

National Service and Youth Unemployment

Strategies for Job Creation Amid Economic Recovery

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Introduction

Federal investments in our national service programs are an important way for Congress and the Obama administration to tackle high unemployment and growing poverty across the nation. The almost two-year-long Great Recession appears to be giving way to an incipient economic recovery, but job growth and wage growth will be slow in the months ahead. Providing short-term employment opportunities for jobless youth and helping to build the capacity of nonprofit organizations to transform participants’ long-term career prospects would strengthen the economy and spur economic demand.

This memo provides a brief snapshot of youth unemployment and its relationship to the Great Recession and federal anti-poverty services. It describes several national service programs— including Youth corps, AmeriCorps, and VISTA—that can be part of a strategy to reverse these trends. We also offer specific policy recommendations to maximize job creation by investing strategically in national service programs.

Youth unemployment

Youth are experiencing the greatest challenges finding work in the current job market. Rates of unemployment are directly related to age—the younger you are, the less likely you are to have a job. Consider the statistics for unemployment by age in October 2009, the most recent available. Adults age 18 to 19 have the highest rate of unemployment, at 25.6 percent, and the rate decreases with every older age group (see table).

Youth with less education are experiencing more difficulty finding a job than those with more. The unemployment rate for youth 16-24 who haven’t finished high school stands today at more than 30 percent. And unemployment adds to the financial pressure of having to pay back student loan debt for those youth who *have* obtained a college education,

Unemployment rate by age group, October 2009

Age group	Unemployment rate
18-19	25.6%
20-24	15.6%
25-34	10.8%
35-44	9.0%
45-54	7.9%
55 and over	7.0%

which averages about \$22,700. A significant number of young veterans are sadly also finding scarce employment opportunities. Iraq War veterans, who are younger as a group than veterans of other wars, recorded an unemployment rate of 11.6 percent in October, which is higher than veterans of previous wars and more than the national average of 10.2 percent. And this unemployment data does not include the growing number of young people—219,000 in the 16-to-24 age range—who have become discouraged and given up on their job search efforts.

Young people who initially cannot find a job often suffer consequences that follow them long after a recession ends. The reason: Time spent not developing work experience makes young workers less competitive for future job opportunities. Indeed, lifetime earnings are diminished with each missed year of work equating to 2 percent to 3 percent less earnings each year thereafter. A study of college students who graduated during the 1982 recession found that they were still earning less 8-10 years later than students who had graduated into a strong economy.

Poverty services: Youth could be of help

Rising youth unemployment coincides with severe troubles for those organizations and agencies that provide assistance to poor and low-income Americans. The most recent Census data confirms what everyone seems to know—poverty is on the rise. In 2008, 39.8 million people—13.2 percent of the population—were living in poverty. A proposed alternative measure suggests even greater actual hardship with one in six Americans living in poverty. Using the official definition of poverty and adding in the near poor leads to a total of 53.8 million people who may be seeking assistance from the nation's non-profits and relevant government agencies.

Current and projected unemployment rates suggest rising poverty over the next several years. The Economic Policy Institute estimates that the U.S. poverty rate will reach 14.7 percent in 2009, and that more than one in four children in the United States (26.6 percent) will be poor by 2010. These trends are not expected to reverse any time soon. Isabel Sawhill of the Brookings Institute predicts that without intervening action, poverty will not return to its 2007 levels for another decade.

Yet nonprofit organizations' ability to respond to the growing need is now severely crimped by state and local government budget shortfalls, declining foundation funds, and a dip in individual charitable giving. Forty-eight states and 91 percent of cities are experiencing fiscal year 2010 budget challenges that affect public services and government grants to non-profits serving low-income residents. Sixty-two percent of surveyed grant makers said earlier this year that they expect their giving to decline in 2009, with nearly half (48 percent) anticipating a 10 percent or more dip in grant awards. Individual giving has historically decreased by an average of 3.9 percent in inflation-adjusted terms during years marked by recessions lasting eight months or more.

The upshot: The long and painful Great Recession means there is an increasing need for poverty services at a time when there are decreasing resources for government and non-profit organization that provide these services. National service and funded youth workers can play a role in addressing these disparities.

National service: A three-fold return on investment

Investments in National Service programs such as AmeriCorps, VISTA, YouthBuild, and other youth corps programs deserve serious consideration as part of a national strategy to tackle unemployment, provide anti-poverty services, and strengthen our economy. These programs can prepare young adults for long-term employment opportunities in the public and private sector.

National service programs create full-time positions that are—in most cases—jointly paid for by public and private resources. These entry-level public service positions pay a poverty-level living allowance or slightly more, and they come with health-care benefits, sometimes child-care benefits, and the opportunity for Segal AmeriCorps Education Awards, which help recipients pay for higher education, educational training, or student loans. National service programs are not designed as long-term career positions, but these national service jobs have historically helped boost job creation by providing opportunities for difficult-to-employ youth and recent college graduates, while also building non-profit organizations' capacity to continue this important social service.

