



# Expanding National Service to Address Long-term Unemployment

By Harry Stein and Shirley Sagawa

January 2016

Center for American Progress



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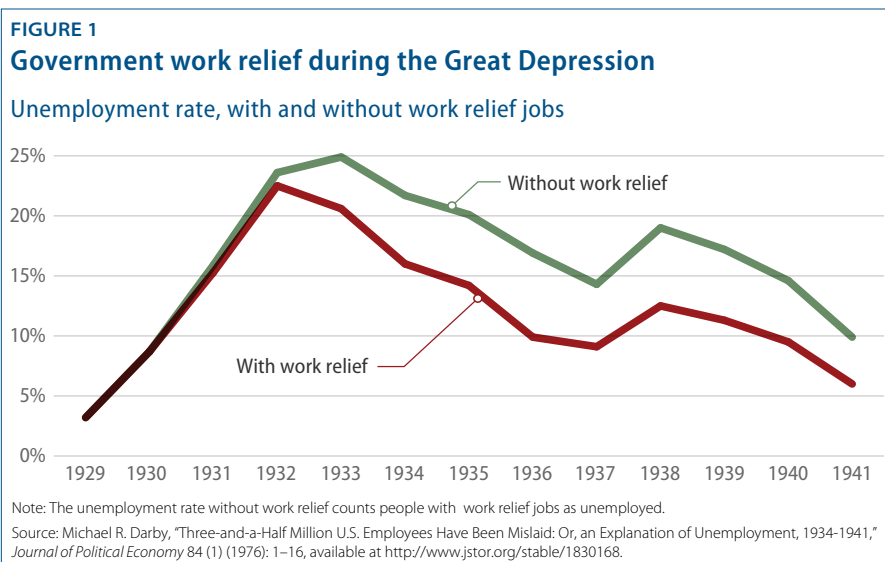
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# Introduction and summary

As of November 2015, approximately 2 million Americans were out of work and looking for a job for 27 weeks or more.<sup>1</sup> While long-term unemployment has fallen significantly after skyrocketing during the Great Recession, this decline has been far too slow and long-term unemployment still remains unusually high even though the recession officially ended in June 2009.<sup>2</sup>

This enormous and ongoing waste of human and economic potential is by no means inevitable—and policymakers should take steps now to ensure that it does not happen again. As President Franklin Delano Roosevelt so rightly declared in 1934: “No country, however rich, can afford the waste of its human resources. Demoralization caused by vast unemployment is our greatest extravagance.”<sup>3</sup> During the Great Depression, policymakers chose to implement what were dubbed work relief programs, such as the Civilian Conservation Corps, to dramatically reduce unemployment. In 1936, these work relief programs reduced the unemployment rate from 16.9 percent to 9.9 percent.<sup>4</sup> The New Deal work relief programs not only put Americans back to work but also saw the building of countless public facilities—including parks, bridges, airports, and roads—that are still in use.<sup>5</sup>



Americans continue to serve their country today in national service programs—such as AmeriCorps—that provide a modest living allowance and education awards for individuals who provide substantial service through programs that address national needs in fields including education, conservation, and affordable housing. These programs could also put Americans back to work in times of high long-term unemployment and provide a lasting legacy for future generations.

In 2009, Congress endorsed a significant expansion of national service by authorizing 250,000 AmeriCorps positions as part of the Edward M. Kennedy Serve America Act.<sup>6</sup> But Congress never followed through with the necessary funding; consequently, AmeriCorps could only support approximately 73,600 positions in fiscal year 2014.<sup>7</sup> Funding all 250,000 positions remains an important policy that should be implemented to strengthen national service regardless of economic conditions. Positions funded through AmeriCorps provide a foundation upon which high-impact national programs such as City Year, Reading Partners, and National Community Health Corps can grow; create opportunities for unemployed youth who are not enrolled in high school or college; and enable grassroots organizations in philanthropically underserved areas to offer positions directed at solving locally determined problems.

National service should also be expanded even further when the need is greatest. This report lays out a plan for a new funding stream for national service that automatically rises when long-term unemployment is high and falls when long-term unemployment is low. Unlike the 250,000 positions authorized by the Serve America Act, new positions created by automatic funding would be temporary and specifically designed to phase out when they are no longer needed as the economy returns to normal. This temporary service would be directed toward project-based work that can be completed on a short timeframe, such as projects targeting conservation and infrastructure, as well as efforts that address the human needs that increase during recessions. The federal government would partner with national service organizations to consistently maintain and update plans to create new positions on short notice to rapidly respond to a future rise in long-term unemployment.

