD Action Plan for Youth was set out. The OECD Programme on Local Economic and Employment Development (LEED) examined programs across OECD countries and made suggestions about the elements of youth employment strategies. Among its suggestions was the following: “support sectoral approaches to bring together educational institutions, industry organizations, employment agencies and other government departments to develop career pathways, articulating skills requirements and connecting youth to the local economy” (OECD/LEED, 2013, p. 9).

The LEED document goes on to specifically address the challenge of youth not in education, employment, and training. In this case, the focus is more on prevention by investing in early educational improvement and preventing school dropouts. However, two of its recommendations are germane to this paper:

- provide personalized support to help youth progress into employment or training, and
- help youth understand the value of informal and formal learning (p. 9)

### **Glasgow Youth Employability Partnership**

Lessons can be learned by several initiatives outside the United States. The Glasgow (Scotland) Youth Employability Partnership (Adams 2013), established in 2006, seems to have

been effective in stemming, in this city, the continentwide increase in youth unemployment.

Administered by city officials, and involving key stakeholders, the partnership has seven operational themes:

- data sharing,
- early identification,
- provision of services,
- transition and progression,
- employer engagement,
- after-care, and
- monitoring and evaluation.

The employer engagement piece included having prominent business people championing the importance of hiring youth, mobilizing the city's two professional soccer teams to promote the employability of disadvantaged youth, and using the occasion of hosting the Commonwealth Games in 2014 to provide hundreds of youth apprenticeships starting in 2009.

### **BladeRunners**

Molgat (2013) describes the Vancouver, British Columbia, Canada, BladeRunners program. Started in 1994, this program places unemployed, disadvantaged youth (ages 15–30) into the construction industry. It provides participants with three weeks of fairly general training, during which the participants get a nominal \$25 a day wage. It then provides work equipment, places individuals on construction sites, and provides them with mentoring support on a 24/7 basis on or off the job. The program achieves placement rates on the order of 80 percent.

The success of the program seems to hinge on three elements. First, program coordinators screen interested participants to determine whether they are ready and motivated. They make referrals to local agencies if they encounter barriers such as substance abuse that need to be overcome. Second, the program keeps in close touch with employers and identifies prospective trainees and their skills. Furthermore, the program does not require a hiring commitment; rather,

employers may terminate trainees at any point. Program coordinators make frequent visits to sites to check on the progress of trainees and place “star” trainees with employers that are new to BladeRunners. The third element that contributes to the success of the program is the support of the mentoring relationship between the participants and a program coordinator.

Interestingly, BladeRunners offers a wage subsidy to employers of up to \$3 per hour up to a maximum of \$1,300. However, Molgat (2013) reports the following: “. . . very few employers take advantage of the wage subsidy because of the administrative hassle it creates and because many employers choose to directly support the program by waiving wage subsidies. All of those involved with the program, as well as the employers interviewed, maintain the view that the wage subsidy was not a significant factor in securing job placements for participants” (pp. 65–66).

### **Apprenticeships**

Relative to other countries in OECD, Germany and Austria have low youth unemployment rates. Aivazova (2013) suggests that their long-standing and well-developed dual apprenticeship system is at least part of the explanation. Students pursuing vocational training participate in apprenticeships that typically involve one or two days a week in a vocational school and the rest of the week in a training program on the job. According to a European Commission (2012) report, in Germany, 37 percent of all individuals between the ages of 15 and 19 participate in an apprenticeship; in Austria, the share is 26 percent.

While not precisely a sectoral initiative, a hallmark of the German system is the collaboration of the government, private firms, and labor unions. At the national level, these three entities cooperate to set the apprenticeship wage levels and apprenticeship standards. At the

state level, firm, unions, chambers of commerce, and the state cooperate to develop curricula and oversee the final examinations.

## **POLICY PRESCRIPTIONS**

The paper started out with a description of a set of market failures when it comes to facilitating the employment of OY that provide a justification for public policy intervention. This section of the paper suggests ways in which such policy can interact with sectoral initiatives to begin to address the unemployment and underemployment of OY and help them become productive members of the workforce and initiate self-sustaining careers.

The magnitude of the problem is daunting. As noted above, the largest youth employment initiative is Job Corps, which serves approximately 60,000 youth per year at a cost of \$1.5 billion. The number of participants is less than 1 percent of the entire OY population. The Wisconsin Youth Apprenticeship system serves about 2,000 high school students per year, many of whom would not become members of the OY population. If that program were scaled up and replicated in all 50 states, it might serve 100,000 high school students. Bridgeland and Mason-Elder (2012) propose a set of policy prescriptions that they estimate would reach one million OY at an investment of \$6.4 billion. Clearly, any effort to make a sizable increase in the number of OY who get entered successfully into the mainstream economy and world of work will require both setting this goal as a national priority and focused leadership. The private sector, through sectoral initiatives, can play a role.

