THIS DOCUMENT WAS PRODUCED BY AN OUTSIDE PARTY AND SUBMITTED TO THE OBAMA-BIDEN TRANSITION PROJECT.

Proposal for a Large-Scale Youth Employment Demonstration

President-elect Obama has announced that his economic recovery plan will be designed not only to stimulate the economy and create jobs in the short-term, but also to advance critical long-term objectives, such as promoting energy independence and repairing our infrastructure.

This paper proposes a large-scale youth employment program that would further both short- and long-term objectives. Building on a model that was implemented successfully in the 1970s as well as results from recent rigorous evaluations, the new program would be designed to further three interrelated goals: 1) to provide immediate employment and income to disadvantaged young people; 2) to complete community-improvement projects that would benefit distressed neighborhoods; and 3) to identify the best strategies for linking work and education in order to ensure that young people build their human capital and are better prepared for further education and long-term success in the labor market.

Disconnected Youth and the Collapse of the Youth Labor Market

Although high school graduation and college attendance rates have increased over time in the U.S., large numbers of young people do not move smoothly through the educational pipeline. Nationally, about one-fourth of high school freshmen do not graduate in four years; in the 50 largest U.S. cities, the dropout rate may be closer to 50 percent. Although most of the young people who drop out eventually graduate or, more often, earn a GED, a long delay may place them at a serious disadvantage in competing for jobs and obtaining postsecondary education. Moreover, a significant number of young people become profoundly "disconnected" from both school and work. Nationally, about 14 percent of 18-19 year olds have not graduated from high school, are not attending school, and are not working. The comparative figure is 23 percent for African-American 18-19 year olds.

These figures are particularly concerning because there is an increasingly tight link between education and earnings; postsecondary education has become a virtual prerequisite for admission to the middle class. Also, young men who do not complete high school are quite likely to become involved with the juvenile and criminal justice systems, further damaging their long-term prospects. Fully one-third of male high school dropouts spend time in prison or jail before age 25.

One factor that helps explain the large numbers of disconnected youth is the collapse of the youth labor market. In 2008, the employment rate among 16-19 year-olds reached a post –World War II low, with only 32 percent of teens employed in an average month. With little or no experience in the labor market, young people are ill-equipped for the transition to adult roles.

The Proposed Program

Disadvantaged young people are unlikely to qualify for the relatively skilled jobs created by infrastructure repair projects. Moreover, young people who come of age during the downturn may experience a permanent disadvantage in the labor market. Thus, there is a strong argument for including a large-scale youth employment component in any economic recovery plan. The program described below would operate within a larger, national youth employment initiative, targeting extra

resources to approximately 20 distressed neighborhoods. The extra resources would: 1) allow cities to "saturate" the targeted neighborhoods with job opportunities for youth, and 2) facilitate a rigorous test of innovative strategies for linking paid work with education or training.

The program would be modeled on the Youth Incentive Entitlement Pilot Project ("Youth Entitlement"), which operated from 1978 to 1980 under the auspices of the U.S. Department of Labor. Youth Entitlement involved about 80,000 youth in 17 cities or neighborhoods. In the targeted areas, low-income young people ages 16 to 19 who had not graduated from high school were guaranteed jobs (part-time during the school year and full-time during the summer) if they attended high school and met academic performance standards. More than half of all eligible young people in the targeted cities participated in the program; among those who had heard about the program, 80 percent enrolled. An evaluation that compared participating and non-participating cities found that Youth Entitlement nearly doubled the school-year employment rate and eliminated the substantial gap in employment rates between white and black youth. The demonstration was cut short before data could be collected about the program's long-term impacts. Youth Entitlement was less successful in re-engaging youth who had dropped out of school, and it did not lead to improvements in school outcomes, in part because linkages with schools were not well developed; thus, an updated version would be designed to strengthen those elements of the model. An updated program of similar size would likely cost about $600 million.[1]

The proposed new program would be administered jointly by the U.S. Departments of Labor and Education in order to highlight the goal of linking work with education. Cities would submit proposals nominating particular neighborhoods and proposing specific strategies for linking paid work with education in order to help young people gain both work experience and educational credentials. There would be substantial flexibility, but all proposals would need to focus on young people ages 16 to 19 who live in the targeted neighborhoods. In addition, cities would be required to describe how they intend to meet the special needs of youth with disabilities in their programs. Examples of potential approaches might include:

- A program targeting high school students that would provide a summer job, followed by a part-time job during the school year on the condition that participants maintain good school performance. The jobs might be structured as internships in the private sector that are linked to the content of academic courses, such as in Career Academies, which have been shown to produce long-term increases in earnings for young men. Graduates might receive Performance-Based Scholarships for college, building on a model that has shown great potential in a rigorous experiment in Louisiana and is now being tested in other locations.

- A program targeting out-of-school youth who do not have a high school diploma or GED that would combine paid work with education in a non-traditional setting. Work assignments might be in community-improvement projects identified by neighborhoods (e.g., improving parks,

[1] Youth Entitlement cost $240 million in federal funds, at a time when the minimum wage was about $3/hour. About 2/3 of total federal spending went to participant compensation. The minimum wage in 2009 will be $7.25, suggesting that the cost of a similarly sized project today would be roughly 2.5 times higher, or $600 million.

making homes more energy-efficient, cleaning vacant lots), and youth might be paid for a certain number of hours per week or education or training and/or receive financial incentives for achieving certain educational milestones.

- A program for out-of-school youth that would make work and school sequential, instead of concurrent. Youth would work full-time on neighborhood-based projects, and those who perform well would receive financial incentives for education or training activities.

Some cities might target multiple groups of youth, with tailored interventions for each, while others could focus on a specific subset of young people. Cities could expand existing programs like Youthbuild, Conservation Corps, and others, in addition to starting new initiatives.

Applicant cities would need to identify a single local agency or organization that would coordinate the program. A single national intermediary would coordinate the project nationwide, working under contract to the federal funders. The national intermediary would administer the competition to select the cities and neighborhoods, provide technical assistance to the local sites, and evaluate the program's impact. MDRC played this role in the Youth Entitlement project.

The Evaluation

A rigorous evaluation should assess the implementation, impacts, and costs of the program. The crisis in youth employment is a long-term trend predating the current economic downturn, and it is vital to build evidence on which models are most effective in terms of scale-up and costs, and which strategies are best able to link work with education. There are two main options for assessing program impacts:

- **Comparison site design**: As in Youth Entitlement, targeted neighborhoods (or schools) would be compared to non-targeted neighborhoods in the same or different cities. Ideally, the "program" and "control" neighborhoods would be chosen through a random process. Surveys would be conducted to identify eligible youth in both types of neighborhoods, and either surveys are administrative records would be used to track employment, education, and other outcomes (e.g., criminal justice involvement, out-of-wedlock births) at both the individual and neighborhood levels.

- **Individual random assignment**: Under this design, a lottery-like process would be used to select which eligible youth would participate in the program. Applicants who are not selected would form a control group. Surveys or administrative data would be used to track both groups.

The comparison site design would generate less precise results, but would be more appropriate if the project is designed to saturate the targeted neighborhoods and guarantee jobs to all youth who come forward. The individual random assignment design would be more appropriate if the project was designed to serve a pre-defined number of youth in each neighborhood and it was expected that demand would exceed supply.