Under this plan, national service would function as an automatic stabilizer. Automatic stabilizers, such as unemployment insurance and nutrition assistance, expand during recessions and contract during times of economic expansion. The need for assistance from the nonprofit sector is greatest when the economy is struggling, meaning that recessions are the perfect time to boost capacity with a

“Everybody can  
be great, because  
everybody can serve.”  
— Martin Luther King, Jr.<sup>8</sup>

surge of national service. Specifically, the plan would establish a formula for an automatic funding source that would support 25,000 new and temporary national service positions for every tenth of a percentage point by which the long-term unemployment rate exceeds 1 percent. The long-term unemployment rate has averaged about 1 percent from 1948 to the present, and no temporary positions would be created whenever long-term unemployment is at or below this historical average.<sup>9</sup> The plan includes guardrails to ensure that national service is not expanded more rapidly than the system can support, and also to prevent economic shocks from withdrawing temporary positions too rapidly.

In the aftermath of the Great Recession, this policy would have responded decisively by supporting a peak of 475,000 temporary national service positions at a time when about 4.6 million people were long-term unemployed.<sup>10</sup> If this automatic policy had been in place from fiscal years 2000 to 2014, it would have cost an average of \$2.6 billion per year—enabling 1.87 million Americans to serve their country for a year during tough economic times and delivering a return on investment of \$3.93 in benefits to society for every dollar spent based on an economic study of national service.<sup>11</sup>

Expanding national service during economic downturns is a win-win-win: National service puts unemployed participants back to work, benefits the communities that participants serve, and helps grow the overall economy. This report describes the problem of long-term unemployment, how national service can put people back to work, and lays out a plan to mobilize the engine of service when it will deliver the most economic benefit.

America needs a substantial investment in national service. Policymakers should get started as soon as possible by setting and following through on a course to fully fund the 250,000 positions authorized by the Serve America Act, while also building the necessary capacity to implement a future temporary expansion. By establishing a system to automatically and temporarily expand national service to decisively respond to spikes in long-term unemployment, lawmakers can ensure that today's service programs will alleviate future economic hardship and build a legacy for tomorrow.

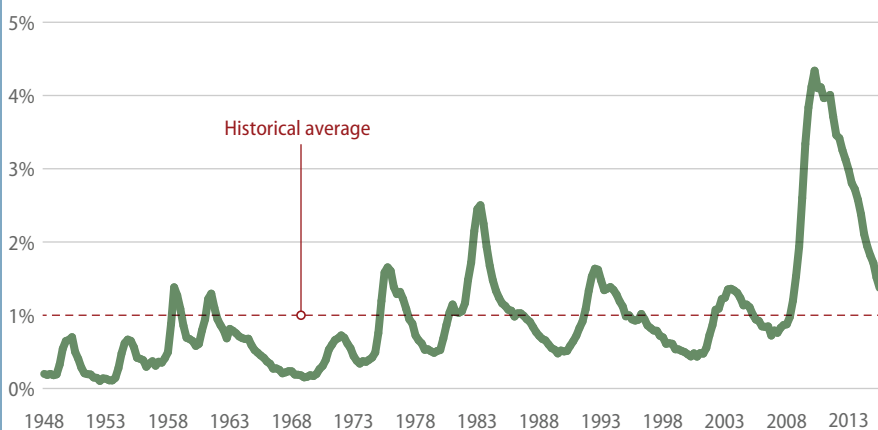
# The problem of long-term unemployment

Long-term unemployment has been a particularly vexing challenge for policymakers with a terrible human cost. While the stock market has fully recovered from the Great Recession and corporate profits are near record highs, long-term unemployment remains significantly above its historical average.<sup>12</sup>

FIGURE 2

## The long-term unemployment rate

Percentage of civilian labor force unemployed for at least 27 weeks



Source: Authors' calculations are based on Federal Reserve Bank of St. Louis, "Number of Civilians Unemployed for 27 Weeks and Over," available at <https://research.stlouisfed.org/fred2/series/UEMP27OV> (last accessed December 2015); Federal Reserve Bank of St. Louis, "Civilian Labor Force," available at <https://research.stlouisfed.org/fred2/series/CLF16OV> (last accessed December 2015).