Before getting into some specific recommendations, this section first lays some groundwork in a discussion of the assets that belong to OY and their liabilities and barriers.

## **Labor Market Assets of Opportunity Youth**

Young individuals who may potentially be members of the employed labor force have many assets that could, and probably should, be productively engaged. Policymakers and potential employers interested in connecting employable youth to the labor market have these assets as a starting point. Part of the reason that employable or nearly employable OY are not in the labor force may be because these assets are not being displayed effectively in their job searches.

Of course, each member of the set of individuals that we are referring to here as OY is unique. But many of them are likely to have life experiences that translate into knowledge, skills, or work habits that could be productive. In particular, it is likely that many of them have lived independently and needed to make basic decisions about living arrangements and stretching resources in order to obtain food, clothing, and shelter. Whether the decisions that were made were right or wrong, they were exercises in problem solving.

Besides independence, many of the youth exhibit resiliency. They are likely to have observed or known of traumatic incidents that affected friends or family more often than most individuals. Yet youth program staff persons indicate that, in general, they move on. Furthermore, it is likely that these young persons have encountered some sort of failure in their lives, and yet they are resilient and try to learn from their experiences. In the ebbs and flows of work situations, resiliency is an asset.

While there is a serious technology divide in this country, and many of the OY are on the wrong side, it is also the case that a sizable share of the OY is technologically savvy.<sup>10</sup>

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<sup>10</sup> Harrington and Snyder (2013) report that a survey of employers indicated that employers perceive teens' technology skills as far superior to the skills of adults applying for entry-level jobs in their firms. Ernst & Young (2013) conducted a study that does not precisely address OY but does relate. This study compares productive workers in three generations: Gen Y (18–32 years old); Gen X (33–48 years old); and Boomers (ages 49–67). Gen Y

Furthermore, given the proclivity of youth to pick up technology skills, it is likely that even if an individual has not had the means or opportunity to be introduced to technological upgrades, they still would be able to pick up the skills and knowledge quickly. Thus a young person should be able to handle or quickly learn the technology aspects of almost any job.

Another asset that OY bring to the labor market is knowledge of the youth consumer market and how to connect with youth. Employers for whom youth is a substantial share of the market can take advantage of this asset. Finally, we suspect that many individuals who have not yet gotten into the workforce have energy and aspirations that will drive them to be willing and productive employees.

### **Liabilities and Needs of Opportunity Youth**

As defined, members of the group that we are identifying as OY are not pursuing education and are not employed. Undoubtedly this group is heterogeneous, but for many of them the reasons that they are not productively engaged in the economy is because of skills deficiencies or other barriers that are hard to overcome, such as encounters with the criminal justice system or substance abuse. Youth in these situations generally need services from organizations that can address and resolve these problems before they are job ready and can consider entering the workforce.

Some members of the OY may be pregnant, or they may be single parents with young children. For these young people, child care arrangements can be a serious impediment to employment. On the other hand, supporting a dependent is a motivating reason to become employed. Since child care is not a responsibility of employers, young individuals in this situation must find informal or publicly provided or subsidized child care.

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were, by far, the “best” at being “tech savvy,” defined as being social media opportunists or leveraging social media beyond marketing. Note that Gen Y was also seen as comfortable displaying “diversity” skills.



Another liability that many OY possess is a lack of adult role models who have participated productively in the workforce. Many of these youth may have been raised in households where a parent or guardian may have been marginally attached to the labor force at best. Some of the OY may have emancipated themselves or been removed from family situations at a young age. Furthermore, if school situations were not successful, it may not have been possible for these youth to establish relationships with teachers or counselors. In short, many youth may need caring adults to help them transition into productive roles in the economy.

Just as some youth may have lacked adult role models, many of the youth may have limited information about career progression. They may perceive low-skill jobs that are probably open to them as dead ends. But these jobs may engender employability skills and work experience that will be stair steps to a sustainable career.

Skills deficiencies in OY may be in the area of basic skills, soft or employability skills, technical skills, or a combination of those areas. In general, these deficiencies can be ameliorated. Many of the successful youth programs described above have training components for basic skills, soft skills, and technical skills. However, unless the young individuals are job ready, as described above, they are likely to need to participate in such a program and get their skills upgraded in order to become employable.

No matter what situation the OY find themselves in, they are going to need the means to feed, clothe, and shelter themselves and any other dependents that they may have. For job-ready youth, getting into productive careers may be the way to get sustainable earnings. For other youth, the most attractive options will be programs that provide stipends while they upgrade their skills or work on overcoming other barriers.

