

I. Why a Major New Federal Initiative is Needed

The Administration and Congress should undertake a major new federal effort to help disadvantaged youth, with a substantial new investment of federal dollars into youth programs and systems.

Why is a new federal effort with increased funding for new youth programs and systems urgently needed, even in a tight fiscal environment and serious recession?

- Over one million young people drop out each year before graduating from high school, and dropout rates have failed to improve during the past few decades. Even among high school graduates, many fail to obtain postsecondary education or succeed in the labor market. At any point in time, 2-3 million youth with high school or less education are “disconnected,” i.e., not in school and not in work for a substantial period of time (e.g., at least six months to a year).
- Disconnected youth are disproportionately minority --- African-American, Hispanic, and Native American. The disparities in education and early labor market experience exacerbate racial and ethnic inequalities in America. Among young minority men, “disconnection” is heavily associated with high rates of incarceration.
- Not only is this unfair to the young people themselves, who do not get the opportunities in life that most of us have; it also imposes a huge *social and economic cost* on the US in terms of crime, lost economic output, etc. While millions of youth lack employment, employers often have difficulty finding skilled workers to fill jobs in key economic sectors, resulting in higher costs and reduced economic output and productivity. This is true even in jobs that do not require four-year college degrees, but do require some post-secondary education and training i.e., *middle-skill jobs* - and pay quite well. Such jobs will continue to constitute nearly half of all jobs generated in the next decade and beyond.
- The challenges facing high school dropouts and less-skilled youth become even more serious during a recession, as youth unemployment rates and unemployment rates for the least educated workers rise sharply.
- The personal and national costs associated with youth “disconnection” appear to be growing over time, due to some major *economic* and *demographic* changes occurring in the U.S. The labor market increasingly rewards cognitive skills and education, and punishes those who lack skills and education (through low wages and weak employment opportunities). High school dropouts now fare quite poorly in the labor market throughout their lives, while high school graduates with no postsecondary training and limited basic and analytical/communicative skills also

- struggle. Employment rates among teenagers of all groups, and of less-educated young men more generally, have been declining over time. Furthermore, as Baby Boomers begin retiring in huge numbers, they will largely be replaced in the labor market by immigrants and their children, who have even lower rates of education and higher dropout rates; thus skilled workers will be even scarcer than before, and the earnings gaps between more- and less-educated workers will rise further.
- Other approaches – including early childhood/pre-K and K-12 reforms – are necessary but not sufficient for addressing these problems.
 - Current levels of funding for youth services fall vastly short of meeting the need, especially for at-risk populations.
 - Despite the mixed nature of research evidence, there are many proven and promising approaches in the areas of career and technical education with work experience, youth employment and training, and youth development/mentoring. So a sensible and well-implemented set of programs would likely be cost-effective.
 - While much of youth service delivery is and should be local in nature, the federal government has a key role to play in providing resources; spurring coordination, planning, systems development, and innovation; and providing technical assistance and promoting proven and promising practices. The challenge is a national one, and it calls for a strong federal response.

II. General Concepts

We think the following general concepts should guide any major new federal youth policy legislation

- **Goals:** We think an appropriate goal would be to cut the “disconnected” youth population, perhaps by half or more, by raising employment and school enrollments over 5-10 years. To achieve this goal, we would need to *prevent disconnection* – by reducing high school dropout rates and raising employment among at-risk youth still in school – and also to *reconnect* those out of school who are already disconnected by helping them reattach to the labor market and/or appropriate educational settings. In addition to reducing disconnection, there should also be a goal of raising high school graduation rates, achievement of postsecondary certifications, and employment and earnings levels for all of these young people.
- **Comprehensive Youth Policy:** The youth activities funded by the Workforce Investment Act should be one important component of a broader and more effective youth system. Major changes in the funding and structure of these activities should occur when WIA is reauthorized. But ultimately these changes should be part of an effort to build a comprehensive policy for at-risk and disconnected youth. Changes in other policies and funding streams for secondary schools and community colleges (such as the Elementary and Secondary Education Act, the Perkins Act, and the Higher Education Act) should be closely coordinated with the workforce development system in order to promote integrated planning and services.

- **Programmatic Activities:** Compensated work activity is essential to engage youth in the short term and to provide an initial introduction to employment, while education is critical for their long-term success in the labor market. Thus, both should be emphasized. Work opportunities for in-school youth and those out of school but returning should be actively promoted, especially as part of or linked to efforts to place these young people into “career pathways.”

