

## **Expanding Jobs and Job Opportunities for Young and Disadvantaged Workers in the Recovery Package**

Peter Edelman, Mark Greenberg, Harry Holzer  
Georgetown Center on Poverty, Inequality and Public Policy

*Proposal:* Within the overall recovery package, one priority should be expanding jobs and job opportunities for young and disadvantaged workers, who are likely to face particularly high unemployment rates. We propose a four-pronged strategy for addressing these groups:

- **Year-Round and Summer Jobs for In-School Youth:** 1.5 million service jobs for in-school youth, including 1 million slots for summer only and 500,000 for the school-year .
- **Service Jobs and Training for Out-of-School Youth and Adults:** 1 million service jobs and/or training plus stipends for out-of-school older youth and adults, through a mixture of funding to national programs including YouthBuild and the Youth Service and Conservation Corps, funding to intermediaries, and funding to state and local workforce efforts for creation of publicly subsidized and transitional jobs in needed areas of community and human services infrastructure, including health/elder care, child care/early childhood education delivery, housing construction, rehabilitation and weatherization.
- **Expanded Access to Education:** 1 million additional Pell grants plus stipends to increase the numbers of out-of-work workers who can attend school during the downturn.
- **Committing a Portion of Infrastructure Spending to Disadvantaged Groups:** A set-aside of 15% of the work hours funded by new infrastructure and “green economy” funds for disadvantaged populations, with a requirement to develop apprenticeships for a percentage (30-50%) of the set-aside jobs.

### **Rationale and Costs**

Young and disadvantaged workers are likely to bear the brunt of a harsh labor market downturn, with limited access to “safety net” programs like Unemployment Insurance and to the jobs generated by spending on infrastructure. Also, the numbers of workers who will be without work over the next few years (relative to 2007) are very high. Goldman Sachs has estimated that unemployment will reach 9 percent by the fourth quarter of 2009. At 8.5 percent unemployment for each of the next two years (relative to the starting point of 4.5 percent) an additional 6 million people are unemployed, along with about 2 million more people out of the labor force altogether, each year; if unemployment averages 9.5 percent per year, the number unemployed or out of the labor force would have grown by about 10 million per year relative to the base. Thus, 16-20 million person-years of additional nonemployment would be created. At least half of the

unemployed are unlikely to be receiving unemployment insurance, with young and low-wage workers particularly unlikely to qualify.

Our premises are that there will be significant need for job creation; that the infrastructure spending can be structured to provide some opportunities for disadvantaged populations, but that more will be needed; that there is a particular need to include jobs and job opportunities for young people, in and out of school, who will face enormous difficulties finding jobs in this labor market. Where possible, job creation should be combined with long-term investments in productive skills – i.e., the “human capital” to match the physical capital being generated through infrastructure building. Newly created jobs should contribute meaningful services in key sectors of our economy. Finally, while first priority should be employment, there will not be sufficient job creation to address the needs of all of the unemployed, and this will be a particularly good time for unemployed workers to return to school or to receive occupational training, if they have the financial support that makes it possible to do so, and their schooling/training is focused on jobs that will be in significant demand in a recovery.

Accordingly, here are our recommendations, along with cost estimates:

**Year-Round and Summer Jobs for In-School Youth:** Summer jobs can be an important way to keep youth engaged and get money to families and into the economy; however, without connections to in-school efforts (i.e., those occurring during the school year) or additional programming to ensure they are well-structured, there is little reason to believe that they will have longer-term effects. Accordingly, we think it essential that summer jobs be combined with a strong focus on in-school jobs, with those jobs made conditional on being and staying in school. Moreover, there should be requirements to tie summer jobs to education enrichment and life-skills programming, designed to address achievement gaps and prevent or reduce summer learning losses.

We recommend that these funds be structured as an allocation for in-school and an allocation for summer jobs, with some limited transferability (e.g... 20 percent) to allow responsiveness to local needs, and to ensure that localities that do not fully spend the summer component during the summer can productively use the funds in the rest of the year.