The long-term unemployment rate has fallen consistently from its peak during the Great Recession, but this recovery has been painfully slow. Moreover, even the slow decline of the long-term unemployment rate is not necessarily the result of these unemployed workers finding jobs. Princeton University economists Alan Krueger, Judd Cramer, and David Cho found that many long-term jobless workers give up on ever finding a job, and once these workers exit the labor force they are no longer technically counted as unemployed.<sup>13</sup> Workers who are unemployed for extended periods of time find it harder to return to work as their skills atrophy and businesses are reluctant to hire applicants with long gaps in their resume.<sup>14</sup>



Long-term unemployment affects people of all demographic groups, but its impacts are particularly devastating for young people trying to enter the job market for the first time. Young workers who have their whole career in front of them can have their lifetime earnings reduced by long-term unemployment. Such earnings reductions also increase fiscal pressure on public benefit programs.<sup>15</sup> In January 2010, the unemployment rate among Americans aged 16 to 24 who were not in school peaked at a whopping 21.7 percent.<sup>16</sup> It was not until 2015 that the unemployment rate among this group returned to approximately 12 percent—its historical average before the Great Recession.<sup>17</sup> As a consequence of this persistent lack of opportunity, in November 2015, there were still approximately 378,000 young Americans aged 16 to 24 out of work who had been looking for a job for at least 27 weeks. These young Americans represented about 19 percent of all long-term unemployed workers.<sup>18</sup>

Failing to address long-term unemployment does lasting damage to workers, their families, and the entire economy. Long-term unemployment is literally debilitating—19 percent of those individuals unemployed for more than one year report having or being treated for depression, compared to 5.6 percent of those with full-time jobs.<sup>19</sup> Longer durations of unemployment are associated with lower wages when a worker is finally able to find a job; moreover this pay cut continues for 15 to 20 years after the episode of unemployment.<sup>20</sup> This damage even extends to the next generation, with longer spells of parental unemployment connected to lower emotional wellbeing for children.<sup>21</sup> The nonpartisan Congressional Budget Office, or CBO, reduced its estimate for long-term economic potential in the United States, in part because of the effects of persistently high levels of long-term unemployment.<sup>22</sup> Clearly, these unemployed workers can and should be contributing to society.

Yet, even a full economic recovery might not be enough to bring the long-term unemployed back into the labor force. Krueger, Cramer, and Cho find that, “Even at times when—or in regions where—the economy is relatively strong, the long-term unemployed face long odds of returning to steady, full-time employment.”<sup>23</sup>

Long-term unemployment has more to do with bad timing than age, occupation, education, or any other measurable factor.<sup>24</sup> The best predictor of whether a worker will become long-term unemployed after losing their job is the date of the job loss; workers who lose their job during a recession have the worst prospects.<sup>25</sup>



Since long-term unemployment makes it harder to ever find a job, these workers need a path back into the labor market. A temporary recession should not cause workers to be permanently cast aside. As Martin Luther King, Jr. said in a 1961 speech to the United Automobile Workers Union, “[W]hen human values are subordinated to blind economic forces, human beings can become human scrap.”<sup>26</sup>

National service can directly address this problem of long-term unemployment by immediately putting the unemployed to work, while building skills to help them find permanent employment. Not only would national service provide a pathway back into the labor market for the long-term unemployed, it would also address community needs that would otherwise go unmet. This sort of public investment promotes short-term economic recovery by bringing more resources into struggling areas, and supports long-term economic growth by expanding productive labor supply.

# How national service can respond to long-term unemployment

National service presents a solution to long-term unemployment by offering individuals the opportunity to gain work experience—supported by a modest living allowance—while developing skills and contacts that could lead to a career in a related field. National service engages Americans of all income and education levels and in urban, suburban, rural, and wilderness areas across the country.

It is important to note that national service positions are not intended to take the place of a safety net or long-term employment. By definition, national service positions are temporary and provide only minimal support to those who serve. National service incorporates elements of traditional employment, volunteering, and workforce development and education. While the traditional national service participant is a young adult between the ages of 18 to 28, there is no age limit in many programs. Because of its education and workforce benefits to the participant, national service appeals to individuals who are in transition—often from school to college or work, but also from one education experience to another or one career to the next. Although little research has been produced on this topic, it is likely that the opportunity to learn and build new skills, develop social contacts, and gain work-related experience all play a role. This may explain why unemployed individuals who volunteer are 27 percent more likely to find paid employment than those who do not.<sup>27</sup>

In a period of high unemployment, individuals may face long periods without paid work. Despite the benefits of volunteering, the lack of compensation may prove a deterrent. However, because national service, unlike traditional volunteering, typically involves payment of a modest living allowance as a means to enable individuals of all economic backgrounds to participate, these experiences are more appropriate to individuals who are out of work. If funded by AmeriCorps, additional benefits may be available, including an education award equal to a Pell grant as well as student loan forgiveness and deferral, health insurance, and child care assistance. In some cases, AmeriCorps benefits do not affect eligibility for other public benefits, which may be important for individuals with limited savings and other resources.<sup>28</sup>

Beyond the immediate compensation and benefits provided, an individual serving in a national service program typically benefits in a variety of additional ways. Depending on the program and its design, national service programs may provide the opportunity to develop work-related skills as well as other broadly useful skills such as teamwork and communication.<sup>29</sup> Research shows that people who participate in national service are happier and both physically and mentally healthier than their peers.<sup>30</sup> In addition, service experiences of all types help to develop social capital, which is directly related to the ability to find work and navigate available informal and formal support systems.<sup>31</sup>