Youth corps

An estimated 1.4 million to 5.2 million youth are out-of-work and out-of-school, facing a desperate future. Youth corps are designed for this population, enabling youth to earn a General Educational Development high school equivalency certificate or a high school diploma while acquiring jobs skills training through service. The most common service projects are in conservation, urban construction, and human services, with a growing emphasis on “green jobs.”

YouthBuild is an example of a youth corps model that focuses on secondary education. YouthBuild members rebuild their lives while rebuilding low-income housing. Participants are 16 to 24 years of age and face multiple challenges. Most fared poorly in school and other programs that failed to provide a supportive climate for learning and development. Joining the program brings them into a community of caring adults and youth committed to each other's success while improving the conditions in their neighborhoods. And upon graduation from the program, they become members of a supportive alumni network for a lifetime.

Youth corps programs work, demonstrating employment and earnings gains as well as reduced arrest and teen pregnancy rates. YouthBuild, in particular, boasts these successes:

- More than 50 percent completion of GED or high school diploma requirements.
- Seventy-six percent are placed in jobs or go on to higher education.
- Fifteen percent enroll in community or four-year colleges.
- Within seven years after graduation, 75 percent were either in post-secondary education or in jobs with an average wage of \$10 an hour.

Youth corps are supported by a variety of public and private funds, including the YouthBuild program in the Department of Labor, and AmeriCorps. Youth corps access more than a dozen other federal funding streams as well as state, local, and private funds. Yet most of these are small—in the range of \$25,000 to \$50,000—which causes program directors to spend excessive time cobbling together resources from multiple sources. The lack of a substantial, stable funding base limits substantial growth and increases the per member costs of corps.

The potential for expanding youth corps is great. YouthBuild programs alone turn away 14,000 young people each year due to lack of funding. And more than 1,800 community organizations submitted full applications to the federal government between 1996 and 2006, but three-quarters were turned down due to lack of funding. Other programs don't fill the gap. New, steady funding would enable the youth corps field to scale dramatically.

AmeriCorps

AmeriCorps engages recent college graduates and veterans in public service while also providing substantial funds for youth corps and other program models. All AmeriCorps members receive Segal AmeriCorps Education Awards when they complete their terms of service. These awards can be used to pay back loans or pay for college or graduate school.

A majority of AmeriCorps members have at least some college experience, and the program has a strong track record of creating pathways to public service fields that are currently experiencing workforce shortages. As Baby Boomers leave the workforce, the non-profit sector will lose more than 50 percent of its current leadership over the next 10 years, requiring 640,000 new leaders. The federal government needs to hire more than 270,000 workers for “mission-critical” jobs over the next three years, according to the results of a government-wide survey. At least 23 percent of the public health workforce—nearly 110,000 workers—will be eligible to retire during the next presidential term. And by 2020, we will need an additional 250,000 public health workers.

The employment opportunities are an excellent match for recent college graduates who may be at risk of long-term underemployment. What's more, AmeriCorps does much more than provide temporary employment. Research shows that alumni are more engaged

in their communities and feel more empowered and are likely to take action to seek improvements. And AmeriCorps graduates were substantially more likely to go into public service careers than a comparison group in one study.

Accelerated investment in AmeriCorps pays dividends in providing short-term employment and in launching young adults into public service careers that might otherwise experience substantial shortages.

Volunteers in Service to America

VISTA participants—about half of whom have some college experience or a college degree—build the capacity of non-profit agencies while receiving a poverty-level living allowance, health and childcare benefits, and Segal AmeriCorps Education Awards. VISTAs help nonprofits raise funds, develop new programs, build community partnerships, and recruit and manage volunteers. In short, they could greatly increase nonprofit organizations' capacity to serve low-income people affected by the economic downturn as well as the long-term poor.

VISTA projects are intended to be sustainable after the term of service, and they often lead to the creation of new jobs in the nonprofit sector as well as the engagement of large numbers of volunteers to deliver services to low-income communities. For example:

- **YearUp.** VISTAs have supported the expansion of YearUp, an innovative job training program for urban youth that prepares and places youth in IT positions that pay \$15 an hour.
- **LIFT.** VISTA provides start-up staffing for new LIFT sites, which draw college student volunteers to help low-income individuals find jobs and support.
- **YouthBuild USA.** Over sixty VISTA volunteers have been allocated to YouthBuild USA to build the capacity of local affiliates, including expanding its green jobs program. There were requests for 280 VISTAs from local YouthBuild programs and more than 1,600 individual applications for these 60 positions.

Approximately 7,700 individuals are serving in VISTA in positions supported through regular appropriations in 2009, and the American Recovery and Reinvestment Act funded an additional 3,000 positions. These workers have been in great demand in recent years. They are typically employed by small nonprofits that can only manage a few VISTA participants, but national groups such as Time Banks USA, the Cities of Service initiative, and other nonprofits, have developed a growing interest. Large organizations could deploy hundreds of VISTAs to focus on specific problems, such as job training, small business development in low-income communities, financial literacy, youth corps, and other programs that address the economic challenges of low-income communities.