Compensated work activity is also consistent with the notion of *reciprocal obligation and reward*, a theme on which new youth legislation can be built that would have wide political support. But these work activities should also be combined with, and where appropriate, integrated into high-quality and intensive educational options, designed to improve basic literacy and occupational skills, to prevent dropping out, and to generate post-secondary credentials that will ultimately lead to more successful employment outcomes for these youth. *WIA funding should primarily focus on such work activity and related services for youth, while other funding streams finance educational efforts in schools.*
- **Youth Systems:** Funds for “system-building” by *intermediaries* at the local level are also important. Such systems would incent and reward the formation of partnerships among secondary and post-secondary school systems, local employers, criminal justice and mental health systems, various social service providers, and public officials. High-ranking representatives from each set of institutions would be required to generate and implement a strategic plan for youth activities in their locality. Incentives and rewards would also be available for the integration of multiple funding streams into coherent systems, thereby enabling limited WIA funds to *leverage* other funding sources. The systems that developed as a de facto matter in conjunction with the operation of the Youth Opportunity Grants in the late 1990s and earlier this decade serve as one model for what could be achieved.
- **Support for Proven and Promising Programs:** Existing national programs that are “proven” or “promising” deserve renewed or increased funding. “Proven” programs are those that have undergone rigorous evaluation through experimental methods with random assignment and have generated clear positive impacts, at least in the short-term. Among such programs are the Career Academies, the Youth Incentive Entitlement Pilot Programs (YIEPP), the Youth Service and Conservation Corps, and the National Guard ChalleNGe Program. “Promising” programs are ones that have achieved significant scale and generated positive outcomes for participants but have not yet been subject to rigorous evaluation (e.g., YouthBuild, the Harlem Children’s Zone, and Youth Opportunity Grants).

III. Proposals for WIA Reauthorization

- **Youth Title:** To elevate the status of youth programs within the WIA systems, a new youth title of WIA should be created.
- **Federal Agency Responsibility:** The Departments of Labor and Education should be charged with joint responsibility for administering the new WIA youth title. Competitive grants would be administered through a joint office of the

Departments of Labor and Education. Dedicated funding for technical assistance and evaluation should be provided to the two agencies.

- **Funding Structure:** To achieve the goal of reducing youth disconnection by half, there should be expanded *formula grants* to states (much of which would be automatically passed through to major cities) and a new set of *competitive grants* for systems-building and innovation; and direct funding to proven and promising national programs.
 - The formula grants would give states and cities significant funding to pursue new education and employment activities for youth who are disconnected or at risk of disconnection, in a flexible manner, within guidelines established by federal policy and subject to performance measurement and other incentives for cost-effectiveness.
 - The competitive grants would encourage both innovative policy and program development and system-building at the city and sub-city levels and in rural areas. The competitive grants would be “challenge” grants that leverage other funding sources with a non-federal match. The bulk of the federal competitive funds would be available to promote local innovation in improving community-wide systems for serving disadvantaged youth. Competitive funding would also be available to support innovative programs. Both types of competitive grants would be subject to rigorous evaluation efforts to build understanding of effective approaches.
 - Additional funding should be provided for well-established national programs that have achieved scale and generate promising outcomes, such as YouthBuild, the Service and Conservation Corps, and the National Guard Challenge program (though funding for the ChalleNGe program should remain under the Department of Defense.). But rigorous evaluation would be required as a condition for funding increases. The Job Corps would be kept as a separate entity, but would not receive additional funding until improvements are generated to strengthen long-term program impacts.
- **Funding Amount:** Total annual funding would be allocated as follows:
 - Formula grants would be increased to \$2B as compared with their pre-Recovery Act level of just under \$1B. Summer jobs in an amount not in excess of \$500 million would be funded out of the formula grants;
 - Competitive grants for local system-building would receive \$500M;
 - Competitive grants for innovative programs would receive \$250M; and
 - An additional \$250M beyond current funding should be allocated among such programs as YouthBuild and the Service and Conservation Corps.

Consolidation of some existing expenditures and reforms or restructuring of existing funding streams will also be necessary.