Specialized programs known as youth corps are targeted to youth and young adults, ages 16 to 24, who may have limited education or work experience. In most cases, these programs provide formal job training and education—including GED preparation—along with team-based service, typically related to the job training provided. For example, youth corps of The Corps Network are direct descendants of the depression-era Civilian Conservation Corps and focus on environmental and energy conservation projects along with infrastructure. YouthBuild is a federally funded youth corps that initially focused on construction skills and now incorporates training in other fields, including health care and information technology, while enabling the enrollees to earn a GED or high school diploma while providing community service and gaining leadership training.<sup>32</sup>

Through the experience of serving, individuals typically develop skills that appeal to employers. Employers of National Service—a campaign supported by the Corporation for National and Community Service, or CNCS, the Peace Corps, the Franklin Project, and other partners—identifies employers who agree to recruit national service alumni. The more than 300 participating employers recognize the skills and qualities developed through service and include companies such as Comcast, Disney, and CSX; nonprofit organizations such as the United Way Worldwide, the American Red Cross, and National Association of Community Health Centers, Inc.; and government agencies such as the U.S. Office of Personnel Management, the City of Philadelphia, and the Miami-Dade County Public Schools.<sup>33</sup>

Increasingly, national service programs have developed strategies to enable service corps members to build their skills and credentials, including the ability to earn college credit. In recent years, programs have formed partnerships with colleges and universities, developed innovative strategies to enable participants to earn postsecondary credit for college-level learning through their programs, and incorporated opportunities to earn micro-credentials—which document mastery of particular skills—as well as traditional certifications.<sup>34</sup>

For these reasons, national service has increasingly been recognized as both a workforce development strategy and an experiential form of postsecondary education. During periods of long-term high unemployment, expanding the availability of these opportunities would provide individuals a means of gaining experience, skills, and connections.

In addition, an expansion of national service would provide valuable resources to organizations that are called upon to expand their capacity during tough economic times to provide services such as anti-hunger efforts; programs for individuals at risk of homelessness; job search, training, and other work-related assistance; English language instruction; civil legal aid; and benefits navigation. During the 2008 recession, nonprofits reported significant increased demand for services but decreased ability to meet the rise in demand.<sup>35</sup>

The 2008 recession also illustrated the potential for national service by skilled employees who lose their jobs. Some of these individuals are likely to take positions below their skills levels, thereby displacing other potential workers. However, others could instead be drawn to service opportunities as a way to avoid having a resume gap and to keep their networks and skills fresh.

Given the diversity of potential opportunities, national service could play an important role during periods of high unemployment. For young adults entering the labor market, national service provides the opportunity to enter a field, build skills, and earn credentials that can lead to long-term employment. For older workers, including long-term unemployed individuals, national service experiences may keep skills up-to-date or facilitate a career change.

The next section lays out the policies that must be in place in order to make national service a strategy to successfully address long-term unemployment.

# Implementing a temporary expansion of national service

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## Experience from the American Recovery and Recovery Act of 2009

In 2009, national service was included in federal legislation to address the Great Recession, the American Recovery and Reinvestment Act, or ARRA. This bill provided \$200 million to the Corporation for National and Community Service to engage 10,000 grant-funded AmeriCorps members and 3,000 AmeriCorps VISTA members, along with matching fund relief to grantees and funds for technology infrastructure.<sup>36</sup> These numbers were exceeded in practice, with more than 15,000 individuals able to serve as a result of the temporary funds.<sup>37</sup> ARRA also provided an additional \$50 million for YouthBuild to engage approximately 3,100 members.<sup>38</sup>

ARRA took a far different approach to national service as a strategy to fight unemployment than the approach used during the Great Depression. The Civilian Conservation Corps was run by the federal government, with hundreds of thousands of young men performing physical service to preserve natural resources supervised by government employees and living in camps on government lands.<sup>39</sup> In contrast, the 2009 program engaged a diverse population of approximately 18,000 men and women in a variety of service activities with no limitation on age. Rather than running programs directly, the federal agencies responsible for the 2009 program relied on a network of nonprofit organizations and public agencies that were already running AmeriCorps, AmeriCorps VISTA, or YouthBuild programs, with the federal role focused on making grants or assigning AmeriCorps VISTA positions, and ensuring legal compliance.