Policy recommendations

Congress and the Obama administration could substantially scale up AmeriCorps, VISTA, Youth Corps, and Youth Build with comprehensive federal support over the next 24 months.

In the short term, Congress could invest approximately \$625 million in supplemental FY2010 funds to create 42,000 jobs in these four national service programs in the next few months.

Looking ahead, Congress could create an additional 60,000 positions in FY2011 with an additional \$830 million in above-baseline regular FY2011 appropriations. Bottom line: for less than \$1.5 billion, Congress could engage close to 150,000 individuals in national service for a one-year term of service at a cost of less than \$14,000 per member. This strategy would create the equivalent of over 100,000 new jobs.

This job growth could be accomplished by:

- Accelerating the expansion of the Edward M. Kennedy Serve America Act programs, which include expanded authorization to increase AmeriCorps to 250,000 positions by 2017. This increase could be implemented over a shorter time period if sufficient appropriations were made available, including a fund to relieve matching requirements for programs hard-hit by cutbacks in philanthropy and state and local public sources.
- Creating a new dedicated funding stream for youth corps to stabilize and expand the field. This dedicated funding stream could be implemented through the Department of Labor or the Corporation for National and Community Service.
- Expanding YouthBuild and creating a new Upward Pathways program extending the YouthBuild model to other fields. The CAP report, from Poverty to Prosperity, recommends the creation of a new funding stream for an Upward Pathway program, designed to offer low-income youth the opportunity to engage in service and training in high-demand fields that provide needed public services.
- Creating a new national VISTA program and substantially increasing funding for VISTA. A faster ramp-up of VISTA can be achieved if national placements are accelerated. National placements provide large numbers of VISTA positions to national organizations, which in turn allocate them to organizations in their fields.

AmeriCorps' ability to serve as a pipeline for long-term public service careers for today's unemployed youth could be enhanced by:

- Providing AmeriCorps alumni with noncompetitive status for federal jobs. VISTAs and Peace Corps volunteers currently receive noncompetitive status, which enables federal agencies to hire them for vacant positions without a lengthy competition. This opportunity could be limited to full-time members, or to those from certain prequalified programs such as City Year, the National Community HealthCorps, the National Civilian Community Corps, and other full-time rigorous programs to make the numbers manageable.
- Providing modest funding of up to \$2 million annually for leadership training and support for a strong AmeriCorps alumni organization. An AmeriCorps alumni program currently exists, but it has been substantially undercapitalized. The association could undertake programming to support employment of alums in public service jobs with relatively modest funding.
- Making the Segal AmeriCorps Education Award tax free. The education award is fully taxable, but cannot be converted to cash to pay the taxes. As a result, AmeriCorps alumni using the education award must find the resources to pay the taxes due—a substantial hardship for disadvantaged members, including those serving in youth corps. This measure should have negligible costs based on past scoring.

Potential for expansion of full-time jobs in our national service program

Program	2009	2010	2010 Supplemental	2011
Youth Corps	16,000	30,000	6,500	35,000
YouthBuild/Pathways	4,340	7,100	2,900	15,000
AmeriCorps State/ National	65,000	75,000	25,000	140,000
VISTA	5,340	5,320	9,680	20,000
Total	90,680	117,420	44,080	210,000

Actual national service positions in FY2009 (combines federal and nonfederal sources). VISTA positions reflect member service years (full-time equivalents). 2010 positions will depend on appropriations, which are still to be determined. Figures reflect the President's budget and information provided by The Corps Network on youth corps which receive funding from a variety of federal and nonfederal sources. 2010 proposed supplemental to create new positions in addition to the 2010 regular appropriations number. 2011 columns represent approximate number of total positions possible for each program category (total includes baseline plus proposed growth)

Sources: Corporation for National and Community Service and Dept. of Labor Budget Documents, and supplementary information from the Corps Network and YouthBuild USA

Conclusion

When President Barack Obama signed the Edward M. Kennedy Serve America Act this past April, he summed it up pithily as “connecting deeds to needs.” Yet national service is as much about unlocking potential as it is about meeting needs. It is not just a strategy to create short-term jobs, but rather a proven pathway to create long-term employment opportunities for youth who might otherwise remain jobless or employed in dead-end, low-skill jobs. In this sense, National Service encompasses three principles that form a cornerstone of a comprehensive poverty-reduction strategy and sustainable economic recovery that lifts up all Americans:

- Promote decent work.
- Provide opportunity for all.
- Ensure economic security.

By connecting unemployed youth with opportunities to serve our country and our people, investments in national service can fill the needs not only of low-income Americans but also jobless young Americans. This policy solution also helps the economy overall—putting people back to work creates economic demand that will help get the economy back on its feet.