- **Use of Funds for School and Work:** Both formula and competitive grants would emphasize *paid work experience* and *work-based learning* for in-school and out-of-school youth, including activities such as:
 - Student stipends for participants in Career Academies and other forms of high-quality career and technical education;

- Private sector internships and apprenticeships;
- Summer and year-round employment; and
- Community service, and other public works, including “Green Economy” or “Transportation Corps” efforts.

Linking students to multiple “upward pathways” or “career pathways” that combine school and work, with both academic and occupational education and training as well as work experience, and that lead to good-paying jobs in high-growth sectors would be a major goal in all cases. In many cases, at-risk youth (such as those in school who are under-credited and/or over-age) and those who have dropped out will require intensive remediation of basic skills deficiencies and other structured supports. These services (perhaps including ESL instruction, tutoring, etc.) should be integrated into the curricula but with financing primarily from funding streams other than WIA. The building of a range of credentials that certify skill development and work experience completion would be encouraged, as would new efforts to expand postsecondary access. Spending on job search assistance, child care/transportation needs, mentoring/youth development, building “life skills,” and mental health counseling and supportive services (and substance abuse services, offender reentry and reintegration and emergency vouchers) would be allowable although, again, enhanced from other funding streams in order to be available in adequate measure.

- **Funds for Systems Building:** Formula funding could also be used for “system” building and management at the state and especially the local levels, including the building of “partnerships” among school systems, community colleges, employer/industry groups, criminal justice/mental health systems, and public officials -- all coordinated by designated intermediaries. Existing youth councils under WIA or other entities might play this role, though the coordinating entities would have greater authority and local visibility than WIA youth councils have typically had. High-ranking officials from these institutions would be required to participate in this coordinating body. The coordinating entities would be responsible for developing a strategic local “youth plan” that sets goals and benchmarks and coordinates activities for different populations of disadvantaged or at-risk youth, with localities encouraged to consolidate multiple funding streams to the greatest extent possible. Engaging local employers and achieving scale in these efforts will also be critical. *Incentives for the serious participation of local education agencies/community colleges and employers, and the coordinated use of some of their funding streams, would include bonuses and awards from state-level discretionary federal formula funds for successful local entities as well as competitive grants that are described below.*
- **Use of Local Share of Federal Formula Funds:** Expenditure of locally controlled federal funds would emphasize paid work experience and work-based learning, through requirements that:
 - Some significant fraction (e.g., at least 50 percent) of a locality’s allocation must be used for paid work experience and work-based learning;

- Of a locality's total allocation, a portion (e.g., up to 25 percent may be used for summer jobs, with that amount counting toward expenditures for paid work experience;
- The remainder of a locality's allocation can be used for system-building activities, training and other support services, and other appropriate individual services as permitted under current law;
- At least 50 percent of the local share of federal formula funds (and of the state share as well) must be spent on out-of-school youth.
- **Competitive Grants:** There should be two categories of competitive grants:
 - One category would be used to build local systems, with innovations beyond those supported by the formula grants. Some grants would be used to create a new generation of “Youth Opportunity” grants (which could also be supported by a portion of the formula funding stream).
 - A second category would be used to support innovative programs for reducing disconnection. A limited number of grants might involve “entitlement” projects (like the Youth Incentive Entitlement Pilot Project of the 1970s) in which certain categories of young people are offered a guarantee of paid work experience while in school.

Renewal of competitive grants would be conditional on performance but not guaranteed. All grants would require rigorous evaluation as a condition of receipt.

- **Performance Measures:** Performance of individual participants will be measured by both the attainment of educational credentials (e.g., GEDs, high school diplomas, post-secondary credentials and degrees) and by earnings levels (short-term and long-term), with statistical adjustments for participant demographics and for the numbers of program participants with documented personal barriers and deficiencies at the outset (to prevent creaming). Major bonuses will be offered from formula funds to localities with high performance measures and also for those who achieve scale and successful participation of other entities/funding streams in their local plans. Bonuses for states or localities that achieve significant population-wide progress on outcomes (as opposed to only among program participants) should be considered as well.
- **Eligibility:** Requirements for individual participation would be expanded to cover those aged 14-24. Current eligibility requirements would be loosened to also allow participation by anyone from a household that has recently participated in or received funds from any one of a number of anti-poverty programs (like TANF, Section 8 vouchers, Medicaid, SNAP or school breakfast/lunch, etc.).