ARRA was successful in expanding national service opportunities for both young workers who were struggling to land a first job as well as experienced workers—including veterans—struggling with unemployment. Examples of projects included the following:

- YouthBuild provided positions for youth without high school degrees. Half of these jobs were targeted to green construction, such as converting foreclosed properties into low-income housing, building energy-efficient homes for low-income families, and conducting energy audits and retrofits.
- VISTA AmeriCorps members built the capacity of organizations to engage volunteers, raise funds, and expand service delivery at a time of need.
- Youth Corps of the Corps Network provided energy efficiency and weatherization services to low-income residents along with wildfire remediation and public lands repair and revitalization.
- AmeriCorps members supported with grants offered job counseling and placement services, provided housing foreclosure prevention and financial counseling, strengthened food banks, provided literacy tutoring, and provided financial planning services and other assistance to people facing unemployment, poverty, or other economic challenges.

As a result of this service, by December 2010:

- More than 121,000 Americans received tutoring and literacy services
- More than 219,000 clients received financial literacy services
- More than 113,000 people received services related to home foreclosure and housing assistance
- More than 181,000 individuals received employment skills training and counseling
- More than 15,000 clients were placed in jobs<sup>40</sup>

While ARRA successfully expanded national service opportunities, it also created challenges for the national service field in subsequent years. In 2011, due to budget cuts and expiration of the temporary ARRA grant program, 121 YouthBuild programs lost federal funding.<sup>41</sup> AmeriCorps programs fared better, but only because passage of the Serve America Act resulted in a small increase in annual funding.<sup>42</sup>

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## Principles

Taking lessons from both the ARRA experience and the President Roosevelt's New Deal, a multi-part strategy is advisable for the use of national service as an automatic stabilizer in future recessions. The Center for American Progress proposes the following principles:

- 1. Expand existing programs rather than create of new ones.** Because of the costs and time associated with starting up a new service program and the goal of supporting quality experiences, temporary expansions should be carried out through existing programs that have strong track records. Programs funded by AmeriCorps grants, AmeriCorps VISTA, and YouthBuild should receive priority consideration, since the overall scale of these programs can be flexible over time.
- 2. Prioritize programs—including youth corps and specialized service corps—that build skills and education to improve long-term employment prospects.** To maximize the benefit of the service experience, programs that offer education or skill-building opportunities—such as the opportunity to earn a GED, college credit, or employer-recognized credential—should be given priority for funding. Specialized programs can also engage skilled workers—as Justice AmeriCorps does with lawyers and paralegals to improve legal representation for unaccompanied immigrant minors—which helps these workers maintain their skills after a job loss while performing service targeting important national priorities.<sup>43</sup>
- 3. Provide programs appropriate for both younger workers and experienced workers facing long-term unemployment as a result of the economy.** As discussed earlier, service programs engage individuals with a wide range of skills and backgrounds. Some such as youth corps, are specialized and focus on a particular population, while others seek a mix of individuals or are open to adults of all ages. The type of service may vary from physical labor to office work, and may take place in a wide range of settings, from national parks or urban lots, to non-profit offices or elementary schools. Programs should be identified to ensure that positions are appropriate for everyone from young adults lacking work experience to older workers who need to change fields or develop new skills in order to gain permanent employment, including older workers with physical limitations who need to move from manual labor to less physically demanding work.
- 4. Support programs that prioritize service opportunities for long-term unemployed workers.** While it may be beyond the scope of the Corporation for National and Community Service to enforce a rigid quota for programs to make slots available to long-term unemployed workers, programs that receive funding through a temporary expansion of national service should submit a plan to CNCS for how they will engage the long-term unemployed population. This plan may focus on particular ages, skills, or other characteristics depending on the nature of the program, and include coordination with other programs that assist workers dealing with long-term unemployment.



5. **Direct service to needs that are temporary in nature or related to needs that increase during an economic downturn.** During a period of economic stress, needs commonly addressed by public agencies and nonprofit organizations serving low-income populations are likely to increase, such as anti-hunger efforts; programs for individuals at risk of homelessness; job search, training and other work-related assistance; English language instruction; civil legal aid; and benefits navigation.<sup>44</sup> Programs that engage AmeriCorps members to address these needs, or build the capacity of the organizations that do, should receive priority. Similarly, projects that are temporary in nature, which are easily scaled up and back down again upon completion, should also be targeted. Ideally, these projects would address backlogs and high-priority needs such as physical, transportation, and technology infrastructure; construction, renovation, and preservation projects; disability access; land conservation; disaster response; and energy conservation projects.
6. **Utilize service to address public needs through contracting and procurement in addition to direct support of positions.** Some national service programs, particularly youth corps, are funded in part by earned income paid to the program for its work. This earned income includes government funding from various agencies to carry out public projects. During a period of economic downturn, eliminating maintenance backlogs and addressing other public infrastructure needs should be a priority, as should addressing other large-scale public challenges, from a shortage of English language learning opportunities to improving veterans facilities. These could be addressed cost-effectively by contracts or cooperative agreements with national service programs. The 21st Century Conservation Service Corps, for example, is a public-private service partnership where federal agencies enter into cooperative agreements with youth corps and recreation businesses to accomplish backlogged conservation and infrastructure projects for the public's benefit while engaging youth and veterans in national service.