When one considers the liabilities and needs that OY have, it seems as though a fruitful direction for policy or programs is some sort of learn and earn situation—mentorships, on-the-job training contracts, apprenticeships, etc. These arrangements would involve an adult trainer/mentor, provide earnings, and upgrade skills. Hossain and Bloom (forthcoming) sum it up well: “. . . research results suggest that programs for economically disadvantaged and disconnected youth should include several core elements: paid work experience and financial incentives to fulfill unmet needs and ensure a proper level of engagement; linked learning that combines education with real work opportunities; support services to address developmental needs and to mitigate life challenges; and postprogram assistance to ensure a smooth transition to employment or further education” (p. 22).

### **Policy Recommendations**

Initiatives aimed at engaging disconnected youth or OY need momentum among policymakers and the general public to make progress. Gaining awareness of the scope of the issue and its consequences is an important first step. The OECD/LEED (2013) study cited earlier provides a couple of recommendations for raising awareness. Private sector leaders of the community who become aware of the size and scope of the issues can speak out and invite members of the OY to community meetings. As shown in Glasgow, having professional sporting teams promote youth development can go a long way toward reaching youth and breaking down discriminatory attitudes toward them.

The same study notes that in their analyses of the youth employment issues, it was often the case that officials in various localities would acknowledge that disconnected youth were everyone’s problem, but that no one would take responsibility for solutions. So some localities developed explicit documents that laid out actions and responsibilities. Taking a cue from that

study, a desirable action that could be undertaken in this country would be for USDOL/ETA and local workforce investment boards, who are the main implementers of federal workforce development policy, to emulate this practice. In Washington, D.C., and in local areas, there should be explicit written agreements within workforce development agencies between the business service units and the youth services administrators about how programs and initiatives will support and complement each other in serving OY. Furthermore, there should be explicit agreements across workforce development agencies and collaborative partners about how activities can complement each other in helping to connect youth to the labor force. Whereas the focus of this paper is on the demand side of the labor market—that is, how workforce development sectoral initiatives can help to engage OY in employment or training activities—it should be noted that a root cause of the disengagement of many youth was a poor experience or preparation in high school. Strengthening career and technical education, and in particular, integrating work-based learning opportunities, may make high school more relevant and interesting for at-risk students and may stem disengagement. The intermediaries and workforce development partners in sectoral initiatives should ensure that partnerships include K-12 districts, particularly the career and technical education administrators of those districts, and firms should make an effort to serve on career and technical education advisory committees and offer internships or other work-based learning opportunities.

In considering the liabilities and needs of OY, overcoming technical or employability skill deficiencies and simultaneously providing means of support imply solutions that pair “learning and earning.” Apprenticeships are an obvious model, wherein individuals are employed and receiving on-the-job training, while also pursuing related academic instruction. Traditionally, apprentices are older than 24, but programs such as the Wisconsin Youth

Apprenticeship model serve high school students.<sup>11</sup> Again, this kind of program can engage youth who might otherwise flounder in high school and drop out.

Other sorts of “learn and earn” programs operate through either public or private funding. As noted above, Year Up and BladeRunners, which are privately funded for the most part, provide stipends to participants. Federal job training can, in some instances, contract with private sector employers to subsidize on-the-job Training. On the other hand, most publicly funded programs—such as Project Quest, YouthBuild, or Job Corps—do not provide stipends.

Because members of the OY population are not engaged in training or education, outreach to these young people may present a challenge. As a consequence, it would seem incumbent upon workforce intermediaries or other workforce development agencies to have the capability to immediately assist any young person who happens to encounter the agency. Technology should be available to allow an individual to complete a skills and competency inventory, and output a resume on a flash drive that can be given to the youth to support their job searches. Private sector employers who are on workforce boards or are otherwise involved in sectoral initiatives should be offered the opportunity to participate in career fairs for youth, at which they can engage in mock interviews and critique the job search and interview skills of participants.

Some OY may have entrepreneurial skills that can and should be triggered. In addition to the notion of developing explicit written agreements about actions and responsibilities, the OECD/LEED (2013) study provides other interesting recommendations about how the private sector can get involved in promoting youth employment. In Paris, an annual competition called

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<sup>11</sup> Sum et al. (2014) indicate that Georgia and South Carolina also have developed youth apprenticeship programs.

Talent Revealers is staged in which the most successful young entrepreneur is recognized and given a cash prize of 12,000 euros, which is contributed by companies.

As a closing note, it should be recognized that there is no “silver bullet” that solves all the issues for OY. Marginal progress may be the best that can be accomplished. This paper has cited many programs that have invested in significant resources in such youth, and while some studies find positive outcomes for some programs, most research on youth programs note that it is a hard demographic in which to make a lot of progress and bring programs to scale. One lesson that seems to come out of the existing literature is that adequate planning is a necessity. A good example to study is the New York City Young Adult Sectoral Employment Project (see JobsFirstNYC [2014]). The lesson from this initiative is that it is best to go slowly and get potential intermediaries and employers together to jointly formulate interventions before actually enrolling youth.

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