For this component, we propose sufficient funding to allow for 1 million summer jobs and 500,000 year-round jobs for in-school youth. In some instances, the individuals in summer jobs will have been in in-school jobs during the school year --- accordingly, the actual number served will be something between 1 and 1.5 million.<sup>1</sup>

Based on evidence from other programs, we estimate that a summer slot (assuming up to 8 weeks at 30 hours per week at \$7.25 per hour or state minimum wage if higher) plus administrative and enrichment programming will cost about \$2500; and that a school-

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<sup>1</sup> The Youth Incentive Employment Pilot Project (YIEPP) of the late 1970s guaranteed minimum-wage jobs to low-income youth enrolled in high school. It showed strong impacts of these part-time jobs on their employment rates.

year program (roughly 40 weeks at 10 hours per week at \$7.25 per hour or state minimum wage if higher) will cost about \$3000 each. The 1.5 M slots will thus cost about \$4B, plus additional administrative expenses that move it up to \$4.5B. [Note that the administrative burden of managing these slots might be reduced if up to 1/2 million summer jobs are combined with the school-year slots to generate one 12-month job.]

**Service Jobs and Training for Out-of-School Youth and Adults:** We assume that most infrastructure jobs will be higher-skill jobs generally not available to out-of-school youth and disadvantaged adults. While we propose an infrastructure set-aside (below), there is still a need for explicit job creation for lower-skill jobs, and there are significant unmet needs in a range of sectors that could be addressed by those jobs.

Our proposed 1 million jobs for out-of-school youth or adults would be concentrated in sectors like health care, early childhood services and housing rehabilitation which remain in high demand but where funds for jobs are often limited. Some of these jobs call for initial training periods, but there is typically little or no funding available for stipends to provide income support for these workers while they train. Accordingly, we would also allow occupational training with a stipend (to generate badly-needed income). The proposal thus allows for both skill-building and productive employment.

We recommend that this job creation occur through a combination of national programs – including Youth Build and the National Association of Service and Conservation Corps – national intermediaries, and direct funding to state and local workforce boards. The funding for entities such as Youth Build and the Corps needs to provide a higher cost per slot, because they are more comprehensive efforts, including education, skills training, case management and leadership development. Other funding would be less expensive, designed to provide rapid employment opportunities for needed services for individuals in high-unemployment groups with recent work histories.

For those jobs that do not involve more comprehensive services, for out-of-school youths and adults, we assume 50 weeks per year and 30 hours per week at \$7.25 per hour plus administrative expenses for a total of \$12,000 per job per year. A year of occupational training plus a stipend (of \$5-6000) would cost a similar amount. For jobs provided by Youth Build, the Corps, and other more comprehensive programs, average costs are likely to be in the range of \$20,000 per year. We think a blended average in the range of \$15,000 per slot per year is likely to be reasonable.

**Expanded Access to Education:** The one million new Pell grants plus stipends creates important opportunities for low-income youth and adults to attend college during a time when jobs will be hard to find. Our premise here is that even with substantial job creation efforts, unemployment will be high in this period, making this a particularly appropriate time to encourage continuing or returning to school, but that it is essential that there be financial aid, both for schooling and living costs, to make this a viable option. Accordingly, the stipends along with Pell Grants are critical for generating the income that will enable them to be in school. Stipends should be coordinated with funding from other programs, such as UI and TANF, to ensure that there is no duplication.

A million extra Pell grants would, on average, cost about \$3000 in direct expenses. We also favor stipends to generate income for up to 1 million Pell recipients, at \$5000 each (roughly \$500 per month for 10 months), for a total of \$8000 per person.

**Committing a Portion of Infrastructure Spending to Disadvantaged Groups:** Our proposal for a 15 percent set-aside for infrastructure and “green jobs” seems reasonable, relative to experiences observed in Boston and elsewhere, though it would be preferable to have a better picture of the nature and skill requirements of the jobs that are likely to be created in these efforts... The set-aside would require that low-skill jobs within these industries be allocated to the disadvantaged, and that some training opportunities in a sector that frequently suffers from skill shortages (over the longer-term) be available for those who need them most.

**Total Net Cost:** The entire net cost of our program (not counting the infrastructure set-aside, which should generate very little new cost above and beyond what is already envisioned) would be up to \$4.5B for in-school youth, up to \$15B for out-of-school youth and adults, and \$8B for Pell grants – for a total of \$27.5B over two years. This would constitute roughly 3 percent of an \$800B recovery package over this time period.