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## Implementation

The Corporation for National and Community Service, because of its service expertise, should serve as the lead agency to implement a temporary expansion. CNCS should prepare plans to scale up its staff capacity by identifying a dedicated team to prepare for a temporary expansion and training individuals across CNCS and other agencies that could be detailed to implement this expansion. Other agencies should be required to designate an official responsible for ensuring appropriate planning and overseeing implementation.

CNCS should develop an executive branch-wide plan for implementation, well in advance of the triggering of the automatic stabilizer. This plan should include the following elements:

- A process to enable AmeriCorps and YouthBuild programs to apply to be prequalified and prioritized based on the above principles
- An online platform to connect participants with high-quality national service opportunities, and to connect national service programs with projects identified by federal agencies, state, and local governments, and nonprofit organizations<sup>45</sup>
- A process to identify current and former VISTA sponsors working in fields likely to experience increased demand during a period of high unemployment
- A requirement that state service commissions develop plans within their states to implement in the event of a temporary national service expansion
- A marketing and recruitment plan to reach individuals experiencing long-term unemployment to inform them of opportunities to serve, which should include workers of all ages and skill levels
- A plan to protect against negative impacts on communities and programs after the automatic stabilizer expires

Finally, CNCS should identify legislative and administrative barriers that stand in the way of rapid implementation and make recommendations to waive these barriers in the event that the automatic stabilizer is triggered. Areas where such waivers might be appropriate include the following:

- The AmeriCorps requirement for organizations to provide matching funds could be scaled back during a temporary expansion since these organizations may struggle to raise additional funding during a recession.
- Federal procurement regulations may need to be streamlined to enable a rapid temporary expansion of national service programs.
- Restrictions on using AmeriCorps funding to help people access public benefit programs could be suspended during a temporary expansion when the need is greatest for these programs.<sup>46</sup>

These waivers must balance the importance of rapidly responding to changing economic conditions with reasonable rules to maintain high standards for national service programs.

# Parameters for a temporary expansion of national service

Policymakers will need to balance several goals to craft a policy for automatic and temporary national service expansions. First, new service positions should be established rapidly to respond to long-term unemployment before jobless workers permanently exit the labor force. Second, the rate of this expansion should not exceed the rate that nonprofits can expand their own capacity to manage new national service positions, or the rate that the Corporation for National and Community Service can expand its capacity to oversee these positions. And finally, the expansion should be designed to avoid an abrupt cut in support for national service as these temporary positions expire. This section offers a plan to achieve these goals, and estimates the impact that this plan would have for both national service and the federal budget.

CAP proposes the automatic creation of 25,000 positions for every tenth of a percentage point by which the long-term unemployment rate exceeds its historical average of 1 percent. To prevent scaling up more rapidly than CNCS and the nonprofit community can manage, no more than 25,000 new positions would be established in any calendar quarter. To prevent an abrupt cliff in national service funding, these temporary positions would be supported for a full year even if the long-term unemployment rate declines during that period. If the long-term unemployment rate remains elevated at the end of the year, the positions would be renewed for another full year, which would not preclude the establishment of up to 25,000 new positions if the long-term unemployment rate remains high. These guard rails do not limit the overall size of a temporary expansion if long-term unemployment remains high for an extended period, but they do regulate the rate at which national service positions are created and eliminated.

It is well within the capacity of the federal government to establish 25,000 national service positions per quarter, or 100,000 per year. In 1933, the Roosevelt Administration filled 274,375 positions for the newly established Civilian Conservation Corps in just three months.<sup>47</sup> The ARRA created about 15,000 new

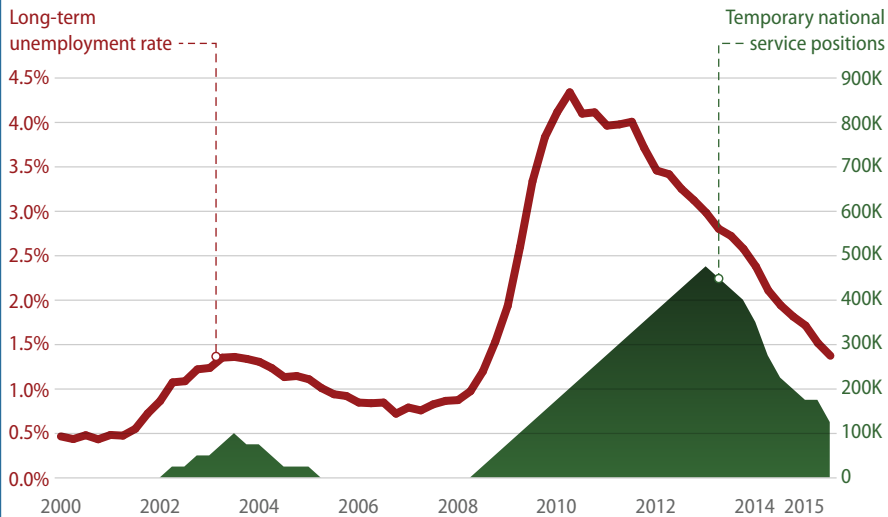
positions through AmeriCorps grants and AmeriCorps VISTA—on short notice and as part of a much broader response to the Great Recession—which increased the size of these programs about 21 percent above their fiscal year 2008 capacity of about 72,000 positions.<sup>48</sup> CAP’s plan makes a rapid expansion possible by requiring CNCS to maintain contingency plans for such an expansion, and by consistently funding 250,000 national service positions across a variety of sectors—increasing the number of pathways for CNCS to implement a temporary expansion.

This proposed policy would respond effectively to both large and small recessions, although it would not eliminate the need for Congress to take further decisive action for deep economic downturns. When long-term unemployment grew above its historical average from 2002 to 2004, this policy would have generated a steady and moderate response, with a peak of 100,000 temporary positions in mid-2003.<sup>49</sup> This would have had the potential to reach 5 percent of the approximately 2 million workers who were unemployed for 27 weeks or more in mid-2003.<sup>50</sup> The objective of the program is not to create a national service position for every long-term unemployed worker, but rather to provide more options for some workers to choose service while the private-sector job market recovers.

When long-term unemployment began to climb sharply in 2008 during the Great Recession, this policy would have steadily ramped up national service. National service would have continued to expand even after the Great Recession technically ended, since long-term unemployment has remained elevated for such a long period of time. A total of 100,000 positions would have been added each year starting in mid-2008, and the number of temporary national service positions would have peaked at 475,000 in 2013. After that, the temporary expansion would begin to wind down as long-term unemployment fell toward its historical average. Under this policy, there would have been 125,000 temporary position in the third quarter of 2015, at a time when there were about 2.2 million long-term unemployed workers and the long-term unemployment rate was 1.4 percent.<sup>51</sup> While a long-term unemployment rate of 1.4 percent typically corresponds to 100,000 temporary positions under this policy, there would still be an extra 25,000 positions that were created previously and sustained for a full year despite the falling long-term unemployment rate.

**FIGURE 3**  
**Long-term unemployment rate and the number of temporary national service positions**

Simulation of CAP policy to increase national service in times of high long-term unemployment, 2000 to 2015



Source: Authors' calculations are based on Federal Reserve Bank of St. Louis, "Number of Civilians Unemployed for 27 Weeks and Over," available at <https://research.stlouisfed.org/fred2/series/UEMP27OV> (last accessed December 2015); Federal Reserve Bank of St. Louis, "Civilian Labor Force," available at <https://research.stlouisfed.org/fred2/series/CLF16OV> (last accessed December 2015).

Expanding national service is a highly cost effective way of responding to unemployment. Funding 25,000 positions for a full year would cost about \$520 million, based on the average cost for an AmeriCorps VISTA position of slightly less than \$21,000.<sup>52</sup> Federal costs for AmeriCorps VISTA positions are significantly higher than typical federal costs for positions funded through AmeriCorps state and national grants, meaning that this cost estimate provides room for CNCS to scale back matching fund requirements for those grant programs.<sup>53</sup>

For the sake of comparison, the average weekly unemployment benefit in 2013 was \$309.44, which translates to an annualized benefit of \$17,328.64 at a time when beneficiaries in high-unemployment states were eligible for more than a year of payments.<sup>54</sup> It should be noted, however, that the average duration of unemployment benefits in 2013 was approximately 17 weeks, so the typical beneficiary did not receive unemployment compensation for a full year.<sup>55</sup> AmeriCorps service may reduce unemployment compensation claims, but it does not necessarily preclude continued receipt of unemployment compensation from a previous lost job—this is determined by state law.<sup>56</sup>

Since a temporary expansion would function as an automatic fiscal stabilizer, the cost of the program will peak during periods of persistent economic weakness, and there will be no cost when the economy is working and long-term unemployment remains at or below its historical average. Based on CAP's calculations, during the milder recession in the early 2000s, the cost would have peaked at around \$1.4 billion in fiscal year 2003 to support between 50,000 and 100,000 temporary positions. In the wake of the Great Recession, spending on temporary national service would have peaked at about \$9.4 billion in fiscal year 2013 to support more than 400,000 temporary positions. For the sake of comparison, federal spending on unemployment compensation—another vitally important automatic stabilizer—totaled \$69 billion in fiscal year 2013.<sup>57</sup>

During the 15-year period from fiscal year 2000 to fiscal year 2014, temporary national service positions would have cost a total of \$38.9 billion, or around \$2.6 billion per year on average. This funding would have provided opportunities for about 1.87 million Americans to complete a year of service and get back into the workforce during tough economic times.

As formerly unemployed national service participants move into permanent jobs where they are paying more taxes and relying less on public benefits, the federal government may be able to defray the costs of the national service program. A 2013 study by economist Clive Belfield calculated that \$1 of public investment in national service yields \$2.15 in fiscal benefits from higher tax collections and lower spending on safety net programs.<sup>58</sup> The same study also looked beyond government to analyze the return on investment for the overall economy, and calculated a return on investment of \$3.93 for every \$1 spent on national service, which includes the value of the service provided and the long-term benefits of a more productive workforce.<sup>59</sup> These estimates are subject to considerable uncertainty, but they suggest that an investment of \$2.6 billion in national service would eventually yield a total of \$5.59 billion in higher tax receipts and reduced spending, and \$10.2 billion total economic benefits.

# Conclusion

Long-term unemployment remains a serious national economic problem, especially since many workers who are no longer counted as unemployed may have exited the labor force having given up on ever finding a job. The persistently high long-term unemployment rate in the wake of the Great Recession indicates a policy response that was inadequate to address the scope of this particular challenge. Expanding national service now by fully funding the Serve America Act is a way to help address the immediate problem of long-term unemployment, as well as increase all of the other benefits that the nation accrues from service. Establishing an automatic stabilizer to fund temporary national service positions would apply lessons learned from the Great Recession to address persistently high long-term unemployment in future economic downturns.

Long-term unemployed workers face particularly steep challenges to finding a job, but long-term unemployment is a solvable problem. During the Great Depression, the federal government made a choice to dramatically reduce the unemployment rate with work relief programs. In addition to putting the unemployed back to work, those programs built roads, bridges, parks, and airports—including many facilities that still exist today, such as Camp David and New York’s LaGuardia Airport.

If lawmakers plan in advance to respond decisively to spikes in long-term unemployment by establishing a system to automatically and temporarily expand national service, then today’s service programs will alleviate future economic hardship and build a legacy for generations to come.



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## About the authors

**Shirley Sagawa** is a Visiting Senior Fellow at American Progress and is the author of *The American Way to Change*, which highlights ways that volunteer and national service is an important but underutilized strategy to solve problems in American communities. She is the President and CEO of the Service Year Alliance and the founder of the Service Year Exchange, a technology platform for full-time, full-year service.

Sagawa served as a presidential appointee in both the George H.W. Bush and Clinton administrations. As deputy chief of staff to former First Lady Hillary Clinton, she advised the first lady on domestic policy and organized three White House conferences—including the first-ever White House Conference on Philanthropy. As special assistant to the president for domestic policy, Sagawa was instrumental to the drafting and passage of legislation creating the Corporation for National Service. After being confirmed by the Senate as the corporation's first managing director, she led the development of new service programs for adults and students, including AmeriCorps. She also directed strategic planning for this new government corporation.

Sagawa graduated magna cum laude from Smith College. She holds a master's degree in public policy from the London School of Economics and is a cum laude graduate of Harvard Law School.

**Harry Stein** is the Director of Fiscal Policy at the Center for American Progress. His work focuses on the tax and spending choices within the federal budget, and he has written extensively about topics including appropriations, tax expenditures, and the budget outlook. Prior to joining the Center, he worked as a legislative assistant to Sen. Herb Kohl (D-WI). His portfolio included the federal budget, tax policy, and national security, including Sen. Kohl's work on the Defense Appropriations Subcommittee. In that position, Stein spearheaded successful efforts to permanently extend the tax credit for employer-provided child care and to compensate troops who had been wrongfully denied benefits that they earned in connection with overseas deployments.

Stein has appeared on radio and television stations including MSNBC, CNBC, and BBC World Service, and he has published opinion pieces in outlets such as Reuters, *The Guardian*, and *Roll Call*. His work has been cited by publications including *The Washington Post*, *The Atlantic*, and *The New Yorker*, and he has been quoted in *The Wall Street Journal*, Bloomberg, *Politico*, and many other major news sources.

Stein is an experienced tax professional and volunteers his time to prepare tax returns for low-income clients through the DC Earned Income Tax Credit Campaign. He received his bachelor's degree in political science and psychology from the University of Wisconsin–Madison.

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